The Scottish Investment Trust PLC

122nd Annual Report & Accounts

31 October 2009

Contents

Responsibility statement

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

a) the set of financial statements, which has been prepared in accordance with applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and return of the company;

b) the annual report includes a fair review of important events that have occurred during the financial year and their impact on the financial statements and a description of the principal risks and uncertainties the company faces; and

c) no transactions with related parties took place during the financial year.

For and on behalf of the board

Douglas McDougall

Douglas McDougall
Chairman
10 December 2009

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your ordinary stock in The Scottish Investment Trust PLC, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

The Company

Company Data as at 31 October 2009

£696,971,000
Total Assets

£587,675,000
Stockholders' Funds (with borrowings at par)

£517,542,000
Market Capitalisation

Objectives of The Scottish Investment Trust PLC
To provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation. The company's investment policy is shown in the Directors' Report on page 18.

Investment Risk
The Scottish Investment Trust PLC (SIT) investment portfolio is diversified over a range of industries and regions in order to spread risk. SIT has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns. However, should stockmarkets fall, such borrowings would magnify any losses. Investment risk is considered in more detail in the Directors' Report on pages 18 and 19.

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

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

Capital Structure
On 31 October 2009 the company had in issue 126,229,718 ordinary stock units and long-term borrowings at par amounted to £107,612,000 with an average annual interest cost of 5.9%.

Management Expenses
The total expenses of managing the company's business during the year were £4,139,000, equivalent to 0.74% of average stockholders' funds. The company aims to keep this percentage low in comparison with competing investment products.

ISA and SIPP
The ordinary stock units are eligible for ISAs and SIPPs. Details of all of the savings schemes offered by SIT Savings Ltd are shown on page 45.

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

Ten Year Record

Year to 31 October	Earnings per ordinary stock unit net (p)[1]	Dividend per ordinary stock unit net (p)[2]	Total expenses £'000	Total expense ratio %	Total assets £'000	Stock-holders' funds £'000	NAV (debt at par) (p)	Stock price (p)	Discount to NAV %[4]	NAV (debt at par) total return %
1999	8.34	6.65	4,467	0.37	1,364,145	1,287,086	466.4	393.5	–	22.7
2000	7.93	6.90	4,568	0.35	1,578,998	1,356,861	538.9	457.0	14.6	17.1
2001	9.33	7.05	4,821	0.43	1,130,370	908,066	402.1	359.0	8.7	(24.4)
2002	8.24	7.50	4,558	0.58	893,915	671,443	314.8	259.0	15.6	(20.2)
2003	9.28	7.80	4,129	0.59	942,154	719,515	342.1	281.0	16.2	11.5
2004[3]	9.29	8.10	4,108	0.56	888,578	739,342	353.9	298.8	14.3	6.2
2005[3]	9.86	8.40	3,973	0.49	1,044,315	894,412	428.1	377.0	9.5	23.6
2006	9.39	8.72	4,481	0.55	839,641	730,594	510.4	451.0	8.5	21.3
2007	11.02	9.10	4,709	0.61	910,574	802,353	597.6	529.0	9.9	19.5
2008	11.00	9.50	4,440	0.67	633,521	525,679	405.5	372.0	7.5	(30.7)
2009	**10.62**	**9.60**	**4,139**	**0.74**	**696,971**	**587,675**	**465.6**	**410.0**	**8.9**	**17.6**

Ten Year Growth Record

	Earnings per ordinary stock unit net[1]	Dividend per ordinary stock unit net[2]	Retail Prices Index	NAV (debt at market value)	NAV (debt at par)	Stock price	NAV (debt at par) total return	Stock price total return	UK FTSE All-Share Index total return	FTSE All-World Index total return
1999	100.0	100.0	100.0	–	100.0	100.0	100.0	100.0	100.0	100.0
2000	95.1	103.8	103.1	100.0	115.5	116.1	117.1	118.0	108.3	115.8
2001	111.9	106.0	104.7	73.5	86.2	91.2	88.6	94.2	87.1	86.7
2002	98.8	112.8	106.8	57.4	67.5	65.8	70.7	69.5	72.0	69.7
2003	111.3	117.3	109.7	62.7	73.3	71.4	78.9	77.8	81.9	80.5
2004[3]	111.4	121.8	113.3	66.0	75.9	75.9	83.7	85.5	91.4	85.2
2005[3]	118.2	126.3	116.1	78.7	91.8	95.8	103.5	110.5	109.5	101.7
2006	112.6	131.1	120.4	93.4	109.4	114.6	125.6	134.8	133.2	116.3
2007	132.1	136.8	125.5	111.0	128.1	134.4	150.0	161.8	151.3	133.8
2008	131.9	142.9	130.8	76.4	86.9	94.5	104.0	116.5	99.3	97.8
2009	**127.3**	**144.4**	**129.7**	**85.3**	**99.8**	**104.2**	**122.3**	**131.7**	**122.6**	**119.2**
Ten Year Return Per Annum	2.4%	3.7%	2.6%	–	0.0%	0.4%	2.0%	2.8%	2.1%	1.8%
Five Year Return Per Annum	2.7%	3.5%	2.8%	5.3%	5.6%	6.5%	7.9%	9.0%	6.1%	7.0%

1. From 1 November 1999 to 31 October 2005 the company charged two-thirds of eligible expenses and finance costs to capital reserve-realised and since 1 November 2005 the company has charged half of eligible expenses and finance costs to capital reserve-realised.
2. Excluding special dividends of 1.00p in 2001, 2.00p in 2006 and 2.00p in 2007.
3. Figures for 2004 and 2005 have been restated, where applicable, in accordance with accounting changes.
4. Discount to ex-income NAV with borrowings at market value.

Financial Highlights

Capital

	2009	2008	% Change
NAV with borrowings at par	465.6p	405.5p	14.8
NAV with borrowings at market value	456.2p	408.9p	11.6
Ex-income NAV with borrowings at par	459.3p	398.9p	15.1
Ex-income NAV with borrowings at market value	449.9p	402.2p	11.9
Stock price	410.0p	372.0p	10.2
Discount to ex-income NAV with borrowings at market value	8.9%	7.5%	
FTSE All-World Index			18.3
UK FTSE All-Share Index			18.4
	£'000	£'000	
Equity investments	611,455	539,634	
Fixed interest investments	25,274	–	
Net current assets	60,242	93,887	
Total assets	696,971	633,521	
Borrowings at par	(107,612)	(107,492)	
Pension liability	(1,684)	(350)	
Equity stockholders' funds	587,675	525,679	

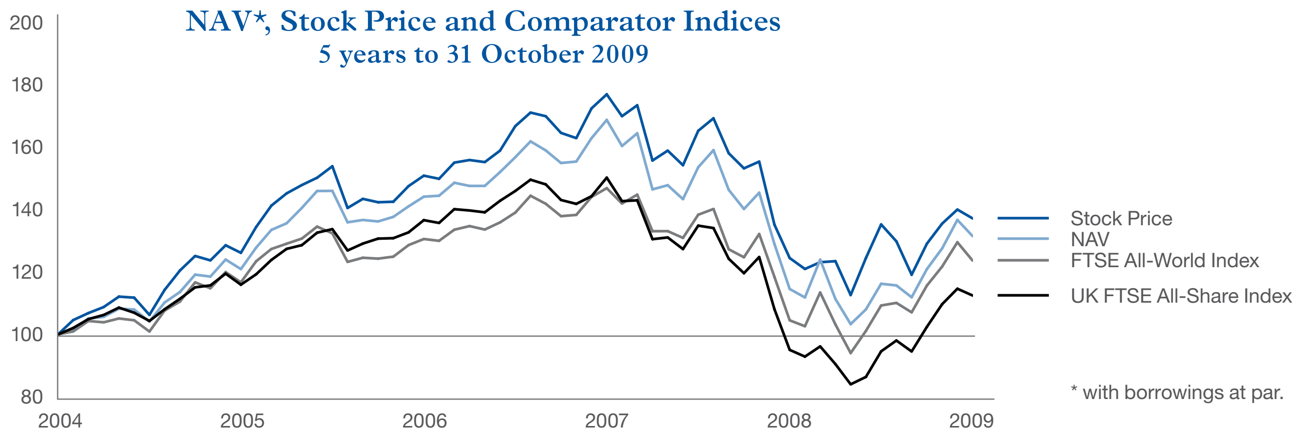
Income

Total income	21,620	22,653	
Earnings per ordinary stock unit	10.62p	11.00p	
Dividend per ordinary stock unit	9.60p	9.50p	1.1
UK Retail Prices Index			-0.8

Year's High & Low

	Year to 31 October 2009 High	Year to 31 October 2009 Low	Year to 31 October 2008 High	Year to 31 October 2008 Low
Published ex-income NAV with borrowings at market value	490.0p	334.8p	587.2p	360.4p
Closing stock price	443.0p	326.3p	529.0p	323.0p
Discount/(premium) to ex-income NAV with borrowings at market value	12.9%	(0.9%)	11.0%	1.0%

Performance



Chairman's Statement

Performance

Over the year to 31 October 2009, the net asset value per ordinary stock unit (NAV) rose by 14.8% with borrowings at par. The primary comparator indices both rose by more – the global FTSE All-World Index rose by 18.3% and the UK FTSE All-Share Index by 18.4%. In total return terms, the NAV with borrowings at par was up 17.6% compared with 22.0% for the FTSE All-World and 23.5% for the FTSE All-Share. The NAV with borrowings at market value was suppressed to an increase of just 11.6% as the market value of the company's long-term fixed rate borrowings was inflated by the decline in gilt yields over the period.

Geographic and sector positioning contributed positively to relative performance while stock selection and sterling weakness made negative contributions. Portfolio underperformance was primarily concentrated in March and May as markets turned and rallied sharply. Financials, in which we were under-represented, and other generally riskier shares advanced well ahead of the relatively defensive core portfolio as investors re-embraced risk. However, the portfolio was repositioned rapidly to a more cyclical stance and subsequently performed strongly in the period from the end of May to the year end.

The financial year began in the midst of the banking industry maelstrom with global stockmarkets having fallen heavily after the collapse of US investment bank Lehman Brothers. As a consequence, the world economy slowed sharply and global markets continued to slide between November and mid-March. Major central banks and governments responded with aggressive interest rate reductions and alternative monetary and fiscal policy measures to support banking systems and arrest the collapse in global growth.

March proved to be the pivotal month however as global stockmarkets fell initially, to levels last seen in 2003, before reversing course and turning up sharply as the first green shoots of recovery were sighted and aggressive monetary policy measures were implemented in the US and UK. Markets proceeded to rise 40% in sterling terms from early March until the end of the company's year as more evidence emerged of an improvement in the global outlook.

In sterling terms the best returns came from emerging market regions Latin America (+69.0%), Asia Pacific (ex Japan) (+59.0%) and Middle East & Africa (+45.8%) – all boosted by currency appreciation against sterling. The 12% fall against the euro transformed modest gains from European markets into a 25.0% gain in sterling terms. Japan (+9.0%) and North America (+6.7%) were relative laggards. As markets recovered, outperformance from the turning point in March until the year end was concentrated in just four industry groups – Financials, which rose by 86.6% from the lows, Basic Materials, Technology and Industrials.

There were four main themes behind portfolio activity during the year. The first was the restoration in December of the sustainable dividend generation capacity of the portfolio in the face of both a decline in domestic interest rates to near zero and a terrible year for corporate dividends. Also, a £25m portfolio of short-dated corporate bonds was created to boost income. Second, between March and May, the portfolio was repositioned to a more normal pro-growth stance with reductions to defensive areas and major additions to Financials, Technology and other more cyclical areas. Third, the level of effective equity gearing was increased further with £23.6m added in March as markets turned up and a further £26.4m over April and May taking effective gearing into equities to 114%. Towards the end of the year, profits were taken in a number of industrial cyclicals and financials which had done very well and effective gearing ended the period back at 105%. The timely use of gearing added 1.6% to relative performance. Fourth, emerging markets exposure was rebuilt over the year with additions of £35.5m to Latin America and £30.6m to Asia Pacific (ex Japan) with strong gains from both regions. Reductions were made to North America, Japan and Europe.

Overall, the portfolio appreciated by £80.4m, the biggest contributor by far being Industrials (+£27.6m), reflecting the purchases of £110m of out of favour cyclical companies made last October. Financials were rebuilt cautiously with additions of £52.0m culminating in gains of £15.6m including a strong performance by Spanish bank BBVA (+£5.7m). Other strong contributors across the portfolio included Tencent (+£5.0m), Petrobras (+£4.6m), Compal Electronics (+£4.2m), Hengan International (+£4.2m) and Li & Fung (+£4.0m).

As profits were taken late in the year and gearing lowered, the number of listed portfolio holdings was reduced to 90 (2008: 117).

Over the last five years, the company has outperformed the main comparator indices, the UK FTSE All-Share and FTSE All-World in terms of both share price total return and NAV total return.

