

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1996-08-26** | Period of Report: **1996-06-30**
SEC Accession No. **0000088048-96-000017**

([HTML Version](#) on secdatabase.com)

FILER

SCUDDER SECURITIES TRUST

CIK: **88048** | IRS No.: **132661231** | Fiscal Year End: **0630**
Type: **N-30D** | Act: **40** | File No.: **811-02021** | Film No.: **96620349**

Mailing Address
*160 FEDERAL ST
BOSTON MA 02110*

Business Address
*175 FEDERAL ST
BOSTON MA 02110
6173305592*

Scudder
Development
Fund

Annual Report
June 30, 1996

Pure No-Load(TM) Funds

Offers opportunities for long-term growth of capital by investing primarily in securities of emerging growth companies.

A pure no-load(TM) fund with no commissions to buy, sell, or exchange shares.

Table of Contents

2	In Brief
3	Letter from the Fund's President
4	Performance Update
5	Portfolio Summary
6	Portfolio Management Discussion
9	Investment Portfolio
19	Financial Statements
22	Financial Highlights
23	Notes to Financial Statements
26	Report of Independent Accountants
27	Tax Information
29	Officers and Trustees
30	Investment Products and Services
31	How to Contact Scudder

In Brief

Scudder Development Fund provided shareholders with a 35.26% total return for the 1996 fiscal year ended June 30, due to astute stock selection and a generally healthy market environment.

The Fund's return during this time period was well ahead of the average mid-capitalization fund tracked by Lipper, which returned 25.33%, and also outpaced the unmanaged Russell 2000 Growth Index's 26.49% gain.

BAR CHART TITLE: Comparative Returns Through June 30, 1996

BAR CHART DATA:

	One Year	Five Years*	Ten Years*
Scudder Development Fund	35.26	18.77	13.56
Russell 2000 Growth Index	26.49	15.95	9.11
Lipper Average	25.33	17.08	12.58

* Average annualized returns

The Fund sought to strengthen diversity in portfolio holdings throughout the year and in the process reduced its technology holdings substantially. Timely additions in the services, healthcare, and energy sectors proved beneficial for Fund performance.

2

Letter From the Fund's President

Dear Shareholders,

We hope you enjoy our newly redesigned shareholder report. The new format, which is being implemented on a test basis with select Scudder funds, is designed to enhance the attractiveness and readability of the reports. Let us know what you think.

In this era of electronic information we have also taken a look at our short-form quarterly reports, which you generally receive two or more weeks after the end of your fund's first and third fiscal quarters. Going forward, these printed reports will be discontinued, and portfolio information will be made available on a more timely basis -- each month, in most cases -- through Scudder's Web site, Scudder's automated information line (SAIL), and by calling a Scudder Investor Relations representative.

We are very pleased to report on another successful year for Scudder Development Fund. After delivering a 45% total return to investors in fiscal year 1995, the Fund produced an additional 35% for the 12 months ended June 30, 1996. A beneficial combination of strong earnings gains, positive investor

sentiment, and smart stock selection were critical to these results.

In our calendar-year-end report, we outlined our concerns for U.S. stock investors going forward. As Roy McKay and Peter Chin explain in the following letter from portfolio management, the markets have been volatile and sound companies with growing earnings much harder to find. In the short run, these factors may lead to some downward movement in your fund's share price. The Fund's research team has redoubled its efforts to identify those companies likely to disappoint with lower-than-expected earnings, but as we witnessed on July 15, the market sometimes punishes swans and ugly ducklings with equal vigor. Longer term, we believe this era of low inflation and dramatic innovation will provide fertile ground for Scudder Development Fund in its quest for capital appreciation.

Please do not hesitate to call an Investor Relations representative at 1-800-225-2470 if you have any questions regarding Scudder Development Fund. Page 31 contains more information on how to contact us.

Sincerely,
/s/Daniel Pierce
Daniel Pierce
President,
Scudder Development Fund

3

PERFORMANCE UPDATE as of June 30, 1996

FUND INDEX COMPARISONS

Period Ended	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
6/30/96			

SCUDDER DEVELOPMENT FUND			

1 Year	\$ 13,526	35.26%	35.26%
5 Year	\$ 23,635	136.35%	18.77%
10 Year	\$ 35,679	256.79%	13.56%
20 Year	\$225,955	2,159.55%	16.87%

RUSSELL 2000 GROWTH INDEX

1 Year	\$12,649	26.49%	26.49%
5 Year	\$20,973	109.73%	15.95%
10 Year	\$23,935	139.35%	9.11%
20 Year*	\$ -	-%	-%

GROWTH OF A \$10,000 INVESTMENT

A chart in the form of a line graph appears here, illustrating the Growth of a \$10,000 Investment. The data points from the graph are as follows:

YEARLY PERIODS ENDED JUNE 30

SCUDDER DEVELOPMENT FUND

Year	Amount
'86	\$10,000
'87	\$10,751
'88	\$10,175
'89	\$10,649
'90	\$13,684
'91	\$15,096
'92	\$17,033
'93	\$20,828
'94	\$18,140
'95	\$26,378
'96	\$35,679

RUSSELL 2000 GROWTH INDEX

Year	Amount
'86	\$10,000
'87	\$10,620
'88	\$ 9,465
'89	\$10,436
'90	\$11,347
'91	\$11,412

'92	\$12,376
'93	\$14,907
'94	\$15,039
'95	\$18,922
'96	\$23,935

The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of 2,000 of the smallest capitalized U.S. companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX, and NASDAQ. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses.

 RETURNS AND PER SHARE INFORMATION

A chart in the form of a bar graph appears here, illustrating the Fund Total Return (%) and Index Total Return (%) with the exact data points listed in the table below.

YEARLY PERIODS ENDED JUNE 30

<TABLE> <S>	<C> 1987	<C> 1988	<C> 1989	<C> 1990	<C> 1991	<C> 1992	<C> 1993	<C> 1994	<C> 1995	<C> 1996
NET ASSET VALUE...	\$25.39	\$22.00	\$22.54	\$26.25	\$27.33	\$29.92	\$34.58	\$27.58	\$37.35	\$45.56
CAPITAL GAINS										
DIVIDENDS.....	\$ 1.33	\$ 1.90	\$.42	\$ 2.28	\$ 1.23	\$.96	\$ 1.70	\$ 3.07	\$ 2.12	\$ 4.20
FUND TOTAL										
RETURN (%).....	7.51	-5.35	4.66	28.50	10.32	12.83	22.28	-12.91	45.41	35.26
INDEX TOTAL										
RETURN (%).....	6.20	-10.88	10.26	8.72	.58	8.45	20.45	.88	25.82	26.49

</TABLE>

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

*Index returns are not available for this period.

PORTFOLIO SUMMARY as of June 30, 1996

ASSET ALLOCATION

Equity Holdings	97%
Cash Equivalents	3%
	100%

A graph in the form of a pie chart appears here, illustrating the exact data points in the above table.

The Fund's near fully invested position reflects our belief that interest rates are more likely to head down than up in the coming year.

 SECTOR DIVERSIFICATION
 (Excludes 3% Cash Equivalents)

Technology	23%
Health	20%
Service Industries	15%
Consumer Discretionary	12%
Durables	9%
Energy	6%
Financial	5%
Manufacturing	4%
Transportation	1%
Other	5%
	100%

A graph in the form of a pie chart appears here, illustrating the exact data points in the above table.

