

CARD 1 (See also Card 2)

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE COMPANY AND
SHOULD BE RETAINED FOR REFERENCE PURPOSES

SE-SH 86

SECURITIES TRUST OF SCOTLAND p.l.c.

SEC

(An investment company within the meaning of Section 266 of the Companies Act 1985 incorporated in Scotland
on 13th February, 1989 under the Companies Acts 1982 to 1986 (No. 1827) and having its
registered office at 29 Charlotte Square, Edinburgh, EH2 4HA)

PARTICULARS OF AN ISSUE OF £10,000,000 12 PER CENT. DEBENTURE STOCK 2013 (THE "STOCK") at £100 per £100 nominal

117.230

This document contains listing particulars relating to Securities Trust of Scotland p.l.c. (the "Company") in connection with the application for admission of the Stock to the Official List of The Stock Exchange as required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972. A copy of this document has been delivered to the Registrar of Companies in Scotland in accordance with Regulation 7(5) of those Regulations.

Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

The Directors of the Company (the "Directors"), whose names appear in "General Information" below, are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

SHARE CAPITAL

Authorised		Issued
		£
2,842,500	4.5 per cent (now 3.15 per cent. plus tax credit) Cumulative Preference Stock	2,842,500
20,157,500	Ordinary Shares of 25p each	20,020,000
<u>23,000,000</u>		<u>22,862,500</u>

No share capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

LOAN CAPITAL

	Issued and outstanding £
7 per cent Debenture Stock 1988/93	5,000,000
12 per cent Debenture Stock 2013	5,000,000
	<u>10,000,000</u>

LOAN CAPITAL AND OTHER INDEBTEDNESS

Save for the loan capital referred to above the Company did not as at 21st March 1986 have any borrowings or indebtedness in the nature of borrowing including loan capital (whether issued or created and unissued), term loans, bank overdrafts and liabilities under acceptances or acceptance credits, mortgages, charges, hire-purchase commitments or guarantees or other material contingent liabilities. The Company has no subsidiaries.

PARTICULARS OF THE STOCK

The £10,000,000 12 per cent. Debenture Stock 2013 (hereinafter called the "Stock") now being issued was created by resolution of the Board of Directors passed on 24th March 1986, and shall be constituted and secured by a Supplementary Deed of Trust (the "Trust Deed") in favour of The Governor and Company of the Bank of Scotland (the "Trustee") as trustees, supplementary to a trust deed dated 1st and 8th June 1983 and recorded in the Books of the Lords of Council and Session on 24th June 1983 (the "Principal Deed").

The Principal Deed and the Trust Deed together will incorporate, inter alia, provisions to the following effect:--

1. Security

The Stock will be secured by a floating charge (hereinafter called the "Floating Charge") ranking in point of security *pari passu* with the floating charges which the Company has granted to the Trustee as trustees of the £5 million 7 per cent. Debenture Stock 1988/93 and the £5 million 12 per cent. Debenture Stock 2013 (the "Existing Stocks") of the Company to secure the Existing Stocks. The Floating Charge will be upon all of the property (including uncalled capital) which may from time to time be comprised in the property and undertaking of the Company.

2. Interest

The Stock will carry interest at the rate of 12 per cent per annum payable half-yearly on 31st March and 30th September in each year.

The first payment of interest on the Stock will be made on 30th September 1986, in respect of the period from 2nd April 1986 to 30th September 1985 and will amount to £5.95 (less income tax) per £100 nominal of the Stock.

3. Redemption and Purchase

(A) Except in so far as previously repaid or purchased by the Company, the Stock outstanding will be repaid at par, together with accrued interest, on 30th September 2013.

(B) The Company will be entitled to purchase Stock in the market or by tender (available alike to all holders of Stock) at any price or to purchase Stock by private treaty at a price (inclusive of accrued interest but exclusive of expenses of purchase) not exceeding 110 per cent. of the middle market quotation of the Stock (based on the Daily Official List of The Stock Exchange) on the last business day preceding the date of purchase but not otherwise.

(C) All Stock redeemed or purchased shall be cancelled and shall not be available for re-issue.