Income

With UK interest rates being lowered from 4.5% to 0.5% over the year, aggregate dividends from the UK FTSE All-Share Index and US S&P 500 Index down by 17% and some 50% of dividend-paying companies in the FTSE All-Share suspending or paying lower dividends, this was likely to be a difficult year for income. However, changes to the portfolio and a traditional focus on strong, well-managed companies meant that total income fell by just 4.6%. Fewer stock units outstanding post-buybacks and lower expenses meant that EPS for the year were just 3.5% lower at 10.62p (2008: 11.00p).

Dividend

It is a stated objective of the company to increase the dividend by more than the UK rate of inflation over the longer term. The board is therefore recommending an increase of 1.1% in the regular dividend for the year to 9.60p per ordinary stock unit (2008 – 9.50p) which compares with the October UK RPI annual inflation rate of -0.8%. If approved, the company will have increased its dividend in each of the last 26 years.

Stock Price, Buybacks and Discount

The stock price rose by only 10.2% as the discount widened slightly to 8.9%. The discount was relatively volatile as it narrowed during the first half and for a short spell was eliminated with the stock price standing above the NAV. Under the company's buyback policy, which is intended to keep the discount to ex-income NAV at or below 9% (with borrowings at market value), 3.4m stock units were repurchased for cancellation over the financial year (adding 0.3% to NAV performance and utilising 2.05 percentage points of the 14.99% authority renewed at the January 2009 AGM) at an average discount of 9.9% and a cost of £13.8m inclusive of dealing expenses. The average discount over the year was 6.0% and the estimated daily average between the introduction of the scheme in February 2006 and the year end was 8.1%.

Board Composition

I am very pleased to welcome Mr Russell Napier to the board. A consultant global strategist with CLSA Asia-Pacific Markets, Mr Napier was appointed to the board as a non-executive director on 24 July 2009. He will be standing for election at the 122nd Annual General Meeting which will be held at the Roxburghe Hotel, Charlotte Square, Edinburgh, on Friday 5 February 2010 at 10.30am.

European Regulatory Proposals – Impact on Self-Managed Trusts

Investors should be aware that the board views with concern the EU draft directive governing so-called "Alternative Investment Fund Managers (AIFM)". While the proposals have been aimed primarily at hedge funds and private equity, conventional UK investment trusts are being inadvertently caught under these proposals which contain some inappropriate measures and ultimately, could threaten the viability of the UK investment trust industry. Moreover, the proposals create additional uncertainty for self-managed investment trusts such as The Scottish Investment Trust. Consequently, we will be working with other self-managed trusts to lobby for amendment to the proposals and will continue to support the AIC's own efforts.

Outlook

From the turning point in March to the year end, global equities rallied by 50% in local currency terms and 40% in sterling terms. Economic fundamentals continue to improve as the effects of the authorities' extraordinary policy stimulus measures are felt. Corporate earnings are recovering and there are increasing signs of stabilisation in several key economies. However, it is likely that the recovery in markets has not only priced in much of the improvement in the world economy, but may also have itself been fuelled by surplus liquidity stemming from such policy measures to support the financial system. Consequently, value in global stockmarkets is now much diminished following this rally. The timely removal of central bank and state fiscal support measures – not so early as to stifle the recovery and not so late as to spark inflation – will be a major challenge for the period ahead.

Douglas McDougall
Chairman
10 December 2009

Board of Directors

*†Douglas McDougall OBE

was appointed to the board in September 1998 and became chairman in October 2003. He is chairman of The Law Debenture Corporation, The Independent Investment Trust and Foreign & Colonial Eurotrust and a director of The Monks Investment Trust, Pacific Horizon Investment Trust and Herald Investment Trust. He is a former senior partner of Baillie Gifford & Co and a former chairman of IMRO, the Association of Investment Companies and the Fund Managers' Association.

Francis Finlay

joined the board in November 1996. He is former chairman of Clay Finlay, the New York-based international fund management firm he co-founded in 1982 and led until 2006. Currently he is also a director of two other London-listed investment trusts, SVG Capital and Indochina Capital Vietnam Holdings, as well as serving on the boards of a number of international investment institutions and charitable organisations. Previously he held senior investment positions with Lazard Frères and Morgan Guaranty Trust in Paris and New York.

*†Hamish Buchan

was appointed to the board in November 2003. He is a director and former chairman of the Association of Investment Companies and was formerly chairman of NatWest Securities in Scotland. He is chairman of JP Morgan American Investment Trust and Personal Assets Trust, a director of Aberforth Smaller Companies Trust, Standard Life European Private Equity Trust and Templeton Emerging Markets Investment Trust PLC. He is chairman of the remuneration committee.

*†James MacLeod

was appointed to the board in September 2005. He is a chartered accountant. He was a partner in Ernst & Young and its predecessor firms for 25 years until his retirement in 1998 and specialised in corporate tax, particularly for investment trusts and insurance companies. He was a visiting professor at the University of Edinburgh until 2001. He is a director of British Assets Trust, INVESCO Perpetual AIM VCT and INVESCO Perpetual Recovery Trust 2011. He is chairman of the audit committee.

Russell Napier

was appointed to the board in July 2009. He is a consultant global macro strategist with CLSA Asia-Pacific Markets. He began his career as an investment manager at Baillie Gifford & Co and then moved to Foreign and Colonial Emerging Markets where he managed Asian portfolios. From 1995 to 1998 he was Asian equity strategist for CLSA in Hong Kong. He is a director of Mid Wynd International Trust and a limited partner of Cerno Capital Partners. He is also a member of the investment committee for the National Trust for Scotland and runs a course in financial history at The Edinburgh Business School. He is author of the book "Anatomy of The Bear: Lessons from Wall Street's Four Great Bottoms".

* Member of audit committee

† Member of remuneration committee

Management

Manager

John Kennedy

Investment Management

Hugh Duff, Assistant Manager and Senior Investment Manager (UK)

Martin Robertson, Assistant Manager and Senior Investment Manager (Europe)

James Kinghorn, Senior Investment Manager (Americas)

Howard Kippax, Senior Investment Manager (Pacific)

Secretary

Steven Hay

Assistant Secretary

Michael Creasey

Statistics and Information Technology

Neill Wood

Investor Relations and Compliance

Alan Jamieson

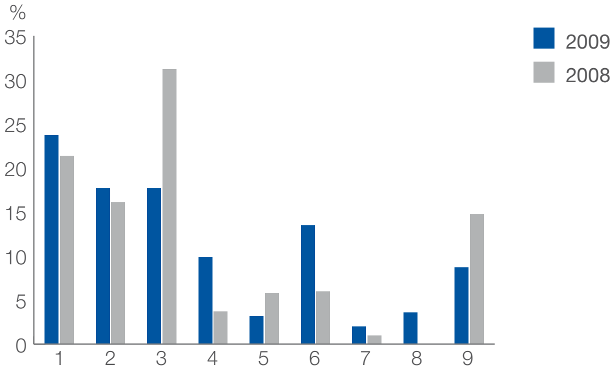
Marketing Manager – SIT Savings Ltd

Sherry-Ann Sweeting

Management Review

Distribution of Total Assets by Region

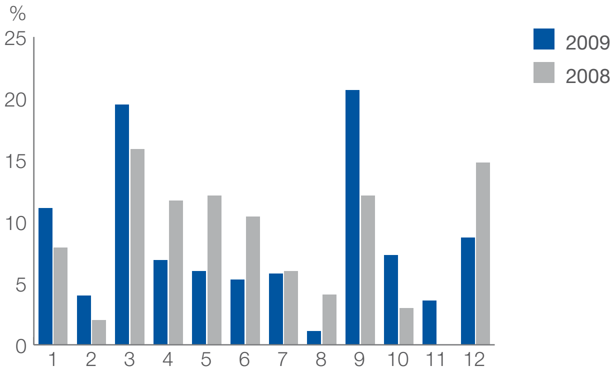
At 31 October 2009



		2009 %	2008 %
1	UK	23.7	21.4
2	Europe (ex UK)	17.7	16.1
3	North America	17.7	31.2
4	Latin America	9.9	3.7
5	Japan	3.2	5.8
6	Asia Pacific (ex Japan)	13.5	6.0
7	Middle East & Africa	2.0	1.0
8	Fixed interest	3.6	–
9	Net current assets	8.7	14.8
	Total assets	**100.0**	**100.0**

Distribution of Total Assets by Sector

At 31 October 2009



		2009 %	2008 %
1	Oil & Gas	11.1	7.9
2	Basic Materials	4.0	2.0
3	Industrials	19.5	15.9
4	Consumer Goods	6.9	11.7
5	Health Care	6.0	12.1
6	Consumer Services	5.3	10.4
7	Telecommunications	5.8	6.0
8	Utilities	1.1	4.1
9	Financials	20.7	12.1
10	Technology	7.3	3.0
11	Fixed interest	3.6	–
12	Net current assets	8.7	14.8
	Total assets	**100.0**	**100.0**

Changes in Asset Distribution by Sector

	Opening Valuation £m	Net Purchases/ (Sales) £m	Appreciation/ (Depreciation) £m	Closing Valuation £m
Oil & Gas	50.3	16.8	10.1	77.2
Basic Materials	12.8	13.0	1.9	27.7
Industrials	100.9	7.5	27.6	136.0
Consumer Goods	74.2	(34.4)	8.1	47.9
Health Care	76.5	(34.0)	(0.5)	42.0
Consumer Services	65.7	(39.0)	10.5	37.2
Telecommunications	37.8	(1.0)	3.4	40.2
Utilities	25.6	(9.9)	(7.7)	8.0
Financials	76.9	52.0	15.6	144.5(1)
Technology	18.9	20.4	11.4	50.7
Total equities	539.6	(8.6)	80.4	611.4
Fixed interest	–	25.5	(0.2)	25.3
Net current assets	93.9	(35.5)	1.9	60.3
Total assets	633.5	(18.6)	82.1	697.0
Borrowings	(107.5)	(0.1)	–	(107.6)
Pension liability	(0.3)	–	(1.4)	(1.7)
Equity stockholders' funds	**525.7**	**(18.7)**	**80.7**	**587.7**

1. Includes £9.9m of investments which are unlisted.

Summary

- Global stockmarkets stage strong recovery from March
- Emerging markets, Basic Materials and Financials lead the stockmarket recovery
- Portfolio moved to a less defensive stance mid year
- Good relative performance from May until year end

Global Equity Market

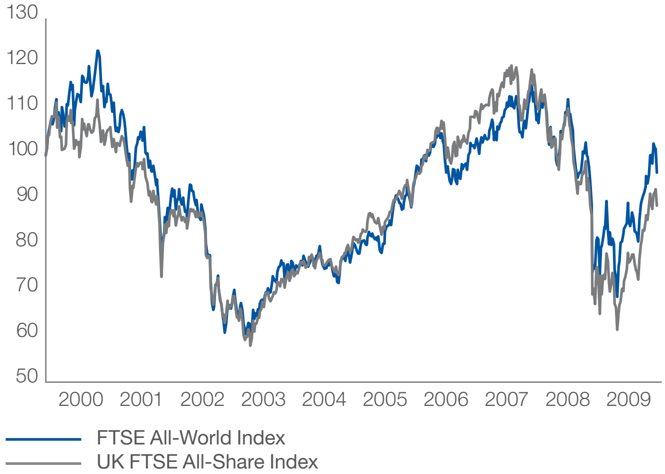
After the severe losses in the previous financial year and a faltering start to the year to October 2009, global stockmarkets staged a strong recovery during the period.

Over the 12 months to 31 October 2009, the global FTSE All-World Index rose by 18.3% and the UK FTSE All-Share Index rose by 18.4%.

As the period started, the world economy was slowing sharply as the effects of the financial crisis were transmitted to the real economy. Global stockmarkets, which fell heavily in September and October 2008 in the wake of the collapse of US investment bank Lehman Brothers, fell a further 10% over the first four months of the financial year.

Authorities in the major developed world economies were wrestling with two sizeable problems – a major financial crisis afflicting the global banking system and the sharpest economic slowdown since the Great Depression. As economic data confirmed the extent of the slowdown, interest rate cuts were announced in November by several countries including the UK, where rates were lowered from 4.5% to 3.0% in one month alone. In the US, the administration of the newly-elected Democrat president, Barack Obama, introduced supplementary measures to support the economy as interest rates there had already been cut to low levels. These policy measures included an $800bn support package for the troubled credit markets and a bail-out of US financials Citigroup and AIG.

