MARTIN CURRIE
A Legg Mason Company

SECURITIES TRUST OF SCOTLAND PLC

Annual report – year to 31 March 2020

Registered in Scotland, no SC283272

www.securitiestrust.com

ABOUT SECURITIES TRUST OF SCOTLAND

Growing long-term, delivering rising income

Securities Trust of Scotland plc ('the company') aims to achieve rising income and long-term capital growth through investment in a balanced portfolio constructed from global equities.

Dividends paid quarterly

We pay quarterly dividends to provide investors with a regular income. Dividends are paid in April, July, October and January.

Focused portfolio managed by Martin Currie

The manager typically runs a high conviction 35-55 stock equity portfolio that is unconstrained by geography, sector, stock or market capitalisation. Martin Currie is an active equity specialist, driven by investment expertise and focused on managing money for a wide range of clients.

Discount management

The company has the authority to repurchase shares at any time. If the average discount exceeds 7.5% in the 12 weeks prior to the financial year-end, a redemption opportunity is triggered (please see page 69).

Independent board

The company is overseen by an independent board. By engaging with and listening to shareholders, the board ensures that the company continues to offer a distinctive investment proposition that is relevant to investors' needs.

Objective

Rising income and long-term capital growth.

Peer group

The company's investment performance (on a total return basis) is measured against the median of all relevant open and closed-ended peers on a rolling three-year basis.

Please see page 16 for more details.

Capital structure

As at 31 March 2020, 104,760,635 ordinary shares of 1p, each entitled to one vote.

CONTENTS

Overview

Chairman's statement	4
Manager's review	7
Portfolio summary	13
Portfolio holdings	14
Strategic report	16
Board of directors	22

Governance

Report of the directors	23
Corporate governance statement	29
Audit committee report	34
Directors' remuneration statement	36

Financial review

Independent auditor's report	38
Statement of comprehensive income	46
Statement of financial position	47
Statement of changes in equity	48
Statement of cash flow	49
Notes to the financial statements	50

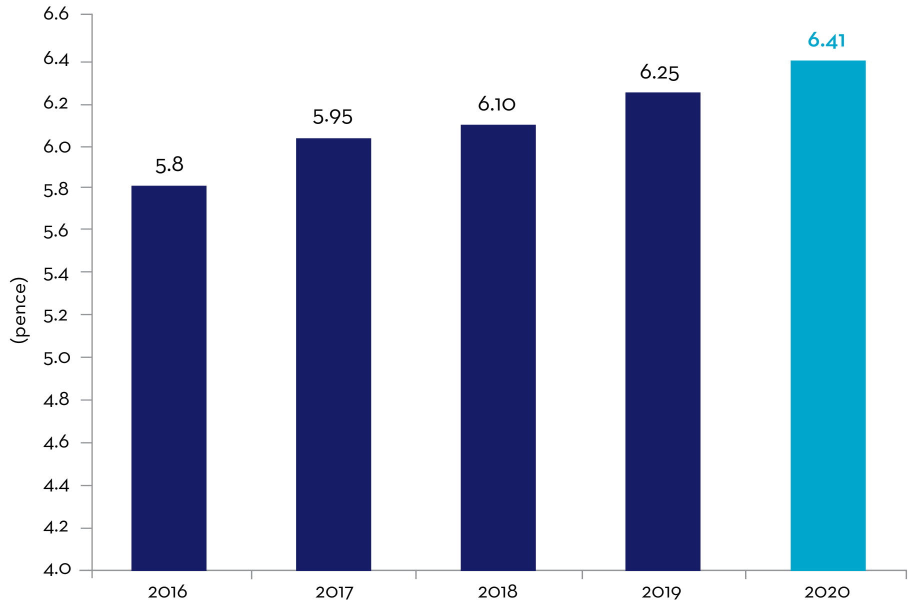
Investor information

Directors and advisers	66
Alternative Performance Measures	67
Glossary of terms	68
Ways to invest in the company	70
Shareholder information	71
Notice of annual general meeting	72

Our objective is to deliver rising income and long-term capital growth.

Rising dividend

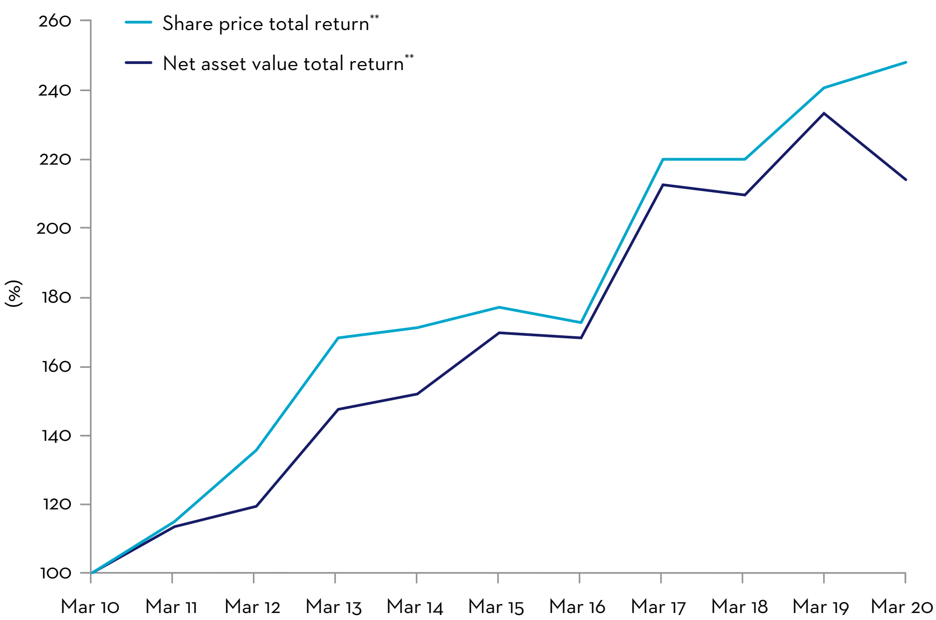
Dividend per share (pence)



Source: Martin Currie Investment Management.

A total annual dividend of 6.41p, an increase of 30.8% over 5 years*.

Long-term capital growth



Over the last ten years, shareholders have enjoyed a 147.8% increase in share price (total return) including an increase of 2.7% over the year despite market conditions caused by the COVID-19 pandemic.

The share price return has been positive in nine out of the last ten years even through some of the most turbulent market conditions.

Source: Martin Currie Investment Management.

*As at 31 March 2020. **See Alternative Performance Measures on page 67 for definitions.

Past performance is not a guide to future returns.

FINANCIAL HIGHLIGHTS

Total returns‡^ (including reinvested dividends)

	Year ended 31 March 2020 %	Year ended 31 March 2019 %
Net asset value per share*	**(8.3)**	11.4
Peer group†	**(9.5)**	8.5
Share price	**2.7**	9.6

Key data

	As at 31 March 2020	As at 31 March 2019
Net asset value per share (cum income)^	**162.72p**	183.21p
Net asset value per share (ex income)^	**160.62p**	181.22p
Share price	**168.50p**	169.50p
Premium/(discount)^	**3.55%**	(7.48%)
Average premium/(discount) for the 12 week period to 31 March**	**1.81%**	(4.94%)
Net assets	**£170,465,000**	£191,444,000

Income

	Year ended 31 March 2020	Year ended 31 March 2019
Revenue return per share	**6.46p**	6.23p
Dividend per share	**6.41p**	6.25p

Ongoing charges^#

	Year ended 31 March 2020	Year ended 31 March 2019
Ongoing charges	**0.9%**	0.9%

‡The combined effect of any dividend paid, together with the rise or fall in the share price, net asset or peer group.

^For details of all Alternative performance measures refer to page 67.

*The net asset value (NAV) per share total return is calculated using cum-income NAV with dividends reinvested.

†Please see page 69 for details on the company's peer group.

**Based on ex income net asset value. This is an Alternative performance measure, please see page 67.

#Ongoing charges (as a percentage of shareholders' funds) are calculated using average net assets over the period. The ongoing charges figure has been calculated in line with the AIC's recommended methodology.

Five-year record

Annual total returns with dividends reinvested over 12 month periods to 31 March

	2020	2019	2018	2017	2016
Net asset value per share	**(8.3%)**	11.4%	(1.1%)	26.7%	0.0%
Share Price	**2.7%**	9.6%	0.2%	27.7%	(2.2%)

Source: Martin Currie Investment Management Limited.

Introduction

Given the current circumstances that are enforcing significant change to all aspects of economic and social activity it is appropriate to deal with the issues that will be of most concern to shareholders before reviewing the returns for the year to 31 March 2020.

First, your board wishes to reassure shareholders that the business continuity arrangements of your investment manager, Martin Currie, have proven to be robust and reliable. The asset management process has continued seamlessly and your portfolio management team is working well from their remote locations and continues actively and effectively to manage the portfolio during these volatile markets.

Second, the board is satisfied that the continuity arrangements of key suppliers to the company, including the registrar, depositary, custodian, auditors and stockbroker are working well.

The outlook for company dividends has never been more uncertain. Companies in receipt of State loans to underwrite furloughed employees have delayed or cancelled their scheduled dividend payments. Many other companies have chosen not to pay dividends in order to conserve cash. Others are being encouraged by regulators to withhold dividend payments. Companies have also chosen to cancel previously announced dividends and your company has not been immune to this trend.

These are testing times to manage for an investment trust with an objective of achieving rising income and long-term capital growth. The board would like to emphasise to shareholders first its policy and second of the benefits conferred by the investment trust structure.

It is the intention of the board and manager to seek, as far as possible, to at least maintain in the future the dividend payment to shareholders at the 6.41p level just announced in respect of the financial year to 31 March 2020.

We have confidence in the ability to deliver on that statement for a number of reasons. The portfolio is actively managed and your manager has already demonstrated that the portfolio has "outperformed" the dividend environment to date and is well capable of continuing to do so. The global remit of the company confers a significant benefit over single country income funds. Your manager has a wide range of countries, sectors and companies to select from and the breadth of opportunity allows significant diversification to be achieved.

The investment trust structure creates flexibility in the pursuit of long-term growth of dividends. Your company has in the past, and may in the future, used its revenue reserves to help smooth payments over time. In 2012 the company amended its articles of association to allow the payment of dividends from capital and in 2015 the board indicated that, if necessary, this could be used to smooth dividend payments over time. A small proportion of the dividend in 2019 was paid from capital reserves and shareholders should be reassured that distributable capital reserves per share are currently 43.9p and if required these may be accessed.

These are very difficult times for income investors. Other sources of income are proving less reliable – many asset classes have found it harder to sustain revenue and dividend payments than equity orientated investment trusts. Bond yields are exceptionally low and central banks have reduced interest rates to almost nominal levels.

The board and portfolio manager are fully aware of the importance of the dividend payment in these trying times and will work to the best of their abilities to deliver on shareholder requirements.

Post year end event

On 2 June 2020 the board was informed that the company's named investment manager, Mark Whitehead, and two other members of the global income team had submitted their resignations to Martin Currie. The board has been assured by Martin Currie that the individuals will work for the duration of their notice period of six months and will continue to provide a professional service to Securities Trust of Scotland. The board is comfortable with this commitment and satisfied as to the management arrangements in the short term.

The departure of the majority of the global equity income management team is a significant development and the board has seriously to consider the company's management arrangements.

Consequently, a process has been initiated to seek and consider the range of options for the future management of the company. The board is being advised by JP Morgan Cazenove in this process. Whatever option the board adopts will maintain full value of the assets of the Trust and, if appropriate, approval will be sought from shareholders for the recommended outcome.

In order to maintain the best commercial interests of shareholders the board concluded that initiating a notice period on the incumbent manager was the most appropriate action. The notice period is 6 months and commenced on 3 June 2020.

This is an unwelcome development but Shareholders should be reassured that your board is committed to finding the best value outcome by conducting a thorough and professional review of all potential options for the company.

"It is the intention of the board and manager to seek, as far as possible, to at least maintain in the future the dividend payment to shareholders at the 6.41p level just announced in respect of the financial year to 31 March 2020."

Review of the year to 31 March 2020

As you will be aware the return was determined by the sharp falls in stock markets across the world in the last six weeks of the financial year. This is in addition to the events of a year that included the threats and reality of a US/Chinese trade & tariff war; an oil price and production standoff between Russia and Saudi Arabia, Brexit and a UK general election. While relevant and important at the time these factors have paled in significance in the shadow of COVID-19.

The net asset value (NAV) total return for the year was -8.3% which in itself is disappointing but compares favourably with the equivalent return from the peer group which was -9.5%.

> "It is most encouraging that the share price total return for the year was +2.7% as the share rating moved from a discount of 7.48% at the start of the year to a premium of 3.55% at the end."

It is most encouraging that the share price total return for the year was +2.7% as the share rating moved from a discount of 7.48% at the start of the year to a premium of 3.55% at the end. This rerating is a reflection of consistent relative outperformance and an increased and well delivered marketing spend which has attracted greater demand for the company's shares.

It is particularly pleasing that while 435,613 shares were bought back into Treasury in the first nine months of the company's year (at an average discount of 3.57%), 700,000 were issued from Treasury in the final quarter at an average premium of 1.58%.

The earnings per share for the year were 6.46p, an increase of 3.7% on those in the previous year.

Revenue benefited from the weakness of sterling over the period, a factor that increases the sterling value of overseas dividend income. Options income was £890,000 for the year, 33.0% higher than in the previous year. The increase in volatility in markets created more opportunities to participate in option writing and your manager took advantage of the opportunities available employing the low risk strategy that has been in place since his appointment. It is particularly pleasing to see an increase in earnings during a year in which the manager was able to continue the policy of seeking to invest in higher quality companies with lower, but more sustainable, dividend yields. This is an ongoing objective and improves the long-term dividend growth potential of the portfolio. There is a short-term cost however, being a lower level of income as higher yielding companies are sold and replaced with lower yield investments.

Dividend

The board is pleased to declare a fourth quarterly interim dividend of 2.06p which will be paid on 31 July 2020 to shareholders on the register on 10 July 2020. The ex-dividend date will be 9 July 2020. The total dividend for the year is therefore 6.41p per Ordinary Share, an increase of 2.6% on the 6.25p paid in respect of the previous year. Your board is delighted to be in a position to increase the dividend in the current environment and have it fully covered by earnings for the year.

Environmental, Social & Governance (ESG)

Your board believes that ESG considerations are increasingly important and relevant. Positive behaviour by companies in these respects adds to shareholder value over the longer term. This is an aspect of the investment process that your manager has long championed and in which it is recognized as having market leading credentials on a global basis. Martin Currie is Triple A+ rated by the UN supported Principles of Responsible Investment (PRI). The manager has actively engaged with many companies in the portfolio during the past year and the board receives regular reports on the manager's activities in this area. It is important to emphasise that well applied ESG policies are likely to be additive to long term shareholder returns and it is pleasing to report that your manager is well regarded and highly competent in this important field.

Board

I became chairman on 17 September 2019, succeeding Rachel Beagles who stepped down from the board having served for 9 years, the last two of which as chairman. The board would like to thank Rachel for her work and commitment over her tenure. The board is committed to maintaining the highest standards of corporate governance, and I would encourage you to read the corporate governance report on pages 29 to 33 for details of the changes implemented during the year.

Annual General Meeting (AGM)

The Annual General Meeting is scheduled to take place on 24 September 2020 at the offices of Martin Currie in Edinburgh. In view of the current restrictions regarding social distancing it is highly unlikely that the AGM will be held in its usual format. The board encourages all shareholders to lodge their votes by proxy and will abide with advice on attendance at the AGM when we have more clarity on the correct protocol.

Outlook

The immediate outlook is highly uncertain as the economic implications of the restrictions imposed to control the COVID-19 pandemic work through to the real economy. Your board is encouraged that the investment approach adopted by your manager has always focused on balance sheet strength, credit risk analysis, cash flow and the dividend sustainability of existing and potential investments. Never has such analysis been more pertinent. The global remit of your company is also a source of comfort as the portfolio has the ability to diversify away from those countries demonstrating greatest pressure on corporate dividends. Finally the investment trust structure gives the board flexibility in achieving its objective of maintaining its own dividend payment to shareholders.

Don’t miss our updates

The company’s award winning website at **securitiestrust.com** is a comprehensive source of information and includes regular portfolio manager updates and outlook videos, monthly performance factsheets, interactive market analyses and independent research reports. I recommend that you subscribe for regular email updates that will keep you abreast of key information and thank you, on behalf of the board, for your continued support.

I conclude by wishing shareholders and their families all the very best of health in these trying circumstances.

John Evans
1 July 2020

Market review

Looking back, it has certainly been one of the most eventful periods in a generation. Throughout, political uncertainty abounded, in the forms of Brexit negotiations, a UK General Election and a trade war between China and the US. All of these adversely affected the global economy, causing activity and sentiment to fall as we progressed through 2019. This also caused corporate earnings growth to slow markedly. Despite all of these headwinds, equity markets had largely performed exceptionally well. That is, until 20 February this year, when over a three-week period, developed equity markets posted the most aggressive falls in modern history as governments 'locked down' their citizens to control the transmission of the COVID-19 pandemic.

As the company entered the new fiscal year in April 2019, global equity markets had just chalked up a very strong period. This was somewhat at odds with the economic backdrop. At that time, some feared that the US economy was vulnerable to a significant slowdown, due to overheating in 2018 from the fiscal stimulus injected. Labour cost pressures for corporates, excessive inventories and a splurge in capital expenditures in 2018 were beginning to normalize, leading to below-trend spending and production. In response, the US Federal Reserve unexpectedly flipped from its hawkish monetary policy stance to begin a new interest rate cutting cycle. Falling bond yields and dovish monetary policy then created easier financial conditions stoking bullish sentiment for risk assets.

In May, President Trump raised tariffs on US$200 billion of Chinese goods from 10% to 25% as he felt China had reneged upon the terms of already agreed deals. China of course, retaliated, slapping tariffs on US$60 billion of US goods in early June. These actions were poor for market sentiment and we saw some volatile days in equity markets in May as a result. In June, we saw a rebound in sentiment as markets became optimistic of a further monetary loosening response from the Fed to tackle the mid-cycle slow down. At the end of June, during the Osaka summit, Presidents Trump and Xi Jinping announced a truce after extensive talks, with prior tariffs remaining in force but agreement reached to halt the implementation of any new tariffs. This also involved a slight climb down from the US on its position on Huawei (the US officially classified Huawei as a national security threat during 2019), but still restricted the company doing business with US companies due to violations of US sanctions against Iran.

However, the optimism was short-lived, as in early August President Trump announced another round of 10% tariffs on the remaining US$300 billion of Chinese imported goods. China once again responded, this time with its central bank allowing the renminbi to fall to its lowest point since 2008, which it hoped would boost demand for Chinese products across the globe.

In the UK, Theresa May announced she would step down as UK Prime Minister, sparking a leadership race fought throughout June and early July, culminating in Boris Johnson taking over No. 10 on 24 July. Speculation at the time centred on Boris Johnson pursuing a hard Brexit. It was feared that this might invoke parliamentary intervention to vote against a no-deal outcome, with a real prospect of a snap general election and perhaps even a new Brexit referendum vote for later in the year. This uncertainty weighed heavily on business and consumer sentiment causing a slowdown in economic growth in the UK.

The paralysis in the UK Parliament continued unabated throughout the summer and autumn, as Boris Johnson looked to put together an improved withdrawal deal with the EU, this time with better terms on the Irish backstop which was ultimately the undoing of Theresa May's original draft. This failed to be passed in parliament and Boris Johnson then called a General Election for 12 December in a bid to unlock the constitutional stalemate.

In the autumn, trade tensions and monetary policy were easing significantly which, underpinned the equity markets. But the macro economic data continued to sour. Germany fell into technical recession and the rest of Europe struggled to produce any meaningful growth.

As we entered 2020, economists and investors were optimistic for a rebound in global macro activity with some green shoots emerging. Economic data such as the Purchasing Manager's Index (PMI), a survey which provides information about current and future business conditions in the manufacturing and services industries, seemed to be bottoming out. However, noise concerning COVID-19 began to escalate in the news wires early in the year as it took hold in China. Chinese equity markets began to extend loses and the poor sentiment filtered out into other North Asian and emerging markets.

Although China quickly managed to control the spread of the virus, causing its equity market to rally hard as it had done following previous outbreaks, its economy will not be spared this year. Chinese companies' enviable position in global value chains may well be its Achilles' heel, as its customers in the West are now shut down and otherwise unable to operate normally, hence driving negative year-on-year sales growth for the next few quarters.

At first, developed equity markets took a sanguine view of COVID-19 and continued to perform well. As we progressed through February, however, it became clear that COVID-19 was spreading in other countries at a terrifying speed.

On 20 February, investors gave up hope that the virus outbreak would be confined mostly to China, and thereby only causing a ripple in global economic and corporate activity. By 16 March, markets had fallen from their peak by over 32% in sterling terms. With the realisation dawning that Europe and North America were not going to escape the tidal wave of economic calamity, investor sentiment collapsed. Fear reached an all-time high as measured by the VIX index and panic was indiscriminate.

Performance for the portfolio since the market peak on 20 February has been mixed. Our mid-capitalisation stocks and those with a value style, particularly those that are more sensitive to the real economy, have been particularly weak, as were those companies whose dividend is likely to be cut due to their end markets collapsing thus severing revenues. By contrast consumer staples, telecoms, real estate and healthcare stocks all performed better relative to those more cyclically exposed. At the beginning of March, Russia and Saudi Arabia also announced their failure to agree oil production cuts which sent the oil price into freefall. We have held only one oil stock, Chevron which was weak as a result of the oil price collapse. However, we do believe this stock is able to continue to pay a dividend as it carries less financial gearing than others in the sector.

