The Scottish Investment Trust PLC

Annual Results for the year to 31 October 2021

***The Scottish Investment Trust PLC** invests internationally and is independently managed. 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. Today it announces its results for the year to 31 October 2021.*

Chairman's Statement

Future of the Company

Following a review of investment management arrangements, and a recommendation from the Board, shareholders approved on 9 December 2021 the proposal that JPMorgan Funds Limited ('JPMF') be appointed as the Company's manager and the Company adopt a new investment strategy (the 'Investment Management Change') ahead of a proposed combination of assets with JPMorgan Global Growth & Income plc ('JGGI'). It is anticipated that the Investment Management Change will take place around 21 January 2022, shortly before the upcoming Annual General Meeting, and that the combination with JGGI ('the Combination') will be undertaken at the end of the first quarter of 2022.

If completed, the Combination with JGGI will mark a significant shift for The Scottish which has largely maintained the same structure since it was established in 1887. The investment landscape has changed considerably since that time, particularly in recent years, and the proposed changes offer a number of attractions to shareholders which are set out below under 'Result of Review'.

Performance

The share price total return for the year was +24.3% and the net asset value per share (NAV) total return (with borrowings at market value) was +15.9%.

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 +29.5%.

A recovery in economic prospects from the depths of the pandemic helped to drive absolute gains in the period. The environment has generally not favoured a contrarian approach in recent years and performance has lagged the comparator index.

Income and dividend

Over the past year, earnings per share increased by 5.0% to 22.8p (2020: 21.7p).

Businesses have begun the process of resuming dividend distributions that were paused in response to the pandemic. The Company plans for any disruptions by maintaining a large revenue reserve, built during times when income generation is more abundant. Accordingly, the Company will utilise a small portion of its reserve in this financial year to cover the regular dividend. The revenue reserve remains substantial at 66.1p per share, equivalent to more than two and a half times the regular dividend.

The Board recommends a final dividend of 7.0p which, if approved, will mean that the total regular dividend for the year will increase by 5.2% to 24.4p.

The current dividend policy will remain unchanged until the Combination is implemented, although the timing of any dividend payments may vary from previous years. The Board intends to announce a dividend in respect of the first quarter to 31 January 2022 of 6.1p, equal to a quarter of the previous year's total dividend. It is expected that a final interim dividend will be paid prior to the Combination becoming effective. It is anticipated that the changes in the portfolio to align it more closely with JGGI's, following the appointment of JPMF, will result in a lower level of income. As a result, a greater proportion of the Company's revenue reserve may be utilised for these dividends.

Discount, share buybacks and ongoing charges

The Company follows a policy that aims, in normal market conditions, to maintain the share price discount to NAV (with borrowings at market value) at or below 9%. This policy was temporarily suspended in the weeks preceding the announcement of the result of the investment management review on 20 October 2021.

The discount at 31 October 2021 was 3.6% and the average discount over the year was 10.2%. During the period, 6.7m shares were purchased for cancellation at an average discount of 10.9% and a cost of £48.4m. In the previous year, 1.0m shares were purchased.

The ongoing charges figure (OCF) for the year under review was 0.56% (2020: 0.52%).

Gearing
Gearing was increased over the year and finished the period at 6%.

Result of Review
Earlier this year, your Board announced its intention to undertake a review of the Company's investment management arrangements. The Board announced on 20 October 2021 that it had agreed heads of terms with JPMorgan Global Growth & Income plc and JGGI's manager, JPMorgan Funds Limited, for a combination of the assets of the Company with JGGI by means of a section 110 scheme of reconstruction.

In reaching this decision, the Board noted a number of attractions to a combination with JGGI:
Strong historic investment performance: Over the five years ended 31 October 2021, the NAV total return of JGGI was 13.65% per annum representing outperformance of 1.39% per annum against the MSCI All Country World Index in sterling.
Style-agnostic: The JGGI investment strategy is agnostic as between value and growth, focusing purely on the best total return opportunities. This affords the investment manager the flexibility to tilt the portfolio further towards, or further away from, value stocks or growth stocks as it sees fit, in a manner which is not possible under the Company's current investment strategy.
Deeply resourced capability: JPMorgan Chase & Co (Asset and Wealth Management) is one of the leading global asset managers with assets under management of USD3.0 trillion as at 30 September 2021, and the JGGI investment management team is supported by over 80 in-house research analysts located globally. The Board believes this highlights the increasing difficulties faced by a self-managed company with limited resources, such as the Company, to have the required depth of research to pursue a global equity mandate, and therefore the benefits of the Combination with JGGI.
Attractive dividend: JGGI has a distribution policy which targets aggregate dividends in each financial year representing at least 4% of JGGI's NAV at the end of the preceding financial year. The expected dividends of 16.96 pence per JGGI share in respect of the 12 months from 1 July 2021 represent a yield of 3.8% based on the closing JGGI share price of 441 pence on 30 November 2021.
Expected substantial uplift for shareholdings in the Company: The Company's shareholders are expected to benefit from a re-rating of their investment in the Company. The Company's shares traded at an average discount to NAV (cum income, debt at fair value) of 10.4% in the three months preceding the announcement of the Company's strategic review on 2 June 2021. In contrast, JGGI traded at an average premium to NAV (cum income, debt at fair value) of 2.5% over the same time period. As at close of business on 30 November 2021, JGGI's shares traded at a 1.9% premium to NAV (cum income, debt at fair value). Since announcement of the Company's proposal to appoint JPMF as the Company's AIFM and undertake the Combination, the Company's discount has narrowed from 12.6% (as at 19 October 2021) to 3.8% (as at 30 November 2021).
Scale: The combined company will have net assets in excess of £1.2 billion (based on valuations as at 30 November 2021), creating a leading investment vehicle for global equity investing that delivers an attractive dividend yield. The scale of the combined company should improve secondary market liquidity for the Company's shareholders and will achieve cost efficiencies.
Low ongoing charges: JGGI will benefit from a new scaled annual management charge ('AMC') agreed between JGGI and JPMF. By way of illustration, based on valuations as at 30 November 2021, this new AMC would result in an initial weighted average AMC of 0.49% of net assets and forecast ongoing charges of 0.56% in the 12 months following implementation of the Combination. For the avoidance of doubt, during the period of JPMF's appointment as the Company's AIFM up until implementation of the Combination, JPMF will be entitled to receive a management fee payable by the Company quarterly at a rate equivalent to 0.55% per annum on net assets.
Leading investment trust platform: JPMorgan Asset Management (UK) Limited ('JPMAM') is one of the leading managers of closed-ended vehicles in the UK, managing 20 investment companies with an aggregate market cap in excess of £13.4 billion (as at 30 November 2021). JGGI benefits from JPMAM's extensive investment company management and marketing resources.
Contribution from J.P. Morgan Asset Management: JPMAM has agreed to make a costs contribution in respect of the Combination equivalent to the management fees payable by the enlarged vehicle in respect of the eight month period immediately following completion of the Combination.

