MARTIN CURRIE
A Legg Mason Company

SECURITIES TRUST OF SCOTLAND PLC

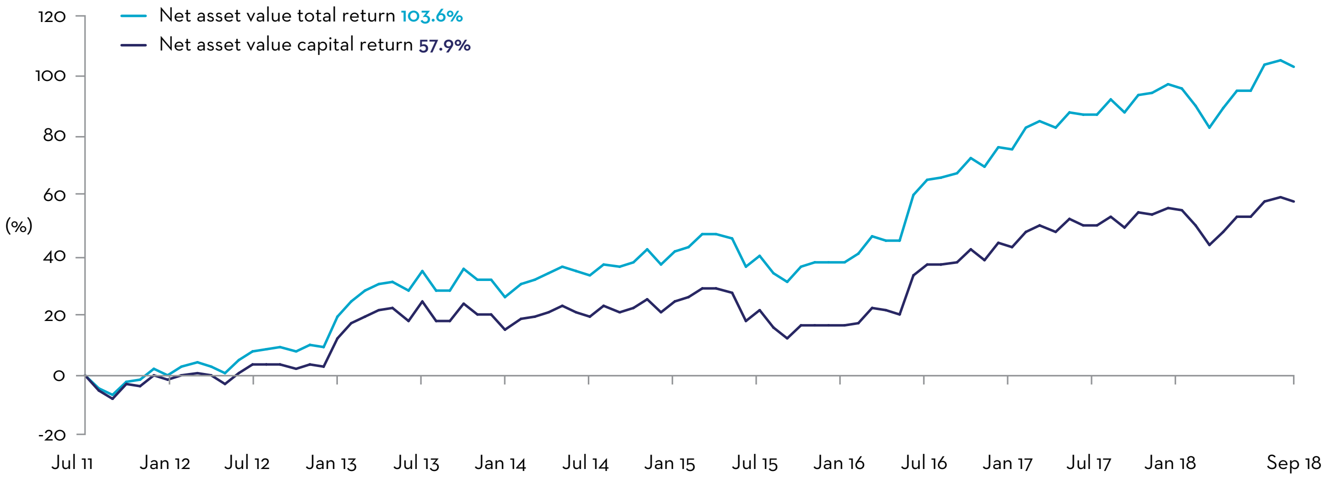
Half-yearly financial report – six months to 30 September 2018

Registered in Scotland, no SC283272

www.securitiestrust.com

FINANCIAL HIGHLIGHTS

Long-term capital growth



Source: Martin Currie Investment Management Limited.
The net asset value total return is calculated using the cum-income net asset value per share with dividends reinvested.
The net asset value capital return is calculated using the cum-income net asset value per share.

Total return‡^
(including reinvested dividends)

	Six months ended 30 September 2018 %	Six months ended 30 September 2017 %
Net asset value per share*	11.1	1.4
Peer group†	10.7	0.8
Share price	8.9	1.2

Income

	Six months ended 30 September 2018	Six months ended 30 September 2017
Revenue per share	3.91p	3.34p
Dividend per share	2.90p	2.90p

Ongoing charges^
(as a percentage of shareholders' funds)

	Six months ended 30 September 2018 %	Six months ended 30 September 2017 %
Ongoing charges	0.9	1.0

‡The combined effect of any dividend paid, together with the rise or fall in the share price, net asset or peer group.
*The net asset value ('NAV') per share total return is calculated using cum-income NAV with dividends reinvested.
†Please see page 23 for details on the company's peer group.
^Please see page 21 for definitions of Alternative Performance Measures.

ABOUT SECURITIES TRUST OF SCOTLAND

Growing long-term, delivering rising income

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

Dividends paid quarterly

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

Focused portfolio managed by Martin Currie

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

Discount management

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

Independent board

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

Objective

Rising income and long-term capital growth.

Peer group

The company's investment performance (on a total return basis) is measured against the median of all relevant open and closed-ended peers (sourced from the Morningstar Global Equity Income sector and AIC Global Equity Income sector) on a rolling three-year basis.

Capital structure

106,061,396 ordinary shares of 1p, each entitled to one vote, as at 30 September 2018.

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*Please see page 23 for more information.

Chairman's statement

The six months under review produced very strong returns overall in global equities, with key components being the US equity market and a strong dollar, despite the escalating trade tensions between the US and China. An accelerating US economy produced strong corporate earnings upgrades and the US dollar appreciated in response to hardening expectations of further rises in US interest rates. Yields on US 10-year treasuries continued to rise over the period. European markets delivered good returns but were more measured in comparison as they digested decelerating growth, a new coalition government in Italy with fiscally expansive plans and an increased likelihood of a hard Brexit in the UK. The rising US dollar and slowing growth in emerging markets drove negative outturns in those equity markets.

Performance

I am pleased to report that the net asset value ('NAV') total return was 11.1% over the six-month period which compares with the open and closed ended peer group median* of 10.7%. The share price total return was less strong, at 8.9% as the discount to NAV widened.

Since May 2016, when Mark Whitehead was appointed as portfolio manager and the company moved to an unconstrained mandate and until the end of September 2018, the NAV total return has delivered 40.4% and the share price total return 39.4%, in comparison with the peer group median of 37.0%.

Since 30 September, global equity markets have had setbacks, triggered by concerns over Italian government debt, withdrawal of global liquidity, and concerns over future rates of global growth. Since then** the company's NAV is down 5.44%, and the share price down 5.27% against the peer group median which fell 3.85%.

Discount and share buy backs

The discount widened over the period to 7.6% as at 30 September 2018 (31 March: 5.6%). The company bought back 4.39 million shares, representing 4.0% of shares in issue at an average discount of 7.4% (six months to 30 September 2017: 22,150 shares at an average discount of 7.3%). These buybacks at a discount to NAV contributed 0.32% of the increase in NAV over the period and helped to reduce the discount volatility and are also earnings enhancing.

Revenue return and dividend

The revenue return per share was 3.91p (six months to Sept 2017 3.34p) an increase of 17%. The increase in net income was £421k (9.6% increase) of which £167k was options income, as the manager capitalised on increased levels of volatility in markets. The reduction in the management fee was also a contributing factor. The board is pleased to declare a second interim dividend of 1.45p which will be paid on 18 January 2019 to shareholders on the register on 28 December 2018. The annualised dividend represents a yield of 3.5%†. This dividend is part of the company's progressive dividend policy which was announced in May 2015. The company aims to grow the dividend in real terms over a five-year period.