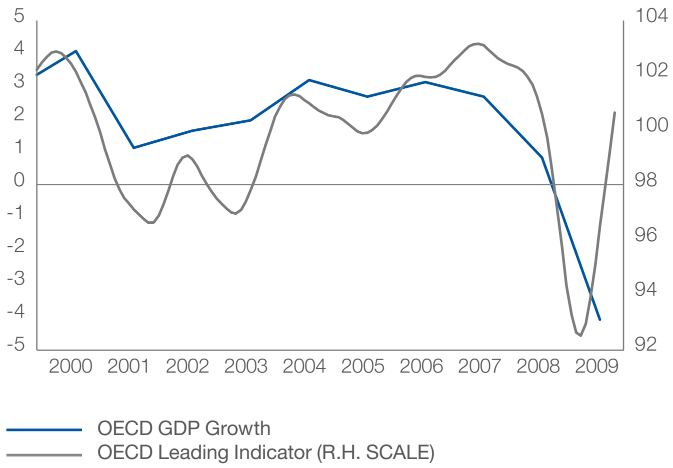
Stockmarket Performance
10 years to 31 October 2009



Source: Thomson Reuters Datastream

Despite a rally in December, global stockmarkets remained weak over the first third of the year as economic data deteriorated and uncertainty mounted over the solvency of the global banking system. Further interest rate cuts were announced. In the UK, the base rate was cut further to 2% in December followed by monthly cuts of 0.5 points over the following three months to leave the base rate at 0.5%, the lowest nominal rate since the creation of the Bank of England in 1694. In the US, the authorities also cut rates to new historic lows leaving rates in a range of 0-0.25% alongside an undertaking to use "all available tools" to support the US economy.

OECD GDP Growth and Leading Indicator



Source: Thomson Reuters Datastream

Measures to address the solvency of the banking system were announced in the UK and elsewhere. The UK introduced its Asset Protection Scheme for troubled domestic banks. The UK government also took direct stakes in Royal Bank of Scotland and Lloyds TSB, the latter having been encouraged to rescue HBOS. Other urgent bank recapitalisations continued apace as bank dividends were cut and rights issues announced.

It was not just financials which struggled. As the recession took hold, well known retailers collapsed including Woolworths in the UK and Circuit City in the US. The automotive industry suffered in the US and Europe as demand for vehicles evaporated, leading to a series of measures to support and restructure the industry. This culminated in General Motors entering administration, Fiat forming an alliance with Chrysler and the introduction of incentive programmes such as the $2.9bn so-called “cash for clunkers” scheme in the US. The US housing market also continued to deteriorate over the year with sharp drops in activity levels and house prices.

Asia Pacific region countries also unveiled stimulus packages to counter the decline in demand. The single most significant one was China’s which featured a 4 trillion yuan (£355.8bn) infrastructure investment programme to supplement other measures including interest rate cuts and tax reforms.

The decisive turning point in the year occurred in March. Having fallen further in the first week of March to index levels last seen in 2003, global stockmarkets turned and rebounded sharply over the rest of the month. The catalyst for this appears to have been the detection of faint glimmers of hope in economic data and the announcement by US and UK authorities of plans to apply quantitative easing. For the UK, this meant central bank purchases of gilts and other assets to boost the money supply in a £200bn programme.

As global corporate profits collapsed, dividends inevitably also came under pressure. Company dividends from both the US S&P 500 and the UK FTSE All-Share indices fell around 17% year-on-year. Among many notable companies to reduce payouts, US conglomerate General Electric cut its quarterly dividend for the first time since 1938.

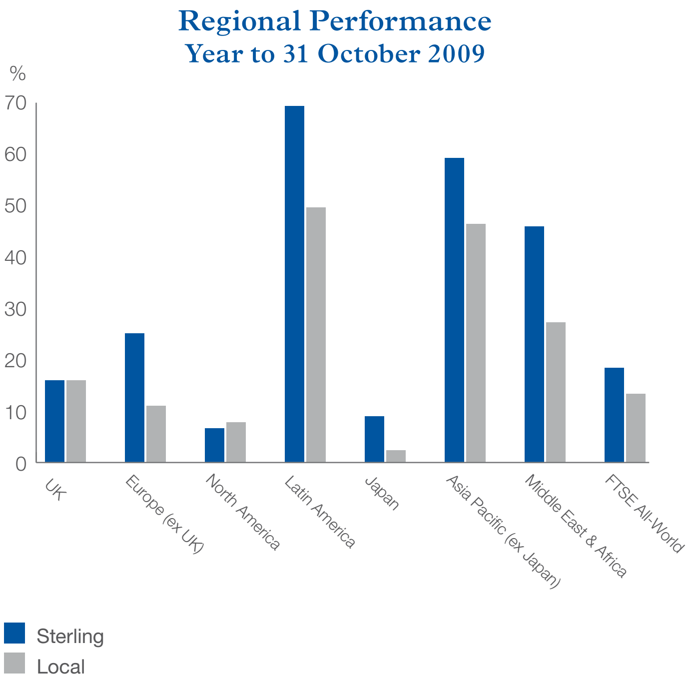
Global markets continued to rally over subsequent months as investors re-embraced risk. Financial and cyclical stocks led the recovery along with emerging markets.

The recovery in markets was sustained by further signs from around the world that the recession was easing. China reported strong growth while US second quarter GDP growth and corporate results were better than expected.

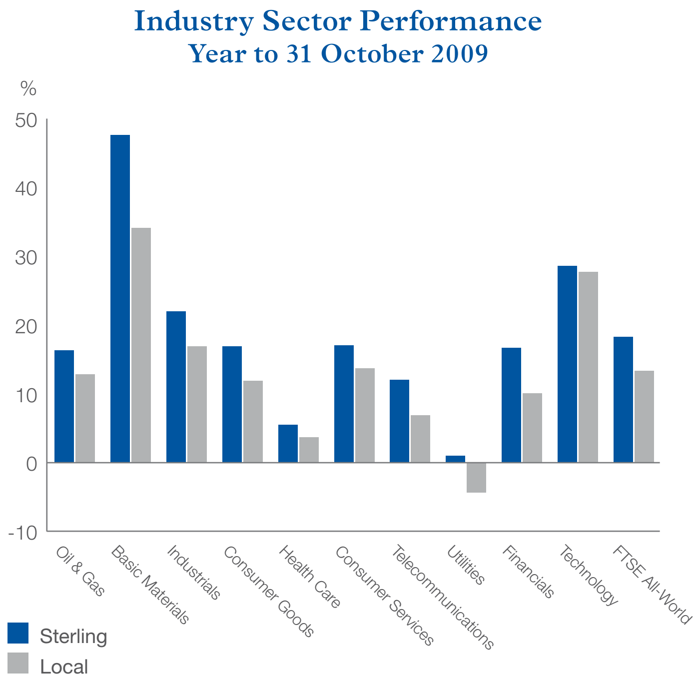
Sterling was volatile, depreciating early in the year before recovering mid-year as economic conditions improved only to sell off again towards the year end. The US dollar was also weak, reflecting concerns over the structural imbalances of the US economy.

Other asset markets did well including many commodity prices. The Brent oil price rose 27% over the year. Gold did particularly well, rising 44% to over $1,000 per troy ounce as investors hedged against inflation and dollar weakness. Any inflation risks were not reflected in government bond markets which were strong, benefiting from central bank buying.

The concerted rally by most asset classes gave rise to a belief that liquidity from the authorities’ economic support programmes was simply being recycled in financial markets with the risk of the creation of further speculative bubbles.



Indices are components of the FTSE All-World Index Series



Indices are components of the FTSE All-World Index Series

Regional Performance

There were two clear themes which emerged from regional stockmarket performances. First, emerging markets provided by far the best returns over the year, with developed markets left well behind. The second factor was the relative movement of sterling which increased returns in sterling from most overseas regions. The pound lagged most emerging market currencies and fell by 12% against the euro, 6% against the yen although rose 2% against the dollar.

The weakness of sterling was attributable to concerns over the UK financial system and deterioration in public finances.

The variation in returns between regions was striking. In sterling terms, the best returns came from Latin America (+69.0%), Asia Pacific (ex Japan) (+59.0%) and Middle East & Africa (+45.8%). While much of the Asia Pacific region was hard hit by the global recession, the downturn was short and investors recognised that these three regions were not burdened by the structural problems which faced the developed economies. The UK did comparatively well rising 15.9%. Europe (ex UK) local returns of +11.0%, while relatively poor, were transformed by currency gains to a sterling rise of 25.0%. The two laggards were Japan, where a remarkably low 2.3% local gain terms converted into 9.0% in sterling, and North America (+6.7%).

Industry Sector Performance

Just as last year, when there was a swing towards the more traditionally resilient defensive sectors, March saw a violent lurch back in favour of cyclical areas and financials as an economic recovery started to be discounted.

Over the year, while all ten industry groups comprising the FTSE All-World Index rose in sterling terms, only three outperformed global markets – Basic Materials (+47.6%), Technology (+28.6%) and Industrials (+22.0%). As markets recovered, outperformance from the turning point in early March until the year end was concentrated in just four industry groups – Financials, which rose by 86.6% from the lows, Basic Materials (+57.3%), Technology (+41.2%) and Industrials (+47.4%).

Oil & Gas, Consumer Goods and Consumer Services produced similar returns of 16% to 17%. Defensive industries such as Telecommunications (+12.0%), Utilities (+1.0%) and last year's leader Health Care (+5.5%) all lagged the broader market.

Performance Attribution Analysis

The company's NAV (with borrowings at par) rose by 14.8%, slightly behind the two main performance comparators used, the FTSE All-World Index and the UK FTSE All-Share Index. The underperformance can be traced to two months, March and May. As global markets turned in March, the explosive move by Financials, an area in which the company was under-represented, and generally riskier recovery stocks meant that the more defensive holdings lagged. The portfolio was not without cyclical exposure, however, late in the previous financial year £110m of out of favour and mainly cyclical stocks had been purchased and these generally did very well.

However, after May, the portfolio was repositioned quickly on to a less defensive footing with exposure to financial stocks and emerging markets profitably increased. Performance from the end of May was much improved with consistent outperformance against the All-World over that period.

Attribution analysis confirms that both the regional asset allocation and sector positioning contributed positively to relative performance. As explained above, stock selection was negative, primarily in Financials, where our holdings were relatively defensive.

Adverse currency movements hurt performance by around 0.9% as sterling was relatively weak and there were more assets in sterling than there were in the All-World Index.

The timely use of gearing added 1.6% to relative performance, while stock buybacks added 0.3% and an increased FRS17 balance sheet pension liability cost 0.2%.

Relative Performance Attribution Analysis
Year to 31 October 2009

	%
Increase in NAV	14.8
Increase in FTSE All-World Index	18.3
Relative performance	-3.0

	by Sector	by Geography
Allocation	0.6	2.1
Stock selection	-4.6	-6.1
Total equities	-4.0	-4.0
Gearing		1.6
Change in net current assets		0.1
Buybacks		0.3
Interest and expenses charged to capital		-0.7
Increase in pension liability		-0.2
Fixed interest		-0.1
Relative performance		-3.0

Changes in Distribution

Changes to the industry distribution were made first, as gearing was applied to markets and second, to reposition the portfolio to benefit from an economic recovery. This involved material additions to Financials (+£52.0m), Technology (+£20.4m), Oil & Gas (+£16.8m) and Basic Materials (+£13.0m). Good gains were made in these areas and overall sector positioning made a positive contribution to relative performance.

These additions were financed by large reductions to relatively defensive holdings in Consumer Services (-£39.0m), Consumer Goods (-£34.4m) and Health Care (-£34.0m).

The nature of the disposals meant that by region, the vast majority of reductions were made to North America (-£66.4m). Japan was also lowered by £18.3m, again due to the sale of defensive holdings. Both of the regions lagged the All-World Index.

The exposure to emerging markets was increased over the year with additions of £35.5m to Latin America and £30.6m to Asia Pacific (ex Japan). In order to supplement income in the face of rapidly declining short-term interest rates, £25.5m was invested in good quality short-dated corporate bonds early in the year.

Income

As noted in the Chairman's statement, this was the worst year for dividends in living memory. Moreover, with UK interest rates being lowered from 4.5% to 0.5% over the year, the company's income faced additional pressure as returns from cash diminished. However, a conscious effort to optimise income from holdings, good dividends from a number of core holdings and the boost from higher effective equity gearing and fixed interest investments meant that total income fell by just 4.6%. Fewer stock units in issue following buybacks and lower expenses meant that EPS for the year fell by just 3.5% to 10.62p (2008: 11.00p).

Forward currency contracts were used to guarantee exchange rates for a portion of our US dollar and euro-denominated income and resulted in a profit of £0.4m.

Industry Sectors

Oil & Gas

Oil & Gas performed broadly in line with global equities, buoyed in large part by a rising oil price over the second half of the year. £16.8m was added and holdings appreciated by £10.1m. £9.9m was added to the holding in Petrobras (Brazil) which appreciated by £4.6m with performance driven by news of pre-salt layer discoveries in offshore Brazil. High dividend yielding integrated oil majors BP (UK) and Royal Dutch Shell (UK) were added to early in the year.

Basic Materials

Basic Materials was the best performing area over the year, rising 47.6% and outperforming the FTSE All-World Index by 24.8%. This outstanding performance was driven by industrial metals and mining stocks. £13.0m was added in this area with good gains generated by new holdings, Brazilian mining group Vale and BHP Billiton (UK).

