

STS

SECURITIES TRUST
OF SCOTLAND PLC

Half-yearly financial report
Six months to 30 September 2022

ABOUT SECURITIES TRUST OF SCOTLAND

Rising income and long-term capital growth

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

Dividends paid quarterly

The company pays 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 is managed by Troy Asset Management ('Troy' or the 'manager'). 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.

Environmental, social and governance ('ESG')

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

Discount management

The company operates a discount control mechanism which aims to ensure, in normal market conditions, that the shares trade consistently close to their net asset value. Any issue of shares under the discount control mechanism will only be undertaken at a premium to the net asset value at the time of dealing.

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.

Share capital structure

As at 30 September 2022 the company had 100,260,575 ordinary shares of 1p, each entitled to one vote, in issue and 22,038,573 ordinary shares of 1p held in treasury.

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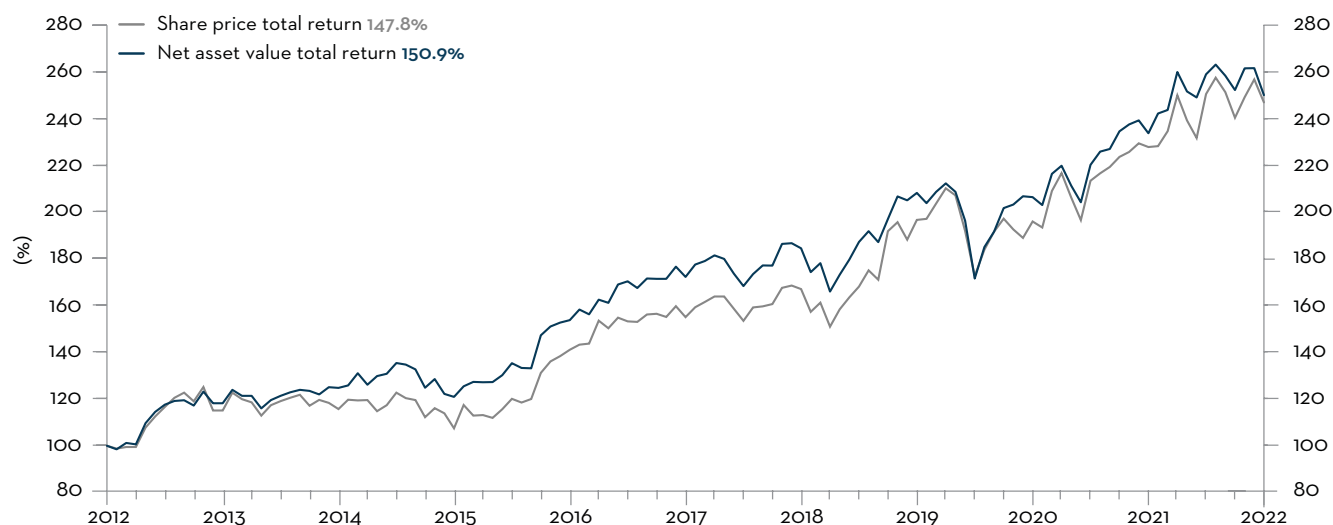
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FINANCIAL HIGHLIGHTS

Long-term capital growth



Source: Refinitiv Datastream

Total return[^]

(including reinvested dividends)

	Six months ended 30 September 2022 %	Six months ended 30 September 2021 %
Net asset value per share	(2.7)	6.3
Lipper Global - Equity Global Income Index	(5.9)	6.0
Share price	(1.4)	6.8

Key data

	As at 30 September 2022	As at 31 March 2022
Net asset value per share (cum income) [^]	222.86p	230.75p
Net asset value per share (ex income) [^]	219.44p	229.01p
Share price	226.00p	231.00p
Premium [^]	1.4%	0.1%
Net assets	£223,441,000	£229,657,000

Income

	Six months ended 30 September 2022	Six months ended 30 September 2021
Revenue per share	3.43p	3.15p
Dividend per share	2.90p	2.75p

[^] For details of all Alternative Performance Measures refer to page 17.

INTERIM MANAGEMENT REPORT

Chairman's statement

Introduction

For the six month period to 30 September 2022 the net asset value ('NAV') total return for your company was -2.7%, somewhat better than the -5.9% total return from the comparison index: the Lipper Global - Equity Global Income Index.

There was a slight widening of the premium to NAV at which the share price traded over the period and consequently the share price total return was -1.4%.