Marketing arrangements

The discount to NAV that the shares trade on is essentially an indication of the supply:demand balance in the company's shares. It is monitored on an ongoing basis by the board and is an area of focus at every board meeting. Buying shares back is one way of managing the discount and reducing discount volatility and the company will continue to buy shares in as necessary in order to absorb excess liquidity in the shares at wide discounts. However, the board believes that the best and most sustainable way to manage the discount is to increase the demand for the company's shares from new and existing shareholders.

With this in mind, and during the period, the board entered into discussions with Martin Currie, the manager, about the company's marketing arrangements. It was delighted to agree a material increase in the marketing budget provided by the manager for the purposes of promoting the company's shares as well as a refresh of the company's marketing strategy, particularly regarding promotional activities in the retail market, and in the quarters around the tax year end.

*The peer group is made up of all relevant open and closed-ended peers (sourced from the Morningstar Global Equity Income Sector and Association of Investment Companies ('AIC') Global Equity Income Sector).

†As at 30th September 2018.

**To 19 November 2018.

Board refreshment and committee chairmanships

Sarah Harvey joined the board as of 1 October 2018 as part of ongoing board refreshment. Sarah brings extensive experience in marketing, digital and corporate strategy, as well as business operations. I would like to welcome Sarah to the board. Following Sarah's appointment, the board has reviewed the chairmanship of its committees. With effect from 1 January 2019, Sarah will assume the role of chairman of the marketing and communications committee, and Angus Gordon Lennox will assume the role of chairman of the nominations committee. Angus will continue as senior independent director.

Outlook

Global equity markets, driven by the US, have been good to investors for nearly 10 years now, driven to a large extent by low interest rates. Whilst the US economy continues to surprise on the upside, the threat of overly aggressive monetary tightening by the US Federal Reserve or an escalation of China/US trade tensions should not be ignored. Valuations in Europe are lower, but the market is right to be concerned over the fiscal path to be taken by the new Italian government, and Brexit related risks cast a shadow over the prospects for the UK and to a lesser extent Europe. Heightened volatility, such as that experienced since the period end, is likely to be a feature for equity markets as a result.

Despite this uncertain backdrop, these market moves and this increased volatility present fertile territory for a globally unconstrained stock picker such as your manager. The fall in markets and in your company's share price results in opportunities through more compelling valuations and a higher dividend yield.

Don't miss our updates

Please do as always get in touch if you have any questions or feedback on any of the company's activities. I can be contacted by email at **STSChairman@martincurrie.com** or through the Company Secretary at **CompanySecretarialTeam@martincurrie.com**. I would also like to encourage you to visit and to sign up for the company's monthly email bulletin on our website at **www.securitiestrust.com**. The website is kept constantly up to date with relevant news, performance information and video updates.

Rachel Beagles

Chairman
21 November 2018

Manager's review

Political upheaval, the threat and implementation of tariffs and other macro and micro economic instability have driven meaningful dispersion in equity-market performance over the past six months. Against this backdrop, the portfolio produced a strong absolute gain with a NAV total return of 11.1%.

In highlighting some of the most significant influencing factors, it is important to recognise that the synchronised recovery in global growth, witnessed for much of 2017, seems to have broken down. The US remains the best performing G10 country today, with real GDP growth for the second quarter, accelerating to 4.2% (seasonally adjusted, year-on-year ('yoy')). Consensus forecasts predict the growth to remain robust well into 2019.

By contrast, the euro area has already been experiencing a deceleration in GDP growth, while pacific, emerging, and frontier markets have also struggled as growth has slipped. The strong US dollar, poor budgetary and liquidity conditions, large levels of US dollar-denominated debt and weakening commodities have all been highlighted as causes of the slowdown. The slowing growth, combined with higher inflation, has been most acutely felt in Argentina and Turkey. This has emboldened these central banks to raise interest rates aggressively as their economies head towards recession.

Meanwhile, China has been tightening monetary policy over the past couple of years to dampen exuberance and reduce debt levels in areas such as the property market. However, the shock of escalating trade tensions with the US threatens materially to slow GDP, before policy intervention undoubtedly is enacted. This has certainly affected sentiment towards Chinese equities over the period.

As such, the divergence in regional equity market performance has been quite pronounced, but has largely followed the narrative of the relative growth backdrop. North America has been the best regional market posting a near 20% absolute return in sterling terms. This robust performance reflects a very strong corporate earnings season for quarter two; where earnings surprised consensus by circa +5% growing at a lofty 26% annualised, topping the previous quarter of 23%. The performance of North American equities in the portfolio has been strong, driven largely by stock selection. Indeed, most of the top-ten positive absolute performers were North American and included information technology, energy and healthcare stocks.

By comparison, Europe was only able to produce a more modest return of 7.5% for the period. The region was hobbled in May by the decision of Italy's extreme left-wing and right-wing politicians to form a coalition government based on a new idea of historic compromise, that potentially may combine all the worst policies from both sides! Italy is big enough to destroy both the European Union and the euro and this risk has certainly risen and with it European risk asset aversion. Sentiment in Europe has been subdued further by the protracted dysfunction of the Brexit negotiations (which could easily culminate in a "no deal" exit) hanging like the Sword of Damocles over the heads of businesses and consumers on both sides of the Channel. Against this backdrop, the portfolio's European stocks struggled, largely driven by the more cyclical areas of the exposure, such as financials, industrials and materials where risk aversion has been prevalent.

Despite emerging markets posting a mild negative return over the period, the portfolio's exposure here held up well, proving to be somewhat defensive against the falls in the market. The Japanese market also lagged and we continue to hold a zero weighting to this market on yield and dividend sustainability grounds.

Because of the more turbulent backdrop, it is therefore not surprising that some subtle shifts in equity market leadership have developed recently. Defensives have begun to work better than the higher-risk, more cyclical areas of the market. Higher-yielding stocks have fared marginally better recently, reflecting the strength of more defensive areas of the market relative to some of the more cyclical areas. Some growth and momentum stocks continued to produce strong returns but they are waning a little with the 'FAANG' stocks starting to falter. Certainly, the factor return dispersion has picked up across most markets. We believe defensive style, particularly higher-yielding stocks should continue to perform more consistently over the short to medium term after years of meaningful underperformance, particularly as volatility is rising and as we near the end of the economic cycle.

Turning to sector performance, once again information technology has been the standout performer for the portfolio. Microsoft, now the largest position in the fund, produced the strongest absolute performance, with Apple coming in third. We continue to believe these stocks can drive superior long-term capital and dividend growth due to their product and services line ups. It has been interesting to see some of the FAANG stocks come under selling pressure, with Facebook, a zero-yielding stock we have avoided, in focus as it deals with issues surrounding data breaches. It also posted a poor set of results for the second quarter which led to a sharp decline of around 20% in the shares, wiping US$120 billion of value off the company; one of the biggest one-day losses in U.S. corporate history.

