STS

SECURITIES TRUST OF SCOTLAND PLC

Annual Report

Year to 31 March 2021

TROY
ASSET MANAGEMENT

www.stsplc.co.uk

ABOUT SECURITIES TRUST OF SCOTLAND

Rising income and long-term capital growth

Securities Trust of Scotland plc ('the company') objective is 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 Troy Asset Management

The company appointed Troy Asset Management ('Troy' or the 'manager') as manager with effect from 12 November 2020. The manager typically runs a high conviction 30-50 stock equity portfolio that is unconstrained by geography, sector or market capitalisation. Troy specialises in a distinctive method of investing that prioritises the avoidance of permanent capital losses. This is achieved by investing in high quality companies in a concentrated portfolio with low turnover.

Discount management

As part of the recent management changes, the company has introduced a discount control mechanism which aims to ensure, in normal market conditions, that the shares trade consistently close to their net asset value. The discount control mechanism has been in effect since 12 November 2020.

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.

Capital structure

As at 31 March 2021, 102,468,075 ordinary shares of 1p, each entitled to one vote.

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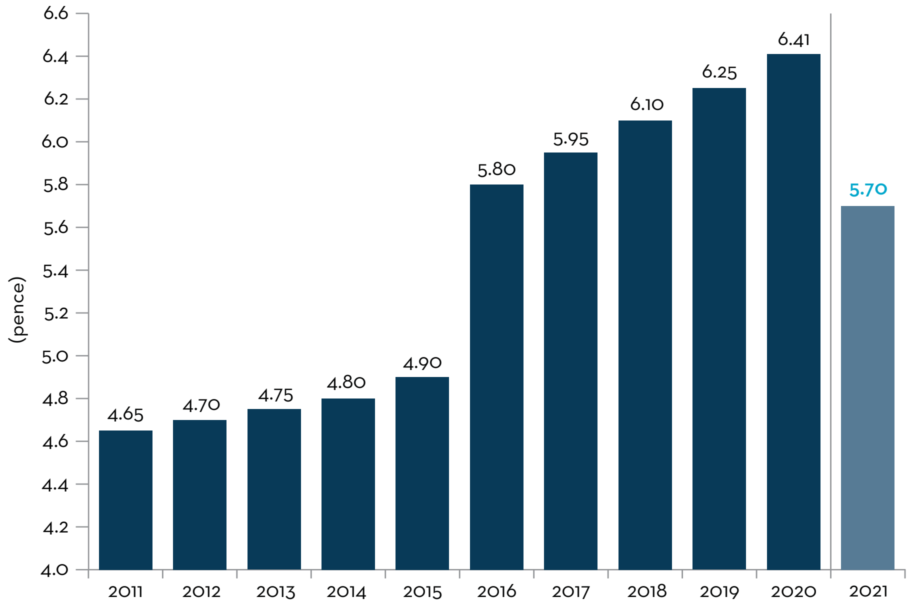
Our objective is to deliver rising income and long-term capital growth.

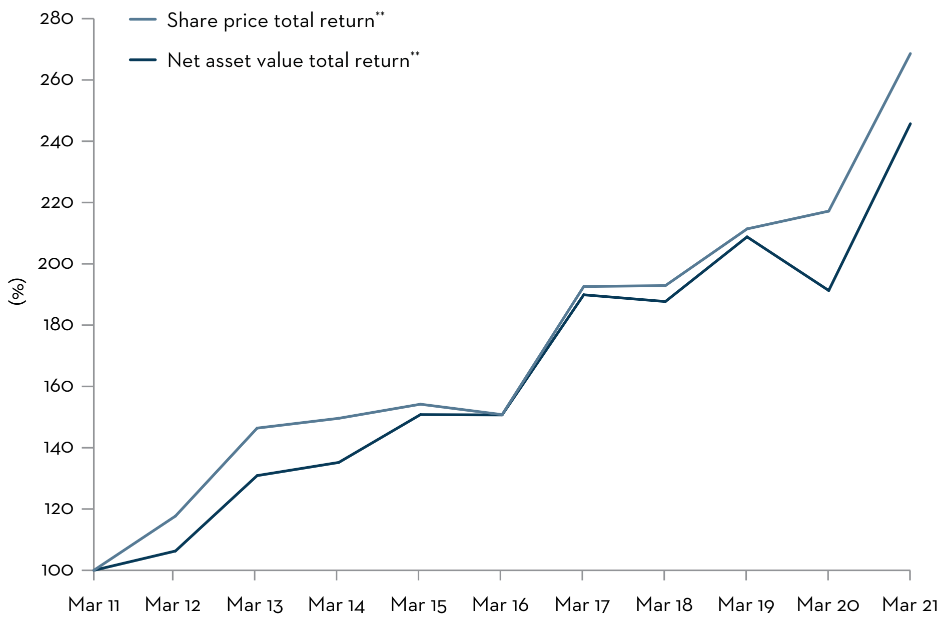
Dividend rebased during the year

Dividend per share (pence)



The dividend was rebased as part of the change of manager (please see the Chairman's statement on page 3 for further information).

Long-term capital growth



Over the last ten years, shareholders have enjoyed a 168.6% increase in share price (total return) including an increase of 23.7% over the year to 31 March 2021 despite 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: Refinitiv Datastream.

**See Alternative Performance Measures on page 60 for definitions.

FINANCIAL HIGHLIGHTS

Total returns^ (including reinvested dividends)

	Year ended 31 March 2021 %	Year ended 31 March 2020 %
Net asset value per share	**28.5**	(8.3)
Lipper Global – Equity Global Income Index*	**29.9**	(9.5)
Share price	**23.7**	2.7

Key data

	As at 31 March 2021	As at 31 March 2020
Net asset value per share (cum income)^	**202.68p**	162.72p
Net asset value per share (ex income)^	**199.98p**	160.62p
Share price	**202.00p**	168.50p
(Discount)/premium^	**(0.34%)**	3.55%
Net assets	**£207,678,000**	£170,465,000

Income

	Year ended 31 March 2021	Year ended 31 March 2020
Revenue return per share	**6.76p**	6.46p
Dividend per share	**5.70p**	6.41p

Ongoing charges^

	Year ended 31 March 2021	Year ended 31 March 2020
Ongoing charges	**0.92%**	0.86%

^ For details of all Alternative performance measures refer to page 60.

* See page 61 for details.

Five-year record

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

	2021	2020	2019	2018	2017
Net asset value per share	**28.5%**	(8.3%)	11.4%	(1.1%)	26.7%
Share Price	**23.7%**	2.7%	9.6%	0.2%	27.7%

Source: Refinitiv Datastream.

CHAIRMAN'S STATEMENT

Introduction

The year to 31 March 2021 proved to be an eventful one for your company. Stock markets around the globe generally reached a trough after precipitous declines in late March 2020 – just ahead of the start of your company's financial year. Given the substantial rally that has been a feature for much of the year it is a pleasure to be able to report on high positive returns in asset terms for the company.

The net asset value total return for the twelve months was 28.5%, recouping all of the decline seen in the previous financial year. The share price total return was 23.7%.

Stock markets around the globe in fact generated positive returns for most of the fiscal year quickly moving to discount an anticipated significant recovery in economic activity and corporate profits as restrictions around the world are eased and economic activity resumes a more familiar pattern. This view was prevalent early in the fiscal year and sustained through a second wave of infections late in 2020 by very positive news in November and December on the efficacy of the vaccines under test. Later, evidence of a successful vaccination programme in the US and UK in the first quarter of 2021 sustained the market rally.

In the UK a further boost was received as a deal was agreed to leave the EU which was considered much more positive than a no deal exit.

Throughout this period governments and central banks in the Western world adopted accommodative stances and, particularly in the US, the level of stimulus being placed behind the economic recovery is significant and unprecedented.

Such stimulus comes with a risk and specifically the possibility of higher levels of inflation has recently undermined the bond market in the US which has seen bond yields rise creating additional uncertainty around equity valuations.

Management arrangements

In September 2020 the board informed shareholders of the proposed changes to the investment management, company secretarial, custodian and depositary arrangements for the company. As noted in the Interim Report, these arrangements took effect from 12 November 2020.

I am pleased to confirm that the new arrangements are working well and that the transition has been smooth. This is all the more satisfactory as the reimposition of lockdown measures has placed further obstacles in the way of normal working practices for the board and all its advisers.

I am also pleased to confirm that throughout the fiscal year and to date all the continuity arrangements of all our advisers have worked very well and that no issues have arisen. I would like to thank all involved for the professional approach and successful outcome in respect of the management of the company over the past 15 months.

Troy and the board have agreed that the performance comparator for the company shall be the Lipper Global – Equity Global Income Index which includes all the relevant closed and open-ended funds in the sector. The return is produced independently by Lipper and is a statistically robust benchmark. The relevant measure shall be the median return from this sector. This comparator is effective from Troy's date of appointment, being 12 November 2020. For information the Index return for the full year to 31 March 2021 was 29.9%. For the earlier part of the fiscal year Martin Currie was measured against the median return of the Morningstar Global Equity Income Index.

Dividends

At the time of the announcement of the investment management changes and again in the Interim Report it was indicated that the total dividend in respect of the year to 31 March 2021 would not be less than 5.50p per ordinary share. The first three quarterly dividends paid were each 1.375p. I am pleased to inform you that the board has agreed that the fourth quarterly dividend will be 1.575p per ordinary share and will be paid on 2 July 2021 to shareholders on the register on 21 May 2021. Consequently total dividends for the year will be 5.70p. This is greater than the initial expectations but as discussed in the Interim Report lower than the 6.41p paid in respect of the previous financial year.

Total net revenue for the year was £7.0 million of which £818,000 was contributed by income from writing covered options – a strategy employed by the previous but not the current manager. In future, income will be earned from the dividends paid by portfolio companies. The 5.70p dividend described above is based on the expectations of dividend income from the current portfolio and is considered to be a base from which dividend payments can grow. The board and Troy are confident that consistent growth in dividends can be achieved from the new level.

CHAIRMAN'S STATEMENT

Board changes

No appointment to the board was made when Rachael Beagles retired as Chairman in 2019. I am delighted that Angus Cockburn has been appointed to the board as from 1 May 2021. Angus recently retired as Chief Financial Officer of Serco Group plc, having previously held a similar role at Aggreko until 2014. Angus is an experienced non-executive director and brings a wealth of knowledge and a fresh perspective to your board. I would like to welcome him and look forward to his contribution.

The board consists of five independent non-executive directors.

Share buybacks and discount management

Alongside the investment management changes made in November 2020 the board also resolved to formalise the discount management arrangements for the company. In addition to its company secretarial role PATAC will also manage the company's discount control mechanism that your board has introduced.

The successful operation of this policy will aim to ensure that your company's shares will trade, on a consistent basis, at or very close to their net asset value ('NAV') and that liquidity consistently will be available at that value.

In line with this policy, since 12 November 2020 (the date the policy was introduced) to 31 March 2021 2,203,000 shares have been repurchased at a small discount to NAV and 625,000 shares were reissued at a small premium to NAV.

Annual general meeting

The AGM in 2020 was held in a virtual format and unfortunately it was not possible for shareholders to attend. Regrettably, under the current restrictions it is not expected that it will be possible for shareholders to physically attend the meeting again this year. If this position changes then the company will make an announcement through an RNS. A presentation from the managers will be available on the website following the AGM. The board look forward to resuming the normal format of the AGM and welcoming shareholders back to the meeting when the restrictions allow.