Whilst it is disappointing to be reporting negative returns for a period it is important to put these in context.

Equity and bond markets around the globe have been dealing with an increasingly difficult economic outlook, the root cause of which is inflation rates rising to levels generally not seen since the 1980s. Inflation was already forecast to rise given supply bottlenecks and shortages caused by the dislocation to economic activity during the COVID pandemic. The inflationary pressures were exacerbated by the Russian invasion of Ukraine that, in particular, resulted in sharp rises in energy and some commodity prices.

The response by most Central Banks has been to raise interest rates and begin the process of reversing the quantitative easing that had been deployed first in response to the financial crisis in 2008 and secondly during the COVID pandemic and related lockdowns in 2020.

The era of ultra low interest rates and abundant lending was always going to revert to a more normal environment but the dreadful events in Ukraine resulted in inflation rising to higher levels than anticipated and consequently interest rates have risen and may still rise by more than was previously expected.

This has been a difficult backdrop for financial markets, for example the FTSE All-Share Index in the UK showed a -8.3% total return for the six months while in the US the S&P 500 total return was -20.2% in US\$ terms.

Revenue and earnings

Total revenue for the period was £4.3m, and revenue earnings per share were 3.43p, 8.9% greater than the 3.15p for the equivalent period in 2021. The revenue performance of your company has been encouraging and reflects the stability in dividend payments by your company's investments. In addition, over the period the £/US\$ exchange rate moved from £1 being worth \$1.3133 at 31 March 2022 to \$1.1160 as

at 30 September 2022. This decline in value has the effect of increasing the Sterling value of our US investments and also means that US dividends are translated into Sterling at more favourable rates.

Earnings have therefore benefited from robust dividend performance from your company's holdings and those dividends have been translated at more favourable rates.

The change in the exchange rate was initially a reflection of a strong US\$ as the Federal Reserve acted rather more quickly than other Central Banks to raise interest rates in an attempt to control rising rates of inflation. More recently the weakness of Sterling has been exacerbated by political uncertainty in the UK and the very poorly received fiscal statement in September.

A first interim dividend of 1.45p pence share was paid to shareholders on 28 October 2022. The board is pleased to declare a second interim dividend of 1.45p per share, which will be paid on 20 January 2023 to shareholders on the register on 23 December 2022. The ex-dividend date will be 22 December 2022. The total dividends declared for the period is therefore 2.90p per share. This represents a 5.5% increase on the equivalent payment in 2021 of 2.75p. The board has indicated that in the absence of unforeseen circumstances the dividend for the full financial year will be increased by not less than 5.5%.

This rate of increase is likely to be less than the expected increase in earnings per share. It is the board's ambition to provide shareholders with a consistent and sustainably rising dividend over time. In periods, quite probably such as this year, in which the movement in exchange rates are unusually favourable, some of that benefit will be applied to enhancing revenue reserves with the intention of utilising those reserves should, as is possible, exchange rates or other factors prove to be less helpful to earnings in future periods.

Share price rating to NAV

Your board has adopted and implements a formal discount control mechanism with the objective of ensuring that, in normal market conditions, the share price consistently trades close to NAV per share. Shares are bought in or sold at the appropriate times to manage this objective. During the period under review 429,500 shares were purchased at an average discount of 1.8% and 1,165,000 shares were issued at an average premium of 1.2%.

Borrowing facilities

Your company has total borrowing facilities of £25m with the Royal Bank of Scotland. These consist of a £15m multi-currency facility which expires in September 2023 and a revolving credit facility of £10m which also expires in 2023 but has an option to be extended by a further 12 months. Over the period under review the average utilisation was £15.8m.

These facilities were agreed in 2016 and have a seven year life. The board will negotiate new loans well ahead of the expiry of the current facilities allowing the managers to have a flexible structure to use with the objective of enhancing shareholder returns.

This ability to gear is a key differentiator of your company's investment trust structure, which allows greater flexibility in pursuit of higher returns.

Responsible investing

As detailed in the 2022 annual report, in considering ESG matters, the manager is increasingly focussing on climate-related risks. Further details on recent actions Troy have taken in this regard can be found in their latest Responsible Investment Report, which is available on their website www.taml.co.uk/responsible-investing. In particular it was pleasing to note the positive impact they had achieved by engaging with one of your company's investments, Domino's Pizza Group, in encouraging them to set emissions reduction targets for both their direct carbon emissions and those of their value chain. This demonstrates the positive influence that good stewardship and governance can have.