At the end of the fiscal year, the chronic impact of the pandemic's supply and demand shock is still paralysing global economies. Economic activity is spiralling lower, unemployment soaring past the levels seen in the Global Financial Crisis and human society and its welfare is at a point of extreme pressure. But this has been met so far, with a massive fiscal and monetary response from governments. Altogether, the various support and stimulus packages announced across the world, are approaching 5% of global GDP. This injection of liquidity has been undertaken to keep citizens at home to protect them and their healthcare systems from the virus. But, perhaps of equal importance, it's also to ensure their respective economies can continue to function, thereby reducing the probability of a protracted recession or even an economic depression.

Portfolio Review

The NAV of the company produced a total return of -8.3% in sterling terms for the fiscal year. This put the company in the second quartile of the composite peer group over the same period which, includes over a hundred comparable global equity income products using an open- or closed-ended structure. The median of this peer group returned -9.5%.

The share price of your company fared better, producing a positive total return of 2.7% for the same period under review.

The fall in the company's NAV was unfortunately experienced due to the sharp drop in equity markets which commenced at the end of February and extended into the first three weeks of March. The underlying portfolio of investments performed defensively, but the gearing we had in place worked against us in falling markets reducing the overall NAV total by -1.2% for the year.

From a regional perspective, North America provided the most positive performance. The portfolio's average weighting to the region throughout the period was 47%, with technology name Microsoft, WEC Energy Group, and mobile telephony towers business Crown Castle all performing strongly in absolute terms. The worst region was Europe, which on average composed 46% of the portfolio over the period. Stocks that led the most negative absolute returns included: Continental, a producer of tyres and technologies for the electrification of cars and light trucks; Airbus, the French manufacturer of commercial aircraft; and advertising agency Publicis.

The leading sectors in terms of absolute performance were information technology, utilities and real estate. The sectors that produced negative returns included financials, industrials, materials and consumer discretionary. The latter group being more cyclically-facing sectors that investors have de-rated in anticipation of earnings coming under severe pressure as we move into a recession.

The best-performing stock in the portfolio over the past year has been Microsoft – the largest holding in the portfolio. We did trim the position during the period, reducing its weighting down from 6.5% to 5.9%. Microsoft is well positioned for ramping-up public cloud adoption, with large distribution channels and installed customer base, combined with improving margin support. Revenue drivers included its cloud computing service Azure (through which Microsoft is emerging as a leader in public cloud storage), its data centre offering (primarily through share gains and positive pricing trends), its Office 365 software (base user growth and per-user pricing lift) as well as the integration of LinkedIn. All of which should help enable durable double- digit revenue and dividend growth over the next three years.

There is no doubt that this crisis has had an unprecedented effect on companies in many sectors. Liquidity and balance sheet strength have now become highly prized. Companies with any doubt surrounding how long they are be able to generate revenues for have been quick to announce the cancelations of their dividends. We have also seen businesses with significant debt levels cut dividends quickly, as they look to conserve cash to meet their liabilities. That's why we spend so much time trying to make sure that our holdings have the financial strength to weather a typical downturn and continue to pay the dividend.

Recent measures have seen governments and regulators advising companies to cease dividend payments if they are furloughing staff. While we understand the logic behind asking banks with systemic risk to cease dividend payments, we are concerned this action may be somewhat heavy handed in other contexts. Politically, the government seems to be siding with the view that shareholders are faceless capitalists, large city institutions, bankers, hedge fund managers and generally financial services employees and therefore enforcing dividend holidays is the equivalent of the 'victimless crime'. This ignores the fact that many shareholders are the beneficiaries of pension funds along with charities. We are concerned that society, in its time of need, will turn to charities that will no longer be able to provide the vulnerable with the support they desperately need.

Looking at the UK, some commentators are predicting a 40% cut to the FTSE All Share 2020 dividends. The UK and European dividend futures have also all fallen substantially. We have long been extoling the virtues of a global approach to dividend investing due to the concentration of the UK market, with the top 10 companies producing around 50% of the total index dividend stream. But more importantly, this concentration is very sensitive to the economy, the bulk being delivered from miners, banks and energy companies. The banks have just been asked to stop paying dividends and the oil companies in the UK carry far too much debt and will surely have to cut dividends if the oil price remains below US$50 barrel for the foreseeable future.

As one would expect, defensives such as utilities, consumer staples and healthcare have been a relative safe haven. We have recently had limited healthcare exposure. We were concerned coming into a US election year that there would be bipartisan agreement to push for reform of the healthcare system and unilateral pressure on reducing drugs prices, causing the sector to underperform this year. Fear surrounding the virus has simply overwhelmed this view. But Merck and Sanofi have performed well for the portfolio throughout this crisis.

Activity

Earlier in the year we bought a position PepsiCo. Should the company be able to defend its North American Beverage (NAB) business (33% of the total) and grow the rest then it can continue delivering organic revenue growth of ~4%. Combined with net productivity gains, this could mean consistent cash flow supporting strong dividend-per-share growth. This is a high-quality business model operating a strong balance sheet, though the costs of growth are rising at least in the short-term requiring capital investment. Catalysts we are looking for include organic revenue growth and we need to keep a keen eye on Quaker Foods and NAB remaining flat to positive. Finally, we need to see margin improvement at NAB and international. Risks include a challenging backdrop with some jurisdictions seeing volatility (currency fluctuations in particular), new or increased regulations and taxes, as well as difficulties in navigating disruption of the retail and consumer landscape. More recently, this has proved a defensive business and performed well through the COVID crisis.

We also started a position in Verizon, the best-in-class wireless operator in the US market. As a base case, we expect the company to grow revenue in line with US GDP and its earnings before interest and taxes (EBIT) to grow faster than this. The 5G broadband market which it is rolling out is a growth opportunity. At the time of purchase, a solid dividend yield of 4.3% was, in our view, not fully reflected in an attractive valuation. Risks include a change in the regulatory backdrop, a change in market competitive intensity or poor capital allocation. Overall, this a defensive business model that has performed strongly relative to the market recently.

In late summer 2019, we sold our residual position in Occidental Petroleum, after the company announced a deal to buy Anadarko in May 2019. We owned Occidental due to its strong balance sheet and lower breakeven oil price, but this deal increased leverage just at the wrong time in the cycle in our view. The market has treated this acquisition with a dim view and the stock has performed poorly since due to the increased financial leverage and increased sensitivity to changes in the oil price. On 8 March 2020, Saudi Arabia initiated a price war with Russia causing a 65% decline in the oil price. Occidental was then forced to cut its dividend by 86% to conserve cash with the stock price falling heavily. This serves to remind us that our work on balance sheets using credit analysis can help us avoid just this kind of outcome.

In January, we sold our position in VF Corp, a standout business model in the global apparel space. This is an industry which continues to be disrupted due to the high levels of innovation and consumer connectivity required against a backdrop of fast-changing tastes and trends. VF has managed this by evolving its portfolio, for example the recent spin-off of its slower-growth jeans business. It has also placed significant investments to accelerate growth in its largest brands VANS, The North Face and Timberland. The key question from our dividend analysis was not management's ability to maintain the dividend, but their willingness to. With little valuation upside we felt the risk reward was skewed to the downside.

We have not been immune to the intensity of dividend cuts sweeping through the European markets of late, but the portfolio is proving to be resilient thus far. The North American markets have not, as yet, followed suit in banning banks and other sub sectors from paying dividends.

We have been quick to cut stocks where we felt the long-term structure of the industry is called into question or where we believe the business model will have to adapt immeasurably. Airbus cut its dividend to zero and Continental may well be forced to cut dividend payments in the coming months, and we have sold these companies in March, to guard against not only income reduction but capital loss that may well ensue. Many of Airbus's main clients are likely to take state aid and will be expected to put new purchases of aircraft on hold. The auto industry will also take a long time to come back to pre-crisis levels and the industry may be forced to accelerate production of electric vehicles at the expense of profitability.

Outlook

We are confronted with rapidly changing data related to the social, political and increasingly financial impact of the response to the Covid-19 virus. The onset of significant travel restrictions and other social distancing measures, first in China and now replicated across over eighty percent of the world's population, in response to managing the public health fallout from the disease, will have serious consequences for economic and financial conditions. This has been reflected in asset prices, but further volatility in equity markets, as the severity of the economic and earnings downturn becomes evident, lie ahead for the next few quarters of the new fiscal year for the company, particularly if secondary waves of the virus force further lockdowns until a vaccine becomes widely available.

In terms of policy response, we have seen significant fiscal and monetary stimulus across many geographies in the form of interest rate reductions and a ramp-up of fiscal stimulus, with a focus on both mitigation of short-term challenges for business and a boost to long-term infrastructure investment with the promise of more intervention if needed to further stimulate activity. Given the lagged effect of stimulus, we would expect these measures to be impactful towards recovery as we exit 2020, rather than effective in mitigating the pullback in economic activity and corporate earnings over the coming quarters. We believe, however, that these measures should be factored in as we assess the medium-term earnings potential of the companies we invest in.

During a period of such uncertainty, we are focused on two key areas. Firstly, the implications of the complex economic and policy picture on the capacity of our holdings to continue to generate free cash flow to support their dividends and business investment; here we believe that our focus in due diligence on dividend sustainability and stress testing will be significant. Secondly, we continue to look for opportunities to add to high-quality businesses that have the capacity to emerge through this period of significant uncertainty with stronger market positions and long-term business prospects, at attractive valuations.

Indeed, with 10-year government bond yields for all major developed markets at, or around, zero – which is the risk free rate against which investors have to make an overall return – investing in companies that have the ability to pay dividends and even grow them, could give investors substantial returns from these highly prized assets looking out twelve to eighteen months.

Some key themes for us include digitalisation, where the surge in cloud computing and data storage growth is structural and will of no doubt be a priority area for spending and capital expenditure going forward. Our holding in Microsoft should continue to benefit as a result. We are also seeing massive growth in first-time gamers, a major new consumer base, with Tencent set to profit here. Climate change will most likely be top of government agendas, as the lockdowns have highlighted how much less pollution is being generated across the globe. Our holdings in Greencoat UK Wind and SSE should do well as a result. We will also continue to engage with all our portfolio companies to insist that they improve their disclosure and carbon footprints going forward.

To summarise, although the coming months will no doubt bring more uncertainty, we will continue to invest in high-quality businesses that have an exciting future when the current downturn begins to ease. This, combined with the unprecedented levels of monetary and fiscal support, gives us optimism that your company will produce an attractive level of income distribution and total returns during the new fiscal year.

Environmental, social and governance analysis

With society increasingly focusing on ESG, it is important to spend some time fleshing out how we carry our ESG analysis within Martin Currie, for the benefit of the company. We have built strong expertise in the ESG field over more than a decade, as testified by the various accolades Martin Currie has received. Our ESG analysis is fully integrated within our fundamental research. To further harness our extensive ESG knowledge, we have put in place a structured framework to assess the ESG risks related to any stock that we review.

Below, we describe the details of that approach and our proprietary framework, from which the Trust benefits. Ultimately, a detailed ESG analysis helps us find the right investment opportunities as long-term investors, which should benefit our ability to continue to generate strong outperformance.

For us, ESG is part of our focus on Stewardship, which goes hand in hand with sustainable investing. ESG risks can ultimately detrimentally impact the fair value of a stock. Assessing these risks is an essential part of ensuring that we capture and understand all risks to an investment case.

Fundamental research

Analysis of ESG factors are captured through:

Early stage analysis - the 'Long-Term Unconstrained checklist'

The purpose of our first stage of fundamental research is to examine the sustainability and quality of the business in broad terms before launching into deeper investigation. ESG is one of the eight key factors we assess, here we look at the company's ESG profile, its governance and remuneration structures.

Integration into our research templates

When researching a company, we systematically score its risks against four factors, one of which is governance and sustainability.

Industry risks

Company risks

Governance and sustainability

Portfolio risks

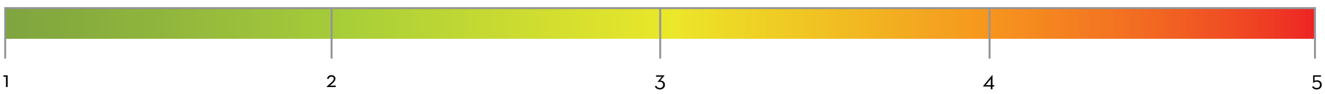
Feeding into this overall governance and sustainability risk score, our research template has a qualitative summary and our proprietary ESG scoring system (covered below). The qualitative ESG analysis is a written assessment of the company's specific approach to, and potential impacts from ESG factors. It is a key part of how we build the investment case for the stock, identifies where we need to engage with management and allows for effective peer review by the investment team.

Proprietary ESG risk assessment

We built our proprietary risk scoring system to capture the complexity of the ESG risks facing a company's long-term outlook and sustainability. It assesses the company through two lenses – governance and sustainability. We assess 6 key fields on the governance side, and 5 key fields on the sustainability side, with over 50 underlying sub-categories that reflect what the investment manager believes are the most universal ESG factors. Each sub-category is scored from 1-5, reflecting the level of risk we estimate from each factor, 1 is the lowest risk and 5 the highest. By scoring each factor, the team can then identify what material risks a company is potentially vulnerable to and what areas require more work. A higher risk score in a specific category would not necessarily rule out investing in the firm. Rather it is an acknowledgement of an area where we have identified a potential risk. We then engage with management in order to understand this risk further, or indeed with a view to guiding the company to improve in that specific field.

Consistent and systematic

Stock ranked 1 (lowest risk) to 5 (highest risk)



Granular

Qualitative insight – stocks scored across each of the most material factors

Governance

Board assessment
Quality, independence, diversity

Management
Breadth, competence, accounting practices

Remuneration
Alignment, transparency, appropriateness

Culture
Sustainability focus, diversity, ethics

Stake versus shareholders conflict

Governance momentum

Sustainability

Environmental risks
Carbon footprint, pollution & waste, resource access

Social risks
Product liability, supply chain, human rights

Understanding and integration
Management of risks and opportunity, integration into strategy

Common factors
Climate change, cyber security, human capital

Sustainability momentum

Active ownership

We believe monitoring and engagement are an essential part of being a long-term shareholder in a company. It allows us to improve our understanding of investee companies and their governance structures, so that our voting decisions may be better informed. In addition, it enables us to understand to what extent companies have identified material ESG risks and how they are managing these. The materiality and immediacy of a given issue will generally determine the level of our engagement.

Our ambition is to engage with companies on important ESG matters, to identify and share best practise, ultimately guiding them on areas of improvement towards being best in class to make the business more sustainable in the long-term.

Portfolio analytics

We go beyond integration into fundamental research, employing our ESG analysis within the portfolio construction process. Our ESG research feeds through into our portfolio analytics with the output shown in an ESG dashboard. This complements our analysis of thematics, company classifications and geographic revenues and profits.

From this perspective, the real value comes from being able to drill down and examine our overall exposures and identify any areas of potential risk. It provides feedback on the effectiveness of our ESG integration and that can be reflected back into research and portfolio positioning.

Overall, this allows us to build a robust, diversified portfolio capable of delivering on our clients' long-term objectives.

A focus on continual improvement

We are always looking at continual improvement within our investment processes. Going forward, we will be placing further emphasis on measuring and reporting on the outcome and impact of our engagement. We want to assess how driving a change agenda to improve ESG at target firms has improved performance.

Mark Whitehead

1 July 2020

PORTFOLIO SUMMARY

Portfolio distribution as at 31 March 2020

By region (excluding cash)

	31 March 2020 %	31 March 2019 %
North America	42.6	46.7
Developed Europe	40.7	41.5
Developed Asia Pacific ex Japan	16.7	11.8
	100.0	100.0

By sector (excluding cash)

	31 March 2020 %	31 March 2019 %
Financials	22.7	19.2
Technology	18.5	9.6
Industrials	16.6	16.8
Consumer goods	15.0	19.9
Basic materials	8.2	9.0
Telecommunications	6.6	2.7
Healthcare	4.4	8.3
Utilities	3.3	6.4
Consumer services	2.9	1.5
Oil & gas	1.8	6.6
	100.0	100.0

By asset class (including cash and borrowings)

	31 March 2020 %	31 March 2019 %
Equities	106.0	110.4
Cash	2.8	2.6
Less borrowings	(8.8)	(13.0)
	100.0	100.0

Largest 10 holdings

	31 March 2020 Market value £000	31 March 2020 % of total portfolio	31 March 2019 Market value £000	31 March 2019 % of total portfolio
Microsoft	11,212	5.9	10,625	5.0
Zurich Insurance Group	8,083	4.3	6,585	3.1
Crown Castle International	7,728	4.1	6,527	3.1
Verizon Communications	7,333	3.9	–	–
Taiwan Semiconductor	7,331	3.9	5,979	2.8
Samsung Electronics	7,215	3.8	3,410	1.6
Koninklijke DSM	7,093	3.7	6,479	3.1
Lockheed Martin	6,945	3.7	4,907	2.3
SSE	6,279	3.3	5,713	2.7
Danone	5,713	3.0	5,333	2.5

As at 31 March 2020

	Sector	Country	Market value £000	% of total portfolio
North America			80,724	42.6
Microsoft	Technology	United States	11,212	5.9
Crown Castle International	Financials	United States	7,728	4.1
Verizon Communications	Telecommunications	United States	7,333	3.9
Lockheed Martin	Industrials	United States	6,945	3.7
PepsiCo	Consumer goods	United States	5,539	2.9
Merck & Co.	Healthcare	United States	5,130	2.7
BCE	Telecommunications	Canada	5,115	2.7
Eaton	Industrials	United States	4,995	2.6
Air Products + Chemicals	Basic materials	United States	4,918	2.6
Cisco Systems	Technology	United States	3,675	1.9
Bank OZK	Financials	United States	3,581	1.9
Chevron	Oil & gas	United States	3,410	1.8
Procter & Gamble	Consumer goods	United States	3,397	1.8
Paychex	Industrials	United States	3,266	1.7
Leggett & Platt	Consumer goods	United States	2,280	1.2
Vail Resorts	Consumer services	United States	2,200	1.2

	Sector	Country	Market value £000	% of total portfolio
Developed Europe			77,427	40.7
Zurich Insurance Group	Financials	Switzerland	8,083	4.3
Koninklijke DSM	Basic materials	Netherlands	7,093	3.7
SSE	Utilities	United Kingdom	6,279	3.3
Danone	Consumer goods	France	5,713	3.0
Civitas Social Housing	Financials	United Kingdom	5,542	2.9
Koninklijke Philips	Industrials	Netherlands	5,140	2.7
Prudential	Financials	United Kingdom	4,614	2.4
Unilever	Consumer goods	Netherlands	4,385	2.3
Britvic	Consumer goods	United Kingdom	4,144	2.2
Beazley	Financials	United Kingdom	4,116	2.2
Victrex	Basic materials	United Kingdom	3,690	1.9
Greencoat UK Wind	Financials	United Kingdom	3,430	1.8
Securitas AB	Industrials	Sweden	3,308	1.7
Publicis Groupe	Consumer services	France	3,211	1.7
Sanofi	Healthcare	France	3,205	1.7
Compagnie Financière Richemont	Consumer goods	Switzerland	3,083	1.6
Ibstock	Industrials	United Kingdom	2,391	1.3
Developed Asia Pacific ex Japan			31,518	16.7
Taiwan Semiconductor	Technology	Taiwan	7,331	3.9
Samsung Electronics	Technology	Korea	7,215	3.8
Tencent Holdings	Technology	Hong Kong	5,599	3.0
Transurban Group	Industrials	Australia	5,436	2.9
AIA Group	Financials	Hong Kong	3,004	1.6
United Overseas Bank	Financials	Singapore	2,933	1.5
Total portfolio			189,669	100.0

Business model

The company, as an investment trust, is a UK closed- end public limited company which invests in a diversified portfolio of assets meeting certain tax conditions. The primary objective is to achieve rising income and long-term capital growth which it seeks to deliver for shareholders through investment in a balanced portfolio constructed from global equities.

With effect from 1 April 2018 the performance of the company has been measured against the median of all relevant open and closed-ended peers (sourced from the Morningstar Global Equity Income Sector and AIC Global Equity Income Sector) on a rolling three-year basis. The peer group total return performance for the year end 31 March 2020 was -9.5%.

In addition, and to ensure that the investment objective is met, the manager aims to grow both the revenue earnings and the cum income NAV in real terms over a rolling five year period.

The company has no employees, and the board outsources its entire operational infrastructure to third party organisations. In particular, the board appoints and oversees an independent investment manager to manage the investment portfolio. The board sets the company's strategy, decides the appropriate financial policies to manage the assets and liabilities of the company, ensures compliance with tax, legal and regulatory requirements and reports regularly to shareholders on the company's performance. The directors do not envisage any change to this model in the foreseeable future.

For more information on investment trusts please visit www.theaic.co.uk.

Purpose and values

Purpose

To achieve rising income and long term capital growth which it seeks to deliver for shareholders through investment in a balanced portfolio constructed from global equities.

Values

Independence: to act independently in the interests of shareholders.

Sustainability: to ensure that the companies in which the company invests are supportive of good environmental, social and governance practices and that the manager encourages continuous improvement in these areas.

Transparency: to report transparently and accurately to shareholders on the condition, performance and prospects of the company.