Timescale
It is anticipated that it may be a number of months before the Combination can formally proceed, due to the additional complexities inherent in a self-managed investment vehicle such as the Company. The Board, JGGI and JPMF agreed that the process should be effected in two stages, with the Company initially appointing JPMF (which will delegate to JPMorgan Asset Management (UK) Limited ('JPMAM')) to manage its portfolio and adopting a new investment strategy substantially identical to that of JGGI.

The Investment Management Change, the first stage in this process, was approved by shareholders at the General Meeting on 9 December. This will take effect on or around 21 January 2022 from which point the Company will be managed by JPMF and JPMAM in a comparable fashion to JGGI. It is expected that realignment of the portfolio will occur around the date of JPMF's appointment. It is also expected that company secretarial and administration functions will also move across to JPMAM as part of the Investment Management Change.

The Combination, the second stage, will proceed as and when the Company has taken all steps necessary to allow it to be placed into liquidation in an orderly fashion. At that time, the scheme of reconstruction will take place and the Company's shareholders will have their shareholdings in the Company replaced with shares in the newly enlarged JGGI.

While the two stages of the process are inextricably linked, so that support for the appointment of JPMF as the Company's manager is also likely to imply support for the Combination, the latter will be the subject of separate shareholder votes at general meetings of the Company to be held in the first quarter of 2022. It is currently anticipated that the Combination will be undertaken at the end of the first quarter of 2022.

Debtholders
The Company currently has both secured bonds and perpetual debenture stock. Implementation of the Combination is conditional on the approval of the secured bond holders and the Board continues to liaise with the trustee of the bonds in seeking to obtain the approval of the underlying holders as soon as possible. The Board intends to repay the perpetual debenture stock following implementation of the Combination (if approved).

Dividends following the Combination
Under JGGI's current distribution policy, at the start of each financial year the company announces the distribution it intends to pay to shareholders in the forthcoming year in quarterly instalments. In aggregate, JGGI's current intention is to pay dividends totalling at least 4% of the NAV of JGGI as at the end of the preceding financial year. Where the target dividend is likely to result in a dividend yield that is materially out of line with the wider market, the JGGI board may choose to set the target dividend at a different level that is more in-line with the wider market and other global income trusts and funds.

For the avoidance of doubt, the Company's current dividend policy will not change up until the effective date of the Combination. Following implementation of the Combination, the above JGGI dividend policy (which includes the ability to pay dividends out of capital) will apply to all new JGGI shares held by the Company's shareholders. Whilst the JGGI policy differs from the approach adopted by the Company historically (which has focused on payment of dividends from earnings, as supplemented by revenue reserves), your Board believes the ability to pay dividends out of capital can offer tangible benefits to shareholders, including allowing the investment manager to retain full flexibility and control over stock picking without sacrificing high conviction opportunities in the pursuit of yield, and offering the ability to smooth dividend payments through low yield environments.

Annual General Meeting ('AGM')
The Board continues to monitor the impact of the Covid-19 pandemic upon the arrangements for the Company's AGM. The Board was disappointed that the AGM in 2020 was restricted to following the minimum legal requirements for an AGM but believes it was in the best interests of shareholders.

At present, the intention is to hold the Company's AGM on Tuesday, 1 February 2022 at 10.30am at The Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh, EH2 1JQ. Should there be a change of circumstances, shareholders will be notified in the usual way through an announcement.

A representative of JP Morgan Asset Management will give a presentation at the forthcoming AGM on the Company's new investment strategy.

The Company's in-house team
Pending the Investment Management Change around 21 January 2022, the Company's investment management team will continue to manage the portfolio in line with the Company's current investment strategy.

The Board and I are grateful for the considerable efforts of the whole 'Scottish' in-house team over both recent years and during the period of the investment management review and would like to place on record our deep gratitude to them. All team members are dedicated, enthusiastic and professional and have worked hard in every aspect of their respective roles to deliver for shareholders. The last few years have, however, been a challenging period during which to manage money with a contrarian approach.

Outlook
The economy, and investment markets, appear to be at a delicate point as the world emerges from the pandemic and attempts are made to unwind the massive stimulus programmes that helped avert greater fallout. The economy remains in a state of flux, with the after-effects of the pandemic disruption to industry colliding with a resurgence in demand. Pinch points within supply chains are evident across many sectors, potentially slowing the economic recovery.

Inflation is an obvious consequence, and the world appears to be adjusting to the notion that this could be more persistent than some had initially believed.

Notwithstanding the various challenges that the current environment holds, we are optimistic for the future and we believe that shareholders will be well served by the new arrangements.

James Will
Chairman
17 December 2021

Manager's Review

This year represented a microcosm of the longer term fortunes of our investment strategy. Relative to wider markets our results were not as strong as we would have hoped, although the portfolio did record an absolute gain. Our holdings enjoyed a brief but notable period of strong returns as confidence built in the prospects for 'reopening' which raised our hopes of a sustained turn in market leadership. We have applied our contrarian philosophy consistently over the last five years in the belief that, when cycles ultimately change, it would prove rewarding. However, we were, once again, left jilted at the metaphorical altar as the prospects for economic growth slowed in the summer.

The scale of economic stimulus remained extraordinary but investors became concerned that this stimulus was likely to be scaled back due to a pronounced pick up in the rate of inflation. A wall of money has been created which had been largely confined to speculative activities but has now clearly filtered into the 'real' world. How this issue is addressed will have an important bearing on markets in future years.

The portfolio
Portfolio activity was concentrated in the early part of the period, as increased confidence in the outlook allowed an acceleration towards ideas best placed for the recovery phase, taking advantage of discounted valuations in the process. Several new positions were established, replacing some of the more defensive investments taken at the outset of the pandemic to shield capital.

Exposure to the financials sector was increased, including a new investment in US bank **Wells Fargo** (+£9.8m total return). Wells Fargo is focused on major operational improvement and its potential for success had not been credited, in our view. As the economic outlook improved, many banks were able to reclaim some of the significant reserves that were set aside earlier in the pandemic to absorb anticipated credit losses. This tailwind lifted most of our banks, including **Banco Santander** (+£5.0m), **Lloyds Banking** (+£3.1m), **JPMorgan Chase** (+£2.8m), **First Horizon National** (+£2.4m), **Intesa Sanpaolo** (+£2.3m), **Mitsubishi UFJ Financial** (+£2.0m). Only Brazilian bank **Itaú Unibanco** (-£1.0m) recorded a loss as local markets fared less well.