Outlook

At the core of your manager's philosophy is the preservation of capital and the objective of delivering above average returns with below average volatility. In particular, the manager seeks to provide some protection from significant drawdowns in weak markets. The first half returns for your company suggest that in the recent period these objectives have been achieved.

The global economic background is currently challenging as Central Banks struggle to control inflation by raising interest rates. For companies the combination of uncertain final demand and rising input prices represents a difficult background. Your company's portfolio consists of a carefully selected group of companies that can demonstrate high operating margins, strong cash flows and enviable market positions – all of which combine to provide pricing power. These are attributes that have served the portfolio well recently and should continue to provide relatively good performance against a difficult background.

John Evans

Chairman

5 December 2022

INTERIM MANAGEMENT REPORT

Manager's review

During a difficult period for global capital markets the company managed to deliver a growing income stream as well as protect capital relatively well. It must be acknowledged this was a function of both weakness in Sterling as well as our conservative, quality focussed investment approach.

Investors have been buffeted by three separate issues that represent an unfortunate confluence of events. The first is the ongoing horrors of the Russian invasion of Ukraine. The main effect, beyond the unfolding humanitarian disaster, has been to put upward pressure on commodity prices, including food. This has worsened inflationary pressures in the short term but probably makes medium term inflation less severe owing to the greater likelihood of a recession. Second, we have the lingering effects of COVID which continue to disrupt economies and supply chains but which should normalise over time. Third we have a credit cycle which began following the global financial crisis in 2008 and continues to this day. Weak credit markets suggest this may be changing.

These factors would have been less impactful had we not also seen the return of inflation. This has caused policy makers to change from setting monetary and fiscal policy to support asset markets to stimulate economic activity, to focusing primarily on combatting rising prices. The emphasis has rightly moved from the financial to the real economy.

This is a profound change. At the macro-economic level it is likely we are facing a more challenging growth environment. Rising short term interest rates and the withdrawal of quantitative easing makes a recession much more likely. At the micro-economic level high quality, established companies which is descriptive of the portfolio, have suffered from cheaply-funded but unprofitable competition. This is likely to drop away to the benefit of our companies.

The single biggest contributor over the last six months was ADP. This company provides outsourced services including human resources, payroll, tax and benefits administration. It has been benefitting from the very robust employment market in the US as well as rising interest rates (as the cash they hold on behalf of clients makes a more meaningful contribution to profits).

The remainder of the best performing companies all reside in the consumer staples sector – PepsiCo, Unilever, Hershey and Philip Morris. This reflects the durable nature of the cashflows that may be expected from these businesses

and which have been positively reappraised by investors. They have also had many decades of experience in dealing with inflationary pressures in different markets around the world and are adept at offsetting rising input costs over time. Recent results have demonstrated this resilience.

The companies that performed less well are a more eclectic group. Vonovia and Boston Properties are companies that own German residential property and A grade US offices respectively. We believe both assets to be attractively valued. They have proven to be correlated with interest rates in the short term and have suffered as a result. We note however that short term interest rates remain well below inflation creating a very negative real interest rate environment. This should benefit these companies over time as rents rise.

Two further detractors from performance are both exposed to the UK consumer. Domino's Pizza is an excellent business that has had a difficult few years. Most recently the well-regarded CEO resigned and returned to a previous employer. This combined with the self-evident pressure under which consumers find themselves has led to a period of poor share price performance. We remain long term holders but would like to see greater stability at the senior manager level.

Admiral Group has also been weak in the short period we have owned the shares. We established an investment following a substantial fall in the share price post-COVID. Concerns relating to the rising cost of vehicle repairs have caused competitors to issue disappointing results. Although Admiral has not suffered the same fate it has fallen in sympathy. We think this will be a short-term problem and the company should be able to raise prices over time should they need. It is an excellent business trading at a very attractive valuation.

Finally, and somewhat surprisingly, CME Group was the final lacklustre performer over this period. Previously known as the Chicago Mercantile Exchange, this company is a leading derivatives exchange in the US. As inflation expectations have become unanchored the need for investors to hedge this risk has increased. Further there is a structural increase in the use of futures and options by institutional as well as increasingly retail investors. CME should benefit from these trends longer term. More recently investors have worried about declining market volumes which are associated with a darkening economic outlook. We remain comfortable with the investment.