Industrials

Following the investments made at market lows in October 2008, the portfolio's largest exposure was in Industrials with just under 20% of listed equities at the start of the year. Industrials rose 22.0%, outperforming the market, and our holdings performed somewhat better, appreciating by £27.6m – by far the largest single contribution. Serco (UK) (+£3.7m), Meggitt (UK) (+£3.3m), Komatsu (Japan) (+£3.3m) and Vossloh (Germany) (+£2.4m) all made significant contributions. Exposure tilted towards Asia with new holdings taken in LG Corp (Korea) and Shanghai Industrial (Hong Kong).

Consumer Goods

The Consumer Goods industry group held up reasonably well over the year, narrowly underperforming. Significant reductions were made here as relatively defensive holdings were reduced or sold. In Automobiles & Parts, good profits were made in Continental (Germany), which was the subject of a bid, and BorgWarner (US) which had benefited from demand for diesel engines. Sizeable reductions were made to Monsanto (US), where pricing pressure impacted the weed-killer business, and Nintendo (Japan) where there was a hiatus in new games platform sales. Some excellent gains were made in Asia through personal products group Hengan International (Hong Kong), which rose by 131% (+£4.2m) and sourcing group Li & Fung (Hong Kong) which rose 112% (+£4.0m). A new investment in Brazilian housebuilder Rossi Residencial benefited from a government support programme and appreciated by £2.0m shortly after purchase with profits booked after the rapid rise in share price.

Health Care

A classically defensive area which held up well in the previous year, Health Care fell out of favour appreciating only by 5.5% and underperforming the market by 10.8%. Exposure was reduced in anticipation of this underperformance with large reductions to German dialysis group Fresenius Medical Care (-£6.6m) and US pharmaceutical group Gilead Sciences (-£8.6m). Swiss pharmaceutical major Novartis was sold outright.

Consumer Services

Large reductions (-£39.0m) were made to Consumer Services holdings. To lower exposure to US consumers and fund an increase in financial and technology holdings, Lowe's, Wal-Mart Stores and McGraw-Hill were sold outright. In Europe, two defensive food retail holdings Carrefour (France) and Colruyt (Belgium) were also sold outright as a less defensive stance was adopted. In Japan, East Japan Railway was sold. Towards the end of the year, new holdings were established in internet retailer Amazon.com (US) and Japanese fashion retailer Fast Retailing, both of which made early gains. Good increases in value were achieved by retailers Kingfisher (UK) (+£3.3m), Hennes & Mauritz (Sweden) (+£2.4m) and UK media group Informa (+£3.9m).

Telecommunications

While telecommunications exposure was broadly unchanged over the year, the emphasis was shifted further towards emerging markets. Latin American mobile telephony leader América Móvil (Mexico) appreciated by £2.5m and we added £6.0m to the holding during the year. We also added to African mobile leader MTN (South Africa) which produced a good uplift in value as did the large holding in Spanish telephony operator Telefónica (+£3.3m) which also offers exposure to Latin American market growth.

Utilities

Utilities exposure was lowered over the year and this industry group produced the worst returns across the portfolio, collectively depreciating by £7.7m. This was attributable chiefly to a large holding in UK water group United Utilities which, having performed well in the prior year, dropped sharply in value as the sector fell out of favour in a recovering market and a regulatory review was not well received. The holding was reduced by sales of £5.0m. German utility group E.On was sold outright.

Financials

The single largest move by industry group over the year was to re-build exposure to the troubled financial services industry. In the belief that there would not be a recovery in markets without participation by financials, in particular many of those impacted by the global financial crisis, we added £52.0m. The move was vindicated with good gains over the year of £15.6m. Stock selection in this area did have a negative impact on performance as it was the most depressed financials which rebounded fastest from March. The tactic employed by the portfolio was to re-enter this area in a consciously diversified manner through a variety of financial groups with strong market positions for the long term.

£24.9m was added in March as markets turned and a further £32.8m over April and May. Largest appreciations in value came from Spanish bank BBVA (+£5.7m), HSBC (UK) (+£3.5m), AXA (France) (+£3.1m) and DBS (Singapore) (+£2.5m). New holdings ICBC (China), Goldman Sachs (US) and Hong Kong Exchanges & Clearing all made excellent gains on the year and large reductions were made in Hong Kong Exchanges & Clearing subsequently to lock in profits.

Technology
Technology was the second strongest industry group in the market, rising 28.6% over the year. The relative under-exposure to this area compared with the All-World Index was fully compensated by good stock selection results. A net £20.4m was added to the sector mainly through new technology hardware holdings Compal Electronics (Taiwan) (+£10.9m) and Apple (US) (+£10.1m) which appreciated by £4.2m and £1.1m respectively. Chinese internet service group Tencent (Hong Kong) saw its share price more than double during the year as its core services enjoyed rapid growth, generating a £5.0m appreciation in the value of the holding.

Portfolio Turnover
Total purchases of investments amounted to £450.0m (2008: £827.7m) and sales were £433.0m (2008: £867.6m) including purchases and sales of corporate bonds. The ratio of investment sales as a percentage of average total assets was 65.1% (2008: 112.4%). Commission paid to brokers during the year was £1.6m (2008: £2.4m).

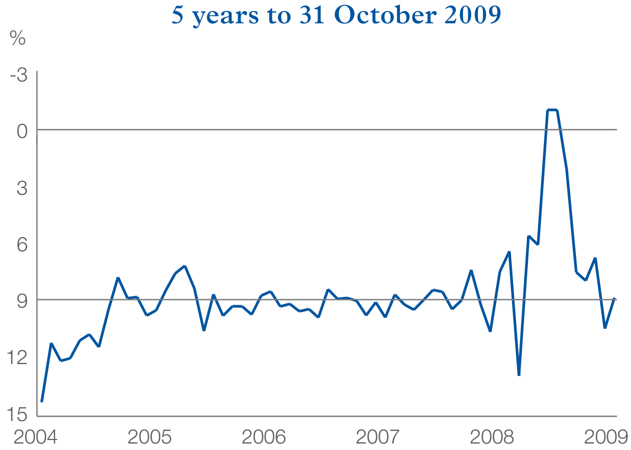
Investment turnover was well above normal levels due to a number of factors. First, the application and removal of gearing during the year; second, the search for dividend income from the portfolio to compensate for widespread dividend cuts and third; the purchase and sale of corporate bonds as returns from bank deposits were very low.

Holdings in UK Listed Investment Companies
Company holdings include investments in UK listed investment companies of £19.7m (2008: £14.2m). These are held to provide, variously, exposure to private equity, commercial property, Indian and environmental equities. The company has a policy not to invest more than 15% of gross assets in other UK listed investment companies.

Unlisted Portfolio
The company's unlisted portfolio depreciated by £0.9m primarily due to write-downs at Boston Ventures VI offsetting the gains at the listed Hg Capital Trust and Apax Europe V-B. Net distributions from the maturing unlisted portfolio partnerships totalled £3.3m (2008: £4.3m). No new partnerships were entered into during the year and outstanding commitments to invest in such partnerships totalled £1.2m (2008: £1.9m).

The unlisted portfolio was valued at £17.0m (2008: £21.1m) which is equivalent to 2.9% of stockholders' funds. Included in the unlisted portfolio is £7.0m (2008: £8.7m) invested in Hg Capital, a listed fund which specialises in unlisted investments.

Discount to ex-income NAV with borrowings at market value
5 years to 31 October 2009



Source: SIT

Stock Price, Discount and Buybacks
The stock price rose by just 10.2% owing to the discount to NAV widening slightly to 8.9%. The discount was unusually erratic this year as it narrowed during the first half and, for a short spell, was eliminated with the stock price standing at a premium to the NAV for the first time in decades.

Under the company's buyback policy, which is intended to keep the discount to ex-income NAV at or below 9% (with borrowings at market value), 3.4m stock units were repurchased for cancellation over the financial year (adding 0.3% to NAV performance and utilising 2.05 percentage points of the 14.99% authority renewed at the January 2009 AGM) at an average discount of 9.9% and a cost of £13.8m inclusive of dealing expenses. The average discount over the year was 6.0% and the estimated daily average between the introduction of the scheme in February 2006 and the year end was 8.1%.

Analysis of Stock Register at 31 October 2009

Category of holder	Number	Ordinary capital %
Individuals	25,599	64.8*
Investment companies	53	4.2
Insurance companies	15	19.1
Pension funds	35	5.2
Other	150	6.7
Total	**25,852**	**100.0**

* Includes 19.4% held in SIT Savings' products.

Glossary

Total assets means total assets less current liabilities.

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

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

Borrowings at par is the book value of the company's borrowings, the nominal value less 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 secured bonds is based on the redemption yield of the reference gilt plus a margin of 100 basis points. The reference gilt is the 6% Treasury Stock 2028.

Discount is the difference between the market price of our stock units and their NAV expressed as a percentage of the NAV.

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

Potential gearing is the gearing ratio if all borrowings were invested in equities – (stockholders' funds + borrowings at par) expressed as a percentage of stockholders' funds.

Effective equity gearing is the true geared position of the company – (stockholders' funds + borrowings at par – fixed interest investments – net current assets), expressed as a percentage of stockholders' funds.

GDP references are to gross domestic product adjusted for inflation.

Distribution of Total Assets by Sector

	2009 Total %	2008 Total %
Oil & Gas	**11.1**	**7.9**
Oil & Gas Producers	7.1	4.2
Oil Equipment, Services & Distribution	4.0	3.7
Basic Materials	**4.0**	**2.0**
Chemicals	–	0.2
Industrial Metals	1.6	0.5
Mining	2.4	1.3
Industrials	**19.5**	**15.9**
Construction & Materials	2.2	2.0
Aerospace & Defence	2.4	2.8
General Industrials	2.5	0.4
Electronic & Electrical Equipment	1.4	1.2
Industrial Engineering	5.0	3.0
Industrial Transportation	3.0	1.2
Support Services	3.0	5.3
Consumer Goods	**6.9**	**11.7**
Automobiles & Parts	0.9	1.4
Beverages	–	0.9
Food Producers	0.4	1.8
Household Goods	1.5	1.7
Leisure Goods	0.9	2.4
Personal Goods	2.1	1.0
Tobacco	1.1	2.5
Health Care	**6.0**	**12.1**
Health Care Equipment & Services	1.8	4.7
Pharmaceuticals & Biotechnology	4.2	7.4
Consumer Services	**5.3**	**10.4**
Food & Drug Retailers	0.7	2.1
General Retailers	3.3	5.1
Media	1.3	2.0
Travel & Leisure	–	1.2
Telecommunications	**5.8**	**6.0**
Fixed Line Telecommunications	2.3	1.9
Mobile Telecommunications	3.5	4.1
Utilities	**1.1**	**4.1**
Gas, Water & Multiutilities	1.1	4.1
Financials	**20.7**	**12.1**
Banks	11.2	6.7
Non-life Insurance	1.7	0.6
Life Insurance	0.6	0.3
Real Estate	1.7	0.1
General Financial	2.3	0.9
Equity Investment Instruments	3.2	3.5
Technology	**7.3**	**3.0**
Software & Computer Services	3.0	2.5
Technology Hardware & Equipment	4.3	0.5
Total equities	**87.7**	**85.2**
Fixed interest	**3.6**	**–**
Net current assets	**8.7**	**14.8**
Total assets	**100.0**	**100.0**

Based on total assets at 31 October 2009 of £697.0m (2008: £633.5m).