In an effort to reduce portfolio volatility through diversification, we reduced the Fund's technology exposure from a high of 29% one year ago.

10 LARGEST EQUITY HOLDINGS
(21% of portfolio)

1. CINTAS CORP.
Uniform rentals
2. PARAMETRIC TECHNOLOGY CORP.
Mechanical design software producer
3. GRAND CASINOS INC.
Casino manager
4. ATMEL CORP.
Developer and manufacturer of integrated circuits
5. G&K SERVICES INC.
Uniform rentals
6. U.S. ROBOTICS CORP.
Designer and manufacturer of high performance data communication products and systems
7. STERIS CORP.
Manufacturer of sterile processing systems
8. SYNOPSYS INC.
Developer of high level electronic design software
9. SECURITY DYNAMICS TECHNOLOGIES, INC.
Designer, developer and supporter of a family of security products used to manage access to computer-based information resources
10. ASCEND COMMUNICATIONS, INC.
Developer and producer of a variety of high-speed wide area network access products

The Funds's 10 largest holdings returned 107% on average during the year.

For more complete details about the Fund's investment portfolio, see page 9. A monthly Investment Portfolio Summary and quarterly Portfolio Holdings are available upon request.

5

Portfolio Management Discussion

Dear Shareholders,

We are pleased to report on another year of strong performance from Scudder Development Fund. During the fiscal year ended June 30, 1996, the Fund produced a total return of 35.26%. As you can see in the table below, the Fund has delivered returns over the past 10 years that compare favorably with those of the unmanaged Russell 2000 Growth Index, the Fund's benchmark.

To June 30, 1996	Scudder Development Fund*	Russell 2000 Growth Index*
Last Quarter	6.58%	5.84%
Last 6 Months	13.51	11.92
Last Year	35.26	26.49
Last 3 Years	71.30	60.56
Last 5 Years	136.35	109.73
Last 10 years	256.79	139.35

* Cumulative total returns

Three principal reasons account for the past year's positive performance: a relatively benign interest rate environment, rapidly expanding earnings of companies held in the portfolio, and extremely positive money flows into stocks.

The Fund's longer-term results reflect the successful implementation of a consistent long-term philosophy to concentrate investments in small- to mid-size companies that are well managed and capable of delivering at least 15% earnings growth per year. Key to the Fund's success has been Scudder's fundamental research into each of its investments.

The Good, the Bad, and the Uncertain

A total of 30 holdings enjoyed gains of over 50% during the year. Included in the list were five service companies, four Internet and remote access companies, four pharmaceutical companies, two specialty consumer companies, two oil and gas related investments, and one airline. This diversified group had one unifying theme: earnings increases, which averaged 56% in the most recently reported quarter. Collectively, these companies represented 31% of Scudder Development Fund's portfolio on June 30.

This powerful performance extends beyond the most recent 12 month period and has, in fact, helped propel your Fund's share price for nearly two straight years. In June, sparked by a combination of earnings disappointments and rising interest rates, this streak of gains was interrupted. Eight portfolio holdings declined by 30% or more during the quarter. As diverse a group as last year's overachievers, these recent stumblers produced earnings gains of only 4% on average during the most recent quarter. Collectively, they accounted for 4% of the Fund's portfolio as of June 30, 1996.

6

We are now in the middle of yet another quarterly earnings reporting season. So far, the most that can be said is that in certain industries -- particularly semiconductors, computers, and some areas of software -- it is becoming increasingly difficult to report rising revenues and earnings. In the light of this unpleasant fact, we have reduced investments in semiconductors and related equipment.

Trends and Developments

We continue to increase investments in services -- in particular, outsourcing services. This sector has been especially rewarding this year with AccuStaff gaining 86%, Career Horizons up 107%, Computer Horizons gaining 56%, Sitel up 170%, and Viasoft soaring a breathtaking 444% for the 12 month period. We also increased our investments in assisted living centers. The demographic demand for these facilities far exceeds supply, and a number of well-run regional companies recently have announced initial public stock offerings.

Based upon rapidly increasing production from recent discoveries and higher prices for natural gas, investments in the oil and gas industry also performed exceptionally well. For the year, Benton Oil and Gas and Barrett Resources gained 59% and 28%, respectively. In our estimation, these and other energy investments provide excellent growth potential and risk-reducing diversification for the Fund.

Throughout the year, Scudder Development Fund was also favorably impacted by acquisitions. Most recently, in late April, Cisco Systems made an offer to merge with Fund holding Stratacom at a 35% premium. Since Cisco's \$30 billion market capitalization exceeds our definition of "small" we took our profits on Stratacom and eliminated the position.

The Months Ahead

After almost two years of non-stop positive performance, the stock market was poised for a correction. The recent increase in long-term interest rates (and the fear of future increases in short-term rates), coupled with current earnings disappointments, tipped the balance. Historically, sudden and sharp selloffs such as this are more indicative of bull market corrections than longer-term bear market declines.

That said, further increases in interest rates stemming from an accelerating economy would not be positive for equities. We believe the current spate of weaker earnings is more indicative of a tired economy than one that is accelerating. An economy near the end of its expansionary cycle does not warrant interest rate increases. Thus, we are maintaining our strategy of being near fully invested in stocks.

7

With the benefit of experience, we believe the keys to successful stock investing are (1) to maintain a consistent long-term investment horizon, (2) have the courage and persistency to stay invested in well-managed companies in spite of short-term price declines, and (3) have the flexibility to sell companies whose underlying fundamentals are deteriorating. Scudder's entire research team is working to identify early those companies that may be impacted by a weakening economy. As we have for the past 25 years, we remain committed to our ongoing search for undiscovered opportunities and believe that Scudder Development Fund will continue to provide above-average capital appreciation for

its shareholders over the long term.

Sincerely,

Your Portfolio Management Team

/s/Roy C. McKay /s/Peter Chin
Roy C. McKay Peter Chin

Scudder Development Fund:
A Team Approach to Investing

Scudder Development Fund is managed by a team of Scudder investment professionals who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund's portfolio. They are supported by Scudder's large staff of economists, research analysts, traders and other investment specialists who work in Scudder's offices across the United States and abroad. We believe our team approach benefits Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Lead Portfolio Manager Roy C. McKay assumed responsibility for the Fund's day-to-day management when he joined Scudder in 1988. Roy has 30 years of investment experience, with over 20 years specializing in small company growth stocks. Peter Chin, who became a Portfolio Manager in 1993, has been with Scudder since 1973, and joined Scudder's small company group in 1986. Peter contributes expertise in manufacturing, service and energy companies.

