

## Securities Trust of Scotland plc

### Half-yearly financial report Six months to 30 September 2009

Copies of the Half Yearly financial report for the six months ended 30 September 2009 have been submitted to the UK Listing Authority and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility situated at:

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

A copy of this half-yearly financial report can be downloaded at [www.securitiestrust.com](http://www.securitiestrust.com)

#### Financial summary

Key data	As at 30 September 2009	As at 31 March 2009	% change
Net asset value per share (cum-income)	100.07p	75.41p	+32.7
Net asset value per share (ex-income)	98.46p	73.43p	+34.1
Benchmark*	2,634.79	1,984.17	+32.8
Share price	90.00p	66.25p	+35.8
Discount**	10.06%	12.15%	

Total returns‡	Six months ended 30 September 2009	Six months ended 30 September 2008
Net asset value per share	39.44%	(16.5%)
Benchmark*	35.69%	(13.5%)
Share price	41.00%	(19.7%)

Income	Six months ended 30 September 2009	Six months ended 30 September 2008	% change
Revenue return per share	2.76p	3.04p	-9.2

Total expenses	Six months ended 30 September 2009	Year ended 31 March 2009	Six months ended 30 September 2008
As a percentage of shareholders' funds			
Excluding performance fee	0.8%	0.7%	0.5%
Including performance fee†	1.0%	0.7%	0.5%

\* FTSE All-Share index

\*\* Discount calculated using net asset value (cum-income)

‡ The combined effect of any dividends paid, together with the rise or fall in the share price, net asset value or benchmark.

† Details of the performance fees are shown in note 8

### Annual total returns with dividends reinvested over 12 month periods to 30 September

	2009	2008	2007	2006*
Securities Trust share price	6.9%	-30.4%	10.7%	29.9%
FTSE All-Share index	10.8%	-22.3%	12.2%	25.7%
Securities Trust net asset value per share	6.6%	-28.8%	10.6%	27.7%

\*since launch on 28 June 2005

Source: Fundamental Data

## INTERIM MANAGEMENT REPORT

### Chairman's statement

#### Performance

Welcome to the latest report covering the six months to 30 September 2009. It is encouraging to see equities bounce back so strongly after a difficult couple of years, and even more so to see Securities Trust of Scotland outperforming the broader market. This was due to good stock selection by our manager over the period.

In the period under review the total return of the net asset value per share was 39.4%, compared to the total return of 35.7% in the FTSE All-Share index. The share price total return was 41.0% as the discount narrowed.

#### Dividends

The economic downturn has made it a challenging environment for income investors and, although it is encouraging that the outlook for dividends has brightened, the impact of the dividend cuts made by companies held within the portfolio is now reflected in the company's revenue estimate.

The current revenue forecast does not cover the 5.45p per share paid in the year to 31 March 2009. Revenue reserves are modest because the company, in its current form, has been in existence for less than five years. Given this situation, the board considers it prudent to reduce the overall dividend payment for the year to 31 March 2010.

A first interim dividend payment of 1.15p per share has already been paid for the financial year to 31 March 2010. Your Board has also declared a second interim dividend of 1.15p per share, also unchanged year-on-year. This will be paid on 18 December 2009 to shareholders on the register on 27 November 2009. The board expects to pay a third interim dividend of 1.15p per share, and a fourth interim dividend of at least 1.15p per share amounting to a total dividend of at least 4.6p per share.

	2010	2009	2008	2007	2006*
1 <sup>st</sup> Interim dividend	1.15p	1.15p	1.10p	1.05p	n/a
2 <sup>nd</sup> Interim dividend	1.15p	1.15p	1.10p	1.05p	n/a
3 <sup>rd</sup> Interim dividend	Tbc	1.15p	1.10p	1.05p	1.00p
4 <sup>th</sup> Interim dividend	Tbc	2.00p	2.15p	1.90p	1.85p
Total	Tbc	5.45p	5.45p	5.05p	2.85p

\*since launch on 28 June 2005

## Gearing

On 30 June 2009, our previous loan facility for £20 million expired and was replaced with a new facility for £18 million. Whilst there has been an increase in lending margin for credit, this has been mitigated by the very low level of interest rates. At present the company is 10% geared, a prudent level of borrowing in the current environment.

