Independent Auditor's Report
To the members of The Scottish Investment Trust PLC

Opinion on Financial Statements of The Scottish Investment Trust PLC
In our opinion:
- the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2014 and of the company's profit for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the Income Statement, Balance Sheet, statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement, Accounting Policies and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going Concern
As required by the Listing Rules we have reviewed the directors' statement on page 18 that the company is a going concern. We confirm that:
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the company's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Our Assessment of Risks of Material Misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation and ownership of listed investments The listed investments of the company (£765m) make up 104% of total net assets (£734m). Investments listed on recognised exchanges are valued at the closing bid price at the year end. There is a risk that investments may not be valued correctly or may not represent the property of the company.	We have performed the following procedures to address this risk: • assessed the design and implementation of the controls over valuation and ownership of investments; • agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source; • agreed 100% of the company's investment portfolio at the year end to confirmation received directly from the custodian and depository; and • reviewed the controls report over Northern Trust to assess design and implementation of controls at the custodian.
Recognition of investment income Dividends from equity shares are accounted for on an ex-dividend basis. Overseas dividends are accounted for on an ex-dividend basis and included gross of withholding tax. Dividends are accounted for as revenue, except where; in the opinion of management and the board, the dividend is capital in nature, in which case it is treated as a return of capital. There is a risk that revenue is incomplete or incorrectly allocated between revenue and capital accounts. We have included this risk in our audit opinion for 31 October 2014 as this balance is now significant following the reduction of our basis of materiality.	We have performed the following procedures to address this risk: • assessed the design and implementation of the controls over revenue recognition, completeness and allocation; • for a sample of corporate actions and special dividends received, we challenged management's rationale for the allocation between revenue and capital against the requirements of the SORP and agreed details of the dividend to a third party source to evidence the nature of the dividend; • reviewed the accounting policies for revenue recognition against the requirements of UK Generally Accepted Accounting Practice and the SORP and performed focused testing to confirm their application during the year; • developed an expectation of the dividends received for the year using market yield to assess the reasonableness of the dividends recorded; and • for a sample of investments held, agreed the ex-dividend dates and rates for dividends declared, obtained from an independent pricing source to the dividend entitlement report.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 19.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our Application of Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be £7.3m (2013: £22.5m), which is 1% (2013: 3%) of net assets.

This is a change of approach from 2013, where we used a materiality of 3% of net assets. We have changed the percentage applied to align more closely with other comparable companies.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £147,000 (2013: £430,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An Overview of the Scope of Our Audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which We Are Required to Report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Claxton ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Glasgow, United Kingdom
12 December 2014

Income Statement

for the year to 31 October 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net gains on investments held at fair value through profit and loss	8	–	4,478	4,478	–	136,910	136,910
Net losses on currencies		–	(1,993)	(1,993)	–	(838)	(838)
Income	1	19,854	–	19,854	22,290	–	22,290
Expenses	2	(2,884)	(2,003)	(4,887)	(3,016)	(2,094)	(5,110)
Net Return before Finance Costs and Taxation		16,970	482	17,452	19,274	133,978	153,252
Interest payable	5	(3,096)	(3,095)	(6,191)	(3,096)	(3,095)	(6,191)
Return on Ordinary Activities before Tax		13,874	(2,613)	11,261	16,178	130,883	147,061
Tax on ordinary activities	6	(1,298)	–	(1,298)	(1,314)	–	(1,314)
Return attributable to Shareholders		**12,576**	**(2,613)**	**9,963**	**14,864**	**130,883**	**145,747**
Return per share		**11.51p**	**(2.39)p**	**9.12p**	**13.41p**	**118.07p**	**131.48p**
Weighted average number of shares in issue during the year			**109,263,104**			**110,847,197**	

	Notes	2014 £'000	2013 £'000
Dividends paid and proposed	7		
Interim 2014 – 4.80p (2013: 4.80p)		5,232	5,324
Final 2014 – 7.20p (2013: 6.80p)		7,781	7,474
Special 2014 – nil (2013: 1.80p)		–	1,979
Total 2014 – 12.00p (2013: 13.40p)		**13,013**	**14,777**

All revenue and capital items in the above statement derive from continuing operations.

The total column of this statement is the profit and loss account of the company.

The accompanying notes are an integral part of this statement.