PHOTO CAPTION: Your Portfolio Management Team: Roy C. McKay and Peter Chin

Investment Portfolio as of June 30, 1996

<TABLE>

<CAPTION>

	Principal Amount (\$)	Market Value (\$)
<S>	<C>	<C>
REPURCHASE AGREEMENTS 1.1%		
Repurchase Agreement with Donaldson, Lufkin & Jenrette dated 6/28/96 at 5.45%, to be repurchased at \$11,310,134 on 7/1/96, collateralized by a \$11,288,000 U.S. Treasury Note, 5.75%, 9/30/97 (Cost \$11,305,000)	11,305,000	11,305,000 =====
CERTIFICATES OF DEPOSIT 1.9%		
Xerox Corp., 5.09%, 7/25/96 (Cost \$19,929,600)	20,000,000	19,929,600 =====
CONVERTIBLE BONDS 0.3%		
HEALTH 0.3%		
Hospital Management 0.1%		
Complete Management, Inc., 8%, 8/15/03	1,700,000	1,802,000 -----
Pharmaceuticals 0.2%		
North American Vaccine, Inc., 6.5%, 5/1/03	2,000,000	1,890,000 -----
MEDIA 0.0%		
Broadcasting & Entertainment		
Intouch Group, Inc. Promissory Note, 8%, 2/1/96* (b) (c) (d)	250,000	--
Total Convertible Bonds (Cost \$3,950,000)		3,692,000 -----
		Shares
CONVERTIBLE PREFERRED STOCKS 0.4%		
HEALTH 0.3%		
Biotechnology 0.2%		
Norian Corp. "D"* (Developer and manufacturer of a proprietary biomaterial for skeletal repair) (b) (c)	2,857,143	2,000,000 -----

Medical Supply & Specialty 0.1%

InterVentional Technologies, Inc."G"* (Manufacturer of minimally invasive disposable microsurgical devices and systems for treatment of cardiovascular disease) (b) (c)	120,000	1,200,000

MEDIA 0.0%

Broadcasting & Entertainment

InTouch Group Inc. "D"* (Interactive place-based media applications and information services) (b) (c) (d)	363,637	--

MISCELLANEOUS 0.1%

HYSEQ Inc. "A"* (Genetic biotechnology company) (b) (c)	175,000	1,400,000
---	---------	-----------

Total Convertible Preferred Stocks (Cost \$8,600,007)		4,600,000
-----		-----

COMMON STOCKS 96.3%

CONSUMER DISCRETIONARY 11.5%

Apparel & Shoes 1.6%

Oakley, Inc.* (Manufacturer of designer and sport sunglasses and goggles)	56,600	2,575,300
---	--------	-----------

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
-----	-----	-----
<S>	<C>	<C>
St. John Knits Inc. (Manufacturer of women's clothing)	192,500	8,590,313
Tommy Hilfiger Corp.* (Designer and marketer of men's sportswear)	105,400	5,652,075

		16,817,688

Department & Chain Stores 1.3%		
Men's Wearhouse Inc.* (Discount retailer)	351,075	11,322,169
Renters Choice, Inc.* (Operator of rent-to-own stores offering home electronics, appliances, furniture and accessories)	112,100	2,858,550

		14,180,719

Hotels & Casinos 3.0%		
Anchor Gaming* (Operator of gaming machines and casinos)	101,300	6,103,325
Grand Casinos Inc.* (Casino manager)	906,400	23,339,800
Shuffle Master, Inc.* (Manufacturer of automatic card shuffling systems for gaming operations)	199,900	2,998,500

		32,441,625

Recreational Products 0.3%		
First Team Sports, Inc.* (Manufacturer and wholesaler of in-line roller skates)	331,900	3,567,925

Restaurants 2.0%		
Lone Star Steakhouse/Saloon* (Full service restaurant chain)	130,200	4,915,050
Outback Steakhouse Inc.* (Operator of full-service restaurants)	169,100	5,831,307
Starbucks Corp.* (High-quality coffee provider)	381,900	10,788,675

		21,535,032

Specialty Retail 3.3%		
Just For Feet, Inc.* (Operator of superstore chain specializing in athletic and outdoor footwear)	19,800	1,046,925

PETSMART Inc.* (Pet food and supply superstores)	331,900	15,848,225
Viking Office Products Inc.* (Direct marketer of office supplies)	592,800	18,599,100

		35,494,250

CONSUMER STAPLES 0.7%		
Package Goods/Cosmetics 0.1%		
Thermolase Corp.* (Producer of skin-care and other personal care products)	31,100	847,475

Textiles 0.6%		
Nautica Enterprises, Inc.* (Designer and manufacturer of men's clothing)	239,000	6,871,250

HEALTH 18.8%		
Biotechnology 2.2%		
Affymetrix, Inc.* (Manufacturer of a genetic information system)	7,600	115,900
Alliance Pharmaceutical Corp.* (Developer of products for treatment of immune system disorders, cancer and respiratory distress syndrome)	139,000	2,293,500
Applied Biometrics, Inc.* (Manufacturer of cardiac output measuring devices) (b) (c)	50,000	635,000
Avigen, Inc.* (Developer of gene therapy products)	112,300	786,100

</TABLE>

The accompanying notes are an integral part of the financial statements.

10

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
-----	-----	-----
<S>	<C>	<C>
Biofield Corp.* (Developer of medical technology to detect breast cancer)	140,900	1,919,763
Biotransplant, Inc.* (Developer of organ transplant systems and products)	47,000	381,875
Cardiometrics, Inc.* (Developer and manufacturer of intravascular devices to measure blood flow impairment)	62,500	406,250
Cardiovascular Dynamics, Inc.* (Developer and manufacturer of catheters for treatment of vascular diseases)	154,900	1,897,525
CytoTherapeutics, Inc.* (Developer of therapeutic products for treatment of certain chronic and disabling diseases)	386,600	4,300,925
Digene Corp.* (Manufacturer of diagnostic DNA testing systems)	71,800	574,400
NABI, Inc.* (Leading biopharmaceutical company in development of products to prevent and treat autoimmune and infectious diseases)	350,000	3,325,000
Neoprobe Corp.* (Research and development of a system for diagnosis and treatment of cancer)	337,862	5,954,818
Virus Research Institute, Inc.* (Developer of vaccine delivery systems)	133,100	1,214,538

		23,805,594

Health Industry Services 0.9%		
IDX Systems Corp.* (Provider of health care information systems to physician groups and academic medical centers)	186,000	7,254,000
Transition Systems, Inc.* (Provider of integrated clinical and financial decision support systems)	69,400	1,977,900

		9,231,900

Hospital Management 1.9%		
ARV Assisted Living, Inc.* (Operator of licensed assisted living facilities for senior citizens)	230,400	3,571,200
Advocat, Inc.* (Operator of nursing homes and retirement centers)	227,100	2,157,450
Sunrise Assisted Living, Inc.* (Provider of assisted living to the elderly)	227,300	5,455,200

Veterinary Centers of America, Inc.* (Owner and manager of veterinary hospitals)	415,600	9,299,050

		20,482,900

Medical Supply & Specialty 8.8%		
Bio-Plexus Inc.* (Developer and marketer of various medical products)	124,200	1,242,000
Endosonics Corp.* (Manufacturer of imaging catheters)	518,900	9,275,338
ICU Medical Inc.* (Designer, manufacturer and marketer of proprietary disposable medical products)	556,100	7,646,375
Isolyser Co., Inc.* (Developer and manufacturer of varied healthcare products)	447,900	5,374,800
Med-Design Corp.* (Developer and manufacturer of safety medical devices)	309,100	4,945,600
PLC Systems Inc.* (Developer, manufacturer and marketer of medical laser systems)	317,200	7,097,350
Perclose, Inc.* (Developer and producer of minimally invasive single-use systems to close arterial access sites surgically)	250,200	5,629,500
Quidel Corp.* (Producer of non-instrumented diagnostic products for clinical laboratories, office and home testing markets)	53,600	274,700
Research Industries* (Manufacturer of single-patient use cardiology medical products)	186,200	4,119,675

</TABLE>

The accompanying notes are an integral part of the financial statements.