Stay in touch

I would encourage shareholders to visit the company's website at **www.stsplc.co.uk** as this offers a wealth of further information on the company including manager videos and related press releases and articles. Through the website you can also subscribe to monthly email updates and the factsheet which will provide you with portfolio information and performance data. If you wish to contact the investment manager or the company secretary with any queries this can also be done through the website or by email using the email addresses set out on page 69 of this report.

Outlook

Many stock markets around the globe currently stand at their all time high levels and as described above have made rapid and substantial recoveries from their 2020 lows. The inevitable effect of these rises in a period of challenging economic conditions is that valuations have been stretched and in many sectors now look extreme.

Your manager has a robust and long term approach to asset management and his report sets out in a very clear manner his views of current valuations and how the portfolio has been positioned against that background.

In particular the portfolio consists of companies capable consistently of generating the dividend growth that will sustain growth in your company's dividends over time.

The recovery in markets from their March 2020 lows has been substantial but one feels that the recovery in economic activity and indeed the progress of this pandemic might be less smooth than the current abundant optimism might suggest. To that end the board has every confidence in the portfolio positioning and the manager's philosophy and application.

Following significant changes to both the management and portfolio of Securities Trust in the financial year your board anticipates a more settled background in 2021. Our new managers have constructed a high quality portfolio reflecting Troy's philosophy of delivering an above average long term return with below average levels of volatility. We look forward to enjoying the returns and dividend growth that the successful implementation of the strategy will deliver.

John Evans
19 May 2021

MANAGER'S REVIEW

Investment background

Although Troy Asset Management took over the management of the company on 12th November 2020 this report covers the 12 months to 31 March 2021.

The past year has been a most extraordinary one in global capital markets and society. The severe government-enforced recession driven by fears of risks to health rather than economic wellbeing led to a sharp fall in equity markets which reached its nadir shortly before the beginning of this period under review. Following that time, equities have staged an equally rapid recovery, especially following the news that an effective vaccine to COVID had been developed in record time.

Investors have anticipated a return to normality. This combined with the likelihood of a buoyant consumer, fuelled by pent-up demand, as well as huge fiscal stimulus packages enacted around the world, most notably by the new US administration under the new President Biden, resulted in a strong return being delivered by global equity markets.

It is remarkable how much has changed in 12 short months. Sentiment has swung from deep concerns about a deflationary bust, centred on widespread credit defaults, to fears of a return to 1970s style inflation. This is partly reflected in the government bond market where the benchmark US 10 year treasury yield has moved from 0.67% to 1.74% over the year.

Within equities a broad based rally gave way to a rotation away from companies that dependably compound capital towards those that are deemed to be greater beneficiaries of an improving economic outlook. These businesses have recovered from a low ebb but tend to carry greater risk as a result of higher levels of economic or financial gearing or capital intensity. This willingness to embrace risk by investors can also be seen in strong investor sentiment, elevated levels of borrowing to finance stock market investment, high levels of retail investor participation – notably in options markets in the US – and huge share issuance in structures with questionable investor protections called Special Purpose Acquisition Companies (SPACs).

As a result of the rebound a number of long term valuation measures suggest equity markets are fully valued relative to history. These include the market capitalisation of the US equity market relative to GDP, the Shiller Cyclically Adjusted Price Earnings ratio and perhaps most simply, but relevantly, the dividend yield offered by the US equity market, which stands at a meagre 1.46%.

We therefore have the apparent contradiction of a nascent economic cycle co-exiting with valuations and behaviour more typical of the late stages of a market ascent. A confusing backdrop indeed.

Some clear themes can be discerned. There are likely to be persistent winners and losers from the events of 2020 with pre-existing trends having been given a boost. The acceleration in technological disruption benefitting the large technology companies at the cost of more traditional industries has increased in intensity. Further the tendency of governments to run large deficits producing ever greater levels of debt shows no signs of slowing.

Performance

Against this backdrop, the company delivered a net asset value ('NAV') total return of 28.5% and a share price total return of 23.7% over the year. This compares to the Lipper Global – Global Equity Income return of 29.9%. The difference between the share price and NAV performances generated by the company represents a move from a 3.55% premium to a 0.34% discount.

Investment strategy

The portfolio was restructured in November 2020 following the transfer of the management of the company to Troy Asset Management in accordance with our investment approach. The assets of the company are now concentrated in companies that generate a high return on capital employed, generally with limited need for capital or leverage, owing to sustainable competitive advantages. These attributes may include brands, distribution density, scale, dominant market positions and regulatory or cost advantages. This allows our portfolio companies to generate growing free cash flow which in turn can fund an attractive and growing dividend yield as well as sustaining adequate levels of investment to entrench these competitive advantages. Such businesses tend to be concentrated in sectors such as consumer staples, healthcare, technology and selected non-bank financials.

Similarly, we tend to eschew less advantaged companies that generate low returns on capital. They also often require large amounts of capital to operate and have high levels of financial or economic cyclicality. Examples of these sectors would include the extractive industries, bulk chemicals, banks and retailers.

Overall we are seeking to have a portfolio that balances quality, income and growth to deliver a dependable and growing income stream as well as long term capital appreciation.

MANAGER'S REVIEW

Our aim is to deliver above average returns with below average volatility over full market cycles. By avoiding the worst draw downs in markets we believe investors are in a better position to compound capital in the long term. Similarly having established the portfolio we interrupt the compounding of capital reluctantly as demonstrated by the low levels of turnover in our funds.

We are not trying to make money all the time but over time from a concentrated portfolio of high quality companies.

Investment outlook

The recovery from the depths of the global pandemic to the sunlit uplands of more recent times is remarkable. This is especially so when the backdrop is characterised by many confusing and conflicting cross-currents in markets and the economy.

The prevailing consensus narrative, inferred from the recent pattern of performance in equity and bond markets, is that we are to expect a rapid economic recovery, spurred by government spending as well as pent up demand. This will meet the supply constraints left from COVID scarring in the economy, driving up prices, which is inflation. Portfolios therefore should be rotated into a mixture of cyclical businesses regardless of capital intensity, into extractive industries again regardless of long term returns on capital and levered interest rate beneficiaries despite the dangers such leverage involves. These are not actions that are consistent with Troy's distinctive approach that emphasises quality and the avoidance of permanent capital loss.

First, and most importantly, we do not favour these types of companies owing to their heavy capital intensity and cyclicality. Such businesses deliver poor returns on capital over a full market cycle and are therefore by definition a "trade" rather than an investment. Second, it seems likely to us that investors are once again getting ahead themselves. While cyclical risks to the inflation outlook have clearly increased, the more structural drivers of inflation have worsened. Debt levels, which past a certain point depress growth, have exploded, technological disruption has accelerated and the demographic ageing has advanced inexorably.

Whether inflation returns or not, debt levels are such that rates cannot rise too much. We simply cannot afford it. If inflation does prove to be transitory the portfolio we have, that is dependable and durable global franchises delivering growing free cash flow, will be well placed. If, however, inflation does continue to rise the authorities will likely have to cap long and short term interest rates. This will create a very negative real interest rate environment which favours inflation-linked cash flows. In the longer term the same competitive advantages and low capital intensity that drives high returns on capital in our companies also affords the strength to pass on rising costs. Our portfolio is therefore also likely to be robust in this case.

Rather than chase what is currently performing investors are likely to be better served by taking advantage of the recent rotation towards lower quality and riskier enterprises to allocate capital to the type of high-quality businesses we favour. Otherwise an inevitable dilution in long term returns on capital will result. As demonstrated by Troy's long term track record across our strategies, it has not been necessary to capture such low-quality market moves to produce excellent risk adjusted results over the long term.

Overall we find excellent opportunities to invest in high quality global franchises trading at reasonable valuations. The company is currently generating a 5.3% free cash flow yield funding a 3.0% dividend yield. We expect both the free cash flow and dividend to grow consistently over the long term (while acknowledging over shorter time periods foreign exchange can reduce income from a globally invested portfolio to a domestic investor). We have confidence that the company will compound capital and income at an attractive rate on an underlying basis owing to the quality and durability of the portfolio companies.

James Harries

19 May 2021

PORTFOLIO SUMMARY

Portfolio distribution as at 31 March 2021

By region (excluding cash)

	31 March 2021 %
North America	52.9
Europe	44.0
Asia	3.1
	100.0

By sector (excluding cash)

	31 March 2021 %
Financials	5.4
Information technology	18.9
Industrials	5.3
Consumer staples	42.4
Consumer discretionary	3.3
Healthcare	17.3
Real estate	4.9
Communication services	2.5
	100.0

By asset class (including cash and borrowings)

	31 March 2021 %
Equities	106.8
Cash	0.2
Borrowings	(7.0)
	100.0

Largest 10 holdings

	31 March 2021 Market value £000	31 March 2021 % of total portfolio
British American Tobacco	14,145	6.4
Unilever	11,722	5.3
Reckitt & Benckiser	11,508	5.2
Philip Morris	11,322	5.1
Paychex	10,098	4.6
Automatic Data Processing	9,164	4.1
PepsiCo	9,063	4.1
CME Group	8,923	4.0
Medtronic	8,662	3.9
Diageo	8,625	3.9

PORTFOLIO HOLDINGS

As at 31 March 2021

	Sector	Country	Market value £000	% of total portfolio
North America			117,393	52.9
Philip Morris	Consumer staples	United States	11,322	5.1
Paychex	Information technology	United States	10,098	4.6
Automatic Data Processing	Information technology	United States	9,164	4.1
PepsiCo	Consumer staples	United States	9,063	4.1
CME Group	Financials	United States	8,923	4.0
Medtronic	Healthcare	United States	8,662	3.9
Johnson & Johnson	Healthcare	United States	7,986	3.6
Microsoft	Information technology	United States	7,391	3.3
Cisco Systems	Information technology	United States	6,941	3.1
Procter & Gamble	Consumer staples	United States	6,393	2.9
Fastenal	Industrials	United States	4,998	2.3
Hershey	Consumer staples	United States	4,591	2.1
Western Union	Information technology	United States	4,582	2.1
McDonald's	Consumer discretionary	United States	4,294	1.9
Accenture	Information technology	United States	3,729	1.7
Verizon Communications	Communication services	United States	3,400	1.5
Clorox	Consumer staples	United States	3,178	1.4
Coca-Cola	Consumer staples	United States	2,678	1.2

	Sector	Country	Market value £000	% of total portfolio
Europe			97,571	44.0
British American Tobacco	Consumer staples	United Kingdom	14,145	6.4
Unilever	Consumer staples	United Kingdom	11,722	5.3
Reckitt & Benckiser	Consumer staples	United Kingdom	11,508	5.2
Diageo	Consumer staples	United Kingdom	8,625	3.9
Novartis	Healthcare	Switzerland	8,518	3.8
Roche Holding	Healthcare	Switzerland	7,613	3.4
RELX	Industrials	United Kingdom	6,748	3.0
Vonovia	Real estate	Germany	6,203	2.8
GlaxoSmithKline	Healthcare	United Kingdom	5,641	2.6
Nestle	Consumer staples	Switzerland	4,732	2.1
Fever-Tree	Consumer staples	United Kingdom	3,786	1.7
InterContinental Hotels	Consumer discretionary	United Kingdom	3,084	1.4
Hargreaves Lansdown	Financials	United Kingdom	3,083	1.4
Imperial Brands	Consumer staples	United Kingdom	2,163	1.0
Asia			6,807	3.1
Link Real Estate Investment Trust	Real estate	Hong Kong	4,660	2.1
Nintendo	Communication services	Japan	2,147	1.0
Total portfolio			221,771	100.0

STRATEGIC REPORT

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 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 manager to manage the investment portfolio. Troy Asset Management were appointed as manager on 12 November 2020. 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

The 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.

