

STS

SECURITIES TRUST
OF SCOTLAND PLC

Half-yearly financial report
Six months to 30 September 2021

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') 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

The company introduced a discount control mechanism in November 2020 which aims to ensure, in normal market conditions, that the shares trade consistently close to their net asset value.

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 30 September 2021 the company had 100,180,075 ordinary shares of 1p, each entitled to one vote, in issue and 22,119,073 ordinary shares of 1p held in treasury.

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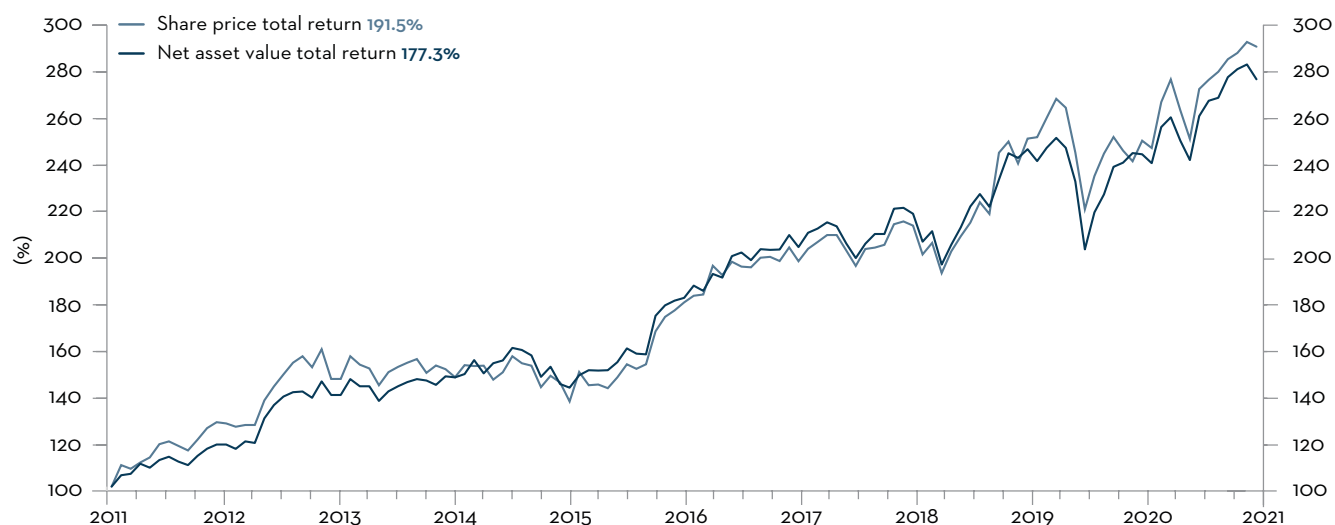
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FINANCIAL HIGHLIGHTS

Long-term capital growth



Source: Refinitiv Datastream

Total return[^] (including reinvested dividends)

| | Six months ended 30 September 2021 % | Six months ended 30 September 2020 % |
|--|--|--|
| Net asset value per share | 6.3 | 21.5 |
| Lipper Global - Equity Global Income Index | 6.0 | 15.5 |
| Share price | 6.8 | 13.5 |

Income

| | Six months ended 30 September 2021 | Six months ended 30 September 2020 |
|--------------------|---------------------------------------|---------------------------------------|
| Revenue per share | 3.15p | 4.38p |
| Dividend per share | 2.75p | 2.75p |

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

| | Six months ended 30 September 2021 % | Six months ended 30 September 2020 % |
|-----------------|--|--|
| Ongoing charges | 0.9 | 0.9 |

[^] For details of all Alternative Performance Measures refer to page 18.

INTERIM MANAGEMENT REPORT

Chairman's statement



Introduction

For the six month period to 30 September 2021 the net asset value ('NAV') total return for your company was +6.3%, marginally greater than the equivalent return of +6.0% from the benchmark, the Lipper Global - Equity Global Income Index.

There was a slight narrowing of the discount to NAV at which the share price traded over the period and the share price total return was therefore +6.8%.

Stock markets around the globe anticipated the economic recovery from the dislocation caused by the COVID-19 pandemic and this was reflected in the high capital returns generated from late 2020 and during the first half of 2021. These returns were initiated by positive news on the efficacy of the various vaccines being developed which emerged in November 2020.

The subsequent high take up of vaccinations and more recently booster vaccinations in most developed economies was, for the majority of the period under review, a strong factor in permitting economies to "open up" and more normal economic and social activity to resume.

The speed of recovery in industrial and commercial activity has brought with it new issues to ponder. In certain industries supply chains have been unable to cope with the scale of the rise in demand. There have been shortages and bottlenecks in many areas of both industrial and consumer sectors alike.

The rate of inflation in the USA and UK has risen sharply to levels not seen for a decade and there is a real debate as to whether such a rise is transitory in nature or the beginnings of a prolonged period of price adjustment.

Central banks around the world are also seeking opportunities to reduce the various forms of

Quantitative Easing ('QE') that has been providing liquidity to markets over the period of the pandemic and longer. The combination of the need to reduce QE and potentially raise short term interest rates to address the inflationary pressures is unpalatable for markets and for bond investors in particular.

