THE SCOTTISH
Investment Trust

THE SCOTTISH INVESTMENT TRUST PLC
INTERIM REPORT & ACCOUNTS

30 APRIL 2018

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.

Our High Conviction, Global Contrarian Investment Approach

We are contrarian investors.

We believe markets are driven by cycles of emotion rather than dispassionate calculation. This creates profitable investment opportunities.

We take a different view from the crowd. We seek undervalued, unfashionable companies that are ripe for improvement. We are prepared to be patient.

We back our judgement and run a portfolio of our best ideas, selected on a global basis.

Our portfolio is unlike any benchmark or index and we fully expect to have differentiated performance.

Our approach will not always be in fashion but we believe it delivers above-average returns over the longer term, by which we mean at least five years.

Cover painting:
Looming Skies over West Coast Waters by Linda Park

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Chairman's Statement

Performance

I am pleased to report another period of positive total returns over the six months to 30 April 2018.

The share price total return was +1.7% and the net asset value per share (NAV) total return (with borrowings at market value) was +1.8%.

The Company does not have a formal benchmark but, by way of comparison, the sterling total return of the international MSCI All Country World Index (ACWI) was –0.1% while the UK based MSCI UK All Cap Index total return was +2.2%.

Investment approach

The investment management industry is rapidly changing. Investors increasingly seek investment offerings that are either genuinely distinct and active in their approach or low cost passive offerings through which stockmarket indices can be tracked.

The high conviction, global contrarian investment approach adopted by Alasdair McKinnon and his team clearly differentiates the Company from our global investment trust peers and passive investment products.

The approach aims to profit by investing in carefully selected, but unfashionable, companies which we believe are undervalued as they are overlooked by other investors who prefer the comfort of investing with the crowd. The portfolio is constructed without reference to any benchmark or stockmarket index and we do not expect the Company's portfolio return to match any particular index return over any defined period. Our contrarian approach aims to deliver above-average returns over the longer term, by which we mean at least five years.

Change is afoot

Those who have read my previous Chairman's Statements will likely be familiar with the changes at The Scottish in recent years. The goal of those changes is to continue to provide an attractive, low cost investment vehicle for our shareholders, who are mainly, and increasingly, individuals.

Among the key changes in recent years have been the introduction of our high conviction, global contrarian investment approach and the restructuring of our operations to deliver a more efficient and cost effective structure. Alongside our annual results, we announced a significant change to our dividend policy to which I refer below. We continue to reinvigorate our approach to investor communications as this is an important expression of our differentiation and engages investors with our distinctive investment style. By communicating our key messages, we aim to stimulate additional demand for the Company's shares to help manage the discount to NAV. It was pleasing that our continuing work on investor communications was recognised by The Association of Investment Companies when we received the Best PR Campaign Award in May 2018.

As contrarian investors, the management team generates interesting and thought provoking content, which is shared on our website. We want to engage regularly with investors and are mindful of the changing way in which media is consumed in this digital age. With that in mind, we are building a presence on social media.

Dividend policy and dividend

Last year there was a step change increase in the total regular dividend to 20.0p per share (a 48% increase from the 13.5p paid in the previous financial year) as well as the announcement of a shift to quarterly dividend payments. I outlined the full rationale for these changes in my last statement but, in summary, investors now have a clearer indication of the income that they can expect to receive from their investment while gaining a more regular income stream. Following this step change increase, the Company has one of the highest stated dividend yields among its global investment trust peers.

The contrarian style does not explicitly target higher yielding investments but is expected to generate a higher than average level of income through an investment cycle. If there are occasions when the portfolio does not generate a sufficient level of income to cover the requirements of the regular dividend, the Board considers that it would be appropriate to utilise the Company's healthy revenue reserve.

The Board's previously announced target is to declare three quarterly interim dividends of 5.0p in the year to 31 October 2018 and to recommend a final dividend of at least 5.0p for approval by shareholders at the Annual General Meeting in 2019. The first quarterly dividend payment of 5.0p was made in May 2018 and the second and third quarterly dividends will be paid in August and November 2018, respectively. The final dividend will be reviewed in accordance with the Board's desire to continue the long track record of annual dividend increases and the aim of the Company to provide dividend growth ahead of UK inflation over the longer term.

Discount and share buybacks

The Company follows a policy that aims, in normal market conditions, to maintain the discount to NAV (with

Chairman's Statement (continued)

borrowings at market value) at or below 9%. The average discount over the first half of the year was 8.3%.

During the period, 0.9m shares were purchased for cancellation at an average discount of 9.2% and a cost of £7.2m. In the same period last year 12.8m shares were purchased, although this included the exit of Aviva from the share register who were generally selling investment trust holdings inherited from the takeover of other investment companies. Excluding the Aviva transaction, 1.4m shares were purchased in the same period last year.

Update to expense and interest allocation policy

The Board has reviewed the allocation of both eligible expenses and interest between capital and revenue, in large part due to the very different cost structure in place since the recent reorganisation and the adoption of the new investment approach.

It was therefore decided that with effect from the current financial year, the Company will allocate 65% of both eligible expenses and interest to capital, with the remaining 35% of each allocated to revenue. This compares with the previous 50%/50%. Expenses not eligible to be charged to capital will be wholly charged to revenue.