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, Troy, to ensure that it is closely aligned with that of the company.

Environmental, social and governance (ESG)

The board and the investment manager support the 2020 UK Stewardship Code, issued by the FRC, which sets out the principles of executive stewardship by institutional investors.

The company aims to conduct itself responsibly, ethically and fairly and has sought to ensure that the investment manager's management of the portfolio takes account of ESG matters as an integral part of its analysis of companies for investment.

The board believes that companies which exhibit positive ESG behaviours contribute to increasing value over the long term and that it is in shareholders' interest to consider environmental, social and governance factors when selecting and retaining investments. The board delegates responsibility for selecting the portfolio of investments within investment guidelines, and for monitoring the performance and activities of investee companies, to the investment manager. The company does not have explicit ESG policies but encourages and actively oversees Troy's application of its ESG policies within the investment process.

Troy attaches great importance to the sustainability of a company's returns over the long-term and their integrated approach to the fundamental analysis of ESG factors is a key component of assessing that durability. Strong governance structures improve the alignment of management with investors and creates a framework in which capital can be sensibly deployed to create shareholder value long into the future. In the same way, a company that takes its social and environmental responsibilities seriously and has a strong sense of corporate purpose will maintain its license to operate and will see its brand strengthen as all its stakeholders benefit from its growth.

The investment manager does not necessarily exclude companies from the investment universe purely on the grounds of ESG factors but adopts an active ownership engagement approach enabling the investment manager to address ESG risks with a view to mitigation.

Troy's active ownership activities include seeking to vote on all resolutions and engaging within investee companies, where appropriate, as part of their ongoing monitoring and voting processes. Troy believes that their long holding periods and the calibre of their research are recognised by investee companies, with both contributing to a high level of access to company management teams.

Engagement

Monitoring of companies held on behalf of the company is central to Troy's rigorous research process and includes regular meetings with the management of investee companies. Whilst Troy are careful to select companies whose business strength and corporate governance policies mean they generally do not require intervention, Troy recognise that engagement is an important aspect of their role as investment manager.

Troy always aims to conduct such engagement proactively, and as part of an investee company's decision making process, but is also willing to engage reactively where a company has taken a course of action that conflicts with their standpoint. A variety of events might trigger a proposal to engage. These include a breach by the company of generally accepted business practice norms, Troy's proxy voting process or their integrated ESG analysis.

Engagement is conducted as part of our integrated approach to responsible investment. Communication may be via meetings, emails, letters or telephone calls with members of the company including investor relations, the executive management team, members of the board and/or the chairman. Any such engagement would be conducted by members of Troy's investment team and fund managers, rather than by a segregated ESG or engagement team. This process ensures that any engagement is conducted in the context of the broader investment process thus delivering an integrated and consistent message to company management teams.

Voting

The exercise of the company's voting rights in respect of investee companies is delegated to the investment manager. Troy considers voting to be an important part of its active ownership activity and investment process and aims to use its voting rights to safeguard the company's interests. Votes are cast in line with management unless it is decided that, on a case by case basis, that the company's interests are better represented by voting against management. To date Troy has not found that any single, universally applied, prescriptive voting policy can adequately reflect the best interests of long-terms shareholders in every instance.

Troy recognises that whenever possible it is preferable to ensure that voting on any resolution is incorporated as part of the wider engagement with management. Troy's preferred course of action would be to have dialogue with any company ahead of casting a vote against management. Where appropriate Troy may also seek to engage with a company following a vote against management. Troy reports to the board on a regular basis as to how it has voted at any general meetings.

Further details of Troy's ESG related policies and activities can be found on its website at **www.taml.co.uk**.

Strategy

Investment policy

The company's policy is to invest primarily in global equities. The majority of the company's portfolio is invested in large capitalisation companies (market capitalisations over £1 billion). The resulting diversified portfolio of international quoted companies is focused, typically containing between 30 and 50 high conviction stocks selected on the basis of detailed research analysis. The equity portfolio consists of listed shares and is diversified across a range of holdings.

The manager has unconstrained 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 investment schemes which are sponsored by the investment manager;
- 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.

The company's exposure to listed equities is set within a range of 90% to 120% of shareholders funds' in normal circumstances.

The company's 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.

With effect from November 2020 the performance of the company has been measured against the Lipper Global – Equity Global Income Index which delivered a total return for the year end 31 March 2021 of 29.9%.

As an investment trust, the company is able to finance part of its operations through bank borrowings (gearing). The board monitors such borrowings (gearing) closely and takes a prudent approach. Gearing levels are discussed by the board and manager regularly and monitored at every board meeting. Gearing is limited to 20% of shareholders' funds.

Risk management

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 manager within which the portfolio will be managed. The board reviews, at each board meeting, the relevant risk metrics 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 14 and 15 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 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. Dividends may be paid out of capital reserves if required.

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 multi-currency fixed credit facility, which expires in 2023, for £14,585,000 million drawn in three tranches (£1,500,000, €4,500,000 and US$12,750,000). The facilities are fully drawn down in sterling, euros and US dollars with the intention of increasing income and of improving future investment returns. The facility also offers a £10 million revolving credit loan which terminates on 30 September 2021. This was not drawn down at 31 March 2021. Further information on the company's covenants can be found in note 11 on page 50.

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 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, depositary, 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 manager and the audit committee receives reports from and reviews the service, quality and value for money provided by other third-party suppliers.

The company secretary 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 24 to 28.

The board recognises the importance of keeping the interests of the company's shareholders, and acting fairly between them, in all key decision making. The company secretary is available to the board at all times to ensure that suitable consideration is given to the range of factors to which the directors should have regard. In addition to ensuring the company's stated investment objective is being pursued and maintaining constructive relationships with the key suppliers, key decisions and actions during the year which required the directors to have regard to applicable section 172 factors included:

- the change of management arrangements including the related change in investment strategy and removal of option writing as part of the strategy;
- the rebasing of the dividend; and
- the introduction of the formal discount control mechanism.

As detailed below, the board appointed Troy Asset Management Limited as manager in November 2020. The board 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. 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 company's purpose, values and strategy outlined on page 10. The ESG strategy followed by the manager is detailed on pages 10 and 11.

During the year the board introduced the formal discount control mechanism continued to monitor the discount/premium levels at which the company's shares are traded. Details of shares bought back/issued can be found in note 12 on page 51.

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 a website which hosts copies of the annual and interim reports along with factsheets and other relevant materials. In normal circumstances shareholders are 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 3 and 4 and the manager's review on pages 5 and 6. 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 3 to 4 and the manager's review on pages 5 and 6 for an update on future prospects for the company.

Martin Currie had been the fund manager and company secretary to your company since Securities Trust of Scotland was restructured in 2005 and indeed for some time before that event. On 2 June 2020 your board was informed by Martin Currie that three of the four members of the Global Equity Income Team who had the day to day responsibility of managing the portfolio had resigned and as a consequence Martin Currie would no longer be in a position to provide a Global Equity Income service to your company.

The board commenced a process to identify a new fund management company for the company. The board was advised in this process by JP Morgan Cazenove.

Despite the strictures of lockdown and difficulties with travel, a thorough and professional search process was undertaken by the board. A wide range of fund managers were considered and the board was very pleased to appoint Troy as manager to the trust and PATAC as company secretary and AIFM. These appointments were effective as of 12 November 2020.

PATAC is company secretary to seven other investment trusts including Personal Assets Trust and Troy Income & Growth Trust. In addition to the company secretarial and AIFM responsibilities, PATAC will also manage the discount control mechanism that your board has introduced. The successful operation of this policy will aim to ensure that your company's shares trade, on a consistent basis, at or very close to their Net Asset Value and that liquidity will be available at that valuation.

The successful implementation of this policy will see shares in the company being purchased and issued on a consistent basis and the intention is to grow the size of the company in real terms via net issuance over time.

STRATEGIC REPORT

Principal 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 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 risks to the company:

Risk	Mitigation
COVID-19 risk	COVID-19 developed rapidly, delivering an abrupt, exogenous shock to the global economy of considerable magnitude and became a principal risk in 2020. The company will continue to be exposed to the risk of market volatility in 2021 brought about by global outbreaks of COVID-19. The resilience of the operations undertaken by the manager and other key providers of operational services to the company, represented a risk to the company in 2020. The board has reviewed the mitigation measures with the manager and other key service providers and are satisfied that these are appropriate and will continue to support the company.
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. 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 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 may 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 manager by seeking to grow the company's income and capital in real terms over the longer term.

Risk	Mitigation
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 manager, the board would assess the cause and be able to take appropriate action to manage this risk.
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 where appropriate. 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 carries out an annual evaluation of its service providers and gives regular feedback to the manager and company secretary through the management engagement committee.
Loss of investment trust 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.

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 manager and the company secretary continue to be effective.

STRATEGIC REPORT

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 60. The principal KPIs are:

1. Performance comparison

The total return of NAV to 31 March 2021 was 28.5% against the comparison group total return NAV of 29.9%, resulting in an underperformance of 1.4%.

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 rose to 202.68p at 31 March 2021, from 162.72p as at 31 March 2020, an increase of 24.6%.

The Chairman's statement, on pages 3 and 4, and the manager's review, on pages 5 and 6, 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 2021 were 0.92% (2020: 0.86%) and therefore the KPI was achieved.

4. Discount

During the year, the board introduced the discount control mechanism with the aim to ensure the company's shares trade, on a consistent basis, at or very close to NAV. At 31 March 2021, the share price discount stood at 0.34% (31 March 2020 – premium of 3.55%).

The successful implementation of this policy will see shares being purchased and issued by the company on a consistent basis and the intention is to grow the company in real terms via issuance over time.

5. Rising income

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

As mentioned in the 2020 Interim Report, the approach adopted by Troy is to generate income from the underlying dividend payments made by constituents of the portfolio. Consequently no further income will be earned by the company from option writing. The board, reflecting this, announced that the dividend payment to shareholders for the year to 31 March 2021 would be not less than 5.50p per share.

The annual dividend for the year end 31 March 2021 was 5.70p, a decrease of 11.1% on the annual dividend for the year end 31 March 2020 of 6.41p.

Summary of KPIs	Target	Actual	Achieved
1. Performance comparison	Total return to exceed the Lipper Global – Equity Global Income Index	-1.4%	✗
2. Growth in net assets	Growth in cum income NAV	24.6%	✓
3. Ongoing charges	Below 1.0%	0.92%	✓
4. Average discount	At or very close to NAV	1.4%	✓
5. Rising income	Dividend per share growth	-11.1%	✗

Approved by the board

John Evans
19 May 2021

BOARD OF DIRECTORS

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 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 BlackRock Smaller Companies Trust plc and acts as a consultant to Lindsays LLP. He was appointed to the board of Securities Trust of Scotland in October 2014.

Angus Cockburn, non-executive director

After six years as Group Chief Financial Officer of Serco Group plc, Angus stepped down from the Serco Board in April 2021. Angus is a chartered accountant with considerable experience gained in a variety of sectors. He has an MBA from the IMD Business School in Switzerland, is an Honorary Professor at the University of Edinburgh and a member of the Institute of Chartered Accountants of Scotland. Prior to joining Serco Group plc in 2014 Angus held roles as Chief Financial Officer and Interim Chief Executive of Aggreko plc, Managing Director of Pringle of Scotland and held senior finance positions at PepsiCo Inc including Regional Finance Director for Central Europe. He was also a Non-Executive Director of Howdens Joinery Group plc and Senior Independent Director of GKN plc. Angus is currently Senior Independent Director and Chair of the Audit Committee of Ashtead Group plc, a Non-Executive Director of The Edrington Group Limited and Chairman of James Fisher and Sons Limited. He was appointed to the board of Securities Trust of Scotland on 1 May 2021.