Outlook

Investors face the unwelcome combination of a weaker economic outlook combined with elevated valuations in equity markets. A widespread repricing of fixed income markets and a less favourable policy backdrop makes for a more challenging environment for equity investment until greater value is apparent. This favours our investment style as well as the certainty of return from income in addition to longer term capital growth. When returns are plentiful, as they have been for years, the incremental return from income becomes less prized by investors. In more straitened times it becomes valuable once more. This is especially the case for those with irreplaceable capital and seeking a certain return to cover rising day to day expenses without having to dip into capital at times of stress.

Precisely this type of return is what we strive to deliver.

We also have a number of high quality businesses we would love to own but which have been too richly valued. That is now changing and may provide an opportunity for us to improve the quality of the portfolio while increasing the growth rate of the income the company provides.

We will continue to seek to allocate capital with patience and discipline as opportunities present themselves in the months ahead.

James Harries

5 December 2022

INTERIM MANAGEMENT REPORT

A review of the half year and the outlook for the company can be found in the Chairman's Statement and Manager's Review on pages 2 to 5.

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.

A detailed explanation of the principal risks and uncertainties facing the company and how the board manages them can be found in the 2022 annual report, which can be found on the company's website www.stsplc.co.uk. In the view of the board, these principal risks and uncertainties at the year end remain, albeit the worsening geopolitical and macro-economic environment and the resultant disruption to world markets has impacted the severity of such risks. The board continue to work with the agents and advisers to the company to manage these risks. The risks identified are as applicable to the remaining six months of the year as they were to the six months under review.

Going concern status

The company's business activities, together with the factors likely to affect its future development, performance and position, are continually monitored by the board.

The financial position of the company as at 30 September 2022 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.

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. They have

reviewed revenue forecasts and the financial position of the company. They believe that the company has adequate financial resources and a suitably liquid investment portfolio 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 consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Related party transactions

During the first six months of the year, no transactions with related parties have taken place which have materially affected the financial position or performance of the company. There have been no material changes in any related party transaction described in the annual report for the year ended 31 March 2022.

Directors' responsibility statement

The directors are responsible for preparing the half yearly financial report in accordance with applicable law and regulations. The directors confirm that, to the best of their knowledge:

- the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC in July 2022;
- the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months of the financial year and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and charges therein).

By order of the board

John Evans
Chairman

5 December 2022

PORTFOLIO SUMMARY

Portfolio distribution as at 30 September 2022

By region (excluding cash)

	As at 30 September 2022 %	As at 31 March 2022 %
North America	54.7	54.2
Europe	40.7	42.1
Asia	4.6	3.7
	100.0	100.0

By sector (excluding cash)

	As at 30 September 2022 %	As at 31 March 2022 %
Consumer staples	40.7	38.7
Information technology	20.2	20.2
Healthcare	14.5	16.9
Financials	6.7	4.7
Industrials	5.4	5.7
Consumer discretionary	5.3	6.0
Real estate	4.3	5.8
Communication services	2.9	2.0
	100.0	100.0

By asset class (including cash and borrowings)

	As at 30 September 2022 %	As at 31 March 2022 %
Equities	105.6	106.1
Cash	2.0	0.4
Borrowings	(7.6)	(6.5)
	100.0	100.0

Ten largest holdings

	30 September 2022 Market value £000	30 September 2022 % of total portfolio	31 March 2022 Market value £000	31 March 2022 % of total portfolio
British American Tobacco	15,092	6.4	15,683	6.4
Paychex	13,283	5.7	13,724	5.6
Automatic Data Processing	13,275	5.6	11,348	4.7
PepsiCo	12,333	5.2	10,740	4.4
Unilever	11,669	5.0	10,158	4.2
Reckitt & Benckiser	10,301	4.4	10,541	4.3
Philip Morris	10,250	4.4	12,079	4.9
CME Group	10,160	4.3	11,590	4.7
Diageo	9,896	4.2	10,799	4.4
Johnson & Johnson	9,379	4.0	8,637	3.5