### **Looking to the future with confidence**

With the Bank of England's base rate remaining at its all time low of 0.5% – and likely to stay close to this figure for some time – deposit accounts and gilt yields offer limited attractions for income-seeking investors. On 30 September, with consumer price inflation running at 1.6%, the two year gilt was yielding well under 1.0% and the five-year gilt was paying around 2.5%.

In this environment, we believe that an equity-based investment trust is a compelling proposition for long-term, income-seeking investors. In the second quarter results season, relatively few companies disappointed the market, with early-cycle sectors such as steel and car producers showing improvement, helped in some cases by government incentives.

And what of the outlook for equities? Since the low point in March, the UK stockmarket has performed strongly. This has been due primarily to a clear improvement in the global economic environment and I believe it may now be possible to draw a line under the level of dividend cuts by companies.

After such a strong rise in the UK market, many UK stocks now look overbought, so some consolidation seems possible. The prospective price/earnings ratio has recovered to around 13 times. This means that profit estimates will need to rise from here if equity prices are to advance much further.

Meanwhile, we believe that the importance of stock picking will come to the fore again. Recent research from Citi shows that, while macroeconomic factors are the main drivers of share prices in bear markets and early-stage recoveries, stock-specific drivers become much more important in generating investment returns. In the next phase of the market cycle this should suit Martin Currie's research-driven, stock-picking approach.

Neil Donaldson  
Chairman  
12 November 2009

### **Risk and mitigation**

The board closely monitors risk and has identified the following as key risks to the company. Specific mitigating measures have been implemented to reduce the probability and impact of each risk to the greatest extent possible.

**Loss of s842 status** - In order to qualify as an investment trust, the company must comply with Section 842 of the Income and Corporation Taxes Act 1988.

Section 842 qualification criteria are continually monitored by Martin Currie and the results reported to the board.

**Operational disruption at the manager's premises** - Martin Currie has in place a full disaster recovery and business continuity plan which facilitates continued operation of the business should their premises be subject to operational disruption. The plan was last tested in November 2008 with successful results. Martin Currie maintains a fully operational off-site disaster recovery centre for use by key staff during any disruption.

**Regulatory, accounting/ internal control breach** - The company must comply with the Companies Act 2006 and the UKLA Rules. The board relies on the services of its company secretary and its professional advisers to ensure compliance.

**Loss of investment team or portfolio manager** - Martin Currie takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel.

**Failure to manage the discount** - The board regularly discusses discount policy and has set parameters for the manager and the company's broker to follow.

**Investment underperformance** - The board manages the risk of investment underperformance by diversification of investments and through a set of investment restrictions and guidelines that are monitored and reported on by Martin Currie.

The board monitors the implementation and results of the investment process with the portfolio manager, who attends all board meetings, and reviews data that show statistical measures of the company's risk profile.

**Gearing/interest rate risk** From time to time the company finances its operations through bank borrowings. However, the board monitors such borrowings (gearing) closely and takes a prudent approach. At the period end bank borrowings were £12 million. In accordance with the investment policy the limit on gearing is 20% of total assets.

**Foreign exchange risk** - The board regularly monitors the impact of the currency rate risk. In recent years the proportion of the company's revenue that is declared in US dollars has increased and currency fluctuations have meant that revenue forecasting has become more uncertain. In order to offset those fluctuations, the company has taken out forward contracts to hedge the expected revenue from a number of portfolio stocks.

**Counterparty risk** - Martin Currie monitors counterparty relationships on behalf of Securities Trust of Scotland. This process includes identifying major counterparties, mapping exposure and analysing the risks through the company's risk, compliance, dealing, operations and middle office teams. The aim is to enable the board of Securities Trust of Scotland to determine an appropriate level of counterparty risk exposure, and to diversify or mitigate this, as required. This process is subject to continual monitoring and review with any recommendations being made to the board.

#### **Directors' responsibility**

In accordance with Chapter 4 of the Disclosure and Transparency Rules, and to the best of their knowledge, each director of Securities Trust of Scotland, confirms that the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and net return of the company. Furthermore, each director certifies that the interim management report 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 Securities Trust of Scotland confirms that there have been no related party transactions during the six months to 30 September 2009.