Revenue and earnings

Revenue earnings for the period were £3.70m, significantly lower than the £5.45m recorded in the previous equivalent period. Following the appointment of Troy Asset Management ('Troy') as fund manager of the company in November 2020 the manager, as agreed, restructured the portfolio to one with a lower current dividend yield but one with expectations of faster dividend growth over time. Also, as agreed, no further income was received from the writing of covered call options. In the period to 30 September 2020 £0.8m was earned by the previous manager from option writing - there was no contribution in the equivalent current period.

Again, as agreed at the time of appointment Troy did not charge a management fee for the period under review. The 12 month anniversary of Troy's appointment was 12 November 2021 and agreed commercial fee arrangements are now in place.

Consequently, earnings per share for the period were 3.15p vs 4.38p for the previous period. The Board announced a first interim dividend on 6 October 2021 of 1.375p per share, which was paid in November. The Board is pleased to declare a second interim dividend of 1.375p per share, which will be paid on 21 January 2022 to shareholders on the register on 31 December 2021. The ex-dividend date will be 30 December 2021. The total dividends declared for the period is therefore 2.75p per share - unchanged from the previous year.

Discount management

Your Board operates a discount control mechanism with the objective of ensuring that, in normal market conditions, the shares trade consistently close to their NAV per share. Shares will be bought in or sold at the appropriate time in respect of this objective. During the period under review 2,288,000 shares were purchased at an average discount of 1.7%. As at 30 September 2021 the shares were trading at a premium of 0.1%.

Borrowing facilities

The company currently has borrowing facilities in place with The Royal Bank of Scotland. The company renewed its revolving credit facility in October 2021 at an attractive rate. The Board is happy that the quantum, terms and tenure of the facilities gives the manager a flexible structure to use with the objective of enhancing shareholder returns.

Outlook

Recent events have proven that the COVID-19 virus has the ability to be unpredictable and new strains of the virus challenge the perception that the pandemic is being controlled by vaccines. While the appearance of new strains is unsettling for markets it is still, as yet, unclear as to whether these new variants will require the scale of lockdowns which was required to address infection levels in 2020.

Your new managers have been running the portfolio for just over 12 months and it has proven to be an eventful period for stock markets and economies. Your company has an income objective and a most encouraging feature

of the pandemic and the reaction to it has been the robustness of dividends on a global basis to a sharp decline in corporate profits. Dividends from UK companies were cut more severely than their international peers - but there is evidence of a sharp recovery in dividends from certain sectors of the UK corporate sector. The benefit of a global income mandate has been clearly demonstrated over the past two years and the Board takes great encouragement from the portfolio's global positioning.

The economic background of uncertainty regarding future rates of inflation is a key issue for investors. However, your managers have a carefully selected group of companies in the portfolio which have attractive margins, good cash flows and most importantly strong market positions with good pricing power. These characteristics should provide security in an inflationary environment to both profitability and shareholder dividends.

John Evans
Chairman

10 December 2021

INTERIM MANAGEMENT REPORT

Manager's review



We took over the management of the company a little over a year ago. Returns have been strong over this period and the company has also prospered. Our aim has been to provide investors with a closed ended vehicle which is true to Troy's investment principles. To provide both

income and returns that are above average but with below average volatility over a full market cycle.

We live in a world where income is scarce and valuations across capital markets are rich, implying low expected returns and putting capital at risk of material, if not permanent, loss. Further technological and, increasingly, environmental disruption is undermining many businesses which historically were fertile ground for income investing but which we believe should now be avoided.

This combination of scarce income and low expected returns means Troy's focus on absolute returns and the quality of the underlying businesses in which we invest is more important than ever. We are acutely aware that many of our underlying investors have irreplaceable capital and are dependent, in part, on the income we provide. They are keen to avoid substantial drawdowns.

This in turn informs our attitude to risk and guides our distinctive approach. We confine ourselves to a relatively limited number of companies and sectors that we think can sustain high returns, grow, deliver income and that are resistant to disruption. Further, we favour companies that generally do not require large amounts of capital to grow. This is crucial as it 'squares the circle' between 1) being comfortable that a business generates sufficient predictable cash flow to re-invest to entrench their competitive advantages and 2) paying a dividend.

Rather than concentrate on relative measures of risk which fail to take into account that the benchmark itself may be risky, we instead focus on the durability of returns. Our concerns relate to such things as a better

competing product, a loss of a patent, a lack of visibility or certainty of demand, regulatory risk if not priced in, underinvestment, an insufficient focus on returns on capital and poor management incentives or capital allocation.

Equally, there are other factors that we worry less about such as tracking error – or positioning and performance relative to a benchmark, missing out on the latest fad or short term macro-economic or speculative noise.

We do however consider the overall valuation of markets which themselves can impact on the prospects for particular businesses as well as, of course, expected returns.

Once we have established the portfolio we are reluctant to make too many changes to allow for the potentially undisturbed compounding of these high-quality businesses. Our typical holding period for an investment is 10+ years which is longer than most market cycles.

The jury is still out as to whether the trauma and related policy response of COVID-19 has kickstarted a new cycle rather than extended the current one. Our view is given that we have not seen a credit event we are still in the same cycle that started in 2008/9 and continues to this day. Our relative performance tends to be best at times of stress and we may need to wait until this cycle completes to fully demonstrate the value of our approach.