Investments in insurers **Aegon** (+£4.5m), **AIG** (+£3.4m) and **Aviva** (+£1.4m) were bolstered by progress with efforts to streamline each of those businesses alongside hardening prices for general insurance.

The reopening of the economy supported greater demand for energy, and good gains were recorded across our investments in this sector. Energy majors **Exxon Mobil** (+£8.0m), **Royal Dutch Shell** (+£7.3m), **BP** (+£7.3m), **TotalEnergies** (+£6.6m) and **Chevron** (+£2.2m) were all buoyed by higher energy prices. This improved backdrop also supported energy services companies such as **Halliburton** (+£6.2m) and **Helmerich & Payne** (+£2.0m).

Among communication services stocks, **BT** (+£5.4m) was boosted by the regulatory clarity that emerged from Ofcom's review of the fibre market. There was also a solid gain for South African multinational **MTN** (+£5.2m), which is moving past legacy challenges. Further gains came from Australian operator **Telstra** (+£2.4m) and Germany's **Deutsche Telekom** (+£1.0m) while, in the US, **Verizon Communications** (-£1.2m) recorded a loss. The positive return for French media agency **Publicis** (+£1.4m) was supported by an inflection in cyclical and secular growth trends.

There were solid gains within the retail sector where we see a number of successful business transformations underway, including US fashion house and retailer **Capri** (+£3.8m), UK based DIY group **Kingfisher** (+£3.2m), US retailer **Target** (+£1.5m), and French supermarket chain **Carrefour** (+£1.2m). We made a well timed divestment of **Tesco** (+£2.6m), as the group had largely fulfilled its turnaround ambitions.

Consumer stocks linked to social activities were lifted by easing pandemic restrictions. US theme park operator **Six Flags Entertainment** (+£1.3m) saw a strong recovery in demand as its properties reopened. Easing lockdowns also helped Brazilian brewer **Ambev** (+£1.3m) which saw robust growth in beer volumes. Meanwhile, Japanese beverages conglomerate **Kirin** (-£1.2m) dipped amid a slower reopening of the domestic economy.

We reduced our exposure to tobacco during the year, though retained investments in **Altria** (+£1.9m) and **Philip Morris International** (+£0.9m) where discounted valuations suggested that durable cash flows and a transition to lower risk products were not yet recognised.

Within the healthcare sector, **Pfizer** (+£2.0m) has been instrumental in the Covid 19 response and has received a substantial boost to cash flow from its vaccine. Efforts to reinvigorate growth and improve operations helped US biopharmaceutical major **Gilead Sciences** (+£1.4m) and French health group **Sanofi** (+£1.1m).

Our holdings in gold miners were a notable disappointment. Soaring inflation would, ordinarily, be a favourable backdrop for gold. Despite that, gold prices were swayed by other market forces over the short run of this financial year. **Barrick Gold** (-£14.5m), **Newmont** (-£7.5m), **Newcrest Mining** (-£4.3m), **AngloGold Ashanti** (-£3.6m) and **Gold Fields** (-£1.4m) all recorded declines.

UK engineering services group **Babcock International** (+£1.7m), which plays a critical role in the UK's defence capabilities, is restoring its balance sheet and profitability under new leadership. US industrial equipment group **General Electric** (+£0.9m) rose as its operational turnaround gained momentum. Meanwhile, **East Japan Railway** (-£1.2m) declined as passenger volumes in Japan remained curtailed by the pandemic.

Valedictory
This is the final Manager's Review for the company in self managed form. One of the benefits of having occupied the same building since 1889 is access to my predecessors' musings which catalogue, with an investor's eye, the history of the modern world. There are many lessons to draw but perhaps the most striking is that change is constant. With that in mind, the proposed combination with JPMorgan Global Growth & Income heralds a new era for shareholders of The Scottish Investment Trust.

It has been an honour and privilege to serve the Company in various roles over the past 18 years. I have always enjoyed my interactions with shareholders over the years, whether in person, over a cup of coffee at the AGM, or in writing and I would be delighted to hear from any of you who wish to remain in touch. Additionally, it has been tremendous working with such a dedicated and enthusiastic in house team. I am grateful to them, and the Board, for their support as a niche investment offering was created. This attempted to preserve the very best elements of the self managed model but, at the same time, making the essential changes to ensure the Company was relevant for the modern era. However, the time has come for the Company to start a new chapter.

The team and I wish the Company every success for the future.

Alasdair McKinnon
Manager
17 December 2021

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.

NAV Absolute Performance Attribution Year to 31 October 2021	**Contribution %**
Equity portfolio (ungeared)	+14.4
Gearing	+1.7
Total equities	**+16.1**
Other income and currency	-0.2
Buybacks	+0.8
Expenses	-0.8
Interest charges	-0.6
Change in market value of borrowings	+0.7
Change in pension surplus	-0.1
NAV with borrowings at market value total return	**+15.9**

Top Ten Gains and Losses
Year to 31 October 2021

	Gains £m		**Losses £m**
Wells Fargo	9.8	Barrick Gold	-14.5
Exxon Mobil	8.0	Newmont	-7.5
Royal Dutch Shell	7.3	Newcrest Mining	-4.3
BP	7.3	AngloGold Ashanti	-3.6
TotalEnergies	6.6	Cheesecake Factory	-2.9
Halliburton	6.2	Gold Fields	-1.4
BT	5.4	East Japan Railway	-1.2
MTN	5.2	Verizon Communications*	-1.2
Banco Santander	5.0	Kirin	-1.2
Aegon	4.5	Itaú Unibanco	-1.0

* Sold during the year.

Strategic Report

Business Model and Status
This section should be read in conjunction with the Chairman's Statement which sets out important information about the future of the Company.

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 & Customs has approved the Company as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. The Company continues to satisfy the conditions for such approval. The Company is registered in Scotland and its registered office is 6 Albyn Place, Edinburgh EH2 4NL.

The Company has a premium listing on the London Stock Exchange, within the Financial Services sector, and is identified by the TIDM or ticker symbol 'SCIN'. The Company's ISIN is GB00007826091 and SEDOL is 0782609.

Investment objective and policy
The Company's 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 50 to 100 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 the MSCI All Country World Index, the composition of the index 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 index.

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 Board currently limits gearing to 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.

A full list of holdings and detailed analysis of the spread of investments by geographic region and industry sector is shown in the Annual Report and Financial Statements. A further analysis of changes in asset distribution by industry sector over the year, including the sources of gains/losses, is also shown therein. Attribution of NAV performance is shown above.