Sarah Harvey, chairman of the marketing and communications committee

Sarah until 2020, was 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 of 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.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the company for the year ended 31 March 2021.

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.

Business review

The investment manager

As detailed in the Chairman's statement on page 3, the company appointed Troy Asset Management Limited ('Troy' or the 'manager') on 12 November 2020 following the resignation of Martin Currie Investment Management Limited ('Martin Currie'). 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.

Management arrangements

The company, following the resignation of Martin Currie Fund Management Limited, appointed PATAC Limited ('PATAC' or the 'AIFM'), as its alternative investment fund manager with effect from 12 November 2020.

The AIFM has formally delegated the investment management to Troy as detailed below.

Investment management delegation agreement

As manager, Troy receive an annual management fee of 0.65% of the net assets of the company up to £750 million, 0.55% of net assets between £750 million and £1 billion and 0.50% above £1 billion. However, as a contribution to the costs of the change of investment manager, Troy agreed to waive the management fee payable to it for a period of twelve months from its appointment as manager, as well as making a significant ongoing annual contribution to the cost of the company secretarial and administration services provided by PATAC.

Following an initial term of three years, the investment management delegation agreement shall be terminable by either party serving six months' notice. No compensation is payable to the manager in the event of termination of the contract over and above payment in respect of the required minimum notice.

Continued appointment of the investment manager

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

Following the appointment of Troy in November, the committee deferred the formal annual review of the manager to 2021/22. However, the board are pleased with Troy and their performance since appointment and considers the continuing appointment of the manager to be in the best interests of the shareholders.

Company secretary

On 12 November 2020, PATAC was appointed to provide company secretarial, accounting and administration services to the company. Previously these services were provided by Martin Currie. PATAC receives a fee for these services of £100,000 per annum plus an amount equal to 0.1%. of the company's net assets between £50 million and £100 million, 0.03% of the company's net assets between £100 million up to and including £250 million and 0.02% of the company's net assets between £250 million up to and including £1,000 million. The fixed fee element of the fee is adjusted annually by the increase in the Consumer Price Index.

Depositary

On 12 November 2020, the company's depositary transferred from State Street Trustees Limited to JP Morgan Europe Limited and the custodian changed from State Street Bank and Trust Company to JP Morgan Chase Bank N.A. The depositary's responsibilities include cash monitoring, safe keeping of the company's financial instruments and monitoring the company's compliance with investment limits and leverage requirements. The depositary has delegated the safe keeping function to the custodian.

Directors

The board currently consists of five non-executive directors. The names and biographies of the current directors are on page 17, indicating their range of experience as well as length of service.

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 24 to 28 which forms part of this report of the directors.

Greenhouse gas emissions

As an externally managed investment company with no employees, the company's greenhouse gas emissions are negligible. Streamlined Energy and Carbon Reporting applies to all large companies. However, as the company does not consume more than 40,000 kWh of energy during the past year, it qualifies as a low energy user and is exempt from reporting under these regulations.

Share capital

As at 31 March 2021, the company had 102,468,075 ordinary shares of 1p ('ordinary shares') in issue (2020: 104,760,635) and 19,831,073 ordinary shares held in treasury (2020: 17,538,513). The company repurchased 2,917,560 shares to be held in treasury at a cost of £5,692,000 during the year. This represented 2.8% of the called up issued share capital at the year end and had a nominal value of £29,176. During the year 625,000 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.

Shareholder analysis

	% of issued share capital 31 March 2021	% of issued share capital 31 March 2020
Platforms/Execution only brokers	26.9	24.6
Private client stockbrokers	16.5	17.6
Private client fund management	15.3	19.0
Retail	12.2	12.6
Wealth management	10.0	9.1
Pension fund managers	8.8	9.0
Asset managers	4.0	–
Other	6.3	8.1
	100.0	100.0

Substantial interests

As at 31 March 2021 the company had received notification in accordance with the FCA's Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in the voting rights attaching to the company's issued share capital:

As at 31 March 2021	% issued share capital
Rathbone Nominees	13.0
Charles Stanley	5.7
Smith & Williamson Holdings	5.2
WM Thomson	4.8
Brooks Macdonald	3.8
Hargreaves Lansdown	3.2
JM Finn	3.1

As at 18 May 2021 the company has not been notified of any changes to the above table.

As at 18 May 2021, the last practicable date prior to printing of this report, the company has 102,085,075 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 24 to 28 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 £7,045,000 (2020: £6,735,000), equivalent to a return of 6.76p per share (2020: 6.46p). Interim dividends totalling 4.125p have been paid during the year. The directors recommend a fourth interim dividend of 1.575p per share to be paid on 2 July 2021 to holders on the register at the close of business on 21 May 2021, making a total for the year of 5.70p (2020: 6.41p).

Voting policy and the 2020 UK Stewardship Code

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

- vote at all general meetings of companies in which its clients are invested;
- 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 Troy gives consideration to operational performance, corporate social responsibility and corporate governance issues, among many other factors, when investment decisions are taken.

The board has noted Troy's adoption of the 2020 FRC Stewardship Code, and a copy of the policies and voting records can be found at **www.taml.co.uk**.

REPORT OF THE DIRECTORS

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 2021 is shown on the statement of financial position on page 41. The cash flows of the company are set out on page 43. Note 15 on pages 52 to 56 sets out the company's risk management policies, including those covering market price risk, liquidity risk and credit risk.

The company has a one year revolving credit facility for £10,000,000 which expires in September 2021, which was undrawn at 31 March 2021. In addition, the company has a multi-currency 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 14 and 15, 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 for the period to 31 March 2023, which is at least 12 months from the date the financial statements are authorised for issue.

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 has assessed its viability over a three year period 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 took comfort from the results of a series of stress tests that considered the impact of severe market downturn scenarios on the company's financial position. The directors also considered the following risks to its ongoing viability:

- the principal and emerging risks and uncertainties and the mitigating actions set out on pages 14 and 15, including those related to 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 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 98.9% within three trading days.

Based on this assessment, the board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Post balance sheet events

Since 31 March 2021, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

Performance, outlook and trends likely to affect future performance

Please refer to the Chairman's statement on pages 3 to 4 and the manager's review on pages 5 and 6 for an update on the performance of the company over the year and outlook for 2021, 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 Friday 2 July 2021, at 28 Walker Street, Edinburgh EH3 7HR.

Given the current COVID-19 situation and government restrictions, you are encouraged to vote by proxy and appoint the chairman of the meeting as your proxy to ensure your vote counts. Questions to the AGM may be written on the form of proxy in the space provided or submitted to the company secretary by email, **companysecretary@stsplc.co.uk**. 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. If there are any changes to these arrangements, shareholders will be notified by an RNS announcement and on the Company's website. The Notice of AGM is included on pages 65 to 68. 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.

Election and re-election of directors – ordinary resolutions

Biographical detail of the directors can be found on page 17 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 3, 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 £340,280 (being an amount equal to one third of the issued share capital of the company (excluding treasury shares) as at 18 May 2021, 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 18 May 2021, being the last practicable date prior to the publication of this document, the company held 20,214,073 ordinary shares in treasury, representing approximately 19.8% of the company's issued share capital (excluding treasury shares).

The authority will expire on 30 September 2022 or, if earlier, at the AGM of the company to be held in 2022, 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 £244,598 (representing 20% of the company's issued share capital as at 18 May 2021, the latest practicable date before publication of this document) 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 18 May 2021, being the last practicable date prior to the publication of this document, the company held 20,214,073 ordinary shares in treasury, representing approximately 19.8% 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 18 May 2021, 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 2022.

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 2021, the company bought back 2,917,560 ordinary shares to be held in treasury. As at 31 March 2021, the company holds 19,831,073 shares in treasury representing 19.4% of the issued share capital of the company. As at 18 May 2021 being the last practicable date before publication of this document, the company holds 20,214,073 shares in the treasury representing 19.8% of the issued share capital of the company (excluding treasury shares).

Notice period for general meetings – special resolution

The company's articles of association enable the company to call general meetings (other than an AGM) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve annually the calling of meetings other than AGMs on 14 clear days' notice. Resolution 14 will be proposed at the AGM to seek such approval. The approval will be effective until the company's next AGM, when it is intended that a similar resolution will be proposed.

The company meets the requirements for electronic voting under the Companies Act 2006, offering facilities for all shareholders to vote by electronic means. The board believes it is in the best interests of the shareholders for the shorter notice period to be available to the company, although it is intended that this flexibility will be used only for early renewals of the board's authority to issue new shares or re-issue shares from treasury and only where merited in the interests of shareholders as a whole.

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.stsplc.co.uk**.

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.stsplc.co.uk** website, which is maintained by the manager. The maintenance and integrity of the website is, so far as it relates to the company, the responsibility of Troy Asset Management.

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 Chairman's statement, manager's review and strategic report include 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 19 May 2021 and is signed on its behalf by:

John Evans
19 May 2021

CORPORATE GOVERNANCE STATEMENT

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 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.

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 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 manager are aligned as closely as possible with those of shareholders.

The board consists of a chairman and four 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 17, 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 and company secretary. Due COVID-19 and the government restrictions in place the majority of the meetings during the year were held virtually.

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

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 manager. The management engagement committee meets to review the continuing appointment of the manager and reviews the terms of the investment management 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)	Manager change meetings (7 meetings)	Management engagement committee (1 meeting)	Audit committee (3 meetings)	Nomination and remuneration committee (1 meeting)	Marketing and communications committee (2 meetings)
John Evans	5/5	7/7	1/1	N/A	1/1	2/2
Angus Gordon Lennox	5/5	7/7	1/1	3/3	1/1	2/2
Sarah Harvey	5/5	7/7	1/1	3/3	1/1	2/2
Mark Little	5/5	7/7	1/1	3/3	1/1	2/2

Notes:

1. John Evans, as Chairman, does not sit on the audit committee but attended each of the meetings.
2. Angus Cockburn was appointed on 1 May 2021

Directors' independence and succession planning

The board consists of five 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 best practice under the AIC Code.

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 manager, Troy Asset 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 election/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. During the year however, a potential suitable candidate was identified by the board at the start of the recruitment process and it was agreed to interview the candidate at that time. Following the interview, the board was delighted to proceed with the appointment of Angus Cockburn, who complements the existing skills and experience of the board. Angus Cockburn was appointed on 1 May 2021 as a non-executive director and will stand for election at the AGM.

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

CORPORATE GOVERNANCE STATEMENT

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 nine 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 five non-executive directors of whom one is female thereby constituting 20% female representation.

Induction and training

The company secretary 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 manager and the company secretary. 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 defence costs 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 directors continue to be effective and their election/re-election is recommended.

The board also regularly reviews the performance of the manager. The management engagement committee meets to review the continuing appointment of the manager and reviews the terms of the investment management 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 PATAC 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

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 and human rights issues

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. All shareholders have the opportunity, and, subject to COVID-19 restrictions in 2021, may attend the company's AGM at which the directors and representatives of the 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 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 manager;
- reviewing the performance of the investment manager in terms of investment performance, marketing and administration services provided;
- reviewing the terms of the investment management 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 company secretary, depositary, registrar and broker.

