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 2013 and of the company's profit for the year then ended;
- the company's 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, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts.

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 not identified material uncertainties related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern which we believe would need to be disclosed in accordance with United Kingdom Accounting Standards; and
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 investments Investments listed on recognised exchanges are valued at the closing bid price at the year end. The fact that shares are listed does not guarantee their liquidity.	We tested the ownership of investments by obtaining an external confirmation direct from the independent custodian, agreeing investments to that confirmation.
There is a risk that investments within the portfolio may not be actively traded, the prices quoted may not be reflective of fair value and assets recorded may not represent property of the company.	We checked the valuation and liquidity of the investments by comparing to third party pricing and trading volume sources.

The audit committee's consideration of these risks is set out on page 20.

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 determined materiality for the company to be £22.5m, which is below 3% of net assets.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £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 company and its environment, including its internal control, and assessing the risks of material misstatement. All of the audit work was performed by us.

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's 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. Under the Listing Rules, we are required to review certain elements of the Directors' Remuneration Report.

We have nothing to report arising from these matters or our review.

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 nine 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.

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 2013

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 January 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 (2012: 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 (2012: 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 31 to 34.

Income Statement

for the year to 31 October 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net gains on investments held at fair value through profit and loss	8	–	136,910	136,910	–	46,470	46,470
Net losses on currencies		–	(838)	(838)	–	(761)	(761)
Income	1	22,290	–	22,290	20,565	–	20,565
Expenses	2	(3,016)	(2,094)	(5,110)	(2,735)	(1,897)	(4,632)
Net Return before Finance Costs and Taxation		19,274	133,978	153,252	17,830	43,812	61,642
Premium on repayment of secured bonds	12	–	–	–	–	(1,344)	(1,344)
Interest payable	5	(3,096)	(3,095)	(6,191)	(3,188)	(3,189)	(6,377)
Return on Ordinary Activities before Tax		16,178	130,883	147,061	14,642	39,279	53,921
Tax on ordinary activities	6	(1,314)	–	(1,314)	(1,085)	–	(1,085)
Return attributable to Shareholders		**14,864**	**130,883**	**145,747**	**13,557**	**39,279**	**52,836**
Return per share		**13.41p**	**118.07p**	**131.48p**	**12.01p**	**34.79p**	**46.80p**
Weighted average number of shares in issue during the year			**110,847,197**			**112,896,385**	

	Notes	2013 £'000	2012 £'000
Dividends paid and proposed	7		
Interim 2013 – 4.80p (2012: 4.60p)		5,324	5,178
Final 2013 – 6.80p (2012: 6.65p)		7,478	7,395
Special 2013 – 1.80p (2012: nil)		1,980	–
Total 2013 – 13.40p (2012: 11.25p)		**14,782**	**12,573**

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 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed Assets					
Equity investments	8		731,373		639,355
Current Assets					
Debtors	10	3,759		10,902	
Current asset investments	8	–		10,174	
Cash and deposits	8	123,559		87,949	
		127,318		109,025	
Creditors: liabilities falling due within one year	11	(1,146)		(13,579)	
Net Current Assets			**126,172**		**95,446**
Total Assets less Current Liabilities			**857,545**		**734,801**
Creditors: liabilities falling due after more than one year					
Long-term borrowings at par	12		(104,167)		(104,051)
Pension liability	4		(2,560)		(2,506)
Net Assets			**750,818**		**628,244**
Capital and Reserves					
Called-up share capital	13		27,495		27,965
Share premium account	14		39,922		39,922
Other reserves					
Capital redemption reserve	14		43,366		42,896
Capital reserve	14		589,859		469,244
Revenue reserve	14		50,176		48,217
Shareholders' Funds			**750,818**		**628,244**
Net Asset Value per share with borrowings at par			**682.7p**		**561.6p**
Number of shares in issue at year end	13		**109,979,926**		**111,857,926**

The financial statements on pages 26 to 43 were approved by the board of directors on 12 December 2013 and were signed on its behalf by:

Douglas McDougall.