List of Investments

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Petrobras	Brazil	20,635*	
HSBC	UK	15,860*	
Compal Electronics	Taiwan	15,078*	
Serco	UK	14,699*	
América Móvil	Mexico	13,915*	
BBVA	Spain	13,665*	
National Oilwell Varco	US	13,433*	
BHP Billiton	UK	12,404*	
Telefónica	Spain	12,278*	
BNP Paribas	France	11,254*	22.5
Apple	US	11,198	
Vale	Brazil	10,866	
Diamond Offshore Drilling	US	10,617	
Roche	Switzerland	9,896	
Li & Fung	Hong Kong	9,493	
Informa	UK	9,372	
BP	UK	9,339	
Cia de Conc. Rodoviárias	Brazil	9,065	
Komatsu	Japan	9,011	
AXA	France	8,925	37.9
Royal Dutch Shell	UK	8,807	
ICBC	China	8,772	
FLIR Systems	US	8,530	
Tencent	Hong Kong	8,303	
Goldman Sachs	US	8,266	
Gilead Sciences	US	8,135	
Meggitt	UK	7,955	
Aspen	South Africa	7,686	
DBS	Singapore	7,648	
Adobe Systems	US	7,235	50.6
Kingfisher	UK	7,119	
Fresenius Medical Care	Germany	7,105	
Hg Capital Trust	UK	7,043	
Hennes & Mauritz	Sweden	6,959	
Kuehne + Nagel	Switzerland	6,953	
Spectris	UK	6,839	
Nikon	Japan	6,636	
ThyssenKrupp	Germany	6,504	
British Land	UK	6,340	
BMW	Germany	6,246	61.3
Vinci	France	6,232	
De La Rue	UK	6,157	
Vodafone	UK	5,846	
Vallourec	France	5,731	
EnCana	Canada	5,569	
China Resources Land	China	5,532	
LG	Korea	5,475	
NuVasive	US	5,372	
Shanghai Industrial	China	5,273	
Banco do Brasil	Brazil	5,237	70.1
Tesco	UK	5,116	
Intercontinental Exchange	US	5,062	
Oracle	US	5,059	
Walmex	Mexico	5,018	
BG Group	UK	5,017	
Asia Cement	Taiwan	5,000	
United Utilities	UK	4,975	
Hudson City Bancorp	US	4,927	
Alstom	France	4,901	
Hengan International	Hong Kong	4,880	78.0
Vossloh	Germany	4,873	
Norfolk Southern	US	4,623	
Rossi Residencial	Brazil	4,500	
MTN	South Africa	4,455	
Newcrest Mining	Australia	4,393	
Kurita Water Industries	Japan	4,362	
Standard Life	UK	4,331	
Lloyds Banking Group	UK	4,224	
Outotec	Finland	4,037	
Imperial Tobacco	UK	3,981	84.8
Wells Fargo	US	3,925	
Hewlett-Packard	US	3,855	
CSL	Australia	3,795	
Impax Environmental Markets	UK	3,778	
Noble	US	3,754	
France Telecom	France	3,690	
Philip Morris International	US	3,567	
Hon Hai Precision Industry	Taiwan	3,334	
Persimmon	UK	3,125	
Severn Trent	UK	3,057	90.5
CIMB	Malaysia	2,967	
Bellway	UK	2,920	
RSA Insurance	UK	2,704	
Monsanto	US	2,585	
JP Morgan Indian Investment Trust	India	2,536	
Fast Retailing	Japan	2,321	
CRH	Ireland	2,156	
ABB	Switzerland	2,152	
Murray & Roberts	South Africa	2,115	
Hong Kong Exchanges & Clearing	Hong Kong	1,629	
Amazon.com	US	1,340	
Total listed equities		**601,547**	**94.5**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Boston Ventures VI	US	3,775	
Apax Europe V – B	UK	2,765	
Heritable Property & Loans	UK	1,153	
Sprout Capital VII	US	660	
Sprout Capital VIII	US	616	
Boston Ventures V	US	563	
Others (under £0.5m) (8)		376	
Total unlisted		**9,908**	**1.5**
Total equities		**611,455**	**96.0**

Fixed Interest

Holding	Coupon	Date	Country	Market value £'000	Cumulative weight %
BT	7.375%	2011	UK	3,154	
National Grid	5.5%	2013	UK	2,088	
Tesco	3.875%	2011	UK	2,035	
Vodafone	3.625%	2012	UK	2,024	
Compass Group	6.375%	2012	UK	1,071	
Marks & Spencer	5.875%	2012	UK	1,041	
AstraZeneca	5.625%	2010	UK	1,017	
Deutsche Telekom	8.125%	2012	Germany	1,011	
France Telecom	4.375%	2012	France	935	
Carrefour	4.375%	2011	France	930	
KPN	4.5%	2011	Netherlands	928	
Saint Gobain	4.25%	2011	France	920	
Lowe's	5.6%	2012	US	880	
Western Union	5.4%	2011	US	868	
CVS	5.75%	2011	US	855	
Kraft Foods	6.25%	2012	US	854	
AT&T	6.25%	2011	US	833	
Home Depot	5.2%	2011	US	811	
BMW	6.375%	2012	Germany	582	
Veolia Environnement	5.875%	2012	France	575	
Metro Finance	4.625%	2011	Germany	556	
Bouygues	4.625%	2011	France	556	
E.ON	6.375%	2012	Germany	490	
National Grid	5.25%	2011	UK	260	
Total fixed interest				**25,274**	**4.0**
Total investments				**636,729**	**100.0**

* Denotes 10 largest holdings with an aggregate market value of £143,221,000.

Directors' Report

Business Review

Investment policy

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

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

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

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

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

Liquidity and long-term borrowings are managed with the aim of improving returns to stockholders. 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 for hedging or tactical investment purposes with the prior authorisation of the board and subject always to the investment restriction which prohibits the company from making any investment in which there is unlimited liability. 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 effective and potential gearing are monitored closely by the board and manager. The company applies a ceiling on effective gearing of 120%. While effective gearing will be employed in a typical range of 100% to 120%, the company retains the ability to lower equity exposure below 100% if deemed appropriate;
- the company has a policy not to invest more than 15% of gross assets in other UK listed investment companies; and
- the company may not make investments in respect of which there is unlimited liability.

Investment policy – implementation

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

A full list of holdings is disclosed on page 17 and detailed analyses of the spread of investments by industry sector and geographic region are shown on pages 8 and 16. Further analysis of changes in asset distribution by industry sector over the year and the sources of gain and loss is shown on page 8. An attribution of NAV relative performance against a global equity index is also shown on page 12.

At the year end the number of listed holdings was 91, including one holding which was held within the company's unlisted portfolio. The top ten holdings comprised 20.5% of total assets (2008: 20.5%).

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 on pages 4 and 5 and the Management Review on pages 8 to 14.

Additional limitations on borrowings

Under the company's articles of association, the directors control the borrowings of the company and its subsidiaries to secure that the aggregate amount of borrowings does, unless approved by an ordinary resolution of holders of ordinary stock units, exceed the aggregate of the reserves excluding unrealised capital profit of the company and its subsidiaries, as published in the latest accounts. In addition, the directors are entitled to incur temporary borrowings in the ordinary course of business of up to 10% of the company's issued share capital. Such temporary borrowings are to be for no longer than six months.

Principal risks and uncertainties

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

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

These and other risks facing the company are reviewed regularly by the audit committee and the board. Further information is given in note 18 to the accounts on pages 40 to 43.

Performance

The management provides the board with detailed information on the company's performance at every board meeting. Performance is measured in comparison with the company's peer group and comparator indices.

Key Performance Indicators are:

- NAV total return;
- NAV total return against comparators;
- NAV and stock price total return against peers;
- discount with debt at market value;
- dividend growth against RPI; and
- total expense ratio.

Dividends

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

The directors recommend a final dividend of 5.15p per ordinary stock unit payable on 11 February 2010. With the interim dividend of 4.45p already paid in July 2009, this makes a total of 9.60p for the year. The total dividend absorbs £12,236,000.

Status

The company is a self-managed investment trust and is an investment company within the meaning of the Companies Act 2006.

HM Revenue and Customs has approved the company as an investment trust for the purposes of S842 of the Income and Corporation Taxes Act 1988 up to the accounting period ended 31 October 2008. This approval is subject to any subsequent enquiry by HM Revenue and Customs. The company continues to satisfy the conditions for such approval.

Ordinary Stock

General

The company had 126,229,718 ordinary stock units in issue on 31 October 2009. There are no other shares in issue. The rights attaching to ordinary stock units in the company are set out in the company's articles of association. The company's articles of association may be amended by the passing of a special resolution of holders of ordinary stock, that is, by the approval of a majority of not less than 75%.

Rights to the capital of the company on winding up

The holders of ordinary stock units would be entitled to the assets of the company in the event of a winding up (after the company's other liabilities have been satisfied).

Voting

On a show of hands, every holder of ordinary stock units 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 complete £1 nominal of stock held.

Deadlines for exercising voting rights

If a holder of ordinary stock wishes to appoint a proxy to attend, speak and vote at a meeting on his behalf, a valid appointment is made when the form of proxy (together, where relevant, with a notarially certified copy of the power of attorney or other authority under which the form of proxy is signed) is received by the company's registrar not less than 48 hours before the start of the meeting or the adjourned meeting for 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.

Stock Buybacks

Under the company's stock buyback policy, the company will buy back stock (or, going forward shares) with the aim, of maintaining a discount to ex income NAV at 9% or below. In calculating NAV for the purposes of the buyback policy, the company's borrowings are taken at their market value so as to ensure that future repurchases of stock (or, going forward 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 2009, the company bought back for cancellation a total of 3,396,500 ordinary stock units representing 2.6% of ordinary stock units in issue at 31 October 2008, at a cost of £13,776,000, utilising 2.05 percentage points of the 14.99% authority renewed at the January 2009 AGM.

Substantial Stockholdings

At 4 December 2009 the company had been notified of the following holdings in excess of 3% of its ordinary stock.

	Ordinary stock units	% of issue at date of notification
AXA Group	15,112,914	12.0
Lloyds Banking Group	6,346,502	5.1
D C Thomson	5,400,000	4.2
Legal & General	5,100,886	4.0

Directors

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

The directors of the company on 31 October 2009 and their biographical details are shown on page 6. All are non-executive.

The following table shows the attendance of directors at board and committee meetings during the year to 31 October 2009.

	Board	Audit	Remuneration	Nomination
Number of meetings	8	3	3	2
Douglas McDougall	8	3	3	2
Francis Finlay	8	n/a	n/a	2
Hamish Buchan	7	3	3	2
James MacLeod	8	3	3	2
Russell Napier	3	n/a	n/a	1
Sir George Mathewson	–	n/a	n/a	–

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

Three directors are standing for re-election at the AGM. Douglas McDougall and Francis Finlay have served as directors for more than nine years and therefore retire on an annual basis. Hamish Buchan is standing for re-election because it is three years since he was last re-elected as a director. After formal performance evaluation, the chairman confirms that the directors continue to perform effectively and with great commitment and he recommends their re-election. Sir George Mathewson retired from the board on 30 January 2009. Russell Napier was appointed to the board on 24 July 2009 on the recommendation of the nomination committee. No external agency was involved in the selection process. Mr Napier will stand for election at the AGM in accordance with the company's articles of association. The chairman recommends his election.

The appointments of Douglas McDougall and Francis Finlay as directors run for one year at a time. Hamish Buchan was appointed in November 2003 and James MacLeod was appointed in September 2005 both for initial terms of three years. Hamish Buchan's appointment was renewed in November 2006 and November 2009 and James MacLeod's appointment was renewed in September 2008. Directors' letters of appointment will be available for inspection at the AGM.

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

Directors' Interests

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

	Ordinary stock units of 25p	
Beneficial interests	31 October 2009	1 November 2008
Douglas McDougall	60,000	60,000
Francis Finlay	60,000	60,000
Hamish Buchan	22,325	22,325
James MacLeod	22,553	21,216
Russell Napier	14,000	–
Sir George Mathewson	–	73,983
Non-beneficial interests		
Sir George Mathewson	–	26,500

In aggregate the directors received dividend payments of £20,700 (2008: £28,700).

There have been no changes in the directors' interests between 31 October 2009 and 4 December 2009.

Corporate Governance

Compliance

The board has reviewed the principles set out in the Combined Code on Corporate Governance and believes that the way the company is governed is consistent with these principles. Throughout the year the company complied with the provisions of the Combined Code including section 1 of the Combined Code except that there is no senior independent director. The directors consider that, as all directors are independent and non-executive, there is no compelling case for having a senior independent director. The Combined Code is available from the Financial Reporting Council – **www.frc.org.uk**

The board

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

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

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

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

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

Nomination committee

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

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

Remuneration committee

The board has appointed a remuneration committee to recommend pay and conditions for the board and employees. It has written terms of reference which are shown on the company's website.

Directors' fees are set with a view to attracting individuals of appropriate calibre and experience, taking into account the time commitment required and the level of fees paid by similar investment trusts. No other benefits are provided to directors. Fees recommended by the remuneration committee are subject to approval by the board. The company's articles of association provide for a maximum level of total remuneration payable to directors in any financial year. This total level is set at £250,000.

The company aims to provide levels of employee remuneration in line with similar organisations and to reward responsibility and achievement. Basic salaries are compared annually with those of equivalent employees in a group of comparable fund management organisations operating in Scotland. Remuneration for all staff consists of a basic salary, a discretionary performance-related bonus and benefits including a contributory pension scheme. For investment staff bonus components include, inter alia, the company's NAV total return performance, NAV total return performance relative to the peer group and an individual performance assessment. For non-investment staff bonus components include an individual performance assessment and an element linked to the company's share price total return.

Relations with stockholders

The company recognises the value of good communication with its stockholders. The management meets regularly with private client stockbrokers and the company's major institutional stockholders. The board receives regular briefings from the company's brokers. Newsletters are sent to stockholders during the year and are posted on the company's website. Stockholders are encouraged to attend the AGM and ask questions of the board and management.

Any stockholder wishing to raise questions at other times should write to the chairman. Proxy voting figures for each resolution are given to the meeting after voting on a show of hands. Separate items of business are proposed as separate resolutions including the receipt of the annual report and accounts and the approval of the directors' remuneration report. The annual report is sent to stockholders at least 21 clear days before the AGM.

Accountability and audit

The respective responsibilities of the directors and auditors in respect of the financial statements are given below and on page 44.

