

The Scottish Investment Trust PLC

123rd
Annual Report & Accounts
31 October 2010

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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 applicable accounting standards, 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.

For and on behalf of the board



Douglas McDougall
Chairman
16 December 2010

The Company

Company Data as at 31 October 2010

£740,140,000

Total Assets

£630,367,000

Shareholders' Funds (with borrowings at par)

£554,257,000

Market Capitalisation

Objectives 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 Directors' Report on page 15.

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. However, should stockmarkets fall, such borrowings would magnify any 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 Directors' Report on pages 15 and 16.

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 2010 the company had in issue 118,102,926 shares and long-term borrowings at par amounted to £107,733,000 with an average annual interest cost of 5.9%.

Management Expenses

The total expenses of managing the company's business during the year were £4,284,000, equivalent to 0.70% of average shareholders' funds. The company aims to keep this percentage low in comparison with competing investment products.

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 42.

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	Dividend per share (p) ²	Total expenses £'000	Total expense ratio %	Total assets £'000	Shareholders' funds £'000	NAV (debt at par) (p)	Share price (p)	Discount to NAV % ⁴	NAV (debt at par) total return %
2000	7.93	6.90	4,568	0.35	1,578,998	1,356,861	538.9	457.0	14.6	17.1
2001	9.33	7.05	4,821	0.43	1,130,370	908,066	402.1	359.0	8.7	(24.4)
2002	8.24	7.50	4,558	0.58	893,915	671,443	314.8	259.0	15.6	(20.2)
2003	9.28	7.80	4,129	0.59	942,154	719,515	342.1	281.0	16.2	11.5
2004 ³	9.29	8.10	4,108	0.56	888,578	739,342	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	0.55	839,641	730,594	510.4	451.0	8.5	21.3
2007	11.02	9.10	4,709	0.61	910,574	802,353	597.6	529.0	9.9	19.5
2008	11.00	9.50	4,440	0.67	633,521	525,679	405.5	372.0	7.5	(30.7)
2009	10.62	9.60	4,139	0.74	696,971	587,675	465.6	410.0	8.9	17.6
2010	10.26	10.05	4,284	0.70	740,140	630,367	533.7	469.3	9.0	17.0

Ten Year Growth Record

	Earnings per share ¹	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
2000	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	117.7	102.2	101.6	73.5	74.6	78.6	75.6	79.8	80.4	74.9
2002	103.9	108.7	103.7	57.4	58.4	56.7	60.4	58.8	66.5	60.2
2003	117.0	113.0	106.4	62.7	63.5	61.5	67.4	65.9	75.6	69.5
2004 ³	117.2	117.4	109.9	66.0	65.7	65.4	71.5	72.4	84.4	73.6
2005 ³	124.3	121.7	112.6	78.7	79.4	82.5	88.4	93.5	101.0	87.8
2006	118.4	126.4	116.8	93.4	94.7	98.7	107.2	114.1	122.9	100.4
2007	139.0	131.9	121.7	111.0	110.9	115.8	128.1	136.9	139.7	115.5
2008	138.7	137.7	126.9	76.4	75.3	81.4	88.8	98.6	91.7	84.4
2009	133.9	139.1	125.9	85.3	86.4	89.7	104.4	111.5	113.2	103.0
2010	129.4	145.7	131.6	97.5	99.0	102.7	122.2	130.6	133.0	121.7
Ten Year Return										
Per Annum	2.6%	3.8%	2.8%	-0.3%	-0.1%	0.3%	2.0%	2.7%	2.9%	2.0%
Five Year Return										
Per Annum	0.8%	3.7%	3.2%	4.4%	4.5%	4.5%	6.7%	6.9%	5.6%	6.7%

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 1.00p in 2001, 2.00p in 2006 and 2.00p in 2007.
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.

Financial Highlights

Capital

	2010	2009	% Change
NAV with borrowings at par	533.7p	465.6p	14.6
NAV with borrowings at market value	521.7p	456.2p	14.4
Ex-income NAV with borrowings at par	527.7p	459.3p	14.9
Ex-income NAV with borrowings at market value	515.7p	449.9p	14.6
Share price	469.3p	410.0p	14.5
Discount to ex-income NAV with borrowings at market value	9.0%	8.9%	
FTSE All-World Index			15.3
UK FTSE All-Share Index			13.6
	£'000	£'000	
Equity investments	680,976	611,455	
Fixed interest investments	9,351	25,274	
Net current assets	49,813	60,242	
Total assets	740,140	696,971	
Borrowings at par	(107,733)	(107,612)	
Pension liability	(2,040)	(1,684)	
Equity shareholders' funds	630,367	587,675	

Income

Total income	19,542	21,620	
Earnings per share	10.26p	10.62p	
Dividend per share	10.05p	9.60p	4.7
UK Consumer Prices Index			3.2
UK Retail Prices Index			4.5

Year's High & Low

	Year to 31 October 2010		Year to 31 October 2009	
	High	Low	High	Low
Published ex-income NAV with borrowings at market value	533.7p	445.3p	490.0p	334.8p
Closing share price	483.0p	401.0p	443.0p	326.3p
Discount/(premium) to ex-income NAV with borrowings at market value	10.2%	7.5%	12.9%	(0.9%)

NAV* and Share Price against Comparator Indices (5 years to 31 October 2010)