By order of the board  
Neil Donaldson  
Chairman  
Edinburgh 12 November 2009

#### **Manager's Review**

As confidence improved in the economic outlook for 2010 and beyond, this was a very strong period for the UK stockmarket. Over the six months to the end of September, the total return of the FTSE All-Share index was 35.7%. What prompted this was a growing acceptance that the British economy was emerging from recession. Many companies began to report first a

stabilisation and then an improvement in demand, albeit often well below the levels of a year ago.

The progress of the UK market fell into two distinct phases. As the rally that began in March ran out of steam, share prices went sideways until early July. But as global equity prices continued to rise steeply, this changed dramatically thereafter. With both life assurance and banks to the fore, financial sectors led the market. Engineering and oil equipment both did well too. The only surprise was the excellent performance of food producers, but this was helped by Kraft's bid for Cadbury. On the other side, it was no surprise that utilities underperformed such a strong rally. The general retail sector also lagged the market. Significantly, a number of recovery stocks here saw their earnings estimates upgraded but their share prices falling; the recovery had already been discounted.

A continuing feature of the rally was the very strong outperformance of smaller companies. For the year as a whole, the Mid-250 index has outperformed the FTSE100 by a huge margin. As companies have sought to repair their balance sheets, rights issues have continued to be a big feature of the market. In most cases, these have been expected and have been priced to encourage support, so take-up levels have been around 95%. However, big issues, such as that by Rio Tinto, do appear to be causing some indigestion in the market.

Income generation has continued to be difficult as the impact of numerous companies cutting their dividends is reflected in revenue forecasts. This process does appear to be easing and the recent reduction in dividend from Aviva will hopefully be the last such bad news to affect the portfolio.

Predictably, investors have ignored solid defensive cashflows during this recovery, although there are some signs that this may be starting to change. Indeed, the breadth of the market has improved in recent weeks, with sectors other than banks and mining outperforming. This has been helpful for our portfolio, which has now outperformed the recovery in share prices since early March. For the six months under review, the portfolio's net asset value total return was 39.4% – significantly ahead of the 35.7% benchmark total return.

Although the short-term economic outlook is better, the longer-term position is more difficult. The most recent UK public sector borrowing figures were very poor. The main political parties are now starting to talk about the problem, but hard action will have to wait until next year. In the short-term, purchases by both the Bank of England and the clearing banks have supported the gilt market. This means that other holders of gilts appear to have been net sellers – but this will have to change radically when the Bank of England stops buying. So far, gilt yields have remained stable, but some volatility is inevitable.

Despite the extent of the rise in equity prices, the willingness of investors to look through the current economic situation to better times in 2010 and 2011 means that the rally can go further. But it is difficult to make a case for the market being cheap, and a number of more cyclical stocks need earnings upgrades to justify current valuations. There will be times when confidence in the economic recovery falters; inevitably, share prices will react to this. How the UK market copes with a large rights issue from Lloyds will be a test of investors' commitment.

Ross Watson  
12 November 2009

## Portfolio summary

### Portfolio distribution

By asset class	As at	As at
	30 September 2009	31 March 2009
	%	%
Equities	107	106
Fixed interest	4	4
Cash	1	2
Less borrowings	(12)	(12)
	100	100

By sector (excluding cash)	As at	As at
	30 September 2009	31 March 2009
	%	%
Financials	24	17
Oil and gas	18	20
Industrials	12	10
Consumer goods	11	12
Consumer services	8	10
Healthcare	8	10
Basic materials	6	7
Telecommunications	6	6
Utilities	5	6
Technology	2	2
	100	100

## Largest holdings

	As at 30 September 2009		As at 31 March 2009	
	Market value £000	% of total portfolio	Market value £000	% of total portfolio
BP	9,631	8.53	8,212	9.83
Royal Dutch Shell	7,879	6.98	6,948	8.32
Vodafone	6,566	5.82	4,527	5.42
British American Tobacco	6,141	5.44	5,046	6.04
GlaxoSmithKline	5,667	5.02	5,012	6.00
HSBC	4,989	4.42	2,232	2.67
BHP Billiton	4,365	3.87	2,115	2.53
Aviva	3,723	3.30	1,796	2.15
AstraZeneca	3,588	3.18	3,136	3.76
Next	3,007	2.66	2,222	2.66
Imperial Tobacco	2,979	2.64	2,582	3.09
BAE Systems	2,964	2.63	2,839	3.40
Scottish and Southern Energy	2,785	2.47	2,633	3.15
National Grid	2,727	2.42	2,417	2.89
Friends Provident	2,438	2.16	96	0.12
Intermediate Capital	2,274	2.01	508	0.61
Melrose	2,261	2.00	1,291	1.55
Hiscox	2,252	1.99	1,096	1.31
Unilever	2,204	1.95	1,634	1.96
Halfords	1,880	1.66	967	1.16