Douglas McDougall
Director
12 December 2013

The accompanying notes are an integral part of this statement.

Registered no. SCO 01651

Statement of Total Recognised Gains and Losses
for the year to 31 October 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Return attributable to shareholders		14,864	130,883	145,747	13,557	39,279	52,836
Actuarial losses relating to pension scheme	4	(186)	(129)	(315)	(331)	(230)	(561)
Total recognised gains for the year		**14,678**	**130,754**	**145,432**	**13,226**	**39,049**	**52,275**
Total recognised gains per share		**13.24p**	**117.96p**	**131.20p**	**11.71p**	**34.59p**	**46.30p**

Reconciliation of Movements in Shareholders' Funds
for the year to 31 October 2013

	Notes	2013 £'000	2012 £'000
Opening shareholders' funds		628,244	598,870
Total recognised gains		145,432	52,275
Dividend payments	7	(12,719)	(11,780)
Share buybacks		(10,139)	(11,121)
Closing shareholders' funds		**750,818**	**628,244**

The accompanying notes are an integral part of these statements.

Cash Flow Statement

for the year to 31 October 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net Cash Inflow from Operating Activities			15,509		14,009
Servicing of Finance					
Premium on repayment of secured bonds	12	–		(1,344)	
Interest Paid		(6,075)		(6,266)	
Net cash outflow from servicing of finance			(6,075)		(7,610)
Taxation					
Net cash inflow from taxation – overseas tax recovered			340		225
Investing Activities					
Purchases of investments – equities		(257,852)		(212,576)	
– fixed interest		–		(1)	
Disposals of investments – equities		295,980		163,876	
– fixed interest		–		3,002	
Net cash inflow/(outflow) from investing activities			38,128		(45,699)
Dividends Paid	7		(12,719)		(11,780)
Net cash inflow/(outflow) before use of liquid resources and financing			35,183		(50,855)
Management of Liquid Resources					
(Increase)/decrease in current asset investments and short-term deposits	15		(41,410)		71,961
Financing					
Repayment of secured bonds	12	–		(3,921)	
Share buybacks		(9,697)		(10,992)	
Net cash outflow from financing			(9,697)		(14,913)
(Decrease)/increase in Cash	15		**(15,924)**		**6,193**

	2013 £'000	2012 £'000
Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities		
Net revenue before finance costs and taxation	19,274	17,830
Expenses charged to capital	(2,094)	(1,897)
Scrip dividends	–	(118)
Decrease/(increase) in accrued income	262	(292)
(Decrease)/increase in other creditors	(5,326)	5,209
Decrease/(increase) in other debtors	5,150	(5,195)
Movement in pension funding	(261)	(304)
Tax on investment income	(1,496)	(1,224)
Net Cash Inflow from Operating Activities	**15,509**	**14,009**

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements
for the year to 31 October 2013

1. Income

	2013 £'000	2012 £'000
UK dividends including special dividends of £355,000 (2012: £736,000)	6,890	5,809
Overseas dividends including special dividends of £516,000 (2012: £267,000)	15,456	14,175
Overseas fixed interest	–	63
Unlisted income	34	–
Scrip dividends	–	118
Deposit interest	142	265
(Losses)/gains on forward currency sales	(232)	135
	22,290	**20,565**
Income includes:		
Listed UK	6,890	5,809
Listed overseas	15,456	14,356
Unlisted	34	–
	22,380	**20,165**

2. Expenses

	2013 £'000	2012 £'000
Staff costs (Note 3)	3,359	2,971
Auditor's remuneration for audit services	27	33
Auditor's remuneration for pension scheme audit	5	5
Auditor's remuneration for tax compliance services	8	8
Auditor's remuneration for other assurance services	4	3
Investment & accounting services	377	301
Professional fees, marketing and scheme administration	343	371
Office expenses	270	259
Custody and bank charges	223	198
Other expenses	494	483
	5,110	**4,632**

3. Staff Costs

	2013 £'000	2012 £'000
Remuneration	2,496	2,169
Social security costs	295	248
Pensions and post-retirement benefits	568	554
	3,359	**2,971**

3. Staff Costs (continued)

The average monthly number of persons employed during the year was:	2013 Number	2012 Number
Investment	12	12
Administration	10	11
	22	23

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.