(D) On a liquidation of the Company any part of the Stock not previously repaid or purchased will be repaid in an amount equal to the amount paid up thereon (less any amount previously repaid thereon) together with accrued interest and a premium equal to the difference between the amount paid up thereon (less any amount previously repaid thereon) and the mean of the daily middle market quotations for the Stock on The Stock Exchange (as certified by the Auditor of the Company by reference to the Daily Official List of The Stock Exchange) taken over a period of three months ending on the relevant date (as hereinafter defined) provided that the maximum amount of any such premium shall not exceed an amount equal to twice the amount paid up on the Stock (less any amount previously repaid thereon). In the event of any premium payable as aforesaid not being a multiple of one penny, any fraction of a penny shall be disregarded. The expression "relevant date" means in the case of a repayment on a winding up by the Court (otherwise than subsequent to a resolution of the Company in general meeting for winding up) the date of the presentation of a petition for winding up and in any other case the date of the notice convening the meeting to consider the voluntary winding up.

4. Restrictions

(A) The Company will procure that the aggregate principal amount (together with any fixed or minimum premium payable on final repayment) at any one time outstanding in respect of moneys borrowed by the Company and its subsidiaries, if any, (exclusive of moneys borrowed by the Company from and for the time being owing to any subsidiary or by any subsidiary from and for the time being owing to the Company or another subsidiary) shall not, without the sanction of an extraordinary resolution of Stockholders, exceed a sum equal to the Adjusted Total of Capital and Reserves (as defined in paragraph 7 below).

(B) The Company will (save as provided in paragraph 5 below) be precluded from creating any mortgage or charge on the whole or any part of its property or undertaking and from acquiring any property subject to a mortgage or charge in either case ranking in priority to or *pari passu* with the Floating Charge.

(C) The Company will not (whether by the acquisition of subsidiaries or otherwise) take any action whereby the businesses of the Company and its subsidiaries, if any, taken as a whole shall be carried on to a substantial extent other than as investment trust companies directly deriving their income mainly from listed shares and securities provided that the extension of such businesses to include allied activities or the ownership of a dealing company shall not be treated as an infringement of this provision.

5. Powers

Power will be reserved to the Company (subject as provided in paragraph 6 below):—

(a) to create floating charges to secure further debenture stock (below called "Further Stock") ranking in point of security *pari passu* with the Floating Charge and either so as to form a single issue with the Stock or carrying such rights (including, without limitation, rights as to interest, premium, repayment and conversion) as the Directors may think fit, provided that no Further Stock shall be paid up in whole or in part by way of capitalisation of reserves or undistributed profits of the Company or be issued by way of security for any other obligation of the Company or any obligation of another person;

(b) to create or extend floating charges (below called "*pari passu* Charges") as security for indebtedness or other obligations, whether in sterling or other currencies, of the Company ranking in point of security *pari passu* with the Floating Charge; and

(c) to create or extend fixed securities on specific property as security for indebtedness or other liabilities, whether in sterling or other currencies, of the Company and to acquire property subject to a fixed security in each case ranking in point of security in priority to the Floating Charge (such fixed securities being below called "Prior Charges").

6. Limits for the purposes of paragraph 5

(A) The Company shall not be entitled to exercise any of the powers reserved in paragraph 5(a), (b) or (c) above unless the Auditor shall have reported to the Trustee that immediately after such exercise (i) the borrowing limit set out in paragraph 4(A) above will not be exceeded and (ii) the aggregate principal amount for the time being outstanding (together in each case with any fixed or minimum premium payable on final repayment) of the Stock, any Further Stock, the aggregate principal amount secured by *pari passu* Charges and Prior Charges and the amount of Subsidiaries' Indebtedness (as defined in paragraph 7 below) will not exceed a sum equal to two thirds of the Adjusted Total of Capital and Reserves.

(B) The Company shall not be entitled to exercise the power reserved by paragraph 5(c) above unless the Auditor shall have reported to the Trustee that immediately after such exercise the aggregate maximum amount (together with any fixed or minimum premium payable on final repayment) for which all Prior Charges are for the time being available as security (within the meaning of the Principal Deed) and the amount of Subsidiaries' Indebtedness will not exceed a sum equal to the Adjusted Total of Capital and Reserves.