## Unaudited income statement

	Note	Six months to 30 September 2009			(Restated)* Six months to 30 September 2008		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains/(losses) on investments		-	25,885	25,885	-	(23,064)	(23,064)
Currency gains/(losses)		5	(3)	2	-	-	-
Income Investment management fee	3	3,119	-	3,119	3,519	-	3,519
		(39)	(73)	(112)	(50)	(93)	(143)
VAT recovered on investment management fee		27	-	27	-	-	-
Performance fee		-	(175)	(175)	-	-	-
Other expenses		(246)	-	(246)	(224)	-	(224)
Net return before finance costs and taxation		2,866	25,634	28,500	3,245	(23,157)	(19,912)
Finance Costs		(47)	(88)	(135)	(137)	(254)	(391)
Net return on ordinary activities before taxation		2,819	25,546	28,365	3,108	(23,411)	(20,303)
Taxation on ordinary activities	5	-	-	-	(5)	-	(5)
Return attributable to ordinary redeemable shareholders		2,819	25,546	28,365	3,103	(23,411)	(20,308)
Return per ordinary redeemable share	2	2.76p	25.05p	27.81p	3.04p	(22.96p)	(19.92p)

**Unaudited income statement**

	<b>(Audited) (Restated)*</b>			
	<b>Year to</b>			
	<b>31 March 2009</b>			
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gains/(Losses) on investments		-	(48,939)	(48,939)
Currency gains/(losses)		-	(3)	(3)
Income	3	6,224	63	6,287
Investment management fee		(83)	(154)	(237)
VAT recovered on investment management fee		54	148	202
Performance fee		-	-	-
Other expenses		(453)	-	(453)
<b>Net return before finance costs and taxation</b>		5,742	(48,885)	(43,143)
Finance costs		(219)	(406)	(625)
<b>Net return on ordinary activities before taxation</b>		5,523	(49,291)	(43,768)
Taxation on ordinary activities	5	(5)	-	(5)
<b>Return attributable to ordinary redeemable shareholders</b>		5,518	(49,291)	(43,773)
<b>Return per ordinary redeemable share</b>	2	5.41p	(48.34p)	(42.93p)

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

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

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

No operations were acquired or discontinued in the year.

A Statement of total recognised gains and losses is not required as all gains and losses of the company have been reflected in the above statement.

\*for details of restatement please refer to notes 1 and 13.

**Unaudited balance sheet**

	Note	As at 30 September 2009 £000	(Restated)* As at 30 September 2008 £000	(Audited) (Restated)* As at 31 March 2009 £000
<b>Non-current assets</b>				
Investments at fair value through profit or loss				
Listed on Exchanges in the UK		112,642	115,080	83,407
Listed on Exchanges abroad		265	-	105
	6	112,907	115,080	83,512
<b>Current assets</b>				
Debtors and receivables	7	608	717	1,031
Cash at bank		911	1,233	3,198
		1,519	1,950	4,229
<b>Creditors</b>				
Amounts falling due within one year	8	(12,382)	(14,345)	(10,850)
<b>Net current liabilities</b>		(10,863)	(12,395)	(6,621)
<b>Net assets</b>		102,044	102,685	76,891
<b>Capital and reserves</b>				
Called up ordinary share capital		1,019	1,019	1,019
Capital redemption reserve		62	62	62
Special distributable capital reserve		111,145	111,145	111,145
Capital reserve		(12,615)	(12,281)	(38,161)
Revenue reserve		2,433	2,740	2,826
		102,044	102,685	76,891
Net asset value per ordinary redeemable share	2	100.07p	100.70p	75.41p