At the year end, the number of listed holdings was 51 (2020: 59). The top ten holdings comprised 34.5% of total assets (2020: 39.5%).

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 and the Manager's Review.

Additional limitations on borrowings
Under the Company's Articles of Association, the Directors control the borrowings of the Company and its subsidiary 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 subsidiary, 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 Company are considered under the following categories:
- Strategic – the level of investor appetite for the Company declines resulting in divestment or the Company's objective is challenged by significant external events such as regulatory change, global financial instability and the uncertainties around the consequences of Brexit, Scottish independence and the global pandemic;
- Investment portfolio and performance – the Company becomes unattractive due to the level of relative performance, whether against peers or global market trends;
- Financial – failure to set and monitor appropriate policies and controls in relation to market risk, credit risk and liquidity risk;
- Operational – the potential failure of the Company's third party service providers' systems, including vulnerability to cyber attack or loss of key personnel; and
- Tax, legal and regulatory – compliance with existing requirements and the ability to identify and respond to the continued volume of change in this area.

These and other risks facing the Company are reviewed regularly by the Audit Committee and the Board.

Further information on risks and their mitigation is detailed in the Corporate Governance Report, in note 16 to the accounts and on internal controls in the Report of the Audit Committee in the Annual Report and Financial Statements.

Performance
Management provides the Board with detailed information on the Company's performance at every Board meeting. Performance is assessed in comparison with the Company's peers and the comparator index. During the financial year, the Board received regular updates from the management team, in response to and in order to more closely monitor market volatility and macro-economic uncertainty caused by the global pandemic.

Key Performance Indicators
The Directors use the following Key Performance Indicators (KPIs) and a number of Alternative Performance Measures (APMs) in order to assess the Company's success in achieving its objectives. These KPIs and APMs are viewed by the Board to be the most appropriate long term measures to enable investors to gain an understanding of the Company's business.
- 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 figure.

Due to the contrarian nature of the Company's investment strategy, no formal targets are set for the KPIs and APMs referred to above.

Definitions of the APMs can be found in the Glossary in the Annual Report and Financial Statements.

Future Developments
The main trends and factors likely to affect the future development, performance and position of the Company's business are set out in the Chairman's Statement and the Manager's Review.

Dividends
The Board may declare dividends, including interim dividends, but no dividend is payable in excess of the amount recommended by the Directors. The Company updated its Articles of Association in 2019 to allow distribution of its capital profits.

The Directors recommend a final dividend of 7.0p payable on 11 February 2022. With the interim dividends each of 5.8p already paid in May, August and November 2021, this makes a total of 24.4 p for the year. Based on 66,173,178 shares in issue at 31 October 2021, the final dividend will cost £4.632m. The total dividend for the year will cost £16.195m.

Share capital

General

The Company had 66,173,178 shares of 25p each in issue on 31 October 2021 (2020: 72,896,247). Since the year end, the Company has not bought back any shares. 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.

Transfer

There are no restrictions concerning the holding or transfer of shares in the Company and there are no special rights attaching to any of the shares. The Company is not aware of any agreements between shareholders which might result in any restriction on the transfer of shares or their voting rights.

Deadlines for exercising voting rights

If a shareholder wishes to appoint a proxy to attend, speak and vote at a meeting on their 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.

Discount control policy

The Company's policy aims, in normal market conditions, to maintain the discount to cum-income NAV at or below 9%. In calculating the NAV for the purposes of this 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 2021, the Company bought back for cancellation a total of 6,723,069 shares of 25p each representing 9.2% of shares in issue at 31 October 2020, at a cost of £48,411,000.

At the AGM on 2 February 2021, authority was granted to repurchase up to 14.99% of shares in issue on that date. The number of shares authorised for repurchase was 10,578,569. Share buybacks from the date of the AGM to the Company's year-end amounted to 4,397,664 shares or 6.23% out of the 14.99% authority.

Holdings in listed closed-ended investment funds

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 were valued at £2.4m (0.4% of shareholders' funds). These comprise the Company's office property and subsidiary company.

Viability statement

As shareholders will be aware, the Board recently concluded a review of the Company's investment management arrangements. The outcome of this review was a recommendation by the Board that the Company's assets be combined with those of JPMorgan Global Growth & Income PLC ('JGGI') by means of a section 110 scheme of reconstruction (the 'Scheme'). Upon completion of the combination of the assets and the allotment of JGGI shares to shareholders, the implementation of the Scheme will, subject to shareholder approval at general meetings, result in the voluntary liquidation of the Company. The outcome of the general meetings to place the Company into liquidation represents a material uncertainty in the context of the preparation of these financial statements. Notwithstanding this, the Directors have assessed the prospects of the Company for a period of five years. The Board believes this time period continues to be most appropriate as it aligns with the Company's strategy to deliver above-average returns over the longer term, being at least five years.

In making this assessment, the Directors have considered detailed information provided at Board meetings which includes: the Company's balance sheet, gearing level, share price discount (or premium), asset allocation, income and operating expenses.

Consideration was also given to the principal risks and uncertainties faced by the Company (outlined in more detail in the Annual Report and Financial Statements), its portfolio of liquid listed international equity investments and cash balances, as well as its ability to achieve the stated dividend policy and to cover the interest payments on the Company's debt.

The Board has also considered the implications of the global pandemic and the resultant global macro-economic uncertainty, in relation to the Company's investment position, its future income streams, its gearing covenants and its ability to continue trading operationally.

The Company was in a resilient financial position as at 31 October 2021, with a strong asset-backed balance sheet and a flexible team capable of adapting to different working patterns. If necessary, the Company would be able to withstand continuing market volatility, reduced asset values and income streams and a depressed macro-economic outlook for a considerable period of time.

Based on the above, and notwithstanding a more uncertain macro-economic outlook this year, the Board confirms it has a reasonable expectation that the Company would be able to continue in operation and meet its liabilities as they fall due over the five year period of this viability assessment.

Stakeholder relations (s.172 Statement)
In performing its duties, the Board applies the following key principles of section 172 of the Companies Act 2006, being those relevant to the Company as a listed investment company, to all its decision making:
(a) the likely consequences of any decision in the long term;
(b) the interests of the Company's employees;
(c) the need to foster the Company's business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and the environment;
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between members of the Company.