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5 MAR 1986

EDINBURGH

7. Definitions

(A) The following expressions shall have the following meanings, namely:—

"subsidiary" means a subsidiary (as defined in Section 736 of the Companies Act 1985) for the time being of the Company;

the "Auditor" means the auditor or auditors for the time being of the Company;

"to extend" in relation to a *pari passu* Charge or a Prior Charge means to increase the maximum amount for which such charge is available as security (within the meaning of the Principal Deed);

the "Adjusted Total of Capital and Reserves" means the aggregate of the amount for the time being paid up or credited as paid up on the issued share capital of the Company and the total of the capital and revenue reserves (including any share premium account, capital redemption reserve, unrealised appreciation on investments and credit balance on revenue account) but excluding sums set aside for taxation (including such provision as the Auditor shall consider appropriate to take account of contingent liabilities to taxation (if any) in respect of chargeable gains calculated by reference to the unrealised appreciation of assets) and deducting any amounts attributable to goodwill or other intangible assets (other than goodwill arising only on consolidation) and any debit balance on revenue account and after making such other adjustments (if any) as the Auditor shall consider appropriate, all as shown in the latest audited balance sheet of the Company or in the event of the Company having any subsidiaries a consolidation of the latest audited balance sheets of the Company and its subsidiaries.

"Subsidiaries' Indebtedness" means the aggregate of all amounts required to be taken into account for the purposes of paragraph 4(A) above as moneys borrowed by subsidiaries.

(B) For the purposes of these Particulars:—

(1) moneys borrowed shall be deemed to include the following except in so far as otherwise taken into account:—

- (a) the principal amount for the time being outstanding in respect of any debenture within the meaning of Section 744 of the Companies Act 1985;
- (b) the principal amount raised by the Company or a subsidiary by acceptances under any acceptance credit opened on its behalf and in its favour by any bank or accepting house;
- (c) the nominal amount of any share capital and the principal amount of any borrowed moneys, together in each case with any fixed or minimum premium payable on final repayment, the repayment of which is guaranteed or secured by the Company or a subsidiary and the beneficial interest in which is not owned by the Company or a subsidiary; and
- (d) the nominal amount of any share capital (not being equity share capital) of a subsidiary owned other than by the Company or another subsidiary;

but shall not include:—

- (e) a proportion of the borrowings of any partly owned subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed (if any) from such partly owned subsidiary by the Company or another subsidiary) such proportion being that which the issued ordinary share capital which is not for the time being beneficially owned directly or indirectly by the Company bears to the whole of the issued ordinary share capital of such partly owned subsidiary; and
 - (f) amounts borrowed for the purpose of repaying (and intended to be so applied within six months of being first borrowed) the whole or any part of borrowings or other indebtedness of the Company or a subsidiary (other than from the Company or a subsidiary) for the time being outstanding (including any fixed or minimum premium payable on repayment) pending their application for such purpose within such period.
- (2) moneys borrowed and outstanding in any currency other than sterling shall be translated into sterling at the rate of exchange ruling in London at the relevant date.

8. Listing

The Company will use its best endeavours to obtain and, so long as any of the Stock remains outstanding, maintain a listing for the Stock on The Stock Exchange.

9. Modification of rights

Stockholders will have power by extraordinary resolution (as defined in the Principal Deed) (inter alia) to sanction any modification or compromise of or arrangement in respect of their rights against the Company and to sanction any modification of the provisions of the Principal Deed and the Trust Deed. In addition the Trustee will have power, without the sanction of an extraordinary resolution of the Stockholders, to concur with the Company in making any modification to the Principal Deed and the Trust Deed provided that such modification is not in the opinion of the Trustee materially prejudicial to the interests of the Stockholders or is made to correct a manifest error.

10. Indemnification of the Trustee

The Principal Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility.