Healthcare, a more defensive sector, has also led the performance charts of late. Merck appeared second in the portfolio in terms of absolute return. We have been more cautious on this sector, preferring to own larger positions in those stocks we have high conviction in, such as Merck for its superior market positioning in immuno-oncology and other growth-orientated products. We have been cautious on the wider sector, due to the long-term pricing erosion we see for large drug companies and the likely ratcheting up of negative press ahead of the US mid-term elections, with reduction in drug prices being a key Trump administration policy target. We see the recent re-rating, despite accelerating earnings growth for the sector, as overdone and hold our weighting steady in the fund accordingly. Unfortunately, our small position in Shanghai Fosun Pharmaceutical has performed poorly, but we remain invested to build a position for the long-term structural growth opportunity available in Chinese healthcare penetration.

The financials sector was the worst performer over the period. ING Groep in Europe has come under continuing selling pressure as the market has become concerned its growth is waning and that it has yet to build sufficient capital provision to meet new regulations. As a result, questions have surfaced on its ability to operate a progressive dividend policy, a key part of our thesis and so we sold the position. The stock has gone on to perform poorly since. Other financials in the bottom absolute performers include, UOB and Banca Generali. As you will remember, we have had rather a volatile experience with the latter stock over the past couple of years. For a growing asset manager, it does seem to get buffeted by Italian sentiment more than most, which is perhaps a bit unfair. However, we do believe that the fantastic growth in acquiring assets could be about to stall, which is a thesis violation, and prompted us to sell this stock too.

Consumer discretionary and materials stocks in Europe have lagged, including for us Continental, Ibstock and Kingfisher. There has been a macro influence on these names, but some of the problems in the short term have been stock specific. For Continental, profits have fallen this year. Some of this has been due to slowing auto markets in China for example, but it has had some higher warranty payments to make on a few auto products too which is frustrating. But we still believe it is well positioned to harness longer-term structural growth trends, including those of advanced driver-assistance systems (ADAS) in cars, higher-spec car infotainment and electrification including hybrid 48-volt systems, so we retain conviction in the stock.

Kingfisher's share price performance has also been a frustration, as its restructuring is on track despite the mammoth task it is undertaking. However, consumer activity has been lacklustre in France and it has been losing market share to the competition (which we think is temporary) and of course Brexit serves as a massive headwind for its UK business B&Q, as demand for big ticket items such as kitchens and bathrooms remains sluggish.

Activity

Key purchases in the period included Air Products, Zurich Insurance and SSE. To fund these purchases we sold Banca Generali, Bank of Montreal, ING and Sonic Healthcare.

We recently bought Air Products, the industrial gas company, which has a focus on large projects with long-term contracts. Industrial gases are a low-cost, but vital component for a variety of end customers and so revenues should grow in line with industrial production in the developed world and faster in the emerging world. In addition, there are some structural growth drivers like cleaner energy demand, coal gasification and an increasing outsourcing by firms of their industrial gas operations. Air Products has exposure to all these drivers as well as a strong balance sheet that should allow it to participate in this attractive growth opportunity. Speaking to the company recently, it expects most of its future growth to come from such projects, particularly in emerging markets. We engaged with the company about how it ensures the credit worthiness (and thus sustainability) of the customers with whom it enters into such long-term contracts. The company assured us that it uses financial and credit reporting information and, more importantly, uses internal and external resources to understand the long-term viability of the specific facility or plant it will be supplying.

We believe Zurich Insurance to be a high-quality business. We expect premium growth in line with global premium inflation, while an increased focus on profitability (underwriting margins and expenses), in addition to rising investment yields, supports growth of around 5% at the bottom-line. Growth could surprise positively through Property & Casualty price hardening, rising interest rates, and traction in emerging markets. Zurich's prospective dividend yield is also very generous at 6.5%.

We increased our holding in SSE the UK utility, as we see the business transforming through the potential divestment of its downstream supply and services segment. This will leave us with a more stable high-yielding, mostly regulated network business, combined with a renewable and thermal generation segment. Unfortunately, the company has been through a very difficult period recently, issuing a profit warning as a result of being short of gas at a time of high gas prices when weather factors impacted both the supply of and demand for energy. We believe its energy infrastructure assets and its increasing renewables energy capacity remain attractive with hard-to-replicate assets; additionally, the dividend looks to be relatively safe.

We sold Banca Generali, the wealth manager based in Italy. Recently it has been impacted by the Italian political volatility. Weakness in Italian equities will generally directly affect sentiment, as client assets are exposed. The company has continued to grow its assets under management aggressively, mainly through acquisition of financial advisors combined with its books of assets. We therefore fear growth will begin to stall as it is simply impossible to continue to grow at the same pace. Amortization of recruitment costs will also reduce profitability in the coming years.

We owned ING due to the opportunity it has as a leading fintech bank in Europe. While it continues to execute on this digital strategy, we became concerned that net interest margin guidance has become more negative and that earnings growth may falter. Combine these factors with the requirement for the bank to raise further capital under new regulations (which could take until 2022 to build), and the pressure may mount on the progressive dividend policy and cause weakness in the stock over the medium term.

Canadian banks were the poster child of how banks should be manged during the global financial crisis and Bank of Montreal has indeed served the portfolio relatively well over a long period. We still like this company, but we have concerns that the Canadian residential housing market is in bubble territory which could be poor for sentiment once a correction ensues, even though the bank has been running a very disciplined mortgage book.

Sonic Healthcare is an Australian-based diagnostics, imaging and GP services business. Our original investment case was based on its participation in the global consolidation of this business and the leverage that profits, cashflow and the dividend should have to this growth. We exited the holding as the leverage we expected was unforthcoming as costs rose almost as much as revenues. This, combined with a lofty valuation that has been largely driven by the expectation of superior profits growth, led us to divest the position as the risk of downside has become elevated.