\*for details of restatement please refer to notes 1 and 13

#### Unaudited statement of cash flow

	Note	Six months to 30 September 2009 £000	(Restated)* Six months to 30 September 2008 £000	(Audited)(Restated)* Year to 31 March 2009 £000
<b>Net cash inflow from operating activities</b>	9	3,246	4,155	6,406
<b>Servicing of finance</b>				
Finance costs		(120)	(339)	(629)
<b>Taxation</b>				
Overseas taxation paid		-	(5)	(5)

<b>Net cash outflow from taxation</b>		-	(5)	(5)
<b>Capital expenditure and financial investment</b>				
Payments to acquire investments	(12,374)	(13,950)	(19,632)	
Receipts from disposal of investments	7,171	13,786	26,854	
<b>Net cash (outflow)/inflow from investing activities</b>		(5,203)	(164)	7,222
<b>Equity dividends paid</b>		(3,212)	(3,365)	(5,694)
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>		(5,289)	282	7,300
<b>Financing</b>				
Net movement in short-term borrowings	3,000	500	(4,550)	
<b>Net cash inflow/(outflow) from financing</b>		3,000	500	(4,550)
<b>(Decrease)/increase in cash for the period</b>		(2,289)	782	2,750
<b>Reconciliation of net cash flow to movements in net debt</b>	10			
(Decrease)/increase in cash as above	(2,289)	782	2,750	
(Drawdown)/repayment of short term borrowings	(3,000)	(500)	4,550	
Change in net cash debt resulting from cash flows	(5,289)	282	7,300	
Foreign exchange movements	2	-	(3)	
Movement in net debt in the period	(5,287)	282	7,297	
<b>Opening net debt</b>		(5,802)	(13,099)	(13,099)
<b>Closing net debt</b>		(11,089)	(12,817)	(5,802)

\*for details of the restatement please refer to notes 1 and 13

#### Unaudited reconciliation of movements in shareholders' funds

Called	Capital	Special	Capital	Revenue	Total
--------	---------	---------	---------	---------	-------

	Note	up ordinary share capital £000	redemption reserve £000	distributable capital reserve £000	reserve £000	Reserve £000	£000
<b>For the six months to 30 September 2009</b>							
As at 31 March 2009		1,019	62	111,145	(38,161)	2,826	76,891
Return attributable to shareholders		-	-	-	25,546	2,819	28,365
Equity dividends paid	4	-	-	-	-	(3,212)	(3,212)
Balance at 30 September 2009		1,019	62	111,145	(12,615)	2,433	102,044

**For the six months to 30 September 2008 (restated)\***

As at 31 March 2008		1,019	62	111,145	11,130	3,002	126,358
Return attributable to shareholders		-	-	-	(23,411)	3,103	(20,308)
Equity dividends paid	4	-	-	-	-	(3,365)	(3,365)
Balance at 30 September 2008		1,019	62	111,145	(12,281)	2,740	102,685

**For the year ended 31 March 2009 (audited)**

**(restated)\***

As at 31 March 2008	1,019	62	111,145	11,130	3,002	126,358
Return attributable to shareholders	-	-	-	(49,291)	5,518	(43,773)
Equity dividends paid	4	-	-	-	(5,694)	(5,694)
Balance at 31 March 2009	1,019	62	111,145	(38,161)	2,826	76,891

\* The revenue reserve reflects the change in the treatment of equity dividends as detailed in notes 1 and 13.

The revenue reserve represents the amount of the company's reserves distributable by way of dividend.

## Notes to the Financial Statements

### 1 Accounting policies

(a) The financial statements have been prepared in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

Dividends - In accordance with FRS 21: "Events after the balance sheet date", dividends are included in the financial statements in the period in which they are paid.

Functional currency - In accordance with FRS 23: "The effects of changes in foreign currency", the company is required to nominate a functional currency, being the currency in which the company predominately operates. The board has determined that sterling is the company's functional currency, which is also the currency in which these financial statements are prepared.

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

Scrip dividends are treated as unfranked investment income; any excess in value of shares received over the amount of the cash dividend is recognised in capital reserves.

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

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

(e) Gains and losses on the sale of investments and changes in the fair values of investments held are transferred to the capital reserve.

(f) Foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Investments are recognised initially as at the trade date of a transaction. Subsequent to this, the disposal of an investment is accounted for once again as at the trade date of a transaction.