The audit committee has written terms of reference which are shown on the company's website. Its duties include risk assessment, reviewing internal controls, the company's accounting policies, financial statements prior to their release and the company's procedures on whistleblowing. The committee is also responsible for all aspects of the company's relationship with its external auditors including: reviewing the scope and effectiveness of the annual audit; the auditors' remuneration; the terms of engagement and the level of non-audit work, if any, carried out by the auditors. The committee will also ensure that the level of non-audit work does not compromise the auditors' independence.

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

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

The board is responsible for ensuring that the company has in place an effective system of internal controls designed to maintain the integrity of accounting records and to safeguard the company's assets. The board has applied the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the company faces. This process, which has been in place throughout the year, is in accordance with 'Internal Control: Revised Guidance for Directors on the Combined Code' published in October 2005 (The Turnbull Guidance). In compliance with the Combined Code, the board reviews the effectiveness of the company's system of internal control at six-monthly intervals.

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

There are procedures in place to ensure that:

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

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

Directors' responsibilities

United Kingdom company law requires the directors to prepare annual financial statements which give a true and fair view of the state of affairs of the company and of the returns and cash flows for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

- it has approved the financial statements for the year to 31 October 2009;
- it has reviewed the effectiveness of the company's internal controls and risk management;
- it has reviewed the need for a separate internal audit function;
- it has recommended to the board that a resolution be proposed at the AGM for the reappointment of the external auditors and it has considered the proposed terms of their engagement;
- it has satisfied itself as to the independence of the external auditors; and
- it has satisfied itself that the terms of the business review are consistent with the financial statements.

Annual General Meeting

The directors consider that the resolutions are all in the best interests of the company and of stockholders as a whole, and recommend that stockholders vote in favour of them.

Resolution 9 set out in the notice of the annual general meeting on page 48 seeks to renew the authority to repurchase ordinary stock units (or subject to resolutions 10 and 11, shares) until 30 April 2011. The principal reasons for such repurchases are to enhance the net asset value of the ordinary stock by repurchasing ordinary stock units for cancellation at prices which, after allowing for costs, improve the NAV for remaining stockholders and to allow implementation of the company's stock buyback policy.

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

It is proposed in resolution 11 to adopt new articles of association (the 'new articles') in order to update the company's current articles of association (the 'articles') to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006. The amendments are in respect of, amongst other things, its memorandum of association, the company's authorised share capital and the ability of the company to change its name. A copy of the new articles will be available for inspection at Royal London House, 22/25 Finsbury Square, London, EC2A 1DX and at the company's registered office: 6 Albyn Place, Edinburgh, EH2 4HL during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of the notice of the AGM until the conclusion of the meeting and on the date of the AGM at the meeting from 15 minutes prior to the meeting until its conclusion. A summary of the material changes proposed to be brought about by the adoption of the new articles is set out in the appendix on page 24.

Voting Policy

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

Socially Responsible Investing

When investments are made, the primary objective is to achieve the best investment return while allowing for an acceptable degree of risk. In pursuing this objective, various factors that may impact on the performance are considered and these may include socially responsible investment issues. If it is considered that a company's social, environmental or ethical record will adversely affect financial performance and result in poor returns, then an investment will not be made in the company.

Auditors

Re-appointment of auditors

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

Disclosure of information to auditors

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

Payment of Creditors

It is the company's policy to agree in advance the terms of business with suppliers and then to abide by those terms.

As the company has no trade creditors, no disclosure can be made of creditor days at the year end.

Donations

No charitable or political donations were made during the year.

By order of the board

Steven Hay
Company Secretary
10 December 2009

Appendix

The principal changes which would arise from the adoption of the new articles are set out below.

Conversion of the company's capital from stock to shares

Resolution 10 in the notice of meeting proposes that the equity capital of the company be denominated in ordinary shares rather than ordinary stock. There will be no practical effect on the interests of the stockholders, who will simply become ordinary shareholders. Currently the company's capital comprises ordinary stock units of 25p each. However, a single stock unit does not carry with it a single voting right. The existing articles provide that on a poll every member who is present in person or by proxy shall have one vote for every £1 nominal of stock of which that person is the holder. To simplify the relationship between shareholdings and voting rights the company recommends that the articles be amended so that each (converted) 25p share carries a single voting right.

The passing of resolution 11, (which relates to the adoption of new articles of association of the company) may cause stockholders proportionate holdings of total voting rights to vary and accordingly stockholders with substantial holdings should reassess their proportionate holding of voting rights following the annual general meeting.

The company's memorandum of association

The provisions regulating the operations of the company are set out in the company's memorandum and articles of association. The memorandum contains, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake.

The 2006 Act reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company.

The company is therefore proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, would otherwise be treated as forming part of the articles as of 1 October 2009.

Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital. The company is proposing changes to its articles to reflect this. The directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act.

Chairman's casting vote

Provisions in the current articles giving the chairman a casting vote at shareholders' meetings became ineffective from 1 October 2007, but companies with a casting vote provision in their articles on that date were allowed to keep it. All shareholders are to be treated equally and therefore the casting vote provision in the company's articles became redundant on 3 August 2009.

Suspension of registration of share transfers

Provisions in the current articles permitting the board to suspend the registration of share transfers are now inconsistent with the 2006 Act. Under the 2006 Act, share transfers must be registered as soon as practicable. The new articles reflect this new provision of the 2006 Act.

Directors’ Remuneration Report

This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 incorporating the Directors’ Remuneration Report Regulations 2002. An ordinary resolution for the approval of the report will be put to stockholders at the AGM on 5 February 2010.

Remuneration Committee

The company has a remuneration committee whose terms of reference include setting the fees of the directors. The full terms of reference are posted on the company’s website. The committee is chaired by Hamish Buchan and the other members are Douglas McDougall and James MacLeod. The committee agreed that the fees for the chairman and directors should be maintained at current levels.

Policy on Directors’ Fees

On 31 October 2009 the board consisted of five directors, all of whom are non-executive. Directors’ fees are set by the remuneration committee with a view to attracting individuals of appropriate calibre and experience, taking into account the time commitment required and the level of fees paid by similar investment trusts. It is intended that this policy will apply for the year to 31 October 2010 and to subsequent years. The directors do not receive bonuses, share options, long-term incentives, pension or other benefits.

Directors’ Emoluments (audited)

Fees	Year to 31 October 2009 £	Year to 31 October 2008 £
Douglas McDougall	40,000	40,000
Francis Finlay	24,000	24,000
Hamish Buchan	24,000	24,000
James MacLeod	24,000	24,000
Russell Napier	6,522	–
Sir George Mathewson	6,000	24,000
	124,522	**136,000**

Sir George Mathewson retired from the board on 30 January 2009. Russell Napier was appointed to the board on 24 July 2009.

Service Contracts

The directors do not have service contracts. They have letters of appointment for fixed terms of not more than three years which can be renewed but there is no notice period and no compensation is payable on early termination. All directors are subject to retirement by rotation and re-election subject to stockholders’ approval at intervals of not more than three years.

Company Performance

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

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

Approval

The directors’ remuneration report was approved by the board on 10 December 2009 and signed on its behalf by the chairman of the remuneration committee.

Hamish Buchan
Director
10 December 2009

Income Statement
for the year to 31 October 2009

	Notes	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Net gains/(losses) on investments held at fair value through the profit and loss		–	80,220	80,220	–	(255,872)	(255,872)
Net (losses)/gains on currencies		–	(264)	(264)	–	5,782	5,782
Income	1	21,620	–	21,620	22,653	–	22,653
Expenses	2	(2,445)	(1,694)	(4,139)	(2,623)	(1,817)	(4,440)
Net Return before Finance Costs and Taxation		19,175	78,262	97,437	20,030	(251,907)	(231,877)
Interest payable	5	(3,213)	(3,213)	(6,426)	(3,215)	(3,215)	(6,430)
Return on Ordinary Activities before Tax		15,962	75,049	91,011	16,815	(255,122)	(238,307)
Tax on ordinary activities	6	(2,277)	948	(1,329)	(2,340)	1,450	(890)
Return attributable to Equity Stockholders		**13,685**	**75,997**	**89,682**	**14,475**	**(253,672)**	**(239,197)**
Return per Ordinary Stock Unit		**10.62p**	**59.00p**	**69.62p**	**11.00p**	**(192.82p)**	**(181.82p)**
Weighted average number of Ordinary Stock Units in issue during the year			**128,817,089**			**131,554,807**	

	2009 £'000	2008 £'000
Dividends paid and proposed (Note 7):		
Interim dividend paid 2009 – 4.45p (2008: 4.45p)	5,735	5,805
Final dividend proposed 2009 – 5.15p (2008: 5.05p)	6,501	6,546
	12,236	**12,351**

All revenue and capital items in the above statement derive from continuing operations.

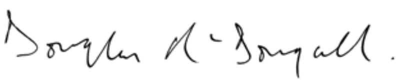
The total column of this statement is the profit and loss account of the company.

The accompanying notes are an integral part of this statement.

Balance Sheet
as at 31 October 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Fixed Assets					
Equity investments	8	611,455		539,634	
Fixed interest investments		25,274		–	
			636,729		539,634
Current Assets					
Debtors	11	15,853		12,848	
Cash and deposits	8	45,122		82,224	
		60,975		95,072	
Creditors: liabilities falling due within one year	12	(733)		(1,185)	
Net Current Assets			60,242		93,887
Total Assets less Current Liabilities			696,971		633,521
Creditors: liabilities falling due after more than one year					
Long-term borrowings at par	13		(107,612)		(107,492)
Pension liability	4		(1,684)		(350)
Net Assets			**587,675**		**525,679**
Capital and Reserves					
Called-up share capital	14		31,558		32,407
Share premium account	15		39,922		39,922
Other reserves	15				
Capital redemption reserve			39,303		38,454
Capital reserve			432,748		371,195
Revenue reserve			44,144		43,701
Equity Stockholders' Funds			**587,675**		**525,679**
Net Asset Value per Ordinary Stock Unit with borrowings at par			**465.6p**		**405.5p**
Number of Ordinary Stock Units in issue at year end	14		**126,229,718**		**129,626,218**

The financial statements on pages 26 to 43 were approved by the board of directors on 10 December 2009 and were signed on its behalf by:



Douglas McDougall
Director

The accompanying notes are an integral part of this statement.

Registered no. SCO 01651

Statement of Total Recognised Gains and Losses
for the year to 31 October 2009

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Return attributable to equity stockholders	13,685	75,997	89,682	14,475	(253,672)	(239,197)
Actuarial (losses)/gains (Note 4)	(961)	(668)	(1,629)	159	111	270
Total recognised gains/(losses) for the year	12,724	75,329	88,053	14,634	(253,561)	(238,927)
Total recognised gains/(losses) per ordinary stock unit	**9.88p**	**58.48p**	**68.36p**	**11.12p**	**(192.74p)**	**(181.62p)**

Reconciliation of Movements in Stockholders' Funds
for the year to 31 October 2009

	2009 £'000	2008 £'000
Opening equity stockholders' funds as previously reported	525,679	802,353
Total recognised gains/(losses)	88,053	(238,927)
Dividend payments	(12,281)	(14,828)
Ordinary stock repurchases	(13,776)	(22,919)
Closing equity stockholders' funds	**587,675**	**525,679**

Cash Flow Statement
for the year to 31 October 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Net Cash Inflow from Operating Activities			13,105		17,325
Servicing of Finance					
Net cash outflow from servicing of finance – interest paid			(6,306)		(6,309)
Taxation					
Net cash inflow from taxation – overseas tax recovered			149		72
Investing Activities					
Purchases of investments – equities		(422,804)		(775,036)	
– fixed interest		(26,623)		(49,832)	
Disposals of investments – equities		430,671		811,422	
– fixed interest		1,086		49,793	
Net cash (outflow)/inflow from investing activities			(17,670)		36,347
Equity Dividends Paid	7		(12,281)		(14,828)
Net cash (outflow)/inflow before use of liquid resources and financing			(23,003)		32,607
Management of Liquid Resources					
Decrease in current asset investments and short-term deposits	16		31,662		7,338
Financing					
Net cash outflow from financing – stock buybacks	14		(14,099)		(22,906)
(Decrease)/increase in Cash	16		**(5,440)**		**17,039**
Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities					
Net revenue before finance costs and taxation			19,175		20,030
Expenses charged to capital			(1,694)		(1,817)
Scrip dividends			(769)		–
(Increase)/decrease in accrued income			(1,187)		369
(Decrease)/increase in other creditors			(129)		34
Increase in other debtors			(80)		(4)
Adjustment for pension funding			(295)		(229)
Tax on investment income			(1,916)		(1,058)
Net Cash Inflow from Operating Activities			**13,105**		**17,325**

The accompanying notes are an integral part of this statement.