Outlook

Recent economic data points toward a reacceleration in US activity, while Europe and the rest of the world have decoupled to varying extents. The US purchasing managers' index (PMI), a gauge of the economic health of the manufacturing sector, rose to 55.6 at the end of September 2018, which denotes a fast pace of expansion and could lead to upgrades of GDP estimates for 2018/2019. Consumer spending in the US remains robust as the tax windfall drives activity. Corporate spending is still rising, led by investment in intellectual property products and equipment, with corporate capex for the S&P 500 growing by 20% yoy in the second quarter – this should bode well for future growth. Strong corporate sales and higher margins are fuelling strong earnings and although the rate of earnings growth may slow for the second half of 2018 and into 2019, it should still be decent. Added to this, the S&P 500 has de-rated over the past nine months, as earnings growth has been so strong, while the market has fallen since the peak in late January. With all this in mind, the set-up for late 2018 is positive for the US market, unless it is knocked off course by an external influence or shock.

We believe we will continue to see spikes in volatility and sharp sell-offs in equities. There is an expectation of further fiscal and monetary tightening well into 2019, which could well be enforced to slow the US economy down and keep inflation in check. This poses a major conundrum, as too much monetary tightening could choke off activity too quickly, plunging the economy into recession; while this is not our central forecast, it is a risk we remain acutely aware of.

US and China trade wars are not helping calm volatility either and the Chinese equity market has fallen sharply, also affecting other emerging market countries. Should tensions escalate further, it could precipitate a sharp devaluation of the Chinese currency, effectively exporting deflation westwards, causing western exports heading east to slow markedly. It is likely corporates would also look to pass on higher tariffs to consumers should this happen, effectively stalling growth, either due to a response from consumers by spending less, or from central bankers, as they act to raise interest rates to quell cost-push inflation.

The outlook for Europe is, of course, more troublesome. Economic activity is rebounding a little since the sharp falls earlier in the year, but business and consumer sentiment is unlikely to improve dramatically until the UK's exit from the EU is agreed and some sort of trade accord ratified. Here, the mood music has improved a little recently, but we should expect sentiment to oscillate. If an agreement is reached, it is reasonable to expect a rebound in European equities which have struggled over the recent months. Italy also continues to be a hotbed for political altercation, with frequent disruptions likely, as new fiscal budgets and key policies are debated, impacting asset prices through a gradual degradation of confidence.

As trade wars, geopolitical tensions and market volatility escalate, we remind ourselves that high-quality, structural dividend growth stocks should offer protection and opportunity as a style, during the last stages of expansion in the economic cycle. Dividend growth has been strong year to date and many out of favour stocks not only offer defensive attributes but also look better value than they did earlier in the year.

Mark Whitehead

21 November 2018

Risk and mitigation

The company's business model is longstanding and resilient to most of the short term uncertainties that it faces, which the board believes are effectively mitigated by its internal controls and the oversight of the investment manager, as described in the latest annual report. The principal 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.

Risks are regularly monitored at board meetings and the board's planned mitigation measures are described in the latest annual report. The board maintains a risk register and also carries out a risk workshop annually. The board has identified the following principal risks to the company:

- Loss of s1158-9 status
- Long-term investment underperformance
- Market, financial and interest rate risk
- Operational Risk

Further details of these risks and how the board manages them can be found in the 2018 annual report and on the company's website www.securitiestrust.com.

Directors' responsibility

In accordance with Chapter 4 of the Disclosure and Transparency Rules, and to the best of their knowledge, each director of the company confirms that the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014. The directors are satisfied that the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the company. Furthermore, each director certifies that the interim management statement includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties that the company faces. In addition, each director of the company confirms with the exception of management, secretarial fees, directors' fees and directors' shareholdings, that there have been no related party transactions during the six months to 30 September 2018.

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 and manager's review. The financial position of the company as at 30 September 2018 is shown on the unaudited condensed statement of financial position on page 11. The unaudited condensed statement of cash flow of the company is set out on page 13.

In accordance with the Financial Reporting Council's guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014 and C.1.3. of the 2016 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 primarily 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 risks disclosed above and have reviewed revenue forecasts. They believe that the company has adequate financial resources to continue its operational existence for the foreseeable future and for at least one year from the date of signing of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

By order of the board

Rachel Beagles
Chairman

21 November 2018

PORTFOLIO SUMMARY

Portfolio distribution as at 30 September 2018

By region (excluding cash)

	As at 30 September 2018 %	As at 31 March 2018 %
North America	50.5	48.7
Developed Europe	40.6	40.8
Developed Asia Pacific ex Japan	8.9	10.5
	100.0	100.0

By sector (excluding cash)

	As at 30 September 2018 %	As at 31 March 2018 %
Financials	22.0	27.5
Industrials	18.0	16.6
Consumer goods	15.2	17.2
Basic materials	11.0	8.0
Technology	9.5	7.2
Healthcare	9.2	7.3
Oil & gas	7.2	6.9
Utilities	4.0	3.1
Telecommunications	2.3	2.2
Consumer services	1.6	4.0
	100.0	100.0

By asset class (including cash and borrowings)

	As at 30 September 2018 %	As at 31 March 2018 %
Equities	110.0	110.3
Options*	–	(0.3)
Cash	2.7	3.0
Less borrowings	(12.7)	(13.0)
	100.0	100.0

Largest 10 holdings

	30 September 2018 Market value £000	30 September 2018 % of total portfolio	31 March 2018 Market value £000	31 March 2018 % of total portfolio
Microsoft	10,220	4.7	6,438	3.1
Merck & Co	9,115	4.2	4,820	2.3
Sanofi	7,659	3.5	3,758	1.8
Zurich Insurance Group	6,230	2.8	–	–
Koninklijke DSM	6,204	2.8	5,394	2.6
WEC Energy Group	5,603	2.5	3,790	1.8
Airbus	5,580	2.5	4,762	2.3
Taiwan Semiconductor	5,466	2.5	5,036	2.4
Chevron	5,395	2.5	6,446	3.1
Air Products + Chemicals	5,298	2.4	–	–

*Options held as at 30 September 2018 were (0.04%).

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months to 30 September 2018 Revenue £000	Capital £000	Total £000	(Unaudited) Six months to 30 September 2017 Revenue £000	Capital £000	Total £000	(Audited) Year to 31 March 2018 Revenue £000	Capital £000	Total £000
Net gains/(losses) on investments	5	–	17,061	17,061	–	(881)	(881)	–	(8,277)	(8,277)
Net currency (losses)/gains		55	(719)	(664)	(6)	627	621	(46)	906	860
Income	3	5,214	–	5,214	4,716	–	4,716	8,339	–	8,339
Investment management fee		(204)	(378)	(582)	(215)	(399)	(614)	(428)	(794)	(1,222)
Other expenses		(301)	–	(301)	(299)	–	(299)	(618)	–	(618)
Net return before finance costs and taxation		4,764	15,964	20,728	4,196	(653)	3,543	7,247	(8,165)	(918)
Finance costs		(100)	(173)	(273)	(96)	(157)	(253)	(187)	(314)	(501)
Net return on ordinary activities before taxation		4,664	15,791	20,455	4,100	(810)	3,290	7,060	(8,479)	(1,419)
Taxation on ordinary activities	4	(429)	–	(429)	(352)	–	(352)	(693)	–	(693)
Net returns attributable to ordinary redeemable shareholders		4,235	15,791	20,026	3,748	(810)	2,938	6,367	(8,479)	(2,112)
Net returns per ordinary redeemable share	2	3.91p	14.58p	18.49p	3.34p	(0.72p)	2.62p	5.69p	(7.58p)	(1.89p)

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 2014').