11

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
	-----	-----
<S>	<C>	<C>
STERIS Corp.* (Manufacturer of sterile processing systems)	643,700	20,598,400
Summit Technology, Inc.* (Producer of medical devices for treatment of vision disorders) ..	344,700	4,825,800
Target Therapeutics, Inc.* (Manufacturer of disposable medical devices for treatment of vascular diseases)	170,200	6,978,200
Thermedics Inc.* (Manufacturer of drug detection instruments, explosives detectors, and heart assist devices)	485,200	12,130,000
Trex Medical Corp.* (Manufacturer of mammography equipment and needle biopsy systems)	22,900	432,238
UroMed Corp.* (Manufacturer of urological/gynecological medical products)	274,333	3,772,079

		94,342,055

Pharmaceuticals 5.0%		
Agouron Pharmaceuticals, Inc.* (Developer of therapeutic and synthetic drugs for treatment of cancer and other diseases)	131,500	5,128,500
BioChem Pharma, Inc.* (Research and development of therapeutic products)	51,500	1,931,250
Cyanotech Corp.* (Producer of algal products for nutritional and pharmaceutical markets) ..	124,600	934,500
Flamel Technologies S.A. (ADR)* (Developer of controlled release pharmaceuticals)	121,300	977,981
Interneuron Pharmaceuticals, Inc.* (Developer of neuropharmaceuticals to treat various psychiatric and neurological disorders)	135,600	4,068,000
Matrix Pharmaceutical, Inc.* (Developer of site-specific treatments for cancer and serious skin diseases)	296,200	5,331,600
Neurogen Corp.* (Developer of biopharmaceuticals for treatment of psychiatric and neurological disorders)	234,100	6,028,075
North American Vaccine, Inc.* (Developer of immunological products)	275,400	5,026,050
Noven Pharmaceuticals, Inc.* (Transdermal drug delivery systems)	822,200	13,155,200
PathoGenesis Corp.* (Developer of drugs for treatment of serious infectious diseases)	394,800	6,119,400
SciClone Pharmaceuticals, Inc.* (Developer of pharmaceuticals for infectious diseases,		

cancer and immune system disorders)	369,600	5,128,200

		53,828,756

COMMUNICATIONS 0.8%		
Cellular Telephone 0.4%		
CommNet Cellular, Inc.* (Management, maintenance and financing of cellular telephone systems throughout the United States)	133,400	4,002,000

Telephone/Communications 0.4%		
Paging Network, Inc.* (Paging services)	162,000	3,888,000
Premiere Technologies, Inc.* (Information and telecommunication services)	25,700	809,550

		4,697,550

FINANCIAL 5.2%		
Banks 3.3%		
Dauphin Deposit Corp. (Commercial banking in Pennsylvania)	143,000	4,075,500

</TABLE>

The accompanying notes are an integral part of the financial statements.

12

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
-----	-----	-----
<S>	<C>	<C>
First American Corp. (Tennessee) (Regional commercial banking)	124,300	5,236,138
First Commerce Corp. (Commercial banking in Louisiana and Mississippi)	121,200	4,287,450
First Security Corp. (Commercial banking in western states)	219,350	5,264,400
Magna Group, Inc. (Commercial banking and financial services)	238,400	5,721,600
Union Planters Corp. (Commercial banking in Tennessee)	172,000	5,224,500
Zions Bancorp (Commercial banking in Utah)	74,700	5,434,425

		35,244,013

Insurance 1.7%		
CapMAC Holdings Inc. (Provider of financial guaranty insurance)	154,900	4,414,650
Compdent Corp.* (Provider of dental coverage in the managed dental care industry)	136,300	6,337,950
Meadowbrook Insurance Group. Inc. (Insurance holding company)	93,600	2,878,200
Terra Nova (Bermuda) Holdings Ltd. "A" (Property, casualty and marine insurance and reinsurance company)	271,600	4,345,600

		17,976,400

Consumer Finance 0.2%		
Southern Pacific Funding Corp.* (Specialty finance company providing primarily mortgage loans for single family residences)	143,000	2,502,500

MEDIA 1.1%		
Broadcasting & Entertainment 0.5%		
Central European Media Enterprises Ltd. "A"* (Owner and operator of national and regional private commercial television stations in central Europe and Germany)	214,400	5,360,000
Sanctuary Woods Multimedia Corp.* (Leading developer of family-oriented entertainment and educational CD ROM titles) (b) (c)	700,000	433,125
Sanctuary Woods Multimedia Corp.*	29,000	19,938

		5,813,063

Print Media 0.6%

Desktop Data, Inc.* (Provider of customized real-time news and information over local area networks to professional customers)	181,800	6,044,850
--	---------	-----------

SERVICE INDUSTRIES 14.5%

EDP Services 1.1%

Computer Horizons Corp.* (Diversified information technology services and solutions)	80,800	3,191,600
--	--------	-----------

Systems & Computer Technology Corp.* (Computer software for educational institutions)	565,200	8,195,400
---	---------	-----------

11,387,000

Investment 0.4%

Pioneer Group Inc. (Fund management company owning major gold producer in Ghana)	163,800	4,381,650
--	---------	-----------

Miscellaneous Commercial Services 13.0%

AccuStaff, Inc.* (National provider of temporary staffing personnel)	479,800	13,074,550
--	---------	------------

</TABLE>

The accompanying notes are an integral part of the financial statements.

13

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
<S>	<C>	<C>
Apollo Group, Inc.* (Provider of higher education programs for working adults)	289,350	8,101,800
BI Inc.* (Manufacturer of and service provider for house arrest electronic monitoring systems)	338,500	4,485,125
Bell & Howell Holdings Co.* (Information access and dissemination services)	143,000	4,665,375
CMG Information Services, Inc.* (Developer of information based products and services for direct marketing)	226,100	6,104,700
Career Horizons Inc.* (Temporary help service for business and healthcare)	371,900	13,016,500
Checkfree Corp.* (Designer and provider of services for electronic commerce)	290,500	5,773,688
Cintas Corp.* (Uniform rentals)	592,500	31,698,750
Copart, Inc.* (Auctioneer of damaged vehicles for insurance companies)	347,200	5,728,800
G & K Services Inc. "A"* (Uniform rentals)	732,000	20,862,000
Labor Ready, Inc.* (Provider of temporary workers for manual labor jobs)	83,200	2,329,600
M.A.I.D. PLC (ADR)* (Provider of a computer-based service for access to on-line business information)	70,000	1,106,875
RTW, Inc.* (Provider of comprehensive managed care products and services for workers' compensation programs)	217,650	6,855,975
Sitel Corp.* (Nebraska based telemarketing company for major credit-card and insurance companies)	197,500	8,295,000
Strategic Distribution, Inc.* (In-plant distributor of parts and supplies)	123,600	973,350
Verifone, Inc.* (Provider of electronic payment services to financial institutions, retail merchants and consumers)	151,600	6,405,100
		139,477,188
DURABLES 8.9%		
Automobiles 0.4%		
Tower Automotive, Inc.* (Producer of engineered metal stampings and assemblies for automotive industry)	148,500	3,638,250
Telecommunications Equipment 8.5%		

Ascend Communications, Inc.* (Developer and producer of a variety of high-speed wide area network access products)	346,400	19,485,000
Cascade Communications Corp.* (Designer and developer of multi-service wide area network switches)	255,000	17,340,000
Glenayre Technologies, Inc.* (Manufacturer of telecommunications equipment and software) ..	30,000	1,500,000
Inter-Tel, Inc.* (Manufacturer of business communications software and systems)	111,500	2,919,906
Shiva Corp.* (Developer and manufacturer of hardware and software products that enable remote connectivity to enterprise networks)	231,000	18,480,000
Stratacom, Inc.* (Manufacturer of switching systems for wide area networks)	198,200	11,148,750
U.S. Robotics Corp.* (Designer and manufacturer of high performance data communication products and systems)	242,708	20,751,534
		91,625,190

</TABLE>

The accompanying notes are an integral part of the financial statements.