Balance Sheet
as at 31 October 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed Assets					
Equity investments	8		767,179		731,373
Current Assets					
Debtors	10	5,649		3,759	
Cash and deposits	8	82,974		123,559	
		88,623		127,318	
Creditors: liabilities falling due within one year	11	(14,613)		(1,146)	
Net Current Assets			**74,010**		**126,172**
Total Assets less Current Liabilities			**841,189**		**857,545**
Creditors: liabilities falling due after more than one year					
Long-term borrowings at par	12		(104,283)		(104,167)
Pension liability	4		(2,613)		(2,560)
Net Assets			**734,293**		**750,818**
Capital and Reserves					
Called-up share capital	13		27,017		27,495
Share premium account	14		39,922		39,922
Other reserves					
Capital redemption reserve	14		43,844		43,366
Capital reserve	14		575,735		589,859
Revenue reserve	14		47,775		50,176
Shareholders' Funds			**734,293**		**750,818**
Net Asset Value per share with borrowings at par			**679.5p**		**682.7p**
Number of shares in issue at year end	13		**108,066,926**		**109,979,926**

The financial statements on pages 26 to 44 were approved by the board of directors and were signed on its behalf by:

Douglas McDougall.

Douglas McDougall
Director
12 December 2014

The accompanying notes are an integral part of this statement.

Registered no. SC001651

Statement of Total Recognised Gains and Losses

for the year to 31 October 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Return attributable to shareholders		12,576	(2,613)	9,963	14,864	130,883	145,747
Actuarial losses relating to pension scheme	4	(292)	(203)	(495)	(186)	(129)	(315)
Total recognised gains/(losses) for the year		**12,284**	**(2,816)**	**9,468**	**14,678**	**130,754**	**145,432**
Total recognised gains/(losses) per share		**11.24p**	**(2.57)p**	**8.67p**	**13.24p**	**117.96p**	**131.20p**

Reconciliation of Movements in Shareholders' Funds

for the year to 31 October 2014

	Notes	2014 £'000	2013 £'000
Opening shareholders' funds		750,818	628,244
Total recognised gains		9,468	145,432
Dividend payments	7	(14,685)	(12,719)
Share buybacks		(11,308)	(10,139)
Closing shareholders' funds		**734,293**	**750,818**

The accompanying notes are an integral part of these statements.

Cash Flow Statement

for the year to 31 October 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net Cash Inflow from Operating Activities			13,367		15,509
Servicing of Finance					
Net cash outflow from servicing of finance – Interest Paid			(6,075)		(6,075)
Taxation					
Net cash inflow from taxation – overseas tax recovered			54		340
Investing Activities					
Purchases of investments		(280,401)		(257,852)	
Disposals of investments		259,082		295,980	
Net cash (outflow)/inflow from investing activities			(21,319)		38,128
Dividends Paid	7		(14,685)		(12,719)
Net cash (outflow)/inflow before use of liquid resources and financing			(28,658)		35,183
Management of Liquid Resources					
Decrease/(increase) in short-term deposits	15		44,774		(41,410)
Financing					
Net cash outflow from financing – share buybacks			(11,927)		(9,697)
Increase/(decrease) in Cash	15		**4,189**		**(15,924)**
Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities					
Net revenue before finance costs and taxation			16,970		19,274
Expenses charged to capital			(2,003)		(2,094)
Decrease in accrued income			305		262
Increase/(decrease) in other creditors			4,045		(5,326)
(Increase)/decrease in other debtors			(3,983)		5,150
Movement in pension funding			(442)		(261)
Tax on investment income			(1,525)		(1,496)
Net Cash Inflow from Operating Activities			**13,367**		**15,509**

The accompanying notes are an integral part of this statement.

Accounting Policies

A summary of the principal accounting policies is set out in paragraphs (a) to (j) below. All have been applied consistently throughout the current and the preceding year:

(a) Basis of Accounting

The financial statements are prepared on a going concern basis (see page 18) under the historical cost convention, modified to include the revaluation of investments at fair value, and in accordance with applicable United Kingdom accounting standards. The company's accounting policies comply with the AIC Statement of Recommended Practice (SORP) issued in 2009 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

(b) Valuation of Investments

Listed investments and current asset investments are valued at fair value through profit and loss. Fair value is the closing bid or last traded price according to the recognised convention of the markets on which they are quoted. Where trading in the securities of an investee company is suspended, the investment is valued at the board's estimate of its net realisable value. Where appropriate, the directors have adopted the guidelines issued by the International Private Equity and Venture Capital Association for the valuation of unlisted investments. Heritable property is included at a professional valuation. Depreciation is not charged on heritable property as it is not material.