4. Pension Scheme (continued)

The major assumptions used for the actuarial valuation of the final salary scheme were:		2013 %	2012 %	2011 %	2010 %	2009 %
Rate of increase in salaries		3.2	3.7	3.7	3.7	4.0
Rate of increase in pensions in payment		3.8	3.5	3.5	3.6	3.7
Discount rate		4.4	4.8	5.0	5.2	5.6
Inflation	– RPI	3.7	3.1	3.1	3.4	3.6
	– CPI	2.9	2.3	2.5	2.8	–
Life expectancies on retirement at age 60 are:						
Retiring today	– males	27.8	27.7	27.6	27.5	26.3
	– females	30.6	30.5	30.4	30.2	28.8
Retiring in 20 years' time	– males	30.0	29.9	29.8	29.7	27.5
	– females	32.7	32.6	32.5	32.4	29.8

The expected rates of return from the scheme assets on the balance sheet date were:	2013 %	2012 %	2011 %	2010 %	2009 %
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	3.4	3.3	3.5	4.1	4.3
Cash	3.4	3.3	3.5	4.1	4.3

The fair value of the scheme assets and the present value of the scheme liabilities were:	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Equities	5,043	4,007	3,988	5,238	2,807
Bonds	4,879	3,845	3,648	2,191	101
With-profit policies	202	192	181	161	136
Cash	1,646	2,294	1,240	383	3,699
Total fair value of assets	11,770	10,338	9,057	7,973	6,743
Present value of scheme liabilities	(14,330)	(12,844)	(11,306)	(10,013)	(8,427)
Net pension liability	**(2,560)**	**(2,506)**	**(2,249)**	**(2,040)**	**(1,684)**

Reconciliation of the opening and closing balances of the present value of the scheme assets	2013 £'000	2012 £'000
Fair value of scheme assets at beginning of year	10,338	9,057
Expected return on scheme assets	544	503
Actuarial gains	274	163
Contributions by employer	707	743
Contributions by scheme participants	40	39
Benefits paid	(133)	(167)
Fair value of scheme assets at end of year	**11,770**	**10,338**

4. Pension Scheme (continued)

Reconciliation of the opening and closing balances of the present value of the scheme liabilities	2013 £'000	2012 £'000
Liabilities at beginning of year	12,844	11,306
Current service cost	367	330
Interest cost	623	571
Contributions by scheme participants	40	39
Actuarial losses	589	724
Benefits paid	(133)	(167)
Past service cost	–	41
Liabilities at end of year	**14,330**	**12,844**

Analysis of amount chargeable to operating profit during the year	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Current service cost	407	369	370	314	272
Past service cost	–	41	–	–	–
Total operating charge	407	410	370	314	272
Employee contribution to be set off	(40)	(39)	(38)	(42)	(41)
Analysis of amount credited to other finance income:					
Expected return on assets	544	503	505	380	351
Interest on liabilities	(623)	(571)	(526)	(472)	(429)
Net return	(79)	(68)	(21)	(92)	(78)
Movement in deficit during year: Deficit at beginning of year	(2,506)	(2,249)	(2,040)	(1,684)	(350)
Movement in year:					
Current service cost	(407)	(369)	(370)	(314)	(272)
Past service cost	–	(41)	–	–	–
Contributions for year	747	782	732	658	645
Net return from other finance income	(79)	(68)	(21)	(92)	(78)
Actuarial losses in statement of total recognised gains and losses	(315)	(561)	(550)	(608)	(1,629)
Deficit at end of year	**(2,560)**	**(2,506)**	**(2,249)**	**(2,040)**	**(1,684)**