Inflation has also become a concern. We are keeping an open mind as to whether or not these worries are misplaced. We acknowledge that demand is currently strong driven by both policy and pockets of pent-up spending at a time when supply is struggling to respond. Balanced against this are the structural factors that have kept inflation low. These have intensified; debt levels have exploded, populations have aged further and technological disruption continues apace.

It is impossible to know the outcome of this complex conundrum. As such we are not managing the portfolio based upon an inflation forecast.

What we can be more convinced about is that interest rates cannot rise too much as there is simply too much debt. This leaves us with two possible outcomes. Either inflation dissipates or it remains persistent, but in both cases interest rates remain low. In the first instance, as supply disruptions normalise and inflation expectations peak, input costs will likely moderate. This will benefit our portfolio.

In the second instance, if inflation is more persistent, but interest rates remain low, we will face an ongoing negative real interest rate environment (as inflation continues to exceed the level of interest rates). This favours an index-linked security or, dare I say it, a portfolio of high quality businesses that will likely be able to raise prices over the longer term.

This ability to raise prices stems from the same competitive advantages that allow for high returns on capital. In this scenario we believe that we are once again well placed. Although many of the sorts of businesses in which we invest are considered nominal bond proxies, in the sense that over short periods they are correlated with interest rates, over the longer term they are much more akin to an index-linked bond.

When viewed in this way the portfolio appears very good value.

We believe we have a resilient, high quality and good value collection of businesses. At the portfolio level we are generating a free cash flow yield of 5.2% funding a 2.8% dividend yield. This is driven by companies that are compounding capital at an attractive underlying rate. Thus, we have confidence that we have embedded in the company an attractive expected return balanced between income and growth.

James Harries

10 December 2021

The separate Investment Report marking the one year anniversary of Troy's appointment is available at www.stsplc.co.uk or by scanning the QR code below.



INTERIM MANAGEMENT REPORT

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 latest annual report. 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.

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 review as part of its annual strategy meeting. The board has identified the following principal risks to the company:

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

During the period the directors continued to assess the ongoing implications for the company and its principal risks as a result of the COVID-19 pandemic, including in relation to investment performance and operational risk. The board continues to work with the company's key service providers to mitigate such risks.

Further details of the above risks and how the board manages them can be found in the 2021 annual report and on the company's website www.stsplc.co.uk.

Directors' responsibility

In accordance with Chapter 4 of the Disclosure Guidance 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 by the AIC in April 2021. 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 2021.

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 2021 is shown on the unaudited condensed statement of financial position on page 9. The unaudited condensed statement of cash flow of the company is set out on page 11.

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 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, in particular those related to COVID-19 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

John Evans
Chairman

10 December 2021

PORTFOLIO SUMMARY

Portfolio distribution as at 30 September 2021

By region (excluding cash)

| | As at 30 September 2021 % | As at 31 March 2021 % |
|---------------|------------------------------|--------------------------|
| North America | 53.5 | 52.9 |
| Europe | 43.1 | 44.0 |
| Asia | 3.4 | 3.1 |
| | 100.0 | 100.0 |

By sector (excluding cash)

| | As at 30 September 2021 % | As at 31 March 2021 % |
|------------------------|------------------------------|--------------------------|
| Consumer staples | 41.8 | 42.4 |
| Information technology | 19.6 | 18.9 |
| Healthcare | 17.1 | 17.3 |
| Real estate | 5.8 | 4.9 |
| Industrials | 5.4 | 5.3 |
| Financials | 5.3 | 5.4 |
| Consumer discretionary | 3.4 | 3.3 |
| Communication services | 1.6 | 2.5 |
| | 100.0 | 100.0 |

By asset class (including cash and borrowings)

| | As at 30 September 2021 % | As at 31 March 2021 % |
|------------|------------------------------|--------------------------|
| Equities | 105.5 | 106.8 |
| Cash | 1.4 | 0.2 |
| Borrowings | (6.9) | (7.0) |
| | 100.0 | 100.0 |

Largest 10 holdings

| | 30 September 2021 Market value £000 | 30 September 2021 % of total portfolio | 31 March 2021 Market value £000 | 31 March 2021 % of total portfolio |
|---------------------------|---|--|---------------------------------------|--|
| British American Tobacco | 12,786 | 5.7 | 14,145 | 6.4 |
| Philip Morris | 11,870 | 5.3 | 11,322 | 5.1 |
| Unilever | 11,775 | 5.2 | 11,722 | 5.3 |
| Paychex | 11,493 | 5.1 | 10,098 | 4.6 |
| Reckitt & Benckiser | 10,538 | 4.7 | 11,508 | 5.2 |
| Diageo | 10,077 | 4.5 | 8,625 | 3.9 |
| Automatic Data Processing | 9,714 | 4.3 | 9,164 | 4.1 |
| PepsiCo | 9,410 | 4.2 | 9,063 | 4.1 |
| CME Group | 9,182 | 4.1 | 8,923 | 4.0 |
| Medtronic | 9,163 | 4.1 | 8,662 | 3.9 |