Culture

The board considers that its culture of open debate combined with strong governance and the benefits of a diverse board is central to delivering its purpose, values and strategy. The board monitors and reviews its culture as part of its annual evaluation process and monitors the culture within the manager to ensure that it is closely aligned with that of the company.

During the year the board received a presentation from the manager on developments in its organisational culture and its alignment to that of the company.

Environmental, Social and Governance (ESG)

ESG issues are integral to the company's values and investment philosophy, and the approach taken by the manager has been rewarded with the highest possible rating (A+) from the PRI across its three key criteria and a Tier 1 ranking from the UK Financial Reporting Council (FRC).

The company and manager believe that good ESG practices are a fundamental component of a quality company which may include shareholder rights, accounting standards, remuneration, board structure, supply chain, data protection, pollution/hazardous waste policies, water usage and climate change policies. The manager's ESG analysis may influence key financial assumptions such as cost of capital, revenues or costs and thus the estimate of a company's intrinsic value which are discussed in greater detail on pages 10 to 12. A poor governance, environmental or social track record for a company can indicate wider sustainability issues and could lessen the attractiveness of the investment.

Strategy

The board's principal strategies are:

Investment

The company invests primarily in global equities. The majority of the portfolio is invested in large capitalisation companies; companies with market capitalisations over £1 billion. The resulting diversified portfolio of international quoted companies is focused, containing between 35 and 55 high conviction stocks selected on the basis of detailed research analysis. This active portfolio management strategy will inevitably involve separate periods where, at different times, the company's portfolio outperforms and underperforms the market as a whole (as represented by the company's reference peer group).

Investment policy and objective

The investment objective of the company is to achieve rising income and long-term capital growth through investment in a balanced portfolio constructed from global equities. The board does not impose any limits on the manager's discretion to select stocks, except that:

- no more than 10% of the company's gross assets may be invested in listed investment companies (including UK-listed investment trusts);
- the board must approve in advance all investments in Martin Currie sponsored investment schemes;
- the sum of all holdings over 5% of the total portfolio must not exceed 40% of the portfolio;
- no more than 15% of the total portfolio can be invested in collective investment schemes, of which no holding can exceed 10% of the value of the collective investment scheme; and
- warrants cannot exceed 5% of the total portfolio.

Beyond this, the investment manager analyses the overall shape of the portfolio to ensure that investment risk is dominated by the high conviction stocks in the portfolio and that the combination of stocks held does not lead to unintended reliance on a particular macroeconomic factor (for example, a higher oil price or lower interest rates). The board monitors investment risk on an ongoing basis.

Risk management

As set out above, risk management is largely focused on managing investment risk in accordance with the investment policy guidelines set by the board. The board has established risk parameters for the investment manager within which the portfolio will be managed. The board reviews, at each board meeting, the relevant risk metrics presented by the manager and monitors investment risk on an ongoing basis.

The wider corporate risks relate mainly to the challenges of managing the company in an increasingly regulated and competitive market place. These risks are each actively managed through mitigation measures which the board has put in place and which are discussed on pages 19 and 20 of this report.

Marketing

The marketing strategy seeks to:

- increase demand for the company's shares;
- obtain ratings and buy recommendations from key wealth managers; and
- grow the profile of the company across the wider market.

This is achieved through active promotion by the investment manager and through the company's website which contains information relating to performance, outlook and significant developments as they occur. In addition, the company utilises best practice marketing tools such as advertising, public relations and promotional marketing. The manager also meets regularly with existing and potential institutional shareholders.

Financial

The main focus is on the management of shareholder capital; the use of gearing; and the management of the risks to assets and liabilities of the company.

The board's principal goal for the management of shareholder capital is to achieve rising income and long- term capital growth.

Dividend policy

The company's dividend policy is to provide shareholders with regular income paid quarterly in January, April, July and October. At the AGM in 2012 the board received shareholder approval to permit dividends to be paid out of capital reserves.

Gearing and bank facilities

From time to time the company finances its operations through bank borrowings. However, the board monitors such borrowings (gearing) closely and takes a prudent approach.

The company currently has a two year revolving credit facility for £10 million and a multi-currency seven year fixed facility for £15.8 million drawn in three tranches (£1,500,000, €4,500,000 and US$12,750,000). The facilities are fully drawn down in sterling, US dollars and euros with the intention of increasing income and of improving future investment returns. The gearing is being effectively employed by the portfolio manager in two different ways. Firstly, by investing the majority of the proceeds in global equities and secondly, with the tactical use of options, in a careful and controlled manner. In accordance with the investment policy the current limit on gearing is 20% of net assets. The revolving facility that expires in September 2020 is currently being renegotiated and the board expects a new facility to be put in place. Further information on the Company's covenants can be found in note 11 on page 57.

Options writing strategy

The company predominantly sells single stock put options for income enhancement but may occasionally sell call options on existing portfolio positions (covered calls). Single stock put options will be sold typically "out of the money" on stocks that have come through the research system and are rated buy and the manager would be happy to buy at the strike price. Call options will only ever be sold on existing cash equity positions held in the portfolio (covered call writing). See Glossary on page 69 for definitions.

Duty to promote the success of the company

The company is required to provide a statement which describes how the directors have had regard to the matters set out in Section 172 of the Companies Act 2006 when performing their duty to promote the success of the company, including:

- The likely consequence of any decision in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers, and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The board is focused on promoting the long-term success of the company and regularly reviews the company's long-term strategic objectives, including consideration of the impact of the manager's actions on the marketability and reputation of the company and the likely impact on the company's stakeholders of the company's principal strategies.

The main stakeholders in the company are its shareholders, together with a number of external third-party suppliers engaged by the board to provide investment management, company secretarial, custodial, depository, banking, registry and legal services along with the wider community in which the company operates.

The company as an investment trust does not have any employees and its customers are also its shareholders. The management engagement committee is tasked with reviewing the performance of the investment manager and the audit committee receives reports from and reviews the service, quality and value for money provided by other third- party suppliers.

The manager is tasked with maintaining a constructive relationship with such other third-party suppliers, on behalf of the company. The board is responsible for setting the strategic priorities of the company along with monitoring its corporate governance and risk and controls. It is also responsible for monitoring the investment performance and marketing activities undertaken by the manager on its behalf.

The board is committed to maintaining and demonstrating high standards of corporate governance and the company's corporate governance statement is set out on pages 29 to 33 and, together with the compliance statement on page 29, details how the company maintains high standards of business conduct.

The company works closely with the manager to develop and monitor its investment strategy and activities, not just to achieve its investment objective, but also to deliver the company's values of Independence, Sustainability and Transparency, which are discussed further on page 16. The board also expects good governance standards to be maintained at the companies in which the company is invested and reviews the engagement and voting activities which are undertaken by the manager. Further details of the ESG engagement during the year are discussed in the Chairman's statement on page 5 with the company's purpose, values and strategy outlined on page 16. The ESG strategy followed by the manager is detailed on pages 10 to 12.

During the year the board continued to monitor the discount/ premium levels at which the company's shares are traded, and in the second half of the year was able to issue 700,000 shares from Treasury. The board also undertook a review of the new AIC Code and has renamed the nominations committee as the nomination and remuneration committee to better reflect its obligations under the Code and taken forward other updates to its governance arrangements.

The board receives regular reports from the manager on shareholder engagement, with the manager tasked with maintaining regular and open dialogue with larger shareholders. Directors, primarily through the chairman, also meet regularly with major shareholders to understand their views and to help inform the board's decision-making process. The company maintains an award-winning website which hosts copies of the annual and interim reports along with factsheets and other relevant materials. Shareholders are normally invited to attend the AGM (subject to COVID-19 restrictions) at which they have the opportunity to speak directly with directors.

Principal developments and future prospects

The principal business developments over the course of the year are set out in the Chairman's statement on pages 4 and 5 and the manager's review on pages 7 to 10. The future performance of the company depends upon the success of the company's investment strategy in light of economic factors and equity markets developments. Please refer to the Chairman's statement on pages 4 to 6 and the manager's review on pages 7 to 12 for an update on future prospects for the company. In particular, the impact of COVID-19 is discussed on page 10.

On 3 June 2020, the company announced that it had served protective notice under its management agreement with Martin Currie Fund Management Limited. This followed the board becoming aware that Mark Whitehead, the company's portfolio manager and two other members of the global income team, had resigned from Martin Currie and would be leaving on 1 December 2020. Mark Whitehead will remain fully engaged in the management of the company until 1 December 2020. The board has commenced a review of its management arrangements, which process will include Martin Currie, and will update shareholders in due course.

The board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the company's future activities. Whilst there remains some uncertainty, the board believes that the geography and diversification of the company's assets will provide some insulation from Brexit related risks.

There is a small exposure to the domestic British economy although there is also direct exposure to the European Union. Where UK listed stocks are held, generally the companies' activities are conducted in many different regions diversifying their own revenue and profits streams. Also, the companies may operate in industries where there is long term structural demand for their products and services, such as for utilities, infrastructure and insurance. Currency rate and borrowings drawn down by the company may be affected by Brexit developments particularly in relation to movements in Sterling/U.S. Dollar/Euro rates. All these factors could affect the value of the company's shares.

COVID-19

The COVID-19 situation continues to evolve rapidly, and the board monitors closely the impact of COVID-19 on the operational resilience of the manager and other significant service suppliers. At this stage it is not possible to forecast the duration or severity of the global downturn following COVID-19 but it will undoubtedly test those businesses which are financially exposed. Volatility in the stock markets is expected to continue at least in the short term. The board is satisfied that its mitigation measures are appropriate even in current conditions. The investment manager is actively assessing both the threats and opportunities arising from markets' reaction to COVID-19 and this is explained in more detail in his report on page 10.

The board believes that the processes of internal control that the company has adopted and oversight by the investment manager continue to be effective.

Principal and emerging risks and uncertainties

Risk and mitigation

The company's business model is longstanding and resilient to most of the short-term uncertainties that it faces, which the board believes are effectively mitigated by its internal controls and the oversight of the investment manager, as described in the table below. The principal and emerging risks and uncertainties are therefore largely longer term and driven by the inherent uncertainties of investing in global equity markets.

The board believes that it is able to respond to these longer-term risks and uncertainties with effective mitigation so that both the potential impact and the likelihood of these seriously affecting shareholders' interests are materially reduced.

Operational and management risks along with a review of potential emerging risks, are regularly monitored at board meetings and the board's planned mitigation measures for the principal and emerging risks are described in the table below. As part of its annual strategy meeting, the board carries out a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

The board maintains a risk register and also carries out a risk workshop as part of its annual strategy meeting. The board has identified the following principal and emerging risks to the company:

Risk	Mitigation
Pandemic risk	The principal and emerging risks were reviewed in depth by the Audit Committee in January 2020 and again following the emergence of COVID-19. COVID-19 has developed rapidly to become a pandemic which has delivered an abrupt, exogenous shock to the global economy of considerable magnitude and become a principal risk. The company is exposed to the risk of market volatility and falling equity markets brought about by the pandemic. The resilience of the operations undertaken by the manager and other key providers of operational services to the company could be reduced as a result of the effects of the pandemic, representing a risk to the company. The board has reviewed the mitigation measures which the manager and other key service providers have in place to maintain operational resilience and are satisfied that these are appropriate even in the current conditions. Relevant business continuity plans have been invoked at those service providers and the board has been given updates by each of them that these plans are operating satisfactorily and in line with expectations in order to preserve operational resilience. Working from home arrangements have been implemented where appropriate and government guidance is being followed.
Loss of S1158-9 tax status	Loss of S1158-9 tax status would have serious consequences for the attractiveness of the company's shares. The board considers that, given the regular oversight of this risk carried out by the investment manager and reviewed by the board, the likelihood of this risk occurring is minimal. The audit committee regularly reviews the eligibility conditions and the company's compliance against each, including the minimum dividend requirements and shareholder composition for close company status.
Long-term investment underperformance	The board manages the risk of investment underperformance by relying on good manager stock selection skills within a framework of diversification and other investment restrictions and guidelines. The board monitors the implementation and results of the investment process with the manager (who attends all board meetings) and reviews data that shows statistical measures of the company's risk profile. Should investment underperformance be sustained despite the mitigation measures taken by the investment manager, the board would assess the cause and be able to take appropriate action to manage this risk.

Risk	Mitigation
Market, financial and interest rate risk	The company's portfolio is invested in listed equities and is therefore exposed to market risk. Adherence to investment process is intended to ensure portfolios are optimally positioned for market turbulence. The majority of the company's investment portfolio is invested in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. It is not the company's policy to hedge this risk on a continuing basis but the company may, and currently does, match specific overseas investment with foreign currency borrowings. As a consequence of investing in overseas securities the statement of comprehensive income is subject to currency fluctuation arising on overseas income. In order to retain its place in the FTSE All-Share index, the company must satisfy the liquidity test criteria set by the FTSE at each annual review. The liquidity of the company's shares is monitored by the board, the investment manager and the company's broker with a report being reviewed at every board meeting. The board regularly discusses ways to improve the liquidity position of the company. The company intends to use its authority to distribute some capital profit by way of dividend if so required. If the company distributes capital profit by way of dividend, the board is aware that it cannot support the payment of dividends partly out of capital on an indefinite basis in certain investment scenarios. The board actively manages this risk with the investment manager by seeking to grow the company's income and capital in real terms over the longer term.
Operational Risk	The company has outsourced its entire operational infrastructure to third party providers. Contracts and service level agreements have been arranged to ensure that the service provided by each third- party provider is of a sufficiently professional and technically high standard. The board receives and reviews control reports from all service providers. Periodically, the board requests representatives from third party service providers to attend board meetings to give the board the opportunity to discuss the controls that are in place directly with the third-party providers. The board receives and reviews control reports from all service providers. The board carries out an annual evaluation of its service providers and gives regular feedback to the investment manager through the management engagement committee.

Following the ongoing assessment of the principal and emerging risks facing the company, and its current position, the board is confident that the company will be able to continue in operation and that the processes of internal control that the company has adopted and oversight by the investment manager continue to be effective.

Key Performance Indicators

The board provides certain key performance indicators ('KPIs') to monitor and assess the performance of the company. For more details on Alternative Performance Measures refer to page 67. The principal KPIs are:

1. Performance relative to the peer group

The target is for the NAV total return to exceed the median of the peer group on a three-year rolling basis, since changing to peer group performance measurement on 1 June 2016.

The total return of NAV during the three years to 31 March 2020 was 1.0% against the peer group total return NAV of (4.3%), resulting in an outperformance of 5.3%.

The Chairman's statement, on pages 4 to 6, and the manager's review, on pages 7 to 12, provide more information on performance. See page 69 for details of the peer group.

2. Growth in net assets

The growth in net assets is measured by the growth in the cum income NAV per share during the financial year. The company's cum income NAV per share fell to 162.72p at 31 March 2020, from 183.21p as at 31 March 2019, a decrease of 11.2%.

The Chairman's statement, on pages 4 to 6, and the manager's review, on pages 7 to 12, provide more information on performance.

3. Ongoing charges

The board monitors the ongoing charges to ensure it stays at or below 1.0%. The ongoing charges for the year end 31 March 2020 were 0.9% (2019: 0.9%) and therefore the KPI was achieved.

4. Discount

The company has a policy of maintaining the average ex income discount in the last 12 weeks of the financial year at below 7.5%. The average discount over the 12-week period to 31 March 2020 based on the ex income NAV was a premium of 1.8%.

5. Rising income

The board aims to achieve rising income through investment in a balanced portfolio constructed from global equities.

The annual dividend for the year end 31 March 2020 was 6.41p, an increase of 2.6% on the annual dividend for the year end 31 March 2019 of 6.25p.

Summary of KPIs	Target	Actual	Achieved
1. Performance relative to peer group	Total return to exceed the median over three years on a rolling basis	5.3%	✓
2. Growth in net assets	Growth in cum income NAV	(11.2%)	✗
3. Ongoing charges	Below 1.0%	0.9%	✓
4. Average discount	Below 7.5%	Premium 1.8%	✓
5. Rising income	Dividend per share growth	2.6%	✓

Approved by the board

John Evans

1 July 2020

John Evans, chairman

John commenced his career at Ivory & Sime in 1979. In 1990, John was one of the founding partners of Aberforth Partners, a specialist investment management firm that invests in UK smaller quoted companies largely on behalf of institutional investors. John retired from Aberforth in 2011 and is currently chairman of BMO UK High Income Trust plc and a non-executive director of JP Morgan Mid Cap Investment Trust. He was appointed to the board in February 2016 and became chairman in September 2019.

Mark Little, chairman of the audit committee

Mark has an extensive knowledge of the investment industry, as the former Managing Director of Barclays Wealth Scotland and Northern Ireland. Mark held this position for eight years until 2013 when he retired. Prior to this, Mark held the position of Global Head of Automotive Research at Deutsche Bank where he managed and coordinated its global automotive research product. He is currently a non-executive director of Majedie Investments plc and acts as a consultant to Lindsays LLP. He was appointed to the board of Securities Trust of Scotland in October 2014.

Sarah Harvey, chairman of the marketing and communications committee

Sarah is Chief Operating Officer of Prodigy Finance Ltd, a global fintech company that provides postgraduate loans to students studying outside their home country, where she oversees their product, technology, operations, business development and marketing, risk and people functions. Sarah has worked for the last 7 years in start-up companies, as the U.K. Managing Director of Square Inc, the US listed fintech company, and as the Chief Operating Officer at Tough Mudder, the world's leading obstacle events business. Sarah has extensive experience in corporate strategy, marketing and operations. Her career began with Bain & Company before working in strategy on a range of international projects for businesses and not-for-profit organisations. She was appointed to the board of Securities Trust of Scotland in October 2018.

Angus Gordon Lennox, senior independent director

Angus has an extensive knowledge of the investment industry with 24 years' experience in the City, working in a variety of positions including Head the Investment Companies Department, both as a Partner of Cazenove, and then as a Managing Director of JPMorgan Cazenove, with specific responsibility for the investment company department from whom he retired in 2010. Angus is also the Executive Chairman of two family businesses together with being Chairman of The Mercantile Investment Trust plc and Chairman of Aberforth Split Level Income Trust plc. He joined the board of Securities Trust of Scotland in November 2013.

The directors present their report and the audited financial statements of the company for the year ended 31 March 2020.

Status

The company carries on business as an investment trust and its shares have a premium listing on the London Stock Exchange. The company has been approved by the HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The company will continue to conduct its affairs in a manner which will enable it to retain this status. The company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company for taxation purposes. The company is a public company limited by shares.

Business Review

The investment manager

Martin Currie is an international equity specialist based in Edinburgh, managing money for a wide range of global clients. Its investment process is focused on selecting stocks through fundamental proprietary research and constructing well-balanced high conviction portfolios. The board closely monitors investment performance and the manager attends each board meeting to present a detailed update to the board. The board uses this opportunity to challenge the manager on any aspect of the portfolio's management.

Continued appointment of the investment manager

The board, through the work of the management engagement committee, conducts an annual performance appraisal of the investment manager against a number of criteria, including operational performance, investment performance and other contractual considerations.

At the appraisal carried out by the management engagement committee in March 2020, the committee considered the past investment performance of the company and the ability of the investment manager to produce satisfactory investment performance in the future.

It also considered the management agreement and fees payable to the investment manager, together with the standard of other services provided, which include company secretarial, accounting and marketing services. The acquisition of Legg Mason by Franklin Resources was announced in February 2020 and is expected to complete in September 2020. The board has been assured that Martin Currie will maintain its autonomy as an affiliate and its investment philosophy and processes will remain unchanged. Following this review, it was the directors' opinion that the continuing appointment of the investment manager on the terms agreed was in the best interests of shareholders as a whole.

Subsequent to the year end on 2 June 2020 the company became aware that the portfolio manager had resigned from Martin Currie and would be leaving on 1 December 2020. It announced on 3 June 2020 that it had served protective notice under the management agreement. The board has commenced a review of its management arrangements, which will include Martin Currie.

AIFM and company secretary fee

Martin Currie is paid an AIFM and company secretary fee which is calculated quarterly at an annual rate of 0.6% of the company's net asset value up to £200 million and an annual rate of 0.4% of the company's net asset value above £200 million. The net asset value is defined as the NAV adjusted by adding back any borrowings of the company. Martin Currie earned an AIFM and company secretary fee during the financial year of £1,284,000 (2019: £1,244,000) of which £113,000 plus VAT (2019: £110,000 plus VAT) has been treated as a secretarial fee.

Assets invested in companies or funds that are managed by a member of the Martin Currie group are excluded when calculating the fee.

For the year end 31 March 2020 the management fee has been allocated 65% to capital and 35% to revenue. The allocation was based on the board's expected long-term split of returns in the form of capital gains and income.

Main features of the contractual arrangement with the investment manager

The AIFM and secretarial agreement can be terminated by either party on six months' notice, or by the company immediately if Martin Currie ceases to be capable of managing investment trust business or to be authorised by the FCA, or becomes insolvent, is wound up or liquidated. In the event that the company terminates the AIFM and secretarial agreement otherwise than as set out above, Martin Currie is entitled to receive compensation equivalent to twice the amount of the quarterly fee payable to them immediately prior to the date of termination.

Further contractual arrangements essential to the business of the company

The operational infrastructure of the company has been outsourced to third party organisations. Contracts and service level agreements have been defined to ensure that the service provided by each of the third-party organisations is of a sufficiently professional and of a technically high standard as required. The audit and management engagement committees review all third-party service providers on a regular basis.

