The Scottish Investment Trust PLC

126th Annual Report & Accounts

31 October 2013

Contents

Responsibility statement

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

a) the set of financial statements, which has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, gives a true and fair view of the assets, liabilities, financial position and return of the company;

b) the annual report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties the company faces; and

c) no transactions with related parties took place during the financial year other than fees payable to the directors.

For and on behalf of the board

Douglas McDougall.

Douglas McDougall
Chairman
12 December 2013

The Company

Company Data as at 31 October 2013

£857,545,000
Total Assets

£750,818,000
Shareholders' Funds

£663,179,000
Market Capitalisation

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 the Strategic Report on pages 6 and 7.

Performance Comparators
The company does not have a formal benchmark. Performance is reviewed in the context of returns achieved by a broad basket of UK equities through the FTSE All-Share Index™ and of international equities through the FTSE All-World Index™. The portfolio is not modelled on any index.

Management
The company is managed by its own employees, led by the manager who is responsible to the directors for all aspects of the day to day management of the company.

Capital Structure
On 31 October 2013 the company had in issue 109,979,926 shares. Long-term borrowings at par amounted to £104,167,000 with an average annual interest cost of 5.8%.

Management Expenses
The expenses of managing the company's business during the year were £5,110,000. The ongoing charges ratio was 0.75%. 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 45 and 50. The interim dividend is paid in July (2013: 4.80p) and the final dividend is paid in February (2013: proposed regular 6.80p and special 1.80p).

ISA and SIPP
The shares are eligible for ISAs and SIPPs. Details of all of the savings schemes offered by SIT Savings Ltd are shown on page 44.

The Association of Investment Companies (AIC)
The company is a member of the AIC, the trade organisation for the closed-ended investment company industry.

Ten Year Record

Year to 31 October	Earnings per share (p)[1]	Regular dividend per share (p)[2]	Total expenses £'000	Ongoing charges ratio %	Total assets £'000	Share-holders' funds £'000	Buybacks £'000	NAV (debt at par) (p)	Share price (p)	Discount to NAV %[4]	NAV (debt at par) total return %
2003	9.28	7.80	4,129	0.61	942,154	719,515	7,949	342.1	281.0	16.2	11.5
2004[3]	9.29	8.10	4,108	0.57	888,578	739,342	3,868	353.9	298.8	14.3	6.2
2005[3]	9.86	8.40	3,973	0.49	1,044,315	894,412	–	428.1	377.0	9.5	23.6
2006	9.39	8.72	4,481	0.57	839,641	730,594	288,891[5]	510.4	451.0	8.5	21.3
2007	11.02	9.10	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**	**5,110**	**0.75**	**857,545**	**750,818**	**10,139**	**682.7**	**603.0**	**8.6**	**23.8**

Ten Year Growth Record

	Earnings per share[1]	Regular dividend per share[2]	Retail Prices Index	NAV (debt (at market value)	NAV (debt at par)	Share price	NAV (debt at par) total return	Share price total return	UK FTSE All-Share Index total return	FTSE All-World Index total return
2003	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2004[3]	100.1	103.8	103.3	105.2	103.4	106.3	106.2	109.9	111.6	105.8
2005[3]	106.3	107.7	105.9	125.6	125.1	134.2	131.2	142.0	133.7	126.3
2006	101.2	111.8	109.7	149.0	149.2	160.5	159.2	173.3	162.7	144.4
2007	118.8	116.7	114.4	177.1	174.7	188.3	190.1	207.8	184.8	166.1
2008	118.5	121.8	119.2	121.9	118.5	132.4	131.8	149.7	121.3	121.4
2009	114.4	123.1	118.3	136.0	136.1	145.9	155.0	169.3	149.8	148.1
2010	110.6	128.8	123.7	155.5	156.0	167.0	181.4	198.3	176.0	175.0
2011	133.9	133.3	130.3	149.1	153.2	160.9	181.3	194.8	177.1	174.4
2012	129.4	144.2	134.5	158.4	164.2	170.5	198.0	211.2	194.5	190.7
2013	**144.5**	**148.7**	**138.0**	**199.3**	**199.5**	**214.6**	**245.2**	**271.6**	**238.7**	**237.2**
Ten Year Return Per Annum	**3.7%**	**4.0%**	**3.3%**	**7.1%**	**7.2%**	**7.9%**	**9.4%**	**10.5%**	**9.1%**	**9.0%**
Five Year Return Per Annum	**4.0%**	**4.1%**	**3.0%**	**10.3%**	**11.0%**	**10.1%**	**13.2%**	**12.7%**	**14.5%**	**14.3%**

1. From 1 November 1999 to 31 October 2005 the company charged two-thirds of eligible expenses and finance costs to capital reserve and since 1 November 2005 the company has charged half of eligible expenses and finance costs to capital reserve.
2. Excluding special dividends of 2.00p in 2006, 2.00p in 2007 and 1.80p in 2013.
3. Figures for 2004 and 2005 have been restated, where applicable, in respect of accounting changes.
4. Discount to ex-income NAV with borrowings at market value.
5. Includes buybacks by way of a tender offer of £254,577,000.

Financial Highlights

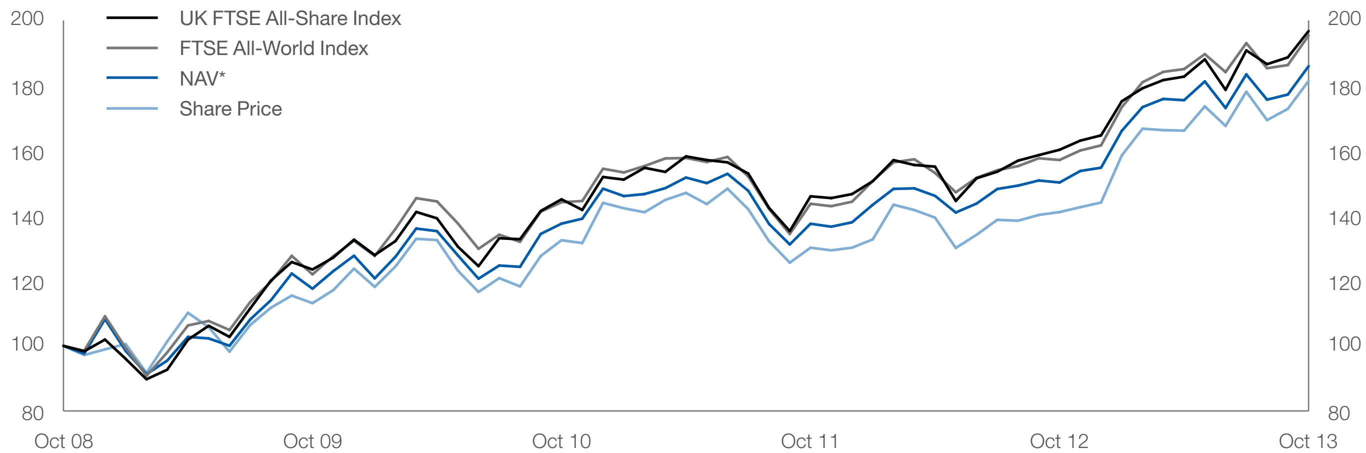
	2013	2012	Change %	Total return %
NAV with borrowings at market value	668.4p	531.3p	25.8	28.2
NAV with borrowings at par	682.7p	561.6p	21.6	23.8
Ex-income NAV with borrowings at market value	659.7p	523.8p	25.9	
Ex-income NAV with borrowings at par	674.0p	554.2p	21.6	
Share price	603.0p	479.0p	25.9	28.6
Discount to ex-income NAV with borrowings at market value	8.6%	8.6%		
FTSE All-World Index			21.1	24.3
UK FTSE All-Share Index			18.5	22.8
	£'000	£'000		
Equity investments	731,373	639,355		
Net current assets	126,172	95,446		
Total assets	857,545	734,801		
Long-term borrowings at par	(104,167)	(104,051)		
Pension liability	(2,560)	(2,506)		
Shareholders' funds	**750,818**	**628,244**		

Total income	22,290	20,565	8.4
Earnings per share	13.41p	12.01p	11.7
Regular dividend per share (2013: proposed final 6.80p)	11.60p	11.25p	3.1
Special dividend per share (proposed)	1.80p	–	
Total dividend per share	13.40p	11.25p	19.1
UK Consumer Prices Index – annual inflation			2.2
UK Retail Prices Index – annual inflation			2.6

Year's High & Low

	Year to 31 October 2013 High	Year to 31 October 2013 Low	Year to 31 October 2012 High	Year to 31 October 2012 Low
NAV with borrowings at market value	675.8p	519.2p	550.2p	481.6p
Closing share price	606.0p	464.0p	495.5p	429.0p
Discount to ex-income NAV with borrowings at market value	11.8%	7.6%	12.3%	7.0%

NAV* and Share Price against Comparator Indices Total Return (5 years to 31 October 2013)



* with borrowings at par.

Chairman's Statement

Performance
The net asset value per share (NAV) total return for the year to 31 October 2013 was 28.2% (with borrowings at market value) which compares to the 24.3% sterling total return of the global FTSE All-World Index and 22.8% from the UK FTSE All-Share Index. The share price total return was 28.6% as the share price reached a new all-time high in late October. The company's global equity portfolio achieved a total return of 25.4%, outperforming global equities for a third consecutive year, and is now ahead of the global index over 1, 2, 3, 5 and 10 years.

The NAV performance of 28.2% resulted from portfolio outperformance of a strong global equity market while the gains from gearing added 1.4% to NAV, almost fully offsetting the 1.7% charge for expenses and interest on borrowings. The increase in long-term interest rates and a change in the basis of valuing the company's long-term borrowings noted in the interim statement combined to raise the NAV by 2.7%.

The majority of the returns for the year were achieved in a strong rally between November and late May as stockmarkets responded to a series of generally supportive events which included the EU's bailout of Greece, further quantitative easing (QE) by the US Federal Reserve Bank, a resolution of the US "fiscal cliff" spending impasse and the election of Shinzo Abe as prime minister of Japan. Mr Abe's three-pronged policy measures to haul Japan out of deflation ignited a rally of almost 60% in Japanese equities. Global markets lost momentum thereafter on concerns over Cyprus and spent the second half of the year in a volatile trading range as economic uncertainties resurfaced and investors sought clarity as to when the US central bank would begin to rein in its QE stimulus programme.

Global equity returns over the year were led by Europe (ex UK), Japan and, while not dominating global returns as in recent years, North America. Currency played a significant role with euro strength boosting the Europe (ex UK) regional local currency total return to 31.5% in sterling terms. In Japan, the remarkable stockmarket rally of over 50% in yen terms reflecting optimism about the effect of "Abenomics" was reduced to a sterling return of 34.6% by the related very significant drop in the value of the yen. The pattern of global industry returns generally reflected optimism that the central bank stimulus measures would revive global growth with strongest returns coming from Consumer Services, Industrials, Financials and Consumer Goods as well as the more defensive Health Care industry.