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months to 30 September 2022			(Unaudited) Six months to 30 September 2021			(Audited) Year to 31 March 2022		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net (losses)/gains on investments	5	–	(7,283)	(7,283)	–	10,135	10,135	–	29,232	29,232
Net currency gains/(losses)		24	(1,946)	(1,922)	5	(257)	(252)	3	(445)	(442)
Income	3	4,269	266	4,535	3,704	–	3,704	7,378	–	7,378
Investment management fee		(266)	(494)	(760)	(11)	(20)	(31)	(222)	(413)	(635)
Other expenses		(295)	–	(295)	(239)	–	(239)	(516)	–	(516)
Net return before finance costs and taxation		3,732	(9,457)	(5,725)	3,459	9,858	13,317	6,643	28,374	35,017
Finance costs		(85)	(158)	(243)	(74)	(137)	(211)	(157)	(291)	(448)
Net return on ordinary activities before taxation		3,647	(9,615)	(5,968)	3,385	9,721	13,106	6,486	28,083	34,569
Taxation	4	(215)	–	(215)	(201)	–	(201)	(632)	–	(632)
Net return attributable to ordinary shareholders		3,432	(9,615)	(6,183)	3,184	9,721	12,905	5,854	28,083	33,937
Net return per ordinary share	2	3.43p	(9.61p)	(6.18p)	3.15p	9.60p	12.75p	5.82p	27.92p	33.74p

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 2022').

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 15 form part of these condensed financial statements.

UNAUDITED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 September 2022		(Unaudited) As at 30 September 2021		(Audited) As at 31 March 2022	
	Note	£000	£000	£000	£000	£000	£000
Fixed assets							
Investments at fair value through profit or loss	5		235,338		225,854		244,561
Current assets							
Trade and other receivables		3,415		1,358		1,089	
Cash and cash equivalents		4,414		1,899		865	
		7,829		3,257		1,954	
Current liabilities							
Bank loans	6	(16,878)		–		–	
Trade payables		(2,848)		(113)		(489)	
Dividend payable		–		–		(1,368)	
Total current liabilities		(19,726)		(113)		(1,857)	
Net current (liabilities)/assets			(11,897)		3,144		97
Total assets less current liabilities			223,441		228,998		244,658
Non-current liabilities							
Bank loans	6		–		(14,834)		(15,001)
Total net assets			223,441		214,164		229,657
Capital and reserves							
Called up share capital	8	1,223		1,223		1,223	
Capital redemption reserve		78		78		78	
Share premium account		31,571		30,725		30,762	
Special distributable reserve		72,837		73,383		71,925	
Capital reserve		112,996		104,249		122,611	
Revenue reserve		4,736		4,506		3,058	
Total shareholders' funds			223,441		214,164		229,657
Net asset value per ordinary share	2		222.86p		213.78p		230.75p

The company is registered in Scotland no. SC283272.

The notes on pages 12 to 15 form part of these condensed financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2022 (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 2022	1,223	78	30,762	71,925	122,611	3,058	229,657
Net return attributable to shareholders**	–	–	–	–	(9,615)	3,432	(6,183)
Shares issued from treasury	–	–	809	1,906	–	–	2,715
Shares bought back into treasury	–	–	–	(994)	–	–	(994)
Dividends paid	–	–	–	–	–	(1,754)	(1,754)
As at 30 September 2022	1,223	78	31,571	72,837	112,996	4,736	223,441

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
Shares bought back into treasury	–	–	–	(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 year ended 31 March 2022 (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 2021	1,223	78	30,725	78,194	94,528	2,930	207,678
Net return attributable to shareholders**	–	–	–	–	28,083	5,854	33,937
Shares issued from treasury	–	–	37	162	–	–	199
Shares bought back into treasury	–	–	–	(6,431)	–	–	(6,431)
Dividends paid	–	–	–	–	–	(5,726)	(5,726)
As at 31 March 2022	1,223	78	30,762	71,925	122,611	3,058	229,657

* These reserves are distributable with the exception of the unrealised portion of the capital reserve (£25,784,000; 31 March 2022: £35,081,000; 30 September 2021: £15,633,000), which is non-distributable.

** The company does not have any other income or expenses that are not included in the 'Net return attributable to 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 15 form part of these condensed financial statements.