Directors

The board currently consists of four non-executive directors. The names and biographies of the current directors are on page 22, indicating their range of experience as well as length of service.

As indicated in the Chairman's statement on page 5, Rachel Beagles retired from the board on 17 September 2019 and was replaced as chairman by John Evans. In line with best practice all directors stand annually for either election or re-election at the AGM. The board considers that it has a balance of skills and experience relevant to the leadership and direction of the company and that all directors contribute effectively. The role of the board and its governance arrangements are set out in the company's corporate governance statement on pages 29 to 33 which forms part of this Report of the directors.

Directors' insurance and indemnities

The directors have the benefit of the indemnity provisions contained in the company's articles of association ('Articles') and the company has maintained throughout the year Directors and Officers' liability insurance for the benefit of the company and the directors. The company has entered into qualifying third-party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Environmental matters and social/community issues

As an externally managed investment company with no employees, the company's greenhouse gas emissions are negligible. The company does not have explicit environmental, social or corporate governance (ESG) policies but encourages and actively oversees Martin Currie's application of its ESG policies in the investment processes. Martin Currie continues to have the highest possible (A+) rating from the PRI across all three categories (Strategy, Integration and Active Ownership).

The board receives regular reports of both voting and other engagements by Martin Currie with the managements of companies in the portfolio. Details of Martin Currie's ESG related policies and activities can be found on its website at martincurrie.com. The board believes companies that exhibit positive ESG behaviours contribute to increasing value over the long term.

The company complies with the principles of the FRC Stewardship Code. The company's compliance statement can be found on the company's website.

Share capital

As at 31 March 2020, the company had 104,760,635 ordinary shares of 1p ('ordinary shares') in issue (2019: 104,496,248) and 17,538,513 ordinary shares held in Treasury (2019: 17,802,900). The company repurchased 435,613 shares to be held in Treasury at a cost of £803,116 during the year. This represented 0.4% of the called up issued share capital at the year end and had a nominal value of £4,356. During the year 700,000 shares held in Treasury were reissued.

A special resolution to renew the authority to repurchase shares will be put to shareholders for approval at the annual general meeting ('AGM'). The full text of the resolution is set out in the notice of meeting.

Shareholders analysis as at 31 March 2020	% of shareholders	% of equity capital
Individuals and trustees	74.7	10.3
Banks and nominee companies	23.5	73.6
Insurance & Investment companies	0.1	0.0
Other holders	1.7	16.1
	100.0	100.0

Substantial interests

As at 31 March 2020 the company had received notification in accordance with the FCA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the company's issued share capital:

As at 31 March 2020	% issued share capital
Rathbone Nominees	12.04
Charles Stanley	5.70
Smith & Williamson Holdings	5.15
WM Thomson	4.82
Brooks Macdonald	3.83
Hargreaves Lansdown	3.19
JM Finn	3.13

As at 26 June 2020 the company has not been notified of any changes to the above table.

As at 26 June 2020, the last practicable date prior to printing of this report, the company has 104,738,537 ordinary shares in issue (excluding treasury shares).

Shareholder and voting rights

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. The Ordinary shares carry a right to receive dividends which are declared from time to time by the company. On a winding-up, after meeting the liabilities of the company, any surplus assets would be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary shares in the company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law) and there are no special rights attached to any of the Ordinary shares. The company is not aware of any agreements between shareholders which may result in restrictions on the transfer of Ordinary shares or the voting rights attached to them.

Corporate governance statement

The company's corporate governance statement is set out on pages 29 to 33 and forms part of this report of the directors.

Revenue and dividends

The net revenue return for the year after expenses, interest and taxation was £6,735,000 (2019: £6,647,000), equivalent to a return of 6.46p per share (2019: 6.23p). Interim dividends totalling 4.35p have been paid during the year. The directors recommend a fourth interim dividend of 2.06p per share to be paid on 31 July 2020 to holders on the register at the close of business on 10 July 2020, making a total for the year of 6.41p (2019: 6.25p). The revenue reserves as at 31 March 2020 are £2,321,000 and £2,158,000 of this will be used to fund the fourth interim dividend.

Regulatory

The European AIFM Directive

Under the AIFMD the company is required to appoint an external depositary and an external AIFM who is supervised by the Financial Conduct Authority. On 22 July 2014 the company appointed Martin Currie Fund Management Limited ('MCFM') as its AIFM, an associated company of Martin Currie Investment Management Limited. There has been no changes to the way the company's assets are invested as a result of AIFMD.

Voting policy and the UK Stewardship Code

The company has given discretionary voting powers to Martin Currie. With respect to voting on behalf of clients, Martin Currie's policy is to:

- vote at all general meetings of companies in which its clients are invested;
- vote in favour of proposals which Martin Currie expects to enhance shareholder value; on routine issues Martin Currie is generally supportive of management;
- vote against proposals which it believes may damage shareholders' rights or economic interests;
- abstain on proposals which it feels unable to support, but where Martin Currie believes that it could be against its clients' interests to oppose publicly;
- ensure in all situations that the economic interests of its clients are paramount; and
- vote consistently on behalf of all clients who are invested in the particular company.

The directors are aware that Martin Currie gives consideration to operational performance, corporate social responsibility and corporate governance issues, among many other factors, when investment decisions are taken. Martin Currie has gained the highest A+ rating from the United Nations Principles for Responsible Investment ('UNPRI') and is a tier 1 signatory of the FRC Stewardship Code.

The board has noted Martin Currie's adoption of the FRC Stewardship Code, and a copy of the policies and voting records can be found at **www.martincurrie.com**.

Martin Currie's 2020 Stewardship Annual Report is available at **www.martincurrie.com/insights/stewardship-report-2020**.

Disclosure of information to the auditor

As required by Section 418 of the Companies Act 2006 each of the directors of the company at the time when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the company to include certain information in a single identifiable section of the Annual Report or across reference table indicating where the information is set out. The directors confirm that there are no disclosures to be made in this regard.

Going concern status

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's statement, manager's review, strategic report and the report of the directors.

The financial position of the company as at 31 March 2020 is shown on the statement of financial position on page 47. The cash flows of the company are set out on page 49. Note 15 on pages 59 to 64 sets out the company's risk management policies, including those covering market price risk, liquidity risk and credit risk.

The company has a two year revolving credit facility for £10,000,000 which expires in September 2020, and a multicurrency seven year fixed facility, which expires in September 2023, in three tranches of £1,500,000, €4,500,000 and US$12,750,000, all of which were fully drawn down at the year-end date. The company has adequate financial resources in the form of readily realisable listed securities and as a result the directors assess that the company is able to continue in operational existence without the facilities.

In accordance with the 2019 AIC Code of Corporate Governance and the 2018 UK corporate Governance Code, the directors have undertaken a rigorous review of the company's ability to continue as a going concern. The company's assets consist of a diverse portfolio of listed equity shares which, in most circumstances, are realisable within a very short timescale. The directors are mindful of the principal and emerging risks and uncertainties disclosed on pages 19 and 20, in particular those related to COVID-19. They have reviewed revenue forecasts and they believe that the company has adequate financial resources to continue its operational existence for the foreseeable future, and at least one year from the date of this annual report.

As explained in the viability statement, notwithstanding the company's continuing viability from a financial perspective, there is material uncertainty over the outcome of the review of the investment manager, which may cast doubt as to the likelihood of the company continuing as a going concern. Possible outcomes include the appointment of a new investment manager or corporate restructuring such as a merger with another vehicle, in which case shareholders would be offered the opportunity to roll over into another vehicle and continue investing and the existing company would be wound up. Whilst recognising this material uncertainty, the directors consider it appropriate to continue to adopt the going concern basis in preparing these accounts.

Viability Statement

The company's business model is designed to achieve rising income and long-term capital growth through investment in a balanced portfolio constructed from global equities unconstrained by geography, sector, stock or market capitalisation. The business model is based on having no fixed or limited life provided global equity markets continue to operate normally. The board served protective notice of termination on the current investment manager and is currently engaged in a review of the investment management arrangements. The board has assessed its viability over a three year period in accordance with provision 31 of the UK Corporate Governance Code as it believes this is an appropriate period over which it does not expect there to be any significant change to the principal risks (save in the case of the pandemic risk) and adequacy of the mitigating controls in place. The board considers that this reflects the minimum period which should be considered in the context of its long-term objective but one which is limited by the inherent and increasing uncertainties involved in assessment over a longer period.

In making this assessment the directors have considered the following risks to its ongoing viability:

- the principal and emerging risks and uncertainties and the mitigating actions set out on pages 19 and 20, including the potential impact of COVID-19;
- the mitigation measures which key service providers including the manager have in place to maintain operational resilience particularly in light of COVID-19;
- the company has served protective notice to the manager and is undertaking a review of its management arrangements;
- the ongoing relevance of the company's investment objective in the current environment;
- the level of income forecast to be generated by the company and the liquidity of the company's portfolio; and
- the level of fixed costs and debt relative to its liquid assets.
- the expectation is that the current portfolio could be liquidated to the extent of 95.8% within three trading days.

At the date of this report it is not possible to predict whether an outcome of the review of the investment management arrangements might be a corporate event, such as a merger, or the appointment of a new investment manager, except to the extent that, in seeking to act in the best interests of shareholders, the board aims to select an investment manager that will merit such support. In the event of a corporate restructuring or merger, shareholder would be offered the opportunity to roll over into another vehicle and continue investing and the existing company would be wound up. Notwithstanding the company's continuing viability from a financial perspective, there is material uncertainty over the outcome of the prospective change of investment manager which may cast doubt on the likelihood of the company continuing as a going concern. Despite this material uncertainty the financial statements have been prepared on a going concern basis and, subject to that uncertainty, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over at least the next three years years.

Related party transactions

With the exception of the management and secretarial fees (disclosed on page 23), directors' fees (disclosed on page 37) and directors' shareholdings (disclosed on page 36) there were no related party transactions through the financial year.

Performance, outlook and trends likely to affect future performance

Please refer to the Chairman's statement on pages 4 to 6 and the manager's review on pages 7 to 12 for an update on the performance of the company over the year and outlook for 2020, together with information on the trends likely to affect the future performance of the company.

Annual general meeting

The AGM of the company will be held at 12.30pm on 24 September 2020, at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2ES.

Given the current COVID-19 situation and government restrictions, you are encouraged to vote by proxy. Questions to the AGM may be written on the form of proxy in the space provided, and a written response will be posted on the company's website following the meeting. Under current COVID-19 restrictions, shareholders should not attempt to attend the meeting. The Notice of AGM is included on pages 72 to 73. Resolutions relating to the following items of business will be proposed:

Remuneration report – ordinary resolution

In accordance with the provisions of the Companies Act 2006 the directors' remuneration report will be put to an annual shareholder vote by ordinary resolution. The vote is advisory in nature and is in respect of the overall remuneration package which is in place for directors of the company, and not specific to individual levels of remuneration.

Remuneration policy – ordinary resolution

In accordance with the provisions of The Directors' Remuneration Policy is subject to a binding shareholder vote at least every three years and was last approved at the company's AGM in 2017. There have been no changes made to the Remuneration policy and if approved by shareholders will continue. As is currently the case the company will be unable to make a remuneration payment to a current or prospective director or a payment for loss of office to a current or past director, unless such payment is consistent with the Policy or has been approved by a resolution of the Company's shareholders.

Election and re-election of directors – ordinary resolutions

Biographical detail of the directors can be found on page 22 of the annual report and accounts. In accordance with the principles of good governance set out in the UK Corporate Governance Code all directors who will continue following the AGM will seek re-election. In proposing the election and re-election of the directors, the chairman has confirmed that, following the most recent board evaluation, each director continues to make an effective and valuable contribution to the board and demonstrates commitment to their role.

Dividend policy – ordinary resolution

As a result of the timing of the payment of the company's quarterly dividends in January, April, July and October, the company's shareholders are unable to approve a final dividend each year. As an alternative the board will put the company's dividend policy to shareholders for approval on an annual basis.

Resolution 4, which is an ordinary resolution, relates to the approval of the company's dividend policy which is as follows:

Dividends on the Ordinary shares are payable quarterly in January, April, July and October. The payment of dividends in accordance with this dividend policy is subject always to market conditions and the company's financial position and outlook.

Allotment of shares – ordinary resolution

Section 551 of the Companies Act 2006 provides that the directors may not allot new shares without shareholder approval. Resolution 11 seeks to renew the directors' authority to allot shares up to a maximum aggregate nominal amount of £349,128 (being an amount equal to one third of the issued share capital of the company (excluding treasury shares) as at 26 June 2020, being the last practicable date before the date of this document). The board intends to exercise this power only once the number of shares held by the company in treasury is not sufficient to support share issuance by the company. As at 26 June 2020, being the last practicable date prior to the publication of this document, the company held 17,560,611 ordinary shares in treasury, representing approximately 16.76% of the company's issued share capital (excluding treasury shares).

The authority will expire on 30 September 2021 or, if earlier, at the AGM of the company to be held in 2021, unless previously cancelled or varied by the company in general meeting.

Disapplication of statutory pre-emption rights – special resolution

Resolution 12 proposes as a special resolution to continue the directors' authority under s570 and s573 of the Companies Act 2006 to allot shares for cash in certain circumstances otherwise than pro rata to all the shareholders up to an aggregate nominal amount of £52,369 (representing 5% of the company's issued share capital as at 26 June 2020, the latest practicable date before publication of the accounts) and to modify statutory pre- emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. Any issue of shares would be made in accordance with the company's articles of association. This authority would enable the directors to issue shares for cash to take advantage of changes in market conditions that may arise in order to increase the amount of the company's issued share capital. The purpose of such an increase would be to improve the liquidity of the market in the company's shares and to spread the fixed costs of administering the company over a wider base.

For the purposes of this resolution, allotment of shares includes the sale of treasury shares. As at 26 June 2020, being the last practicable date prior to the publication of this document, the company held 17,560,611 ordinary shares in treasury, representing approximately 16.76% of the company's issued share capital (excluding treasury shares).

Purchase of own shares – special resolution

Each year the directors seek authority from shareholders to purchase the company's own shares. The directors recommend that shareholders renew this authority by passing resolution 13.

Any shares purchased pursuant to this authority may be automatically cancelled or held in treasury pursuant to the

Companies (Acquisition of own shares) (Treasury shares) Regulations 2003. Resolution 13 specifies the maximum number of shares that may be acquired being 14.99% of the issued share capital as at 26 June 2020, being the last practicable date prior to the publication of this document, and the maximum and minimum prices at which they may be bought and, if passed, would lapse at the company's AGM in 2021.

The main effect of any share buybacks (whether for cancellation or to be held in treasury) will be to enhance the net asset value of the remaining ordinary shares, as the shares will only be acquired at a cost that is less than their net asset value. Purchases can provide liquidity for shareholders wishing to sell their ordinary shares and may have a beneficial effect on the discount to their net asset value at which the ordinary shares currently trade. The purpose of holding some shares in treasury is to allow the company to re-issue those shares quickly and cost-effectively, thus providing the company with greater flexibility in the management of its capital base. Whilst in treasury no dividends are payable on or voting rights attached to the shares.

Purchase by the company of its own shares will be funded either by using available cash resources, by selling investments in the portfolio or through borrowings. During the year ended 31 March 2020, the company bought back 435,613 ordinary shares to be held in treasury. As at 31 March 2020, the company holds 17,538,513 shares in treasury representing 14.34% of the issued share capital of the company. As at 26 June 2020 being the last practicable date before publication of the accounts, the company holds 17,560,611 shares in the treasury representing 16.76% of the issued share capital of the company (excluding treasury shares).

Recommendation

The directors believe all the resolutions proposed are in the best interests of the company and the shareholders as a whole and recommend all shareholders to vote in favour of all the resolutions.

The results of the votes on the resolutions at the AGM will be published on the company's website **www.securitiestrust. com**.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on the **www.securitiestrust.com** website, which is maintained by the investment manager. The maintenance and integrity of the website maintained by Martin Currie is, so far as it relates to the company, the responsibility of Martin Currie.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

This responsibility statement was approved by the board of directors on 1 July 2020 and is signed on its behalf by:

John Evans

1 July 2020

Corporate Governance

Corporate governance is the process by which the board seeks to look after shareholders' interests and protect and enhance shareholder value. Shareholders hold the directors responsible for the stewardship of the company, delegating authority and responsibility to the directors to manage the company on their behalf and holding them accountable for its performance.

The board is ultimately responsible for framing and executing the company's strategy and for closely monitoring risks. It aims to run the company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. The board consider the practice of good governance to be an integral part of the way it manages the company and are committed to maintaining high standards of financial reporting, transparency and business integrity.

This report, which is part of the Report of the directors, explains how the board addresses its responsibility, authority and accountability.

Compliance with the Principles of the AIC Code

The board of the company has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance ('AIC Code'). The AIC Code addresses the principles and provisions set out in the 2018 UK Corporate Governance Code (the 'UK Code'), as well as setting out additional principles on issues that are of specific relevance to the company. The board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders. The AIC Code is available on the AIC website (www.theaic. co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

Details of the AIC principles and how the company complies with them can be found on the company's website at **www.securitiestrust.com**.

Role of the board

Investment companies have a board of directors whose duty it is to govern the company to secure the best possible return for shareholders within the framework set out in the company's Articles of Association – in other words, to look after the interests of shareholders. Your board of four experienced independent non-executive directors met five times during the year on a formal basis and on an ad-hoc basis when required, to consider the company's strategy and monitor the company's performance (see table below). The directors are directly answerable to shareholders.

An investment trust board provides a very specific and proactive form of direct oversight of the investment of the shareholders' funds.

Your board takes this responsibility extremely seriously and serves shareholders by ensuring that the interests of the investment manager are aligned as closely as possible with those of shareholders.

The board consists of a chairman and three non-executive directors, all of whom are considered under the Code to be independent of the manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct. Biographies for all of the directors are on page 22, which demonstrate a breadth of investment knowledge, business and financial skills which enable them to provide effective strategic leadership and proper governance of the company.

The number of routine board and committee meetings attended by each director during the year compared to the total number of meetings that each director was eligible to attend is provided in the table below. The board meets formally at least five times a year, and more frequently where business needs require. In addition, the board maintains regular contact with the manager.

The primary focus at regular board meetings is a review of investment performance and associated matters including asset allocation, promotion and investor relations, peer group information and industry issues. To enable the board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including the portfolio manager's review, performance reports and discussion documents regarding specific matters. directors have made further enquiries where necessary.

The board sets the company's values and objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. The board undertakes an annual review of culture, policies and practices to ensure that they are aligned with the company's values and objectives.

The role of the Chairman and Senior Independent Director

The chairman is responsible for providing effective leadership to the board, by setting the tone of the company, demonstrating objective judgement and promoting a culture of openness and debate. The chairman facilitates the effective contribution, and encourages active engagement, by each director. The chairman also ensures that directors receive accurate, timely and clear information to assist them with effective decision-making. The chairman leads the evaluation of the board and individual directors, and acts upon the results of the evaluation process by recognising strengths and addressing any weaknesses. The chairman also engages with major shareholders and ensures that all directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the chairman and acts as an intermediary for other directors, when necessary. Working closely with the nomination and remuneration committee, the Senior Independent Director takes responsibility for the annual appraisal of the chairman's performance and is available to shareholders to discuss any concerns they may have.

Committee structure

Following the release of the 2019 AIC code the board reviewed the committee structure and renamed the nominations committee as the nomination and remuneration committee to better reflect its areas of responsibilities. The terms of reference for the board and each committee were also reviewed and updated versions adopted for all committees. Terms of reference for each of the committees are available via the company secretary. Directors who are not members of committee's may attend at the invitation of the committee chairman. The board also regularly reviews the performance of the investment manager. The management engagement committee meets to review the continuing appointment of the investment manager and reviews the terms of the investment management and secretarial agreement, to ensure that it remains competitive and in the best interest of shareholders along with reviewing the continuing appointment of other key service providers. The audit committee also reviews the controls reports from key service providers as part of its internal controls monitoring.

Directors' meetings

The following table shows the number of formal board and board committee meetings held during the year and the number attended by each director or committee member. In addition to the formal board meetings, there were several additional meetings of the board and a strategy meeting held during the financial year.

	Formal board meetings (5 meetings)	Management engagement committee (1 meeting)	Audit committee (3 meetings)	Nomination and remuneration committee (2 meetings)	Marketing and communications committee (3 meetings)
John Evans	5/5	1/1	1/1**	2/2	3/3
Angus Gordon Lennox	5/5	1/1	3/3	2/2	3/3
Sarah Harvey	5/5	1/1	3/3	2/2	3/3
Mark Little	5/5	1/1	3/3	2/2	3/3
Rachel Beagles*	2/2	–	1/1	1/1	1/1

*Retired on 17 September 2019. **John Evans stood down as a member of the audit committee upon becoming chairman on 17 September 2019.

Directors' independence and succession planning

The board consists of four non-executive directors, each of whom is considered independent. Directors are initially appointed until the following general meeting when, under the company's articles of association, it is required that they be elected by shareholders. The board has decided that all directors will stand for annual re-election in line with the AIC Code best practice.

The board does not believe that length of service in itself necessarily disqualifies a director from seeking re-election but, when making a recommendation, the board will take into account the ongoing requirements of the AIC Code, including the need to refresh the board and its committees.

All of the directors are considered under the AIC Code to be independent of the investment manager, Martin Currie Investment Management Limited. They are free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct and demonstrate a breadth of investment knowledge, business and financial skills which enable them to provide effective strategic leadership and proper governance of the company.