Despite a relative under-exposure to the North America region and also to a resurgent Japanese equity market, the company's equity portfolio again outperformed, owing to material additions to a strong Europe (ex UK) market and positive regional stock selection results. The portfolio outperformed in all regions comprising the All-World Index with the exception of North America. There were notable absolute and relative sterling total returns from Japan, Asia Pacific (ex Japan), Europe (ex UK) and the UK. Our Japanese investments returned 59.8% in sterling terms, some 25 percentage points more than the index. Despite lagging global markets, our Latin American investments also beat the regional index.

The global equity portfolio's "active share" compared to the FTSE All-World Index, a measure of the portfolio's differentiation from the underlying index, at the year-end was 88% (2012: 85%).

Income
It was a strong year for income with total income increasing by 8.4% to £22.3m despite maintaining a lower level of investment in equities over the second half of the year and a smaller contribution from special dividends. Net income per share rose by 11.7% to 13.41p (2012: 12.01p).

Dividends
The board is recommending a final dividend of 6.80p per share (2012: 6.65p). If approved, taken together with the interim dividend of 4.80p per share (2012: 4.60p), this will result in an increase of 3.1% in the total regular dividend for the year to 11.60p per share (2012: 11.25p) which compares with October UK CPI inflation of 2.2% and RPI of 2.6%. If the proposal is approved, the company will have increased its dividend in each of the last 30 years. In view of the strength of the revenue account in the year under review the board is also recommending a special dividend of 1.80p per share, making a combined distribution for the year of 13.40p, an increase of 19.1% on the previous year.

Discount and Share Buybacks
The discount to ex-income NAV (with borrowings at market value) was again broadly stable, ending the year at 8.6%. The company's buyback policy is intended to keep the discount to ex-income NAV at or below 9.0% (with borrowings at market value). Under the policy, 1.9m (2012: 2.4m) shares were repurchased for cancellation over the financial year accounting for 1.7% of the shares in issue at the start of the period. The shares were repurchased at an average discount of 9.7% and a cost of £10.1m (2012: £11.1m) inclusive of dealing expenses. The average discount over the year was 9.5% and the average between the introduction of the scheme in February 2006 and the year-end was 8.8%.

Board Composition
During the year, Francis Finlay retired as a non-executive director. Francis had served on the board since 1996, over which period the company benefited greatly from his knowledge of financial markets and of investment management. On behalf of the board and shareholders, I should like to thank him for his outstanding contribution.

James Will was appointed as a non-executive director of the company during the year and will stand for election at the annual general meeting. He is chairman of Shepherd and Wedderburn, solicitors, and has extensive experience of investment trusts.

EU Alternative Investment Fund Managers (AIFM) Directive
The new obligations on investment trust companies stemming from the European Union's AIFM Directive are becoming clear and we are taking steps to meet them.

Outlook
The strong gains in major stockmarkets in the past year have owed much to the central banks' stimulus measures in the US, Japan and elsewhere, and the eventual withdrawal of these measures represents a potential danger. Furthermore, profit margins are unusually wide and the valuations of attractive companies look high. The background for equity markets is therefore challenging, but we believe that our portfolio is relatively well placed and we have over £100m of borrowings available to invest should more attractive buying opportunities arise.

Douglas McDougall.

Douglas McDougall
Chairman
12 December 2013

Board of Directors

Douglas McDougall OBE (Chairman)

Appointed to the board in September 1998 and became chairman in October 2003.

Shares held: 60,000

Fees: £45,000

He is a former senior partner of Baillie Gifford & Co and a former chairman of IMRO, the Association of Investment Companies and the Fund Managers' Association.

Other trust directorships: The Independent Investment Trust (chairman), The European Investment Trust (chairman), The Monks Investment Trust, Pacific Horizon Investment Trust and Herald Investment Trust.

Hamish Buchan

Appointed to the board in November 2003. He is chairman of the remuneration committee.

Shares held: 22,325

Fees: £27,000

He is a former chairman of the Association of Investment Companies and was formerly chairman of Natwest Securities in Scotland. He has been involved in the investment company sector for over 40 years.

Other trust directorships: Personal Assets Trust (chairman) and Templeton Emerging Markets Investment Trust.

James MacLeod

Appointed to the board in September 2005. He is chairman of the audit committee.

Shares held: 24,243

Fees: £27,000

He is a chartered accountant and was a partner in Ernst & Young and its predecessor firms for 25 years until his retirement in 1998. He specialised in corporate tax, particularly for investment trusts and insurance companies. He was a visiting professor at the University of Edinburgh until 2001.

Other trust directorships: British Assets Trust.

Russell Napier

Appointed to the board in July 2009.

Shares held: 14,000

Fees: £27,000

He is a consultant global macro strategist with CLSA Asia-Pacific Markets. He runs a course in financial history at Edinburgh Business School and is the author of the book "Anatomy of The Bear: Lessons from Wall Street's Four Great Bottoms".

Other trust directorships: Mid Wynd International Investment Trust.

James Will

Appointed to the board in May 2013.

Shares held: 28,000

Fees: £13,500

He is chairman of law firm Shepherd and Wedderburn LLP where he is a senior corporate partner. He heads the law firm's financial sector practice and has experience of working with clients in a wide range of industry sectors including financial services, technology, energy and life sciences. He is a member of the Council of CBI Scotland.

Other trust directorships: none.

Management

Manager

John Kennedy

Company Secretary

Steven Hay

Strategic Report

Status

The company is a self-managed global growth investment trust and is an investment company within the meaning of the Companies Act 2006. HM Revenue and Customs approved the company as an investment trust under Sections 1158 and 1159 of the Corporation Taxes Act 2010 for accounting periods commencing on or after 1 November 2012. The company continues to satisfy the conditions for such approval.

Investment Objective and Policy

The company carries on 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.

In order to achieve this objective, the company invests in an integrated global portfolio constructed through an investment process whereby assets are primarily allocated on the basis of the investment merits of individual stocks rather than those of regions, sectors or themes.

The company's portfolio is actively managed and typically will contain 70 to 120 listed international equity investments. The portfolio is widely diversified both by industrial sector and geographic location of investments in order to spread investment risk.

Whilst performance is compared against major global and UK indices, the composition of indices has no influence on investment decisions or the construction of the portfolio. As a result, it is expected that the company's investment portfolio and performance may deviate from the comparator indices.

Since the company's assets are invested globally and without regard to the composition of any index, there are no restrictions on maximum or minimum exposures to specific geographic regions, industry sectors or unlisted investments. However, such exposures are reported in detail to, and monitored by, the board at each board meeting in order to ensure that adequate diversification is maintained.

Liquidity and long-term borrowings are managed with the aim of improving returns to shareholders. In pursuing its investment objective, from time to time the company will hold certain financial instruments comprising equity and non-equity shares, fixed income securities, interests in limited partnerships, structured products and cash and liquid resources. The company may use derivatives, other than in relation to the sale of index futures, for hedging or tactical investment purposes. The company may only sell index futures for efficient portfolio management purposes. For the avoidance of doubt, any derivative instrument may only be used with the prior authorisation of the board.

The company has the ability to enter into contracts to hedge against currency risks on both capital and income.

The company's investment activities are subject to the following limitations and restrictions:

- under the company's articles of association, up to 40% of the company's total assets on the last audited balance sheet may be used to make investments of up to a maximum of 8% of the value of total assets in any one company, at the time the investment is made. Thereafter, individual investments may not exceed 3% of the value of total assets, at the time the investment is made;
- the levels of gearing and gross gearing are monitored closely by the board and the 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 company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds; and
- the company may not make investments in respect of which there is unlimited liability except that the company may sell index futures for efficient portfolio management purposes.

Investment policy – implementation

During the year under review, the assets of the company were invested in accordance with the company's investment policy. For details of how the company's absolute performance and relative performance compared to its comparator indices, please refer to the Management Review on pages 8 to 14.

A full list of holdings is disclosed on page 16 and detailed analyses of the spread of investments by geographic region and industry sector are shown on pages 8, 9 and 15. Further analyses of changes in asset distribution by industry and region over the year including the sources of appreciation and depreciation are shown on pages 8 and 9. Attributions of NAV relative performance, by industry and region, against a global equity index are shown on page 12.

At the year-end, the number of listed holdings was 107. The top ten holdings comprised 14.3% of total assets (2012: 16.2%).

Details of the extent to which the company's objective has been achieved and how the investment policy was implemented are provided in the Chairman's Statement on page 4 and the Management Review on pages 8 to 14.

Additional limitations on borrowings

Under the company's articles of association, the directors control the borrowings of the company and its subsidiaries to ensure that the aggregate amount of borrowings does not, unless approved by an ordinary resolution of shareholders, exceed the aggregate of the reserves excluding unrealised capital profits of the company and its subsidiaries, as published in the latest accounts. In addition, the directors are authorised to incur temporary borrowings in the ordinary course of business of up to 10% of the company's issued share capital. Such temporary borrowings are to be for no longer than six months.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are as follows:

- investment and market price risk;
- interest rate risk;
- liquidity risk;
- foreign currency risk; and
- credit risk.

These and other risks facing the company are reviewed regularly by the audit committee and the board. Further information is given in Note 17 to the accounts on pages 38 to 43.

Performance

Management provides the board with detailed information on the company's performance at every board meeting. Performance is measured in comparison with the company's peers and comparator indices.

Key Performance Indicators are:
- NAV total return;
- NAV total return against comparators;
- NAV and share price total return against peers;
- discount with debt at market value;
- dividend growth against UK inflation; and
- ongoing charges ratio.

Dividends

The board may declare dividends, including interim dividends, but no dividend is payable except out of the company's revenue returns or in excess of the amount recommended by the directors. Neither unrealised appreciation of capital assets nor realised profits arising from the sale of capital assets are available for dividend.

The directors recommend a final dividend of 6.80p and a special dividend of 1.80p per share, both are payable on 5 February 2014. With the interim dividend of 4.80p already paid in July 2013, this makes a total of 13.40p for the year. Based on shares in issue at 31 October 2013 the final dividend will cost £7,478,000, and the special dividend will cost £1,980,000. The total dividend for the year will cost £14,782,000.

Share Capital

General

The company had 109,979,926 shares in issue on 31 October 2013. The rights attaching to shares in the company are set out in the company's articles of association which may be amended by the passing of a special resolution of shareholders, that is, by the approval of a majority of not less than 75% of votes cast. The Financial Conduct Authority rules in relation to non-mainstream investment products do not apply to the Company.

Rights to the capital of the company on winding up

Shareholders would be entitled to the assets of the company in the event of a winding up (after the company's other liabilities had been satisfied).

Voting

On a show of hands, every shareholder present in person or by proxy has one vote and on a poll every member present in person or by proxy has one vote for each share.