If this new allocation policy had been in place in the last financial year, the net effect would have resulted in a small increase to net income per share of 0.7p to 23.7p.

Gearing

Gearing ended the period largely unchanged at 5%.

Board composition

Hamish Buchan retired as a non-executive director at the AGM in February 2018. I would like to reiterate our thanks to Hamish for his outstanding contribution over the last fourteen years. As previously noted, there is no current intention to replace Hamish as the Board considers that its membership will continue to ensure that the appropriate balance of skills, experience, independence and knowledge will be achieved.

Outlook

I have previously discussed the bewilderment with which the establishment greeted the Brexit vote, the election of Donald Trump and the unexpected result in the UK 'snap' general election. There was perhaps an element of a 'Marie Antoinette' thought process that failed to appreciate that large sections of the population felt trapped in a disadvantaged economic situation.

Politicians around the world seem to have got the message that if they wish to gain or retain a grip on power, the benefits of economic growth must fall to a greater proportion of the population. With President Trump in the vanguard, governments are dropping ambitions to balance budgets as fiscal largesse is always popular with the recipients. Much comment has been made about the jump in US 10 year bond yields to over 3%. Some are fearful that the breach of this arbitrary number represents a loss of confidence in the government's finances and the start of an inflationary cycle.

Perhaps more significant for the short term prospects of markets is the increase in the US 2 year Treasury Note yield to 2.5%, prompted by the anticipated trajectory of interest rate increases from the US Federal Reserve. Given that this rate was near zero around five years ago, it does not seem an unreasonable rate of return at which to 'park' money that would previously have been forced into other asset classes in search of a return.

As ever, there are a number of potential flashpoints that could potentially destabilise markets, or indeed boost them if satisfactorily resolved. US relations with North Korea and Iran appear to have moved in opposite directions but US relations with China are probably most important to the global economy. Closer to home, the Brexit negotiations continue to make noisy but slow progress.

The Board is pleased with the progress made to transform the investment approach, to increase the regular dividend and to improve the profile of the Company. It believes that the Company is differentiated, cost competitive and an attractive investment vehicle focused on delivering above-average returns and dividend growth over the longer term.

James Will

James Will
Chairman
15 June 2018

Board of Directors

James Will
Appointed to the Board in May 2013 and became Chairman in January 2016.

He is a former Chairman of law firm Shepherd and Wedderburn LLP where he was a senior corporate partner, heading its financial sector practice. He has experience of working with companies in a wide range of industry sectors including financial services, technology, energy and life sciences.

Other investment company directorship: Herald Investment Trust.

Shares held: 8,000* **Fees:** £60,000

* In addition to the 8,000 shares held, Mr Will is a trustee of a trust which holds 22,000 shares in the Company. Mr Will is beneficially or potentially beneficially interested in this holding.

Russell Napier
Appointed to the Board in July 2009.

He runs a course in financial history at the University of Edinburgh Business School and is the author of the book "Anatomy of the Bear: Lessons from Wall Street's Four Great Bottoms". He has been providing investment advice to financial institutions for more than 20 years both as a stockbroker and latterly as an independent analyst.

Other investment company directorship: Mid Wynd International Investment Trust.

Shares held: 14,000 **Fees:** £32,500

Jane Lewis
Appointed to the Board in December 2015. Chair of the Remuneration Committee.

She is an investment trust specialist who, until August 2013, was a director of corporate finance and broking at Winterflood Investment Trusts. Prior to this, she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker.

Other investment company directorships: BlackRock World Mining Trust, F&C Capital and Income Investment Trust and Invesco Perpetual UK Smaller Companies Investment Trust.

Shares held: 1,000 **Fees:** £32,500

Mick Brewis
Appointed to the Board in December 2015.

He was an investment manager at Baillie Gifford, retiring in April 2014 after 29 years at the firm, 21 of them as a partner. He was a stockpicker throughout his time there, responsible for managing UK equity portfolios before heading the North American equities team from 1995 onwards. His broad investment experience includes managing investment teams and research groups, global asset allocation, working with clients (including investment trusts), marketing, graduate recruitment and investor development.

Other investment company directorships: None.

Shares held: 10,000 **Fees:** £32,500

Karyn Lamont
Appointed to the Board in October 2017. Chair of the Audit Committee.

She is a chartered accountant and former audit partner at PwC. She has over 25 years of experience and provided audit and other services to a range of clients across the UK's financial services sector including a number of investment trusts. Her specialist knowledge includes financial reporting, audit and controls, risk management, regulatory compliance and governance.

Other investment company directorships: None.

Shares held: 2,500 **Fees:** £37,500

Manager's Review

It's déjà vu all over again

Even though the late Lawrence 'Yogi' Berra was an outstanding baseball player, he is possibly best known for his 'Yogisms' – apparently nonsensical comments attributed to him that contain a cryptic life truth. After all, who can disagree that "the future ain't what it used to be" and "you can observe a lot by watching". However, this review is titled with the Yogism that reflects the resigned inevitability of watching a re-run of a situation you've already experienced.

Shareholders who have read my previous Manager's Reviews will be aware that a simple philosophy underpins our approach to investment. At the core of this philosophy is a recognition that investors are not, in aggregate, dispassionate calculating machines but instead retain human emotions.