(g) Revenue received and interest paid in foreign currencies are translated at the rates of exchange ruling on the transaction date. Any exchange differences relating to revenue items are taken to the revenue account.

(h) The company's investments are classified as "financial assets at fair value through profit or loss" and are therefore valued at bid price. Gains and losses arising from changes in fair value are included in the capital return for the period.

(i) All financial assets and liabilities are recognised in the financial statements.

(j) Deferred tax is recorded in accordance with Financial Reporting Standard 19 (Deferred Tax). Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is regarded as recoverable.

Due to the company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

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

(l) Shareholders funds - Under amended FRS25 'Financial Instruments: Disclosure and Presentation', where shares meet certain conditions, they may be treated as equity. Previously the shares in Securities Trust of Scotland have been treated as debt, however they now meet all the conditions required to allow them to be treated as equity and the board have decided that the early adoption of the amended FRS 25 will be implemented in the current financial year and as a result the shares will be treated as equity and previous year's results have been restated to reflect this. For further information and restatements please refer to note 13.

(m) Share buy backs are funded through the capital reserve.

2.

	<b>Six months to 30 September 2009</b>	<b>Six months to 30 September 2008</b>	<b>Year to 31 March 2009</b>
<b>Returns and net asset value</b>			
Revenue return attributable to ordinary shareholders	£2,819,000	£3,103,000	£5,518,000
Average number of shares in issue during the period	101,970,223	101,970,223	101,970,223
Revenue return per	2.76p	3.04p	5.41p

ordinary redeemable share

### Capital return

Capital return attributable to ordinary redeemable shareholders	£25,546,000	(£23,411,000)	(£49,291,000)
---	-------------	---------------	---------------

---

Average number of shares in issue during the period	101,970,223	101,970,223	101,970,223
---	-------------	-------------	-------------

Capital return per ordinary redeemable share	25.05p	(22.96p)	(48.34p)
--	--------	----------	----------

### Total return

Total return per ordinary redeemable share	27.81p	(19.92p)	(42.93p)
--	--------	----------	----------

### Net asset value per share

Net assets attributable to shareholders	£102,044,000	£102,685,000	£76,891,000
---	--------------	--------------	-------------

---

Number of shares in issue at period end	101,970,223	101,970,223	101,970,223
---	-------------	-------------	-------------

Net asset value per ordinary redeemable share	100.07p	100.70p	75.41p
---	---------	---------	--------

Exclusion of undistributed current period revenue	(1.61p)	(1.89p)	(1.98p)
---	---------	---------	---------

Net asset value per share excluding income	98.46p	98.81p	73.43p
--	--------	--------	--------

3.

	Six months to 30 September 2009 £000	Six months to 30 September 2008 £000	Year to 31 March 2009 £000
<b>Income</b>			
<b>From listed investments</b>			
Franked income - equities	2,700	2,801	5,075
Franked income – fixed interest and convertibles	147	147	293
Unfranked income –	139	471	660

equities			
Unfranked income – fixed interest and convertibles	38	38	76
	<hr/> 3,024	<hr/> 3,457	<hr/> 6,104
<b>Other income</b>			
Interest on deposits	4	37	75
Interest received on VAT recovered	19	-	-
Underwriting commission	63	25	45
Option income	9	-	-
	<hr/> 3,119	<hr/> 3,519	<hr/> 6,224

During the six months to 30 September 2009 the company received no capital dividends (six months to 30 September 2008 – nil, year to 31 March 2009 - £63,000 from NR Nordic and Russia Properties).

#### 4. Equity dividends paid

	<b>Six months to 30 September 2009 £000</b>	<b>Six months to 30 September 2008 £000</b>	<b>Year to 31 March 2009 £000</b>
Year ended 31 March 2008 – fourth interim dividend of 2.15p	-	2,192	2,192
Year ended 31 March 2009 – first interim dividend of 1.15p	-	1,173	1,173
Year ended 31 March 2009 – second interim dividend of 1.15p	-	-	1,173
Year ended 31 March 2009 – third interim dividend of 1.15p	-	-	1,173
Year ended 31 March 2009 – fourth interim dividend of 2.00p	2,039	-	-
Year ended 31 March 2010 – first interim dividend of 1.15p	1,173	-	-
Refund of unclaimed dividends by the registrar	-	-	(17)
	<hr/> 3,212	<hr/> 3,365	<hr/> 5,694

These finance costs have been reclassified from debt to shareholders' funds in line with note 1(l).