Accounting Policies

A summary of the principal accounting policies is set out in paragraphs (a) to (i) below. All have been applied consistently throughout the current and the preceding year:

(a) Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investments at fair value, and in accordance with applicable United Kingdom accounting standards. The company's accounting policies comply with the AIC Statement of Recommended Practice (SORP) issued in January 2009 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

(b) Valuation of Investments

Listed investments are valued at fair value through profit or loss. Fair value is the closing bid or last traded price according to the recognised convention of the markets on which they are quoted. Where trading in the securities of an investee company is suspended, the investment is valued at the board's estimate of its net realisable value. Where appropriate the directors have adopted the guidelines issued by the International Private Equity and Venture Capital Association for the valuation of unlisted investments. Heritable property is included at a professional valuation. Depreciation is not charged on heritable property as it is not material.

Realised surpluses or deficits on the disposal of investments, permanent impairments in the value of investments and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve as explained in note (h) below.

Year end exchange rates are used to translate the value of investments which are denominated in foreign currencies.

(c) Income

Dividends receivable on quoted shares are brought into account on the ex-dividend date. Dividends receivable on shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established.

Fixed interest and other returns on non-equity securities are recognised on a time apportionment basis so as to reflect the effective yield on the securities. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Where the company elects to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash is recognised in capital reserves.

(d) Expenses

All expenses are accounted for on an accruals basis.

Eligible investment expenses have been charged one-half to revenue reserve and one-half to capital reserve in line with the directors' expectations of the nature of long-term future returns from the company's investments (2008: same).

Expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost, or deducted from the sales proceeds of the investment.

(e) Finance Costs

Interest payable has been charged one-half to revenue reserve and one-half to capital reserve in line with the directors' expectations of long-term future returns from the company's investments (2008: same). Tax relief applicable to those charges is allocated between revenue and capital using the marginal basis as described in para 66 of the SORP.

The discount on, and expenses of issue of, the secured bonds due 2030 have been included in the financing costs of the issue which are being written off over the life of the bonds.

(f) Taxation

Current tax is provided at amounts expected to be paid (or recovered).

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The company has no deferred tax asset or liability.

(g) Foreign Currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction or, where appropriate, at the rate of exchange in a related forward contract. Assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature.

(h) Capital Reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature
- the funding of ordinary stock repurchases
- expenses, interest and tax charged to capital.
- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature
- increases and decreases in the valuation of the pension fund surplus or deficit.

(i) Pensions

Information on the company's pension scheme is contained in Note 4 to the Financial Statements on page 32.

Notes to the Financial Statements
for the year to 31 October 2009

1. Income

	2009 £'000	2008 £'000
UK dividends including specials of £nil (2008: £9,000)	6,296	9,263
UK fixed interest	492	–
Overseas dividends including specials of £687,000 (2008: £905,000)	12,906	10,171
Overseas fixed interest	328	–
Scrip dividends	768	–
Deposit interest	393	3,372
Forward currency sales	437	(153)
	21,620	**22,653**
Income includes:		
Listed UK	6,788	9,262
Listed overseas	14,002	10,171
Unlisted	–	1
	20,790	**19,434**

2. Expenses

	2009 £'000	2008 £'000
Staff costs (Note 3)	2,530	2,712
Auditors' remuneration for audit services	28	28
Auditors' remuneration for pension scheme audit	4	4
Auditors' remuneration for tax advisory services	8	8
Other financial advisory services	1	1
Other expenses	1,568	1,687
	4,139	**4,440**

Eligible investment expenses have been charged one-half to revenue reserve and one-half to capital reserve (2008: same).

3. Staff Costs

	2009 £'000	2008 £'000
Remuneration	1,873	2,047
Social security costs	217	229
Pensions and post-retirement benefits	440	436
	2,530	**2,712**

The average monthly number of persons employed during the year was:

	2009 Number	2008 Number
Investment	11	11
Administration	11	11
	22	22
Directors' remuneration:		
Fees for services as directors	**£124,522**	**£136,000**

4. Pension Scheme

The company's defined benefit pension scheme based on final salary is now closed to new entrants. The assets of the scheme are held separately from those of the company. The scheme is under the control of trustees and is administered by Punter Southall & Co, consulting actuaries.

Actuarial valuations are obtained triennially and are updated at each balance sheet date. A full actuarial valuation was carried out in 2007 which disclosed a scheme deficit of £1,606,000 on 31 July 2007. The company has agreed to meet this deficit over nine years by equal instalments. It should be noted that this deficit differs from that disclosed by Financial Reporting Standard 17 (FRS17) which is set out below and which is the liability required to be shown in the financial statements. The main reason for the difference is that FRS17 requires future liabilities to be calculated actuarially using a rate of return based on the yield from investment grade corporate bonds which is lower than the expected rate of return on the equities in which the scheme is invested. The FRS17 liability is separately disclosed in the balance sheet.

For the defined benefits scheme the amounts charged against revenue, as part of staff costs, are the actuarial estimation of 'current service costs' (that is, the increase in scheme liabilities arising from employee service) for the current accounting period and gains and losses from settlements (whereby the company is relieved of a pension obligation) and from curtailments (whereby the estimated years of future service are reduced) in the period. The cost of past service benefits which have vested are charged against revenue as they arise. Where such benefits have not vested costs are accrued until vesting occurs.

For employees who are not members of the defined benefits scheme, the company operates a defined contribution scheme under which the company has agreed to pay contributions as a percentage of salary, but has no obligation to pay further contributions. For this scheme, the amount charged to revenue is the contributions payable for the year.

The following statement has been prepared for the defined benefits scheme in accordance with the requirements of FRS17, the purpose of which is to ensure that:

1. the company's financial statements show the assets of the scheme at fair value, and the liabilities arising from its obligations to employees on their retirement, actuarially estimated as prescribed by FRS17;
2. the operating costs of providing retirement benefits to employees, actuarially estimated, are charged against the profits of the years in which employees earn those benefits; and
3. the financial statements adequately disclose the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

The major assumptions used for the actuarial valuation of the final salary scheme were:

		2009 %	2008 %	2007 %	2006 %	2005 %
Rate of increase in salaries		4.0	5.0	5.2	4.9	4.9
Rate of increase in pensions in payment		3.7	3.4	3.5	3.5	3.5
Discount rate		5.6	6.9	5.8	5.0	5.0
Inflation		3.6	3.0	3.2	2.9	2.9
Life expectancies on retirement at age 60 are:						
Retiring today	– males	26.3	26.2	26.1		
	– females	28.8	28.7	28.6		
Retiring in 20 years time	– males	27.5	27.5	27.4		
	– females	29.8	29.7	29.7		

The expected rates of return from the scheme assets on the balance sheet date were:

	2009 %	2008 %	2007 %	2006 %	2005 %
Equities	7.2	7.7	7.7	7.2	7.3
Bonds	4.2	4.7	4.7	4.2	4.3
With-profit policies	4.3	4.5	5.8	4.7	4.7
Cash	4.3	4.5	5.8	4.8	4.5

4. Pension Scheme (continued)

The fair value of the scheme assets and the present value of the scheme liabilities were:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Equities	2,807	2,286	3,311	2,994	2,494
Bonds	101	83	104	100	71
With-profit policies	136	1,293	1,223	1,054	1,262
Cash	3,699	2,182	1,984	1,627	999
Total fair value of assets	6,743	5,844	6,622	5,775	4,826
Present value of scheme liabilities	(8,427)	(6,194)	(7,471)	(7,570)	(6,757)
Net pension liability	**(1,684)**	**(350)**	**(849)**	**(1,795)**	**(1,931)**

Reconciliation of the opening and closing balances of the present value of the scheme assets	2009 £'000	2008 £'000
Fair value of scheme assets at beginning of year	5,844	6,622
Expected return on scheme assets	351	437
Actuarial gains/(losses)	25	(1,371)
Contributions by employers	604	543
Contributions by plan participants	41	37
Benefits paid	(122)	(424)
Fair value of scheme assets at end of year	**6,743**	**5,844**

Reconciliation of the opening and closing balances of the present value of the scheme liabilities	2009 £'000	2008 £'000
Liabilities at beginning of year	6,194	7,471
Current service cost	231	333
Interest cost	429	418
Contributions by scheme participants	41	37
Actuarial losses/(gains)	1,654	(1,642)
Benefits paid	(122)	(423)
Liabilities at end of year	**8,427**	**6,194**

4. Pension Scheme (continued)

Analysis of amount chargeable to operating profit during the year

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Current service cost	272	370	484	446	363
Total operating charge	272	370	484	446	363
Employee contribution to be set off	(41)	(37)	(41)	(37)	(35)
Analysis of amount credited to other finance income:					
Expected return on assets	351	437	355	298	360
Interest on liabilities	(429)	(418)	(388)	(347)	(370)
Net return	(78)	19	(33)	(49)	(10)
Movement in deficit during year: Deficit at beginning of year	(350)	(849)	(1,795)	(1,931)	(1,430)
Movement in year:					
Current service cost	(272)	(370)	(484)	(446)	(363)
Contributions for year	645	580	420	362	314
Net return from other finance income	(78)	19	(33)	(49)	(10)
Actuarial (losses)/gains in statement of total recognised gains and losses	(1,629)	270	1,043	269	(442)
Deficit at end of year	**(1,684)**	**(350)**	**(849)**	**(1,795)**	**(1,931)**

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Analysis of the actuarial deficit in the statement of recognised gains and losses:					
Actual return less expected return on assets	25	(1,371)	137	365	256
Experience (losses)/gains on liabilities	(6)	(143)	363	(96)	(153)
Change in assumptions	(1,648)	1,784	543	–	(545)
Actuarial (losses)/gains in statement of total recognised gains and losses	**(1,629)**	**270**	**1,043**	**269**	**(442)**

History of experience gains and losses

	2009 %	2009 £'000	2008 %	2008 £'000	2007 %	2007 £'000	2006 %	2006 £'000	2005 %	2005 £'000
Difference between actual and expected return on assets	0	25	(24)	(1,371)	2	137	6	365	5	256
Experience (losses)/gains on liabilities	(0)	(6)	(2)	(143)	5	363	1	(96)	2	(153)
Total amount recognised on statement of total recognised gains and losses	(19)	(1,629)	3	270	14	1,043	4	269	7	(442)

The pension cost of operating the defined contribution scheme amounted to £75,000 (2008: £65,000).

5. Interest Payable

	2009 £'000	2008 £'000
On secured bonds, debentures, bank loans, overdrafts and other loans	6,306	6,309
Amortisation of secured bond issue expenses	120	121
	6,426	**6,430**

Interest payable has been charged one-half to revenue reserve and one-half to capital reserve (2008: same).

6. Tax on Ordinary Activities

	2009 £'000	2008 £'000
Taxation		
UK Corporation tax at 28% (2008: 28.83%)	–	–
Overseas tax	1,329	890
Current tax	1,329	890

The tax charge for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28% for 2009 (2008: 28.83%).

	2009 £'000	2008 £'000
Return on ordinary activities before tax	**91,011**	**(238,307)**
Corporation tax at 28% (2008: 28.83%)	25,483	(68,704)
Effects of: Non-taxable capital (returns)/losses	(21,014)	73,552
Finance costs and expenses charged to capital	(1,374)	(1,451)
Non-taxable dividends	(1,889)	(2,485)
Non-taxable scrip dividends	(215)	–
Unutilised expenses	(991)	(912)
Overseas tax	1,329	890
	1,329	**890**

There are unrelieved management expenses at 31 October 2009 of £56,376,000 (2008: £55,083,000) but the related deferred tax asset has not been recognised. This is because the company is not expected to generate taxable profits in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the company will be able to reduce future tax liabilities through the use of existing unrelieved expenses.

7. Dividends

	2009 £'000	2008 £'000
Dividends paid on ordinary stock recognised in the year:		
Previous year final of 5.05p per unit (2007: 4.80p)	6,546	6,368
Previous year special of 0p per unit (2007: 2.00p)	–	2,655
Interim paid of 4.45p per unit (2008: 4.45p)	5,735	5,805
	12,281	**14,828**

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

8. Investments

	2009 £'000	2008 £'000
Investments listed on a recognised investment exchange	626,821	527,165
Unlisted investments	9,755	12,366
Subsidiary undertakings (Note 9)	153	103
	636,729	**539,634**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total 2009 £'000
Opening book cost	138,698	422,334	8,136	569,168
Opening unrealised (depreciation)/appreciation	(6,800)	(27,067)	4,333	(29,534)
Opening valuation	**131,898**	**395,267**	**12,469**	**539,634**
Movements in the year:				
Purchases at cost	103,410	345,810	821	450,041
Sales – proceeds	(75,432)	(356,363)	(1,158)	(432,953)
– realised (losses)/gains on sales	(11,197)	(25,784)	874	(36,107)
Amortisation on fixed interest investments	(106)	(107)	–	(213)
Increase/(decrease) in unrealised appreciation	27,661	91,764	(3,098)	116,327
Closing valuation	176,234	450,587	9,908	636,729
Closing book cost	155,373	385,890	8,673	549,936
Closing unrealised appreciation	20,861	64,697	1,235	86,793
	176,234	**450,587**	**9,908**	**636,729**

The purchases at cost and sales proceeds figures include transaction costs of £2,173,000 (2008: £3,602,000), comprising commissions, government stamp duty and other exchange fees.