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

No operations were acquired or discontinued in the six months.

The notes on pages 14 to 19 form part of these condensed financial statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) As at 30 September 2018		(Unaudited) As at 30 September 2017		(Audited) As at 31 March 2018	
		£000	£000	£000	£000	£000	£000
Fixed assets							
Investments and derivatives at fair value through profit or loss	5		**218,780**		219,446		206,673
Current assets							
Trade and other receivables*	6	**416**		440		674	
Cash and cash equivalents*		**5,379**		4,492		7,092	
		5,795		4,932		7,766	
Current liabilities							
Trade payables – amounts falling due within one year	7	**(10,841)**		(10,466)		(10,519)	
Dividend payable		**–**		–		(1,602)	
Total current liabilities		**(10,841)**				(12,121)	
Net current liabilities			**(5,046)**		(5,534)		(4,355)
Total assets less current liabilities			**213,734**		213,912		202,318
Trade payables - amounts falling due after more than one year	8		**(15,285)**		(14,968)		(14,534)
Net assets			**198,449**		198,944		187,784
Capital and reserves							
Called up ordinary share capital			**1,223**		1,223		1,223
Capital redemption reserve			**78**		78		78
Share premium reserve			**30,040**		30,040		30,040
Special distributable reserve**			**85,307**		95,655		92,772
Capital reserve**			**77,832**		69,710		62,041
Revenue reserve**			**3,969**		2,238		1,630
Total shareholders' funds			**198,449**		198,944		187,784
Net asset value per ordinary redeemable share	2		**187.11p**		177.41p		170.02p

*Prior interim balance has been restated to include UBS collateral in the cash balance.

**These reserves are distributable.

The company is registered in Scotland no.283272.

The notes on pages 14 to 19 form part of these condensed financial statements.

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

Rachel Beagles
Chairman

21 November 2018

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period to 30 September 2018 (Unaudited)	Called up ordinary share capital £000	Capital redemption reserve £000	Share premium account £000	Special distributable capital reserve* £000	Capital reserve* £000	Revenue reserve* £000	Total £000
As at 31 March 2018	1,223	78	30,040	92,772	62,041	1,630	187,784
Net return attributable to shareholders**	–	–	–	–	15,791	4,235	20,026
Ordinary shares bought back during the period	–	–	–	(7,465)	–	–	(7,465)
Dividends paid	–	–	–	–	–	(1,896)	(1,896)
Balance at 30 September 2018	**1,223**	**78**	**30,040**	**85,307**	**77,832**	**3,969**	**198,449**

For the period to 30 September 2017 (Unaudited)	Called up ordinary share capital £000	Capital redemption reserve £000	Share premium account £000	Special distributable capital reserve* £000	Capital reserve* £000	Revenue reserve* £000	Total £000
As at 31 March 2017	1,223	78	30,040	95,692	70,520	1,910	199,463
Net return attributable to shareholders**	–	–	–	–	(810)	3,748	2,938
Ordinary shares bought back during the period	–	–	–	(37)	–	–	(37)
Dividends paid	–	–	–	–	–	(3,420)	(3,420)
Balance at 30 September 2017	1,223	78	30,040	95,655	69,710	2,238	198,944

For the year to 31 March 2018 (Audited)	Called up ordinary share capital £000	Capital redemption reserve £000	Share premium account £000	Special distributable capital reserve* £000	Capital reserve* £000	Revenue reserve* £000	Total £000
As at 31 March 2017	1,223	78	30,040	95,692	70,520	1,910	199,463
Net return attributable to shareholders**	–	–	–	–	(8,479)	6,367	(2,112)
Ordinary shares bought back during the year	–	–	–	(2,920)	–	–	(2,920)
Dividends paid	–	–	–	–	–	(6,647)	(6,647)
Balance at 31 March 2018	1,223	78	30,040	92,772	62,041	1,630	187,784

*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 Condensed Statement of Comprehensive Income on page 10, and therefore this is also the 'Total comprehensive income' for the period.

The notes on pages 14 to 19 form part of these condensed financial statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOW

	Note	(Unaudited) Six months to 30 September 2018		(Unaudited) Six months to 30 September 2017		(Audited) Year to 31 March 2018	
		£000	£000	£000	£000	£000	£000
Cash flows from operating activities							
Profit/(loss) before tax			20,455		3,290		(1,419)
Adjustments for:							
(Gains)/losses on investments	5	(17,061)		881		8,277	
Capital distribution received*		–		–		27	
Finance costs		273		253		501	
Purchases of investments**	5	(41,522)		(30,108)		(93,620)	
Sales of investments**	5	46,476		29,590		98,452	
Dividend income	3	(4,740)		(4,413)		(7,418)	
Other income	3	(1)		–		–	
Stock lending income	3	(26)		(23)		(35)	
Premium income - written options	3	(447)		(280)		(886)	
Dividends received		5,002		4,642		7,335	
Other income received		1		–		–	
Stock lending income received		27		87		100	
Premium income received - written options		447		280		886	
(Increase)/decrease in receivables		(5)		18		95	
Decrease in payables		(14)		(32)		(30)	
Overseas withholding tax suffered	4	(429)		(352)		(693)	
			(12,019)		543		12,991
Net cash flows from operating activities			8,436		3,833		11,572
Cash flows from financing activities							
Repurchase of ordinary share capital		(7,129)		(37)		(2,871)	
Exchange movement on bank borrowings		751		(577)		(1,011)	
Equity dividends paid		(3,498)		(3,420)		(5,045)	
Interest paid on borrowings		(273)		(257)		(503)	
Net cash flows from financing activities			(10,149)		(4,291)		(9,430)
Net (decrease)/increase in cash and cash equivalents			(1,713)		(458)		2,142
Cash and cash equivalents at the start of the year			7,092		4,950		4,950
Cash and cash equivalents at the end of the period/year***	9		5,379		4,492		7,092

*This relates to the proceeds for the capital dividend from Singapore Communications.