Realised surpluses or deficits on the disposal of investments, permanent impairments in the value of investments and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve as explained in note (i) below.

Year end exchange rates are used to translate the value of investments which are denominated in foreign currencies.

(c) Valuation of Debt

The company's secured bonds and debentures are held at amortised cost being the nominal value of the bonds in issue less the unamortised costs of issue.

(d) Income

Dividends receivable on quoted shares are brought into account on the ex-dividend date. Dividends receivable on shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established.

Interest and other income from non-equity securities, including debt securities, are recognised on a time apportionment basis so as to reflect the effective yield on the securities.

Where the company elects to receive dividends in the form of additional shares (scrip dividends) rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash is recognised in capital reserves.

(e) Expenses

All expenses are accounted for on an accruals basis.

Investment expenses are allocated between revenue and capital reserve in line with the directors' expectations of the nature of long-term future returns from the company's investments (2013: same).

Expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost, or deducted from the sales proceeds, of the investment.

(f) Finance Costs

Interest payable is charged one-half to revenue reserve and one-half to capital reserve in line with the directors' expectations of long-term future returns from the company's investments (2013: same).

The discount on, and expenses of issue of, the secured bonds due 2030 are included in the financing costs of the issue which are being written off over the life of the bonds.

(g) Taxation

Current tax is provided at amounts expected to be paid (or recovered).

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The company has no deferred tax asset or liability.

(h) Foreign Currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction or, where appropriate, at the rate of exchange in a related forward contract. Assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature.

(i) Capital Reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised and unrealised exchange differences of a capital nature;
- realised and unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature;
- the funding of share and secured bond buybacks;
- expenses and interest charged to capital;
- increases and decreases in the valuation of investments held at the year end; and
- increases and decreases in the valuation of the pension fund surplus or deficit.

(j) Pensions

Employer contributions for the defined benefit scheme are calculated by reference to the triennial actuarial valuation. Employer contributions for the defined contribution scheme are a predetermined percentage of the employee's salary.

Actuarial gains and losses are recognised in the Statement of Recognised Gains and Losses.

Further information on the company's pension schemes is contained in Note 4 to the Financial Statements on pages 32 to 34.

Notes to the Financial Statements
for the year to 31 October 2014

1. Income

	2014 £'000	2013 £'000
UK dividends including special dividends of £30,000 (2013: £760,000)	4,779	6,890
Overseas dividends including special dividends of £211,000 (2013: £111,000)	14,717	15,456
Income from unlisted investments	–	34
Deposit interest	250	142
Gains/(losses) on forward currency sales	108	(232)
	19,854	**22,290**

2. Expenses

	2014 £'000	2013 £'000
Staff costs (Note 3)	3,056	3,359
Auditor's remuneration for audit services	28	27
Auditor's remuneration for pension scheme audit	6	5
Auditor's remuneration for tax compliance services	8	8
Auditor's remuneration for other assurance services	5	4
Investment & accounting services	396	377
Professional fees, marketing and scheme administration	344	343
Office expenses	253	270
Depositary, custody and bank charges	222	223
Other expenses	569	494
	4,887	**5,110**

3. Staff Costs

	2014 £'000	2013 £'000
Remuneration	2,290	2,496
Social security costs	243	295
Pensions and post-retirement benefits	523	568
	3,056	**3,359**

The average monthly number of persons employed during the year was:	2014 Number	2013 Number
Investment	11	12
Administration	8	10
	19	**22**

4. Pension Scheme

The company's defined benefit pension scheme based on final salary is closed to new entrants. The assets of the scheme are held separately from those of the company. The scheme is under the control of trustees and is administered by Punter Southall & Co, consulting actuaries.

Actuarial valuations are obtained triennially and are updated at each balance sheet date. A full actuarial valuation was carried out in 2013 by Punter Southall & Co which disclosed a scheme deficit of £3,406,000 on 31 July 2013. The company has agreed to meet this deficit over nine years by equal instalments. It should be noted that this deficit differs from that disclosed by Financial Reporting Standard 17 (FRS17) which is set out below and which is the liability required to be shown in the financial statements. The main reason for the difference is that FRS17 requires future liabilities to be calculated actuarially using a rate of return based on the yield from investment grade corporate bonds which is lower than the expected rate of return on the equities in which the scheme is invested. The FRS17 liability is separately disclosed in the balance sheet.

