

# The Scottish Investment Trust PLC

125th  
Annual Report & Accounts  
31 October 2012



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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 2012

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# The Company

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Company Data as at 31 October 2012

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£734,801,000

Total Assets

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£628,244,000

Shareholders' Funds

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£535,799,000

Market Capitalisation

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## 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 Directors' Report on page 16.

### 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 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 21.

### 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 2012 the company had in issue 111,857,926 shares and long-term borrowings at par amounted to £104,051,000 with an average annual interest cost of 5.8%.

### Management Expenses

The total expenses of managing the company's business during the year were £4,632,000, equivalent to 0.75% of average shareholders' funds. The company aims to keep this percentage low in comparison with competing investment products.

### Dividend

Details of the company's dividends can be found on pages 44 and 49.

### 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 43.

### 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) <sup>1</sup>	Dividend per share (p) <sup>2</sup>	Total expenses £'000	Total expense ratio %	Total assets £'000	Shareholders' funds £'000	NAV (debt at par) (p)	Share price (p)	Discount to NAV % <sup>4</sup>	NAV (debt at par) total return %
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 <sup>3</sup>	9.29	8.10	4,108	0.56	888,578	739,342	353.9	298.8	14.3	6.2
2005 <sup>3</sup>	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
2012	12.01	11.25	4,632	0.75	734,801	628,244	561.6	479.0	8.6	9.2

# Ten Year Growth Record

	Earnings per share <sup>1</sup>	Dividend per share <sup>2</sup>	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
2002	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2003	112.6	104.0	102.6	109.3	108.7	108.5	111.5	111.9	113.6	115.5
2004 <sup>3</sup>	112.7	108.0	106.0	115.0	112.4	115.3	118.4	123.0	126.8	122.2
2005 <sup>3</sup>	119.7	112.0	108.7	137.2	136.0	145.6	146.3	159.0	151.9	145.9
2006	114.0	116.3	112.6	162.8	162.1	174.1	177.5	194.0	184.8	166.9
2007	133.7	121.3	117.4	193.5	189.8	204.2	212.1	232.7	210.0	191.9
2008	133.5	126.7	122.4	133.2	128.8	143.6	147.1	167.6	137.9	140.2
2009	128.9	128.0	121.4	148.6	147.9	158.3	172.9	189.5	170.2	171.0
2010	124.5	134.0	126.9	170.0	169.6	181.2	202.3	222.0	200.0	202.2
2011	150.8	138.7	133.8	163.0	166.5	174.5	202.3	218.1	201.2	201.5
2012	145.8	150.0	138.1	173.1	178.4	184.9	220.9	236.5	221.0	220.4
<b>Ten Year Return</b>										
Per Annum	3.8%	4.1%	3.3%	5.6%	6.0%	6.3%	8.2%	9.0%	8.3%	8.2%
<b>Five Year Return</b>										
Per Annum	1.7%	4.3%	3.3%	(2.2%)	(1.2%)	(2.0%)	0.8%	0.3%	1.0%	2.8%

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 2.00p in 2006 and 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

	2012	2011	Change %	Total return %
NAV with borrowings at par	561.6p	524.2p	7.1	9.2
NAV with borrowings at market value	531.3p	500.2p	6.2	8.4
Ex-income NAV with borrowings at par	554.2p	516.3p	7.3	
Ex-income NAV with borrowings at market value	523.8p	492.2p	6.4	
Share price	479.0p	452.0p	6.0	8.4
Discount to ex-income NAV with borrowings at market value	8.6%	8.2%		
FTSE All-World Index			6.3	9.4
UK FTSE All-Share Index			5.7	9.8
	£'000	£'000		
Equity investments	639,355	541,554		
Fixed interest investments	–	2,988		
Net current assets	95,446	164,430		
Total assets	734,801	708,972		
Long-term borrowings at par	(104,051)	(107,853)		
Pension liability	(2,506)	(2,249)		
<b>Shareholders' funds</b>	<b>628,244</b>	<b>598,870</b>		

Total income	20,565	21,544		
Earnings per share	12.01p	12.43p		
Dividend per share (2012: proposed final 6.65p)	11.25p	10.40p	8.2	
UK Consumer Prices Index – annual inflation			2.7	
UK Retail Prices Index – annual inflation			3.2	

## Year's High & Low

	Year to 31 October 2012		Year to 31 October 2011	
	High	Low	High	Low
NAV with borrowings at market value	550.2p	481.6p	585.3p	464.6p
Closing share price	495.5p	429.0p	524.0p	417.0p
Discount to ex-income NAV with borrowings at market value	12.3%	7.0%	11.1%	5.8%

## NAV\* and Share Price against Comparator Indices Total Return (5 years to 31 October 2012)