**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.

***Prior interim balance has been restated to include UBS collateral in the cash balance.

The notes on pages 14 to 19 form part of these condensed financial statements.

Note 1: Accounting policies

For the period ending 30 September 2018 (and the year ending 31 March 2018), the company is applying Financial Reporting Standard 102 ('FRS 102') applicable in the UK and Republic of Ireland, which forms part of the Generally Accepted Accounting Practice ('UK GAAP') issued by the Financial Reporting Council ('FRC') in 2015.

These condensed financial statements have been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, FRS 102 issued by the FRC in September 2015, FRS 104 Interim Financial Reporting issued by the FRC in March 2015 and the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('SORP') issued by the AIC in November 2014 and updated in January 2017.

The accounting policies applied for the condensed set of financial statements are set out in the company's annual report for the year to 31 March 2018.

Note 2: Returns and net asset value

	(Unaudited) Six months to 30 September 2018	(Unaudited) Six months to 30 September 2017	(Audited) Year to 31 March 2018
Revenue return			
Revenue return attributable to ordinary redeemable shareholders	**£4,235,000**	£3,748,000	£6,367,000
Weighted average number of shares in issue during the period*	**108,331,647**	112,143,357	111,910,413
Revenue return per ordinary redeemable share (basic and diluted)	**3.91p**	3.34p	5.69p
Capital return			
Capital return attributable to ordinary redeemable shareholders	**£15,791,000**	(£810,000)	(£8,479,000)
Weighted average number of shares in issue during the period*	**108,331,647**	112,143,357	111,910,413
Capital return per ordinary redeemable share	**14.58p**	(0.72p)	(7.58p)
Total return			
Capital return per ordinary redeemable share (basic and diluted)	**18.49p**	2.62p	(1.89p)
Net asset value per share			
Net assets attributable to shareholders	**£198,449,000**	£198,944,000	£187,784,000
Number of shares in issue at period end	**106,061,396**	112,140,218	110,446,792
Net asset value per share	**187.11p**	177.41p	170.02p

*Calculated excluding shares held in treasury.

During the six months to 30 September 2018 there were 4,385,396 shares bought back into treasury at a cost of £7,465,000. (Six months to 30 September 2017: 22,150 shares brought back into treasury at a cost of £37,000; twelve months to 31 March 2018: 1,715,576 shares brought back into treasury at a cost of £2,920,000). Between 1 October and 19 November 2018, 883,922 ordinary shares of 1p each were bought back into treasury at a cost of £1,474,000. There have been no shares issued from treasury during the six months to 30 September 2018. (Six months to 30 September 2017: no shares were issued from treasury; twelve months to 31 March 2018: no shares were issued from treasury.) There have been no shares cancelled from treasury during the six months to 30 September 2018. (Six months to 30 September 2017: no shares were cancelled from treasury; twelve months ended 31 March 2018: no shares were cancelled from treasury). As at 30 September 2018 there were 16,237,752 shares in held in treasury.

Total return

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

The tables below provide the NAVs and share prices of the company on the dividend reinvestment dates for the six months ended 30 September 2018 and 30 September 2017.

2018	**Dividend rate**	**NAV**	**Share price**
31 March 2018	n/a	170.02	160.50
5 July 2018	1.75	180.61	168.00
30 September 2018	n/a	187.11	173.00
Total return		**11.10%**	**8.90%**

2017	Dividend rate	NAV	Share price
31 March 2017	n/a	177.83	166.00
15 June 2017	1.60	181.72	170.13
24 August 2017	1.45	181.51	169.50
30 September 2017	n/a	177.41	165.00
Total return		1.40%	1.20%

Note 3: Income

	(Unaudited) Six months to 30 September 2018 £000	(Unaudited) Six months to 30 September 2017 £000	(Audited) Year to 31 March 2018 £000
From listed investments			
UK – equities	**787**	753	1,347
Overseas – equities	**3,953**	3,660	6,071
	4,740	4,413	7,418
Other revenue			
Premium - written options	**447**	280	886
Stock lending	**26**	23	35
Other income	**1**	–	–
	5,214	4,716	8,339

During the six months to 30 September 2018 the company did not receive any capital dividends. (Six months to 30 September 2017: £nil; year to 31 March 2018: £27,200).

During the six months to 30 September 2018 there were special dividends of £207,000 (30 September 2017: £59,000) which were received and treated as income.

Note 4: Taxation on ordinary activities

	(Unaudited) Six months to 30 September 2018 £000	(Unaudited) Six months to 30 September 2017 £000	(Audited) Year to 31 March 2018 £000
Foreign tax	**429**	352	693

Note 5: Investments and derivatives at fair value through profit or loss	**(Unaudited) As at 30 September 2018 £000**	(Unaudited) As at 30 September 2017 £000	(Audited) As at 31 March 2018 £000
UK listed investments held at fair value through profit or loss	**30,724**	29,383	31,614
Overseas listed investments held at fair value through profit or loss	**188,138**	190,146	175,534
Total value of financial asset investments	**218,862**	219,529	207,148
Derivative financial instruments – value of written option contracts	**(82)**	(83)	(475)
Valuation of investments and derivatives	**218,780**	219,446	206,673
Opening valuation	**206,673**	219,809	219,809
Opening unrealised gains	**(18,231)**	(47,059)	(47,059)
Opening cost	**188,442**	172,750	172,750
Acquisitions at cost	**41,522**	30,108	93,620
Disposal proceeds	**(46,476)**	(29,590)	(98,452)
Gains on disposal of investments and derivatives	**4,572**	6,831	20,524
Disposals at cost	**(41,904)**	(22,759)	(77,928)
Closing cost	**188,060**	180,099	188,442
Add: unrealised gains	**30,720**	39,347	18,231
Closing valuation	**218,780**	219,446	206,673

Note 5: Investments and derivatives at fair value through profit or loss (cont)

	(Unaudited) Six months to 30 September 2018 £000	(Unaudited) Six months to 30 September 2017 £000	(Audited) Year to 31 March 2018 £000
Gains/(losses) on investments and derivatives			
Net gains on disposal of investments and derivatives	**4,572**	6,831	20,524
Movement in unrealised gains/(losses) on disposal of investments and derivatives	**12,489**	(7,712)	(28,828)
Capital distributions	**–**	–	27
	17,061	(881)	(8,277)

Transaction costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value though profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the statement of comprehensive income. The total costs were as follows:

	(Unaudited) Six months to 30 September 2018 £000	(Unaudited) Six months to 30 September 2017 £000	(Audited) Year to 31 March 2018 £000
Acquisitions	**65**	57	168
Disposals	**19**	42	146
	84	99	314

Note 6: Trade and other receivables

	(Unaudited) As at 30 September 2018 £000	(Unaudited) As at 30 September 2017 £000	(Audited) As at 31 March 2018 £000
Dividends receivable	**285**	235	547
Tax recoverable	**130**	189	125
Prepayments and other debtors	**–**	13	–
Stock lending income receivable	**1**	3	2
	416	440	674

None of the company's trade and other receivables are past due or impaired at any period end.

