

# The Scottish Investment Trust PLC

128th  
Annual Report & Accounts  
31 October 2015



# Contents

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The Company	1
Ten Year Record	2
Ten Year Growth Record	2
Financial Highlights	3
Chairman's Statement	4
Board of Directors	5
Strategic Report	6
Manager's Review	8
Glossary	13
Distribution of Shareholders' Funds by Industry	14
List of Investments	15
Directors' Report	16
Report of the Audit Committee	19
Directors' Remuneration Report	21
Independent Auditor's Report	23
Income Statement	26
Balance Sheet	27
Statement of Total Recognised Gains and Losses	28
Reconciliation of Movements in Shareholders' Funds	28
Cash Flow Statement	29
Accounting Policies	30
Notes to the Financial Statements	31
Investor Information	45
Notice of Meeting	48
Financial Calendar 2016	51
Useful Addresses	51

## Responsibility Statement

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

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and return of the company;
- the strategic 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;
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy; and
- no material transactions with related parties took place during the financial year other than fees payable to the directors.

The responsibility statement was approved by the board of directors and signed on its behalf by:



Douglas McDougall  
Chairman  
14 December 2015

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# The Company

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Company Data as at 31 October 2015

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£840,005,000

Total Assets

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£733,056,000

Shareholders' Funds

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£641,972,000

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 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 note 17 on page 40.

### 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 board of SIT appointed the company's wholly-owned subsidiary, SIT Savings Limited, as its Alternative Investment Fund Manager (AIFM). Day to day management of the company is delegated to the company's executive management which reports directly to the board.

### Capital Structure

On 31 October 2015, the company had in issue 105,587,426 shares. Long-term borrowings at par amounted to £104,399,000 with an average annual interest cost of 5.8%.

### Management Expenses

The expenses of managing the company's business during the year were £4,900,000. The ongoing charges ratio, calculated in accordance with the recommended methodology of the AIC, is 0.52%. 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 46 and 51. The interim dividend of 5.00p was paid on 20 July 2015. The proposed final dividend of 7.50p and special dividend of 3.50p are payable on 4 February 2016 to shareholders registered on 4 January 2016.

### 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 45.

### Investor Disclosure Document

In accordance with the Financial Conduct Authority rules implementing the EU Alternative Investment Fund Managers Directive (AIFMD), certain information must be made available to investors before they invest. The company's Investor Disclosure Document can be found on the company's website, [www.sit.co.uk](http://www.sit.co.uk)

### 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>	Regular dividend per share p	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 % <sup>4</sup>	NAV (debt at par) total return %
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 <sup>2</sup>	4,481	0.57	839,641	730,594	288,891 <sup>5</sup>	510.4	451.0	8.5	21.3
2007	11.02	9.10 <sup>2</sup>	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 <sup>2</sup>	5,110	0.75	857,545	750,818	10,139	682.7	603.0	8.6	23.8
2014	11.51	12.00	4,887	0.68	841,189	734,293	11,308	679.5	598.0	8.7	1.5
2015	15.91	12.50 <sup>2</sup>	4,900	0.52	840,005	733,056	15,426	694.3	608.0	8.6	3.9

# Ten Year Growth Record

	Earnings per share <sup>1</sup>	Regular 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
2005 <sup>3</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2006	95.2	103.8	103.7	118.7	119.2	119.6	121.3	122.0	121.7	114.4
2007	111.8	108.3	108.1	141.0	139.6	140.3	144.9	146.3	138.2	131.6
2008	111.6	113.1	112.6	97.1	94.7	98.7	100.5	105.4	90.7	96.1
2009	107.7	114.3	111.7	108.3	108.7	108.8	118.2	119.2	112.0	117.3
2010	104.1	119.6	116.8	123.9	124.7	124.5	138.3	139.6	131.6	138.6
2011	126.1	123.8	123.1	118.8	122.4	119.9	138.2	137.2	132.5	138.1
2012	121.8	133.9	127.1	126.2	131.2	127.1	151.0	148.7	145.4	151.1
2013	136.0	138.1	130.3	158.7	159.5	159.9	186.9	191.2	178.5	187.8
2014	116.7	142.9	133.3	157.1	158.7	158.6	189.7	193.9	180.4	204.4
2015	161.4	148.8	134.2	160.6	162.2	161.3	197.2	201.1	185.8	213.1
<b>Ten Year Return Per Annum</b>	<b>4.9%</b>	<b>4.1%</b>	<b>3.0%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>4.9%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>6.4%</b>	<b>7.9%</b>
<b>Five Year Return Per Annum</b>	<b>9.2%</b>	<b>4.5%</b>	<b>2.8%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>7.1%</b>	<b>9.0%</b>

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 (2.00p in 2006, 2.00p in 2007, 1.80p in 2013 and 3.50p in 2015).