For the defined benefit scheme the amounts charged against revenue, as part of staff costs, are the actuarial estimation of 'current service costs' (that is, the increase in scheme liabilities arising from employee service) for the current accounting period and gains and losses from settlements (whereby the company is relieved of a pension obligation) and from curtailments (whereby the estimated years of future service are reduced) in the period. The cost of past service benefits which have vested are charged against revenue as they arise. Where such benefits have not vested, costs are accrued until vesting occurs.

For employees who are not members of the defined benefit scheme, the company operates a defined contribution scheme under which the company has agreed to pay contributions as a percentage of salary, but has no obligation to pay further contributions. For this scheme, the amount charged to revenue is the contributions payable for the year.

The following statement has been prepared for the defined benefit scheme in accordance with the requirements of FRS17, the purpose of which is to ensure that:

1. the company's financial statements show the assets of the scheme at fair value, and the liabilities arising from its obligations to employees on their retirement, actuarially estimated as prescribed by FRS17;
2. the operating costs of providing retirement benefits to employees, actuarially estimated, are charged against the profits of the years in which employees earn those benefits; and
3. the financial statements adequately disclose the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

The major assumptions used for the actuarial valuation of the final salary scheme were:		2014 %	2013 %	2012 %	2011 %	2010 %
Rate of increase in salaries		3.2	3.2	3.7	3.7	3.7
Rate of increase in pensions in payment		3.8	3.8	3.5	3.5	3.6
Discount rate		4.3	4.4	4.8	5.0	5.2
Inflation	– RPI	3.6	3.7	3.1	3.1	3.4
	– CPI	2.8	2.9	2.3	2.5	2.8
Life expectancies on retirement at age 60 are:						
Retiring today	– males	27.9	27.8	27.7	27.6	27.5
	– females	30.7	30.6	30.5	30.4	30.2
Retiring in 20 years' time	– males	30.1	30.0	29.9	29.8	29.7
	– females	32.8	32.7	32.6	32.5	32.4

The expected rates of return from the scheme assets on the balance sheet date were:	2014 %	2013 %	2012 %	2011 %	2010 %
Equities	7.2	7.2	7.2	7.2	7.2
Bonds	4.2	4.2	4.2	4.2	4.2
With-profit policies	2.8	3.4	3.3	3.5	4.1
Cash	2.8	3.4	3.3	3.5	4.1

4. Pension Scheme (continued)

The fair value of the scheme assets and the present value of the scheme liabilities were:	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Equities	4,996	5,043	4,007	3,988	5,238
Bonds	5,922	4,879	3,845	3,648	2,191
With-profit policies	149	202	192	181	161
Cash	2,243	1,646	2,294	1,240	383
Total fair value of assets	13,310	11,770	10,338	9,057	7,973
Present value of scheme liabilities	(15,923)	(14,330)	(12,844)	(11,306)	(10,013)
Net pension liability	**(2,613)**	**(2,560)**	**(2,506)**	**(2,249)**	**(2,040)**

Reconciliation of the opening and closing balances of the present value of the scheme assets	2014 £'000	2013 £'000
Fair value of scheme assets at beginning of year	11,770	10,338
Expected return on scheme assets	643	544
Actuarial gains	232	274
Contributions by employer	820	707
Contributions by scheme participants	38	40
Benefits paid	(193)	(133)
Fair value of scheme assets at end of year	**13,310**	**11,770**

Reconciliation of the opening and closing balances of the present value of the scheme liabilities	2014 £'000	2013 £'000
Liabilities at beginning of year	14,330	12,844
Current service cost	385	367
Interest cost	636	623
Contributions by scheme participants	38	40
Actuarial losses	727	589
Benefits paid	(193)	(133)
Liabilities at end of year	**15,923**	**14,330**

4. Pension Scheme (continued)

Analysis of amount chargeable to operating profit during the year	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Current service cost	423	407	369	370	314
Past service cost	–	–	41	–	–
Total operating charge	423	407	410	370	314
Employee contribution to be set off	(38)	(40)	(39)	(38)	(42)
Analysis of amount credited to other finance income:					
Expected return on assets	643	544	503	505	380
Interest on liabilities	(636)	(623)	(571)	(526)	(472)
Net return	7	(79)	(68)	(21)	(92)
Movement in deficit during year: Deficit at beginning of year	(2,560)	(2,506)	(2,249)	(2,040)	(1,684)
Movement in year:					
Current service cost	(423)	(407)	(369)	(370)	(314)
Past service cost	–	–	(41)	–	–
Contributions for year	858	747	782	732	658
Net return from other finance income	7	(79)	(68)	(21)	(92)
Actuarial losses in statement of total recognised gains and losses	(495)	(315)	(561)	(550)	(608)
Deficit at end of year	**(2,613)**	**(2,560)**	**(2,506)**	**(2,249)**	**(2,040)**