As humans, we have many differing emotions, desires and motivations but one apparent constant, which is maintained across cultures and geographies, is a desire to be part of the group. This crowding instinct has been a great benefit to humanity and living standards are unquestionably far higher than if we operated as individuals. Working as a group allows division of labour, specialisation and economies of scale.

However, we believe that this crowding instinct does not usefully translate into financial markets as the crowd is inherently a momentum beast. Crowds naturally gravitate towards what has recently been successful and shun what has recently been unsuccessful. The crowd voice, which is always alluring, is driven by individuals who seek to align themselves with success and disavow failure.

In financial markets, chasing momentum works. Until it doesn't. By the time an investment has performed sufficiently well (or badly) for it to become an accepted wisdom, conditions are ripe for the trend to change. It is this momentum mentality which creates the business cycle and the numerous bubbles (and subsequent busts) which have bedevilled investment markets.

We do not attempt to follow investment fashions and instead seek investments in which we can foresee long term upside. We actively seek unpopular areas because this is where the balance between risk and reward can be most favourable. Rather than perpetual trends we believe in cycles, which brings us neatly back to the déjà vu referenced in the title.

Investors currently exhibit remarkably low levels of scepticism about 'hot' investment themes, particularly in the technology area, which mentally transports us back to the late 1990s when similar enthusiasm reigned (it didn't last).

The collapse of Long-Term Capital Management (LTCM) in 1998 and the subsequent Central Bank response, arguably, created the conditions for the dotcom bubble. Following the bailout of LTCM, the investment mood swiftly became feverish, with the best performing investments defined by their elevator pitch (a simple conceptual story with grand visions) and eyeballs (the gathering of unprofitable user views). Sales of IT hardware and services boomed both to salve the impending 'Millennium Bug' and due to an increased desire for personal computers. Those companies that had benefited from this trend became valued as if the good times would never end.

Things are different today, but in some ways they are the same. Once again, investors are excited by concept investments even if the most speculative of them all, the cryptocurrencies, have already disillusioned their fan club. Investors continue to reward the new 'eyeball' metric which, these days, is instead unprofitable user growth. Internet shopping, food delivery, ride hailing services, music and video streaming, to name just some, are all subsidised at the point of use by investors. Meanwhile, investors show scant concern that the premium smartphone boom has peaked and have only recently started to consider that companies operating in the 'Wild West' space of internet advertising may be about to meet the posse (courtesy of the Facebook data scandal).

The Portfolio (the interim period)

Our holdings in two 'ugly duckling' retailers produced the biggest gains over the period. Tesco (+£7.7m) performed strongly as the acquisition of Booker was approved and focus has returned to the company's progress in rebuilding profitability. US department store operator Macy's (+£7.7m) reported encouraging results which suggested that measures to reinvigorate flagging sales were gaining some traction. However, emphasising that patience is required with turnaround situations, Marks & Spencer (-£3.7m) declined during the period as the new turnaround-expert Chairman, Archie Norman, appeared to 'kitchen-sink' potential bad news. We continue to believe the company has a great brand which can be revived.

Our holdings in commodity companies were mostly a source of positive returns as enthusiasm returned to these areas (particularly oil) late in the period under review. The biggest gain came from BHP Billiton (+£3.0m) driven by recovering operations, a scope for asset sales and the presence of an activist investor. Our holding in Royal Dutch Shell (+£2.5m) also made a material gain as it became clearer to the wider market that the company is in a very strong position having bought BG Group at the cycle low. Australian gold miner Newcrest Mining (-£3.1m) was impacted by a production issue which was subsequently resolved.

Manager's Review (continued)

Mexican cement producer Cemex (-£3.8m) was hampered by a combination of headwinds and we sold our holding after the period end due to the changing political climate in Mexico.

Dutch bank ING (-£2.8m) produced a loss over the period but remains well placed to benefit from restructuring efforts, a more stable regulatory environment and a potential increase in interest rates.

Pharmaceutical company GlaxoSmithKline (+£2.6m) reassured investors about the sustainability of the dividend after opting to buy Novartis's share of their consumer healthcare joint venture rather than pursuing a more ambitious acquisition. The new CEO is determined to better commercialise the company's gargantuan R&D efforts.

Conversely, our holding in Rentokil Initial (-£3.8m) was a loser from a stronger pound following optimism regarding a workable Brexit. Other investors fretted about the translation of predominantly overseas revenues into a resurgent sterling. That said, the loss was more of a timing issue as the share price has performed very strongly since our initial purchase as the business has transformed from being an unloved and underperforming conglomerate.

An honourable mention must also be made for Australian-based global wine producer, Treasury Wine Estates (+£1.8m), which was for a long time our largest investment, as we sold the balance of our holding during the period. This has been an exceptional investment, providing a total return of +£39m over the period we held the shares. The company has transformed in the three years since we invested and that progress is now more widely recognised. While we continue to believe that the company's prospects remain promising, this is now reflected in the share price and we consider that the balance of risk and reward is no longer as favourable.

Outlook

In my last review, I noted that there were signs of complacency with regard to investor attitude to risk, with symptoms of excess in cryptocurrency get-rich-quick schemes and the investor infatuation with technology stocks which were considered to have bullet-proof prospects. The cryptocurrencies, such as Bitcoin, boomed further (it was the topic of conversation over Christmas) but unravelled spectacularly in January. A cryptocurrency may seem irrelevant to an equity investor but they represent a proxy for the ease of financial conditions and a willingness to suspend disbelief in search of a speculative return.