Deadlines for exercising voting rights

If a shareholder wishes to appoint a proxy to attend, speak and vote at a meeting on his behalf, a valid appointment is made when the form of proxy (together, where relevant, with a notarially certified copy of the power of attorney or other authority under which the form of proxy is signed) is received by the company's registrar not less than 48 hours before the start of the meeting or the adjourned meeting at which the proxy is appointed to vote (or, in the case of a poll taken more than 48 hours after it is demanded, no later than 24 hours before the time appointed for taking the poll). In calculating these time periods, no account is taken of any day or part thereof that is not a working day.

Buybacks

The company's buyback policy is intended to keep the discount to ex-income NAV at or below 9%. In calculating the NAV for the purposes of the buyback policy, the company's borrowings are taken at their market value so as to ensure that future repurchases of shares will take into account changes in the value of the borrowings brought about by movements in long-term interest rates. During the year ended 31 October 2013, the company bought back for cancellation a total of 1,878,000 shares representing 1.7% of shares in issue at 31 October 2012, at a cost of £10,139,000.

At the AGM on 25 January 2013 authority was granted to repurchase up to 14.99% of shares in issue on that date. The number of shares authorised for repurchase was 16,654,179. Share buybacks from the date of the AGM to the company's year end amounted to 1,122,000 shares or 1.01 percentage points of the 14.99% authority.

Substantial Shareholdings

At 12 December 2013, the company had been notified of the following holdings in excess of 3% of its shares.

	Shares	% of issue at date of notification
AXA Investment Managers SA	12,124,110	11.0
Lloyds Banking Group	6,346,524	5.1

Socially Responsible Investing

When investments are made, the primary objective is to achieve the best investment return while allowing for an acceptable degree of risk. In pursuing this objective, various factors that may impact on the performance are considered and these may include socially responsible investment issues.

Company's Directors and Employees

The table below shows the breakdown of directors, senior managers and employees.

	2013		2012	
	Male	Female	Male	Female
Directors	5	0	5	0
Senior Managers	1	0	1	0
Employees	11	10	12	10

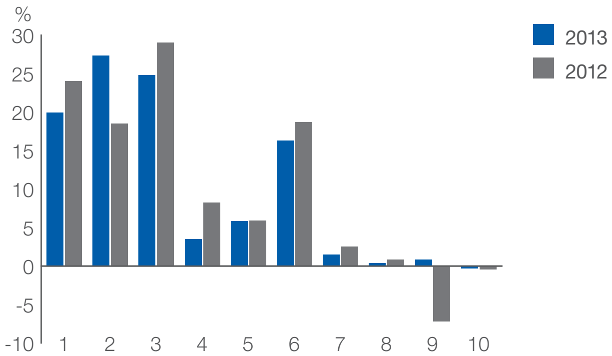
The directors have considered the Annual Report and Accounts and believe that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance and strategy.

Douglas McDougall
Chairman
12 December 2013

Management Review

Distribution of Shareholders' Funds by Region

At 31 October



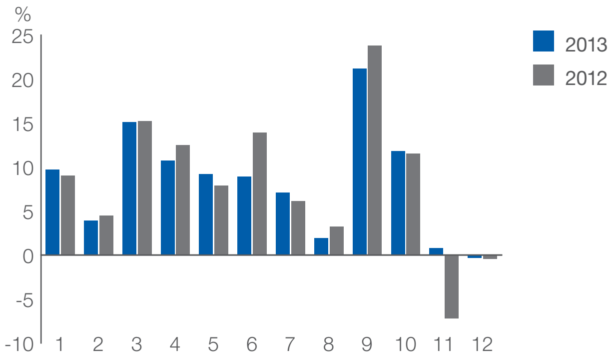
		2013 %	2012 %
1	UK	19.9	24.0
2	Europe (ex UK)	27.3	18.5
3	North America	24.8	29.0
4	Latin America	3.5	8.2
5	Japan	5.8	5.9
6	Asia Pacific (ex Japan)	16.3	18.7
7	Middle East & Africa	1.5	2.5
8	Unlisted	0.4	0.8
	Total equities	99.5	107.6
	Net current assets	17.1	16.0
	Borrowings at market value	(16.3)	(23.2)
9	Net cash/(gearing)	0.8	(7.2)
10	Pension liability	(0.3)	(0.4)
	Shareholders' funds	**100.0**	**100.0**

Changes in Asset Distribution by Region

	31 October 2012 £m	Net purchases/ (sales) £m	Appreciation/ (depreciation) £m	31 October 2013 £m
UK	142.4	(25.9)	29.6	146.1
Europe (ex UK)	110.0	40.8	50.1	200.9
North America	172.4	(10.7)	20.5	182.2
Latin America	48.7	(22.0)	(0.7)	26.0
Japan	35.2	(9.1)	16.2	42.3
Asia Pacific (ex Japan)	110.8	(8.1)	16.8	119.5
Middle East & Africa	15.1	(8.4)	4.4	11.1
Unlisted	4.8	(1.5)	0.0	3.3
Total equities	639.4	(44.9)	136.9	731.4
Net current assets	95.4	31.6	(0.9)	126.1
Total assets	734.8	(13.3)	136.0	857.5
Long-term borrowings at par	(104.1)	–	0.0	(104.1)
Pension liability	(2.5)	–	(0.1)	(2.6)
Shareholders' funds	**628.2**	**(13.3)**	**135.9**	**750.8**

Distribution of Shareholders' Funds by Industry

At 31 October



		2013 %	2012 %
1	Oil & Gas	9.7	9.0
2	Basic Materials	3.9	4.5
3	Industrials	15.1	15.2
4	Consumer Goods	10.7	12.5
5	Health Care	9.2	7.9
6	Consumer Services	8.9	13.9
7	Telecommunications	7.1	6.1
8	Utilities	1.9	3.2
9	Financials[1]	21.2	23.8
10	Technology	11.8	11.5
	Total equities	99.5	107.6
	Net current assets	17.1	16.0
	Borrowings at market value	(16.3)	(23.2)
11	Net cash/(gearing)	0.8	(7.2)
12	Pension liability	(0.3)	(0.4)
	Shareholders' funds	**100.0**	**100.0**

Changes in Asset Distribution by Industry

	31 October 2012 £m	Net purchases/ (sales) £m	Appreciation/ (depreciation) £m	31 October 2013 £m
Oil & Gas	53.5	17.2	0.6	71.3
Basic Materials	26.7	2.6	(0.6)	28.7
Industrials	90.5	(4.0)	24.3	110.8
Consumer Goods	74.6	(21.7)	25.6	78.5
Health Care	46.8	5.3	15.2	67.3
Consumer Services	82.3	(32.1)	15.4	65.6
Telecommunications	36.4	(1.7)	17.8	52.5
Utilities	18.7	(5.7)	1.1	14.1
Financials[1]	141.4	(9.3)	23.8	155.9
Technology	68.5	4.5	13.7	86.7
Total equities	639.4	(44.9)	136.9	731.4
Net current assets	95.4	31.6	(0.9)	126.1
Total assets	734.8	(13.3)	136.0	857.5
Long-term borrowings at par	(104.1)	–	0.0	(104.1)
Pension liability	(2.5)	–	(0.1)	(2.6)
Shareholders' funds	**628.2**	**(13.3)**	**135.9**	**750.8**

1. Includes unlisted.

Summary

- Global equity portfolio performance ahead of both comparator indices
- Equity portfolio ahead of global index over 1, 2, 3, 5 and 10 years
- Global equity portfolio appreciated by £137m
- NAV return ahead of both comparator indices

Global equity markets resumed their upward trend in the company's financial year to 31 October 2013, extending a bull market which started in March 2009 amidst the financial crisis. In what was a strong year for equity markets, most of the gains came in the first half. Between November 2012 and May 2013, the FTSE All-World Index rose by over 19%, pausing only briefly on a recurrence of EU periphery worries, as investors responded to a series of policy measures and events which served to quell concerns which had weighed over 2011/12. Chief among these were the EU's intervention to support the Greek economy, ECB President Mario Draghi's unequivocal support for the eurozone, a solution to the US budgetary impasse or "fiscal cliff", the election of Shinzo Abe as prime minister of Japan and possibly the most important single factor, a continuation of the policy of quantitative easing (QE) to provide further enormous stimulus to the US economy. After the buoyant first half, markets then spent the rest of the year in a broad trading range. Markets sold off sharply in June on concerns that the US authorities would begin to rein in or "taper" its QE stimulus programme, then recovered as the authorities backtracked on stimulus withdrawal and China injected liquidity into its banking system.

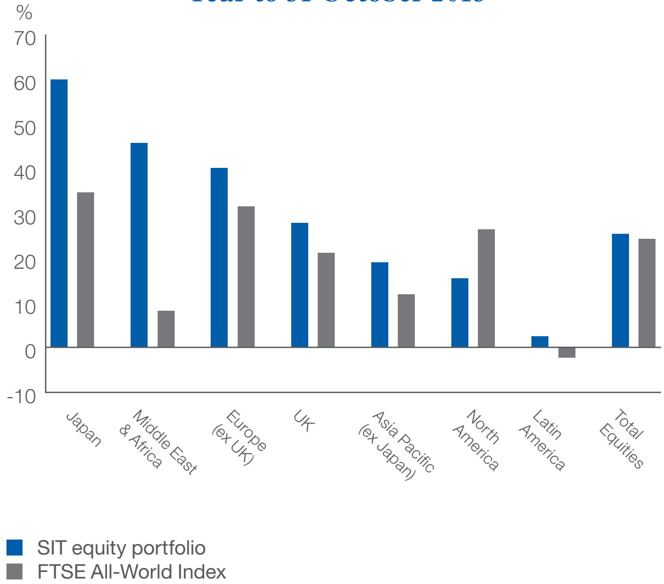
The FTSE All-World Index sterling total return for the year of 24.3% was driven by broad gains in developed world markets. This was the first time in three years that the North American region, which dominates the global index, did not produce the best regional return. In local currency terms, the picture was very different as by far the strongest market returns came from Japan which produced an extraordinary total return of 64.8%. This was also achieved mainly in the first half of the year following the election of Shinzo Abe and his package of "Abenomics" stimulus measures to attempt to pull the Japanese economy out of a prolonged slump. For overseas investors in Japan however, much of the local gains evaporated due to currency translation as the policy measures also had the effect of weakening the yen, which fell over 20% against sterling and lowered the sterling total return for Japan to 34.6%.

Stockmarket Performance
Total Return 10 years to 31 October 2013

Source: Thomson Reuters

Europe (ex UK) and North America produced almost identical local currency returns but a strengthening of the euro against sterling meant that for UK investors, Europe (ex UK) produced a total return of 31.5% compared with 26.4% for North America. The remaining regional markets which comprise the All-World Index lagged the global return including the UK (+21.1%). Both Asia Pacific (ex Japan) and Middle East & Africa had their local returns reduced by weaker currencies to 11.9% and 8.2% sterling total return respectively with the latter region hit particularly hard. The only region not to produce a positive sterling total return was Latin America (-2.3%) with weak commodity prices and disappointing economic data holding back this region.