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Analysis of the actuarial deficit in the statement of recognised gains and losses:					
Actual return less expected return on assets	232	274	163	(4)	490
Experience (losses)/gains on liabilities	(268)	607	(138)	(111)	157
Change in assumptions	(459)	(1,196)	(586)	(435)	(1,255)
Actuarial losses in statement of total recognised gains and losses	**(495)**	**(315)**	**(561)**	**(550)**	**(608)**

	2014		2013		2012		2011		2010	
History of experience gains and losses	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Difference between actual and expected return on assets	2	232	2	274	2	163	0	(4)	6	490
Experience gains/(losses) on liabilities	(2)	(268)	4	607	(1)	(138)	(1)	(111)	2	157
Total amount recognised on statement of total recognised gains and losses	(3)	(495)	2	(315)	(4)	(561)	(5)	(550)	(6)	(608)

The company's contributions to the defined contribution scheme amounted to £105,000 (2013: £109,000).

5. Interest Payable

	2014 £'000	2013 £'000
On secured bonds and debentures	6,075	6,075
Amortisation of secured bonds issue expenses	116	116
	6,191	**6,191**

6. Tax on Ordinary Activities

	2014 £'000	2013 £'000
Taxation		
UK corporation tax at 21.83% (2013: 23.42%)	–	–
Overseas tax	1,298	1,314
Current tax	**1,298**	**1,314**

The tax charge for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 23% for the tax year 2013/14 and 21% for the 2014/15 tax year.

	2014 £'000	2013 £'000
Return on ordinary activities before tax	11,261	147,061
Corporation tax at 21.83% (2013: 23.42%)	2,458	34,442
Effects of: Non-taxable capital returns	571	(30,653)
Finance costs and expenses charged to capital	(1,113)	(1,215)
Non-taxable dividends	(4,256)	(2,692)
Unutilised expenses	2,340	118
Overseas tax	1,298	1,314
	1,298	**1,314**

There are unrelieved management expenses at 31 October 2014 of £108,753,000 (2013: £98,149,000) but the related deferred tax asset has not been recognised. This is because the company is not expected to generate taxable profits in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the company will be able to reduce future tax liabilities through the use of existing unrelieved expenses.

7. Dividends

	2014 £'000	2013 £'000
Dividends paid on shares recognised in the year:		
Previous year final of 6.80p per share (2012: 6.65p)	7,474	7,395
Previous year special of 1.80p per share (2012: nil)	1,979	–
Interim of 4.80p per share (2013: 4.80p)	5,232	5,324
	14,685	**12,719**

8. Investments

	2014 £'000	2013 £'000
Investments listed on a recognised investment exchange	764,829	728,085
Unlisted investments	1,997	3,135
Subsidiary undertakings (Note 9)	353	153
	767,179	**731,373**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	109,965	439,803	3,534	553,302
Opening unrealised appreciation/(depreciation)	43,459	134,858	(246)	178,071
Opening valuation	**153,424**	**574,661**	**3,288**	**731,373**
Movements in the year:				
Purchases at cost	35,313	253,934	200	289,447
Sales – proceeds	(35,233)	(221,514)	(1,372)	(258,119)
– realised gains/(losses) on sales	2,914	23,707	(1,702)	24,919
(Decrease)/increase in unrealised appreciation	(5,099)	(17,278)	1,936	(20,441)
Transfers	(770)	770	–	–
Closing valuation	**150,549**	**614,280**	**2,350**	**767,179**
Closing book cost	112,189	496,700	660	609,549
Closing unrealised appreciation	38,360	117,580	1,690	157,630
Closing valuation	**150,549**	**614,280**	**2,350**	**767,179**

Total purchases of equities amounted to £289,447,000 (2013: £249,910,000) and sales were £258,119,000 (2013: £294,802,000). The purchases at cost and sales proceeds figures include transaction costs of £1,344,000 (2013: £1,334,000), comprising commissions, government stamp duty and other fees.

Unlisted investments include heritable property valued at £875,000 (2013: £875,000). The property was valued on an open market basis by Ryden, chartered surveyors, on 31 October 2012.