11. Transfer

The Stock will be registered and transferable in amounts or multiples of £1 by instrument in any form permitted by the Stock Transfer Act 1963 or in any other form which the Company may approve. Every instrument of transfer must be signed by or on behalf of the transferor and, if the Stock thereby transferred is not fully paid, also by or on behalf of the transferee. The transferor shall also be deemed to remain the holder of such Stock until the name of the transferee is entered in the Register in respect thereof.

Every instrument of transfer must be left for registration at the place where the register of the Stock shall for the time being be kept, accompanied by the Certificate of the Stock to be transferred and such other evidence as the Company may require to prove the title of the transferor or of his right to transfer the Stock. All instruments of transfer registered will be retained by the Company. The register may be closed by the Company for such periods and at such times as it may think fit provided that it shall not be closed for more than thirty days in any year.

No fee will be charged for the registration of any transfer or for the registration of any confirmation, probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title of any

Stock.

12 Replacement of the Trustee

The statutory power of appointing new trustees is vested in the Company but, before being appointed a new trustee must be approved by an extraordinary resolution of Stockholders.

13. Yield

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The gross redemption yield at the issue price of £100 per £100 nominal is 10.131 per cent. based on a gross annual interest rate of 12 per cent

The gross redemption yield is calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Volume 105, Part 1, 1978, page 18.

14. Prescription

No claim may be made in respect of interest if not claimed for more than 5 years after the due date and for principal if not claimed for more than 20 years after the due date.

PURPOSE OF THE ISSUE

The issue in April 1983 of the £5,000,000 12% Debenture Stock 2013 reflected the Directors' belief that the introduction at the appropriate time of further gearing into the capital structure of the Company is of long-term benefit to the capital and income of Ordinary Shareholders. As a result of the recent fall in the levels of interest rates and the increase in value of the Company's assets and income in recent years the Directors believe that it is now appropriate to increase further the Company's gearing.

The objective of the Company is to achieve growth in income with a consequent increase in capital value. This aim will be accomplished through a balanced portfolio of investments diversified both internationally and industrially. A common characteristic will be the potential for strong earnings and dividend growth to provide increasing dividend income for shareholders.

The Directors believe that there continue to be attractive opportunities for investment and it is their intention that the proceeds of the issue of the Stock will be invested in accordance with this objective.

CAPITAL COVER

The total net assets of the Company as shown by the audited accounts as at 31st March 1985 (listed investments being at middle market quotation and unlisted investments at Directors' valuation) after deducting all liabilities, other than amounts outstanding on the Existing Stocks of £10,000,000, amounted to £135,884,000.

If there is added to this figure the estimated net proceeds of the issue of the Stock, the resultant total would be £147,502,000. The total principal amount of the Existing Stocks and the Stock is £20,000,000.

INCOME COVER

The net revenues of the Company, before charging taxation and interest on the Existing Stocks but after charging all other expenses for the three financial years ended 31st March 1985, on the basis of the audited accounts were as follows:—

Year ended 31st March	£
1983	4,270,000
1984	5,186,000
1985	6,228,000

The gross annual interest on the Existing Stocks is £950,000 and will be £1,200,000 on the Stock.

RECENT DEVELOPMENTS AND PROSPECTS OF THE COMPANY

The following is the statement and the unaudited interim results of the Company for the six months ended 30th September 1985, released on 11th November 1985;

"Your Directors are pleased to declare an increased interim dividend of 1.60p per share against 1.30p last year, an increase of 23%.

Shareholders will see from the Revenue Account that in the six months to 30th September, 1985 earnings available to Ordinary Shareholders increased by 43% compared with the half year to end September 1984. This increase is partly due to the high rates of interest received on temporary cash deposits in the U.K., and the 'irregular' incidence of dividend receipts. These factors will not help earnings to such an extent in the second half of the year. However, based on the present portfolio, estimated net revenue for the year to 31st March, 1986 will be considerably higher than in 1984/85. In view of this, your Board expect to recommend total dividends for the year of at least 4.80p which would be 20% above last year's level.

If approved, this will be the fifteenth successive year where the dividend has been increased and would represent a rise of 88% over the past four years.