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| | | (Unaudited) Six months to 30 September 2021 | | | (Unaudited) Six months to 30 September 2020 | | | (Audited) Year to 31 March 2021 | | |
|---|------|---|-----------------|---------------|---|-----------------|---------------|---------------------------------------|-----------------|---------------|
| | Note | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Net gains on investments | 5 | – | 10,135 | 10,135 | – | 32,319 | 32,319 | – | 40,826 | 40,826 |
| Net currency gains/(losses) | | 5 | (257) | (252) | 56 | 198 | 254 | (12) | 1,031 | 1,019 |
| Income | 3 | 3,704 | – | 3,704 | 5,450 | – | 5,450 | 9,109 | – | 9,109 |
| AIFM fee | | (11) | (20) | (31) | (206) | (384) | (590) | (285) | (529) | (814) |
| Other expenses | | (239) | – | (239) | (316) | – | (316) | (995) | – | (995) |
| Net return before finance costs and taxation | | 3,459 | 9,858 | 13,317 | 4,984 | 32,133 | 37,117 | 7,817 | 41,328 | 49,145 |
| Finance costs | | (74) | (137) | (211) | (94) | (162) | (256) | (161) | (299) | (460) |
| Net return on ordinary activities before taxation | | 3,385 | 9,721 | 13,106 | 4,890 | 31,971 | 36,861 | 7,656 | 41,029 | 48,685 |
| Taxation on ordinary activities | 4 | (201) | – | (201) | (311) | – | (311) | (611) | – | (611) |
| Net return attributable to ordinary redeemable shareholders | | 3,184 | 9,721 | 12,905 | 4,579 | 31,971 | 36,550 | 7,045 | 41,029 | 48,074 |
| Net return per ordinary redeemable share | 2 | 3.15p | 9.60p | 12.75p | 4.38p | 30.59p | 34.97p | 6.76p | 39.39p | 46.15p |

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 2021').

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

No operations were acquired or discontinued during the period.

The notes on pages 12 to 16 form part of these condensed financial statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

| | | (Unaudited) As at 30 September 2021 | | (Unaudited) As at 30 September 2020 | | (Audited) As at 31 March 2021 | |
|---|------|--|----------|--|------|----------------------------------|------|
| | Note | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | | | |
| Investments at fair value through profit or loss | 5 | | 225,854 | 212,195 | | 221,771 | |
| Current assets | | | | | | | |
| Trade and other receivables | 6 | 1,358 | | 11,077 | | 1,206 | |
| Cash and cash equivalents | | 1,899 | | 6,163 | | 825 | |
| | | 3,257 | | 17,240 | | 2,031 | |
| Current liabilities | | | | | | | |
| Trade payables - amounts falling due within one year | 7 | (113) | | (10,494) | | (129) | |
| Dividend payable | | – | | – | | (1,410) | |
| Total current liabilities | | (113) | | (10,494) | | (1,539) | |
| Net current assets | | | 3,144 | 6,746 | | 492 | |
| Total assets less current liabilities | | | 228,998 | 218,941 | | 222,263 | |
| Trade payables - amounts falling due after more than one year | 8 | | (14,834) | (15,444) | | (14,585) | |
| Total net assets | | | 214,164 | 203,497 | | 207,678 | |
| Capital and reserves | | | | | | | |
| Called up share capital | | 1,223 | | 1,223 | | 1,223 | |
| Capital redemption reserve | | 78 | | 78 | | 78 | |
| Share premium account | | 30,725 | | 30,401 | | 30,725 | |
| Special distributable reserve* | | 73,383 | | 81,583 | | 78,194 | |
| Capital reserve* | | 104,249 | | 85,470 | | 94,528 | |
| Revenue reserve* | | 4,506 | | 4,742 | | 2,930 | |
| Total shareholders' funds | | | 214,164 | 203,497 | | 207,678 | |
| Net asset value per ordinary share | 2 | | 213.78p | 195.58p | | 202.68p | |

* These reserves are distributable.

The company is registered in Scotland no. SC283272.

The notes on pages 12 to 16 form part of these condensed financial statements.

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

John Evans
Chairman

10 December 2021

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

| For the period ended 30 September 2021 (Unaudited) | Called up share capital £000 | Capital redemption reserve £000 | Share premium account £000 | Special distributable reserve* £000 | Capital reserve* £000 | Revenue reserve* £000 | Total £000 |
|--|---------------------------------------|--|-------------------------------------|--|-----------------------------|-----------------------------|----------------|
| As at 1 April 2021 | 1,223 | 78 | 30,725 | 78,194 | 94,528 | 2,930 | 207,678 |
| Net return attributable to shareholders** | – | – | – | – | 9,721 | 3,184 | 12,905 |
| Ordinary shares bought back during the period | – | – | – | (4,811) | – | – | (4,811) |
| Dividends paid | – | – | – | – | – | (1,608) | (1,608) |
| As at 30 September 2021 | 1,223 | 78 | 30,725 | 73,383 | 104,249 | 4,506 | 214,164 |

| For the period ended 30 September 2020 (Unaudited) | Called up share capital £000 | Capital redemption reserve £000 | Share premium account £000 | Special distributable reserve* £000 | Capital reserve* £000 | Revenue reserve* £000 | Total £000 |
|--|---------------------------------------|--|-------------------------------------|--|-----------------------------|-----------------------------|----------------|
| As at 1 April 2020 | 1,223 | 78 | 30,401 | 82,943 | 53,499 | 2,321 | 170,465 |
| Net return attributable to shareholders** | – | – | – | – | 31,971 | 4,579 | 36,550 |
| Ordinary shares bought back during the period | – | – | – | (1,360) | – | – | (1,360) |
| Dividends paid | – | – | – | – | – | (2,158) | (2,158) |
| As at 30 September 2020 | 1,223 | 78 | 30,401 | 81,583 | 85,470 | 4,742 | 203,497 |