	2014 £'000	2013 £'000
Realised gains on sales	24,919	55,145
(Decrease)/increase in unrealised appreciation	(20,441)	81,765
Net gains on investments	**4,478**	**136,910**

8. Investments (continued)

Financial assets – cash and deposits	2014 Fixed £'000	2014 Floating £'000	2014 Total £'000	2013 Fixed £'000	2013 Floating £'000	2013 Total £'000
Sterling	70,000	9,720	79,720	60,000	3,457	63,457
US dollar	–	3,254	3,254	54,774	4,387	59,161
Other	–	–	–	–	941	941
	70,000	**12,974**	**82,974**	**114,774**	**8,785**	**123,559**

The maximum period for fixed rate deposits outstanding at the year end was 7 days (2013: 7 days). The weighted average fixed interest rate at the year end was 0.32% (2013: 0.13%). Floating interest rates vary in relation to short-term rates in the currencies in which deposits are held.

9. Subsidiary Undertakings

The company has investments in the following subsidiary undertakings:

Name of undertaking	Principal activity	Country of incorporation and voting and operation	Description of shares held	Proportion of nominal value of issued shares and voting rights held
Hurtree Limited	Investment	UK	Ordinary	100%
SIT Savings Limited	Investment products	UK	Ordinary	100%

The accounts of these subsidiaries have not been consolidated with those of the parent company as, in the opinion of the directors, the amounts involved are not material. The directors are satisfied that the valuation of the subsidiaries reflects and does not exceed the value of the underlying assets.

10. Debtors

	2014 £'000	2013 £'000
Amounts due from brokers	4,020	1,960
Overseas tax recoverable	324	151
Prepayments and accrued income	1,305	1,648
	5,649	**3,759**

11. Creditors: Liabilities Falling Due Within One Year

	2014 £'000	2013 £'000
Amounts due to brokers	14,074	620
Other creditors	539	526
	14,613	**1,146**

12. Creditors: Liabilities Falling Due After More Than One Year

	2014		2013	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
4% Perpetual Debenture Stock	350	298	350	281
4¼% Perpetual Debenture Stock	700	632	700	597
5% Perpetual Debenture Stock	1,009	1,073	1,009	1,013
5¾% Secured Bonds due 17/4/2030	102,224	121,602	102,108	118,009
	104,283	**123,605**	**104,167**	**119,900**

The secured bonds are secured by a floating charge over the assets of the company and have a redemption value in 2030 of £104,015,000.

The debenture stocks and secured bonds are stated in the balance sheet at book value. Restating them at market value of £123.6m (2013: £119.9m) has the effect of decreasing the year end NAV per share from 679.5p to 661.6p (2013 decreasing from: 682.7p to 668.4p). Market value is the estimated fair value of the company's secured bonds and debenture stocks. The current estimated fair value of the company's borrowings is based on the redemption yield of the relevant existing reference gilt plus a margin derived from the spread of BBB UK corporate bond yields (15 years+) over UK gilt yields (15 years+). The reference gilt for the secured bonds is the 6% UK Treasury Stock 2028 and the reference gilt for the perpetual debenture stocks is the longest-dated UK Treasury stock listed in the Financial Times.

13. Called-Up Share Capital

	2014	2013
Shares of 25p	£27,017,000	£27,495,000
Number of shares in issue	108,066,926	109,979,926

1,913,000 shares were repurchased in the stockmarket during the year to 31 October 2014 (2013: 1,878,000).

No shares were repurchased from 1 November 2014 to 12 December 2014.

14. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 31 October 2013	39,922	43,366	589,859	50,176
Net losses on currencies	–	–	(1,993)	–
Net gains on realisation of investments	–	–	24,919	–
(Decrease) in unrealised appreciation	–	–	(20,441)	–
Share buybacks	–	478	(11,308)	–
Actuarial losses relating to pension scheme	–	–	(203)	(292)
Expenses and interest charged to capital	–	–	(5,098)	–
Return attributable to shareholders	–	–	–	12,576
Dividends paid	–	–	–	(14,685)
At 31 October 2014	**39,922**	**43,844**	**575,735**	**47,775**

15. Analysis of Changes in Net Debt During the Year

	31 October 2013 £'000	Cash flows £'000	Non-cash movements £'000	31 October 2014 £'000
Cash	8,785	4,189	–	12,974
Short-term deposits	114,774	(44,774)	–	70,000
Long-term borrowings at par	(104,167)	–	(116)	(104,283)
	19,392	**(40,585)**	**(116)**	**(21,309)**

16. Contingencies, Guarantees and Financial Commitments

	2014 £'000	2013 £'000
Contingencies, guarantees and financial commitments of the company at the year end, which have not been accrued, are as follows:		
Commitments to provide additional funds to investees	**727**	**724**

17. Financial Instruments

Summary of financial assets and financial liabilities by category

The company's financial assets and financial liabilities at the balance sheet date are as follows. The accounting policies on page 30 explain how the various categories of financial instrument are measured.