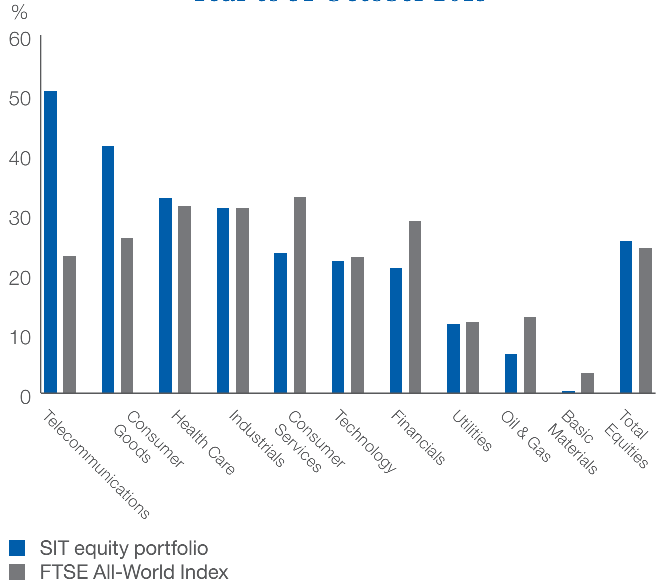
Total Return by Region
Year to 31 October 2013



Source: Thomson Reuters and SIT

Indices are components of the FTSE All-World Index Series

Total Return by Industry
Year to 31 October 2013

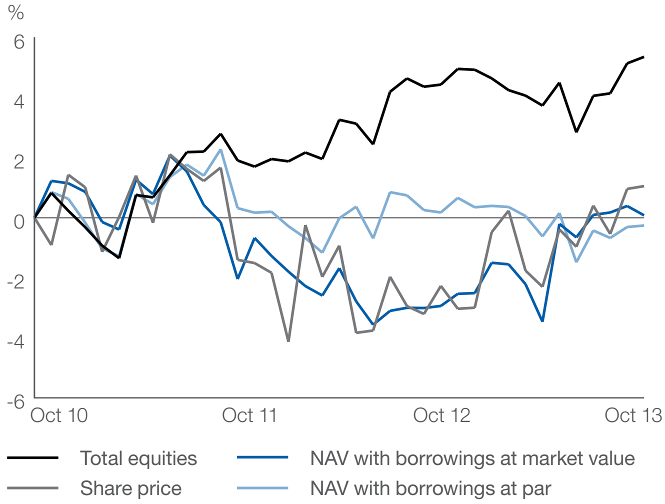


Source: Thomson Reuters and SIT

Indices are components of the FTSE All-World Index Series

The 25.4% total return for the company's global equity portfolio was ahead of both of its comparator indices, the global FTSE All-World Index which returned 24.3% and the FTSE All-Share Index which returned 22.8%. The global equity portfolio total return is now ahead of the FTSE All-World Index over 1, 2, 3, 5 and 10 years.

Relative Performance*
3 Years to 31 October 2013



** Relative to FTSE All-World Index*

The equity portfolio outperformance was attributable to strong geographical stock selection which added 2.6% to relative NAV performance which more than offset the 1.7% impact from holding a different geographical exposure to that of the index. The portfolio was ahead of the FTSE regional indices in six of the seven regions of the world with strong relative performances in Japan, Middle East & Africa, Europe (ex UK), Asia Pacific (ex Japan), UK and Latin America. Japanese holdings returned an exceptional 59.8% in sterling terms compared with 34.6% from the Japanese index.

The largest overall contribution to relative performance came from Europe (ex UK) holdings which appreciated by £50.1m, adding 1.5% to relative performance. After having added £43.5m to Europe (ex UK) in the previous year, a further £40.8m was added this year and the holdings achieved a sterling total return of 39.4% compared with 31.5% for the regional index. New holdings were among the principal drivers of this performance including German auto industry paint shop supplier **Dürr** and German parcels group **Deutsche Post** which appreciated by 52% and 90% respectively. Other strong contributions came from Polish clothing group **LPP** (+147%), German auto parts and tyre group **Continental** (+87%) and Danish medical devices business **Coloplast** (+52%). Within financials, there were further strong gains from the diversified Scandinavian group **Sampo** and French bank **BNP Paribas,** which appreciated by 59% and 50% respectively.

North American holdings were disappointing in what was otherwise another good year for the portfolio. Computing and consumer technology group **Apple** had been the largest contributor to performance over the previous two years but despite taking significant profits through sales of over £30m over the last three years, a small residual holding declined in value by 11% and was the largest detractor from performance. In Japan, **SoftBank** produced a total return of 135%, an appreciation of £6.9m, as the shares recovered from the initial reaction to its $21.6bn purchase of US mobile telephony group, Sprint. Other Japanese holdings which contributed well included **Toyota** (+74%) and the bank **Sumitomo Mitsui Financial Group** (+62%).

In Asia Pacific (ex Japan), holdings rose by 18.3% in total return terms compared with a regional index total return of 11.9% with a strong contribution from **Airports of Thailand** which more than doubled in value, an appreciation of £5.8m, and another good year for Chinese internet group **Tencent** which appreciated by 49%. In Middle East & Africa, South African pharmaceutical group **Aspen Pharmacare** appreciated by 48%.

In the UK, house builder **Persimmon** appreciated by 71% as it benefited from low interest rates, an improving residential property market and government policy measures to encourage first time buyers. **BT** continued to execute its restructuring programme while developing its media product offering and the holding rose by 84% to generate a total return of £6.3m. Auto parts group **GKN**, life insurer **Standard Life** and food to retailing group **Associated British Foods** all helped the UK holdings to rise 27.9% compared with 21.1% for the UK index.

NAV Relative Performance Attribution Analysis by Region
Year to 31 October 2013

	%
NAV with borrowings at market value total return	28.2
FTSE All-World Index total return	24.3
Relative performance	3.1

	Region allocation %	Stock selection %	Contribution %
UK	-0.4	1.2	0.8
Europe (ex UK)	0.4	1.5	1.9
North America	-0.5	-2.5	-3.0
Latin America	-0.7	0.2	-0.5
Japan	-0.2	0.9	0.7
Asia Pacific (ex Japan)	-0.2	0.9	0.7
Middle East & Africa	-0.1	0.5	0.4
Unlisted portfolio	0.0	-0.1	-0.1
Total equities	-1.7	2.6	0.9
Gearing			1.4
Other income, tax & currency			-0.4
Buybacks			0.2
Interest and expenses			-1.7
Change in market value of borrowings			2.7
Relative performance			**3.1**

NAV Relative Performance Attribution Analysis by Industry
Year to 31 October 2013

	%
NAV with borrowings at market value total return	28.2
FTSE All-World Index total return	24.3
Relative performance	3.1

	Industry allocation %	Stock selection %	Contribution %
Oil & Gas	0.2	-0.6	-0.4
Basic Materials	0.6	-0.1	0.5
Industrials	0.2	-0.1	0.1
Consumer Goods	0.0	1.4	1.4
Health Care	-0.1	0.1	0.0
Consumer Services	0.1	-0.9	-0.8
Telecommunications	0.0	1.5	1.5
Utilities	0.1	0.0	0.1
Financials	0.0	-1.5	-1.5
Technology	0.0	0.0	0.0
Total equities	1.1	-0.2	0.9
Gearing			1.4
Other income, tax & currency			-0.4
Buybacks			0.2
Interest and expenses			-1.7
Change in market value of borrowings			2.7
Relative performance			**3.1**

Contributors to Absolute Performance

	Total return performance %	Positive contribution %
SoftBank	135.5	1.1
BT	83.7	1.0
Airports of Thailand	143.1	0.9
Sampo	58.7	0.9
Persimmon	70.7	0.9

	Total return performance %	Negative contribution %
Apple	-10.6	-0.3
Lippo Karawaci	-31.4	-0.3
Newcrest Mining	-41.8	-0.2
TGS-NOPEC Geophysical	-18.9	-0.2
Calumet Speciality Products Partners	-21.2	-0.1

Over the period, the global equity portfolio appreciated in value by £136.9m with £44.9m net sales of equities.

There were three broad strands to portfolio activity over the year. First, having started the year in a modestly geared position of 7% (with borrowings at market value) which was a benefit in the first half rally, profits were taken with net sales of equities over the year of £44.9m to bring gearing to a net cash position of 1% at the year-end.

Second, in taking profits, the main focus was to lower exposure to consumer related stocks which had done well in recent periods or looked vulnerable to deteriorating trading conditions. In Consumer Goods, there were net sales of £21.7m with complete sales of **Volkswagen**, a reduction in Brazilian brewer **AmBev** and for the first time in recent memory, withdrawal from the increasingly challenged tobacco industry with sales of two holdings. In Consumer Services, part of the £32.1m reduction in exposure featured complete sales of quick-service restaurant chain **McDonald's** and UK betting group **Ladbrokes** as well as significant profit-taking in online auction group **eBay**.

Third, while the reduction in gearing was funded from consumer stocks in the UK, US and Asia in the main, there were further significant additions of £40.8m to Europe (ex UK) which proved to be well timed. New holdings taken as part of this move, which reflected good comparative value in Europe compared to other regions, included **Dürr**, **Deutsche Post**, personnel group **Adecco**, aerospace group **EADS** and dredging specialist **Boskalis Westminster**. We also added to exposure in European Oil & Gas, through **Fuchs Petrolub** and added to **Seadrill** and **TGS-NOPEC Geophysical**. In European Telecommunications, we added new holdings in the French operator **Iliad** and Norway's **Telenor**.

The NAV total return (with borrowings at market value) was 28.2%. The outperformance by the global equity portfolio added 0.9% to relative NAV performance and the uplift from share buybacks added 0.2%. With average gearing over the year of 5%, but heavily loaded to the first half of the year, it added a useful 1.4% to performance. Interest charges and expenses deducted a combined 1.7% from NAV performance as shown in the tables on page 12.

The change in the level of long-term interest rates and the effect of a change in the basis for estimating the market value of the company's long-term borrowings which was highlighted at the interim stage, combined to add 2.7% to the NAV total return. The reduction in the level of long-term interest rates reversed in part a trend over recent years whereby lower interest rates forced up the value of the company's borrowings and lowered the NAV. The effect of this is shown in the relative performance chart on page 11.

Portfolio turnover was 37%, inflated by changes to gearing levels. Portfolio turnover excluding moves to deploy cash and buy back shares was 31%.

Income generation was good over the year despite the lower level of equity investment with strong dividend growth from holdings enabling an 11.2% increase in dividend income. Expenses were in line with budget and earnings per share over the year rose by 11.7%. The ongoing charges ratio for 2013 was 0.75% (2012: 0.79%).

