

The Scottish Investment Trust PLC

126th
Annual Report & Accounts
31 October 2013



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Responsibility statement

The board of directors confirms that to the best of its knowledge:

- the set of financial statements, which has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, gives a true and fair view of the assets, liabilities, financial position and return of the company;
- the annual report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties the company faces; and
- no transactions with related parties took place during the financial year other than fees payable to the directors.

For and on behalf of the board



Douglas McDougall
Chairman
12 December 2013

The Company

Company Data as at 31 October 2013

£857,545,000

Total Assets

£750,818,000

Shareholders' Funds

£663,179,000

Market Capitalisation

Objective of The Scottish Investment Trust PLC

To provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation. The company's investment policy is shown in the Strategic Report on page 6.

Investment Risk

The Scottish Investment Trust PLC (SIT) investment portfolio is diversified over a range of industries and regions in order to spread risk. SIT has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns but should stockmarkets fall, such borrowings would magnify losses. SIT can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing. Investment risk is considered in more detail in the Strategic Report on pages 6 and 7.

Performance Comparators

The company does not have a formal benchmark. Performance is reviewed in the context of returns achieved by a broad basket of UK equities through the FTSE All-Share Index™ and of international equities through the FTSE All-World Index™. The portfolio is not modelled on any index.

Management

The company is managed by its own employees, led by the manager who is responsible to the directors for all aspects of the day to day management of the company.

Capital Structure

On 31 October 2013 the company had in issue 109,979,926 shares. Long-term borrowings at par amounted to £104,167,000 with an average annual interest cost of 5.8%.

Management Expenses

The expenses of managing the company's business during the year were £5,110,000. The ongoing charges ratio was 0.75%. The company aims to keep this percentage low in comparison with competing investment products.

Dividends

Details of the company's dividends can be found on pages 45 and 50. The interim dividend is paid in July (2013: 4.80p) and the final dividend is paid in February (2013: proposed regular 6.80p and special 1.80p).

ISA and SIPP

The shares are eligible for ISAs and SIPPs. Details of all of the savings schemes offered by SIT Savings Ltd are shown on page 44.

The Association of Investment Companies (AIC)

The company is a member of the AIC, the trade organisation for the closed-ended investment company industry.

Ten Year Record

Year to 31 October	Earnings per share (p) ¹	Regular dividend per share (p) ²	Total expenses £'000	Ongoing charges ratio %	Total assets £'000	Shareholders' funds £'000	Buybacks £'000	NAV (debt at par) (p)	Share price (p)	Discount to NAV % ⁴	NAV (debt at par) total return %
2003	9.28	7.80	4,129	0.61	942,154	719,515	7,949	342.1	281.0	16.2	11.5
2004 ³	9.29	8.10	4,108	0.57	888,578	739,342	3,868	353.9	298.8	14.3	6.2
2005 ³	9.86	8.40	3,973	0.49	1,044,315	894,412	–	428.1	377.0	9.5	23.6
2006	9.39	8.72	4,481	0.57	839,641	730,594	288,891 ⁵	510.4	451.0	8.5	21.3
2007	11.02	9.10	4,709	0.63	910,574	802,353	44,234	597.6	529.0	9.9	19.5
2008	11.00	9.50	4,440	0.64	633,521	525,679	22,919	405.5	372.0	7.5	(30.7)
2009	10.62	9.60	4,139	0.78	696,971	587,675	13,776	465.6	410.0	8.9	17.6
2010	10.26	10.05	4,284	0.72	740,140	630,367	36,046	533.7	469.3	9.0	17.0
2011	12.43	10.40	4,443	0.71	708,972	598,870	19,339	524.2	452.0	8.2	(0.0)
2012	12.01	11.25	4,632	0.79	734,801	628,244	11,121	561.6	479.0	8.6	9.2
2013	13.41	11.60	5,110	0.75	857,545	750,818	10,139	682.7	603.0	8.6	23.8