As the Board considers that the Company in fact has relatively few external stakeholders, the key groups being its shareholders, its employees and its key service providers, all of which are fundamental to the success of the Company, the Directors have focused attention on ensuring the following robust mechanisms protect their interests:

Stakeholder	Engagement in year
Shareholders	The Board recognises the importance of communications with shareholders. The primary modes of communication are the interim and annual reports which are designed to provide shareholders with a full understanding of the Company's activities and performance. As a result of the review of investment management arrangements and the resultant decision to recommend the Combination with JGGI, the Board has had greater engagement with shareholders during the year by way of the publication of regulatory announcements, thereby ensuring that shareholders remained apprised of developments. Subsequent to the year end a circular was sent to shareholders setting out the proposed transaction and the rationale for the Board's decision. The circular also included notice of a general meeting of the Company whereat shareholders were invited to vote on the proposed change of AIFM. Shareholders voted in favour of the change of AIFM at the general meeting which took place on 9 December 2021. The Company also engages with shareholders and potential shareholders via its website, social media and a regular newsletter. Under normal circumstances, the Board welcomes the opportunity to meet with shareholders at the Annual General Meeting and to respond to any questions that may be raised. Due to the unprecedented circumstances arising from the global pandemic, the Company held a closed AGM in 2021. Shareholders are welcome to submit questions ahead of the AGM or at any time throughout the year via email to info@thescottish.co.uk or by writing to the Chairman at the Company's registered office.

Employees	The Company is fortunate to benefit from a group of long-serving, experienced staff. The team works closely with the Board in defining and implementing strategy to meet the Company's objective. In light of the small number of employees, there is regular formal and informal interaction between the Board and staff. An Employee Handbook is provided to all staff. The Company has also established a Whistleblowing Policy which enables concerns to be raised and investigated in a confidential manner. As a result of the potentially far-reaching implications of the investment management review for employees, the Board kept staff informed of developments insofar as was reasonably practicable. Since the outbreak of the global pandemic, provision has been made to ensure that employees are able to work safely and effectively from home.
Key Service Providers	As a company with a listing on the Premium Segment of the London Stock Exchange, the Board is mindful of the importance of ensuring compliance with appropriate corporate legislation and the rules and regulations of the Financial Conduct Authority insofar as they relate to the Company and its wholly owned subsidiary, S.I.T. Savings Limited. There is a robust oversight framework in place to evaluate the performance of key service providers, including Maitland (who provide company secretarial and administration services) as well as our custodian and depositary. The Board and management maintain regular communication with senior personnel at key service providers to provide feedback, ensure open communications and to develop and maintain long-term collaborative partnerships. The Company continued to monitor its key service providers during the year to ensure that service levels are maintained and that business continuity processes continue to operate effectively.
Community & Environment	In pursuing the Company's objectives, various factors that may impact on the performance are considered and these may include environmental, social and governance issues. The consideration of ESG factors is an important part of the investment process as the Company believes that poor practices can have an impact on the value of investments and potential investments. In a broader context, the Company's operations create employment, aid economic growth, as well as generating tax revenues and wealth, thereby benefitting the community, economy and environment more generally.

Principal Decisions
We set out below some examples of how the Board has had regard to the matters set out in section 172(1) (a)-(f) when discharging its section 172 duty and the effect of that on decisions taken by us. We define principal decisions as both those that are material to the Company, but also those that are significant to any of our key stakeholders. In making the following principal decisions, the Board considered the relevant impact on stakeholders as well as the need to maintain a reputation for high standards of business conduct.

Principal decision 1 – Review of investment management arrangements
During the year, the Board undertook a review of the investment management arrangements. As announced in June 2021, the Board appointed Stanhope Consulting to assist it in this review. Proposals were invited from established fund management groups, with the experience of managing listed closed-ended funds, designed to deliver, over the longer term, above index returns through a diversified global portfolio of attractively valued companies with good earnings prospects and sustainable dividend growth. A large number of proposals were received and these were reviewed alongside the Company's current management arrangements.

Following a detailed review of all proposals, the Board concluded that a combination of the assets of the Company with JGGI by means of a section 110 scheme of reconstruction would be in the best interests of the Company and its shareholders as a whole. In reaching this decision, the Board took into consideration the implications for the Company's other key stakeholders, including its employees and third party service providers.

The Chairman's Statement explains the benefits to shareholders of this decision.

Principal decision 2 – Dividend Declarations
Each year, in conjunction with advice from the Manager, the Board makes an assessment of the strength of the Company's income, forecast revenue, revenue reserve and future prospects relative to uncertainties in the external environment and makes decisions about the payment of dividends. Despite the uncertainties arising from the global pandemic and having reviewed a range of metrics, the Board approved and declared dividends totalling £16.195m to shareholders during the year to 31 October 2021.

Investment risk
The investment portfolio is diversified over a range of industries and regions in order to spread risk. 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. The Company 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 Corporate Governance Report in the Annual Report and Financial Statements.

Performance comparators
The Company does not have a formal benchmark.

Performance is reviewed in the context of returns achieved by a broad basket of international equities through the MSCI All Country World Index (ACWI). The portfolio is not modelled on any index.

Management
The Board has appointed the Company's wholly-owned subsidiary, S.I.T. Savings Limited, as its Alternative Investment Fund Manager (AIFM). On 9 December 2021, shareholders approved the appointment of JPMorgan Funds Limited as the Company's AIFM, such appointment to take effect on or around 21 January 2022.

Day-to-day management of the Company is delegated to the Company's executive management which reports directly to the Board.

The Board has appointed Maitland Administration Services Limited to provide company secretarial, administration and accounting services to the Company. Northern Trust acts as custodian and depositary.

Substantial shareholdings
At 31 October 2021, the Company had been informed of the following notifiable interest in its voting rights:

	Shares	% held
1607 Capital Partners, LLC	3,785,706	5.7

Analysis of share register at 31 October 2021

Category of holder	Share capital %
Individuals	86.0
Investment companies	4.0
Pension funds	4.0
Other	6.0
Total	**100.0**

Company's directors and employees
The table below shows the breakdown of Directors and employees.

	31 October 2021		31 October 2020	
	Male	Female	Male	Female
Directors	3	2	3	2
Senior Manager	1	0	1	0
Employees	5	4	5	5

Purpose, Culture and Stakeholders
Reflecting the time the Board has spent considering these areas during the year, our stakeholder responsibilities and approach to purpose, culture and values are reviewed in more detail in the Annual Report and Financial Statements.

Environmental, Social and Governance Policy
When investments are made, the primary objective is to achieve the best investment return while allowing for an acceptable degree of risk.

Environmental, social and governance (ESG) considerations are inextricably linked with the risks and returns of an investment and, accordingly, are integral to our investment process.

ESG and due diligence on new investments
We do not apply prescriptive criteria but instead consider the circumstances of each situation, as part of our process of conducting research on potential investee companies.

For each investment, analysis of material ESG risks relating to the company, or sector, forms part of the overall assessment of risk. Where material risks are recognised, we identify and record any specific mitigations in place. In the absence of sufficient mitigating factors, the potential investment would be rejected.