14

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
-----	-----	-----
<S>	<C>	<C>
MANUFACTURING 3.8%		
Containers & Paper 0.7%		
Aptargroup, Inc. (Manufacturer of packaging equipment components)	125,900	3,808,475
Sealed Air Corp.* (Protective packaging material)	100,000	3,362,500
		7,170,975

Electrical Products 1.0%		
Advanced Lighting Technologies, Inc.* (Manufacturer of metal halide lighting products)	311,700	5,454,750
FORE Systems, Inc.* (Producer of high-performance networking products)	142,200	5,136,975
		10,591,725

Industrial Specialty 1.3%		
Bakrie & Brothers (Manufacturer of industrial steel products, steel pipes, corrugated sheet iron, asbestos and fiber cements)	2,380,000	3,374,436
Itron, Inc.* (Manufacturer of meter reading instruments for utilities)	99,900	2,834,663
Lydall, Inc.* (Engineered fiber materials)	379,700	8,353,400
		14,562,499

Office Equipment/Supplies 0.8%		
Encad, Inc.* (Manufacturer of large format color inkjet printers)	525,000	8,925,000

TECHNOLOGY 22.4%		
Computer Software 16.7%		
Advent Software, Inc.* (Provider of stand-alone and client/server software products)	231,500	6,482,000
Aspect Development, Inc.* (Developer of component and supplier management software)	50,800	1,295,400
Astea International, Inc.* (Developer, marketer and supporter of applications for the customer interaction software market)	232,500	5,638,125
Atria Software, Inc.* (Developer of complex software products)	60,000	3,000,000
Avant! Corp.* (Developer and marketer of integrated circuit design automation software) ...	115,100	2,676,075

CBT Group PLC (ADR)* (Developer and publisher of software focusing on client/server technologies)	35,000	1,618,750
Cheyenne Software Inc.* (Computer software and equipment)	522,250	10,053,313
Clarify, Inc.* (Manufacturer of adaptable client/server application software)	53,500	2,648,250
Cooper & Chyan Technology, Inc.* (Developer of software tools to aid performance of printed circuit boards and integrated circuits)	136,500	2,985,938
Dendrite International, Inc.* (Provider of software products and support services for management of large sales forces in the healthcare industry)	134,200	4,629,900
Excalibur Technologies Corp.* (Manufacturer of document imaging software)	190,900	4,295,250
Informix Corp.* (Database management software)	610,300	13,731,750
Integrated Systems, Inc.* (Manufacturer of software development tools for various industries)	72,300	2,896,519
Keane, Inc.* (Provider of computer software project management and design development services)	271,800	10,022,625

</TABLE>

The accompanying notes are an integral part of the financial statements.

15

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
<S>	<C>	<C>
Kurzweil Applied Intelligence* (Developer of speech recognition software and systems)	310,074	930,222
Lycos, Inc.* (Developer of online guides to the Internet)	138,400	1,539,700
Open Text Corp.* (Producer of information management software for networks)	130,100	1,349,788
OzEmail Ltd.* (Provider of residential and commercial Internet services in Australia and New Zealand)	145,200	1,869,450
Parametric Technology Corp.* (Mechanical design software producer)	663,800	28,792,325
Planning Sciences International PLC (ADR)* (Business software)	72,400	1,629,000
Project Software & Development, Inc.* (Developer of software used for management of equipment maintenance)	254,900	11,948,438
SS&C Technologies, Inc.* (Producer of client/server-based software solutions for financial service companies)	12,700	193,675
Security Dynamics Technologies, Inc.* (Designer, developer and supporter of a family of security products used to manage access to computer-based information resources)	241,800	19,888,050
Segue Software, Inc.* (Producer and supporter of software tools, methodology and management)	171,000	5,087,250
Softdesk, Inc.* (Designer and supporter of computer-aided design software for architecture, engineering and construction industries)	307,800	2,924,100
Sterling Commerce, Inc.* (Producer of electronic data interchange products and services) ..	37,800	1,403,325
Synopsys Inc.* (Developer of high level electronic design software)	502,200	19,962,450
Verilink Corp.* (Developer of integrated access products for telecommunication network service providers)	16,800	428,400
Verity, Inc.* (Developer and supporter of software tools and applications for locating information on various networks and databases)	76,800	2,208,000
Viasoft, Inc.* (Producer of business solutions for management and automation of large-scale COBOL software systems)	100,200	6,475,425
VocalTec, Ltd.* (Producer of software for audio communications on the Internet)	60,600	530,250
Workgroup Technology Corp.* (Designer, manufacturer and supporter of information management software)	33,700	846,713
		179,980,456

EDP Peripherals 1.0%

NetStar, Inc.* (Manufacturer and supporter of high-performance computer networking equipment)	311,100	6,144,225
Visioneer, Inc.* (Developer of intelligent paper input systems)	418,300	4,235,288

		10,379,513

Electronic Components/Distributors 0.9%		
Altera Corp.* (Designer and marketer of programmable logic integrated circuits and computer engineering software and hardware)	53,000	2,014,000
ITI Technologies, Inc.* (Designer and manufacturer of wireless security system)	174,800	5,768,400

The accompanying notes are an integral part of the financial statements.

16

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
	<C>	<C>
Trident International, Inc.* (Manufacturer of impulse ink jet subsystems)	86,000	1,870,500

		9,652,900

Precision Instruments 1.3%		
KLA Instruments Corp.* (Developer, manufacturer and marketer of automated image processing systems)	385,300	8,958,225
Silicon Valley Group Inc.* (Manufacturer of equipment for semiconductor industry)	286,000	5,362,500

		14,320,725

Semiconductors 2.5%		
Atmel Corp.* (Developer and manufacturer of integrated circuits)	707,100	21,301,388
Vitesse Semiconductor Corp.* (Manufacturer of digital integrated circuits)	95,500	2,292,000
Zilog Inc.* (Manufacturer and marketer of integrated circuits)	123,750	2,970,000

		26,563,388

ENERGY 5.6%		
Oil & Gas Production 3.9%		
Abacan Resource Corp.* (Exploration and development of oil and gas properties in Nigeria) .	335,100	1,397,994
Barrett Resources Corp.* (Oil and gas exploration and production)	394,300	11,730,425
Belco Oil & Gas Corp.* (Natural gas and oil exploration, development and production)	38,100	1,352,550
Benton Oil & Gas Co.* (Oil and gas exploration, development and production)	501,300	11,028,600
Triton Energy Ltd.* (Independent oil and gas exploration and production company)	331,500	16,119,188

		41,628,757

Oil Companies 0.1%		
Rutherford-Moran Oil Corp.* (Independent energy company which develops oil and gas properties in southeast Asia)	70,200	1,711,125

Oilfield Services/Equipment 1.6%		
Global Industries Ltd.* (Pipeline construction, derrick and diving services for offshore oil and gas industry)	249,200	7,413,700
Sonat Offshore Drilling Co. (Provider of contract drilling services of offshore oil and gas wells worldwide)	189,500	9,569,750