Note 7: Trade payables – amounts falling due within one year

	(Unaudited) As at 30 September 2018 £000	(Unaudited) As at 30 September 2017 £000	(Audited) As at 31 March 2018 £000
Interest accrued	**14**	12	14
Sterling bank revolving loan	**10,000**	10,000	10,000
Amount due for Ordinary shares bought back	**385**	–	49
Other trade payables	**442**	454	456
	10,841	10,466	10,519

The rate of interest for the revolving credit facility ('Facility D') is set at each roll-over date and is made up of a fixed margin of 0.5% plus LIBOR rate. Under this agreement £10,000,000 was drawn at 28 September 2018 at a rate of 1.4503% with a maturity date of 28 December 2018. The repayment date of the revolving facility is the last day of its interest period and the termination date is the 30 September 2020.

Note 8: Trade payables – amounts falling due after more than one year

	(Unaudited) As at 30 September 2018 £000	(Unaudited) As at 30 September 2017 £000	(Audited) As at 31 March 2018 £000
Bank loan	**15,285**	14,968	14,534

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 repayment date of the term loans is the same as their termination date which is the 19 September 2023.

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

As at 30 September 2018 the company had drawn down the full amount of the loan and the balances as at that date were for Facility A £1,500,000, Facility B £4,008,000 (€4,500,000), Facility C £9,777,000 (US$12,750,000) and Facility D £10,000,000.

Note 9: Analysis of net debt

	(Audited) As at 31 March 2018 £000	Cash flow £000	Exchange movements £000	**(Unaudited) As at 30 September 2018 £000**
Cash at bank	7,092	(1,713)	–	**5,379**
Bank borrowings	(24,534)	–	(751)	**(25,285)**
Net debt	(17,442)	(1,713)	(751)	**(19,906)**

Note 10: Stock lending

The Company has a Securities Lending Authorisation Agreement with State Street Bank & Trust Company.

As at 30 September 2018 £15,690,000 of investments were subject to stock lending agreements (six months ended 30 September 2017: £9,255,000, twelve months ended 31 March 2018: £13,226,000) and £16,791,000 was held in collateral (six months ended 30 September 2017: £9,953,000, twelve months ended 31 March 2018: £13,836,000). The collateral was held in the form of cash (in USD or EUR), government securities issued by any of the OECD countries or equity securities listed and/or traded on an exchange in the following countries: Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland and USA.

The gross earnings and the fees payable for the period are £35,000 (six months to 30 September 2017: £31,000; year to 31 March 2018: £47,000) and £9,000 (six months to 30 September 2017: £8,000; year to 31 March 2018 £12,000).

The maximum aggregate value or securities on loan at any time during the accounting period was £27,292,000.

Note 11: Interim financial report

The financial information contained in this interim financial report does not constitute statutory accounts as defined in s434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2018 and 30 September 2017 have not been audited.

The information for the year to 31 March 2018 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under s498 (2), (3) or (4) of the Companies Act 2006.

Note 12: 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:

	As at 30 September 2018 (Unaudited)			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss				
Quoted equities and derivatives	**218,780**	**–**	**–**	**218,780**
Net fair value	**218,780**	**–**	**–**	**218,780**

	As at 30 September 2017 (Unaudited)			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
Quoted equities and derivatives	219,446	–	–	219,446
Net fair value	**219,446**	**–**	**–**	**219,446**

	As at 31 March 2018 (Audited)			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
Quoted equities and derivatives	206,673	–	–	206,673
Net fair value	**206,673**	**–**	**–**	**206,673**

Note 13: Post balance sheet events

Between 1 October 2018 and 19 November 2018, a further 883,922 ordinary shares of 1p each have been bought back into treasury at a cost of £1,474,305.

INVESTOR INFORMATION

Directors and Advisers

Directors
Rachel Beagles (chairman)
John Evans
Angus Gordon Lennox
Sarah Harvey (from 1 October 2018)
Mark Little

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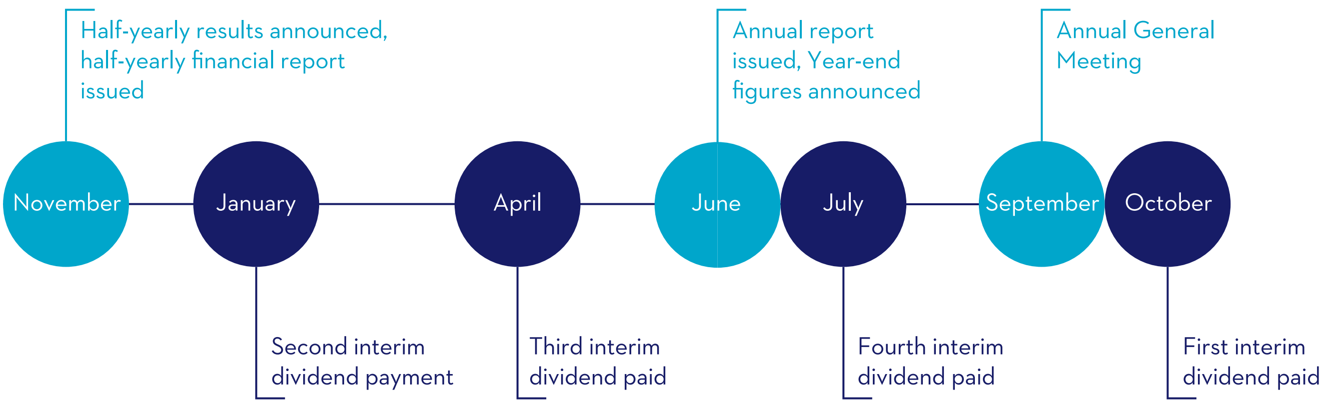
Securities Trust of Scotland is a member of the AIC (the trade body of the investment company industry).

Financial calendar – key dates 2018/19



The European Securities and Markets Authority ('ESMA') published it's 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 30 September the share price was 173.00p and the net asset value per share (cum income) was 187.11p, the discount was therefore 7.54%.