5.

<b>Taxation</b>	<b>Six months to 30 September 2009 £000</b>	<b>Six months to 30 September 2008 £000</b>	<b>Year to 31 March 2009 £000</b>
Withholding tax on income from overseas investments	-	5	5

6.

<b>Investments</b>	<b>As at 30 September 2009 £000</b>	<b>As at 30 September 2008 £000</b>	<b>As at 31 March 2009 £000</b>
Fair value through profit or loss			
Opening valuation	83,512	137,823	137,823
Opening investment holding losses	34,217	7,510	7,510
Opening cost	117,729	145,333	145,333
Add: additions at cost	10,681	13,801	21,176
Less: disposal proceeds received	(7,171)	(13,480)	(26,611)
Less: realised losses on disposal	(9,255)	(5,320)	(22,169)
Closing cost	111,984	140,334	117,729
Closing investment holding gains/(losses)	923	(25,254)	(34,217)
Closing valuation	112,907	115,080	83,512
<b>Gains/(losses) on investments</b>			
Losses on realisation of investments at fair value	(9,255)	(5,320)	(22,169)
Capital dividend received	-	-	(63)
Movement in investment holding gains and losses	35,140	(17,744)	(26,707)
	25,885	(23,064)	(48,939)

#### **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 and losses on investments in the income statement. The total costs were as follows:

	<b>Six months to 30 September 2009 £000</b>	<b>Six months to 30 September 2008 £000</b>	<b>Year to 31 March 2009 £000</b>
Acquisitions	47	53	87
Disposals	9	20	39
	56	73	126

7.

	As at 30 September 2009 £000	As at 30 September 2008 £000	As at 31 March 2009 £000
<b>Debtors and receivables</b>			
Dividends receivable	512	648	749
Interest accrued	30	33	32
Tax recoverable	31	12	21
Other debtors	35	24	229
	608	717	1,031

8.

	As at 30 September 2009 £000	As at 30 September 2008 £000	As at 31 March 2009 £000
<b>Creditors - amounts falling due within one year</b>			
Interest accrued	27	68	12
Due to brokers	-	-	1,693
Sterling bank loan	12,000	14,050	9,000
Other creditors	355	227	145
	12,382	14,345	10,850

The company has a £18,000,000 loan facility with Lloyds TSB which expires in June 2010. Under this agreement £12,000,000 was drawn at 30 September 2009 at a rate of 2.3634%. On 14 October 2009 the loan was rolled-over at a rate of 2.3634% with a maturity date of 16 November 2009.

The fair value of the sterling loan is not materially different from its carrying value. The interest rate is set at each roll-over date at LIBOR plus a margin.

Included in other creditors is a performance fee of £175,000 (30 September 2008 and 31 March 2009: nil).

Martin Currie is entitled to a performance-related investment management fee calculated in respect of each financial year to 31 March (the measurement period) and payable in arrears. The fee is to be 0.15% of net assets for each percentage point by which the percentage performance of the company's ex-income net asset value per share, adjusted for share buybacks, exceeds the percentage capital return of the FTSE All-Share Index over the relevant measurement period.

If the net asset value per share falls in a measurement period, the share of any out-performance is reduced by 50%. The fee is subject to a cap of 0.75% of the year end net assets.

In addition to the above a peer group performance fee of 0.25% of year end net assets may also be earned.

The performance fee is wholly allocated to capital.

9.

<b>Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities</b>	<b>Six months to 30 September 2009 £000</b>	<b>Six months to 30 September 2008 £000</b>	<b>Year to 31 March 2009 £000</b>
Net return before finance costs and taxation	28,500	(19,912)	(43,143)
Decrease in accrued income and other debtors	433	976	671
Increase/(decrease) in creditors	210	32	(50)
Currency movements	(2)	-	3
Net (gains)/losses on investments	(25,885)	23,064	48,939
Taxation withheld from income on investments	(10)	(5)	(14)
<b>Net cash inflow from operating activities</b>	<b>3,246</b>	<b>4,155</b>	<b>6,406</b>

10.