| For the year ended 31 March 2021 (Audited) | Called up share capital £000 | Capital redemption reserve £000 | Share premium account £000 | Special distributable reserve* £000 | Capital reserve* £000 | Revenue reserve* £000 | Total £000 |
|--|---------------------------------------|--|-------------------------------------|--|-----------------------------|-----------------------------|----------------|
| As at 1 April 2020 | 1,223 | 78 | 30,401 | 82,943 | 53,499 | 2,321 | 170,465 |
| Net return attributable to shareholders** | – | – | – | – | 41,029 | 7,045 | 48,074 |
| Ordinary shares issued during the year | – | – | 324 | 943 | – | – | 1,267 |
| Ordinary shares bought back during the year | – | – | – | (5,692) | – | – | (5,692) |
| Dividends paid | – | – | – | – | – | (6,436) | (6,436) |
| As at 31 March 2021 | 1,223 | 78 | 30,725 | 78,194 | 94,528 | 2,930 | 207,678 |

* 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 8, and therefore this is also the 'Total comprehensive income' for the period.

The notes on pages 12 to 16 form part of these condensed financial statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOW

| | Note | (Unaudited) Six months to 30 September 2021 | | (Unaudited) Six months to 30 September 2020 | | (Audited) Year to 31 March 2021 | |
|---|------|---|----------------|---|----------|---------------------------------------|----------|
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash flows from operating activities | | | | | | | |
| Net return on ordinary activities before taxation | | | 13,106 | | 36,861 | | 48,685 |
| Adjustments for: | | | | | | | |
| Gains on investments | 5 | (10,135) | | (32,319) | | (40,826) | |
| Finance costs | | 211 | | 256 | | 460 | |
| Exchange movement on bank borrowings | 9 | 249 | | (321) | | (1,180) | |
| Purchases of investments* | 5 | (8,398) | | (34,520) | | (248,428) | |
| Sales of investments* | 5 | 14,450 | | 44,313 | | 257,152 | |
| Dividend income | 3 | (3,704) | | (4,632) | | (8,288) | |
| Other income | 3 | – | | – | | (3) | |
| Premium income – written options | 3 | – | | (818) | | (818) | |
| Dividend income received | | 3,581 | | 4,750 | | 7,959 | |
| Other income received | | – | | – | | 3 | |
| Premium income received – written options | | – | | 818 | | 818 | |
| Decrease/(increase) in receivables | | 21 | | (7,953) | | 2,608 | |
| (Decrease)/increase in payables | | (26) | | 75 | | (302) | |
| Overseas withholding tax suffered | | (251) | | (311) | | (853) | |
| | | | (4,002) | | (30,662) | | (31,698) |
| Net cash flows from operating activities | | | 9,104 | | 6,199 | | 16,987 |
| Cash flows from financing activities | | | | | | | |
| Repurchase of ordinary share capital | | (4,811) | | (1,360) | | (5,692) | |
| Issue of ordinary share capital | | – | | 166 | | 1,433 | |
| Equity dividends paid | | (3,018) | | (3,676) | | (6,544) | |
| Repayment of the Sterling loan facility | | – | | – | | (10,000) | |
| Interest paid on borrowings | | (201) | | (267) | | (460) | |
| Net cash flows from financing activities | | | (8,030) | | (5,137) | | (21,263) |
| Net increase/(decrease) in cash and cash equivalents | | | 1,074 | | 1,062 | | (4,276) |
| Cash and cash equivalents at the start of the period | | | 825 | | 5,101 | | 5,101 |
| Cash and cash equivalents at the end of the period | 9 | | 1,899 | | 6,163 | | 825 |

* 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 company's dealing operations.

The notes on pages 12 to 16 form part of these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1: Accounting policies

For the period ended 30 September 2021 (and the year ended 31 March 2021), the company is applying The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), which forms part of 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 Guidance 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 April 2021.

The accounting policies applied for the condensed set of financial statements are set out in the company's annual report for the year ended 31 March 2021.

Note 2: Returns and net asset value

| | (Unaudited) Six months to 30 September 2021 | (Unaudited) Six months to 30 September 2020 | (Audited) Year to 31 March 2021 |
|---|---|---|---------------------------------------|
| Revenue return | | | |
| Revenue return attributable to ordinary redeemable shareholders | £3,184,000 | £4,579,000 | £7,045,000 |
| Weighted average number of shares in issue during the period* | 101,253,026 | 104,531,440 | 104,176,945 |
| Revenue return per ordinary redeemable share | 3.15p | 4.38p | 6.76p |
| Capital return | | | |
| Capital return attributable to ordinary redeemable shareholders | £9,721,000 | £31,971,000 | £41,029,000 |
| Weighted average number of shares in issue during the period* | 101,253,026 | 104,531,440 | 104,176,945 |
| Capital return per ordinary redeemable share | 9.60p | 30.59p | 39.39p |
| Net return | | | |
| Net return per ordinary redeemable share | 12.75p | 34.97p | 46.15p |
| Net asset value per share | | | |
| Net assets attributable to shareholders | £214,164,000 | £203,497,000 | £207,678,000 |
| Number of shares in issue at period end | 100,180,075 | 104,046,075 | 102,468,075 |
| Net asset value per share | 213.78p | 195.58p | 202.68p |

* Calculated excluding shares held in treasury.