UNAUDITED STATEMENT OF CASH FLOW

		(Unaudited) Six months to 30 September 2022		(Unaudited) Six months to 30 September 2021		(Audited) Year to 31 March 2022	
	Note	£000	£000	£000	£000	£000	£000
Cash flows from operating activities							
Net return on ordinary activities before taxation			(5,968)		13,106		34,569
Adjustments for:							
Losses/(gains) on investments	5	7,283		(10,135)		(29,232)	
Finance costs		243		211		448	
Exchange movement on bank borrowings	7	1,877		249		416	
Purchases of investments*		(7,401)		(8,398)		(17,528)	
Sales of investments*		9,312		14,450		23,970	
Dividend income	3	(4,533)		(3,704)		(7,378)	
Other income	3	(2)		–		–	
Dividend income received		4,615		3,581		7,252	
Other income received		2		–		–	
Decrease in receivables		14		21		17	
(Decrease)/increase in payables		(12)		(26)		358	
Overseas withholding tax suffered		(240)		(251)		(406)	
			11,158		(4,002)		(22,083)
Net cash flows from operating activities			5,190		9,104		12,486
Cash flows from financing activities							
Repurchase of ordinary shares		(994)		(4,811)		(6,431)	
Issue of ordinary shares		2,715		–		199	
Equity dividends paid		(3,122)		(3,018)		(5,768)	
Interest paid on borrowings		(240)		(201)		(446)	
Net cash flows from financing activities			(1,641)		(8,030)		(12,446)
Net increase in cash and cash equivalents			3,549		1,074		40
Cash and cash equivalents at the start of the period			865		825		825
Cash and cash equivalents at the end of the period	7		4,414		1,899		865

* 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 15 form part of these condensed financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Accounting policies

For the period ended 30 September 2022 (and the year ended 31 March 2022), 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, the Financial Reporting Standard applicable in the UK and Republic of Ireland, FRS 104 Interim Financial Reporting, and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('SORP') issued by the AIC in July 2022.

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 2022.

Note 2: Returns and net asset value

	(Unaudited) Six months to 30 September 2022	(Unaudited) Six months to 30 September 2021	(Audited) Year to 31 March 2022
Returns per share			
Revenue return (£000)	3,432	3,184	5,854
Capital return (£000)	(9,615)	9,721	28,083
Total (£000)	(6,183)	12,905	33,937
Weighted average number of ordinary shares in issue	100,054,419	101,253,026	100,591,911
Revenue return per ordinary share	3.43p	3.15p	5.82p
Capital return per ordinary share	(9.61p)	9.60p	27.92p
Total return per ordinary share	(6.18p)	12.75p	33.74p
Net asset value per share			
Net assets attributable to shareholders (£000)	223,441	214,164	229,657
Number of shares in issue at period end	100,260,575	100,180,075	99,525,075
Net asset value per share	222.86p	213.78p	230.75p

Note 3: Income	(Unaudited) Six months to 30 September 2022 £000	(Unaudited) Six months to 30 September 2021 £000	(Audited) Year to 31 March 2022 £000
From listed investments			
UK - equities	1,932	1,682	2,889
Overseas - equities	2,335	2,022	4,489
	4,267	3,704	7,378
Other income			
Deposit interest	2	–	–
	4,269	3,704	7,378

During the six months to 30 September 2022 the company received special dividends of £266,000 from Admiral Group, which were treated as capital (30 September 2021: £nil, year to 31 March 2022: £nil)

Note 4: Taxation	(Unaudited) Six months to 30 September 2022 £000	(Unaudited) Six months to 30 September 2021 £000	(Audited) Year to 31 March 2022 £000
Foreign tax	215	201	632

Note 5: Investments at fair value through profit or loss	(Unaudited) As at 30 September 2022 £000	(Unaudited) As at 30 September 2021 £000	(Audited) As at 31 March 2022 £000
Opening book cost	209,480	215,911	215,911
Opening investment holding gains	35,081	5,860	5,860
Opening market value	244,561	221,771	221,771
Acquisitions at cost	9,769	8,398	17,528
Disposal proceeds received	(11,709)	(14,450)	(23,970)
(Losses)/gains on investments	(7,283)	10,135	29,232
Closing market value of investments	235,338	225,854	244,561
Closing book cost	209,554	210,221	209,480
Closing investment holding gains	25,784	15,633	35,081
Closing market value	235,338	225,854	244,561

The company received £11,709,000 (six months ended 30 September 2021: £14,450,000, year ended 31 March 2022: £23,970,000) from investments sold in the six months ended 30 September 2022. The average book cost of these investments when they were purchased was £9,695,000 (six months ended 30 September 2021: £14,088,000, year ended 31 March 2022: £23,959,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: Investments at fair value through profit or loss (continued)

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 2022 £000	(Unaudited) Six months to 30 September 2021 £000	(Audited) Year to 31 March 2022 £000
Acquisitions	43	10	47
Disposals	4	6	9
	47	16	56

Note 6: Bank loans

	(Unaudited) As at 30 September 2022 £000	(Unaudited) As at 30 September 2021 £000	(Audited) As at 31 March 2022 £000
Bank term loans due within one year	16,878	–	–
Bank term loans due after more than one year	–	14,834	15,001
	16,878	14,834	15,001

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 1.0% plus SONIA rate. Under this agreement £nil was drawn at 30 September 2022.