	<b>31 March 2009 £000</b>	<b>Cash flow £000</b>	<b>Exchange movements £000</b>	<b>30 September 2009 £000</b>
<b>Analysis of debt</b>				
Cash at bank	3,198	(2,289)	2	911
Bank borrowings – sterling loan	(9,000)	(3,000)	-	(12,000)
<b>Net debt</b>	<b>(5,802)</b>	<b>(5,289)</b>	<b>2</b>	<b>(11,089)</b>

## 11 VAT recoverable

On 5 November 2007 the European Court of Justice ruled that management fees should be exempt from VAT.

The manager submitted a claim to HMRC for VAT charged on investment management fees for the period 15 April 2005 to 30 June 2007. A refund of £229,000 and interest of £19,000 has now been received from HMRC and repaid to the company. This repayment has been allocated to capital and revenue in line with the accounting policy of the company for the periods in which the VAT was charged. The interest has been allocated to revenue. The only remaining part of our claim is for compound rather than simple interest.

## 12 Interim report

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2009 and 30 September 2008 has not been audited.

The information for the year ended 31 March 2009 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. These financial statements have been restated for FRS 25 as detailed in notes 1

and 13. The report of the auditors on those accounts contained no qualification or statement under Section 237 (2) or (3) of the Companies Act 1985.

### 13 Explanation of prior year adjustments

As per note 1 these financial statements have incorporated the amended requirements of FRS 25 'Financial Instruments' Disclosure and Presentation'.

101,970,223 ordinary shares have been reclassified from debt to equity during the period. This represents the entire ordinary shares in issue of the company.

Debt of £99,945,000 and £74,065,000 as at 30 September 2008 and 31 March 2009 respectively have been reclassified as equity.

Shareholders can redeem their shares at net asset value (less costs) if the average discount exceeds 7.5% in the 12 weeks prior to financial year end. More details of the redemption opportunity are given in the company's prospectus, which is available on the company's website.

Reconciliation of income statement for the year ended 31 March 2009	As previously reported 31 March 2009 £000	Effect of change in policy £000	As restated 31 March 2009 £000
<b>Income statement</b>			
Net losses on investments	(48,939)	-	(48,939)
Net currency losses	(3)	-	(3)
Income	6,287	-	6,287
Investment management fee	(237)	-	(237)
VAT recoverable on investment management fees	202	-	202
Other expenses	(453)	-	(453)
<b>Net return before finance costs and taxation</b>	(43,143)	-	(43,143)
Finance costs: debt	(625)	-	(625)
Finance costs: shareholders' funds	(5,694)	5,694	-
<b>Net return on ordinary activities before taxation</b>	(49,462)	5,694	(43,768)
Taxation on ordinary activities	(5)	-	(5)
<b>Return attributable to shareholders</b>	(49,467)	5,694	(43,773)

Reconciliation of income statement for the six months ended 30 September 2008	As previously reported 30 September 2008 £000	Effect of change in policy £000	As restated 30 September 2008 £000
<b>Income statement</b>			
Net losses on investments	(23,064)	-	(23,064)
Income	3,519	-	3,519
Investment management fee	(143)	-	(143)
Other expenses	(224)	-	(224)
<b>Net return before finance</b>	(19,912)	-	(19,912)

<b>costs and taxation</b>			
Finance costs: debt	(391)	-	(391)
Finance costs: shareholders' funds	(3,365)	3,365	-
<b>Net return on ordinary activities before taxation</b>	(23,668)	3,365	(20,303)
Taxation on ordinary activities	(5)	-	(5)
<b>Return attributable to shareholders</b>	(23,673)	3,365	(20,308)

Dividends paid during the period ended 30 September 2008 of £3,365,000 and year ended 31 March 2009 of £5,694,000 have been reclassified in the cash flow statements from servicing of finance to equity dividends paid.

The movement in the revenue reserve in the reconciliation of movement in shareholders' funds has been updated to reflect the change in the treatment of equity dividends.

The revenue and capital returns per share as detailed in note 2, remain unaltered for each reporting period as the 'Finance costs: shareholders' funds' were adjusted for in the calculation of the returns. Such costs were reported and recognised as dividends as detailed in note 4.

'Finance costs: shareholders' funds' were allocated to the revenue reserve and therefore there is no effect on the balance sheet.

The net assets attributable to shareholders as detailed in note 2, remain unaltered for each reporting period