	2014 £'000	2013 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Fixed asset investments – designated as such on initial recognition	767,179	731,373
Current assets:		
Debtors	5,649	3,759
Cash and deposits	82,974	123,559
	88,623	127,318
	855,802	**858,691**
Financial liabilities		
Creditors: liabilities falling due within one year		
Amounts due to brokers	(14,074)	(620)
Other creditors	(539)	(526)
	(14,613)	(1,146)
Creditors: liabilities falling due after more than one year		
Long-term borrowings at par	(104,283)	(104,167)
Pension liability	(2,613)	(2,560)
	(106,896)	(106,727)
	(121,509)	**(107,873)**

17. Financial Instruments (continued)

Risk management policies and procedures

As an investment trust, the company invests in equities and other investments for the long term so as to secure its investment objective stated on page 1. In pursuing its investment objective, the company is exposed to a variety of risks that could result in a reduction in the company's net assets and a reduction in the profits available for dividend.

The main risks include investment and market price risk (comprising foreign currency risk and interest rate risk), liquidity risk and credit risk. The directors' approach to the management of these risks is set out below. The directors of the company and of SIT Savings Limited coordinate the company's risk management.

The company's policies and processes for managing the risks, and the methods used to measure the risks, which are set out below, have not changed from those applied in the previous year.

a. Investment and market price risk

The holding of securities and investing activities involve certain inherent risks. Events may occur which affect the value of investments. The company holds a portfolio which is well diversified across industrial and geographical areas to help minimise these risks. It may also use derivatives. From time to time, the company may wish to use derivatives in order to protect against a specific risk or to facilitate a change in investment strategy such as the movement of funds from one area to another. No such transaction may take place without the prior authorisation of the board.

b. Foreign currency risk

Approximately 70% of the company's assets are invested overseas which gives rise to a currency risk. From time to time, specific hedging transactions are undertaken. The company's overseas income is subject to currency movements. During the year, US dollar, Australian dollar, Swiss franc, Norwegian krone and euro dividend income was hedged by forward sales of these currencies. The currency profile of the company's monetary assets and liabilities is set out in Notes 8 and 12 on pages 36 and 38.

Management of the risk

Management monitors the company's exposure to foreign currencies on a daily basis, and reports to the board at regular intervals. Management measures the risk to the company of the foreign currency exposure by considering the effect on the company's net asset value and income of a movement in the rates of exchange to which the company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings and forward currency contracts may be used to limit the company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments or the income received from them. These borrowings and contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies.

Income denominated in foreign currencies is converted to sterling on receipt. The company does not use financial instruments to mitigate the currency exposure in the period between the time that income is receivable and its receipt.

17. Financial Instruments (continued)

Foreign currency exposure

The fair values of the company's monetary items denominated in foreign currencies at 31 October 2014 and 31 October 2013 are shown below.

2014	US $ £'000	Euro £'000	Other £'000
Debtors (amounts due from brokers, dividends receivable and accrued income)	412	2,120	2,582
Creditors (amounts due to brokers)	(2,473)	(1,999)	(2,021)
Cash	3,254	–	–
Foreign currency exposure on net monetary items	1,193	121	561
Equity investments at fair value through profit and loss	277,359	134,050	206,763
Total net foreign currency exposure	**278,552**	**134,171**	**207,324**
2013			
Debtors (amounts due from brokers, dividends receivable and accrued income)	398	48	2,329
Cash	59,161	–	941
Foreign currency exposure on net monetary items	59,559	48	3,270
Equity investments at fair value through profit and loss	214,144	109,163	260,923
Total net foreign currency exposure	**273,703**	**109,211**	**264,193**

The above year end amounts are not representative of the exposure to risk during the year, because the levels of foreign currency exposure may change significantly throughout the year. The maximum and minimum net monetary assets/(liabilities) amounts for each currency were as follows.

Year to 31 October 2014	US $ £'000	Euro £'000	Other £'000
Maximum	69,567	1,090	11,970
Minimum	781	–	(1,960)
Year to 31 October 2013			
Maximum	78,054	9,118	26,631
Minimum	36,521	–	(1)

17. Financial Instruments (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return for the year and the shareholders' funds in regard to the company's monetary financial assets and financial liabilities. It assumes a 10% depreciation of sterling against both the US dollar and the euro at 31 October 2014. These percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the company's monetary foreign currency financial instruments held at each balance sheet date.