The data scandal involving Facebook and Cambridge Analytica shook the entire technology matrix. Expectations remain too high in this area and the threats from politicians, regulators and disrupted incumbents continue to be brushed off. We have minimal exposure to this area.

Oil stocks have been generally unpopular since the oil price crash of 2014. Expectations remain low but have increased recently as the oil price has risen. We continue to think that the balance between risk and reward in this area remains favourable.

If one of the main contributing factors to the financial crisis of 2008/9 was excessive debt, 10 years of cheap money has not aided this situation as debts have increased. The time-tested solution to an excessive debt burden has been either default or currency debasement (inflation), with the latter infinitely more palatable. It's unlikely that the recent rise in bond yields represents a tipping point but we continue to monitor this.

Generally speaking, the spread of valuations across the market is wide and we continue to identify opportunities that we believe will generate good long-term returns for shareholders.

As I have previously noted, as contrarian investors we actively seek unfashionable and unpopular investments that we believe can recover. This is where we find the best balance between risk (expectations are low) and reward (things can get better). Our investment approach is designed to anticipate and benefit from change and we will continue to seek out opportunities with potential to profit the long-term investor.

Alasdair McKinnon

Manager

15 June 2018

Our Approach

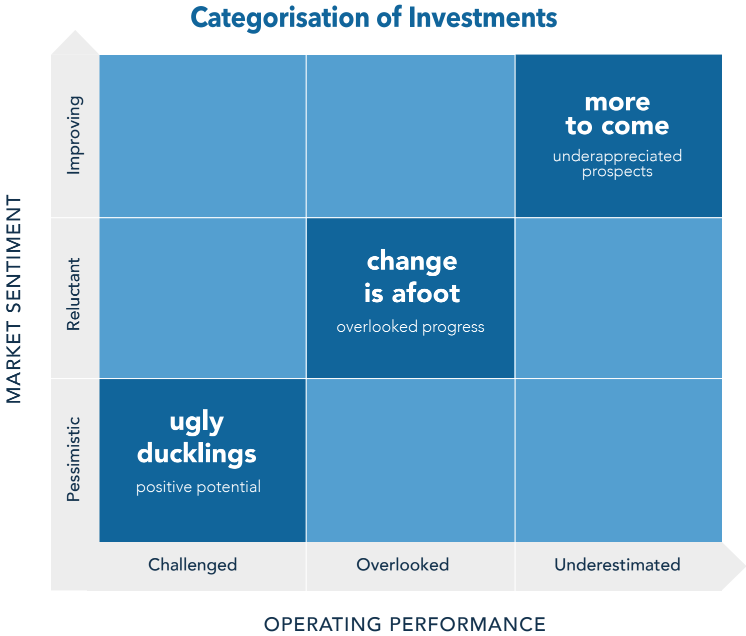
To apply our approach, we divide the stocks in which we invest into three categories.

First, we have those that we describe as **ugly ducklings** – unloved shares that most investors shun. These companies have endured an extended period of poor operating performance and, for the majority, the near-term outlook continues to appear uninspiring. However, we see their out-of-favour status as an opportunity and can foresee the circumstances in which these investments will surprise on the upside.

The second category consists of companies where **change is afoot**. These companies have also endured a long period of poor operating performance but have recently demonstrated that their prospects have significantly improved. However, other investors continue to overlook this change for historical reasons.

In our third category, **more to come**, we have investments that are more generally recognised as good businesses with decent prospects. However, we see an opportunity as we believe there is scope for further improvement that is not yet fully recognised.

Categorisation of Investments



The Investment Team

Alasdair McKinnon
Manager

Alasdair joined the Company in 2003 and became Manager in 2015. He has 19 years of investment experience. He graduated MA with honours in Economic and Social History from the University of Edinburgh and MSc in Investment Analysis (with distinction) from the University of Stirling. Alasdair is a CFA® charterholder and an Associate of the UK Society of Investment Professionals.

Martin Robertson
Deputy Manager

Martin joined the Company in 2004 and became Deputy Manager in 2015. He has over 30 years of investment experience. He is a graduate of both Dundee and Edinburgh universities gaining a BSc with honours in Civil Engineering and a Master of Business Administration, respectively. Martin is a member of the CFA Institute and an Associate of the UK Society of Investment Professionals.

Mark Dobbie
Investment Manager

Mark joined the Company in 2000 and became an Investment Manager in 2011. He has 7 years of investment experience. He also has extensive knowledge of the operation of investment trusts, including valuation and performance analytics, from previous roles with the Company. Mark is a CFA® charterholder.

Sarah Monaco
Investment Manager

Sarah joined the Company in 2000 and became an Investment Manager in 2002. She has 16 years of investment experience. She graduated with a Master of Business Administration from the University of Edinburgh and previously gained a BA in Commerce. Sarah also has broader investor relations experience and a Post Graduate CIM Diploma in Marketing. Sarah is a member of the CFA Institute.

Igor Malewicz
Investment Analyst

Igor joined the Company in 2017. He graduated MA with Honours in Economics and Finance and MSc in Petroleum, Energy Economics and Finance, both from the University of Aberdeen.