		16,983,450

METALS & MINERALS 1.1%

Precious Metals 0.8%

Ashanti Goldfields Co., Ltd. (ADS) (Leading gold producer)	100,000	1,975,000
Stillwater Mining Co.* (Exploration and development of mines in Montana producing platinum, palladium and associated metals)	300,000	7,087,500

		9,062,500

Steel & Metals 0.3%

RMI Titanium Co.* (Producer of titanium products)	110,500	2,596,750

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

	Shares	Market Value (\$)
<S>	<C>	<C>
CONSTRUCTION 0.6%		
Building Materials		
Simpson Manufacturing Co., Inc.* (Manufacturer of wood-to-wood, wood-to-concrete and wood-to-masonry connectors)	321,700	6,434,000

TRANSPORTATION 1.1%		
Air Freight 0.1%		
AirNet Systems, Inc.* (Operator of national air transport system for delivery of time-critical shipments)	83,300	1,332,800

Airlines 0.7%		
America West Airlines, Inc.* (Passenger airline in the West and Midwest)	257,200	5,658,400
Midwest Express Holding, Inc.* (Operator of passenger airline catering to business travelers)	55,200	1,773,300

		7,431,700

Marine Transportation 0.3%		
Trico Marine Services, Inc.* (Provider of marine support services for offshore oil and gas exploration and production operations)	139,100	3,094,965

OTHER 0.2%		
Miscellaneous Securities*		2,671,413

Total Common Stocks (Cost \$653,438,209)		1,035,331,464

Total Investment Portfolio - 100.0% (Cost \$697,222,816) (a)		1,074,858,064

</TABLE>

* Non-income producing security.

(a) The cost for federal income tax purposes was \$698,484,754. At June 30, 1996, net unrealized appreciation for all securities based on tax cost was \$376,373,310. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost of \$415,339,543 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over market value of \$38,966,233.

(b) Securities valued in good faith by the Valuation Committee of the Board of Trustees. The cost of these securities at June 30, 1996, aggregated \$12,014,073. See Note A of the Notes to Financial Statements.

(c) Restricted Securities - securities which have not been registered with the Securities and Exchange Commission under the Securities Act of 1933. Information concerning such restricted securities at June 30, 1996 is as follows:

Security	Acquisition Date	Cost (\$)
Applied Biometrics, Inc.	2/29/96	300,000
HYSEQ Inc. "A"	5/15/96	1,400,000
Interventional Technologies, Inc. "G"	3/6/95	1,200,000
InTouch Group Inc.	2/14/95	250,000
InTouch Group Inc. "D"	1/20/94	4,000,007
Norian Corp. "D"	4/12/95	2,000,000
Sanctuary Woods Multimedia Corp.	1/28/94	2,864,066

(d) Issuer filed petition under Chapter 11 of the Federal Bankruptcy Code.

The accompanying notes are an integral part of the financial statements.

18

Financial Statements

Statement of Assets and Liabilities
as of June 30, 1996

<TABLE>		<C>
<S>		<C>
Assets		
Investments, at market (identified cost \$697,222,816) (Note A)		\$1,074,858,064
Cash		674
Receivable for investments sold		458,290
Receivable for Fund shares sold		2,656,441
Dividends and interest receivable		168,606
Other assets		4,660
Total assets		1,078,146,735
Liabilities		
Payable for investments purchased	\$	35,296,189
Payable for Fund shares redeemed		1,355,454
Accrued management fee (Note C)		868,196
Other accrued expenses (Note C)		338,162
Total liabilities		37,858,001
Net assets, at market value		\$1,040,288,734
Net Assets		
Net assets consist of:		
Net unrealized appreciation on:		
Investments		377,635,248
Foreign currency related transactions		291
Accumulated net realized gain		99,645,238
Shares of beneficial interest		228,333
Additional paid-in capital		562,779,624
Net assets, at market value		\$1,040,288,734
Net Asset Value		
Net Asset Value, offering and redemption price per share		
(\$1,040,288,734 / 22,833,256 outstanding shares of beneficial		
interest, \$.01 par value, unlimited number of		
shares authorized	\$	45.56
=====		

</TABLE>

The accompanying notes are an integral part of the financial statements.

19

Statement of Operations
year ended June 30, 1996

<u><S></u>	<u><C></u>	
<u>Investment Income</u>		
Income:		
Dividends (net of foreign taxes withheld of \$31,370)	\$	1,355,276
Interest		1,586,637
		2,941,913
Expenses:		
Management fee (Note C)	\$	8,710,130
Services to shareholders (Note C)		1,644,151
Custodian and accounting fees (Note C)		258,275
Trustees' fees (Note C)		47,552
Reports to shareholders		185,494
Legal		25,740
Auditing		44,932
State registration		48,630
Interest		6,863
Other		82,606
		11,054,373
Net investment loss		(8,112,460)
<u>Realized and unrealized gain (loss) on investment transactions</u>		
Net realized gain (loss) from:		
Investments	162,384,209	
Foreign currency related transactions		(29,094)
		162,355,115
Net unrealized appreciation (depreciation) during the period on:		
Investments	102,875,126	
Foreign currency related transactions		(8,696)
		102,866,430
Net gain on investment transactions		265,221,545
Net increase in net assets resulting from operations	\$	257,109,085

</TABLE>

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

<u><S></u>	<u><C></u>	<u><C></u>	<u><C></u>
<u>Increase (Decrease) in Net Assets</u>			
Operations:			
Net investment loss	\$	(8,112,460)	\$ (6,157,164)
Net realized gain from investment transactions		162,355,115	58,067,466
Net unrealized appreciation on investment transactions		102,866,430	180,163,568
during the period			
		257,109,085	232,073,870
Net increase in net assets resulting from operations			
Distributions to shareholders from net realized gains			
(\$4.20 and \$2.12 per share, respectively)		(84,837,216)	(41,498,116)
		257,109,085	232,073,870
Fund share transactions:			
Proceeds from shares sold		486,060,931	260,652,295
Net asset value of shares issued to shareholders in			
reinvestment of		80,963,827	39,673,233
distributions			
Cost of shares redeemed		(426,320,016)	(309,316,368)
		140,704,742	(8,990,840)
Net increase (decrease) in net assets from Fund share			
transactions			
Increase in net assets		312,976,611	181,584,914

Net assets at beginning of period	727,312,123	545,727,209
Net assets at end of period	1,040,288,734	727,312,123
	=====	=====

Other information

Increase (decrease) in Fund shares		
Shares outstanding at beginning of period	19,474,819	19,787,452
Shares sold	11,614,545	8,524,177
Shares issued to shareholders in reinvestment of distributions	2,054,380	1,371,263
Shares redeemed	(10,310,488)	(10,208,073)
Net increase (decrease) in Fund shares	3,358,437	(312,633)
Shares outstanding at end of period	22,833,256	19,474,819
	=====	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