If our analysis identifies ESG shortcomings which are insufficient to deter investment, we will engage with the company to highlight these as an area meriting action.

ESG and existing investments
When we have an ESG concern pertaining to an existing investment, we will first consider the impact on the long term sustainability of our investment case. Depending on our conclusion, we will either engage with the company to encourage an appropriate resolution of the issue or sell the investment. We may use our voting powers to further voice our opinion should the need arise.

Voting powers
We review resolutions put to general meetings of investee companies and, wherever practicable, will vote, usually by proxy. In voting on its shareholdings, the Company normally supports management, but will vote against resolutions which are considered damaging to shareholders' rights or interests.

Modern Slavery
As an investment trust, the Company does not provide goods or services in the normal course of business, nor does it have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and that there are no disclosures to be made in respect of human rights or community issues.

Anti-bribery and corruption
The Company has a zero tolerance policy towards bribery and corruption and a commitment to carry out business fairly, honestly and openly. The Company has an Anti-Bribery and Corruption Policy with which all staff are required to comply.

Criminal Finances Act 2017
The Company has a zero tolerance policy to tax evasion and the facilitation of tax evasion.

The Strategic Report was approved by the Board and signed on its behalf by:

James Will
Chairman
17 December 2021

Financial Summary

	2021	2020	Change %	Total Return %
NAV with borrowings at market value	851.1p	755.5p	12.6	15.9§
NAV with borrowings at amortised cost	886.3p	793.6p	11.7	14.7§
Ex-income NAV with borrowings at market value§	845.1p	750.9p	12.5	
Ex-income NAV with borrowings at amortised cost	880.3p	789.0p	11.6	
Share price	820.0p	681.0p	20.4	24.3
Discount to NAV with borrowings at market value§	3.6%	9.9%		
MSCI ACWI			27.6	29.5

	£'000	£'000	
Equity investments	620,106	581,235	
Pension surplus	414	1,161	
Net current assets	50,231	80,542	
Total assets	670,751	662,938	
Long-term borrowings at amortised cost	(84,105)	(84,013)	
Pension scheme deferred tax on surplus	(145)	(406)	
Shareholders' funds	586,501	578,519	
Earnings per share	22.78p	21.70p	5.0
Regular dividend per share (2021: proposed final 7.00p)	24.40p	23.20p	5.2
UK Consumer Prices Index – annual inflation			4.2

§ Alternative Performance Measures (please refer to Glossary in Annual Report and Financial Statements)

Year's High & Low	Year to 31 October 2021		Year to 31 October 2020	
	High	Low	High	Low
NAV with borrowings at market value	914.1p	755.5p	924.0p	705.2p
Closing share price	827.0p	681.0p	841.0p	557.0p
Discount to NAV with borrowings at market value	14.9%	3.6%	25.8%	5.9%

List of Investments
As at 31 October 2021

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Newcrest Mining	Australia	29,760	
Newmont	US	28,436	
Barrick Gold	Canada	25,598	
Wells Fargo	US	24,634	
Exxon Mobil	US	22,381	
BT	UK	20,774	
Royal Dutch Shell	UK	20,672	
Halliburton	US	20,565	
Banco Santander	Spain	19,844	
TotalEnergies	France	18,704	37.3
BP	UK	18,298	
East Japan Railway	Japan	17,139	
AIG	US	16,353	
Gilead Sciences	US	15,991	
Kingfisher	UK	14,184	
Mitsubishi UFJ Financial	Japan	14,143	
AngloGold Ashanti	South Africa	13,920	
Sanofi	France	13,899	
United Utilities	UK	13,888	
Kirin	Japan	13,482	61.7
Gold Fields	South Africa	12,484	
Six Flags Entertainment	US	12,420	

MTN	South Africa	11,650	
Cheesecake Factory	US	11,326	
Helmerich & Payne	US	11,115	
Ambev	Brazil	10,975	
Intesa Sanpaolo	Italy	10,886	
Pfizer	US	10,275	
Carrefour	France	10,230	
Aegon	Netherlands	9,773	79.6
Lloyds Banking	UK	9,299	
Babcock International	UK	9,167	
General Electric	US	9,113	
Itaú Unibanco	Brazil	8,987	
Publicis	France	7,484	
Altria	US	7,466	
First Horizon	US	7,230	
Aviva	UK	7,065	
KPN	Netherlands	6,237	
Whitbread	UK	6,211	92.3
Bristol-Myers Squibb	US	5,965	
Hennes & Mauritz	Sweden	5,423	
Bayer	Germany	5,218	
Adecco	Switzerland	4,945	
AT&T	US	4,845	
Tele2	Sweden	4,384	
Philip Morris International	US	3,585	
Royal Mail	UK	3,036	
PageGroup	UK	2,881	
CCR	Brazil	2,827	99.2
Capri	US	2,564	
Total listed equities		**617,731**	**99.6**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Heritable property and subsidiary	UK	2,375	
Total unlisted		**2,375**	**0.4**
Total equities		**620,106**	**100.0**

The 10 largest holdings have an aggregate market value of £231,368,000.

Distribution of Total Assets

by Sector	**31 October 2021 %**	31 October 2020 %
Energy	16.7	4.9
Materials	16.4	22.9
Industrials	7.3	0.9
Consumer Discretionary	7.8	1.9
Consumer Staples	6.8	15.7
Health Care	7.6	14.5
Financials	19.5	5.0
Information Technology	-	-
Communication Services	8.2	13.0
Utilities	2.1	8.9
Real Estate	-	-
Pension surplus	0.1	0.2
Net current assets	7.5	12.1
Total assets	**100.0**	**100.0**

by Region	**31 October 2021 %**	31 October 2020 %
UK	19.1	15.6
Europe (ex UK)	17.4	13.5
North America	35.7	36.6
Latin America	3.4	0.4
Japan	6.7	7.9
Asia Pacific (ex Japan)	4.4	10.8
Middle East & Africa	5.7	2.9
Pension surplus	0.1	0.2
Net current assets	7.5	12.1
Total assets	**100.0**	**100.0**

Allocation of Shareholders' Funds

	%
Total equities	**105.7**
Pension surplus	0.1
Net current assets	8.5
Borrowings at amortised cost	-14.3
Provisions for liabilities	0.0
Shareholders' funds	**100.0**