As a result of the board's evaluation process the chairman confirms that all directors continue to be effective and their re-election is recommended.

The board plans for its own succession with the assistance of the nomination and remuneration committee. This process ordinarily involves the identification of the need for a new appointment, and the preparation of a brief including a description of the role and specification of the capabilities required. Following the retirement of Ms Beagles as chairman of the company, the nomination and remuneration committee recommended to the board that Mr John Evans become chairman of the board following the AGM on 17 September 2019.

The nomination and remuneration committee seeks assistance in identifying suitable candidates by appointing an external recruitment firm. It considers candidates from a wide range of backgrounds, having consideration for the diversity of the board as a whole, including but not limited to gender.

Tenure

The board has adopted a Tenure Policy for all directors, including the chairman, which states that the board believes that it is an advantage to have the continuous contribution of directors over a period of time during which they are able to develop awareness and insight of the company and thereby be able to make a valuable contribution to the board as a whole. The board believes that it is appropriate for a director to serve for up to 9 years following their initial election, and it is expected that directors will stand down from the board after that time. However, a flexible approach to tenure has been adopted and that period may be extended for a limited time to facilitate effective succession planning whilst still ensuring regular refreshment and diversity on the board.

Board diversity

The nomination and remuneration committee considers diversity, including the balance of skills, knowledge, gender, social and ethnic backgrounds, cognitive and personal strengths and experience, amongst other factors when reviewing the composition of the board. However, it does not consider that it is appropriate to establish targets or quotas in this regard. The board comprises four non-executive directors of whom one is female thereby constituting 25% female representation. The company has no employees as its investments are managed by Martin Currie, the appointed investment manager.

Induction & Training

The investment manager provides all directors with induction training on appointment, tailored to the needs of individual appointees. The induction programme includes one-to-one meetings with representatives of the investment manager. Regular briefings are provided on changes in regulatory requirements that affect the company and directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts. Board meetings regularly include agenda items on recent developments in governance and investment trust issues.

Directors' indemnity

The company provides a Deed of Indemnity to each director to the extent permitted by United Kingdom law whereby the company is able to indemnify such a director against any liability incurred in proceedings brought by the company against a director in which the director successfully defends. The company also has in place a Director and Officer Liability Insurance Policy that is renewed annually.

Performance evaluation

A formal, annual, appraisal system has been agreed for the evaluation of the board, its committees and the individual directors, including the chairman. Board and committee evaluation questionnaires are drawn up by the company secretary and completed by each director. The responses are collated and discussed. The chairman leads the evaluation of the board, committee and individual directors, including consideration of the time commitment, skills and experience of the directors, while the senior independent director leads the evaluation of the chairman's performance. The board has given consideration to appointing an external board evaluator, however, it does not believe it is necessary at this time. The results of the evaluation process were presented to and considered by the board. There were no significant actions arising from the evaluation process and it was agreed that the current composition of the board and its committees reflected a suitable mix of skills and experience. It concluded that the board as a whole, the individual directors and its committees were functioning effectively. As a result of the board's evaluation process the chairman confirms that all remaining directors continue to be effective and their re-election is recommended.

The board also regularly reviews the performance of the investment manager. The management engagement committee meets to review the continuing appointment of the investment manager and reviews the terms of the investment management and secretarial agreement, to ensure that it remains competitive and in the best interest of shareholders along with the continuing appointment of other key service providers.

Company secretary

The board has direct access to company secretarial advice and services of the investment manager which, through its nominated representative, is responsible for ensuring that board and committee procedures are followed, and that applicable regulations are complied with.

Conflicts of interest

The board has approved a policy of directors' conflicts of interest. Under this policy, directors are required to disclose all actual and potential conflicts of interest to the board as they arise for consideration and approval. The board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. The board regularly monitors the interests of each director and a register of directors' interests, including potential conflicts of interest, is maintained by the company. Directors who have potential conflicts of interest will not take part in any discussions which relate to that particular conflict. The board considers that the framework has worked effectively throughout the year under review.

Anti-Bribery

The board has a zero tolerance policy towards bribery and ensures that its service providers and associated persons have adequate anti-bribery policies and procedures in place which are high level, proportionate and risk based.

In relation to the corporate offence of failing to prevent tax evasion, it is the company's policy to conduct all business in an honest and ethical manner. The company takes a zero- tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

Employees, social, community and human rights issues

The company believes that it is in shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments. Full details of the ESG analysis are contained in the Manager's review on pages 10 to 12 and further information is contained in the section entitled Duty to promote the success of the company on page 17. The company has no employees and all the directors are non-executive, therefore, there are no disclosures to be made in respect of employees.

Relations with Shareholders

The company places great importance on communication with shareholders. It aims to provide shareholders with a full understanding of the company's activities and performance and reports formally to shareholders twice a year by way of the annual report and the half-yearly report. The net asset value of the company's shares is available daily through the London Stock Exchange and the company's monthly updates are available on the website. In addition, the chairman meets major shareholders annually or as necessary without the manager present.

The board monitors the shareholder profile of the company at every board meeting. The board communicates directly with major shareholders when reviewing marketing and strategy initiatives. All shareholders have the opportunity, and, subject to COVID-19 restrictions in 2020, are normally encouraged to attend the company's AGM at which the directors and representatives of the investment manager are available to meet shareholders and answer questions. The manager also presents a review of the company's performance and invites questions from shareholders.

The investment manager provides a dedicated client services team which maintains regular contact with the company's shareholders and reports regularly to the board. Shareholders can also contact the directors throughout the year, through the company secretary.

Board committees

Management engagement committee

The committee, chaired by John Evans and comprising of all directors, met once during the year and its responsibilities include:

- reviewing the continuing appointment of the investment manager;
- reviewing the performance of the investment manager in terms of investment performance and the company secretarial, marketing and administration services provided;
- reviewing the terms of the investment management and secretarial agreement, to ensure that it remains competitive and in the best interests of shareholders; and
- reviewing the performance of other service providers to the company including the depositary, registrar and broker.

Nominations and remuneration committee

The committee, chaired by Angus Gordon Lennox and comprising of all directors, met twice during the year and its responsibilities include:

- assessing the skills, knowledge, experience and diversity required on the board and the extent to which each are represented;
- establishing processes for the review of the performance of the board committees and the board as a whole;
- establishing processes for the identification of suitable candidates for appointment to the board;
- overseeing succession planning for the board;
- reviewing the performance of each director during the period in which they have been a member of the board and considering the recommendation to shareholders to approve their re-appointment; and
- to consider the directors' remuneration policy and approve any changes to directors' remuneration arising as a result of such policy.

Marketing and communications committee

The committee, chaired by Sarah Harvey and comprising of all directors, met three times during the year and its responsibilities include:

- considering the marketing strategy for the company;
- reviewing the company's communications with its shareholders;
- reviewing the company's marketing budget; and
- reviewing the design and contents of the company's financial statements.

Audit committee

The committee, chaired by Mark Little met three times during the year and comprises all directors with the exception of John Evans. Further information may be found in the Audit committee's report on pages 34 to 35.

Internal control

The AIC Code and the Disclosure and Transparency Rules require directors, at least annually, to review the effectiveness of the company's system of internal control

and include a description of the main features relating to the financial reporting process.

Since investment management and all administrative services are provided to the company by Martin Currie, the company's system of internal control mainly comprises monitoring the services provided by Martin Currie, including the operating controls established by them, to ensure that they meet the company's business objectives. The company does not have an internal audit function of its own, but relies on the risk and compliance department of Martin Currie. This arrangement is kept under review. Martin Currie also carries out a review of the custodial and administration activities carried out by State Street.

The board, either directly or through committees, reviews the effectiveness of the company's system of internal control by monitoring the operation of the key controls of Martin Currie and:

- reviews an internal control report as provided to the board twice yearly by the investment manager. This report details significant risks, regulatory issues, error management and complaint handling;
- reviews the terms of the management agreement;
- reviews reports on the internal controls and the operations of the investment manager and of the custodian; and
- reviews the risk profile of the company and considers investment risk at every board meeting.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the company including the principal and emerging risks as outlined on pages 19 to 20. This process accords with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

During the course of its review of internal controls, the board has not identified or been advised of any failings or weaknesses which it has determined to be significant, and is satisfied with the arrangements.

Internal control and risk management systems in relation to the financial reporting process

The directors are responsible for the company's system of internal control, designed to safeguard the company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable.

Martin Currie has in place stringent controls that monitor the following activities within the financial reporting process:

- investment and related cash transactions are completely and accurately recorded and settled in a timely manner;
- corporate actions and proxy voting instructions are identified and generated respectively, and then processed and recorded accurately and in a timely manner;
- investment income is accurately recorded in the proper period;
- investments are valued using current prices obtained from independent external pricing sources;
- cash and securities positions are completely and accurately recorded and reconciled to third party data; and
- investment management fees are accurately calculated and recorded.

The system of internal control can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can provide only reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

By the means of the procedures set out above, the board confirms that it has reviewed the effectiveness of the company's systems of internal control for the year ended 31 March 2020, and to the date of approval of this annual report.

John Evans
Chairman
1 July 2020

Audit committee report

The audit committee is chaired by Mark Little and comprises all of the directors with the exception of John Evans, who stood down from the committee following his appointment as chairman in September 2019. The board reviews the relevant skills and experience of the audit committee as part of the annual board review and believes that the members of the committee have the appropriate skills and experience. Biographies of the members of the committee are on page 22.

The audit committee reviews the scope and results of the audit and, during the year, considered and approved the external auditors' plan for the audit of the financial statements for the year ended 31 March 2020. The audit committee's responsibilities include:

- Monitoring and reviewing the integrity of financial statements and ensuring in particular that, taken as a whole, they are fair, balanced and understandable;
- Review of the Internal financial controls;
- Making recommendations to the board in relation to the appointment, evaluation and dismissal of the external auditors, their remuneration, terms of their engagement and reviewing their independence and objectivity, effectiveness, and overall effectiveness of the audit process;
- Reviewing the external auditor's audit plan and year end report;
- Developing and implementing policy on the engagement of the external auditors to supply non-audit services; and
- Reporting to the board, identifying any matter in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Having reviewed the annual report and financial statements, the committee recommended to the board that the annual report and financial statements are fair, balanced and understandable.

Auditors' Report

At the conclusion of the audit, Ernst & Young LLP ('EY') did not highlight any issues to the audit committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. Their audit report is included on pages 38 to 45.

Activities during the year

The committee met three times during the year where it reviewed the annual and half yearly financial reports and also reviewed the company's risk register. It also considered internal audit and risk and compliance reports from the manager. During the year the committee also considered the fee level, independence, effectiveness and reappointment of the auditors.

The audit committee takes account of the most significant issues and risks, both operational and financial, likely to impact the company's financial statements.

The following significant issues were considered by the audit committee in relation to the financial statements:

Matter	Action
Accuracy of portfolio valuation	All listed investments are valued at bid prices provided by third party service providers in accordance with the price source agreement in place. The investment manager reviews and summarises the SOC 1 report, prepared annually by State Street covering Global Fund Accounting and Custody and the audit committee reviews this summarised report annually.
Ownership of investments	The audit committee reviews a summary of the SOC 1 report on State Street, prepared by the investment manager, on key controls over the assets of the company. Any significant issues are reported by the investment manager to the audit committee. The investment manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the company's assets.
Strength of processes and internal controls at outsourced providers	The investment administration function is outsourced by Martin Currie to State Street. Custodial services are provided to the company by State Street as appointed by the depositary. The directors, having carried out due diligence at the time of appointment and subsequently with State Street are satisfied that State Street are acceptable providers. The audit committee receive regular reports from Martin Currie on the effectiveness of these arrangements, including additional reports on business resilience and continuity arrangements in light of the impact of COVID-19. Martin Currie has reviewed and checked State Street's processes, procedures and internal controls. The audit committee also reviews the summary of the SOC 1 report on State Street and the ISAE 3402 Report on internal controls for investment management operations report on Martin Currie Limited annually.

Matter	Action
Mis-statement of revenue returns	The board reviews income forecasts (including special dividends) and receives explanations from the investment manager for any variations or significant movements from previous forecasts and prior year figures. The board has reviewed with the investment manager the impact that COVID-19 may have on the portfolio and income forecasts. The allocation of expenses is reviewed by the audit committee annually taking into account the long- term split of returns from the portfolio, both historic and projected and the objectives of the company. The management fee is calculated in accordance with the contractual terms in the investment management agreement by State Street and is reviewed in detail by the investment manager and is also subject to analytical review by the board.

Auditor's independence

The company has in place a policy governing and controlling the provision of non-audit services by the external auditor, so as to safeguard its independence and objectivity. This is achieved by prohibiting non-audit work where independence may be compromised or conflicts arise. Any non-audit work requires specific approval of the audit committee in each case.

The audit fees amount to £28,000 plus VAT for the year ended 31 March 2020 (2019: £18,500 plus VAT). There were no non-audit fees for the year ended 31 March 2020 (2019: £1,500).

The non-audit services for the year end 31 March 2019 relate to the assessment of 'ready to tag' accounts and design process for iXBRL purposes. Following a review of the non-audit service, the company decided to move the 'ready to tag' service from the auditors to Arkk Solutions. Accordingly there are no non-audit services provided by the auditors from 1 April 2020.

Following review, the audit committee is satisfied that the company's auditor, Ernst & Young LLP, remains independent.

Auditors rotation

A competitive tender for the audit of the company was held in January 2018, following which Ernst & Young LLP were appointed as the company's auditor with effect from the conclusion of the 2018 AGM.

A resolution to re-appoint Ernst & Young LLP as company auditors will be proposed at the AGM.

Under EU rotation guidance, the company's audit engagement partner will rotate every five years. Sue Dawe has been the audit engagement partner since the appointment of EY and her last year as audit engagement partner will be 31 March 2023. There is currently no intention to put the audit out to tender.

Conclusions in respect of the annual report

The production and audit of the company's annual report is a comprehensive process which requires input from a number of different contributors. One of the key governance requirements of the company's annual report is that it is fair, balanced and understandable. The board has requested that the audit committee confirm whether it considers that the annual report, when taken as a whole, fulfils this requirement.

The board is satisfied that the annual report is fair, balanced and understandable after debating the following matters considered by the audit committee:

- the comprehensive reviews that are undertaken at different levels in the production process of the annual report by the investment manager, third party service providers and the audit committee that aim to ensure consistency and overall balance; and
- the controls that are in place at the investment manager and third-party service providers ensure the completeness and accuracy of the company's financial records and the security of the company's assets.

Effectiveness of the external audit process

The committee evaluated the effectiveness of the external auditor and the external audit they undertook. This evaluation involved an assessment of the effectiveness of the auditor's performance against criteria including qualification, expertise and resources, independence and effectiveness of the audit process. Having reviewed the performance of the external auditor as described above, the committee is satisfied with the external audit process undertaken in relation to this annual report and its financial statements.

Mark Little

Chairman of the audit committee

1 July 2020

Nomination and remuneration committee

Following a review of the committee structure in 2019, the board renamed the nominations committee as the nomination and remuneration committee to more accurately reflect its responsibilities. The committee has responsibility for setting the remuneration policy for all directors, taking into account factors such as time commitment and responsibilities of the role, with the objective to attract and retain directors of the quality required to run the company successfully, without paying more than is necessary. The committee is also responsible for reviewing and setting directors' remuneration levels.

Remuneration statement

The board has prepared this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution to approve this report will be put to the members at the AGM.

Company law requires the company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 38 to 45.

AIFM Remuneration Policy

Under AIFMD, MCFM is required to adopt a remuneration policy that complies with the FCA's AIFM Remuneration Code. The Martin Currie Group Remuneration and Reward Policy was signed off by the Remuneration Committee of Martin Currie (Holdings) Ltd and is confirmed as AIFMD compliant. This policy applies to the whole group of Martin Currie companies including MCFM.

Directors' remuneration policy

The board's policy is that the remuneration of non-executive directors should reflect the experience of the board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (ordinary shares and borrowings) and have similar investment objectives (principally global growth and income). It is intended that this policy will continue for the year ending 31 March 2021 and subsequent periods. The fees for the non-executive directors are determined within the limits set out in the company's articles of association.

Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties. The company pays any UK tax and National Insurance due on the reimbursed expenses. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors do not have a service contract but are provided with letters of appointment. All directors are appointed for an initial term covering the period from the date of appointment until the first AGM at which they are required to stand for election in accordance with the company's articles of association. Thereafter the directors have chosen to be re-elected annually. There is no notice period and no provision for compensation upon early termination of appointment. The directors' remuneration policy will be put to shareholders' at least once every three years and was last approved by shareholders at the AGM in 2017. It will therefore be put again to shareholders at the AGM in 2020.

Annual report on remuneration

The nomination and remuneration committee considered the directors' fees in the context of the benchmark data from its peer group. To reflect the increasing regulatory and compliance requirements on the board, with effect from 1 April 2020, it was agreed the directors' fee would increase to £25,000 per annum (2019/2020: £24,500), the chairman of the audit committee's fee would increase to £30,000 per annum (2019/2020: £29,500) and the chairman's fee would increase to £38,500 (2019/2020: £38,000).

Directors' shareholdings (audited)

As at 31 March	**2020**	2019
John Evans	**50,000**	50,000
Angus Gordon Lennox	**100,000**	100,000
Sarah Harvey	**503**	0
Mark Little	**16,213**	16,213
Rachel Beagles*	**30,000**	30,000

*Up to retirement on 17 September 2019.

As at 26 June 2020 there have been no changes to the above table.

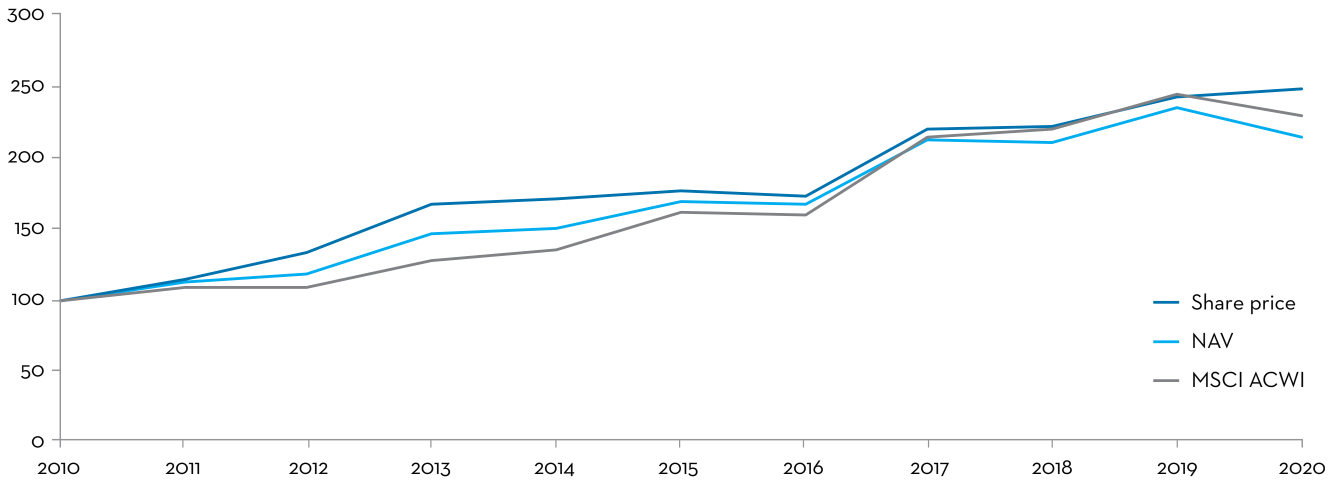
Approval

An ordinary resolution for the approval of the directors' annual report on remuneration will be put to shareholders at the AGM. At the AGM on 17 September 2019, the shareholders voted in favour of the directors' remuneration report for the year ended 31 March 2019.

Of the proxy votes received, 99.37% of votes were cast in favour of the directors' remuneration report (64,595 proxy votes were cast against the report and 49,967 proxy votes were withheld).

At the AGM on 21 July 2017 99.71% of the proxy votes were cast in favour if the directors' remuneration policy (37,625 proxy votes were cast against the policy and 40,612 proxy votes were withheld).

Total return (% change over 10 years)



Past performance is not a guide to future returns.
Source: Martin Currie Investment Management Limited.
The MSCI ACWI is used as a proxy for the market.

Directors' emoluments for the year (audited)

	2019/2020 £	2018/2019 £
John Evans (chairman of the board)	31,800	24,000
Mark Little (chairman of the audit committee)	29,500	29,000
Angus Gordon Lennox	24,500	24,000
Sarah Harvey	24,500	12,000
Rachel Beagles*	17,600	37,500
	127,900	126,500

*Retired on 17 September 2019.

Relative importance of spend on directors' remuneration

To enable shareholders to assess the relative importance of spend on remuneration, the directors' total remuneration has been shown in a table below compared with the company's dividend distributions.

	2019/2020 £000's	2018/2019 £000's	Change £000's
Directors' total remuneration	128	127	1
Dividends paid and payable	6,698	6,551	147

On behalf of the board

Angus Gordon Lennox
Chairman of the Nomination and Remuneration Committee
1 July 2020

Independent auditor's report to the members of Securities Trust of Scotland plc

Opinion

We have audited the financial statements of Securities Trust of Scotland plc (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flow and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates there is material uncertainty over the protective notice of termination to the Manager, which may cast significant doubt over the company's ability to continue as a going concern.