<TABLE>
<CAPTION>

	Years Ended June 30,									
	1996 (b)	1995 (b)	1994 (b)	1993 (b)	1992 (b)	1991 (b)	1990 (b)	1989 (b)	1988	1987
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$37.35	\$27.58	\$34.58	\$29.92	\$27.33	\$26.25	\$22.54	\$22.00	\$25.39	\$25.12
Income from investment operations:	(0.38)	(.31)	(.30)	(.27)	(.23)	(.10)	(.08)	(.10)	(.08)	(.07)
Net investment loss										
Net realized and unrealized gain (loss) on investment transactions	12.79	12.20	(3.63)	6.63	3.78	2.41	6.07	1.06	(1.41)	1.67
Total from investment operations	12.41	11.89	(3.93)	6.36	3.55	2.31	5.99	.96	(1.49)	1.60
Less distributions from net realized gains on investment transactions	(4.20)	(2.12)	(3.07)	(1.70)	(.96)	(1.23)	(2.28)	(.42)	(1.90)	(1.33)
Total distributions	(4.20)	(2.12)	(3.07)	(1.70)	(.96)	(1.23)	(2.28)	(.42)	(1.90)	(1.33)
Net asset value, end of period	\$45.56	\$37.35	\$27.58	\$34.58	\$29.92	\$27.33	\$26.25	\$22.54	\$22.00	\$25.39
Total Return (%)	35.26	45.41	(12.91)	22.28	12.83	10.32	28.50	4.66	(5.35)	7.51
Ratios and Supplemental Data										
Net assets, end of period (\$ millions)	1,040	727	546	821	700	476	361	275	356	387
Ratio of operating expenses to average daily net assets (%)	1.24	1.32	1.27	1.30	1.30	1.29	1.34	1.32	1.30	1.27
Ratio of net investment loss to average daily net assets (%)	(0.91)	(1.01)	(.91)	(.83)	(.70)	(.40)	(.35)	(.47)	(.44)	(.33)
Portfolio turnover rate (%)	58.8	41.6	48.3	49.2	53.5	70.8	40.1	32.0	39.2	23.5
Average commission rate paid (a)	\$.0554	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

</TABLE>

(a) Average commission rate paid per share of common and preferred stocks is

calculated for fiscal years ending on or after June 30, 1996.

- (b) Per share amounts have been calculated using the weighted average shares outstanding during the period method.

22

Notes to Financial Statements

A. Significant Accounting Policies

Scudder Development Fund (the "Fund") is a diversified series of Scudder Securities Trust, a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The Fund's financial statements are prepared in accordance with generally accepted accounting principles which require the use of management estimates. The policies described below are followed consistently by the Fund in the preparation of its financial statements.

Security Valuation. Portfolio securities which are traded on U.S. or foreign stock exchanges are valued at the most recent sale price reported on the exchange on which the security is traded most extensively. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation is used. Securities quoted on the National Association of Securities Dealers Automatic Quotation ("NASDAQ") System, for which there have been sales, are valued at the most recent sale price reported on such system. If there are no such sales, the value is the high or "inside" bid quotation. Securities which are not quoted on the NASDAQ System but are traded in another over-the-counter market are valued at the most recent sale price on such market. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations the most recent bid quotation shall be used. Short-term investments having a maturity of sixty days or less are valued at amortized cost.

All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Trustees. Securities valued in good faith by the Valuation Committee of the Trustees at fair value amounted to \$5,668,125 (0.54% of net assets) and have been noted in the investment portfolio as of June 30, 1996.

Restricted Securities. The Fund may not purchase restricted securities (for these purposes, restricted security means a security which cannot be sold to the public without registration under the Securities Act of 1933 or the availability of an exemption from registration, or which is subject to other legal or contractual delays in or restrictions on resale), if, as a result thereof, more than 10% of the value of the Fund's total assets would be invested in restricted securities. The aggregate fair value of restricted securities at June 30, 1996, amounted to \$5,668,125 which represents 0.54% of net assets.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Foreign currency transactions are translated into U.S. dollars on the following basis:

- (i) market value of investment securities, other assets and liabilities at the daily rates of exchange, and
- (ii) purchases and sales of investment securities, dividend and interest income and certain expenses at the rates of exchange prevailing on the respective dates of such transactions.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains and losses from investments.

Net realized and unrealized gain (loss) from foreign currency related transactions includes gains and losses between trade and settlement dates on securities transactions, gains and losses arising from the sales of foreign currency, and gains and losses between the ex and payment dates on dividends, interest, and foreign withholding taxes.

23

Repurchase Agreements. The Fund may enter into repurchase agreements with certain banks and broker/dealers whereby the Fund, through its custodian, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value, depending on the maturity of the repurchase

agreement, is equal to at least 100.5% of the resale price.

Federal Income Taxes. The Fund's policy is to comply with the requirements of the Internal Revenue Code which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the Fund paid no federal income taxes and no federal income tax provision was required.

Distribution of Income and Gains. Distributions of net investment income, if any, are made annually. During any particular year net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders annually. An additional distribution may be made to the extent necessary to avoid the payment of a four percent federal excise tax.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from generally accepted accounting principles. These differences primarily relate to tax equalization and investments in certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The Fund uses the identified cost method for determining realized gain or loss on investments for both financial and federal income tax reporting purposes.

Other. Investment security transactions are accounted for on a trade-date basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

B. Purchases and Sales of Securities

During the year ended June 30, 1996, purchases and sales of investment securities (excluding short-term investments) aggregated \$574,190,328 and \$512,944,829, respectively.

The aggregate face value of future contracts opened and closed during the year ended June 30, 1996 was \$69,755,575.

C. Related Parties

Under the Fund's Investment Management Agreement (the "Agreement") with Scudder, Stevens & Clark, Inc. (the "Adviser"), the Fund agrees to pay to the Adviser a fee equal to an annual rate of 1% of the Fund's first \$500 million of average daily net assets, .95% of the next \$500 million of such net assets, and .90% on such net assets in excess of \$1 billion, computed and accrued daily and payable monthly. As manager of the assets of the Fund, the Adviser directs the investments of the Fund in accordance with its investment objective, policies, and restrictions. The Adviser determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Adviser provides certain administrative services in accordance with the Agreement. The Agreement also provides that if the Fund's expenses, exclusive of taxes, interest, and extraordinary expenses, exceed specified limits, such excess, up to

24

the amount of the management fee, will be paid by the Adviser. For the year ended June 30, 1996, the fee pursuant to the Agreement amounted to \$8,710,130 of which \$868,196 is unpaid at June 30, 1996.

Scudder Service Corporation ("SSC"), a subsidiary of the Adviser, is the transfer, dividend paying and shareholder service agent for the Fund. For the year ended June 30, 1996, the amount charged by SSC aggregated \$979,311, of which \$93,158 is unpaid at June 30, 1996.

Scudder Trust Company ("STC"), a subsidiary of the Adviser, provides recordkeeping and other services in connection with certain retirement and employee benefit plans invested in the Fund. For the year ended June 30, 1996, the amount charged to the Fund by STC aggregated \$391,855, of which \$77,935 is unpaid at June 30, 1996.

Scudder Fund Accounting Corporation ("SFAC"), a subsidiary of the Adviser, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. For the year ended June 30, 1996, the amount charged to the Fund by SFAC aggregated \$127,426 of which \$24,381 is unpaid at June 30, 1996.

The Fund pays each of its Trustees not affiliated with the Adviser \$4,000 annually plus specified amounts for attended board and committee meetings. For

the year ended June 30, 1996, Trustees' fees aggregated \$47,552.

D. Line of Credit

The Fund and several affiliated Funds ("The Participants") share in a \$500 million revolving credit facility for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated among each of the Participants. Interest is calculated based on the market rates at the time of the borrowing. The Fund may borrow up to a maximum of 33.33% of its net assets under the agreement. In addition, the Fund also maintains an uncommitted line of credit.