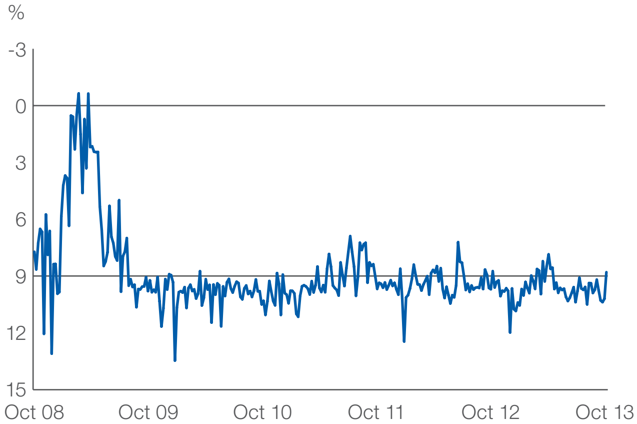
Holdings in Listed Closed-ended Investment Funds

Company holdings include investments in listed closed-ended investment funds of £9.2m: 1.1% of total assets (2012: £20.8m: 2.8%). The company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds.

Unlisted Portfolio

The company's unlisted holdings depreciated very slightly and were valued at £3.3m (0.4% of shareholders' funds). Net distributions totalled £1.5m (2012: £2.8m). No new partnerships were entered into during the year. Outstanding commitments to invest in these partnerships totalled £0.7m (2012: £0.9m).

Discount to ex-income NAV*
5 years to 31 October 2013



* With borrowings at market value.

The discount to ex-income NAV (with borrowings at market value) was again broadly stable ending the year at 8.6% (2012: 8.6%). The company's buyback policy is intended to keep the discount to ex-income NAV at or below 9.0%. Under this policy, 1.9m (2012: 2.4m) shares were repurchased for cancellation over the financial year accounting for 1.7% (2012: 2.1%) of the shares in issue at the start of the period. The shares were repurchased at an average discount of 9.8% and a cost of £10.1m (2012: £11.1m) inclusive of dealing expenses. The average discount to NAV between the introduction of the scheme in February 2006 and the year-end was 8.8%.

Analysis of Share Register
at 31 October 2013

Category of holder	Number	Share capital %
Individuals	22,077	65.2*
Insurance companies	11	18.3
Investment companies	51	4.4
Pension funds	43	6.0
Other	167	6.1
Total	22,349	100.0

* Includes 21.2% held in SIT Savings' products.

Glossary

Total assets means total assets less current liabilities.

NAV is net asset value per share after deducting borrowings at par or market value, as stated.

Ex-income NAV is the NAV excluding current year revenue.

Borrowings at par is the nominal value of the company's borrowings less any unamortised issue expenses.

Borrowings at market value is the company's estimate of the 'fair value' of its borrowings. 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.

Discount is the difference between the market price of a share and the NAV expressed as a percentage of the NAV.

Gearing is the term used to describe the process of borrowing money for investment purposes in the expectation that the returns on the investments purchased will exceed the cost of those borrowings.

Gross gearing is the geared position if all the borrowings were invested in equities: Borrowings expressed as a percentage of shareholders' funds.

Gearing is the true geared position of the company: Borrowings less cash and equivalents expressed as a percentage of shareholders' funds.

Distribution of Shareholders' Funds by Industry

as at 31 October 2013

	2013 %	2012 %
Oil & Gas	**9.7**	**9.0**
Oil & Gas Producers	6.4	5.4
Oil Equipment, Services & Distribution	3.3	3.6
Basic Materials	**3.9**	**4.5**
Chemicals	1.5	0.9
Industrial Metals & Mining	–	0.5
Mining	2.4	3.1
Industrials	**15.1**	**15.2**
Construction & Materials	3.0	2.9
Aerospace & Defence	0.8	–
General Industrials	0.9	1.6
Electronic & Electrical Equipment	1.5	1.5
Industrial Engineering	2.4	3.1
Industrial Transportation	4.9	5.3
Support Services	1.6	0.8
Consumer Goods	**10.7**	**12.5**
Automobiles & Parts	5.1	4.9
Beverages	0.6	1.5
Food Producers	1.8	1.7
Household Goods & Home Construction	1.5	1.4
Leisure Goods	–	0.7
Personal Goods	1.7	0.6
Tobacco	–	1.7
Health Care	**9.2**	**7.9**
Health Care Equipment & Services	3.3	3.3
Pharmaceuticals & Biotechnology	5.9	4.6
Consumer Services	**8.9**	**13.9**
Food & Drug Retailers	1.0	1.5
General Retailers	4.3	5.9
Media	2.1	2.5
Travel & Leisure	1.5	4.0
Telecommunications	**7.1**	**6.1**
Fixed Line Telecommunications	3.7	2.4
Mobile Telecommunications	3.4	3.7
Utilities	**1.9**	**3.2**
Electricity	–	1.3
Gas, Water & Multi-utilities	1.9	1.9
Financials	**21.2**	**23.8**
Banks	9.2	9.6
Non-life Insurance	4.2	3.0
Life Insurance	1.0	2.0
Real Estate Investment & Services	2.3	2.0
Real Estate Investment Trusts	0.7	0.7
Financial Services	2.9	3.1
Equity Investment Instruments	0.9	3.4
Technology	**11.8**	**11.5**
Software & Computer Services	7.6	4.7
Technology Hardware & Equipment	4.2	6.8
Total equities	**99.5**	**107.6**
Net cash/(gearing)	**0.8**	**(7.2)**
Net current assets	17.1	16.0
Borrowings at market value	(16.3)	(23.2)
Pension liability	**(0.3)**	**(0.4)**
Shareholders' funds	**100.0**	**100.0**

List of Investments
as at 31 October 2013

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Sampo	Finland	15,038*	
BT	UK	14,633*	
UnitedHealth	US	14,148*	
Sumitomo Mitsui Financial	Japan	12,162*	
BNP Paribas	France	11,504*	
Comcast	US	11,490*	
Aspen Pharmacare	South Africa	11,152*	
Persimmon	UK	10,876*	
SoftBank	Japan	10,860*	
Spectris	UK	10,735*	16.8
Toyota Motor	Japan	10,635	
Tencent	Hong Kong	10,401	
Ross Stores	US	10,315	
Qualcomm	US	10,167	
Coloplast	Denmark	10,163	
Samsung Electronics	South Korea	9,972	
Roche	Switzerland	9,872	
Google	US	9,612	
Continental	Germany	9,512	
Hess	US	9,170	30.4
Severn Trent	UK	8,693	
Deutsche Post	Germany	8,644	
Hikma Pharmaceuticals	UK	8,636	
US Bancorp	US	8,576	
Chevron	US	8,555	
LinkedIn	US	8,450	
Kering	France	8,355	
Goldman Sachs	US	8,312	
Dürr	Germany	8,107	
National Oilwell Varco	US	8,096	42.0
Standard Life	UK	7,574	
Telstra	Australia	7,570	
Baidu	China	7,562	
DBS	Singapore	7,489	
GKN	UK	7,456	
BHP Billiton	UK	7,367	
Mail.Ru	Russia	7,308	
Accenture	US	7,151	
Casino Guichard-Perrachon	France	6,949	
Wharf Holdings	Hong Kong	6,918	52.0
Apple	US	6,891	
Seadrill	Norway	6,783	
BASF	Germany	6,782	
Nestlé	Switzerland	6,760	
Vinci	France	6,672	
Biogen Idec	US	6,650	
Celgene	US	6,644	
Associated British Foods	UK	6,597	
Airports of Thailand	Thailand	6,550	
Jardine Matheson	Singapore	6,531	61.1
NCC	Sweden	6,454	
Barclays	UK	6,362	
Capital One Financial	US	6,337	
Tourmaline Oil	Canada	6,302	
Adecco	Switzerland	6,243	
Zurich Insurance	Switzerland	6,206	
Telenor	Norway	6,196	
HSBC	UK	6,162	
Sands China	Hong Kong	6,154	
Banco Brasil	Brazil	6,145	69.7
eBay	US	6,144	
China Overseas Land & Investment	China	6,018	
EADS	Netherlands	5,956	
Royal Dutch Shell	UK	5,906	
Brown & Brown	US	5,793	
Rockwell Automation	US	5,748	
Serco	UK	5,739	
LPP	Poland	5,650	
Rio Tinto	UK	5,589	
Petrofac	UK	5,556	77.6
Aberdeen Asset Management	UK	5,457	
CCR	Brazil	5,455	
Aeroportuario del Sureste	Mexico	5,434	
ENN Energy	Hong Kong	5,415	
Svenska Handelsbanken	Sweden	5,151	
Yum! Brands	US	5,114	
Micro Focus International	UK	5,104	
Daito Trust Construction	Japan	5,058	
Hutchison Port Holdings Trust	Singapore	4,998	
Iliad	France	4,980	84.8
British Land	UK	4,975	
Kia Motors	South Korea	4,898	
Vodafone	UK	4,803	
Tüpras	Turkey	4,637	
Great Wall Motor	China	4,616	
Sydney Airport	Australia	4,581	
Vale	Brazil	4,522	
Avery Dennison	US	4,424	
Ambev	Brazil	4,399	
Fuchs Petrolub	Germany	4,374	91.1
ANZ Banking	Australia	4,368	
MedicX Fund	UK	4,187	
Boskalis Westminster	Netherlands	4,180	
Vivendi	France	4,168	
Taiwan Semiconductor Manufacturing	Taiwan	4,131	
Calumet Speciality Products Partners	US	4,042	
Freehold Royalties	Canada	4,021	
TGS-NOPEC Geophysical	Norway	3,896	
Weir Group	UK	3,709	
Prada	Hong Kong	3,660	96.6
Topdanmark	Denmark	3,654	
Fast Retailing	Japan	3,626	
Advanced Info Service	Thailand	3,505	
Richemont	Switzerland	3,419	
Lippo Karawaci	Indonesia	3,370	
Inditex	Spain	3,243	
Ayala Land	Philippines	806	
Total listed equities		**728,085**	**99.6**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Boston Ventures VI	US	1,428	
Heritable Property & Subsidiaries	UK	1,027	
Apax Europe V-B	UK	701	
Others (under £0.5m) (2)	US	132	
Total unlisted		**3,288**	**0.4**
Total equities		**731,373**	**100.0**

* Denotes 10 largest holdings with an aggregate market value of £122,598,000.

Directors' Report

Directors

The company's policy on the appointment of directors is shown on the company's website.

The directors of the company on 31 October 2013 and their biographical details are shown on page 5. All are non-executive.

The performance of each director was appraised by the nomination committee during the year. The chairman's performance was appraised in his absence by the other directors and the results were communicated to him. The board believes that each director is independent of the management in character and judgement and there are no relationships with the company or its employees which might compromise this independence.