On 3 June 2020, the board served protective notice of termination to the Manager. The search for a new investment manager is ongoing at the date of this audit opinion. This has given rise to the following material uncertainty:

An outcome of the search for a new investment manager might be a corporate event, such as a merger. In the event of a corporate restructuring or merger, shareholders would be offered the opportunity to roll over into another vehicle and there is therefore a risk that the Company would be wound up within the next twelve months.

We describe below how our audit responded to the risk relating to going concern:

- We have ensured that notice of termination was provided to the Manager through reviewing the signed protective notice of termination issued and the related terms and conditions around the succession.
- We obtained and reviewed board minutes covering the agreement to serve protective notice of termination. We challenged the Directors on the impact that this had on the basis of preparation of the financial statements.
- We discussed with the Directors and considered whether any other events or conditions, apart from the protective notice as discussed in note 1(a) exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and concluded that no such circumstances exist.
- We reviewed whether the Annual Financial Report presented transparently the progress and associated risks with replacing the manager.

We draw attention to the viability statement in the Annual Financial Report on page 26, which indicates that it is not possible to predict the outcome of the prospective change in investment manager. The Directors consider that this creates a material uncertainty in respect of going concern and may cast significant doubt over the future viability of the Company in its current legal form should the search for a successor manager result in a corporate event.

Our opinion is not modified in respect of this matter.

Conclusions relating to principal risks, going concern and viability statement

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 19 and 20 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 20 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 25 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

- the directors' explanation set out on page 26 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition including classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income • Risk of incorrect valuation and/or defective title to the investment portfolio • Impact of COVID-19
Materiality	• Overall materiality of £1.70m which represents 1% of shareholders' funds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the audit committee
Incomplete or inaccurate revenue recognition, including classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income (per the Audit Committee report set out on page 34 and the accounting policy set out on page 50). The income received for the year to 31 March 2020 was £8.50m (2019: £8.55m), consisting primarily of dividend income from listed investments and option premiums. The total amount of special dividends received by the Company was £0.10m (2019: £0.09m). The total amount of revenue from traded option premiums was £0.89m (2019: £0.67m).	**We have performed the following procedures:** We obtained an understanding of the Manager and Administrator's processes and controls surrounding revenue recognition and the recognition and classification of special dividends and option premiums by reviewing their internal controls reports and by performing walkthrough procedures to, in the case of special dividends, evaluated the design and implementation of controls. We agreed 100% of dividends received from the income report to an independent data vendor. We recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an external source. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor.	**The results of our procedures are:** Based on our testing we are satisfied that income has been appropriately recognised as revenue or capital and is complete. We concluded that there was no impact on the Company's revenue as a result of COVID-19.

Risk	Our response to the risk	Key observations communicated to the audit committee
The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or apply appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. All premiums received on written options are classified as 'revenue' in line with the Company's accounting policy.	For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 March 2020. We agreed the dividend rate to corresponding announcements made by the investee company. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post period end bank statements. Recognising that a number of companies have responded to the COVID-19 pandemic by cancelling their dividend payments, we traced 100% of the cash receipts of the accrued dividend income to post year end bank statements. We performed a review of the income and the acquisition and disposal reports to identify all dividends received and accrued during the period that are above our testing threshold. There were no special dividends received or accrued above our testing threshold. We recalculated 100% of option premiums received with reference to trade tickets and confirmed that the cash received as shown on the bank statements was consistent with the recalculated amount. We verified that the premiums received on written options have been correctly classified as revenue in line with the Company's accounting policy and consistent with its primary purpose behind writing options.	

Risk	Our response to the risk	Key observations communicated to the audit committee
Incorrect valuation and/or defective title to the investment portfolio (per the Audit Committee report set out on page 34 and the accounting policy set out on page 50). The valuation of the investment portfolio at 31 March 2020 was £189.67m (2019: £212.68m) consisting of listed investments and written options. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date. The fair value of written options is initially based on the bid/offer prices of the options written to which the Company is exposed and subsequently marked-to-market to reflect the fair value of the option based on traded prices.	**We have performed the following procedures:** We obtained an understanding of the Administrator's processes and controls surrounding investment valuation and legal title. For all listed investments, we compared the market values and exchange rates applied to an independent pricing vendor. There were no written options as at 31 March 2020. We reviewed the price exception and stale pricing reports produced by the Administrator to highlight and investigate any unexpected price movements in investments held as at the year-end. We assessed the liquidity of the investment portfolio through analysing the monthly average trading volume of the investments. We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depositary as at 31 March 2020.	**The results of our procedures are:** Based on our testing we are satisfied that the investment portfolio has been appropriately valued and that the existence has been confirmed.

Risk	Our response to the risk	Key observations communicated to the audit committee
Impact of COVID-19 on the operations of the company. The recent outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has adversely impacted global commercial activity and contributed to significant declines in global equity and debt markets. It is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impact, including a global, regional or other economic recession, is increasingly uncertain and difficult to assess. The outbreak and the resulting financial and economic market uncertainty described above could have a significant adverse impact on the operations and financial outlook of the Company through an adverse impact on the service providers the company relies on for its operations, reduced liquidity in its investment portfolio, reduced headroom on its loan covenant and reduced or cancelled dividend payments.	**We performed the following procedures:** We discussed with the Directors whether they had assessed the impact, caused by COVID-19, and reviewed the assessment that they had prepared challenging the assumptions and judgements that have been made. We reviewed that the assessment and outcome was disclosed in the financial statements of the Company. As referred to in the valuation risk we have performed procedures over the liquidity risk. We confirmed through discussion with the Company Secretary and the Directors that they are in close contact with key service providers and that Business Continuity Plans are in place with no significant deterioration of service being experienced. We reviewed the Board's assessment of the risk of breaching the debt covenants including in stressed scenarios. We recalculated the debt covenants which are set out in the loan agreement and which do not involve any subjectivity, to confirm there were no covenant breaches as at the year-end. As referred to in the revenue recognition risk above we have performed additional procedures on outstanding dividends at 31 March 2020.	**The results of our procedures are:** Based on the procedures performed, we are satisfied that the Directors have appropriately considered the impact of COVID-19 on the going concern assessment, and revenue recognition and that adequate disclosures have been presented in the financial statements.

The first two key audit matters are consistent with the prior year. The final key audit matter has been included during the current year audit.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

As a result of COVID-19, the year-end audit fieldwork was executed remotely. All audit evidence was received electronically and there were no on-site visits. All meetings with the Manager and the Directors were conducted virtually and all audit queries were discussed over video conferencing. The audit team encountered no difficulties in connecting virtually with the Manager or the Directors and were able to execute the year-end audit fieldwork.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.70m (2019: £1.91m) which is 1% of shareholders' funds. We believe that equity shareholders' funds provide us with materiality aligned to the key measurement of the Company's performance.

During the course of our audit, we reassessed initial materiality and made no changes to the basis of calculation from our original assessment at the planning stage.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £1.28m (2019: £1.44m).

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.38m (2019: £0.37m) being 5% of the net revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.09m (2019 £0.10m)which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 28 –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on pages 34 to 35 –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 29 –** the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company at the annual general meeting on 19 September 2018 to audit the financial statements of the Company for the year ending 31 March 2019 and subsequent financial periods.
- The period of uninterrupted engagements is 2 years, covering periods from our appointment through to the period ended 31 March 2020.
- Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Sue Dawe

(Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Edinburgh

1 July 2020

Notes:

1. The maintenance and integrity of the Securities Trust of Scotland plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

		Year to 31 March 2020			Year to 31 March 2019		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net (losses)/gains on investments	8	–	(20,635)	(20,635)	–	15,195	15,195
Net currency gains/(losses)		104	(26)	78	(14)	(565)	(579)
Income	3	8,700	–	8,700	8,539	–	8,539
Investment management fee		(410)	(761)	(1,171)	(397)	(737)	(1,134)
Other expenses	4	(587)	–	(587)	(614)	–	(614)
Net return before finance costs and taxation		7,807	(21,422)	(13,615)	7,514	13,893	21,407
Finance costs	5	(205)	(365)	(570)	(196)	(355)	(551)
Net return on ordinary activities before taxation		7,602	(21,787)	(14,185)	7,318	13,538	20,856
Taxation on ordinary activities	7	(867)	–	(867)	(671)	–	(671)
Net return attributable to ordinary redeemable shareholders		6,735	(21,787)	(15,052)	6,647	13,538	20,185
Net return per ordinary redeemable share (basic and diluted)	2	6.46p	(20.89p)	(14.43p)	6.23p	12.70p	18.93p

The total columns of this statement are the profit and loss accounts of the company.

The revenue and capital items are presented in accordance with the Association of Investment Companies (AIC) Statement of Recommended Practice (SORP 2019).

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

No operations were acquired or discontinued in the year.

The notes on pages 50 to 65 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		As at 31 March 2020		As at 31 March 2019	
	Note	£000	£000	£000	£000
Fixed assets					
Investments at fair value through profit or loss	8		189,669		212,678
Current assets					
Trade and other receivables	9	3,408		880	
Cash and cash equivalents		5,101		5,084	
			8,509		5,964
Current liabilities					
Trade payables - amounts falling due within one year	10	(10,430)		(10,521)	
Dividend payable	6	(1,518)		(1,515)	
Total current liabilities		(11,948)		(12,036)	
Net current liabilities			(3,439)		(6,072)
Total assets less current liabilities			186,230		206,606
Trade payables – amounts falling due after more than one year	11		(15,765)		(15,162)
Total net assets			170,465		191,444
Capital and reserves					
Called up share capital	12	1,223		1,223	
Capital redemption reserve		78		78	
Share premium account		30,401		30,040	
Special distributable reserve*		82,943		82,709	
Capital reserve*	12	53,499		75,286	
Revenue reserve*		2,321		2,108	
Total shareholders' funds			170,465		191,444
Net asset value per ordinary share	2		162.72p		183.21p

*These reserves are distributable.

The company is registered in Scotland no.SC283272.

The notes on pages 50 to 65 form part of these financial statements.

The financial statements were approved by the board and signed on its behalf by

John Evans
Chairman
1 July 2020

For the year ended 31 March 2020	Note	Called up ordinary share capital £000	Capital redemption reserve £000	Share premium reserve £000	Special distributable reserve* £000	Capital reserve* £000	Revenue reserve* £000	Total £000
As at 31 March 2019		1,223	78	30,040	82,709	75,286	2,108	191,444
Net return attributable to shareholders**	2	–	–	–	–	(21,787)	6,735	(15,052)
Ordinary shares issued during the year	12	–	–	361	1,046	–	–	1,406
Ordinary shares bought back during the year	12	–	–	–	(812)	–	–	(811)
Dividends paid	6	–	–	–	–	–	(6,522)	(6,522)
As at 31 March 2020		**1,223**	**78**	**30,401**	**82,943**	**53,499**	**2,321**	**170,465**

For the year ended 31 March 2019	Note	Called up ordinary share capital £000	Capital redemption reserve £000	Share premium reserve £000	Special distributable reserve* £000	Capital reserve* £000	Revenue reserve* £000	Total £000
As at 31 March 2018		1,223	78	30,040	92,772	62,041	1,630	187,784
Net return attributable to shareholders**	2	–	–	–	–	13,538	6,647	20,185
Ordinary shares bought back during the year	12	–	–	–	(10,063)	–	–	(10,063)
Dividends paid from revenue	6	–	–	–	–	–	(6,169)	(6,169)
Dividends paid from capital	6	–	–	–	–	(293)	–	(293)
As at 31 March 2019		1,223	78	30,040	82,709	75,286	2,108	191,444

*These reserves are distributable.

**The company does not have any other income or expenses that are not included in the 'Net return attributable to ordinary redeemable shareholders' as disclosed in the Statement of Comprehensive Income on page 46, and therefore this is also the 'Total comprehensive income' for the year.

The notes on pages 50 to 65 form part of these financial statements.

STATEMENT OF CASH FLOW

	Note	Year ended 31 March 2020 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2019 £000
Cash flows from operating activities					
(Loss)/profit before tax			(14,185)		20,856
Adjustments for:					
Losses/(gains) on investments	8	20,635		(15,195)	
Finance costs	5	570		551	
Exchange movement on bank borrowings	13	603		628	
Purchases of investments*	8	(85,742)		(78,397)	
Sales of investments*	8	88,116		87,587	
Dividend income	3	(7,806)		(7,836)	
Other income	3	(4)		(3)	
Stock lending income	3	–		(31)	
Premium income – written options	3	(890)		(669)	
Dividend income received		8,183		7,608	
Other income received		4		3	
Stock lending income received		–		33	
Premium income received - written options		890		669	
(Increase)/decrease in receivables		(2,739)		1,583	
(Decrease)/increase in payables		(72)		33	
Overseas withholding tax suffered	7	(867)		(671)	
			20,881		(4,107)
Net cash flows from operating activities			6,696		16,749
Cash flows from financing activities					
Repurchase of ordinary share capital		(829)		(10,094)	
Issue of ordinary share capital		1,240		–	
Equity dividends paid from revenue		(6,519)		(6,256)	
Equity dividends paid from capital		–		(293)	
Interest paid on borrowings		(571)		(551)	
Net cash flows from financing activities			(6,679)		(17,194)
Net increase/(decrease) in cash and cash equivalents			17		(445)
Cash and cash equivalents at the start of the year			5,084		5,529
Cash and cash equivalents at the end of the year			5,101		5,084

*Receipts from the sale of, and payments to acquire, investment securities have been classified as components of cash flows from operating activities because they form part of the fund's dealing operations.

The notes on pages 50 to 65 form part of these financial statements.

Note 1: Accounting policies

(a) For the year ended 31 March 2020, the company is applying Financial Reporting Standard 102 ('FRS 102') applicable in the UK and Republic of Ireland, which forms part of the Generally Accepted Accounting Practice ('UK GAAP') issued by the Financial Reporting Council ('FRC') in 2015.

The financial statements have been prepared on a going concern basis. As at the date of this report and following protective notice of termination under its management agreement with Martin Currie Fund Management Limited on 3 June 2020, it is not possible to predict whether an outcome of the review of the investment management arrangements might be a corporate event, such as a merger, or the appointment of a new investment manager, there is therefore a material uncertainty over the outcome of the prospective change of investment manager. In the event of a corporate restructuring or merger, shareholders would be offered the opportunity to roll over into another vehicle and continue investing and the existing company would be wound up. The directors recognise that this may cast doubt on the likelihood of the company continuing as a going concern. Despite this material uncertainty the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due. Further information is given in the Viability Statement on page 26 and the Going Concern Statement on page 25.

These financial statements have been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, FRS102 issued by the FRC in 2015 as revised subsequently and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') issued by the AIC in October 2019.

Statement of estimation uncertainty – in the application of the company's accounting policies, the board is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates. There have been no significant judgements, estimates or assumptions for the year.

Functional currency – the company is required to nominate a functional currency, being the currency in which the company predominately operates. The board has determined that sterling is the company's functional currency, which is also the currency in which these financial statements are prepared. This is also the currency in which all expenses and dividends are paid in.

(b) Income from equity investments is determined on the date on which the investments are quoted ex-dividend, or where no ex-dividend date is quoted, when the company's right to receive payment is established. Income from fixed interest securities is recognised on an effective yield basis. UK dividends received are accounted for at the amount receivable and are not grossed up for any tax credit. Other income includes any taxes deducted at source. Gains and losses arising from the translation of income denominated in foreign currencies are recognised in the revenue reserve. Scrip dividends are treated as unfranked investment income; any excess in value of shares received over the amount of the cash dividend is recognised in capital reserve.

Income from underwriting commission and traded options are recognised as earned.

(c) Interest receivable and payable and management expenses are treated on an accruals basis.

(d) The management fee and interest costs are allocated 65% to capital and 35% to revenue in accordance with the board's expected long-term split of returns in the form of capital gains and income, respectively. All other expenses are wholly allocated to revenue.

(e) Gains and losses on the realisation of investments and changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms, together with exchange adjustments to overseas currencies are taken to capital reserve.

(f) Acquisitions in foreign currencies are recorded in the functional currency of the company at the prevailing exchange rate on the date of the transaction and retranslated at the rates of exchange ruling on the date of the statement of financial position. Investments are recognised initially as at the trade date of a transaction. Subsequent to this, the disposal of an investment is accounted for once again as at the trade date of a transaction.

(g) Revenue received and interest paid in foreign currencies are translated at the rates of exchange on the transaction date. Any exchange differences between the recognition and settlement both for revenue transactions are recognised as revenue in the statement of comprehensive income.

(h) The company's investments are classified as 'financial assets at fair value through profit or loss' and are valued at fair value. For listed investments this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in the capital return for the year.

(i) All other financial assets and liabilities are recognised in the financial statements at amortised cost.

(j) Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the statement of financial position date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(k) Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the statement of comprehensive income.

(l) The cost of share buybacks include the amount of consideration paid, including directly attributable costs and are deducted from the special distributable reserve until the shares are cancelled. Proceeds received from the reissue of shares held in treasury are treated in accordance with Section 731 of the Companies Act 2006. Proceeds equivalent to the original cost, calculated by applying a weighted average price, are credited to the Special Distributable Reserve to replenish the profits available for distribution; proceeds in excess of the original cost are credited to the Share Premium account.

(m) The company uses derivative financial instruments to manage the risk associated with foreign currency fluctuations arising on dividends received in currencies other than sterling. This is achieved by the use of forward foreign currency contracts. The company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The resulting gain or loss is recognised as revenue or capital in the statement of comprehensive income depending on the nature and motive of each derivative transaction.

During the year ending 31 March 2017 the company commenced the writing of options, continuing through to the year ending 31 March 2020. These derivatives are held at fair value based on the bid/offer prices of the options written to which the company is exposed. The value of the option is subsequently marked-to-market to reflect the fair value of the option based on traded prices. The primary purpose behind the writing of options is to receive the premium. Any premium received is amortised to revenue over the period to expiry. When an option is closed out or exercised, the gain or loss is accounted for as a capital gain or loss.

(n) Stock lending income is received net of associated costs and recognised in revenue as earned.

(o) Nature of distributable reserve accounts

Capital reserve

Gains and losses on realisations of fixed asset investments, and transactions costs, together with appropriate exchange differences, are dealt with in this reserve.

Increases and decreases in the valuation of fixed asset investments are also dealt with in this reserve along with payment of capital dividend. Also taken to this reserve are 65% of the management fees as detailed in note (d).

Revenue reserve

Net revenue profits and losses of the company and the fair value costs of share based payments which are revenue in nature are recorded within this reserve, together with the dividend payment made by the company. The remaining 35% of the management fees are taken to this reserve.

Special distributable reserve

Records transactions of which are capital in nature - shares bought back into treasury and the related stamp duty incurred. Also taken to this reserve are proceeds received, based on weighted average purchase price, on shares issued from treasury.

Note 2: Returns and net asset value

	Year to 31 March 2020	Year to 31 March 2019
Revenue return		
Revenue return attributable to ordinary redeemable shareholders	**£6,735,000**	£6,647,000
Weighted average number of shares in issue during the year	**104,294,951**	106,621,950
Revenue return per ordinary redeemable share (basic and diluted)	**6.46p**	6.23p
Capital return		
Capital return attributable to ordinary redeemable shareholders	**(£21,787,000)**	£13,538,000
Weighted average number of shares in issue during the year	**104,294,951**	106,621,950
Capital return per ordinary redeemable share (basic and diluted)	**(20.89p)**	12.70p
Total return		
Total return per ordinary redeemable share (basic and diluted)	**(14.43p)**	18.93p
Net asset value per share		
Net assets attributable to shareholders	**£170,465,000**	£191,444,000
Number of shares in issue at the year end	**104,760,635**	104,496,248
Net asset value per share	**162.72p**	183.21p

Total return

The total return per share for the company is the combined effect of the rise and fall in the share price or NAV together with the reinvestment of the quarterly dividends paid.

The tables below provide the NAVs and share prices of the company on the dividend reinvestment dates for the year ended 31 March 2020 and 31 March 2019.

2020	Dividend rate	NAV	Share price
31 March 2019	n/a	183.21	169.50
4 July 2019	1.90	199.22	199.50
3 October 2019	1.45	196.21	191.00
24 December 2019	1.45	205.99	206.50
26 March 2020	1.45	166.20	164.75
31 March 2020	n/a	162.72	168.50
Total return		**(8.3%)**	**2.7%**

2019			
31 March 2018	n/a	170.02	160.50
5 July 2018	1.75	180.61	168.00
4 October 2018	1.45	183.95	170.00
27 December 2018	1.45	162.84	151.00
28 March 2019	1.45	181.37	169.00
31 March 2019	n/a	183.21	169.50
Total return		11.4%	9.6%

Note 3: Revenue

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
From listed investments		
UK – equities	1,765	1,716
Overseas – equities	6,041	6,120
	7,806	7,836
Other revenue		
Premium - written options	890	669
Stock lending	–	31
Other Income	4	3
	8,700	8,539

During the year ended 31 March 2020, the company received no special dividends treated as capital (2019: £nil).

Note 4: Other expenses

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Bank charges and custody fees	21	25
Depositary fees	43	49
Directors' fees	128	127
Employers' national insurance contributions	12	12
Legal fees	1	7
Printing and postage	16	19
Registrar's fees	65	58
Secretarial fee	135	132
VAT	(31)	(27)
Other	163	188
Total	553	590
Auditors' remuneration*:		
– audit services	34	22
– non-audit services	–	2
	587	614

*The audit fees for 2020 are payable to Ernst & Young LLP. There were no non-audit services for the year ended 31 March 2020 (2019: £1,500 plus VAT). The non-audit services for the year end 31 March 2019 relate to the assessment of 'ready to tag' accounts and design process for iXBRL purposes.