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Analysis of the actuarial deficit in the statement of recognised gains and losses:					
Actual return less expected return on assets	274	163	(4)	490	25
Experience gains/(losses) on liabilities	607	(138)	(111)	157	(6)
Change in assumptions	(1,196)	(586)	(435)	(1,255)	(1,648)
Actuarial losses in statement of total recognised gains and losses	**(315)**	**(561)**	**(550)**	**(608)**	**(1,629)**

4. Pension Scheme (continued)

History of experience gains and losses	2013 %	2013 £'000	2012 %	2012 £'000	2011 %	2011 £'000	2010 %	2010 £'000	2009 %	2009 £'000
Difference between actual and expected return on assets	2	274	2	163	0	(4)	6	490	0	25
Experience gains/(losses) on liabilities	4	607	(1)	(138)	(1)	(111)	2	157	(0)	(6)
Total amount recognised on statement of total recognised gains and losses	2	(315)	(4)	(561)	(5)	(550)	(6)	(608)	(19)	(1,629)

The pension cost of operating the defined contribution scheme amounted to £109,000 (2012: £91,000).

5. Interest Payable

	2013 £'000	2012 £'000
On secured bonds, debentures and overdrafts	6,075	6,258
Amortisation of secured bond issue expenses	116	119
	6,191	**6,377**

6. Tax on Ordinary Activities

	2013 £'000	2012 £'000
Taxation		
UK corporation tax at 23.42% (2012: 24.83%)	–	–
Overseas tax	1,314	1,085
Current tax	**1,314**	**1,085**

The tax charge for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 24% for the tax year 2012/13 and 23% for the 2013/14 tax year.

	2013 £'000	2012 £'000
Return on ordinary activities before tax	147,061	53,921
Corporation tax at 23.42% (2012: 24.83%)	34,442	13,389
Effects of: Non-taxable capital returns	(30,653)	(9,753)
Finance costs and expenses charged to capital	(1,215)	(1,263)
Non-taxable dividends	(2,692)	(2,188)
Non-taxable scrip dividends	–	(29)
Unutilised expenses	118	(156)
Overseas tax	1,314	1,085
	1,314	**1,085**

There are unrelieved management expenses at 31 October 2013 of £98,149,000 (2012: £87,122,000) 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

	2013 £'000	2012 £'000
Dividends paid on shares recognised in the year:		
Previous year final of 6.65p per share (2011: 5.80p)	7,395	6,602
Interim of 4.80p per share (2012: 4.60p)	5,324	5,178
	12,719	**11,780**

Dividends paid take into account share buybacks between the ex-dividend and payment dates.

8. Investments

	2013 £'000	2012 £'000
Investments listed on a recognised investment exchange	728,085	634,523
Unlisted investments	3,135	4,679
Subsidiary undertakings (Note 9)	153	153
	731,373	**639,355**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	123,740	415,485	3,824	543,049
Opening unrealised appreciation	22,988	72,310	1,008	96,306
Opening valuation	**146,728**	**487,795**	**4,832**	**639,355**
Movements in the year:				
Purchases at cost	45,971	203,835	104	249,910
Sales – proceeds	(69,479)	(223,759)	(1,564)	(294,802)
– realised gains on sales	9,733	44,242	1,170	55,145
Increase/(decrease) in unrealised appreciation	20,471	62,548	(1,254)	81,765
Closing valuation	**153,424**	**574,661**	**3,288**	**731,373**
Closing book cost	109,965	439,803	3,534	553,302
Closing unrealised appreciation/(depreciation)	43,459	134,858	(246)	178,071
Closing valuation	**153,424**	**574,661**	**3,288**	**731,373**

Total purchases of equities amounted to £249,910,000 (2012: £219,498,000) and sales were £294,802,000 (2012: £168,154,000). The purchases at cost and sales proceeds figures include transaction costs of £1,334,000 (2012: £1,063,000), comprising commissions, government stamp duty and other exchange fees.