Changes in Asset Distribution

by Sector	31 October 2020 £m	Net purchases (sales) £m	Gains/ (losses) £m	31 October 2021 £m
Energy	32.7	42.8	36.2	111.7
Materials	151.7	(7.7)	(33.8)	110.2
Industrials	6.0	43.3	(0.2)	49.1
Consumer Discretionary	12.8	33.9	5.4	52.1
Consumer Staples	103.7	(62.1)	4.1	45.7
Health Care	95.8	(46.0)	1.6	51.4
Financials	32.9	62.2	35.5	130.6
Information Technology	-	-	-	-
Communication Services	86.3	(44.5)	13.6	55.4
Utilities	59.3	(45.7)	0.3	13.9
Real Estate	-	-	-	-
Total equities	**581.2**	**(23.8)**	**62.7**	**620.1**

Changes in Shareholders' Funds

	31 October 2020 £m	Net purchases (sales) £m	31 October 2021 £m	Gains/ (losses) £m	Dividend income £m	Total return £m
Total equities	**581.2**	**(23.8)**	**620.1**	**62.7**	**19.6**	**82.3**
Pension surplus	1.2	-	0.4			
Net current assets	80.5	(29.1)	50.2			
Total assets	**662.9**	**(52.9)**	**670.7**			
Borrowings at amortised cost	(84.0)	(0.1)	(84.1)			
Provision for liabilities	(0.4)	–	(0.1)			
Shareholders' funds	**578.5**	**(53.0)**	**586.5**			

Income Statement
For the year to 31 October 2021

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Net gains/(losses) on investments held at fair value through profit and loss	–	62,732	62,732	–	(78,698)	(78,698)
Net (losses)/gains on currencies	–	(1,037)	(1,037)	–	818	818
Income	21,761	–	21,761	21,737	–	21,737
Expenses	(2,350)	(1,101)	(3,451)	(2,346)	(1,069)	(3,415)
Net Return before Finance Costs and Taxation	19,411	60,594	80,005	19,391	(78,949)	(59,558)
Interest payable	(1,732)	(3,217)	(4,949)	(1,732)	(3,217)	(4,949)
Return on Ordinary Activities before Tax	17,679	57,377	75,056	17,659	(82,166)	(64,507)
Tax on ordinary activities	(2,169)	(81)	(2,250)	(1,673)	–	(1,673)
Return attributable to Shareholders	**15,510**	**57,296**	**72,806**	**15,986**	**(82,166)**	**(66,180)**
Return per share (basic and fully diluted)	**22.78p**	**84.15p**	**106.93p**	**21.70p**	**(111.52)p**	**(89.82)p**
Weighted average number of shares in issue during the year		**68,089,959**			**73,677,432**	

	2021 £'000	2020 £'000
Dividends paid and proposed		
First interim 2021: 5.80p (2020: 5.70p)	3,875	4,207
Second interim 2021: 5.80p (2020: 5.70p)	3,850	4,204
Third interim 2021: 5.80p (2020: 5.70p)	3,838	4,168
Final 2021: 7.00p (2020: 6.10p)	4,632	4,345
Total 2021: 24.40p (2020: 23.20p)	16,195	16,924

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 2021

	£'000	2021 £'000	£'000	2020 £'000
Fixed Assets				
Investments		620,106		581,235
Non-current Assets				
Pension surplus		414		1,161
		620,520		**582,396**
Current Assets				
Debtors	5,663		7,188	
Cash and cash equivalents	45,670		75,981	
	51,333		83,169	
Creditors: liabilities falling due within one year	(1,102)		(2,627)	
Net Current Assets		**50,231**		**80,542**
Total Assets less Current Liabilities		**670,751**		**662,938**
Creditors: liabilities falling due after more than one year				
Long-term borrowings at amortised cost		(84,105)		(84,013)
Provisions for Liabilities				
Pension scheme deferred tax on surplus		(145)		(406)
Net Assets		**586,501**		**578,519**
Capital and Reserves				
Called-up share capital		16,542		18,224
Share premium account		39,922		39,922
Other reserves:				
Capital redemption reserve		54,318		52,637
Capital reserve		431,959		423,402
Revenue reserve		43,759		44,334
Shareholders' Funds		**586,501**		**578,519**
Net Asset Value per share with borrowings at amortised cost (basic and fully diluted)		**886.3p**		**793.6p**
Number of shares in issue at year end		**66,173,178**		**72,896,247**

Statement of Comprehensive Income
For the year to 31 October 2021

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Return attributable to shareholders	15,510	57,296	72,806	15,986	(82,166)	(66,180)
Actuarial losses relating to pension scheme	(268)	(498)	(766)	(412)	(764)	(1,176)
Pension scheme deferred tax on surplus	91	170	261	(142)	(264)	(406)
Total comprehensive income/(loss) for the year	15,333	56,968	72,301	15,432	(83,194)	(67,762)
Total comprehensive income/(loss) per share	22.52p	83.66p	106.18p	20.95p	(112.92)p	(91.97)p

Statement of Changes in Equity
For the year to 31 October 2021

	2021 £'000	2020 £'000
Opening balance	578,519	676,793
Total comprehensive income	72,301	(67,762)
Dividends	(15,908)	(23,178)
Share buybacks	(48,411)	(7,334)
Closing balance	**586,501**	**578,519**

Cash Flow Statement
For the year to 31 October 2021

	2021 £'000	2020 £'000
Operating activities		
Net revenue before finance costs and taxation	19,411	19,391
Expenses charged to capital	(1,101)	(1,069)
(Increase)/decrease in accrued income	(184)	278
Decrease in other payables	(99)	(60)
Decrease in other receivables	1	158
Net return from other finance income and pension contributions	(19)	(3,616)
Tax on investment income	(2,284)	(1,637)
Cash flows from operating activities	**15,725**	**13,445**
Investing activities		
Purchases of investments	**(308,774)**	**(178,725)**
Disposals of investments	**332,196**	**203,970**
Cash flows from investing activities	**23,422**	**25,245**
Cash flows before financing activities	**39,147**	**38,690**
Financing activities		
Dividends paid	(15,908)	(23,178)
Share buybacks	(48,693)	(7,052)
Interest paid	(4,857)	(4,857)
Cash flows used in financing activities	**(69,458)**	**(35,087)**
Net movement in cash and cash equivalents	**(30,311)**	**3,603**
Cash and cash equivalents at the beginning of year	**75,981**	**72,378**
Cash and cash equivalents at the end of year *	**45,670**	**75,981**

* Cash and cash equivalents represent cash at bank and short-term money market deposits repayable on demand.

The accompanying notes are an integral part of this statement.

Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the 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 hence 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 Board of Directors confirms that to the best of its knowledge:

a) the Financial Statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and return of the Company;
b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties the Company faces; and
c) the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Responsibility Statement was approved by the Board and signed on its behalf by:

James Will
Chairman
17 December 2021

Notes

1. Basis of accounting

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 and with the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) and in accordance with the Companies Act 2006. They are also prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investments at fair value.