	2014 US $ £'000	2014 Euro £'000	2013 US $ £'000	2013 Euro £'000
If sterling had weakened by 10% against the currencies shown, this would have had the following effect:				
Income statement – return on ordinary activities after taxation:				
Revenue return	478	357	337	504
Capital return	27,814	13,405	27,330	10,916
Return attributable to shareholders	**28,292**	**13,762**	**27,667**	**11,420**

A 10% strengthening of sterling against the above currencies would result in an equal and opposite effect on the above amounts.

In the opinion of the directors, the above sensitivity analyses are broadly representative of the whole of the current and comparative years.

c. Interest rate risk

The company finances its operations through a combination of investment realisations, retained revenue reserves, debenture stocks and secured bonds. All debenture stocks and secured bonds are at fixed rates. Details of interest rates on financial assets are included in Note 8 on page 37. Details of interest rates on financial liabilities are included in Note 12 and on page 38.

Management of the risk

The company finances part of its activities through borrowings at levels which have been approved and are monitored by the board.

Interest rate exposure

The exposure, at the year end, of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	2014 Within one year £'000	2014 More than one year £'000	2014 Total £'000	2013 Within one year £'000	2013 More than one year £'000	2013 Total £'000
Exposure to floating interest rates						
Cash	12,974	–	12,974	8,785	–	8,785
Exposure to fixed interest rates						
Short-term deposits	70,000	–	70,000	114,774	–	114,774
Long-term borrowings	–	(104,283)	(104,283)	–	(104,167)	(104,167)
Total exposure	**82,974**	**(104,283)**	**(21,309)**	**123,559**	**(104,167)**	**19,392**

17. Financial Instruments (continued)

Interest rate sensitivity

If interest rates had decreased by 5%, with all other variables held constant, the return attributable to shareholders as shown on the Income Statement would have decreased by the amounts shown in the table below:

	2014 £'000	2013 £'000
Return attributable to shareholders	**(12)**	**(7)**

A 5% increase in interest rates would result in an equal and opposite effect on the above amounts.

d. Liquidity risk

Almost all of the company's assets comprise listed securities which represent a ready source of funds. In addition the company has access to short-term borrowing facilities. The maturity profile of the company's borrowings is included in Note 12 on page 38.

Management of the risk

Liquidity risk is not as significant as the other risks as most of the company's assets are investments in quoted equities and are readily realisable. The manager reviews the liquidity of the portfolio when making investment decisions.

e. Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the company suffering a loss.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and deposits represent the maximum exposure to credit risk at the current and comparative year ends.

Cash comprises balances held by banks with a satisfactory credit rating (2013: same).

Management of the risk

This risk is managed as follows:

– by only dealing with brokers and banks which have been approved by the audit committee and which have credit ratings assigned by international credit rating agencies; and
– by setting limits on the maximum exposure to any one counterparty at any time, which are reviewed semi-annually at meetings of the audit committee.

f. Capital management policies and procedures

The company carries on its business as a global growth investment trust. Its objective is 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 levels of gearing are monitored closely by the board and the management. The company applies a ceiling on gearing of 20%. While gearing will be employed in a typical range of 0% to 20%, the company retains the ability to lower equity exposure to a net cash position if deemed appropriate.

The board, with the assistance of the management, monitors and reviews the structure of the company's capital on an ongoing basis. This review includes the planned level of gearing which will take into account the management's view on the market, the need to buy back shares for cancellation and the level of dividends.

The company's policies and processes for managing capital are unchanged from the previous year.

17. Financial Instruments (continued)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques not based on observable market data.

	2014			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	**764,829**	**–**	**2,350**	**767,179**

There were no transfers between Level 1 & 2 during the year (2013: same).

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	**728,085**	**–**	**3,288**	**731,373**

Reconciliation of Level 3 fair value measurements of financial assets	Fair value through profit and loss 2014 £'000
Balance at 31 October 2013	3,288
Purchase costs	200
Sales proceeds	(1,372)
Total profit: in profit and loss	234
Balance at 31 October 2014	**2,350**

The table above only includes financial assets. There were no financial liabilities measured at fair value on Level 3 fair value measurement bases.

18. Related Party Transactions

Directors' fees are detailed in the Directors' Remuneration Report on pages 21 and 22. There were no matters requiring disclosure under S412 of the Companies Act 2006.