In accordance with the requirements of the UK Corporate Governance Code, all directors are standing for election or re-election at the AGM. Douglas McDougall and Hamish Buchan have served as directors for more than nine years. After formal performance evaluation, the board confirms that Douglas McDougall and Hamish Buchan continue to perform effectively and with great commitment, consequently it recommends their re-election. Francis Finlay retired from the board on 26 July 2013. James Will was appointed to the board on 1 May 2013 on the recommendation of the nomination committee. No external agency was used in the selection process. James Will stands for election at the AGM in accordance with the company's articles of association.

The appointments of Douglas McDougall and Hamish Buchan as directors run for one year at a time. James MacLeod was appointed in September 2005 and Russell Napier was appointed in July 2009 each for initial terms of three years subject to their re-election by shareholders at the first AGM after their appointment. James MacLeod's appointment was renewed in September 2008 and September 2011 and Russell Napier's appointment was renewed in July 2012. Directors' letters of appointment will be available for inspection at the AGM.

The company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the company. The company's articles of association provide that any director or other officer of the company may be indemnified out of the assets of the company against any liability incurred by him as a director or other officer of the company to the extent permitted by law.

Corporate Governance

Compliance

The board has reviewed the principles set out in the UK Corporate Governance Code and believes that the way the company is governed is consistent with these principles. Throughout the year, the company complied with the provisions of the UK Corporate Governance Code including section 1 except that:

- there is no senior independent director; and
- the chairman is a member of the audit committee.

The directors consider that, as all directors are independent and non-executive, there is no compelling case for having a senior independent director. The board considers the chairman to be independent in character and judgement and therefore there is no reason for Douglas McDougall not to be a member of the audit committee. The UK Corporate Governance Code is available from the Financial Reporting Council – **www.frc.org.uk**

The board

The board normally meets eight times throughout the year while the audit and remuneration committees meet three times each. The nomination committee meets at least annually.

There is a schedule of matters reserved for the board which includes investment strategy, accounting and financial controls, dividends and announcements, capital structure, gearing and major contracts.

Day to day management, including the selection of investments, is delegated to the company's executive management which reports directly to the board.

Prior to each board meeting, directors are provided with a comprehensive set of papers giving detailed information on the company's transactions, financial position and performance. There is a procedure for directors to seek independent professional advice at the expense of the company and training is available to directors as required.

The Companies Act 2006 requires that a director of the company must avoid a situation in which he has, or might have, an interest that conflicts, or may conflict, with the interests of the company. Each director submits a list of potential conflicts prior to each meeting. The other board members consider these and recommend whether or not each potential conflict should be authorised. No situation arose during the year whereby an interest of a director conflicted with the interests of the company.

The following table shows the attendance of directors at board and committee meetings for the year to 31 October 2013.

	Board	Audit	Remuneration	Nomination
Number of meetings	8	3	3	2
Douglas McDougall	8	3	3	2
Hamish Buchan	8	3	3	2
James MacLeod	8	3	3	2
Russell Napier	8	3	3	2
James Will	4	2	1	1
Francis Finlay	4	1	n/a	1

Francis Finlay retired from the board and James Will was appointed to the board during the year. Francis Finlay attended all meetings which he was eligible to attend with the exception of one board meeting and one audit committee meeting. James Will attended all meetings which he was eligible to attend.

Nomination committee

There is a nomination committee comprising the whole board. The committee meets at least annually to review the structure, size and composition of the board and is responsible for identifying and nominating candidates to fill board vacancies as and when they arise. It has written terms of reference which are shown on the company's website.

Unless nominated by the board, a person nominated as a director is not eligible for election at a general meeting unless a shareholder who is entitled to vote at the meeting gives the company secretary at least six clear days' written notice of his intention to propose the relevant nominee for election, along with a notice in writing signed by the nominee confirming his willingness to be elected.

Remuneration committee

The board has appointed a remuneration committee to recommend pay and conditions for the board and employees. It has written terms of reference which are shown on the company's website. Further details of directors' remuneration are included in the Directors' Remuneration Report on pages 21 and 22.

The company aims to provide levels of employee remuneration which reward responsibility and achievement and are comparable with other fund management organisations operating in Scotland. Remuneration is reviewed annually.

Every employee is entitled to a salary and other benefits including a contributory pension scheme. In addition, there is a discretionary performance-related bonus scheme. For investment staff, bonuses payable depend, inter alia, on individual performance, the company's NAV total return and the NAV total return relative to comparator indices and peers. For other staff, bonuses depend, inter alia, on individual performance and share price total return. Notice periods for all members of staff range from three to twelve months.

Relations with shareholders

The company recognises the value of good communication with its shareholders. The management meets regularly with private client stockbrokers and the company's major institutional shareholders. The board receives regular briefings from the company's broker. Newsletters are sent to shareholders during the year and are posted on the company's website.

The annual general meeting of the company is the main forum at which shareholders can ask questions of the board and the management. All shareholders are encouraged to attend the AGM and to vote on the resolutions which are contained in the Notice of Meeting on page 47 and which is posted to shareholders at least 21 days prior to the meeting. Shareholders who cannot attend the AGM are encouraged to vote by proxy on the resolutions. Proxy voting figures are given at the end of the meeting.

Any shareholder who wishes to ask a question at another time should write to the chairman.

Going concern

The accounts of the company have been prepared on a going concern basis. It is the opinion of the directors that, as most of the company's assets are readily realisable and exceed its liabilities, it is expected that the company will continue in operational existence for the foreseeable future.

Directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the directors to prepare annual financial statements. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the returns and cash flows for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The audit committee has reviewed the matters within its terms of reference and reports as follows:

- it has approved the financial statements for the year to 31 October 2013;
- it has reviewed the effectiveness of the company's internal controls and risk management;
- it has reviewed the need for a separate internal audit function;
- it has recommended to the board that a resolution be proposed at the AGM for the reappointment of the external auditor and it has considered the proposed terms of their engagement;
- it has satisfied itself as to the independence of the external auditor; and
- it has satisfied itself that the terms of the Strategic Report are consistent with the financial statements.

Annual General Meeting

Venue

The company's 126th AGM will be held at The Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh, EH2 1JQ on Friday 31 January 2014 at 10.30am.

Board recommendation

The board considers that the resolutions to be proposed at the AGM are all in the best interests of the company and of shareholders as a whole and recommends that shareholders vote in favour of them.

Resolutions 1 to 11 are self explanatory. Resolution 12, set out in the Notice of the Annual General Meeting on page 47, seeks to renew the authority to repurchase shares until 30 April 2015. The principal reasons for such repurchases are to enhance the NAV of the shares by repurchasing shares for cancellation at prices which, after allowing for costs, improve the NAV for remaining shareholders and to allow implementation of the company's share buyback policy.

Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of the authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares as derived from the Daily Official List of the London Stock Exchange over the five business days immediately preceding the date of purchase and, (ii) the higher price of the last independent trade and the highest current independent bid. The minimum price which may be paid is 25p per share.

Resolution 12 will be proposed as a special resolution that requires to be passed by a three-quarters majority of votes cast at the AGM.

Voting Policy

The management reviews resolutions put to general meetings of the companies in which it invests and, wherever practicable, will cast its vote, usually by proxy.

Carbon Emissions

The company's carbon emissions result predominantly from its consumption of electricity at its single office. Using Defra/DECC's GHG conversion factors for company reporting 2013, emissions for the year to 31 July 2013 were 68.87 tonnes of CO_2e (2012: 58.77 tonnes CO_2e). This equates to 0.16 tonnes of CO_2e (2012: 0.14 tonnes of CO_2e) per square metre.

By order of the board

Steven Hay
Company Secretary
12 December 2013

Report of the Audit Committee

The audit committee comprises the whole board and is chaired by James MacLeod.

The audit committee has written terms of reference which are shown on the company's website. Its duties include risk assessment, reviewing internal controls, the company's accounting policies, financial statements prior to their release and the company's procedures on whistleblowing. The committee is also responsible for all aspects of the company's relationship with its external auditor including:
- reviewing the scope and effectiveness of the annual audit;
- the auditor's remuneration;
- the terms of engagement; and
- the level of non-audit work, if any, carried out by the auditor.

Internal Controls
The company does not have an internal audit function as the audit committee believes that the company's straightforward structure and small number of employees do not warrant such a function. This is reviewed by the committee annually.

The committee is responsible for ensuring that the company has in place an effective system of internal controls designed to maintain the integrity of accounting records and to safeguard the company's assets. The committee has applied the UK Corporate Governance Code by establishing a continuous process for identifying, evaluating and managing the significant risks the company faces.

In compliance with the UK Corporate Governance Code, the committee reviews the effectiveness of the company's system of internal control at six-monthly intervals.

The committee's monitoring covers all controls, including financial, operational, and compliance controls and risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled, and whether any significant weaknesses are promptly remedied or require more extensive monitoring. During the course of its review of the system of internal control, the committee has not identified, nor been advised of, any material failings or weaknesses. Therefore a confirmation in respect of necessary actions has not been considered appropriate. The audit committee assists the board in discharging its review responsibilities.

There are procedures in place to ensure that:
- all transactions are accounted for accurately and reported fully to the board;
- management observes the authorisation limits set by the board;
- there is clear segregation of duties so that no investment transaction can be completed by one person;
- control activities are regularly checked; and
- legal and regulatory obligations are met.

The committee recognises that such systems can only provide reasonable, but not guaranteed, assurance against material misstatement or loss.

Significant Issues
The committee considers the risks that may have an impact on the company's financial statements.

The valuation and ownership of the company's investments are risks. Investments are valued in accordance with the accounting policy on page 25. The prices of all investments are agreed with an independent source and the ownership of each investment agreed through confirmation received from the company's independent global custodian (Brown Brothers Harriman & Co).

The incomplete or inaccurate recognition of income in the financial statements are risks. Internal control systems, including frequent reconciliations, are in place to ensure income is fully accounted for. The board is provided with information on the company's income account at each meeting.

Auditor
Assessment
The company's auditor is Deloitte LLP, who were appointed in 2002. The committee reviews annually the services provided and the related fees. The corporate governance provisions relating to audit tenure have been reviewed and the committee is of the opinion there is no need to conduct a competitive tender at the present time. The fees for audit and non-audit services are £27,000 (2012: £33,000) and £17,000 (2012: £16,000) respectively. These are shown in more detail in Note 2 on page 30.

The audit committee reviews and approves any non-audit services provided by the auditor and assesses the impact of any non-audit work on the ability of the auditor to remain independent.

Independence
The committee has satisfied itself of the continuing independence of Deloitte LLP. The committee confirms the level of non-audit work undertaken does not compromise independence.

Re-appointment of auditor
A resolution to re-appoint Deloitte LLP as the company's auditor, and to authorise the directors to fix their remuneration, will be proposed at the forthcoming annual general meeting.

Disclosure of information to auditor
It is the company's policy to allow the auditor unlimited access to its records. The directors confirm that, so far as each of them is aware, there is no relevant audit information of which the company's auditor is unaware and they have taken all the steps which they should have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

James MacLeod
Director
12 December 2013

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 incorporating The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Directors' Remuneration Report Regulations 2002. Ordinary resolutions for the approval of the directors' remuneration policy and the directors' remuneration report will be put to shareholders at the AGM on 31 January 2014.