	2013 £'000	2012 £'000
Realised gains on sales	55,145	14,133
Increase in unrealised appreciation	81,765	32,337
Net gains on investments	**136,910**	**46,470**

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

8. Investments (continued)

Financial assets – cash, deposits and current asset investments	2013 Fixed £'000	2013 Floating £'000	2013 Total £'000	2012 Fixed £'000	2012 Floating £'000	2012 Total £'000
Sterling	60,000	3,457	63,457	20,000	1,755	21,755
Euro	–	–	–	7,239	6,546	13,785
US dollar	54,774	4,387	59,161	36,001	5,138	41,139
Other	–	941	941	10,174	11,270	21,444
	114,774	**8,785**	**123,559**	**73,414**	**24,709**	**98,123**

The maximum period for fixed rate deposits outstanding at the year end was 7 days (2012: 7 days). The weighted average fixed interest rate at the year end was 0.13% (2012: 0.15%). 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

	2013 £'000	2012 £'000
Amounts due from brokers	1,960	8,762
Overseas tax recoverable	151	309
Prepayments and accrued income	1,648	1,831
	3,759	**10,902**

11. Creditors: Liabilities Falling Due Within One Year

	2013 £'000	2012 £'000
Amounts due to brokers	620	12,957
Other creditors	526	622
	1,146	**13,579**

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

	2013 Book value £'000	2013 Fair value £'000	2012 Book value £'000	2012 Fair value £'000
4% Perpetual Debenture Stock	350	281	350	331
4¼% Perpetual Debenture Stock	700	597	700	704
5% Perpetual Debenture Stock	1,009	1,013	1,009	1,195
5¾% Secured Bonds due 17/4/2030	102,108	118,009	101,992	135,762
	104,167	**119,900**	**104,051**	**137,992**

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. During the year to 31 October 2012 a total of £4,000,000 nominal secured bonds due 2030 with a book value of £3,921,000 were repurchased at a cost of £5,265,000.

The debenture stocks and secured bonds are stated in the balance sheet at book value. Restating them at market value of £119.9m (2012: £138.0m) has the effect of decreasing the year end NAV per ordinary stock unit from 682.7p to 668.4p (2012 decreasing from: 561.6p to 531.3p). 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+). At 31 October 2012 the margin was derived from the spread of AA 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

	2013	2012
Shares of 25p	£27,495,000	£27,965,000
Number of shares in issue	109,979,926	111,857,926

1,878,000 shares were repurchased in the stockmarket during the year to 31 October 2013 (2012: 2,381,000).

50,000 shares were repurchased from 1 November 2013 to 12 December 2013.

14. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 31 October 2012	39,922	42,896	469,244	48,217
Net losses on currencies	–	–	(838)	–
Net gains on realisation of investments	–	–	55,145	–
Increase in unrealised appreciation	–	–	81,765	–
Share buybacks	–	470	(10,139)	–
Actuarial losses relating to pension scheme	–	–	(129)	(186)
Expenses and interest charged to capital	–	–	(5,189)	–
Return attributable to shareholders	–	–	–	14,864
Dividends paid	–	–	–	(12,719)
At 31 October 2013	**39,922**	**43,366**	**589,859**	**50,176**

15. Analysis of Changes in Net Debt During the Year

	31 October 2012 £'000	Cash flows £'000	Non-cash movements £'000	31 October 2013 £'000
Cash	24,709	(15,924)	–	8,785
Short-term deposits	63,240	51,534	–	114,774
Current asset investments	10,174	(10,124)	(50)	–
Long-term borrowings at par	(104,051)	–	(116)	(104,167)
	(5,928)	**25,486**	**(166)**	**19,392**

16. Contingencies, Guarantees and Financial Commitments

	2013 £'000	2012 £'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	**724**	**877**

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 25 explain how the various categories of financial instrument are measured.