Financial Summary

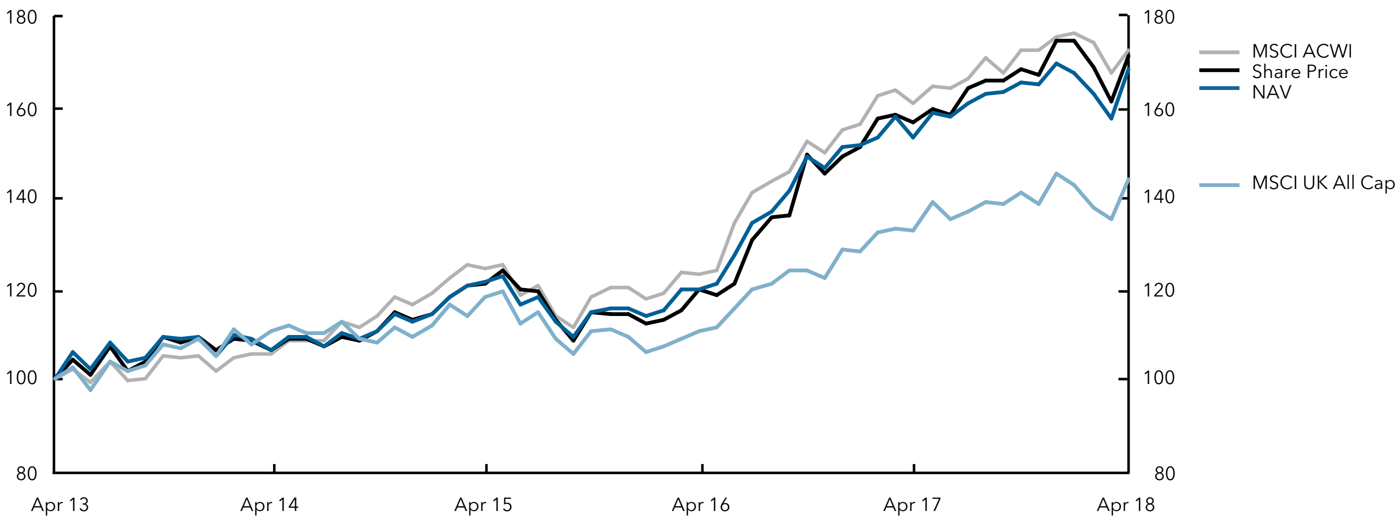
	30 April 2018	31 October 2017	Change %	Total return %
NAV with borrowings at market value	916.1p	924.4p	(0.9)	+1.8
NAV with borrowings at amortised cost	944.4p	956.8p	(1.3)	+1.3
Ex-income NAV with borrowings at market value	910.2p	904.8p	+0.6	
Ex-income NAV with borrowings at amortised cost	938.4p	937.2p	+0.1	
Share price	833.0p	843.0p	(1.2)	+1.7
Discount to NAV with borrowings at market value	9.1%	8.8%		
MSCI ACWI			(1.0)	(0.1)
MSCI UK All Cap Index			+0.3	+2.2

	£'000	£'000
Equity investments	778,120	801,302
Net current assets	49,186	43,897
Total assets	827,306	845,199
Long-term borrowings at amortised cost	(83,783)	(83,737)
Pension liability	(1,091)	(1,091)
Shareholders' funds	742,432	760,371

	Six months to 30 April 2018	Six months to 30 April 2017	Change %
Earnings per share	10.89p	9.28p	+17.4
Dividends per share[1]	10.00p	5.50p	
UK Consumer Prices Index – annual inflation			+2.4

1. The current period includes two quarterly interim dividends compared to one semi-annual interim dividend in the same period last year.

NAV* and Share Price against Comparator Indices
Total Return – 5 years to 30 April 2018



*with borrowings at market value

List of Investments

As at 30 April 2018

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Tesco	UK	35,614	
Rentokil Initial	UK	30,352	
Standard Chartered	UK	28,398	
GlaxoSmithKline	UK	28,132	
Royal Dutch Shell	UK	26,270	
ING	Netherlands	26,102	
Newcrest Mining	Australia	26,080	
Suncor Energy	Canada	25,562	
Gap	US	24,914	
Sumitomo Mitsui Financial	Japan	22,053	35.1
Pfizer	US	21,556	
Marks & Spencer	UK	21,298	
Macy's	US	21,129	
BHP Billiton	UK	21,006	
SAP	Germany	19,763	
Newmont Mining	US	19,021	
BNP Paribas	France	18,021	
Exxon Mobil	US	17,837	
Target	US	17,444	
RSA Insurance	UK	15,911	59.9
Total	France	15,512	
Citigroup	US	14,845	
Chevron	US	14,533	
Pepsico	US	14,435	
China Mobile	Hong Kong	14,307	
British Land	UK	14,194	
United Utilities	UK	14,154	
Roche	Switzerland	13,715	
National Oilwell Varco	US	12,659	
Vinci	France	12,163	78.0
Sony	Japan	11,391	
BASF	Germany	11,246	
KDDI	Japan	10,628	
Verizon Communications	US	10,229	
Nintendo	Japan	9,617	
Bank of Kyoto	Japan	9,547	
Intesa SanPaolo	Italy	9,249	
East Japan Railway	Japan	9,044	
Citizens Financial	US	8,404	
Hess	US	8,275	90.6
Royal Bank of Scotland	UK	8,103	
Adecco	Switzerland	7,615	
BT	UK	7,186	
IBM	US	6,946	
Bank of Ireland	Ireland	6,669	
Baker Hughes	US	6,659	
TGS Nopec Geophysical	Norway	6,555	
General Electric	US	5,853	
Diamond Offshore Drilling	US	5,742	
BorgWarner	US	4,156	99.0
Tourmaline Oil	Canada	3,058	
Freehold Royalties	Canada	2,397	
Greggs	UK	1,171	
Total listed equities		**776,720**	**99.8**