Remuneration Committee

The company has a remuneration committee the terms of reference of which include setting the fees of the directors. The full terms of reference are posted on the company's website. The committee is chaired by Hamish Buchan and the other members are Douglas McDougall, James MacLeod, Russell Napier and James Will.

Policy on Directors' Fees

On 31 October 2013, the board consisted of five directors, all of whom are non-executive. Directors' fees are set by the remuneration committee with a view to attracting individuals of appropriate calibre and experience, taking into account the time commitment required and the level of fees paid by similar investment trusts. Fees recommended by the remuneration committee are subject to approval by the board. The company's articles of association provide for a maximum level of total remuneration of £250,000 in the aggregate payable to directors in any financial year.

The remuneration committee agreed to an increase in directors' fees, with effect from 1 November 2013, to £50,000 per annum for the chairman and £30,000 per annum for other directors. Directors' fees were last increased on 1 November 2010. It is intended that this policy will apply for at least the years to 31 October 2016.

Directors are remunerated exclusively by fixed fees in cash and do not receive bonuses, share options, long-term incentives, pension or other benefits.

Remuneration	Proposed fees for the year to 31 October 2014 £	Actual fees for the year to 31 October 2013 £
Chairman	50,000	45,000
Non-executive director	30,000	27,000

An ordinary resolution for the approval of this directors' remuneration policy will be put to shareholders at the forthcoming AGM.

Following the votes on this remuneration policy, the remuneration committee will take into account shareholders' views should there be any material change to the policy.

Annual Statement

There were no changes to the level of directors' fees during the financial year.

Directors' Emoluments (audited)

Fees	Year to 31 October 2013 £	Year to 31 October 2012 £
Douglas McDougall	45,000	45,000
Hamish Buchan	27,000	27,000
James MacLeod	27,000	27,000
Russell Napier	27,000	27,000
James Will (appointed May 2013)	13,500	n/a
Francis Finlay (retired July 2013)	20,250	27,000
	159,750	**153,000**

Francis Finlay received no additional remuneration on retirement.

As all the directors are non-executive directors and their fees are payable quarterly with no performance-based element, there is no correlation between the directors' fees and the employees' salaries. The company is of the view therefore, that it is not necessary to consult with employees when drawing up the remuneration report.

Service Contracts

The directors do not have service contracts. All directors retire and seek re-election annually.

Directors' Interests

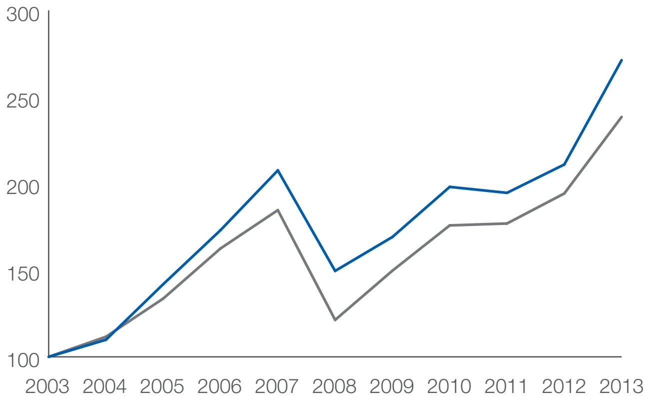
The interests of the directors and their families in the company's capital are as follows:

	Shares of 25p	
Beneficial interests	31 October 2013	31 October 2012
Douglas McDougall	60,000	60,000
Hamish Buchan	22,325	22,325
James MacLeod	24,243	22,849
Russell Napier	14,000	14,000
James Will	28,000	n/a
Francis Finlay	n/a	60,000

There were no changes in the directors' interests between 31 October 2013 and 12 December 2013.

Company Performance

The graph below shows the company's ten year share price total return compared to the notional total return of the UK FTSE All-Share Index over the same period.



SIT – Share Price (Total Return)
UK FTSE All-Share Index (Total Return)

Source: Thomson Reuters

This index has been chosen as it is a common performance comparator for companies such as SIT.

Significance of Spend on Pay

	2013 £'000	2012 £'000	% Change
Expenses	5,110	4,632	10.3
Directors' fees	160	153	4.4
Staff costs	3,359	2,971	13.1
Dividends paid and proposed	14,782	12,573	17.6

Excluding discretionary performance-related bonuses, expenses increased by 2.6% and staff costs increased by 0.7%.

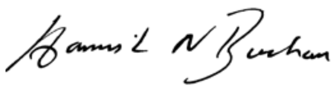
Further details of the company's expenses and staff costs can be found in notes 2 and 3, respectively, on page 30 and of dividends paid in note 7 on page 35.

Approval

Voting on the resolution to approve the Directors' Remuneration Report 2012, at the company's AGM on 25 January 2013, was as follows:

Resolution	% For	% Against	% Withheld
Approve directors' remuneration report	99.1	0.9	0.0

The Directors' Remuneration Report 2013 was approved by the board on 12 December 2013 and signed on its behalf by the chairman of the remuneration committee.



Hamish Buchan
Director
12 December 2013

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**
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		2012	
	Book value £'000	Fair value £'000	Book value £'000	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 US $ £'000	2013 Euro £'000	2012 US $ £'000	2012 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 Within one year £'000	2013 More than one year £'000	2013 Total £'000	2012 Within one year £'000	2012 More than one year £'000	2012 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.

Investor Information

How to Invest

The company's wholly-owned subsidiary, SIT Savings Ltd, provides a number of low-cost, flexible investment products which enable investors to acquire SIT shares easily.

STOCKPLAN

SIT's investment trust savings scheme is one of the most cost-effective available. There is no initial plan charge, other than stamp duty and dealing spread, and no annual charge. It costs just £11.95 to sell some or all of your holding. STOCKPLAN allows you to invest regularly (minimum investment £25 per month) and/or with a lump sum (minimum investment £250). There is no maximum investment limit and you can stop and restart investing at any time.

STOCKPLAN: A Flying Start

SIT's investing for children plan is based on the STOCKPLAN scheme. It benefits from the same low charges and flexibility and can be opened in one of two ways: either as a designated plan or, more formally, as a bare trust. STOCKPLAN: A Flying Start enables family and friends to invest on behalf of a child to help build savings for the future.

The SIT ISA

This is one of the lowest-charging investment trust company stocks and shares ISAs on offer. There is no initial plan charge, other than stamp duty and dealing spread, nor are there closure or selling charges. The annual management fee of 0.6% of the value of the investment is currently capped at £30 + VAT regardless of how much your SIT ISA investment grows or how many years' ISA allowances you have invested with SIT.

The SIT ISA Transfer

SIT can accept the transfer of existing stocks and shares ISAs from other qualifying managers into The SIT ISA at any time without losing the ISAs' tax status. SIT can also accept the transfer of cash ISAs into The SIT ISA. This would turn the cash ISA being transferred into a stocks and shares ISA. SIT makes no charge for transfers in. However, the current ISA manager may charge for administering the transfer out.

The SIT SIPP

This allows investment into SIT through a low-cost, flexible, self-invested personal pension. The wide choice of investments available, including SIT, enables you to tailor the investment combination in the SIPP to suit your particular needs and objectives – whether you are just starting to contribute to your pension or are approaching retirement. You can open a SIT SIPP even if you are already an active member of an employer's pension scheme or are contributing to other pension plans. You can also set up a SIT SIPP for a child or a non-earning spouse or partner.

In addition to these products, you can buy SIT shares directly on the stockmarket through a stockbroker. Your bank, lawyer, accountant or other professional adviser may also be able to help with this. SIT's registrar, Computershare Investor Services PLC, provides a sharedealing service which can be accessed on its website, **www.investorcentre.co.uk** or by telephoning **0870 703 0195**.

Update on Tax-Efficient Investing

ISAs

- The overall annual ISA investment limit is currently £11,520.
- Up to the full £11,520 can be invested in a stocks and shares ISA with one provider. Alternatively, up to £5,760 can be saved in a cash ISA with one provider; the remainder of the £11,520 can be invested in a stocks and shares ISA with either the same or another provider.
- The annual ISA investment limit is indexed annually in line with the Consumer Prices Index (CPI) for the September before the start of each new tax year.
- The annual ISA investment limit for the 2014/15 tax year is £11,880. Up to £5,940 may be placed in a cash ISA and the remainder can be invested in a stocks and shares ISA with either the same or another provider. Alternatively, the full £11,880 can be invested in a stocks and shares ISA with one provider.
- Transfers from previous years' cash ISAs into stocks and shares ISAs are permitted and do not count against the current year's investment.

Contact Telephone Numbers

Full contact details for SIT's scheme administrators and SIT's registrar can be found in the Useful Addresses section on page 50.

STOCKPLAN and **ISA** investors wishing to:

- give a change of address
- instruct a sale
- request a valuation
- make an investment using their debit card
- change the amount of their monthly investment
- obtain help with accessing their STOCKPLAN and ISA information online
- make general queries about their account or scheme

can contact the scheme administrator, Halifax Share Dealing Limited (HSDL), on: **0845 850 0181**.

SIT SIPP investors with questions about the administration of their SIPP, or any other pension-related enquiry, can contact the SIPP administrator, AJ Bell Management Limited, on: **08457 22 55 25.**

Shareholders who hold share certificates can contact the registrar, Computershare Investor Services PLC, on: **0870 703 0195**.

Dividends

The following dividends have been paid or proposed during 2013:

Dividends	Amount	XD date	Record date	Payment date
Final 2012	6.65p	2 January 2013	4 January 2013	4 February 2013
Interim 2013	4.80p	12 June 2013	14 June 2013	15 July 2013
Final 2013	6.80p	31 December 2013	3 January 2014	5 February 2014
Special 2013	1.80p	31 December 2013	3 January 2014	5 February 2014

SIT STOCKPLAN and ISA schemes

The STOCKPLAN and ISA schemes provide automatic reinvestment of dividends. However, they also allow for dividends to be taken as income, if required. STOCKPLAN and ISA holders should contact the scheme administrator, HSDL, on **0845 850 0181** if they would like to change their dividend arrangements.

Shareholders who hold share certificates

Conversely, for shareholders who hold share certificates (investors whose names are on SIT's share register and who are not in SIT's schemes) dividends are automatically paid as income. However, it is easy to arrange to have these dividends reinvested by joining SIT's Dividend Reinvestment Plan (DRIP). Details are available from Computershare Investor Services, SIT's registrar, on **0870 703 0195**, or from the investor relations section on SIT's website, **www.sit.co.uk**

Monitoring Your Investment

SIT's share price, together with performance information and product details, can be found on SIT's website, **www.sit.co.uk**

A number of financial websites, such as the FT, **www.ft.com** and the London Stock Exchange, **www.londonstockexchange.com** carry share price information. In addition, the share price is published daily in most quality newspapers.