	2013 £'000	2012 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Fixed asset investments – designated as such on initial recognition	731,373	639,355
Current assets:		
Debtors	3,759	10,902
Cash, deposits and current asset investments	123,559	98,123
	127,318	109,025
	858,691	**748,380**
Financial liabilities		
Creditors: liabilities falling due within one year		
Amounts due to brokers	(620)	(12,957)
Other creditors	(526)	(622)
Creditors: liabilities falling due after more than one year		
Long-term borrowings at par	(104,167)	(104,051)
Pension liability	(2,560)	(2,506)
	(107,873)	**(120,136)**

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, the manager and the company secretary 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 such instruments 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 75% 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 and euro dividend income was hedged by forward sales of US dollars, Australian dollars and euros. The currency profile of the company's monetary assets and liabilities is set out in Notes 8 and 12.

Management of the risk

The manager monitors the company's exposure to foreign currencies on a daily basis, and reports to the board at regular intervals. The manager 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 2013 and 31 October 2012 are shown below. The company's equity and fixed interest investments which are priced in a foreign currency have been included separately in the analysis so as to show the overall level of exposure.

2013	US $ £'000	Euro £'000	Other £'000
Debtors (amounts due from brokers, dividends receivable and accrued income)	398	48	2,329
Cash and current asset investments	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**
2012			
Debtors (amounts due from brokers, dividends receivable and accrued income)	351	252	5,816
Cash and current asset investments	41,140	13,280	21,444
Foreign currency exposure on net monetary items	41,491	13,532	27,260
Equity investments at fair value through profit and loss	215,949	65,819	209,831
Total net foreign currency exposure	**257,440**	**79,351**	**237,091**

The above year-end amounts are not representative of the exposure to risk during the year, because the levels of monetary 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 2013	US $ £'000	Euro £'000	Other £'000
Maximum	78,054	9,118	26,631
Minimum	36,521	–	(1)
Year to 31 October 2012			
Maximum	53,687	13,280	46,224
Minimum	4,606	(1,603)	21,137

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 2013. 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.

	2013		2012	
	US $ £'000	Euro £'000	US $ £'000	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	337	504	325	374
Capital return	27,330	10,916	25,744	7,986
Return attributable to shareholders	**27,667**	**11,420**	**26,069**	**8,360**

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, bank credit facilities, debenture stocks and secured bonds. All debenture stocks and secured bonds are at fixed rates. The company has undrawn short-term multicurrency credit facilities which can be drawn at variable rates of interest. Details of interest rates on financial assets are included in Note 8. Details of interest rates on financial liabilities are included in Note 12.

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. The company, generally, does not, otherwise than in exceptional market conditions, hold substantial cash balances.

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.

	2013			2012		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates						
Cash	8,785	–	8,785	24,709	–	24,709
Exposure to fixed interest rates						
Current asset investments	–	–	–	10,174	–	10,174
Short-term deposits	114,774	–	114,774	63,240	–	63,240
Long-term borrowings	–	(104,167)	(104,167)	–	(104,051)	(104,051)
Total exposure	**123,559**	**(104,167)**	**19,392**	**98,123**	**(104,051)**	**(5,928)**

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:

	2013 £'000	2012 £'000
Return attributable to shareholders	**(7)**	**(11)**

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.

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 (2012: same).

Management of the risk

This risk is managed as follows:

- by only dealing with brokers and banks which have been approved by the directors 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 and gross gearing are monitored closely by the board and manager. 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 manager, 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 manager'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 measurements are those derived from inputs 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.

	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**

There were no transfers between Level 1 & 2 during the year (2012: same).

	2012			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	**634,523**	**–**	**4,832**	**639,355**

Reconciliation of Level 3 fair value measurements of financial assets	Fair value through profit and loss 2013 £'000
Balance at 31 October 2012	4,832
Purchase costs	104
Sales proceeds	(1,564)
Total loss: in profit and loss	(84)
Balance at 31 October 2013	**3,288**

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.