	Year ended 31 March 2020			Year ended 31 March 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Ongoing charges are calculated with reference to the following figures:						
Investment management fee	(410)	(761)	(1,171)	(397)	(737)	(1,134)
Other expenses	(587)	–	(587)	(614)	–	(614)
Total expenses	(997)	(761)	(1,758)	(1,011)	(737)	(1,748)
Average net assets over the year			204,048			190,587
Ongoing charges			0.90%			0.90%

Note 5: Finance costs

	Year to 31 March 2020			Year to 31 March 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interest on bank loans and overdrafts	205	365	570	196	355	551

Note 6: Dividends

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Year ended 31 March 2018 - fourth interim dividend from income of 1.48p	–	1,603
Year ended 31 March 2018 - fourth interim dividend from capital of 0.27p	–	293
Year ended 31 March 2019 - first interim dividend of 1.45p	–	1,532
Year ended 31 March 2019 - second interim dividend of 1.45p	–	1,519
Year ended 31 March 2019 - third interim dividend of 1.45p	–	1,515
Year ended 31 March 2019 - fourth interim dividend of 1.90p	1,982	–
Year ended 31 March 2020 - first interim dividend of 1.45p	1,513	–
Year ended 31 March 2020 - second interim dividend of 1.45p	1,509	–
Year ended 31 March 2020 - third interim dividend of 1.45p	1,518	–
	6,522	6,462

Set out below are the total dividends in respect of the period, which forms the basis on which the requirements of sections 1158-1159 of the Corporation Tax Act 2010 are considered.

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
First interim dividend of 1.45p for the year ended 31 March 2020 (2019: 1.45p)	1,513	1,532
Second interim dividend of 1.45p for the year ended 31 March 2020 (2019: 1.45p)	1,509	1,519
Third interim dividend of 1.45p for the year ended 31 March 2020 (2019: 1.45p)	1,518	1,515
Proposed fourth interim dividend of 2.06p for the year ended 31 March 2020 (2019: 1.90p)	2,158	1,985
	6,698	6,551

During the year the directors received dividends of 6.25p (2018: 4.62p) per share. Directors' shareholdings are disclosed on page 36. The revenue reserves as at 31 March 2020 are £2,321,000, of this £2,158,000 will be used to fund the fourth interim dividend. At the AGM held on 16 May 2012, the board received shareholder approval to amend the articles of association of the company to enable dividends to be paid out of capital.

Note 7: Taxation on ordinary activities

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Foreign tax	**867**	671

The corporation tax rate was 19.00% (2019: 19.00%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below:

	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Net return before taxation	**(14,185)**	20,856
Corporation tax at rate of 19% (2019: 19%)	**(2,695)**	3,963
Effects of:		
Losses/(gains) on investments not taxable	**3,921**	(2,887)
Non taxable UK dividend income	**(288)**	(292)
Overseas dividends not taxable	**(1,053)**	(1,030)
Overseas tax suffered	**867**	671
Currency losses not taxable	**5**	107
Increase in excess management and loan expenses	**120**	150
Impact of expensed foreign tax	**(10)**	(11)
Total tax charge	**867**	671

As at 31 March 2020, the company had unutilised management expenses of £16,815,000 (2019: £16,186,000) carried forward. Due to the company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

Note 8: Investments at fair value through profit or loss

	As at 31 March 2020 £000	As at 31 March 2019 £000
Opening book cost	182,754	188,442
Opening investment holding gains	29,924	18,231
Opening market value	212,678	206,673
Acquisitions at cost	85,742	78,397
Disposals proceeds received	(88,116)	(87,587)
(Losses)/gains on investments	(20,635)	15,195
Market value of investments held at 31 March	189,669	212,678
Closing book cost	182,216	182,754
Closing investment holding gains	7,453	29,924
Closing market value	189,669	212,678

The company received £88,116,000 (2019: £87,587,000) from investments sold in the year. The book cost of these investments when they were purchased was £86,280,000 (2019: £84,085,000).

The transaction costs in acquiring investments during the year were £145,000 (2019: £141,000). For disposals, transaction costs were £51,000 (2019: £39,000).

Note 9: Trade and other receivables

	As at 31 March 2020 £000	As at 31 March 2019 £000
Dividends receivable	398	775
Cash collateral held at broker for derivatives	2,631	1
Tax recoverable	191	69
Prepayments and other debtors	22	35
Amount due for Ordinary shares issued	166	–
	3,408	880

None of the company's trade receivables are past due or impaired.

Note 10: Trade payables – amounts falling due within one year	As at 31 March 2020 £000	As at 31 March 2019 £000
Interest accrued	**13**	14
Sterling bank revolving loan	**10,000**	10,000
Amount due for Ordinary shares bought back	**–**	18
Other trade payables	**417**	489
	10,430	10,521

Note 11: Trade payables – amounts falling due after more than one year	As at 31 March 2020 £000	As at 31 March 2019 £000
Bank loan	**15,765**	15,162

The term loans carry an annual fixed rate interest of 2.1408%, 1.4175% and 3.1925% for Facility A, Facility B and Facility C respectively. The rate of interest for the revolving credit facility is set at each roll-over date and is made up of a fixed margin of 0.65% plus LIBOR rate. Under this agreement £10,000,000 was drawn at 27 March 2020 at a rate of 0.90413% with a maturity date of 27 April 2020.

The repayment date of the term loans is the same as their termination date which is the 19 September 2023. The repayment date of the revolving facility is the last day of its interest period and the termination date is the 30 September 2020.

Under the loan agreements the company is to ensure that, at each month end, the aggregate principal amount outstanding in respect of monies borrowed does not exceed an amount equal to 25% of its net tangible assets and, unless otherwise agreed with the lender, net tangible assets are not less than £100,000,000. Also the company shall not enter into any obligations except with the prior consent of the Lender and not enter into any option writing programme which the value of its transactions, at any time, exceed 15% of its net tangible assets.

As at 31 March 2020 the company had drawn down the full amount of the loan and the balances as at that date were for Facility A £1,500,000, Facility B £3,982,000 (€4,500,000), Facility C £10,283,000 (US$12,750,000) and Facility D £10,000,000 (31 March 2019: Facility A £1,500,000, Facility B £3,877,00 (€4,500,000), Facility C £9,785,000 (US$12,750,000) and Facility D £10,000,000).

Note 12: Called up share capital

	Number of shares as at 2020	As at 31 March 2020 £000	Number of shares as at 2019	As at 31 March 2019 £000
Ordinary shares of 1p				
Ordinary shares in issue at the beginning of the year	**104,496,248**	**1,045**	110,446,792	1,105
Ordinary shares issued from Treasury during the year	**700,000**	**7**	–	–
Ordinary shares bought back to Treasury during the year	**(435,613)**	**(4)**	(5,950,544)	(60)
Ordinary shares in issue at the end of the year	**104,760,635**	**1,048**	104,496,248	1,045
Treasury shares (ordinary shares 1p)				
Treasury shares in issue at the beginning of the year	**17,802,900**	**178**	11,852,356	118
Ordinary shares issued from Treasury during the year	**(700,000)**	**(7)**	–	–
Ordinary shares bought back to Treasury during the year	**435,613**	**4**	5,950,544	60
Treasury shares in issue at the end of the year	**17,538,513**	**175**	17,802,900	178
Total ordinary shares in issue and in Treasury at the end of the year	**122,299,148**	**1,223**	122,299,148	1,223

There were 435,613 shares bought back during the year to 31 March 2020 at a cost of £811,000 (2019: 5,950,544 at a cost of £10,063,000). During the year, the company issued 700,000 shares at a cost of £1,406,000 (2019: no shares issued). The share premium represents the surplus amount over the nominal value of the issued share capital excluding costs, with any related issuance cost allocated to the special distributable capital reserve.

The analysis of the capital reserve is as follows:

	Realised capital reserve £000	Investment holding gains £000	Total capital reserve £000
As at 31 March 2019	45,362	29,924	75,286
Gains on realisation of investments at fair value	1,836	–	1,836
Realised currency losses during the year	(26)	–	(26)
Movement in unrealised losses	–	(22,471)	(22,471)
Capital expenses	(1,126)	–	(1,126)
As at 31 March 2020	**46,046**	**7,453**	**53,499**

The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', 2019.

Note 13: Analysis of debt

	As at 31 March 2019 £000	Cash flows £000	Exchange movements £000	As at 31 March 2020 £000
Cash at bank	5,084	17	–	5,101
Bank borrowings	(25,162)	–	(603)	(25,765)
Net debt	(20,078)	17	(603)	(20,664)

Note 14: Related party transactions

With the exception of the management and secretarial fees (as disclosed on page 23), directors' fees (disclosed on page 37) and directors' shareholdings (disclosed on page 36), there have been no related party transactions during the year, or in the prior year.

Note 15: Derivatives and other financial instruments

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

The main risks the company faces from its financial instruments are (a) market price risk (comprising of (i) interest rate risk, (ii) currency risk and (iii) other price risk),

(b) liquidity risk and (c) credit risk.

The board regularly reviews and agrees policies for managing each of these risks. The manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term receivables and creditors, other than for currency disclosures.

(a) Market price risk

The fair value or future cash flows of a financial instrument held by the company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, foreign currency risk and other price risk.

(i) Market risk arising from interest rate risk

Interest rate movements may affect:

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

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

The board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. The company has a revolving loan with The Royal Bank of Scotland International Limited which provides flexibility to finance opportunities in the short term. Current guidelines state that the total borrowings will not exceed 20 per cent of the net tangible assets of the company. Details of borrowings at 31 March 2020 are shown in notes 10 and 11 on page 57.

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the date of the statement of financial position was as follows:

As at 31 March 2020	Interest rate %	Local currency 000	Foreign exchange rate	GBP sterling equivalent £000
Assets:				
Sterling	0.00	4,667	1.000	4,667
Euro	(0.75)	190	1.130	168
US dollar	0.00	94	1.240	77
Swedish krona	(1.25)	307	12.285	25
Swiss franc	(1.75)	196	1.200	164
Total				5,101
Liabilities:				
Bank loan – GBP sterling term loan	2.14	1,500	1.000	1,500
Bank loan – GBP sterling revolving loan	0.90	10,000	1.000	10,000
Bank loan – Euro	1.42	4,500	1.130	3,982
Bank loan – US dollar	3.19	12,750	1.240	10,283
Total				25,765

As at 31 March 2019	Interest rate %	Local currency 000	Foreign exchange rate	GBP sterling equivalent £000
Assets:				
Sterling	0.07	4,391	1.000	4,391
Euro	(0.60)	523	1.160	450
US dollar	0.50	87	1.303	67
Swedish krona	(1.50)	307	12.086	25
Swiss franc	(1.75)	196	1.298	151
Total				5,084
Liabilities:				
Bank loan – GBP sterling term loan	2.14	1,500	1.000	1,500
Bank loan – GBP sterling revolving loan	1.48	10,000	1.000	10,000
Bank loan – Euro	1.42	4,500	1.160	3,877
Bank loan – US dollar	3.19	12,750	1.303	9,785
Total				25,162

Interest rate sensitivity

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

The following table illustrates the sensitivity of the return after taxation to an increase or decrease of 75 (2019: 75) basis points in interest rates.

	Year to 31 March 2020		Year to 31 March 2019	
	Increase in rate £000	Decrease in rate £000	Increase in rate £000	Decrease in rate £000
Effect on revenue return	(13)	13	(13)	13
Effect on capital return	(25)	25	(25)	25
Effect on total return and on net assets	(38)	38	(38)	38

In the opinion of the directors, the above sensitivity analysis may not be representative of the year as a whole, since exposure may change as investments are made, borrowings are drawn down and may be repaid throughout the year.

(ii) Market risk arising from foreign currency risk

A significant proportion of the company's investment portfolio is invested in overseas securities and the statement of financial position can be significantly affected by movements in foreign exchange rates. It is not the company's policy to hedge this risk on a continuing basis but the company may, from time to time, match specific overseas investment with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising on overseas income.

Foreign currency risk profile

Foreign currency risk exposure by currency of denomination:

	As at 31 March 2020			As at 31 March 2019		
	Investment exposure £000	Net monetary exposure £000	Total currency exposure £000	Investment exposure £000	Net monetary exposure £000	Total currency exposure £000
US dollar	82,940	(8,078)	74,862	95,369	(9,506)	85,863
Euro	28,747	(3,011)	25,736	41,841	(3,103)	38,738
Swiss franc	11,166	289	11,455	10,481	169	10,650
Hong Kong dollar	8,603	–	8,603	7,588	–	7,588
Korean won	7,215	98	7,313	3,410	17	3,427
Australian dollar	5,436	–	5,436	5,662	–	5,662
Canadian dollar	5,115	63	5,178	9,649	61	9,710
Swedish krona	3,308	25	3,333	4,052	26	4,078
Singapore dollar	2,933	–	2,933	2,500	–	2,500
Total overseas investments	155,463	(10,614)	144,849	180,552	(12,336)	168,216
Pound Sterling	34,206	(8,590)	25,616	32,126	(8,898)	23,228
Total	189,669	(19,204)	170,465	212,678	(21,234)	191,444

The asset allocation between specific markets can vary from time to time based on the manager's opinion of the attractiveness of the individual markets.

Foreign currency sensitivity

At 31 March 2020, if sterling had strengthened by 10% in relation to all currencies, with all other variables held constant, total net At 31 March 2020, if sterling had strengthened by 10% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 10% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts.

	As at 31 March 2020 £000	As at 31 March 2019 £000
US dollar	**7,486**	8,586
Euro	**2,574**	3,874
Swiss franc	**1,146**	1,065
Hong Kong dollar	**860**	759
Korean won	**731**	343
Australian dollar	**544**	566
Canadian dollar	**518**	971
Swedish krona	**333**	408
Singapore dollar	**293**	250

(iii) Market risk arising from other price risk

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

It is the board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on pages 7 to 15, both act to reduce market risk. The manager actively monitors market prices throughout the year and reports to the board, which meets regularly in order to review investment strategy. All investments held by the company are listed on stock exchanges worldwide.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation and the net asset value to an increase or decrease of 15% in the fair value of the company's equities. The calculations are based on the portfolio valuations as at the respective statement of financial position date, and the consequent impact on the investment management fees for the year, and are not representative of the year as a whole.

	Year to 31 March 2020		Year to 31 March 2019	
	Increase in fair value £000	Decrease in fair value £000	Increase in fair value £000	Decrease in fair value £000
Effect on revenue return	**(60)**	**60**	(67)	67
Effect on capital return	**28,339**	**(28,339)**	31,777	(31,777)
Effect on total return and on net assets	**28,279**	**(28,279)**	31,710	(31,710)

(b) Liquidity risk

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

Liquidity risk is not considered to be significant as the company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities (see notes 10 and 11 for more details).

The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	As at 31 March 2020			As at 31 March 2019		
	Three months or less £000	More than three months £000	Total £000	Three months or less £000	More than three months £000	Total £000
Trade payables:						
Bank loans*	10,127	17,125	27,252	10,152	16,872	27,024
Amount due for ordinary shares bought back	–	–	–	18	–	18
Other trade payables	417	–	417	489	–	489
	10,544	17,125	27,669	10,659	16,872	27,531

*Interest accrued disclosed in prior year has been included within bank loans.

(c) Credit risk

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

The risk is not considered to be significant by the board, and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amounts that may be due from any one broker; and
- cash is held only with reputable banks with high quality external credit ratings.

The maximum credit risk exposure as at 31 March 2020 was £8,509,000 (2019: £5,964,000). This was due to trade receivables and cash as per notes 9 and 13.

Fair value of financial assets and financial liabilities

All financial assets and liabilities of the company are included in the statement of financial position at fair value or the statement of financial position amount is a reasonable approximation of fair value.

(d) Counterparty risk

The table below shows the counterparty risk as at the Balance Sheet date:

As at 31 March 2020	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
Counterparty				
UBS	–	2,631	–	Cash
Total	–	2,631	–	

As at 31 March 2019	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
Counterparty				
UBS	–	1	–	Cash
Total	–	1	–	

Note 16: Capital management policies and procedures

The company's capital management objectives are:

- to ensure that the company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the company consists of equity, comprising issued capital, reserves and retained earnings.

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

Note 17: Fair value hierarchy

Under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', an entity is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc); or
- Level 3: significant unobservable input (including the company's own assumptions in determining the fair value of investments).

The financial assets measured at fair value through profit and loss are grouped into the fair value hierarchy as follows:

At 31 March 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss				
Quoted equities	**189,669**	**–**	**–**	**189,669**
Net fair value	**189,669**	**–**	**–**	**189,669**

At 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
Quoted equities	212,678	–	–	212,678
Net fair value	212,678	–	–	212,678

Note 18: Stock lending

During 2019 the company terminated the Securities Lending Authorisation Agreement with State Street Bank & Trust Company.

As at 31 March 2020 none of the investments were subject to stock lending agreements and no assets were held in collateral (2019: £nil of investments subject to stock lending, £nil held as collateral).

The gross earnings and the fees paid for the year are £nil (2019: £42,000) and £nil (2019: £11,000).

Note 19: Post year end events

On 1 July 2020 the board declared a fourth interim dividend of 2.06p per share. As at 26 June 2020, the company bought back a further 22,098 ordinary shares at an average price of 187.4p per share. Between 1 April 2020 and 26 June 2020 the net asset of the company increased from £170,465,000 to £199,978,000 a rise of 17.3% and the cum-income NAV per share (as published by the AIC) rose 17.3% from 162.72p to 190.93p.

On 3 June 2020, the company announced that it had served protective notice of termination under its management agreement with Martin Currie Fund Management Limited. The ongoing review of its management arrangements is causing the directors to state that there is a material uncertainty as to going concern in relation to the outcome, as stated in Note 1 (a).

Note 20: AIFMD disclosures

In accordance with the AIFM Directive, information in relation to the company's leverage and the remuneration of the company's AIFM, Martin Currie Fund Management ('MCFM'), is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from MCFM on request (see contact details on the back cover). The numerical remuneration disclosures in relation to the AIFM's year ended 31 March 2020 and 31 March 2019 are available from the company secretary on request.

The company's maximum and actual leverage levels at 31 March 2020 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum permitted limit	300%	200%
Actual	107%	109%

The leverage limits are set by the AIFM and approved by the board and are in line with the maximum leverage levels permitted in the company's articles of association. The AIFM is also required to comply with the gearing parameters set by the board in relation to borrowings.

The company's maximum and actual leverage levels at 31 March 2019 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum permitted limit	300%	200%
Actual	107%	109%

Directors and Advisers

Directors
John Evans (Chairman)
Angus Gordon Lennox
Sarah Harvey
Mark Little

AIFM
Martin Currie Fund Management Limited
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ES

www.martincurrie.com

Martin Currie Fund Management Limited is authorised and regulated by the Financial Conduct Authority.

Investment Manager and Company Secretary
Martin Currie Investment Management Limited
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ES
Telephone 0131 229 5252
www.martincurrie.com

Martin Currie Investment Management Limited is authorised and regulated by the Financial Conduct Authority.

Registered office
Securities Trust of Scotland plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ES
Registered in Scotland, registered number SC283272
www.securitiestrust.com

Independent auditor
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Registrars
Link Asset Services
The Registry, 34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone 0371 664 0300
www.linkassetservices.com

Custodians
State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Bankers
The Royal Bank of Scotland International Limited
71 Bath Street
St Helier
Jersey JE4 8PJ

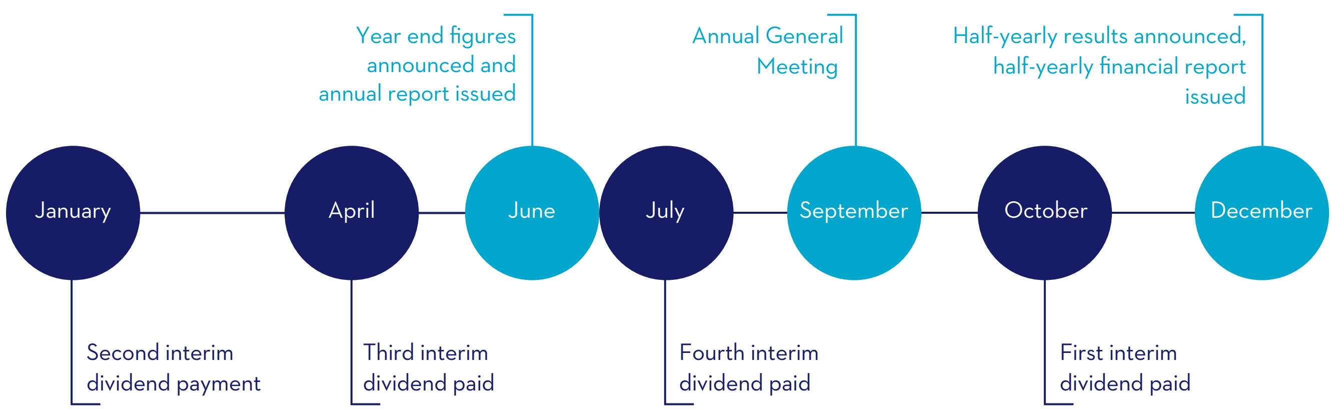
Depositary
State Street Trustees Limited
Quartermile 3
10 Nightingale Way
Edinburgh EH3 9EG

Brokers
JPMorgan Cazenove Limited
25 Bank Street
London E14 5JP

Association of Investment Companies
9th Floor
24 Chiswell Street
London EC1Y 4YY
www.theaic.co.uk

Securities Trust of Scotland is a member of the AIC (the trade body of the investment company industry).