On 2 June 2021, the Board announced its plan to undertake a review of the future investment management arrangements of the Company. On 20 October 2021, the Board concluded its review and announced that it had agreed heads of terms with JPMorgan Global Growth & Income plc ('JGGI') and JGGI's manager, JPMorgan Funds Limited ('JPMF'), for a combination of the assets of the Company with JGGI by means of a section 110 scheme of reconstruction (the 'Scheme'). The liquidation of the Company is not imminent as the Scheme has not been approved by the shareholders of the Company and JGGI, but does represent a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. If the shareholders approve the Scheme the Company will be liquidated after the assets have been transferred. If the shareholders do not approve the Scheme it is expected that the Company would continue as a going concern.

The Financial Statements do not include the adjustments that would result if the Company was unable to continue as a going concern. In arriving at the decision on the basis of preparation, the Board has considered the financial position of the Company, its cashflow and liquidity position as well as the uncertainty surrounding the outcome of the Scheme. The Board concluded that, as the Scheme is contingent on shareholder approval and the Company is considered solvent in all other regards, there is no irrevocable path to liquidation and thus going concern remains the most appropriate basis for preparation.

If it were not appropriate to prepare the Financial Statements on a going concern basis of accounting then adjustments would be required to reclassify all assets as current, a provision for further liabilities including liquidation costs would be made and investments would need to be restated to include costs associated with their sale. The Company's perpetual debenture stocks, which would be repaid on the event of the Scheme being successful, would be reclassified as a current liability. The Company's defined benefit pension scheme would move to a buy-out basis and would continue to be accounted for under existing defined benefit accounting until settlement. In the Directors' opinion the impact of these adjustments on the Financial Statements is not expected to be significant.

The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates. The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 in full in respect of the financial instruments.

2. Return per ordinary share

The revenue return per share is calculated on net revenue on ordinary activities after taxation for the year of £15,510,000 (2020: £15,986,000) and on 68,089,959 (2020: 73,677,432) shares, being the weighted average number of shares in issue during the year.

The capital return per share is calculated on net capital gain for the year of £57,296,000 (2020: net capital loss of £82.166,000) and on 68,089,959 (2020: 73,677,432) shares, being the weighted average number of shares in issue during the year.

The total return per share is calculated on total profit for the year of £72,806,000 (2019: loss of £66,180,000) and on 68,089,959 (2020: 73,677,432) shares, being the weighted average number of shares in issue during the year.

3. Net asset value per share

The net asset value per share with borrowings at amortised cost is based on net assets of £586,501,000 (2020: £578,519,000) and on 66,173,178 (2020: 72,896,247) shares, being the number of shares in issue at the year end.

4. Dividends

A final dividend in respect of the year ended 31 October 2021 of 7.00p (2020 – 6.10p) per share will be paid on 11 February 2022 to shareholders on the register on 14 January 2022 (ex-dividend 13 January 2022).

5. Related parties

Directors' fees are detailed in the Directors' Remuneration Report. There were no matters requiring disclosure under section 412 of the Companies Act 2006. S.I.T. Savings Limited is a wholly-owned subsidiary of the Company. During the year to 31 October 2021 the net amount paid to S.I.T. Savings Limited was £3,358 (2020: net amount paid: £1,667) in relation to expenses. At 31 October 2021 the net amount due to S.I.T. Savings Limited was £15,065 (2020: £10,501). The net amount receivable from S.I.T. Savings Limited was £15,634 (2020: £13,860).

6. Subsequent event

On 9 December, shareholders voted at a General Meeting to approve the appointment of JPMorgan Funds Limited as the Company's Alternative Investment Fund Manager, such appointment to take effect on or around 21 January 2022.

The financial information set out above does not constitute the Company's statutory Financial Statements for the year ended 31 October 2021 but is derived from those Financial Statements. Statutory Financial Statements for the year ended 31 October 2021 will be delivered to the Registrar of Companies in due course. The Auditors have reported on those Financial Statements. Their report was unqualified; however, it did contain a statement relating to the material uncertainty related to going concern in light of the proposed section 110 scheme of reconstruction. The Auditors' Report did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditors' Report will be found in the Company's full Annual Report and Financial Statements on the Company's website: **www.thescottish.co.uk** Copies may also be obtained from the Company Secretary: Maitland Administration Services Limited, Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY.

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. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets and a reduction in the profits available for dividend.

The main risks include investment and market price risk (comprising foreign currency risk and interest rate risk), liquidity risk and credit risk. The Directors' approach to the management of these risks is set out below. The Directors of the Company and of S.I.T. Savings Limited coordinate the Company's risk management.

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

Please refer to the Corporate Governance Report in the Annual Report and Financial Statements regarding the Company's risk as a result of Covid-19.

a. Investment and market price risk

The holding of securities and investing activities involve certain inherent risks, principally in relation to market risk. A contrarian investment approach is a distinctive style that may deviate from comparator indices and peer group performance over discrete periods. Whilst performance is compared against the MSCI ACWI, the composition of the index 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. Events may occur which affect the value of investments. From time to time, the Company may wish to use derivatives in order to protect against a specific risk or to facilitate a change in investment strategy such as the movement of funds from one area to another. No such transaction may take place without the prior authorisation of the Board.

Management of the risk

Company performance is monitored at each Board meeting, including investment performance. The Company holds a portfolio which is well diversified across industrial and geographical areas to help minimise these risks. The contrarian investment approach is explained in our shareholder communications and through meetings with media and the investor community. The levels of gearing and gross gearing are monitored closely by the Board and the Manager. The Board currently limits gearing to 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.

b. Foreign currency risk

Approximately 84% of the Company's assets are invested overseas which gives rise to a currency risk. From time to time, specific hedging transactions may be undertaken. The Company's overseas income is subject to currency movements. The currency profile of the Company's monetary assets and liabilities is set out in the Financial Statements.

Management of the risk

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

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

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

c. Interest rate risk

The Company finances its operations through a combination of investment realisations, retained revenue reserves, debenture stocks and secured bonds. All debenture stocks and secured bonds are at fixed rates.

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.

d. Liquidity risk

Almost all of the Company's assets comprise listed securities which represent a ready source of funds.

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. Management 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.

Management of the risk

This risk is managed as follows:

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

f. Capital management policies and procedures

The Company carries on its business as a global growth investment trust. Its objective is to provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation.

The levels of gearing and gross gearing are monitored closely by the Board and management. The Board currently limits gearing to 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 management, monitors and reviews the structure of the Company's capital on an ongoing basis. This review includes the planned level of gearing which will take into account management's view on the market, the need to buy back shares for cancellation and the level of dividends.

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