SIT publishes a daily NAV and a monthly factsheet on its website. An interim report is issued in June of each year and the annual report is distributed to all investors in late December.

STOCKPLAN, STOCKPLAN: A Flying Start and ISA investors receive twice yearly statements of their holdings and SIT's investor newsletter is issued twice yearly.

Accessing Your Account Online

ISA, STOCKPLAN and STOCKPLAN: A Flying Start designated scheme investors

The above scheme investors may view their accounts online by registering with halifaxsharedealing-online. This can be accessed through the links in the various product sections on SIT's website, **www.sit.co.uk** or by visiting **www.halifaxsharedealing.co.uk/online**

Please note, you will need your Share Dealing Personal Reference Number (PRN) to access this service. If you do not have this, please contact SIT's scheme administrator, HSDL, on **0845 850 0181**.

SIPP investors

SIPP investors can set up monthly payments, buy and sell shares and access their account online, by visiting **www.halifaxsharedealing.co.uk/online**

Shareholders who hold share certificates

Investors who hold share certificates can check their holdings by registering on SIT's registrar's website, **www.investorcentre.co.uk** or through the link in the investor relations section on SIT's website, **www.sit.co.uk** Please note that to access this facility, investors will need to quote the shareholder reference number shown on their share certificate.

By registering for the Investors' Centre facility on Computershare's website, investors can also view details of all their holdings for which Computershare is registrar, as well as access additional facilities and documentation.

Please see **www.investorcentre.co.uk** for further information.

Electronic Communications

Shareholders who hold share certificates

If you hold share certificates (i.e. you are not in the STOCKPLAN, ISA or SIPP schemes, nor in a broker's nominee), you may choose to receive SIT's interim and annual reports and other shareholder communications electronically instead of in paper form. To register, simply visit the link in the investor relations section on SIT's website, **www.sit.co.uk** and provide your email details. You will then be advised by email when an electronic communication is available to be accessed.

Shareholders' Meetings

Shareholders who hold share certificates

Investors who hold share certificates are entitled to attend and vote at the AGM and other general meetings. Notices of meetings and proxy cards are sent to their registered addresses.

STOCKPLAN, STOCKPLAN: A Flying Start, ISA, and SIPP investors who invest in SIT

STOCKPLAN, STOCKPLAN: A Flying Start, ISA, and SIPP investors who invest in SIT are entitled to attend the AGM and other general meetings and vote by completing and returning the form of direction enclosed with this report.

The AGM will be held at the Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh EH2 1JQ, on 31 January 2014 at 10.30am.

Electronic Voting

Shareholders who hold share certificates

Shareholders who hold share certificates are able to submit proxy votes electronically for the AGM. Please follow the instructions on your proxy card.

Personal Taxation

Income Tax

Currently, all UK dividends are paid to shareholders net of a tax credit of 10%. Non-tax payers cannot reclaim the tax credit.

Non-ISA shareholders liable to higher rates of tax will be assessed for any additional tax through their annual tax return.

Capital Gains Tax (CGT)

When investors sell all or part of their holdings, they may be liable to CGT. Currently, the first £10,900 per annum of such gains from all sources is exempt.

For investors who acquired shares prior to 31 March 1982, the cost for CGT purposes may be based on the price on that date of 41.472p.

Investors who are in any doubt as to their liability for CGT should seek professional advice.

ISA investments remain exempt from CGT.

Please remember that we are unable to offer individual investment or tax advice. If you require such advice, you should consult your professional adviser.

STOCKPLAN, STOCKPLAN: A Flying Start and The SIT ISA are provided by SIT Savings Limited which is authorised and regulated by the Financial Conduct Authority (FCA), 25 The North Colonnade, Canary Wharf, London E14 5HS.

Risk Warning

Past performance may not be repeated and is not a guide to future performance. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations. You may not get back the amount you invest. The Scottish Investment Trust PLC has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns but should stockmarkets fall, such borrowings would magnify losses on these investments. SIT can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing. Investment in SIT is intended as a long-term investment. Tax rates and reliefs can change in the future and the value of any tax advantages will depend on personal circumstances.

Investor Relations and Compliance Manager

Alan Jamieson

Marketing Manager – SIT Savings Ltd

Sherry-Ann Sweeting

Notice of Meeting

Notice is hereby given that the one hundred and twenty-sixth annual general meeting of The Scottish Investment Trust PLC will be held at The Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh EH2 1JQ, on 31 January 2014 at 10.30am, for the purpose of transacting the following:

1. To receive and consider the directors' report and statement of accounts for the year to 31 October 2013.
2. To approve the directors' remuneration policy.
3. To approve the directors' remuneration report for the year to 31 October 2013.
4. To declare a final dividend of 6.80p per share.
5. To declare a special dividend of 1.80p per share.
6. To re-elect Mr Douglas McDougall as a director.
7. To re-elect Mr Hamish Buchan as a director.
8. To re-elect Mr James MacLeod as a director.
9. To re-elect Mr Russell Napier as a director.
10. To elect Mr James Will as a director.
11. To re-appoint Deloitte LLP as auditor and to authorise the directors to fix their remuneration.
12. To authorise the company, in accordance with section 701 of the Companies Act 2006 (the 'Act') and in substitution for any pre-existing such authority, to make market purchases (within the meaning of section 693 of the Act) of shares of 25p each for cancellation, provided that:
    a) the maximum number of shares hereby authorised to be purchased shall be 16,478,495 or, if less, 14.99% of the aggregate issued shares on the date this resolution is passed;
    b) the minimum price which may be paid for a share shall be 25p;
    c) the maximum price (exclusive of expenses) which may be paid for a share shall be the higher of:
        (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
    d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 April 2015, save that the company may, prior to such expiry, enter into a contract to purchase shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

All resolutions are ordinary resolutions except number 12 which is a special resolution.

Steven Hay

Steven Hay
Company Secretary
12 December 2013

Map showing location of AGM venue

Notes

Arrangements have been made to enable all investors to attend, speak and vote at the annual general meeting.

Registered shareholders whose names appear on the company's register of members no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting shall be entitled to attend, speak and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote on his or her behalf. If a shareholder wishes to appoint more than one proxy, each proxy must be appointed to exercise rights attaching to a different share (or shares) held by the shareholder. A proxy need not be a member of the company but must attend the AGM to represent the relevant shareholder. Shareholders may not use any electronic address provided either in this notice or any related documents, including the proxy form, to communicate with the company for any purpose other than those expressly stated.

A proxy may only be appointed using the procedure set out in these notes and the notes to the proxy form. Proxy forms and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, must be lodged with the company's registrar not less than 48 hours (excluding non-working days) before the meeting or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours, excluding non-working days, before the time appointed for the taking of the poll. Completion of the proxy form will not prevent a member from attending the meeting and voting in person.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy instruction') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the company's registrar (Computershare Investor Services PLC) (CREST ID number 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee by other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Any person holding 3% or more of the total voting rights in the company who appoints a person other than the chairman as his proxy will need to ensure that both he and such third party comply with their respective disclosure obligations under the Disclosure and Transparency Rules. On 12 December 2013, the company's issued share capital comprised 109,929,926 shares (none of which is held in treasury). Each share carries the right to one vote at a general meeting of the company. Accordingly, as at 12 December 2013, the total number of voting rights exercisable at the meeting was 109,929,926.

Shareholders may require the company to publish, on its website, without payment, a statement, which is also passed to the auditor, setting out any matter relating to the audit of the company's accounts, including the auditor's report and the conduct of the audit, which they intend to raise at the meeting. The company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the company or (ii) at least 100 members who have rights to vote and hold shares in the company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the company's registered office at 6 Albyn Place, Edinburgh, EH2 4NL. The company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006.

Further information regarding the meeting including the information required by section 311A of the Companies Act 2006 is available from **www.sit.co.uk**

Under section 319A of the Companies Act 2006, the company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
b) the answer has already been given on a website in the form of an answer to a question; or
c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

The directors' letters of appointment are available for inspection at the registered office of the company during normal business hours on any weekday. The register of directors' interests maintained by the company together with copies of directors' appointment letters will be available at the place of the annual general meeting from 15 minutes prior to the commencement of the annual general meeting until the conclusion thereof. No director has any service contract with the company.

STOCKPLAN, STOCKPLAN: A Flying Start, ISA and SIPP investors who invest in SIT are welcome to attend and may vote by completing the Form of Direction enclosed with this report. This must be returned to the company's registrar no later than 10.30 am on 24 January 2014. Other investors whose holdings are in nominee names and who wish to attend and vote are advised to contact their nominee before 24 January 2014.

The final dividend, if approved, will be paid on 5 February 2014 to shareholders registered at the close of business on 3 January 2014.

This report was sent to the address at present registered for communications. Any change of address should be notified to the company's registrar or the savings scheme administrator as appropriate.

Financial Calendar 2014

Dividend and Interest Payments

Final and special for the financial year to 31 October 2013	5 February 2014
Interim	July
Secured bonds	17 April, 17 October
Perpetual debenture stock	30 April, 31 October

Announcement of Results

NAV	Daily
Interim Management Statement	February, August
Interim figures	May
Preliminary final figures	November
Annual Report & Accounts	December
Annual General Meeting (AGM)	31 January 2014

Useful Addresses

Registered Office
6 Albyn Place
Edinburgh EH2 4NL
Registered no. SCO 01651

Telephone: 0131 225 7781
Website: **www.sit.co.uk**
Email: info@sit.co.uk

Auditor
Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2DB

Bankers
The Royal Bank of Scotland plc
Brown Brothers Harriman & Co

Actuaries
Punter Southall & Co
7 Castle Street
Edinburgh EH2 3AH

The Association of Investment Companies
SIT is a member of The Association of Investment Companies (AIC) which publishes a number of useful fact sheets and email updates for investors interested in investment trust companies.

The AIC
9th Floor
24 Chiswell Street
London EC1Y 4YY

Telephone: 020 7282 5555
Website: **www.theaic.co.uk**

For valuations and other details of your investment or to notify a change of address please contact the following:

Shareholders who hold share certificates:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Helpline: 0870 703 0195
Website: **www.investorcentre.co.uk**

STOCKPLAN, STOCKPLAN: A Flying Start and The SIT ISA investors:
SIT Schemes
Halifax Share Dealing Limited
Lovell Park Road
Leeds LS1 1NS

Helpline: 0845 850 0181
Website: **www.halifaxsharedealing.co.uk/online**

The SIT SIPP investors:
If you have any specific questions about the administration of your SIT SIPP or any other pension-related enquiries, please contact the SIPP Administrator, AJ Bell Management Limited:

The SIT SIPP
Halifax Share Dealing SIPP Administration Team
AJ Bell Management Limited
Trafford House
Chester Road
Manchester M32 0RS

Helpline: 08457 22 55 25

Notes

Notes

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