3. Figures for 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 tender offer of £254,577,000.

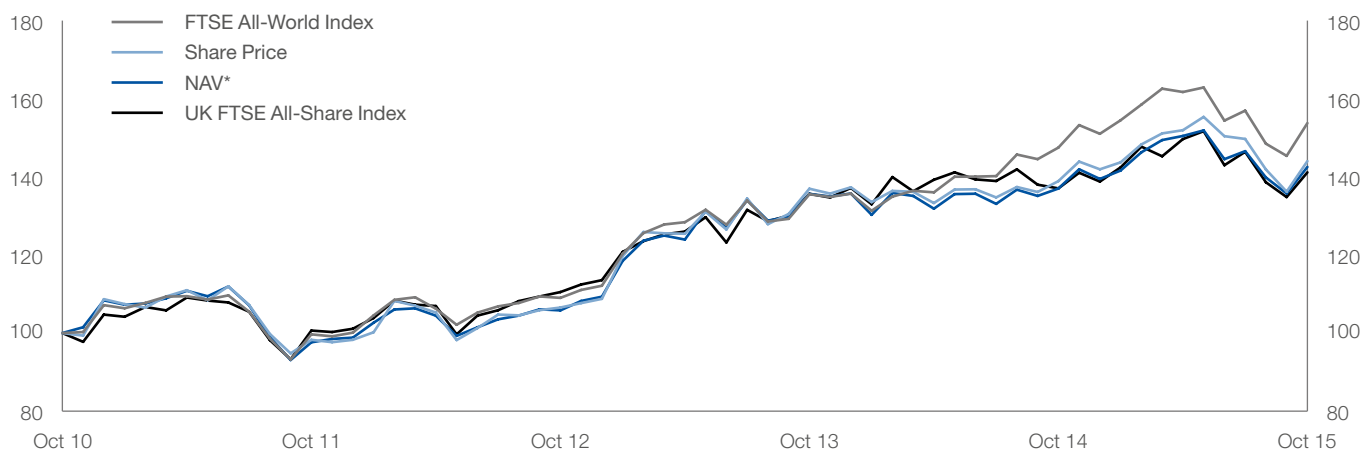
# Financial Highlights

	2015	2014	Change %	Total return %
NAV with borrowings at market value	676.1p	661.6p	2.2	4.0
NAV with borrowings at par	694.3p	679.5p	2.2	3.9
Ex-income NAV with borrowings at market value	665.0p	654.8p	1.6	
Ex-income NAV with borrowings at par	683.2p	672.7p	1.6	
Share price	608.0p	598.0p	1.7	3.7
Discount to ex-income NAV with borrowings at market value	8.6%	8.7%		
FTSE All-World Index			1.7	4.2
UK FTSE All-Share Index			(0.5)	3.0
	£'000	£'000		
Equity investments	774,236	767,179		
Net current assets	65,769	74,010		
Total assets	840,005	841,189		
Long-term borrowings at par	(104,399)	(104,283)		
Pension liability	(2,550)	(2,613)		
<b>Shareholders' funds</b>	<b>733,056</b>	<b>734,293</b>		
Total income	24,057	19,854	21.2	
Earnings per share	15.91p	11.51p	38.2	
Regular dividend per share (2015: proposed final 7.50p)	12.50p	12.00p	4.2	
Special dividend per share (proposed)	3.50p	–		
Total dividend per share	16.00p	12.00p	33.3	
UK Consumer Prices Index – annual inflation			(0.1)	
UK Retail Prices Index – annual inflation			0.7	

## Year's High & Low

	Year to 31 October 2015		Year to 31 October 2014	
	High	Low	High	Low
NAV with borrowings at market value	744.9p	619.8p	678.3p	612.2p
Closing share price	668.0p	560.0p	606.5p	547.5p
Discount to ex-income NAV with borrowings at market value	10.4%	6.4%	11.2%	6.7%

## NAV\* and Share Price against Comparator Indices Total Return (5 years to 31 October 2015)



\* with borrowings at market value.