During the six months ended 30 September 2021 there were 2,288,000 shares bought back into treasury at a cost of £4,811,000 (six months ended 30 September 2020 714,560 shares bought back into treasury at a cost of £1,360,000, twelve months ended 31 March 2021 2,917,560 shares bought back into treasury at a cost of £5,692,000). No shares were issued from treasury during the six month period to 30 September 2021 (six months ended 30 September 2020 no shares were issued from treasury, twelve months ended 31 March 2021 625,000 shares were issued from treasury for proceeds of £1,267,000). There have been no shares cancelled from treasury during the six months ended 30 September 2021 (six months ended 30 September 2020 no shares were cancelled from treasury, twelve months ended 31 March 2021 no shares were cancelled from treasury). As at 30 September 2021 there were 22,119,073 shares 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 period ended 30 September 2021 and 30 September 2020.

| 2021 | Dividend rate | NAV | Share price |
|-------------------|---------------|-------------|-------------|
| 31 March 2021 | n/a | 202.68 | 202.00 |
| 2 July 2021 | 1.575 | 216.51 | 213.00 |
| 30 September 2021 | n/a | 213.78 | 214.00 |
| Total return | | 6.3% | 6.8% |

| 2020 | Dividend rate | NAV | Share price |
|-------------------|---------------|--------------|--------------|
| 31 March 2020 | n/a | 162.72 | 168.50 |
| 9 July 2020 | 2.06 | 189.87 | 193.00 |
| 30 September 2020 | n/a | 195.58 | 189.25 |
| Total return | | 21.5% | 13.5% |

Note 3: Revenue

| | (Unaudited) Six months to 30 September 2021 £000 | (Unaudited) Six months to 30 September 2020 £000 | (Audited) Year to 31 March 2021 £000 |
|---------------------------|---|---|---|
| From listed investments | | | |
| UK - equities | 1,682 | 512 | 1,711 |
| Overseas - equities | 2,022 | 4,120 | 6,577 |
| | 3,704 | 4,632 | 8,288 |
| Other revenue | | | |
| Premium - written options | — | 818 | 818 |
| Other income | — | — | 3 |
| | 3,704 | 5,450 | 9,109 |

During the six months to 30 September 2021 the company received no special dividends treated as capital (30 September 2020: £nil, year to 31 March 2021: £nil)

Note 4: Taxation on ordinary activities

| | (Unaudited) Six months to 30 September 2021 £000 | (Unaudited) Six months to 30 September 2020 £000 | (Audited) Year to 31 March 2021 £000 |
|-------------|---|---|---|
| Foreign tax | 201 | 311 | 611 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

| Note 5: Investments at fair value through profit or loss | (Unaudited) As at 30 September 2021 £000 | (Unaudited) As at 30 September 2020 £000 | (Audited) As at 31 March 2021 £000 |
|--|--|--|--|
| Opening book cost | 215,911 | 182,216 | 182,216 |
| Opening investment holding gains | 5,860 | 7,453 | 7,453 |
| Opening market value | 221,771 | 189,669 | 189,669 |
| Acquisitions at cost | 8,398 | 34,520 | 248,428 |
| Disposal proceeds | (14,450) | (44,313) | (257,152) |
| Gains on investments | 10,135 | 32,319 | 40,826 |
| Closing market value of investments | 225,854 | 212,195 | 221,771 |
| Closing book cost | 210,221 | 171,515 | 215,911 |
| Closing investment holding gains | 15,633 | 40,680 | 5,860 |
| Closing market value | 225,854 | 212,195 | 221,771 |

The company received £14,450,000 (six months ended 30 September 2020: £44,313,000, twelve months ended 31 March 2021: £257,152,000) from investments sold in the six months ended 30 September 2021. The average book cost of these investments when they were purchased was £14,088,000 (six months ended 30 September 2020: £45,224,000, twelve months ended 31 March 2021: £214,733,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

Transaction costs

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

| | (Unaudited) Six months to 30 September 2021 £000 | (Unaudited) Six months to 30 September 2020 £000 | (Audited) Year to 31 March 2021 £000 |
|--------------|---|---|---|
| Acquisitions | 10 | 51 | 434 |
| Disposals | 6 | 33 | 164 |
| | 16 | 84 | 598 |

| Note 6: Trade and other receivables | (Unaudited) As at 30 September 2021 £000 | (Unaudited) As at 30 September 2020 £000 | (Audited) As at 31 March 2021 £000 |
|-------------------------------------|---|---|---|
| Dividends receivable | 851 | 280 | 728 |
| Tax recoverable | 483 | 305 | 433 |
| Prepayments and other debtors | 24 | 21 | 45 |
| Due from brokers | – | 10,471 | – |
| | 1,358 | 11,077 | 1,206 |