Unlisted

Holding	Market value £'000	Cumulative weight %
Heritable property and subsidiary	1,400	
Total unlisted	**1,400**	**0.2**
Total equities	**778,120**	**100.0**

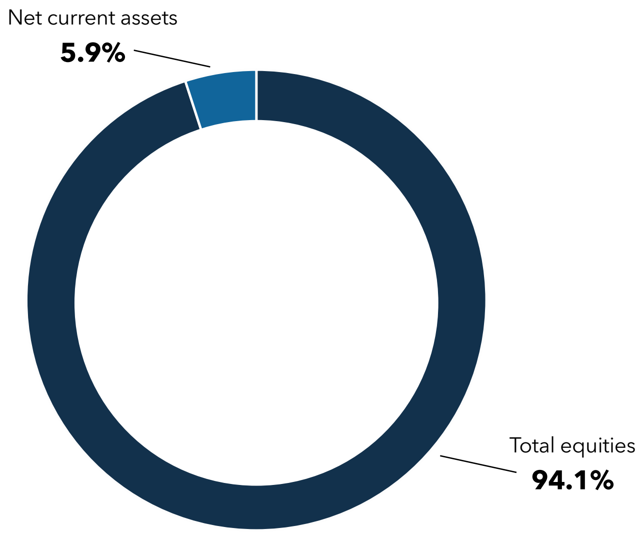
Distribution of Assets

Distribution of Total Assets

by Sector	30 April 2018 %	31 October 2017 %
Energy	17.5	15.2
Materials	9.4	8.4
Industrials	7.9	10.0
Consumer Discretionary	12.3	8.6
Consumer Staples	6.0	11.8
Health Care	7.7	8.5
Financials	20.4	19.2
Information Technology	4.4	4.5
Telecommunication Services	5.1	5.2
Utilities	1.7	1.9
Real Estate	1.7	1.5
Net current assets	5.9	5.2
Total assets	**100.0**	**100.0**

by Region	30 April 2018 %	31 October 2017 %
UK	30.6	28.6
Europe (ex UK)	17.7	17.9
North America	32.1	26.5
Latin America	–	3.0
Japan	8.8	8.2
Asia Pacific (ex Japan)	4.9	10.6
Net current assets	5.9	5.2
Total assets	**100.0**	**100.0**

Allocation of Total Assets



Allocation of Shareholders' Funds

	%
Total equities	**104.8**
Net current assets	6.6
Borrowings at amortised cost	(11.3)
Pension liability	(0.1)
Shareholders' funds	**100.0**

Income Statement

	Six months to 30 April 2018 (unaudited)			Six months to 30 April 2017 (unaudited)			Year to 31 October 2017 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value through profit and loss	–	2,644	2,644	–	11,592	11,592	–	50,816	50,816
Net losses on currencies	–	(883)	(883)	–	(531)	(531)	–	(1,185)	(1,185)
Income	11,246	–	11,246	11,474	–	11,474	25,898	–	25,898
Expenses	(1,042)	(198)†	(1,240)	(959)	(666)	(1,625)	(2,075)	(1,442)	(3,517)
Net Return before Finance Costs and Taxation	10,204	1,563	11,767	10,515	10,395	20,910	23,823	48,189	72,012
Interest payable	(866)	(1,608)	(2,474)	(1,237)	(1,237)	(2,474)	(2,474)	(2,475)	(4,949)
Return on Ordinary Activities before Tax	9,338	(45)	9,293	9,278	9,158	18,436	21,349	45,714	67,063
Tax on ordinary activities	(763)	–	(763)	(704)	–	(704)	(1,252)	–	(1,252)
Return attributable to Shareholders	**8,575**	**(45)**	**8,530**	**8,574**	**9,158**	**17,732**	**20,097**	**45,714**	**65,811**
Return per share (basic and fully diluted)	**10.89p**	**(0.05)p**	**10.84p**	**9.28p**	**9.92p**	**19.20p**	**23.06p**	**52.46p**	**75.52p**
Weighted average number of shares in issues		**78,725,835**			**92,338,349**			**87,144,760**	

	£'000	£'000	£'000
Dividends payable	7,853	4,543	19,873
Income comprises:			
Dividends	11,095	11,418	25,705
Interest	151	56	193
	11,246	**11,474**	**25,898**

† Includes a refund of previously paid expenses.