Financial calendar – key dates 2019/20



The European Securities and Markets Authority ('ESMA') published its guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.' The guidelines aim to improve comparability, reliability and/or comprehensibility of APMs. The company uses the following APMs throughout the annual report, financial statements and notes to the financial statements:

Discount/Premium

Discount

The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

Premium

The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

As at 31 March 2020 the share price was 168.50p and the net asset value per share (cum income) was 162.72p, the premium was therefore 3.55%.

Average discount for the 12 weeks to 31 March 2020

As noted in the glossary there is a redemption opportunity if the average ex income discount is greater than 7.5 per cent in the last 12 weeks of a company's financial year. The average discount for the 12 weeks of the year end 31 March 2020 is a premium of 1.81%.

NAV per share

A very common measure of the underlying value of a share in an investment company.

In basic terms, the net asset value ('NAV') is the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. This will very often be different to the share price. The difference is known as the discount or premium.

NAV (cum income) per share – the net asset value per share cum income is shown on the statement of financial position on page 47 and includes undistributed current year income. The NAV (cum income) per share as at 31 March 2020 was 162.72p.

NAV (ex income) per share – the net asset value (ex income) per share is excluding any current year income.

The NAV (ex income) is calculated by deducting undistributed current year income from the NAV (cum income). To determine the NAV (ex income) the following calculation is applied:

Net assets £170,465,000 [per Statement of Financial Position] less undistributed current year income (£6,735,000 [per Statement of comprehensive income] less dividends paid for the current year [per note 6] £1,513,000-£1,509,000-£1,518,000) = £168,270,000.

This figure is then divided by the shares in issue as at 31 March 2020 /104,760,635 to give the NAV (ex income) per share of 160.62p as at 31 March 2020.

NAV capital return performance

A measure showing how the net asset value (NAV) per share has performed over a period of time just in relation to the capital, without reflecting the value of dividends paid to shareholders.

NAV total return performance

A measure showing how the net asset value ('NAV') per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

The AIC shows NAV total return based on a hypothetical investment of £100. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV total return shows performance which is not affected by movements in discounts and premiums. It also takes into account the fact that different investment companies pay out different levels of dividends.

The NAV total return performance, calculated using the cum-income NAV for the year end 31 March 2020 was (8.3%), details of the calculation are given in note 2.

Ongoing charges

Ongoing charges are the total of the company's expenses including both the investment management fee (excluding performance fees) and other costs expressed as a percentage of NAV. The ongoing charges figure has been calculated in line with the AIC's recommended methodology.

The calculation of the ongoing charges is provided in note 4.

Share price total return

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. Please refer to note 2 on page 52 for calculations.

AIFM Directive

The Alternative Investment Fund Managers Directive ('AIFMD') is a European Union ('EU') directive governing the regulation of alternative investment fund managers ('AIFMs') operating in the EU. AIFMs are responsible for managing investment products that fall within the category of alternative investment funds and investment trusts, including the company, are included in this.

Assets

Anything owned or controlled that has value. For investment companies, this might include shares and securities, property, cash etc.

Benchmark

An index or other measure against which the performance of an investment company is compared or its objectives are set.

The annual report and accounts will normally include an explanation of how the company has performed against its benchmark over the year and the reasons for any under or over performance.

Bid price

The price at which you sell your shares when two prices are quoted. This is sometimes shown as the 'sell' price and will be the lower of the two prices shown.

Dividend

Income from an investment in shares. Dividends are usually paid twice a year but can also be paid quarterly or monthly. Not all investment companies pay dividends. Dividend income isn't guaranteed and may fall as well as rise.

Dividend yield

The annual dividends expressed as a percentage of the current share price.

Ex and cum income

Also shown as 'ex div' or 'xd', this means that, if you buy the shares today, you won't receive the most recently declared dividend.

Shares are being traded all the time on stock markets, so for administrative reasons there needs to be a point when buyers and sellers agree whether they will receive the most recently declared dividend. The point when the shares purchased will no longer receive the dividend is known as the 'ex dividend date' and the shares are said to have 'gone ex dividend'. The share price will normally fall by the amount of the dividend to reflect this.

If you buy the shares when you're still entitled to the most recently declared dividend, this is known as the shares being cum dividend.

Gearing

At its simplest, gearing means borrowing money to buy more assets in the hope the company makes enough profit to pay back the debt and interest and leave something extra for shareholders. However, if the investment portfolio doesn't perform well, gearing can increase losses. The more an investment company gears, the higher the risk.

The gearing currently employed is discussed in the strategic report on page 17.

Investment trust

An investment company which is based in the UK and which meets certain tax conditions so that it doesn't pay tax on gains made within the portfolio.

Investment company

A closed-ended fund which invests in a diversified portfolio of assets. Investors buy and sell their shares in the investment company on a stock exchange.

Net assets

A measure of the size of an investment company. The total value of all assets held, less liabilities and prior charges, including income for the current year.

Options

An option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

Call options give the option to buy at certain price, so the buyer would want the stock to go up.

Put options give the option to sell at a certain price, so the buyer would want the stock to go down.

Out of the money

A call option is considered "out of the money" when the call option's strike price is higher than the prevailing market price of the underlying stock. A put option is said to be out of the money if the current price of the underlying stock is above the strike price of the option.

Peer group

The company's investment performance (on a total return basis) is measured against the median of the peer group on a rolling three-year basis. Until 31 March 2018 the peer group was made up of all relevant open and closed-ended peers (sourced from the Lipper Global – Global Equity Income sector and Association of Investment Companies ('AIC') Global Equity Income Sector). With effect from the 1 April 2018 the peer group is made up of all relevant open and closed-ended peers (sourced from the Morningstar Global Equity Income Sector and Association of Investment Companies ('AIC') Global Equity Income Sector).

Peer group total return

A measure showing how the peer group has performed over a period of time, taking into account both capital returns and dividends paid.

Redemption opportunity

In accordance with the company's articles of association, and subject to the provisions of statute, ordinary shareholders shall have the right to redeem their shareholding at a price calculated in accordance with the company's articles of association ('redemption price'), if the average ex income discount is greater than 7.5 per cent in the last 12 weeks of a company's financial year. The redemption price is the net asset value per share less all costs associated with the redemption divided by the number of shares in total being redeemed.

Share buy backs

Describes an investment company buying its own shares and reducing the number of shares in existence.

Share buy backs can be used to return money to shareholders, but are also often used to tackle the company's discount. Discounts may reflect an imbalance between the demand for shares and the number of shares in existence. The hope is that, by reducing the number of shares in existence, the buy back will help to prevent the discount widening or even reduce it.

Share price

The price of a share as determined by the stock market.

If you see a single share price shown, it's likely that this is the mid-market price. This is different to the price at which you buy and sell the shares, which are known as the bid price (sell) and offer price (buy).

Treasury shares

Shares in a company's own share capital which the company itself owns and which can be sold to investors to raise new funds.

Treasury shares only come into existence when a company buys back shares. Instead of cancelling the shares (i.e. they cease to exist) they are held 'in treasury' by the company and can be sold at a later date to raise new funds.

The company's shares quality for tax efficient wrapper products like individual savings accounts ('ISAs') and self-invested personal pensions ('SIPPs') as well as may other investment wrappers that can be used, including those designated for children.

Platforms, fund supermarkets and online stockbrokers

You can invest using a number of fund platforms and fund supermarkets. Many offer wrapper products like ISAs and SIPPs and children's savings products. A number of real-time execution only stockbroking services also allow you to trade online, manage your portfolio and buy UK listed shares. These services do not offer financial advice and if you are unsure about investing, we recommend that you speak to a qualified financial adviser.

Independent financial advisers

An increasing number of independent financial advisers are including investment trusts within their investment recommendations for clients. To find an adviser who recommends on investment trusts, visit **www.unbiased.co.uk**.

Private Client stockbrokers

If you have a large sum to invest, you may want to contact a private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association: **www.thewma.co.uk**.

Link Asset Services

You can buy and sell shares directly by visiting **www.linksharedeal.com** or by calling the Link dealing team on **0371 664 0445**. To change your address, request tax vouchers or obtain an up to date valuation of your shareholding please visit **www.signalshares.com**.

Alternatively, contact Link Asset Services on **0371 664 0300** calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open 9:00am – 5:30pm Mon-Fri).

Trading Codes

(You may be asked for these when investing)

TIDM code:	STS
Sedol:	B019G3N2
ISIN:	GB00B09G3N23

Shareholder services

The registrars of the company are Link Asset Services. You can buy and sell shares directly by calling the Link Dealing team on **0371 664 0445**.

For other services you can contact Link by telephone or online:

Contact details	www.signalshares.com	0371 664 0300*
Opening times	24 hour	9:00am – 5:30pm Monday to Friday
Change your address	✓	✓
Request tax vouchers	–	✓
Valuation	✓	✓
Online proxy voting	✓	–
Dividend payment records	✓	✓
Register and change bank mandate instructions for receipt of dividends	✓	✓
Elect to receive shareholder communication electronically	✓	✓
Request/download shareholder forms	✓	✓

*calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate.

Sign up for electronic communications

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email.

Registering for electronic communications is very straightforward. Just visit **www.signalshares.com**. All you need is your investor code, which can be found on your share certificate or dividend tax voucher.

Arrange to have your dividends paid direct into your bank account

This means that:

- Your dividend reaches your bank account on the payment date
- It is more secure – cheques can sometimes get lost in the post
- You don't have the inconvenience of depositing a cheque
- Helps reduce cheque fraud.

If you have a UK bank account you can sign up for this service **www.signalshares.com** (by clicking on 'your dividend options' and following the on screen instructions) or by contacting the Customer Support Centre on **0371 664 0330**.

Checking the share price

The share price is available through many sources including **www.londonstockexchange.com** and **www.securitiestrust.com**.

Notice is hereby given that the annual general meeting of Securities Trust of Scotland plc (the 'company') will be held at Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES, on Thursday 24 September 2020 at 12.30pm ('the meeting') for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive the audited financial statements for the year ended 31 March 2020 together with the reports of the directors and the auditor thereon.
2. To approve the directors' remuneration report for the year ended 31 March 2020.
3. That the directors' remuneration policy contained in the directors' remuneration report be approved.
4. That the dividend policy be approved.
5. To re-elect John Evans as a director of the company.
6. To re-elect Angus Gordon Lennox as a director of the company.
7. To re-elect Sarah Harvey as a director of the company.
8. To re-elect Mark Little as a director of the company.
9. That Ernst & Young LLP be re-appointed as auditor of the company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company.
10. To authorise the directors to fix the remuneration of the auditor for the year ending 31 March 2021.
11. In substitution of any existing authority of the directors, the directors of the company be and are hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006 ('the Act') to allot equity securities (as defined in s560 of the Act) and to grant rights to subscribe for or to convert any security into shares in the company up to a maximum aggregate nominal amount of £349,128 (being one third of the issued share capital of the company as at 26 June 2020; being the latest practicable date before the date of this notice) provided that the authority hereby given shall expire (unless previously varied as to duration, revoked or renewed by the company in general meeting) on 30 September 2021 or, if earlier, the conclusion of the annual general meeting of the company in 2021 save that the company may, at any time before the expiry of such authority, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such authority and the directors may allot equity securities in pursuance of such an offer or agreement as if such authority had not expired.

Special business

To consider and, if thought fit, pass the following resolutions as special resolutions:

12. That the directors be empowered pursuant to s570 and s573 of the Act to allot equity securities (as defined in s560 of the Act) for cash pursuant to the general authority conferred on them by resolution 11 above and/or to sell equity securities held as treasury shares for cash pursuant to s727 of the Act, in each case as if s561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:
    (a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
    (b) any such allotment and/or sale of equity securities, otherwise than pursuant to sub-paragraph (a) above, having, in the case of ordinary shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal value, not exceeding the sum of £52,369 (representing 5% of the issued ordinary share capital as at 26 June 2020; being the latest practical date before the date of this notice).

    This authority shall expire, unless previously revoked or renewed by the company in a general meeting, at the conclusion of the annual general meeting of the company to be held in 2021, except that the company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

13. That, in accordance with s701 of the Act, and in substitution for any existing authority, the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Act) of ordinary shares of 1p each in the capital of the company provided that:
    (i) the maximum aggregate number of ordinary shares authorised to be purchased is 15,700,306 (being 14.99% of the issued share capital as at 26 June 2020, being the last practicable date before this notice);
    (ii) the minimum price which may be paid for an ordinary share is 1p per share which amount shall be exclusive of expenses;
    (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be not more than the higher of (i) 5 per cent above the average of the mid-market quotations for an ordinary share of the company as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase or (ii) the higher of the price quoted for (a) the last independent trade of and(b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out;
    (iv) the authority hereby conferred shall expire 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the company following the passing of this resolution, whichever first occurs, unless such authority is renewed or revoked prior to such time; and
    (v) the company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

By order of the Board

Martin Currie Investment Management Limited
Secretary

1 July 2020

Registered office: Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES

1. This document is important and requires your immediate attention.

   If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

2. If you have sold or transferred all of your shares in the company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

3. The report and financial statements are circulated to ordinary shareholders. Only ordinary shareholders are entitled to attend or vote at the meeting.

4. The company has specified that to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members 48 hours before the time fixed for the meeting, or, if the meeting is adjourned, on the register of members 48 hours before the time for holding any adjourned meeting. Changes to entries on the share register after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the meetings.

5. A member entitled to attend, speak and vote may appoint a proxy or proxies to attend, speak and, on a poll, vote instead of him/her. A proxy need not be a member of the company. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To be valid, proxies must be lodged at the office of the registrars of the company (Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) not less than 48 hours before the time of the meeting. A form of proxy is enclosed. The notes to the form of proxy explain how to direct your proxy, how to vote on each resolution, or with-hold your vote. Appointment of a proxy will not preclude a member from attending the meeting and voting in person.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/ she was nominated, have a right 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, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of rights of shareholders in relation to the appointment of proxies in Note 5 above does not apply to Nominated Persons. The rights described in Note 5 can only be exercised by shareholders of the company.

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

8. There are no contracts between the company and the directors. A copy of the alternative investment fund management agreement with Martin Currie Fund Management Limited, which is referred to in the report of the directors, will be available for inspection at least 15 minutes before the meeting and for the duration of the meeting as will the register of directors' interests in the ordinary shares of the company and the letters of appointment of each of the directors.

9. As at 26 June 2020 (being the last practicable day prior to the publication of this Notice) the company's issued voting share capital consists of 104,738,538 ordinary shares (carrying one vote each). Therefore, the total voting rights in the company as at 26 June 2020 are 104,738,538 votes, in respect of the ordinary shares only.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. 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 sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction 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 company's agent, Link Asset Services (CREST Participant ID: RA10), no later than 48 hours (excluding non-working days) before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) form which the company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instruction to proxies appointed through CREST should be communicated to the appointee by other means.

    CREST members and, where applicable, their CREST sponsors or voting service provider(s) 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 provider(s) 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.

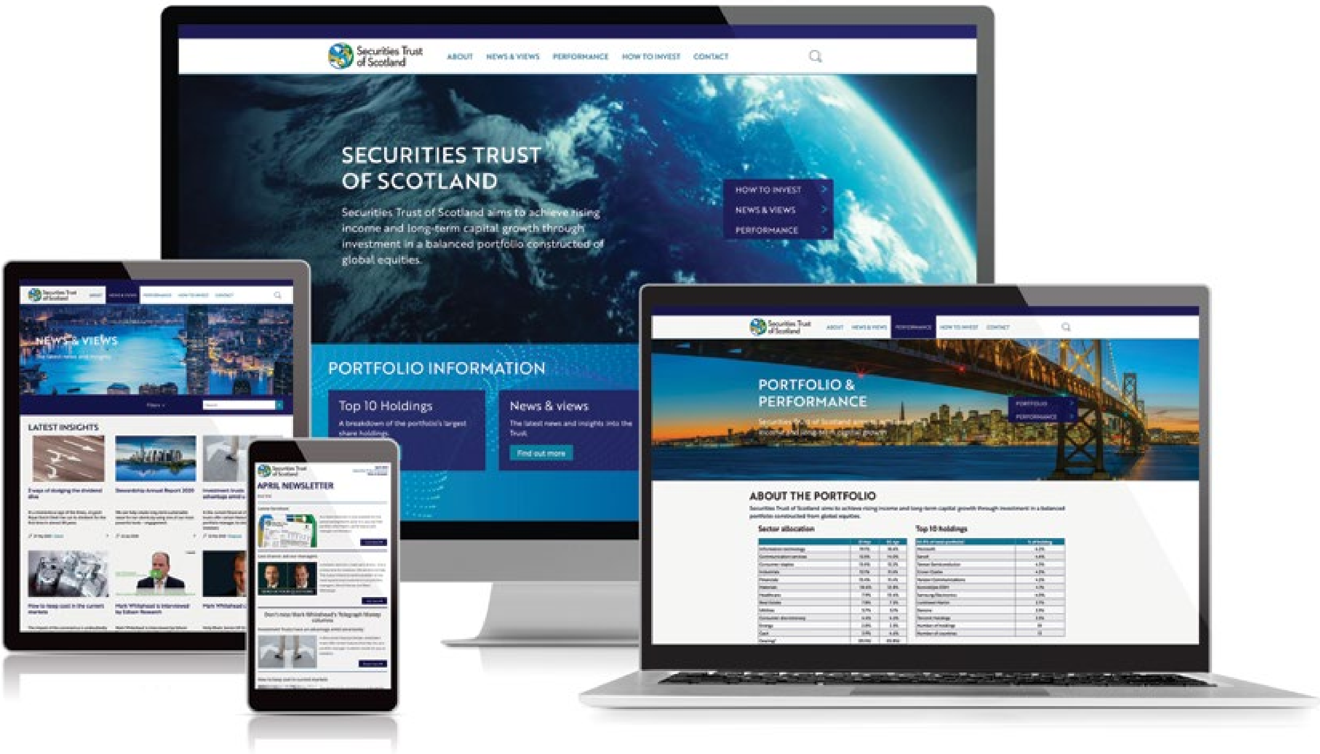
11. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the company's register of members in respect of the joint holding (the first-named being the most senior).
12. Pursuant to s319A of the Companies Act 2006, the company must provide an answer to any question which is put by a member attending the meeting relating to the business being considered, except if a response would not be in the interest of the company or for the good order of the meeting or if to do so would involve the disclosure of confidential information.
13. Pursuant to s338 of the Companies Act 2006, members fulfilling the qualification criteria set out at Note 16 below, may, require the company to give notice of a resolution which may properly be moved and is intended to be moved at the meeting if a) the resolution would not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise) and b) it is not defamatory of any person, frivolous or vexatious.
14. Under s338A of the Companies Act 2006, members fulfilling the qualification criteria set out at Note 16 below, may require the company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business if the matter of business is not defamatory of any person, frivolous or vexatious.
15. Members fulfilling the qualification criteria set out at Note 16 below may require the company to place on its website a statement, made available also to the company's auditor, setting out any matter relating to the audit of the company's accounts, including the Auditor's Report and the conduct of the audit; or any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which the annual report and accounts were laid in accordance with section 437 of the Act. The company may not require shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on its website under sections 527 or 528 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business of the AGM should include any statement that the company has been required to publish, under section 527 of the Act, on its website.
16. The company becomes required to (i) circulate a resolution pursuant to Note 13, (ii) deal with a matter of business at the meeting pursuant to Note 14 or (iii) place such a statement on the website pursuant to Note 15, should a) members with at least 5% of the total voting rights of the company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid, have submitted such a request to the company, not later than six weeks before the meeting. Members seeking to do this should write to the company at Martin Currie Investment Management Limited, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2ES, or alternatively email the company at **enquiries@martincurrie.com**, providing their full name and address. The notice made pursuant to note 13 and note 14 must identify the resolution of which notice is given or the matter to be included in the business; must be authorised by the person or persons making it; must be received by the company not later than the date falling six weeks before the meeting (excluding the date of the meeting itself and the date the request is received); and, in the case of a matter to be included in the business only, must be accompanied by a statement setting out the grounds for the request.
17. Information regarding the meeting, including the information required by s311A of the Companies Act 2006, is available from **www.securitiestrust.com**.
18. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the form of proxy) to communicate with the company for any purposes other than those expressly stated.
19. You may submit your proxy electronically using The Share Portal service at signalshares.com. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies as if you were using the paper proxy form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal investor code. This number can be found on your share certificate. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

OUR WEBSITE

Securities Trust of Scotland has its own dedicated website at **www.securitiestrust.com**

This offers shareholders, prospective investors and their advisers a wealth of information about the company. Updated daily, it includes the following:

- latest prices
- manager videos
- performance data
- portfolio information
- latest monthly update
- research
- press releases and articles
- annual and half yearly reports



Enquiries

If you have an enquiry about Securities Trust of Scotland, please get in touch.

0131 229 5252 | enquiries@martincurrie.com

Mail: The Chairman
c/o Company Secretary
Securities Trust of Scotland plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ES

Securities Trust of Scotland

How to contact us

Tel: 0131 229 5252

Fax: 0131 228 5959

Email: enquiries@martincurrie.com

www.securitiestrust.com

Calls to the above may be recorded.

The Chairman
c/o Company Secretary
Securities Trust of Scotland plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ES

MARTIN CURRIE
A Legg Mason Company