Nomination and remuneration committee

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

- considering the marketing strategy for the company and associated Key Performance Indicators;
- reviewing the company's communications with its shareholders; and
- understanding the shareholder register and agreeing the distribution strategy with the manager.

Audit committee

The committee, chaired by Mark Little, comprises all the directors save for John Evans, the company's chairman, who in line with best practice does not formally sit on the committee but attends each of the meetings. The committee met three times during the year. Further information may be found in the Audit committee's report on pages 29 and 30.

Internal control

The AIC Code and the Disclosure Guidance 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.

CORPORATE GOVERNANCE STATEMENT

Since 12 November 2020 investment management and all administrative services are provided to the company by Troy and PATAC, respectively, the company's system of internal control mainly comprises monitoring the services provided by them, including the operating controls established by them, to ensure that they meet the company's business objectives. Prior to 12 November 2020, the board reviewed and monitored services provided by Martin Currie, the previous manager, company secretary and administrator. The company does not have an internal audit function of its own, but relies on the risk and compliance department of both firms. This arrangement is kept under review. PATAC also carries out a review of the custodial activities carried out by J.P. Morgan Chase Bank.

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 main service providers and:

- reviews an internal control report as provided to the board annually by the 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 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 14 and 15. 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.

PATAC, in its capacity as administrator, 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 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 2021, and to the date of approval of this annual report.

John Evans
Chairman

19 May 2021

AUDIT COMMITTEE REPORT

Audit committee report

I am pleased to present the committee's report to shareholders for the year ended 31 March 2021. This report describes the range of work undertaken by the committee.

The audit committee is chaired by Mark Little and comprises all of the directors with the exception of John Evans, chairman of the company. The company chairman attended each of the meetings by invitation from the committee. 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 17.

Role and responsibilities

The committee has continued to support the board in fulfilling its oversight responsibilities, reviewing the financial reporting process, the systems of internal control and management of risk, the audit process and the company's process for monitoring compliance with laws and regulations.

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;
- 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; and
- assessing the need for an internal audit function.

Activities during the year

The committee met three times during the year where it reviewed the company's risk register, internal controls and risk and compliance reports from third party service providers and considered the half yearly and annual financial reports to shareholders. The audit committee also considered and approved the external auditors' plan and scope for the audit of the financial statements for the year ended 31 March 2021.

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 areas were considered by the audit committee in relation to the financial statements:

Matter	Action
Accuracy of portfolio valuation	Controls are in place to ensure that valuations are appropriate, and existence is verified through custodian reconciliations. All listed investments are valued at bid prices provided by third party service providers in accordance with the price source agreement in place.
Ownership of investments	The appointed depositary is responsible for the custody and controlling of all assets of the company entrusted for safekeeping. The audit committee reviews a summary of the SOC 1 report from JP Morgan Chase Bank N.A. on key controls over the assets of the company and any significant issues are reported to the audit committee. The manager has procedures in place 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 committee together with the board have established clear lines of responsibility between the manager, custodian, company secretary and receive appropriate reports from each of them regarding the operation of those organisations' controls, including internal controls and reviews. The directors, having carried out due diligence at the time of appointment and subsequently, are satisfied with the third party service providers, their business resilience and continuity arrangements in light of the impact of COVID-19.

AUDIT COMMITTEE REPORT

Matter	Action
Mis-statement of revenue returns	The board reviews income forecasts (including special dividends) and receives explanations from the manager for any variations or significant movements from previous forecasts. The board, together with the manager, has reviewed the impact that COVID-19 may continue to 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 and is reviewed in detail by the company secretary and is also subject to analytical review by the board.

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 33 to 39.

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 committee 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 company secretary, manager, auditor and the audit committee that aim to ensure consistency and overall balance; and
- the controls that are in place at the company secretary and other 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.

Auditor's independence

The company has in place a policy governing 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 £34,000 plus VAT for the year ended 31 March 2021 (2020: £28,000 plus VAT). There were no non audit fees for the year ended 31 March 2021 (2020: nil). Following the review, the audit committee is satisfied that the company's auditor, EY, remains independent.

Auditor rotation

A competitive tender for the audit of the company was held in January 2018, following which EY were appointed as the company's auditor with effect from the conclusion of the 2018 AGM. Under EU audit regulation, 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 therefore her last year as audit engagement partner will be the year ending 31 March 2023. There is currently no intention to put the audit out to tender. A resolution to re-appoint EY as company auditors will be proposed at the AGM.

Mark Little
Chairman of the audit committee

19 May 2021

DIRECTORS' REMUNERATION STATEMENT

Nomination and remuneration committee

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 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 33 to 39.

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 2022 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 2020. It will therefore be put again to shareholders at the AGM in 2023.

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 2021, it was agreed the directors' fee would increase to £25,500 per annum (2020/2021: £25,000), the chairman of the audit committee's fee would increase to £30,500 per annum (2020/2021: £30,000) and the chairman's fee would increase to £39,000 (2020/2021: £38,500).

Directors' shareholdings (audited)

The directors in office at 31 March 2021 and the number of shares in the Company over which they held an interest (including those of connected persons) are listed below.

As at 31 March	**2021**	2020
John Evans	**50,000**	50,000
Angus Gordon Lennox	**150,000**	100,000
Sarah Harvey	**503**	503
Mark Little	**16,213**	16,213

As at 18 May 2021 there have been no changes to the above table.

Approval

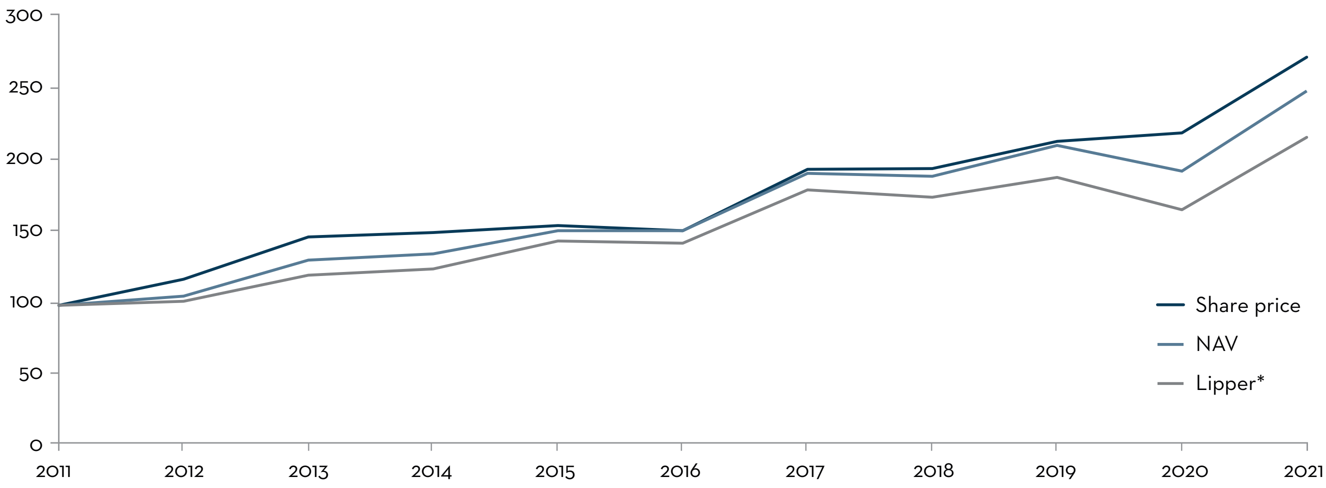
An ordinary resolution for the approval of the directors' annual report on remuneration will be put to shareholders at the AGM. At the AGM on 24 September 2020, the shareholders voted in favour of the directors' remuneration report for the year ended 31 March 2020.

Of the proxy votes received, 99.62% of votes were cast in favour of the directors' remuneration report (110,561 proxy votes were cast against the report and 58,034 proxy votes were withheld).

At the AGM on 24 September 2020, 99.27% of the proxy votes were cast in favour if the directors' remuneration policy (212,764 proxy votes were cast against the policy and 7,018 proxy votes were withheld).

DIRECTORS' REMUNERATION STATEMENT

Total return (% change over 10 years)



Source: Troy Asset Management Limited.

* The Lipper Global – Equity Global Income Index is used as a proxy for the market.

Directors' emoluments for the year (audited)

	2020/2021 £	2019/2020 £	% change
John Evans (chairman of the board)*	**38,500**	31,800	21.1%
Mark Little (chairman of the audit committee)	**30,000**	29,500	1.7%
Angus Gordon Lennox	**25,000**	24,500	2.0%
Sarah Harvey	**25,000**	24,500	2.0%
Rachel Beagles (Retired on 17 September 2019)	**–**	17,600	n/a
	118,500	127,900	-7.3%

* John Evans assumed the role of chairman on 17 September 2020.

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.

	2020/2021 £000's	2019/2020 £000's	Change £000's
Directors' total remuneration	**119**	128	(9)
Dividends paid and payable	**5,887**	6,698	(811)

On behalf of the board

Angus Gordon Lennox
Chairman of the Nomination and Remuneration Committee

19 May 2021

INDEPENDENT AUDITOR'S REPORT

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 2021 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 19, 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 2021 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the company's going concern assessment process and engaged with the directors and the company secretary to determine if all key factors were considered in their assessment.
- We inspected the directors' assessment of going concern, including the revenue forecast, for the period to 31 March 2023. In preparing the revenue forecast, the company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have reviewed the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. We considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the company.
- In relation to the company's borrowing arrangements, we inspected the directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the company's portfolio. We recalculated the company's compliance with debt covenants in the scenarios assessed by the directors and performed reverse stress testing in order to identify what factors would lead to the company breaching the financial covenants.
- We considered the mitigating factors included in the revenue forecasts and covenant calculations that are within control of the company. We reviewed the company's assessment of the liquidity of investments held and evaluated the company's ability to sell those investments to cover working capital requirements should its revenue decline significantly.
- We reviewed the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 March 2023.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including the classification of special dividends and option premiums as revenue or capital in the Statement of Comprehensive Income • Incorrect valuation or ownership of the investment portfolio
Materiality	• Overall materiality of £2.08m which represents 1% of shareholders' funds

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.

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 the classification of special dividends and option premiums as revenue or capital in the Statement of Comprehensive Income (as described on page 30 in the audit committee's report and as per the accounting policy set out on page 44). The total revenue for the year to 31 March 2021 was £9.11m (2020: £8.70m), consisting primarily of dividend income from listed equity investments and option premiums. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an 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' in the Statement of Comprehensive Income. All premiums received on written options are classified as 'revenue' and amortised over the period to expiry, in line with the company's accounting policy.	**We have performed the following procedures:** We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures. For a sample of dividends received and for all dividends accrued 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, which was agreed to an independent data vendor. For the sample tested, we also agreed amounts to bank statements and where applicable, agreed the exchange rates to an external source. For dividends accrued, we reviewed the investee company announcements to assess whether the dividend obligations arose prior to 31 March 2021. To test completeness of recorded income, we tested that a sample of expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor. For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source and confirmed two special dividends were received. We assessed the appropriateness of management's classification as revenue by reviewing the underlying rationale of the distribution for both special dividends. 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.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends and option premiums as revenue or capital in the Statement of Comprehensive Income.

Risk	Our response to the risk	Key observations communicated to the audit committee
Incorrect valuation or ownership of the investment portfolio (per the audit committee report set out on page 29 and the accounting policy set out on page 44). The valuation of the investment portfolio at 31 March 2021 was £221.77m (2020: £189.67m) consisting entirely of listed investments. The valuation of the assets held in the investment portfolio is the primary 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 reporting date.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding investment title and the pricing of listed securities by performing our walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. We inspected the stale pricing reports produced by the administrator to identify prices that have not changed around the year end and verified whether the listed price is a valid fair value through review of trading activity. We compared the company's investment holdings at 31 March 2021 to an independent confirmation received directly from the company's custodian, testing any reconciling items to supporting documentation.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.