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 credit facility is the last day of its interest period and the termination date is 30 September 2023.

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 2022 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 £3,953,000 (€4,500,000) and Facility C £11,425,000 (US\$12,750,000). (30 September 2021: Facility A £1,500,000, Facility B £3,870,000 (€4,500,000), and Facility C £9,464,000 (US\$12,750,000); 31 March 2022: Facility A £1,500,000, Facility B £3,792,000 (€4,500,000) and Facility C £9,709,000 (US\$12,750,000)).

Note 7: Analysis of net debt

	(Audited) As at 31 March 2022 £000	Cash flow £000	Non-cash movements £000	Exchange movements £000	(Unaudited) As at 30 September 2022 £000
Cash at bank	865	3,549	–	–	4,414
Bank borrowings due within one year	–	–	(15,001)	(1,877)	(16,878)
Bank borrowings due after more than one year	(15,001)	–	15,001	–	–
	(14,136)	3,549	–	(1,877)	(12,464)

Note 8: Called up share capital	(Unaudited) As at 30 September 2022 No. of shares	(Unaudited) As at 30 September 2021 No. of shares	(Audited) As at 31 March 2022 No. of shares
Ordinary shares of 1p			
Shares in issue	100,260,575	100,180,075	99,525,075
Held in treasury	22,038,573	22,119,073	22,774,073
	122,299,148	122,299,148	122,299,148

During the six months ended 30 September 2022 there were 429,500 shares bought back into treasury at a cost of £994,000 (six months ended 30 September 2021 2,288,000 shares bought back into treasury at a cost of £4,811,000; year ended 31 March 2022 3,043,000 shares bought back into treasury at a cost of £6,431,000).

During the six months ended 30 September 2022 the company issued 1,165,000 shares from treasury for net proceeds of £2,715,000 (six months ended 30 September 2021 no shares were issued from treasury; year ended 31 March 2022 100,000 shares were issued from treasury for net proceeds of £199,000).

No shares were purchased for cancellation or cancelled from treasury in the current or prior periods.

Note 9: 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:

	(Unaudited) As at 30 September 2022 £000	(Unaudited) As at 30 September 2021 £000	(Audited) As at 31 March 2022 £000
Financial assets at fair value through profit or loss - Quoted equities			
Level 1	235,338	225,854	244,561
Level 2	-	-	-
Level 3	-	-	-
Total	235,338	225,854	244,561

There have been no transfers between levels 1, 2 or 3 during the period (30 September 2021 and year ended 31 March 2022: nil).

Note 10: 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 2022 and 30 September 2021 has not been audited or reviewed.

The information for the year ended 31 March 2022 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.

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Angus Cockburn
Sarah Harvey (Senior Independent Director)
Alexandra Innes
Mark Little

AIFM and Company Secretary

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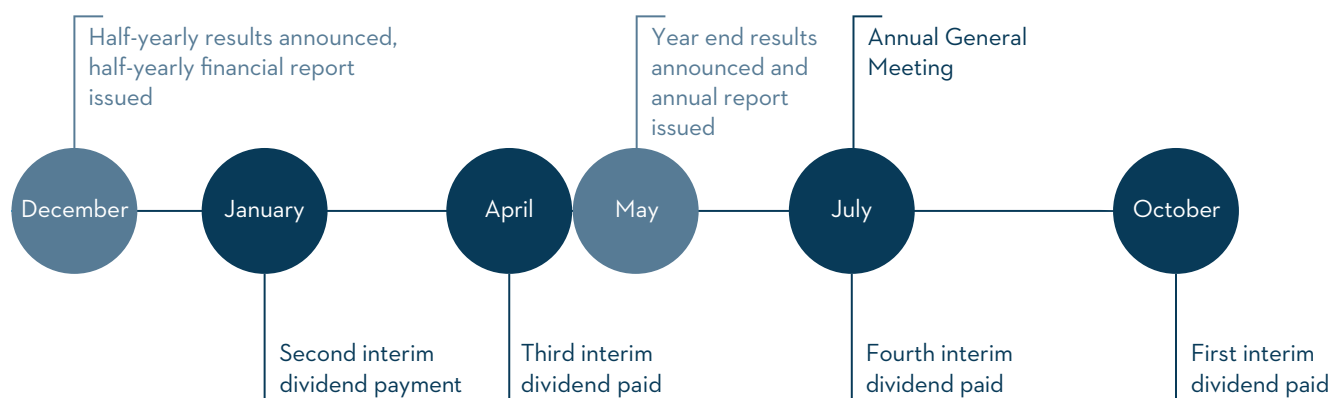
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Securities Trust of Scotland is a member of the AIC (the trade body of the investment company industry).