25

Report of Independent Accountants

To the Trustees of Scudder Securities Trust and the Shareholders of Scudder Development Fund:

We have audited the accompanying statement of assets and liabilities of Scudder Development Fund, including the investment portfolio, as of June 30, 1996, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the ten years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1996 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Scudder Development Fund as of June 30, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the ten years in the period then ended, in conformity with generally accepted accounting principles.

Boston, Massachusetts

COOPERS & LYBRAND L.L.P.

August 5, 1996

26

Tax Information

The Fund paid distributions of \$4.20 per share from long-term capital gains during its year ended June 30, 1996. Pursuant to section 852 of the Internal Revenue Code, the Fund designates \$134,765,534 as capital gain dividends for its fiscal year ended June 30, 1996.

Please consult a tax adviser if you have any questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your Scudder Fund account, please call a Scudder Investor Relations Representative at 1-800-225-5163.

27

This Page
intentionally
left blank.

28

Officers and Trustees

Daniel Pierce*
President and Trustee

Paul Bancroft III
Trustee; Venture Capitalist and Consultant

Thomas J. Devine
Trustee; Consultant

Keith R. Fox
Trustee; President, Exeter Capital Management Corporation

Dudley H. Ladd*
Trustee

Dr. Wilson Nolen
Trustee; Consultant

Juris Padeogs*
Trustee

Dr. Gordon Shillinglaw
Trustee; Professor Emeritus of Accounting, Columbia University Graduate School
of Business

Robert W. Lear
Honorary Trustee; Executive-in-Residence, Columbia University Graduate School
of Business

Robert G. Stone, Jr.
Honorary Trustee; Chairman of the Board and Director, Kirby Corporation

Edmund R. Swanberg
Honorary Trustee

Peter Chin*
Vice President

James M. Eysenbach*
Vice President

Philip S. Fortuna*
Vice President

Jerard K. Hartman*
Vice President

Thomas W. Joseph*
Vice President

David S. Lee*
Vice President

Thomas F. McDonough*
Vice President and Secretary

Pamela A. McGrath*
Vice President and Treasurer

Roy C. McKay*
Vice President

Edward J. O'Connell*
Vice President and Assistant Treasurer

Kathryn L. Quirk*
Vice President and Assistant Secretary

Richard W. Desmond*
Assistant Secretary

Coleen Downs Dinneen*
Assistant Secretary

* Scudder, Stevens & Clark
29

Investment Products and Services

The Scudder Family of Funds

Money Market
Scudder Cash Investment Trust
Scudder U.S. Treasury Money Fund

Tax Free Money Market+
Scudder Tax Free Money Fund
Scudder California Tax Free Money Fund*
Scudder New York Tax Free Money Fund*

Tax Free+
Scudder California Tax Free Fund*
Scudder High Yield Tax Free Fund
Scudder Limited Term Tax Free Fund
Scudder Managed Municipal Bonds
Scudder Massachusetts Limited Term Tax Free Fund*
Scudder Massachusetts Tax Free Fund*
Scudder Medium Term Tax Free Fund
Scudder New York Tax Free Fund*
Scudder Ohio Tax Free Fund*
Scudder Pennsylvania Tax Free Fund*

Growth and Income
Scudder Balanced Fund
Scudder Growth and Income Fund

Income
Scudder Emerging Markets Income Fund
Scudder Global Bond Fund
Scudder GNMA Fund
Scudder High Yield Bond Fund
Scudder Income Fund
Scudder International Bond Fund
Scudder Short Term Bond Fund
Scudder Zero Coupon 2000 Fund

Growth
Scudder Capital Growth Fund
Scudder Development Fund
Scudder Emerging Markets Growth Fund
Scudder Global Discovery Fund
Scudder Global Fund
Scudder Gold Fund
Scudder Greater Europe Growth Fund
Scudder International Fund
Scudder Latin America Fund
Scudder Micro Cap Fund
Scudder Pacific Opportunities Fund
Scudder Quality Growth Fund
Scudder Small Company Value Fund
Scudder Value Fund
The Japan Fund

Retirement Plans and Tax-Advantaged Investments
IRAs
Keogh Plans
Scudder Horizon Plan*+++ (a variable annuity)
401(k) Plans
403(b) Plans
SEP-IRAs
Profit Sharing and Money Purchase Pension Plans

Closed-End Funds#
The Argentina Fund, Inc.
The Brazil Fund, Inc.
The First Iberian Fund, Inc.
The Korea Fund, Inc.
The Latin America Dollar Income Fund, Inc.
Montgomery Street Income Securities, Inc.
Scudder New Asia Fund, Inc.
Scudder New Europe Fund, Inc.
Scudder World Income Opportunities Fund, Inc.

Institutional Cash Management
Scudder Institutional Fund, Inc.
Scudder Fund, Inc.
Scudder Treasurers Trust(TM)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state, and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers

Trust, (TM) an institutional cash management service that utilizes certain portfolios of Scudder Fund, Inc. (\$100,000 minimum), call 1-800-541-7703.

30

HOW TO CONTACT SCUDDER

Account Service and Information

For existing account service and transactions

Scudder Investor Relations
1-800-225-5163

For personalized information about your Scudder accounts;
exchanges and redemptions; or information on any Scudder fund

Scudder Automated Information Line (SAIL)
1-800-343-2890

Investment Information

To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions

Scudder Investor Relations
1-800-225-2470

For establishing 401(k) and 403(b) plans

Scudder Defined Contribution Services
1-800-323-6105

Please address all correspondence to

The Scudder Funds
P.O. Box 2291
Boston, Massachusetts
02107-2291

Visit the Scudder World Wide Web Site at:

<http://funds.scudder.com>

Or Stop by a Scudder Funds Center

Many shareholders enjoy the personal, one-on-one service of the Scudder Funds Centers. Check for a Funds Center near you--they can be found in the following cities:

Boca Raton	New York
Boston	Portland, OR
Chicago	San Diego
Cincinnati	San Francisco
Los Angeles	Scottsdale

For information on Scudder Treasurers Trust(TM), an institutional cash management service for corporations, non-profit organizations and trusts which utilizes certain portfolios of Scudder Fund, Inc.* (\$100,000 minimum), call: 1-800-541-7703.

For information on Scudder Institutional Funds*, funds designed to meet the broad investment management and service needs of banks and other institutions, call: 1-800-854-8525.

Scudder Investor Relations and Scudder Funds Centers are services provided through Scudder Investor Services, Inc., Distributor.

* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

31

Celebrating Over 75 Years of Serving Investors

Established in 1919 by Theodore Scudder, Sidney Stevens, and F. Haven Clark, Scudder, Stevens & Clark was the first independent investment counsel firm in the United States. Since its birth, Scudder's pioneering spirit and commitment to professional long-term investment management have helped shape the investment industry. In 1928, we introduced the nation's first no-load mutual fund. Today we offer 40 pure no load(TM) funds, including the first international mutual

fund offered to U.S. investors.

Over the years, Scudder's global investment perspective and dedication to research and fundamental investment disciplines have helped us become one of the largest and most respected investment managers in the world. Though times have changed since our beginnings, we remain committed to our long-standing principles: managing money with integrity and distinction; keeping the interests of our clients first; providing access to investments and markets that may not be easily available to individuals; and making investing as simple and convenient as possible through friendly, comprehensive service.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.