In the prior year, our auditor's report included a key audit matter in relation to the impact of COVID-19. The impact of COVID-19 on going concern continued to be relevant to our audit of the company and we considered this as part of our overall work on going concern which is set out under "Conclusions relating to going concern". The other elements of the prior year key audit matter have not been included as a separate key audit matter as it was determined that they did not have a significant impact on our audit strategy for this year's audit.

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 £2.08 million (2020: £1.70 million), which is 1% (2020: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure of the company's performance.

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% (2020: 75%) of our planning materiality, namely £1.56m (2020: £1.28m).

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 (2020: £0.38m) 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 £0.10m (2020: £0.09m), 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 contained within the annual report.

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.

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 course of 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 themselves. 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.

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' reports 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.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 20;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 20;
- Directors' statement on fair, balanced and understandable set out on page 23;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 14;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 28; and
- The section describing the work of the audit committee set out on page 29.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- 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, the Association of Investment Companies' Statement of Recommended Practice 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 the 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 a 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 from 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 total uninterrupted engagements including previous renewals and reappointments is three years, covering the years ending 31 March 2019 to 31 March 2021.
- The 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.

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

19 May 2021

STATEMENT OF COMPREHENSIVE INCOME

		Year to 31 March 2021			Year to 31 March 2020		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net gains/(losses) on investments	8	–	40,826	40,826	–	(20,635)	(20,635)
Net currency (losses)/gains		(12)	1,031	1,019	104	(26)	78
Income	3	9,109	–	9,109	8,700	–	8,700
Investment management fee		(285)	(529)	(814)	(410)	(761)	(1,171)
Other expenses	4	(995)	–	(995)	(587)	–	(587)
Net return before finance costs and taxation		7,817	41,328	49,145	7,807	(21,422)	(13,615)
Finance costs	5	(161)	(299)	(460)	(205)	(365)	(570)
Net return on ordinary activities before taxation		7,656	41,029	48,685	7,602	(21,787)	(14,185)
Taxation on ordinary activities	7	(611)	–	(611)	(867)	–	(867)
Net return attributable to ordinary redeemable shareholders		7,045	41,029	48,074	6,735	(21,787)	(15,052)
Net return per ordinary redeemable share	2	6.76p	39.39p	46.15p	6.46p	(20.89p)	(14.43p)

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 44 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2021 £000	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2020 £000
Fixed assets					
Investments at fair value through profit or loss	8		**221,771**		189,669
Current assets					
Trade and other receivables	9	**1,206**		3,408	
Cash and cash equivalents		**825**		5,101	
		2,031		8,509	
Current liabilities					
Trade payables – amounts falling due within one year	10	**(129)**		(10,430)	
Dividend payable	6	**(1,410)**		(1,518)	
Total current liabilities		**(1,539)**		(11,948)	
Net current assets/(liabilities)			**492**		(3,439)
Total assets less current liabilities			**222,263**		186,230
Trade payables – amounts falling due after more than one year	11		**(14,585)**		(15,765)
Total net assets			**207,678**		170,465
Capital and reserves					
Called up share capital	12	**1,223**		1,223	
Capital redemption reserve		**78**		78	
Share premium account		**30,725**		30,401	
Special distributable reserve*		**78,194**		82,943	
Capital reserve*	12	**94,528**		53,499	
Revenue reserve*		**2,930**		2,321	
Total shareholders' funds			**207,678**		170,465
Net asset value per ordinary share	2		**202.68p**		162.72p

*These reserves are distributable.

The company is registered in Scotland no.SC283272.

The notes on pages 44 to 58 form part of these financial statements.

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

John Evans
Chairman

19 May 2021

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021	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 2020		1,223	78	30,401	82,943	53,499	2,321	170,465
Net return attributable to shareholders**	2	–	–	–	–	41,029	7,045	48,074
Ordinary shares issued during the year	12	–	–	324	943	–	–	1,267
Ordinary shares bought back during the year	12	–	–	–	(5,692)	–	–	(5,692)
Dividends paid	6	–	–	–	–	–	(6,436)	(6,436)
As at 31 March 2021		**1,223**	**78**	**30,725**	**78,194**	**94,528**	**2,930**	**207,678**

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

* 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 40, and therefore this is also the 'Total comprehensive income' for the year.

The notes on pages 44 to 58 form part of these financial statements.

STATEMENT OF CASH FLOW

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000	Year ended 31 March 2020 £000
Cash flows from operating activities					
Net return on ordinary activities before taxation			48,685		(14,185)
Adjustments for:					
(Gains)/losses on investments	8	(40,826)		20,635	
Finance costs	5	460		570	
Exchange movement on bank borrowings	13	(1,180)		603	
Purchases of investments*	8	(248,428)		(85,742)	
Sales of investments*	8	257,152		88,116	
Dividend income	3	(8,288)		(7,806)	
Other income	3	(3)		(4)	
Premium income – written options	3	(818)		(890)	
Dividend income received		7,959		8,183	
Other income received		3		4	
Premium income received – written options		818		890	
Decrease/(increase) in receivables		2,608		(2,739)	
Decrease in payables		(302)		(72)	
Overseas withholding tax deducted	7	(853)		(867)	
			(31,698)		20,881
Net cash flows from operating activities			16,987		6,696
Cash flows from financing activities					
Repurchase of ordinary share capital		(5,692)		(829)	
Issue of ordinary share capital		1,433		1,240	
Equity dividends paid from revenue		(6,544)		(6,519)	
Repayment of the Sterling loan facility		(10,000)		–	
Interest paid on borrowings		(460)		(571)	
Net cash flows from financing activities			(21,263)		(6,679)
Net (decrease)/increase in cash and cash equivalents			(4,276)		17
Cash and cash equivalents at the start of the year			5,101		5,084
Cash and cash equivalents at the end of the year			825		5,101

*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 44 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Accounting policies

(a) The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (Accounting Standards "UK GAAP") including Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. All of the company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. 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 have reviewed revenue forecasts and they believe that the company has adequate financial resources to continue its operational existence for the foreseeable future, and for the period to 31 March 2023, which is at least 12 months from the date the financial statements are authorised for issue.

The principal accounting policies are set out below. These policies have been applied consistently throughout the current and prior year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical accounting estimates or judgements.

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. 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.

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

(d) The management fee and finance 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 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) 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.

(k) 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 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.

(l) During the year the company used derivative financial instruments to manage the risk associated with foreign currency fluctuations arising on dividends received in currencies other than sterling. This was achieved by the use of forward foreign currency contracts. The company did 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 2021 until the appointment of Troy on 12 November 2020. These derivatives were 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 was subsequently marked-to-market to reflect the fair value of the option based on traded prices. The primary purpose behind the writing of options was to receive the premium. Any premium received was amortised to revenue over the period to expiry. When an option was closed out or exercised, the gain or loss is accounted for as a capital gain or loss.

Note 2: Returns and net asset value

	Year to 31 March 2021	Year to 31 March 2020
Revenue return		
Revenue return attributable to ordinary redeemable shareholders	**£7,045,000**	£6,735,000
Weighted average number of shares in issue during the year	**104,176,945**	104,294,951
Revenue return per ordinary redeemable share	**6.76p**	6.46p
Capital return		
Capital return attributable to ordinary redeemable shareholders	**£41,029,000**	(£21,787,000)
Weighted average number of shares in issue during the year	**104,176,945**	104,294,951
Capital return per ordinary redeemable share	**39.39p**	(20.89p)
Net return		
Net return per ordinary redeemable share	**46.15p**	(14.43p)
Net asset value per share		
Net assets attributable to shareholders	**£207,678,000**	£170,465,000
Number of shares in issue at the year end	**102,468,075**	104,760,635
Net asset value per share	**202.68p**	162.72p

NOTES TO THE FINANCIAL STATEMENTS

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 on the respective ex-dividend dates.

The tables below provide the NAVs and share prices of the company on the dividend reinvestment dates for the year ended 31 March 2021 and 31 March 2020.

2021	Dividend rate	NAV	Share price
31 March 2020	n/a	162.72	168.50
9 July 2020	2.06	189.87	193.00
8 October 2020	1.375	199.13	194.00
31 December 2020	1.375	203.35	206.50
25 March 2021	1.375	202.28	197.25
31 March 2021	n/a	202.68	202.00
Total return		**28.5%**	**23.7%**

2020			
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%

Note 3: Revenue

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
From listed investments		
UK – equities	**1,711**	1,765
Overseas – equities	**6,577**	6,041
	8,288	7,806
Other revenue		
Premium – written options	**818**	890
Other Income	**3**	4
	9,109	8,700

During the year ended 31 March 2021, the company received no special dividends treated as capital (2020: £nil).

Note 4: Other expenses

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Bank charges and custody fees	21	21
Depositary fees	41	43
Directors' fees	119	128
Employers' national insurance contributions	12	12
Legal fees	15	1
Printing and postage	33	16
Registrar's fees	61	65
Secretarial fee	93	135
VAT	(10)	(31)
Expenses in relation to change of manager (including professional advisers)	446	–
Other	123	163
Total	954	553
Auditors' remuneration*:		
– audit services	41	34
	995	587

* The audit fees are payable to Ernst & Young LLP. There were no non-audit services for the year ended 31 March 2021 (2020: nil).

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Ongoing charges are calculated with reference to the following figures:		
Investment management fee	814	1,171
Other expenses	995	587
Total expenses	1,809	1,758
Effect of the 12 month management fee holiday from 12 November 2020*	500	–
Cost of manager change	(446)	–
Ongoing charges	1,863	1,758
Average net assets over the year	202,118	204,048
Ongoing charges	0.92%	0.86%

* Troy agreed to waive its management fee for a period of 12 months from the date of their appointment. If Troy had not waived its fee the investment management fee payable in the year ended 31 March 2021 would have been £500,000 higher.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: Finance costs

	Year to 31 March 2021			Year to 31 March 2020		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Interest on bank loans and overdrafts	**161**	**299**	**460**	205	365	570

Note 6: Dividends

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
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
Year ended 31 March 2020 – fourth interim dividend of 2.06p	**2,158**	–
Year ended 31 March 2021 – first interim dividend of 1.375p	**1,430**	–
Year ended 31 March 2021 – second interim dividend of 1.375p	**1,438**	–
Year ended 31 March 2021 – third interim dividend of 1.375p	**1,410**	–
	6,436	6,522

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 2021 £000	Year to 31 March 2020 £000
First interim dividend of 1.375p for the year ended 31 March 2021 (2020: 1.45p)	**1,430**	1,513
Second interim dividend of 1.375p for the year ended 31 March 2021 (2020: 1.45p)	**1,438**	1,509
Third interim dividend of 1.375p for the year ended 31 March 2021 (2020: 1.45p)	**1,410**	1,518
Proposed fourth interim dividend of 1.575p for the year ended 31 March 2021 (2020: 2.06p)	**1,609**	2,158
	5,887	6,698

During the year the directors received dividends of 6.185p (2020: 6.25p) per share. Directors' shareholdings are disclosed on page 31. The revenue reserves as at 31 March 2021 are £2,930,000, of this £1,609,000 will be used to fund the fourth interim dividend. The articles of association of the company permit dividends to be paid out of capital.