Ten Year Growth Record

	Earnings per share ¹	Regular dividend per share ²	Retail Prices Index	NAV (debt at market value)	NAV (debt at par)	Share price	NAV (debt at par) total return	Share price total return	UK FTSE All-Share Index total return	FTSE All-World Index total return
2003	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2004 ³	100.1	103.8	103.3	105.2	103.4	106.3	106.2	109.9	111.6	105.8
2005 ³	106.3	107.7	105.9	125.6	125.1	134.2	131.2	142.0	133.7	126.3
2006	101.2	111.8	109.7	149.0	149.2	160.5	159.2	173.3	162.7	144.4
2007	118.8	116.7	114.4	177.1	174.7	188.3	190.1	207.8	184.8	166.1
2008	118.5	121.8	119.2	121.9	118.5	132.4	131.8	149.7	121.3	121.4
2009	114.4	123.1	118.3	136.0	136.1	145.9	155.0	169.3	149.8	148.1
2010	110.6	128.8	123.7	155.5	156.0	167.0	181.4	198.3	176.0	175.0
2011	133.9	133.3	130.3	149.1	153.2	160.9	181.3	194.8	177.1	174.4
2012	129.4	144.2	134.5	158.4	164.2	170.5	198.0	211.2	194.5	190.7
2013	144.5	148.7	138.0	199.3	199.5	214.6	245.2	271.6	238.7	237.2
Ten Year Return Per Annum	3.7%	4.0%	3.3%	7.1%	7.2%	7.9%	9.4%	10.5%	9.1%	9.0%
Five Year Return Per Annum	4.0%	4.1%	3.0%	10.3%	11.0%	10.1%	13.2%	12.7%	14.5%	14.3%

1. From 1 November 1999 to 31 October 2005 the company charged two-thirds of eligible expenses and finance costs to capital reserve and since 1 November 2005 the company has charged half of eligible expenses and finance costs to capital reserve.

2. Excluding special dividends of 2.00p in 2006, 2.00p in 2007 and 1.80p in 2013.

3. Figures for 2004 and 2005 have been restated, where applicable, in respect of accounting changes.

4. Discount to ex-income NAV with borrowings at market value.

5. Includes buybacks by way of a tender offer of £254,577,000.

Financial Highlights

	2013	2012	Change %	Total return %
NAV with borrowings at market value	668.4p	531.3p	25.8	28.2
NAV with borrowings at par	682.7p	561.6p	21.6	23.8
Ex-income NAV with borrowings at market value	659.7p	523.8p	25.9	
Ex-income NAV with borrowings at par	674.0p	554.2p	21.6	
Share price	603.0p	479.0p	25.9	28.6
Discount to ex-income NAV with borrowings at market value	8.6%	8.6%		
FTSE All-World Index			21.1	24.3
UK FTSE All-Share Index			18.5	22.8
	£'000	£'000		
Equity investments	731,373	639,355		
Net current assets	126,172	95,446		
Total assets	857,545	734,801		
Long-term borrowings at par	(104,167)	(104,051)		
Pension liability	(2,560)	(2,506)		
Shareholders' funds	750,818	628,244		
Total income	22,290	20,565	8.4	
Earnings per share	13.41p	12.01p	11.7	
Regular dividend per share (2013: proposed final 6.80p)	11.60p	11.25p	3.1	
Special dividend per share (proposed)	1.80p	–		
Total dividend per share	13.40p	11.25p	19.1	
UK Consumer Prices Index – annual inflation			2.2	
UK Retail Prices Index – annual inflation			2.6	

Year's High & Low

	Year to 31 October 2013		Year to 31 October 2012	
	High	Low	High	Low
NAV with borrowings at market value	675.8p	519.2p	550.2p	481.6p
Closing share price	606.0p	464.0p	495.5p	429.0p
Discount to ex-income NAV with borrowings at market value	11.8%	7.6%	12.3%	7.0%

NAV* and Share Price against Comparator Indices Total Return (5 years to 31 October 2013)