CONTINUED ON CARD 2

provisionally be reserved for the market on which discounts of $\frac{1}{2}$ per cent. and $\frac{1}{4}$ per cent. respectively on the nominal amounts taken up will be allowed by the Company. The Company will also pay a commitment commission of $\frac{1}{2}$ per cent. (plus value added tax) to subscribers to the Stock in respect of the nominal amount of the Stock provisionally reserved for the market.

- (b) Under the terms of a Management Agreement dated 23rd October 1985 made between the Company and Martin Currie Investment Management Limited ("MCIM"), which is terminable on or after 30th September 1988 on twelve months' notice by either party, MCIM were appointed Managers and Secretaries of the Company at an annual fee that is currently £280,000 per annum (plus value added tax).

Save for the aforesaid, the Company has not, in the past two years, entered into any contract (other than in the ordinary course of business) which is or may be material

4. General

- (a) On 11th November 1985, the £650,000 4 per cent. Debenture Stock 1980/85 of the Company was repaid at par by the Company. Save as disclosed herein, there has been no material change in the financial position of the Company since 31st March, 1985. 11,618,000
- (b) The net cash proceeds of the issue will amount approximately to £~~6~~ after deducting the expenses of the issue which, including the commission payable to Cazenove, any discounts payable to the market and the commitment commission payable on the Stock provisionally reserved for the market, are estimated to amount to £~~6~~ (inclusive of value added tax) and are payable by the Company. 105,000
- (c) Save as disclosed herein, since 31st March 1985 no capital of the Company has been issued for cash or for a consideration other than cash or is proposed to be issued; and since 31st March 1985 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any capital of the Company.
- (d) There are no legal or arbitration proceedings pending or threatened against the Company which may have or have had during the last twelve months a significant effect on the Company's financial position.
5. Renounceable allotment letters will be issued to subscribers of the Stock on 2nd April 1986 and will be renounceable until 16th May 1986. The Stock will be registered free of stamp duty in the name of the original allottees or persons in whose favour the renounceable allotment letters have been renounced, provided that, in the case of renunciation, renounceable allotment letters duly completed in accordance with the instructions printed on the letters are lodged for registration by 3.00 p.m. on 16th May, 1986. Definitive stock certificates will be despatched to registered Stockholders by first class post on or before 13th June, 1986.
6. Under legislation currently in force, income tax at the basic rate will be withheld at source by the Company from interest on the Stock, unless the holder of the Stock is entitled to require such interest to be paid gross under any relevant double tax treaty with the United Kingdom.
7. The registered office of the Company is at 29 Charlotte Square, Edinburgh EH2 4HA.
8. The principal office of Cazenove & Co., Stockbrokers, is at 12 Tokenhouse Yard, London EC2R 7AN.
9. The Trustee of the Stock will be the Governor and Company of the Bank of Scotland, a trust corporation, whose head office is at The Mound, Edinburgh EH1 1YZ.
10. The Auditor of the Company, who has audited the Company's accounts for each of the last three complete financial years of the Company, is Mr. R.M. Sinclair, C.A., 3 Albyn Place, Edinburgh EH4 2NQ.
11. The registrars for the Stock will be The Royal Bank of Scotland plc, Registrar's Department, P.O. Box No. 27, 34 Fettes Row, Edinburgh EH3 6UT.
12. The Existing Stocks are listed on The Stock Exchange.
13. The Company, which is an investment trust, has been, and is expected by the Directors to continue to be, recognised as an authorised investment trust under the Income and Corporation Taxes Act 1970. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985.
14. Documents available for inspection.
Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and Public Holidays excepted) at the offices of Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN and of Dundas & Wilson, C.S., 25 Charlotte Square, Edinburgh EH2 4EZ up to and including 9th April 1986:—
- the Memorandum and Articles of Association of the Company;
 - the audited Reports and Accounts of the Company for the two financial years ended 31st March 1984 and 1985;
 - the material contracts referred to in 3 above;
 - the unaudited Interim Report of the Company for the six months ended 30th September 1985;
 - a draft (subject to amendment) of the Trust Deed to constitute and secure the Stock;
 - the documents constituting and securing the Existing Stocks; and
 - the Journal of the Institute of Actuaries, Volume 105, Part 1, 1978, page 18

Date 25th March 1986