Note 7: Taxation on ordinary activities

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Irrecoverable overseas withholding tax	**611**	**867**

The corporation tax rate was 19.00% (2020: 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 2021 £000	Year to 31 March 2020 £000
Net return before taxation	**48,685**	(14,185)
Corporation tax at rate of 19% (2020: 19%)	**9,250**	(2,695)
Effects of:		
(Gains)/losses on investments (not taxable)	**(7,757)**	3,921
Non taxable dividend income	**(1,575)**	(1,341)
Irrecoverable overseas withholding tax	**611**	867
Currency (gains)/losses (not taxable)	**(194)**	5
Increase in excess management and loan expenses	**276**	120
Impact of expensed foreign tax	**–**	(10)
Total tax charge	**611**	867

As at 31 March 2021, the company had unutilised management expenses of £18,268,000 (2020: £16,815,000) 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 2021 £000	As at 31 March 2020 £000
Opening book cost	**182,216**	182,754
Opening investment holding gains	**7,453**	29,924
Opening market value	**189,669**	212,678
Acquisitions at cost	**248,428**	85,742
Disposals proceeds received	**(257,152)**	(88,116)
Gains/(losses) on investments	**40,826**	(20,635)
Market value of investments held at 31 March	**221,771**	189,669
Closing book cost	**215,911**	182,216
Closing investment holding gains	**5,860**	7,453
Closing market value	**221,771**	189,669

The company received £257,152,000 (2020: £88,116,000) from investments sold in the year. The average book cost of these investments when they were purchased was £214,733,000 (2020: £86,280,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

The transaction costs in acquiring investments during the year were £434,000 (2020: £145,000). For disposals, transaction costs were £164,000 (2020: £51,000).

NOTES TO THE FINANCIAL STATEMENTS

Note 9: Trade and other receivables	As at 31 March 2021 £000	As at 31 March 2020 £000
Dividends receivable	**728**	398
Cash collateral held at broker for derivatives	**–**	2,631
Tax recoverable	**433**	191
Prepayments and other debtors	**45**	22
Amount due for ordinary shares issued	**–**	166
	1,206	3,408

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 2021 £000	As at 31 March 2020 £000
Interest accrued	**13**	13
Sterling bank revolving loan facility (See Note 11 below)	**–**	10,000
Other trade payables	**116**	417
	129	10,430

Note 11: Trade payables – amounts falling due after more than one year	As at 31 March 2021 £000	As at 31 March 2020 £000
Bank term loans	**14,585**	**15,765**

On 25 September 2020, the company renewed the multi-currency revolving credit facility with The Royal Bank of Scotland International Limited (the 'lender'). The facilities comprise £1,500,000 (Facility A), €4,500,000 (Facility B), and $12,750,000 (Facility C) term loans and £10,000,000 (Facility D) multi-currency revolving credit facility. A £10,000 arrangement fee was paid on entering into the agreement.

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 termination date of the term loans is 25 September 2023.

Facility D was not drawn down at 31 March 2021. The rate of interest for Facility D is set at each roll-over date and is made up of a fixed margin of 0.7% plus LIBOR rate. In addition, a commitment fee of 0.35% per annum is payable in respect of Facility D. The repayment date of Facility D is the last day of its interest period and the termination date is the 30 September 2021.

The main covenant under the agreement requires the company to ensure that, at the end of each month, the aggregate of the loans outstanding 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.

As at 31 March 2021 the company had drawn down the full amount of the loan facilities A to C and the balances as at that date were for Facility A £1,500,000, Facility B £3,832,000 (€4,500,000) and Facility C £9,253,000 (US$12,750,000) (31 March 2020: 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).

Note 12: Called up share capital

	Number of shares	As at 31 March 2021 £000	Number of shares	As at 31 March 2020 £000
Ordinary shares of 1p				
Ordinary shares in issue at the beginning of the year	**104,760,635**	**1,048**	104,496,248	1,045
Ordinary shares issued from treasury during the year	**625,000**	**6**	700,000	7
Ordinary shares bought back to treasury during the year	**(2,917,560)**	**(29)**	(435,613)	(4)
Ordinary shares in issue at the end of the year	**102,468,075**	**1,025**	104,760,635	1,048
Treasury shares (ordinary shares 1p)				
Treasury shares in issue at the beginning of the year	**17,538,513**	**175**	17,802,900	178
Ordinary shares issued from treasury during the year	**(625,000)**	**(6)**	(700,000)	(7)
Ordinary shares bought back to treasury during the year	**2,917,560**	**29**	435,613	4
Treasury shares in issue at the end of the year	**19,831,073**	**198**	17,538,513	175
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 2,917,560 shares bought back during the year to 31 March 2021 at a cost of £5,692,000 (2020: 435,613 at a cost of £811,000). During the year, the company issued 625,000 shares for proceeds of £1,267,000 (2020: 700,000 shares for proceeds of £1,406,000). 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 2020	46,046	7,453	53,499
Gains on realisation of investments at fair value	42,419	–	42,419
Realised currency gains during the year	1,031	–	1,031
Movement in unrealised gains	–	(1,593)	(1,593)
Capital expenses	(828)	–	(828)
As at 31 March 2021	**88,668**	**5,860**	**94,528**

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 2020 £000	Cash flows £000	Exchange movements £000	As at 31 March 2021 £000
Cash at bank	5,101	(4,276)	–	825
Bank borrowings	(25,765)	10,000	1,180	(14,585)
Net debt	(20,664)	5,724	1,180	(13,760)

Note 14: Related party transactions

With the exception of the management and secretarial fees and the appointment of the new investment manager and company secretary on 12 November 2020 (as disclosed on page 3), directors' fees (disclosed on page 32) and directors' shareholdings (disclosed on page 31), 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 2021 are shown in note 11 on page 50.

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 2021	Interest rate %	Local currency 000	Foreign exchange rate	GBP sterling equivalent £000
Assets:				
Sterling	0.00	825	n/a	825
Total				825
Liabilities:				
Bank loan – GBP	2.14	1,500	n/a	1,500
Bank loan – Euro	1.42	4,500	1.175	3,832
Bank loan – US dollar	3.19	12,750	1.378	9,253
Total				14,585

As at 31 March 2020	Interest rate %	Local currency 000	Foreign exchange rate	GBP sterling equivalent £000
Assets:				
Sterling	0.00	4,667	n/a	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	2.14	1,500	n/a	1,500
Bank loan – GBP sterling revolving loan	0.90	10,000	n/a	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

NOTES TO THE FINANCIAL STATEMENTS

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 0.75% (2020: 0.75%) in interest rates.

	Year to 31 March 2021		Year to 31 March 2020	
	0.75% Increase in rate £000	**0.75% Decrease in rate £000**	0.75% Increase in rate £000	0.75% Decrease in rate £000
Effect on revenue return	**(2)**	**2**	(13)	13
Effect on capital return	**(4)**	**4**	(25)	25
Effect on total return and on net assets	**(6)**	**6**	(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 2021			As at 31 March 2020		
	Investment exposure £000	**Net monetary exposure £000**	**Total currency exposure £000**	Investment exposure £000	Net monetary exposure £000	Total currency exposure £000
US dollar	**117,393**	**(9,055)**	**108,338**	82,940	(8,078)	74,862
Euro	**6,203**	**(3,832)**	**2,371**	28,747	(3,011)	25,736
Swiss franc	**20,863**	**–**	**20,863**	11,166	289	11,455
Hong Kong dollar	**4,660**	**–**	**4,660**	8,603	–	8,603
Japanese yen	**2,147**	**33**	**2,180**	–	–	–
Korean won	**–**	**–**	**–**	7,215	98	7,313
Australian dollar	**–**	**–**	**–**	5,436	–	5,436
Canadian dollar	**–**	**–**	**–**	5,115	63	5,178
Swedish krona	**–**	**–**	**–**	3,308	25	3,333
Singapore dollar	**–**	**–**	**–**	2,933	–	2,933
Total overseas investments	**151,266**	**(12,854)**	**138,412**	155,463	(10,614)	144,849
Pound Sterling	**70,505**	**(1,239)**	**69,266**	34,206	(8,590)	25,616
Total net assets	**221,771**	**(14,093)**	**207,678**	189,669	(19,204)	170,465

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 2021, if sterling had strengthened by 10% in relation to all currencies (2020: 10%), 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 2021 £000	As at 31 March 2020 £000
US dollar	**10,834**	7,486
Euro	**237**	2,574
Swiss franc	**2,086**	1,146
Hong Kong dollar	**466**	860
Japanese yen	**218**	–
Korean won	**–**	731
Australian dollar	**–**	544
Canadian dollar	**–**	518
Swedish krona	**–**	333
Singapore dollar	**–**	293
	13,841	14,485

(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 page 5, 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 (2020: 15%). 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 2021		Year to 31 March 2020	
	15% Increase in fair value £000	**15% Decrease in fair value £000**	15% Increase in fair value £000	15% Decrease in fair value £000
Effect on revenue return	**(43)**	**43**	(60)	60
Effect on capital return	**33,186**	**(33,186)**	28,339	(28,339)
Effect on total return and on net assets	**33,143**	**(33,143)**	28,279	(28,279)

(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 note 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 2021			As at 31 March 2020		
	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	13	15,548	15,561	10,127	17,125	27,252
Other trade payables	116	–	116	417	–	417
	129	15,548	15,677	10,544	17,125	27,669

(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 2021 was £1,553,000 (2020: £8,509,000). This was due to dividend 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

At 31 March 2021, the counterparty risk was negligible. The table below shows the counterparty risk at 31 March 2020:

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	–	

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 2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss				
Quoted equities	**221,771**	**–**	**–**	**221,771**
Net fair value	**221,771**	**–**	**–**	**221,771**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 18: AIFMD disclosures

In accordance with the AIFM Directive, information in relation to the company's leverage and the remuneration of the company's AIFM, PATAC Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in relation to the AIFM's year ended 30 April 2020 and 30 April 2019 are available from the company secretary on request.

The company's maximum and actual leverage levels are shown below:

	Gross method		Commitment method	
Leverage Exposure	**At 31 March 2021**	At 31 March 2020	**At 31 March 2021**	At 31 March 2020
Maximum permitted limit	**300%**	300%	**200%**	200%
Actual	**107%**	107%	**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.

Note 19: Company information

The Securities Trust of Scotland plc is a closed-ended investment company, registered in Scotland No SC283272, with its Ordinary Shares listed on the London Stock Exchange. The address of the registered office is 28 Walker Street, Edinburgh EH3 7HR.

CORPORATE INFORMATION

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

AIFM and Company Secretary
PATAC Limited
28 Walker Street
Edinburgh EH3 7HR

PATAC Limited is authorised and regulated by the Financial Conduct Authority.