Balance Sheet

	As at 30 April 2018 (unaudited) £'000	As at 31 October 2017 (audited) £'000	As at 30 April 2017 (unaudited) £'000
Fixed Assets			
Investments	778,120	801,302	793,139
Current Assets			
Debtors	10,327	2,113	2,788
Cash	15,071	5,240	20,118
Cash equivalents	42,061	37,696	20,425
	67,459	45,049	43,331
Creditors: liabilities falling due within one year	(18,273)	(1,152)	(343)
Net Current Assets	**49,186**	**43,897**	**42,988**
Total Assets less Current Liabilities	**827,306**	**845,199**	**836,127**
Creditors: liabilities falling due after more than one year			
Long-term borrowings at amortised cost	(83,783)	(83,737)	(83,690)
Provisions for Liabilities			
Pension liability	(1,091)	(1,091)	(3,272)
Net Assets	**742,432**	**760,371**	**749,165**
Capital and Reserves			
Called-up share capital	19,655	19,867	20,893
Share premium account	39,922	39,922	39,922
Capital redemption reserve	51,206	50,994	49,968
Capital reserve	586,231	593,484	590,335
Revenue reserve	45,418	56,104	48,047
Shareholders' Funds	**742,432**	**760,371**	**749,165**
Net Asset Value per share with borrowings at amortised cost	**944.4p**	**956.8p**	**896.4p**
Number of shares in issue at period end	**78,619,069**	**79,468,458**	**83,571,793**

Statement of Comprehensive Income

	Six months to 30 April 2018 (unaudited) £'000	Six months to 30 April 2017 (unaudited) £'000	Year to 31 October 2017 (audited) £'000
Total comprehensive income for the period	8,530	17,732	67,637
Total comprehensive income per share	10.84p	19.20p	77.61p

Statement of Changes in Equity

	Six months to 30 April 2018 (unaudited) £'000	Six months to 30 April 2017 (unaudited) £'000	Year to 31 October 2017 (audited) £'000
Opening shareholders' funds	760,371	849,017	849,017
Total comprehensive income	8,530	17,732	67,637
Dividend payments	(19,261)	(16,552)	(21,095)
Aviva share buyback	–	(90,255)	(90,255)
Regular share buybacks	(7,208)	(10,777)	(44,933)
Closing shareholders' funds	**742,432**	**749,165**	**760,371**

Cash Flow Statement

	Six months to 30 April 2018 (unaudited) £'000	Six months to 30 April 2017 (unaudited) £'000	Year to 31 October 2017 (audited) £'000
Operating activities			
Net revenue before finance costs and taxation	10,204	10,515	23,823
Expenses charged to capital	(198)	(666)	(1,442)
(Increase)/decrease in accrued income	(1,731)	(399)	226
(Decrease)/increase in other payables	(354)	(186)	47
Decrease/(increase) in other receivables	89	(20)	(3)
Adjustment for pension funding	–	–	(355)
Tax on investment income	(801)	(813)	(1,327)
Cash flows from operating activities	**7,209**	**8,431**	**20,969**
Investing activites			
Purchases of investments	(58,513)	(53,911)	(131,714)
Disposals of investments	95,010	165,302	273,474
Cash flows from investing activities	**36,497**	**111,391**	**141,760**
Cash flows before financing activities	**43,706**	**119,822**	**162,729**
Financing activities			
Dividends paid	(19,261)	(16,552)	(21,095)
Aviva share buyback	–	(90,255)	(90,255)
Regular share buybacks	(7,821)	(10,948)	(44,490)
Interest paid	(2,428)	(2,428)	(4,857)
Cash flows from financing activities	**(29,510)**	**(120,183)**	**(160,697)**
Net movement in cash and cash equivalents	**14,196**	**(361)**	**2,032**
Cash and cash equivalents at the beginning of period	**42,936**	**40,904**	**40,904**
Cash and cash equivalents at the end of period	**57,132**	**40,543**	**42,936**

Notes

The condensed set of Financial Statements for the six months to 30 April 2018 comprises the statements set out on pages 12 to 15 together with the related notes on this page. It has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in January 2017 and March 2018, and has not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The condensed set of Financial Statements for the six months to 30 April 2018, has been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Accounts for the year ended 31 October 2017.

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.

The information contained in this Interim Report does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. Where applicable, the figures have been extracted from the Annual Report and Accounts for the year ended 31 October 2017 which has been filed with the Registrar of Companies and which contains an unqualified report from the Auditor. The financial information for the six months ended 30 April 2018 and 30 April 2017 has not been audited.

The second quarterly interim dividend will be paid on 3 August 2018 to shareholders registered at 6 July 2018, with an ex dividend date of 5 July 2018.

The first quarterly interim dividend of £3,931,000 was paid on 11 May 2018.

Equity investments include the unlisted portfolio of £1.4m (31 October 2017: £1.4m).

The weighted average number of shares in issue during the half-year was 78,725,835 (2017: 92,338,349) and this figure has been used in calculating the return per share shown in the income statement. The net asset value per share at 30 April 2018 has been calculated using the number of shares in issue on that date which was 78,619,069 (31 October 2017: 83,571,793).

Analysis of Changes in Net Debt

	31 October 2017 £'000	Cash flows £'000	Non-cash movements £'000	30 April 2018 £'000
Cash	5,240	9,831	–	15,071
Short-term deposits	37,696	4,365	–	42,061
Long-term borrowings at par	(83,737)	–	(46)	(83,783)
	(40,801)	**14,196**	**(46)**	**(26,651)**

Principal risks and uncertainties

The principal risks and uncertainties facing the business are strategic, investment portfolio and performance, financial, operational and tax, legal and regulatory. These are listed on page 15 of the 2017 Annual Report and Accounts and they are unchanged from that year. An explanation of these risks and how they are managed is set out in Note 17 on pages 59 to 64 of the 2017 Annual Report and Accounts.

