

The Scottish Investment Trust PLC

124th
Annual Report & Accounts
31 October 2011

Contents

The Company	1
Ten Year Record	2
Ten Year Growth Record	2
Financial Highlights	3
Chairman's Statement	4
Management Review	6
Glossary	12
Distribution of Total Assets by Industry	13
List of Investments	14
Board of Directors and Management	15
Directors' Report	16
Directors' Remuneration Report	23
Income Statement	24
Balance Sheet	25
Statement of Total Recognised Gains and Losses	26
Reconciliation of Movements in Shareholders' Funds	26
Cash Flow Statement	27
Accounting Policies	28
Notes to the Financial Statements	29
Independent Auditor's Report	43
Investor Information	44
Notice of Meeting	47
Financial Calendar 2012	50
Useful Addresses	50

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
16 December 2011

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all of your shares in The Scottish Investment Trust PLC, please forward this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

The Company

Company Data as at 31 October 2011

£708,972,000

Total Assets

£598,870,000

Shareholders' Funds (with borrowings at par)

£516,360,000

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 pages 16 and 17.

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 and should stockmarkets fall, such borrowings would magnify losses on these investments. 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 16 to 18.

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

At 31 October 2011 the company had in issue 114,238,926 shares and long-term borrowings at par amounted to £107,853,000 with an average annual interest cost of 5.9%.

Management Expenses

The total expenses of managing the company's business during the year were £4,443,000, equivalent to 0.72% 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 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	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 %
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
2011	12.43	10.40	4,443	0.72	708,972	598,870	524.2	452.0	8.2	0.0

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
2001	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2002	88.3	106.4	102.1	78.1	78.3	72.1	79.8	73.8	82.7	80.4
2003	99.5	110.6	104.8	85.3	85.1	78.3	89.0	82.6	94.0	92.9
2004 ³	99.6	114.9	108.2	89.8	88.0	83.2	94.5	90.7	104.9	98.3
2005 ³	105.7	119.1	110.9	107.1	106.5	105.0	116.8	117.3	125.6	117.3
2006	100.6	123.7	115.0	127.1	126.9	125.6	141.7	143.1	152.9	134.2
2007	118.1	129.1	119.9	151.1	148.6	147.4	169.3	171.6	173.7	154.3
2008	117.9	134.8	124.9	104.0	100.8	103.6	117.4	123.6	114.0	112.8
2009	113.8	136.2	123.9	116.1	115.8	114.2	138.0	139.8	140.8	137.5
2010	110.0	142.6	129.5	132.7	132.7	130.7	161.5	163.7	165.4	162.6
2011	133.2	147.5	136.5	127.2	130.4	125.9	161.5	160.9	166.4	162.0
Ten Year Return										
Per Annum	2.9%	4.0%	3.2%	2.4%	2.7%	2.3%	4.9%	4.9%	5.2%	4.9%
Five Year Return										
Per Annum	5.8%	3.6%	3.5%	0.0%	0.5%	0.0%	2.6%	2.4%	1.7%	3.8%

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

	2011	2010	% Change
NAV with borrowings at par	524.2p	533.7p	(1.8)
NAV with borrowings at market value	500.2p	521.7p	(4.1)
Ex-income NAV with borrowings at par	516.3p	527.7p	(2.2)
Ex-income NAV with borrowings at market value	492.2p	515.7p	(4.5)
Share price	452.0p	469.3p	(3.7)
Discount to ex-income NAV with borrowings at market value	8.2%	9.0%	
FTSE All-World Index			(2.9)
UK FTSE All-Share Index			(2.6)
	£'000	£'000	
Equity investments	541,554	680,976	
Fixed interest investments	2,988	9,351	
Net current assets	164,430	49,813	
Total assets	708,972	740,140	
Borrowings at par	(107,853)	(107,733)	
Pension liability	(2,249)	(2,040)	
Shareholders' funds	598,870	630,367	

Income

Total income	21,544	19,542	
Earnings per share	12.43p	10.26p	
Dividend per share (2011: proposed final 5.80p)	10.40p	10.05p	3.5
UK Consumer Prices Index			5.0
UK Retail Prices Index			5.4

Year's High & Low

	Year to 31 October 2011		Year to 31 October 2010	
	High	Low	High	Low
Ex-income NAV with borrowings at market value	580.3p	456.9p	533.7p	445.3p
Closing share price	524.0p	417.0p	483.0p	401.0p
Discount to ex-income NAV with borrowings at market value	11.1%	5.8%	13.3%	7.5%

NAV* and Share Price against Comparator Indices Total Return (5 years to 31 October 2011)