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 2021 £000 | (Unaudited) As at 30 September 2020 £000 | (Audited) As at 31 March 2021 £000 |
|--|---|---|---|
| Interest accrued | 23 | 2 | 13 |
| Sterling bank revolving loan facility | – | 10,000 | – |
| Other trade payables | 90 | 492 | 116 |
| | 113 | 10,494 | 129 |

| Note 8: Trade payables – amounts falling due after more than one year | (Unaudited) As at 30 September 2021 £000 | (Unaudited) As at 30 September 2020 £000 | (Audited) As at 31 March 2021 £000 |
|---|---|---|---|
| Bank term loans | 14,834 | 15,444 | 14,585 |

The term loans carry an annual fixed rate interest of 2.1408%, 1.4175% and 3.1925% for Facility A, Facility B and Facility C respectively. The rate of interest for the revolving credit facility (Facility D) is set at each roll-over date and is made up of a fixed margin of 0.7% plus LIBOR rate. Under this agreement £nil was drawn at 30 September 2021.

The repayment date of the term loans is the same as their termination date which is the 19 September 2023. The repayment date of the revolving facility is the last day of its interest period and the termination date was 14 October 2021. Subsequent to the period end, on 12 October 2021, the company renewed the agreement whereby the termination date of the revolving facility was extended to 30 September 2023. The fixed margin element of interest on the revolving facility was also increased to 1.0%.

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 30 September 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 £3,870,000 (€4,500,000) and Facility C £9,464,000 (US\$12,750,000). (30 September 2020: Facility A £1,500,000, Facility B £4,082,000 (€4,500,000), Facility C £9,862,000 (US\$12,750,000) and Facility D £10,000,000, 31 March 2021: Facility A £1,500,000, Facility B £3,832,000 (€4,500,000) and Facility C £9,253,000 (US\$12,750,000)).

| Note 9: Analysis of net debt | (Audited) As at 31 March 2021 £000 | Cash flow £000 | Exchange movements £000 | (Unaudited) As at 30 September 2021 £000 |
|------------------------------|--|-------------------|-------------------------------|--|
| Cash at bank | 825 | 1,074 | – | 1,899 |
| Bank borrowings | (14,585) | – | (249) | (14,834) |
| | (13,760) | 1,074 | (249) | (12,935) |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 10: Fair value hierarchy

Under FRS 102, the company 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 2021 (Unaudited) | | | Total £000 |
|---|-------------------------------------|-----------------|-----------------|----------------|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | |
| Financial assets at fair value through profit or loss | | | | |
| Quoted equities | 225,854 | – | – | 225,854 |
| Net fair value | 225,854 | – | – | 225,854 |

| | As at 30 September 2020 (Unaudited) | | | Total £000 |
|---|-------------------------------------|-----------------|-----------------|----------------|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | |
| Financial assets at fair value through profit or loss | | | | |
| Quoted equities | 212,195 | – | – | 212,195 |
| Net fair value | 212,195 | – | – | 212,195 |

| | As at 31 March 2021 (Audited) | | | Total £000 |
|---|-------------------------------|-----------------|-----------------|----------------|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | |
| Financial assets at fair value through profit or loss | | | | |
| Quoted equities | 221,771 | – | – | 221,771 |
| Net fair value | 221,771 | – | – | 221,771 |

Note 11: Interim financial report

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in S434 – 6 of the Companies Act 2006. The financial information for the six months ended 30 September 2021 and 30 September 2020 has not been audited or reviewed.

The information for the year ended 31 March 2021 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.

INVESTOR INFORMATION

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

AIFM and Company Secretary

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Investment manager

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

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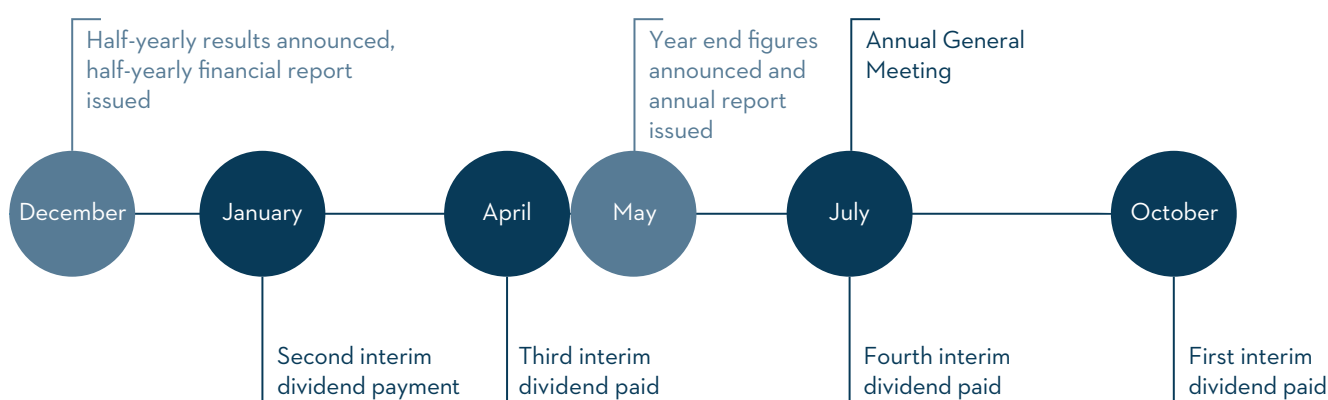
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Association of Investment Companies

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24 Chiswell Street
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Telephone 020 7282 5555
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 2021/22



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 30 September 2021 the share price was 214.00p and the net asset value per share (cum income) was 213.78p, the premium was therefore 0.1%.