Manager
Troy Asset Management Limited
33 Davies Street
London W1K 4BP

Troy Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

Registered office
Securities Trust of Scotland plc
28 Walker Street
Edinburgh EH3 7HR
Registered in Scotland, registered number SC283272

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

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
Telephone 0371 664 0300
www.linkgroup.eu

Custodians
J.P. Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

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

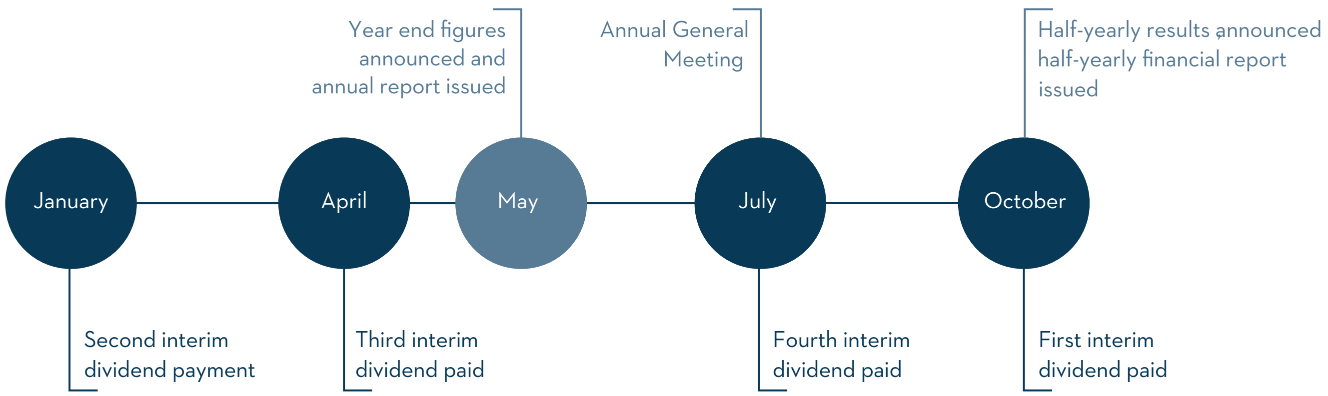
Depositary
J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

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 2021



ALTERNATIVE PERFORMANCE MEASURES

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 2021 the share price was 202.00p and the net asset value per share (cum income) was 202.68p, the discount was therefore 0.34% (2020: premium of 3.55%).

NAV per share

This is the main 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 41 and includes undistributed current year income. The NAV (cum income) per share as at 31 March 2021 was 202.68p (2020: 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 £207,678,000 per Statement of Financial Position less undistributed current year income (£7,045,000 per Statement of comprehensive income less dividends paid for the current year per note 6 £1,430,000-£1,438,000-£1,410,000) = £204,911,000.

This figure is then divided by the shares in issue as at 31 March 2021 /102,468,075 to give the NAV (ex income) per share of 199.98p as at 31 March 2021 (2020: 160.62p).

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 2021 was 28.5% (2020: (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 45 for calculations.

GLOSSARY OF TERMS

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 12.

Investment trust

An investment company which is based in the UK and which meets certain tax conditions so that it doesn't pay UK corporation 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.

Leverage

Leverage, for the purposes of the AIFM Directive, is any method which increases the company's exposure to stockmarkets whether through borrowings, derivatives, or any other means. It is expressed as a ratio of the company's exposure to its NAV. In summary, the gross method measures the company's exposure before applying hedging or netting arrangements. The commitment method allows certain hedging or netting arrangements to be offset. As at 31 March 2021, the company had no hedging or netting arrangements.

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.

Comparison index

The company's investment performance (on a total return basis) is measured against the Lipper Global – Equity Global Income Index.

GLOSSARY OF TERMS

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 its own 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.

WAYS TO INVEST IN THE COMPANY

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.

Retail Distribution/NMPI Status

The company's shares are 'excluded securities' for the purposes of the rules relating to non-mainstream pooled investment (NMPI) products. This means they can be recommended by independent financial advisers to their ordinary retail clients, subject to normal suitability requirements.

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 Group

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 Group 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 INFORMATION

Shareholder services

The registrars of the company are Link Group. 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 0300**.

Checking the share price

The share price is available through many sources including **www.londonstockexchange.com** and **www.stsplc.co.uk**.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Securities Trust of Scotland plc (the 'company') will be held at 28 Walker Street, Edinburgh EH3 7HR, on Friday 2 July 2021 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 2021 together with the reports of the directors and the auditor thereon.
2. To approve the directors' remuneration report for the year ended 31 March 2021.
3. That the dividend policy be approved.
4. To re-elect John Evans as a director of the company.
5. To re-elect Angus Gordon Lennox as a director of the company.
6. To re-elect Sarah Harvey as a director of the company.
7. To re-elect Mark Little as a director of the company.
8. To elect Angus Cockburn 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 2022.
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 £340,280 (being one third of the issued share capital of the company as at 18 May 2021; 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 2022 or, if earlier, at the conclusion of the annual general meeting of the company in 2022 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 £244,598 (representing 20% of the issued ordinary share capital as at 18 May 2021; 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, on 30 September 2022 or, if earlier, at the conclusion of the annual general meeting of the company to be held in 2022, 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 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 15,302,600 (being 14.99% of the issued share capital as at 18 May 2021, 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) 105% of 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 enter into a contract to purchase ordinary shares under this authority 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.

14. That a general meeting of the company other than an annual general meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next annual general meeting of the company.

By order of the Board

PATAC Limited
Secretary

19 May 2021

Registered office: 28 Walker Street, Edinburgh EH3 7HR

Please note that the arrangements in respect of the AGM are subject to change due to COVID-19 restrictions. Should Government restrictions remain in place at the time of the AGM, then attendance may not be possible. In accordance with the Company's articles of association and Government guidance, the Company may impose entry restrictions on attendance.

Shareholders are therefore encouraged to vote by proxy form and to appoint the chairman of the meeting to ensure their vote counts.

Notes to the notice of AGM

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 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.

4. 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 Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL) 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. However, please note that the arrangements in respect of the AGM are subject to change due to COVID-19 restrictions. Should Government restrictions remain in place at the time of the AGM, then attendance may not be possible. Members are encouraged to check the company's website and announcements for any changes to arrangements.

5. 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.

6. 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.

7. As at 18 May 2021 (being the last practicable day prior to the publication of this Notice) the company's issued voting share capital consists of 122,229,148 ordinary shares, of which 20,214,073 shares are held in treasury. Each share carries one vote, therefore, the total voting rights in the company are 102,085,075 votes.

8. 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.

   The message must be transmitted so as to be received by the company's agent, Link Group (CREST Participant ID: RA10), no later than 48 hours (excluding non-working days) before the time appointed for the meeting.

9. 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).

10. 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.

11. Pursuant to s338 of the Companies Act 2006, members fulfilling the qualification criteria set out at Note 12 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.

12. Members fulfilling the qualification criteria set out below may require the company, without payment, 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 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.

    The company becomes required to place such a statement on the website, 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 secretary.

13. Information regarding the meeting, including the information required by s311A of the Companies Act 2006, is available from **www.stsplc.co.uk**.

14. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. If you have been nominated to receive general shareholder communications directly from the company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.

15. Copies of the letters of appointment of the directors of the company and the articles of association are available for inspection at the Company's registered office at 28 Walker Street, Edinburgh, EH3 7HR until the close of the meeting and at the meeting (for 15 minutes prior to the meeting and during the meeting).

16. Any electronic address provided either in this notice of AGM or any related documents (including the Form of Proxy) to communicate with the company may not be used for any purposes other than those expressly stated.

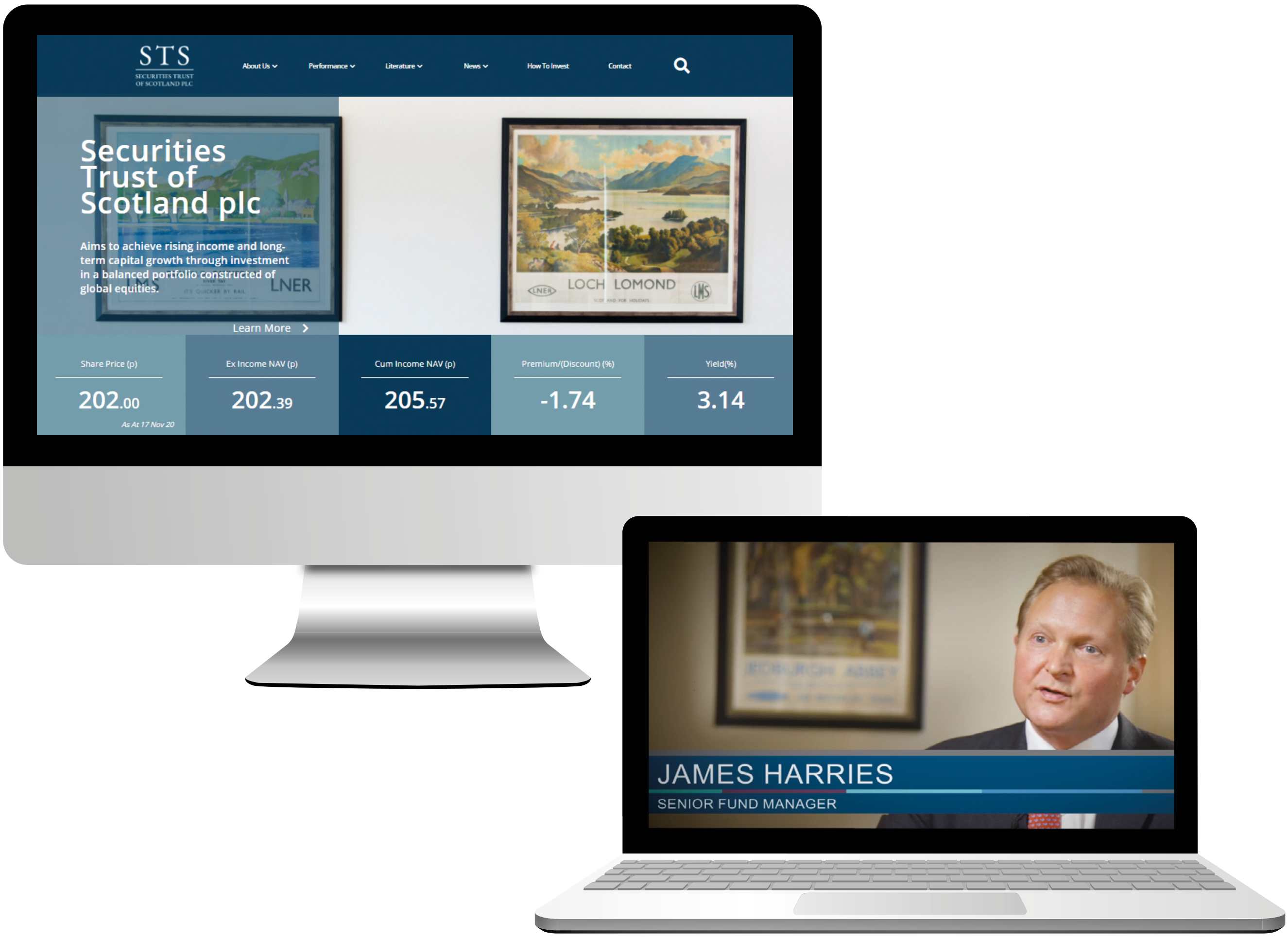
EASY ACCESS TO INFORMATION

The company's website can be found at **www.stsplc.co.uk**.
This offers a wealth of information about the company.

Register for monthly updates

Subscribe to monthly email updates that offer information on the following:

- latest prices
- manager videos
- performance data
- portfolio information
- latest factsheet
- 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 378 0500 | companysecretary@stsplc.co.uk

The Chairman
c/o Company Secretary
Securities Trust of Scotland plc
28 Walker Street
Edinburgh
EH3 7HR

chairman@stsplc.co.uk

STS

SECURITIES TRUST OF SCOTLAND PLC

How to contact us

Tel: 0131 378 0500
Email: companysecretary@stsplc.co.uk

www.stsplc.co.uk

Calls to the above may be recorded.

The Chairman
c/o Company Secretary
Securities Trust of Scotland plc
28 Walker Street
Edinburgh
EH3 7HR

chairman@stsplc.co.uk

Registered in Scotland with registered no SC283272

TROY

ASSET MANAGEMENT