Financial calendar - key dates 2022/23



ALTERNATIVE PERFORMANCE MEASURES

The Alternative Performance Measures ('APMs') detailed below are used by the board to assess the company's performance against a range of criteria and are viewed as particularly relevant to an investment trust. Other terms detailed below are for reference.

NAV total return		Net asset value total return measures the increase or decrease in net asset value per share plus the dividends paid in the period, which are assumed to be reinvested at NAV at the time that the share price is quoted ex-dividend.			
		(Unaudited) 30 September 2022	(Unaudited) 30 September 2021	(Audited) 31 March 2022	
	Opening NAV per share	A	230.75p	202.68p	202.68p
	Closing NAV per share	B	222.86p	213.78p	230.75p
	% change in NAV	C=(B-A)/A	(3.4%)	5.5%	13.8%
	Impact of dividends reinvested	D	0.7%	0.8%	3.0%
	NAV total return	E=C+D	(2.7%)	6.3%	16.8%

Share price total return		Share price total return measures the increase or decrease in share price plus the dividends paid in the period, which are assumed to be reinvested at the share price at the time that the share price is quoted ex-dividend.			
		(Unaudited) 30 September 2022	(Unaudited) 30 September 2021	(Audited) 31 March 2022	
	Opening share price	A	231.00p	202.00p	202.00p
	Closing share price	B	226.00p	214.00p	231.00p
	% change in share price	C=(B-A)/A	(2.2%)	5.9%	14.4%
	Impact of dividend reinvested	D	0.8%	0.9%	3.0%
	Share price total return	E=C+D	(1.4%)	6.8%	17.4%

Premium/discount to NAV		The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.			
		(Unaudited) 30 September 2022	(Unaudited) 30 September 2021	(Audited) 31 March 2022	
	NAV per share	A	222.86p	213.78p	230.75p
	Share price	B	226.00p	214.00p	231.00p
	Premium	C=(B-A)/A	1.41%	0.10%	0.11%

NAV per share		This is the main measure of the underlying value of a share in an investment company. The NAV (cum income) per share includes undistributed current year income and the calculation is included in note 2. NAV (ex income) per share is calculated by deducting undistributed current year income from the NAV. To determine the NAV (ex income) per share the following calculation is applied:			
		(Unaudited) 30 September 2022	(Unaudited) 30 September 2021	(Audited) 31 March 2022	
	Net assets per statement of financial position	A	223,441,000	214,164,000	229,657,000
	Current year revenue return	B	3,432,000	3,184,000	5,854,000
	Dividends paid for the current year	C	–	–	4,118,000
	NAV (ex income)	D=A-(B-C)	220,009,000	210,980,000	227,921,000
	Shares in issue at the year-end	E	100,260,575	100,180,075	99,525,075
	Net asset value per share (ex income)	F=D/E	219.44p	210.60p	229.01p

GLOSSARY OF TERMS

Alternative Investment Fund Manager

An Alternative Investment Fund Manager ('AIFM') is an entity that provides certain investment services, including portfolio and risk management services. The company has appointed Juniper Partners Limited as its AIFM. 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.

Comparison index

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

Discount control mechanism

The policy through which the company issues shares where there is demand in the market or buys back ordinary shares when there are excess shares available in the market with the aim of ensuring, in normal market conditions, that the shares trade consistently close to their net asset value.

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.

Ex and cum income

Also shown as 'ex div' or 'xd', this means that, if you buy the shares today, you will not 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 6.

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 2022, 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.

Share buy backs

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

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.

Registrar

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

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.

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- portfolio information
- research
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