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 9, and includes undistributed current year income. The NAV (cum income) per share as at 30 September 2021 was 213.78p.

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 £214,164,000 - per Statement of Financial Position

Less undistributed current year income £3,184,000 - per Statement of Comprehensive Income

Less any dividends paid for the current year - at 30 September 2021: £nil

This figure is then divided by the shares in issue as at 30 September 2021, 100,180,075, to give the NAV (ex income) per share of 210.60p as at 30 September 2021.

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 NAV (cum income) for the period end 30 September 2021 was 6.3%, 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, if any) 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.

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. Not all investment companies pay dividends. Dividend income is not 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 are 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 does not 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 does not 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 30 September 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.

GLOSSARY OF TERMS

Comparison index

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

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 is 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 qualify for tax efficient wrapper products like individual savings accounts ('ISAs') and self-invested personal pensions ('SIPPs') as well as many 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: B09G3N2

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.

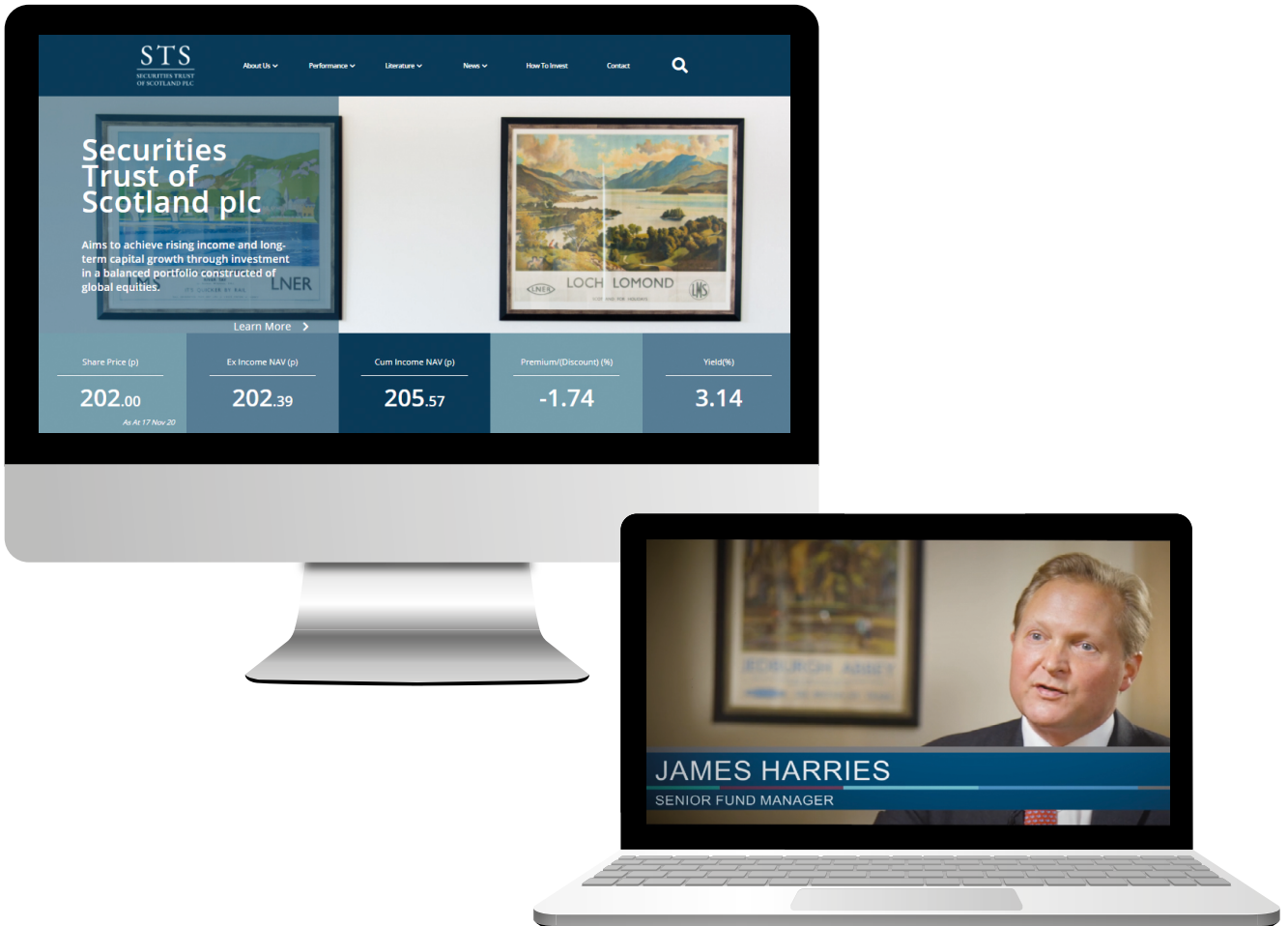
EASY ACCESS TO INFORMATION

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
- performance data
- latest factsheet
- press releases and articles
- manager videos
- portfolio information
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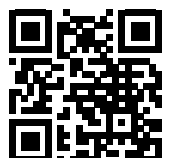
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