Responsibility statement

The Board of Directors confirms that to the best of its knowledge:

a) the condensed set of Financial Statements has been prepared on a going concern basis and in accordance with Financial Reporting Standard 104 and gives a true and fair view of the assets, liabilities, financial position and return of the Company;

b) the Interim Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the board

James Will
Chairman
15 June 2018

Investor Information

How to invest

You can buy the Company's shares directly on the stockmarket through a stockbroker or a share dealing platform. Your bank, lawyer, accountant or other professional adviser may also be able to help with this. The Company's registrar, Computershare Investor Services PLC, provides a share dealing service which can be accessed on its website, **www.investorcentre.co.uk** or by telephoning **0370 703 0195**.

Monitoring your investment

The Company's share price, together with performance information, can be found on the Company's website, **www.thescottish.co.uk**

A number of financial websites, such as the Financial Times, **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.

The Company 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 in January.

The Company's latest news and views can be found on the website **www.thescottish.co.uk** where there is also an option to subscribe for a monthly email roundup. Items of interest to our investors are regularly highlighted on **Linkedin** and on **Twitter @ScotInvTrust**.

Dividends

The second quarterly interim dividend of 5.0p will be paid on 3 August 2018 to shareholders registered at 6 July 2018, with an ex dividend date of 5 July 2018.

The first quarterly interim dividend of 5.0p was paid on 11 May 2018.

The Board's previously announced target is to declare a third quarterly interim dividend of 5.0p, payable in November 2018, and to recommend a final dividend of at least 5.0p for approval by shareholders at the Annual General Meeting in 2019.

Dividend reinvestment

Certificated Shareholders

The default arrangement for shareholders who hold share certificates is for dividends to be paid out as income, either by cheque or by direct credit to a bank account. However, certificated shareholders who would prefer to have their dividends automatically re-invested into further purchases of Scottish Investment Trust shares, can easily arrange this by joining the Dividend Reinvestment Plan (DRIP).

Details of the DRIP, together with an application form, can be found on our website; **www.thescottish.co.uk** Alternatively, to receive a DRIP application form and booklet by post, please telephone our Registrar, Computershare Investor Services PLC, on **0370 703 0195**.

Other Shareholders

If your shares are held elsewhere, you should refer to your broker or platform provider for details of their dividend reinvestment facilities.

Most brokers and platform providers offer a dividend reinvestment service which allows you to have dividend cash automatically reinvested to buy more shares.

Please note that most of these services charge for each dividend reinvested, and you should establish the cost of any such facility with your provider.

Electronic communications

Investors who hold share certificates (i.e. who are not in a broker's nominee), may choose to receive the Company's Interim and Annual Reports and other shareholder communications electronically instead of in paper form.

To register, simply visit the link in the shareholder information section on the Company's website, **www.thescottish.co.uk** and follow the instructions provided. Investors will then be advised by email when an electronic communication is available to be accessed.

Investor Disclosure Document

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

Key Information Document

With effect from 3 January 2018, in accordance with the EU Packaged Retail and Insurance-based Investment Products (PRIIP) Regulation, the Company's Key Information Document is available on the Company's website.

Glossary

Management

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

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 MSCI UK All Cap Index and of international equities through the MSCI ACWI. The portfolio is not modelled on any index.

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 Company 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. The Company can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing.

Investment in the Company is intended as a long-term investment.

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

SIT Savings Limited is authorised and regulated by the Financial Conduct Authority.

The Scottish Investment Trust PLC is a UK public limited company and complies with the requirements of the UK Listing Authority. It is not authorised or regulated by the Financial Conduct Authority.

Borrowings at amortised cost 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+). 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.

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

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

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

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

NAV total return is the measure of how the Company's NAV has performed over a period of time, taking into account both capital returns and entitlement to dividends declared by the Company.

Ongoing charges figure is the measure of the regular, recurring costs of the Company expressed as a percentage of the average daily shareholders' funds with borrowings at market value.

Portfolio turnover rate is the average of investment purchases and sales expressed as a percentage of opening total assets.

Share price total return is the measure of how the Company's share price has performed over a period of time, taking into account both capital returns and entitlement to dividends declared by the Company.

Total assets means total assets less current liabilities.

Financial Calendar 2018

Dividend and interest payments

Final for the financial year to 31 October 2017	9 February 2018
First Quarterly Interim	11 May 2018
Second Quarterly Interim	3 August 2018
Third Quarterly Interim	2 November 2018
Final	8 February 2019
Secured bonds	17 April, 17 October
Perpetual debenture stock	30 April, 31 October

Announcement of results

NAV	Daily
Interim figures	June
Final figures	December
Annual Report & Accounts	December

Useful Addresses

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Custodian
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Auditor
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Actuaries
Punter Southall & Co
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The Association of Investment Companies
The Company is a member of The Association of Investment Companies (AIC) which publishes a number of useful consumer guides and email updates for investors interested in investment trust companies.

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Website: www.theaic.co.uk

Shareholders who hold share certificates
For valuations and other details of your investment or to notify a change of address please contact the Company's Registrar:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Helpline: 0370 703 0195
Website: www.investorcentre.co.uk


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