NAV per share

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

In basic terms, the net asset value ('NAV') is the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. This will very often be different to the share price. The difference is known as the discount or premium. NAV (cum income) per share – the net asset value per share cum income is shown on the statement of financial position on page 11, and includes undistributed current year income. The NAV (cum income) per share as at 30 September 2018 was 187.11p.

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 £198,449,000 [per Statement of Financial Position] less undistributed current year income £4,235,000 [per Statement of Comprehensive Income] less any dividends paid for the current year [nil at 30 September 2018] = £194,214,000.

This figure is then divided by the shares in issue as at 30 September 2018/106,061,396 to give the NAV (ex income) per share of 183.11p as at 30 September 2018.

NAV capital return performance

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

NAV total return performance

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

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

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

The NAV total return performance, calculated using the cum-income NAV for the year end 30 September 2018 was 11.1%, 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.

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.

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. Not all investment companies pay dividends. Dividend income isn't guaranteed and may fall as well as rise. The company pays dividends quarterly in April, July, October and January.

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 detailed in note 8.

Investment trust

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

Investment company

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

Net assets

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

Options

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

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

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

Out of the money

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

Peer group

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

Peer group total return

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

Redemption opportunity

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

Share buy backs

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

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

Share price

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

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

Treasury shares

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

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

However you choose to invest, please ensure you are aware of any charges associated with receiving advice or investing through any of the third-party providers listed below.

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.

Alliance Trust Savings ('ATS')

ATS provides products to UK private investors, including a Stocks and Shares ISA and SIPP. Their website also has a research centre where you can compare different options before making investment decisions. Their trading platform allows you to invest online, by phone or by mail.

UK residents can invest in Securities Trust of Scotland shares in the following ATS products:

- Select SIPP
- Select Stocks & Shares ISA
- Child SIPP
- First Steps account
- Investment Dealing Account
- Junior ISA

For more information:
www.alliancetrustsavings.co.uk

Other online platforms and stockbroking services

A number of real-time execution-only stockbroking services and platforms allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give you advice, they simply allow you to trade. Many of these sites also offer 'wrapper' products such as ISAs, SIPPs and savings plans.

Sites include:

- Youinvest (part of AJ Bell) www.youinvest.co.uk
- Barclays Stockbrokers www.barclaysstockbrokers.co.uk
- Charles Stanley Direct www.charles-stanley-direct.co.uk
- Hargreave Hale www.hargreave-hale.co.uk
- Hargreaves Lansdown www.hl.co.uk
- HSDL www.halifax.co.uk/sharedealing
- idealing www.idealing.com
- Jarvis Investment Management www.jarvisim.co.uk
- Selftrade www.selftrade.co.uk
- Sharecentre www.share.com
- Stocktrade www.stocktrade.co.uk
- TD Waterhouse www.tddirectinvesting.co.uk
- Trustnet www.trustnet.com

Shareholder services

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

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

Contact details	www.linkassetservices.com	0871 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 cost 12p per minute plus network extras.

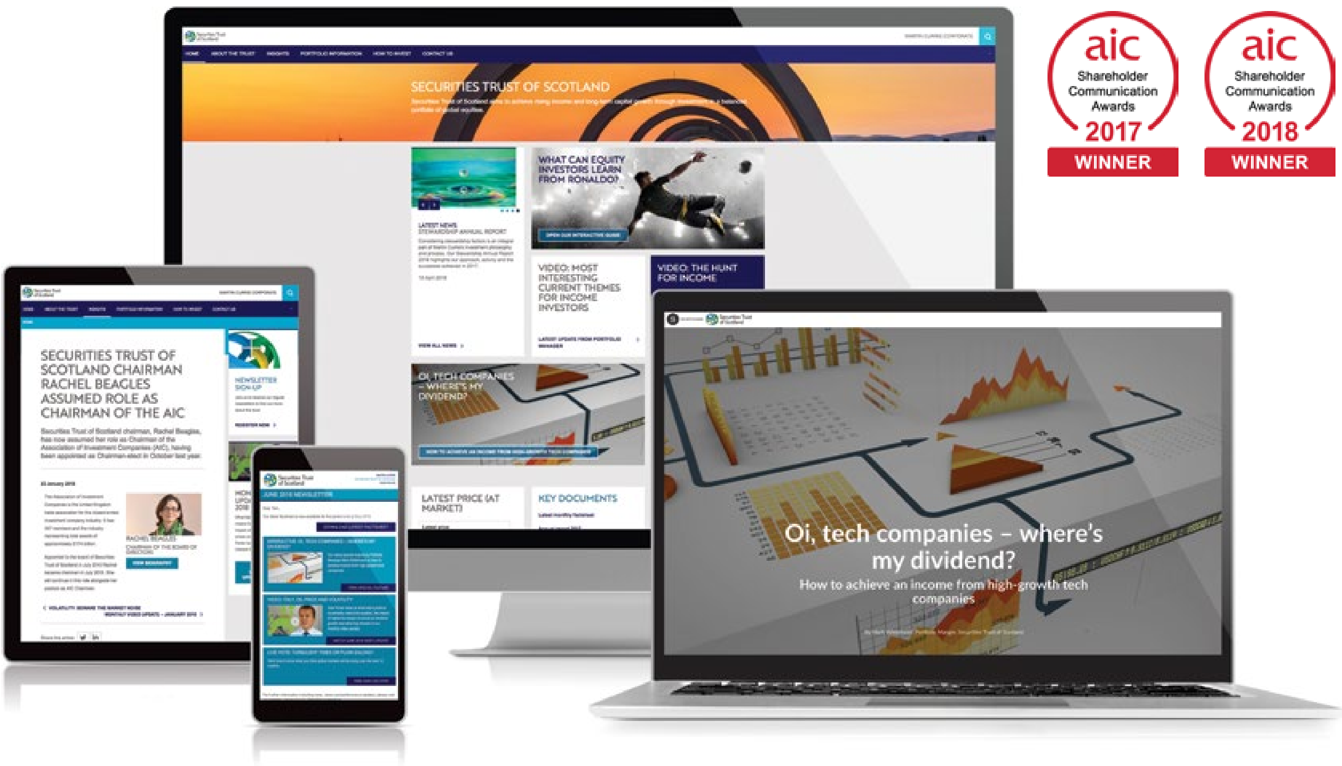
Checking the share price

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

EASY ACCESS TO INFORMATION

Securities Trust of Scotland has its own dedicated website at www.securitiestrust.com. The site includes a wealth of useful information including:

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



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