	2009 £'000	2008 £'000
Realised (losses)/gains on sales	(36,107)	4,655
Increase/(decrease) in unrealised appreciation	116,327	(260,527)
Gains/(losses) on Investments	**80,220**	**(255,872)**

Unlisted investments include heritable property valued at £1,000,000 (2008: £1,230,000). The property was valued on an open market basis by Ryden, chartered surveyors, on 15 October 2009.

8. Investments (continued)

Financial assets – cash, deposits and current asset investments

	2009 Fixed £'000	2009 Floating £'000	2009 Total £'000	2008 Fixed £'000	2008 Floating £'000	2008 Total £'000
Sterling	30,000	10,898	40,898	40,000	7,875	47,875
Euro	–	285	285	–	1,824	1,824
US dollar	–	3,726	3,726	21,662	10,863	32,525
Other	–	213	213	–	–	–
	30,000	**15,122**	**45,122**	**61,662**	**20,562**	**82,224**

The maximum period for fixed rate deposits outstanding at the year end was 12 days (2008: 1 day). The weighted average fixed interest rate at the year end was 0.38% (2008: 2.59%). Floating interest rates vary in relation to short-term rates in the currencies in which deposits are held.

9. Subsidiary Undertakings

The company has investments in the following subsidiary undertakings:

Name of undertaking	Principal activity	Country of incorporation and voting and operation	Description of shares held	Proportion of nominal value of issued shares and voting rights held
Hurtree Limited	Investment	UK	Ordinary	100%
SIT Savings Limited	Investment products	UK	Ordinary	100%

The accounts of these subsidiaries have not been consolidated with those of the parent company as, in the opinion of the directors, the amounts involved are not material. The directors are satisfied that the valuation of the subsidiaries reflects and does not exceed the value of the underlying assets.

10. Significant Interests

Details of investments, other than subsidiaries, in which the company has an interest of 20% or more of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

Name of undertaking	Country of incorporation and operation	Description of shares held	Percentage held	Aggregate capital and reserves £'000	Profit/(loss) after tax for year £'000
Sprout Growth Limited	Cayman Islands operating in USA	Ordinary and participating	49.7	339	7

11. Debtors

	2009 £'000	2008 £'000
Amounts due from brokers	13,199	11,900
Overseas tax recoverable	635	197
Prepayments and accrued income	2,019	751
	15,853	**12,848**

12. Creditors: Liabilities Falling Due Within One Year

	2009 £'000	2008 £'000
Amounts due to brokers	214	537
Other creditors	519	648
	733	**1,185**

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

	2009		2008	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
4% perpetual debenture stock	350	286	350	273
4¼% perpetual debenture stock	700	609	700	583
5% perpetual debenture stock	1,009	1,030	1,009	985
5¾% secured bonds due 17/4/2030	105,553	117,501	105,433	101,277
	107,612	**119,426**	**107,492**	**103,118**

The secured bonds are secured by a floating charge over the assets of the company and have a redemption value in 2030 of £108,015,000.

The debenture stocks and secured bonds are stated in the balance sheet at book value. Restating them at estimated market value of £119.4m (2008: £103.1m) has the effect of decreasing the year end NAV per ordinary stock unit from 465.6p to 456.2p (2008 increasing from: 405.5p to 408.9p). Estimated market value is the fair value of the company's secured bonds and debenture stocks. The current fair value of the company's secured bonds is based on the redemption yield of the reference gilt plus a margin of 100 basis points (the reference gilt is the 6% Treasury Stock 2028).

14. Called-Up Share Capital

	2009	2008
Ordinary stock units of 25p	£31,558,000	£32,407,000
Number of ordinary stock units in issue	126,229,718	129,626,218

3,396,500 ordinary stock units were repurchased in the stockmarket during the year to 31 October 2009 (2008: 4,641,297).

1,054,800 ordinary stock units were repurchased between 31 October 2009 and 4 December 2009.

15. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 1 November 2008	39,922	38,454	371,195	43,701
Exchange difference	–	–	(264)	–
Net loss on realisation of investments	–	–	(36,107)	–
Increase in unrealised appreciation	–	–	116,327	–
Ordinary stock repurchased	–	849	(13,776)	–
Actuarial loss relating to pension scheme	–	–	(668)	(961)
Interest, expenses and tax charged to capital in current year	–	–	(3,959)	–
Revenue return on ordinary activities after tax	–	–	–	13,685
Dividends paid during the year	–	–	–	(12,281)
At 31 October 2009	**39,922**	**39,303**	**432,748**	**44,144**

16. Analysis of Changes in Net Debt During the Year

	1 November 2008 £'000	Cash flows £'000	Non-cash movements £'000	31 October 2009 £'000
Cash at bank	20,562	(5,440)	–	15,122
Short term deposits	61,662	(31,662)	–	30,000
Borrowings due after one year	(107,492)	–	(120)	(107,612)
	(25,268)	**(37,102)**	**(120)**	**(62,490)**

17. Contingencies, Guarantees and Financial Commitments

	2009 £'000	2008 £'000
Contingencies, guarantees and financial commitments of the company at the year end, which have not been accrued, are as follows:		
Commitments to provide additional funds to investees	1,162	1,949

18. Financial Instruments

Summary of financial assets and financial liabilities by category

The carrying amounts of the company's financial assets and financial liabilities at the balance sheet date are as follows. The accounting policies on page 30 explain how the various categories of financial instrument are measured.

	2009 £'000	2008 £'000
Financial assets		
Financial assets at fair value through profit or loss		
Fixed asset investments – designated as such on initial recognition	636,729	539,634
Current assets:		
Debtors	15,853	12,848
Cash and short-term deposits	45,122	82,224
	60,975	95,072
Financial liabilities		
Creditors: liabilities falling due within one year		
Purchases awaiting settlement	(214)	(537)
Other creditors	(519)	(648)
Creditors: liabilities falling due after more than one year		
Long-term borrowings at par	(107,612)	(107,492)
Pension liability	(1,684)	(350)
	(110,029)	**(109,027)**

Financial instruments, 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 objectives stated on page 1. In pursuing its investment objective, the company is exposed to a variety of risks that could result in either a reduction in the company's net assets or a reduction in the profits available for dividend.

The main risks include investment and market price risk (comprising foreign currency risk and interest rate risk), liquidity risk and credit risk. The directors' approach to the management of these risks, is set out below. The directors, the manager and the company secretary coordinate the company's risk management.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, set out below, have not changed from those applying in the previous year.

a. Investment and market price risk

The holding of securities and investing activities involve certain inherent risks. Events may occur which affect the value of investments. The company holds a portfolio which is well diversified across industrial and geographical areas to help minimise these risks. It may also use derivatives. Trading in derivatives is not within the normal activities of an investment trust nor is it the company's policy to trade in such instruments. However, from time to time the company may wish to use such instruments in order to protect against a specific risk or to facilitate a change in investment strategy such as the movement of funds from one area to another. No such transaction may take place without the prior authorisation of the board.

b. Foreign currency risk

Approximately 70% of the company's assets are invested overseas which gives rise to a currency risk. This risk is monitored by the managers on a daily basis and by the board at each meeting. From time to time specific hedging transactions are undertaken. The company's overseas income is subject to currency movements. During the year, US dollar and euro dividend income was hedged by forward sales of US dollars and euros. The currency profile of the company's monetary assets and liabilities is set out in Notes 8 and 13.

18. Financial Instruments (continued)

Management of the risk

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

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

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

Foreign currency exposure

The fair values of the company's monetary items which have foreign currency exposure at 31 October 2009 and 31 October 2008 are shown below. The company's equity investments (which are not monetary items) which are priced in a foreign currency, have been included separately in the analysis so as to show the overall level of exposure.

2009	US $ £'000	Euro £'000	Other £'000
Debtors (amounts due from brokers, dividends receivable and accrued income)	679	3,915	8,666
Cash at bank	3,726	285	213
Foreign currency exposure on net monetary items	4,405	4,200	8,879
Equity investments at fair value through profit or loss	162,828	100,361	183,507
Fixed investments at fair value through profit or loss	5,102	15,233	–
Total net foreign currency exposure	**172,335**	**119,794**	**192,386**

2008			
Debtors (amounts due from brokers, dividends receivable and accrued income)	133	–	366
Cash at bank	32,524	1,824	–
Foreign currency exposure on net monetary items	32,657	1,824	366
Equity investments at fair value through profit or loss	201,462	77,938	126,733
Total net foreign currency exposure	**234,119**	**79,762**	**127,099**

The above year end amounts are not representative of the exposure to risk during the year, because the levels of monetary foreign currency exposure may change significantly throughout the year. The maximum and minimum net monetary assets/(liabilities) amounts for each currency were as follows.

Year to 31 October 2009	US $ £'000	Euro £'000	Other £'000
Maximum	37,821	6,066	11,466
Minimum	1,154	(303)	46

Year to 31 October 2008			
Maximum	55,809	19,334	11,850
Minimum	(16,537)	10	(14,655)

18. Financial Instruments (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return for the year and the stockholders' equity in regard to the company's monetary financial assets and financial liabilities. It assumes a 10% depreciation of sterling against both the US dollar and the euro. These percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the company's monetary foreign currency financial instruments held at each balance sheet date.

	2009 US $ £'000	2009 Euro £'000	2008 US $ £'000	2008 Euro £'000
If sterling had weakened by 10% against the currencies shown, this would have had the following effect:				
Income statement – return on ordinary activities after taxation:				
Revenue return	274	489	162	423
Capital return	17,152	11,906	23,282	8,427
Return attributable to equity stockholders	**17,426**	**12,395**	**23,444**	**8,850**

A 10% strengthening of sterling against the above currencies would result in an equal and opposite effect on the above amounts.

In the opinion of the directors, the above sensitivity analyses are broadly representative of the whole of the current and comparative years.

c. Interest rate risk

The company finances its operations through a combination of investment realisations, retained revenue reserves, bank credit facilities, debenture stocks and secured bonds. All of the existing debenture stocks and secured bonds are at fixed rates. The company has undrawn short-term multicurrency credit facilities which can be drawn at variable rates of interest. Details of interest rates on financial assets are included in Note 8. Details of interest rates on financial liabilities are included in Note 13.

Management of the risk

The company finances part of its activities through borrowings at levels which have been approved and are monitored by the board. The company, generally, does not, otherwise than in exceptional market conditions, hold substantial cash balances.

Interest rate exposure

The exposure, at the year end, of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	2009 Within one year £'000	2009 More than one year £'000	2009 Total £'000	2008 Within one year £'000	2008 More than one year £'000	2008 Total £'000
Exposure to floating interest rates						
Cash at bank	15,122	–	15,122	20,562	–	20,562
Exposure to fixed interest rates						
Fixed interest investments	1,017	24,257	25,274	–	–	–
Short-term deposits	30,000	–	30,000	61,662	–	61,662
Long-term borrowings	–	(107,612)	(107,612)	–	(107,492)	(107,492)
Total exposure	**46,139**	**(83,355)**	**(37,216)**	**82,224**	**(107,492)**	**(25,268)**

18. Financial Instruments (continued)

Interest rate sensitivity

If interest rates had decreased by 5% on the reporting date, with all other variables held constant, the return attributable to equity stockholders as shown on the Income Statement would have decreased by the amounts shown in the table below:

	2009 £'000	2008 £'000
Income statement – return on ordinary activities after taxation		
Revenue return	100	(8)
Capital return	161	161
Return attributable to equity stockholders	**261**	**153**

A 5% increase in interest rates would result in an equal and opposite effect on the above amounts.

d. Liquidity risk

Almost all of the company's assets comprise listed securities which represent a ready source of funds. In addition the company has access to short-term borrowing facilities. The maturity profile of the company's borrowings is included in Note 13.

Management of the risk

Liquidity risk is not as significant as the other risks as most of the company's assets are investments in quoted equities and are readily realisable. The manager reviews the liquidity of the portfolio when making investment decisions.

e. Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the company suffering a loss.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends.

Cash at bank comprises balances held at banks with a Fitch short term deposit rating of F1 credit rating or higher (2008: F1).

Management of the risk

This risk is managed as follows:

– by only dealing with brokers and banks which have been approved by the directors and which have high 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 effective and potential gearing are monitored closely by the board and manager. The company applies a ceiling on effective gearing of 120%. While effective gearing will be employed in a typical range of 100% to 120%, the company retains the ability to lower equity exposure below 100% if deemed appropriate.

The board, with the assistance of the manager, monitors and reviews the broad structure of the company's capital on an ongoing basis. This review includes the planned level of gearing which will take into account the manager's view on the market, the need to buy back stock units for cancellation which takes account of the difference between the net asset value per stock unit and the stock price (the company seeks to maintain a discount of 9% or less) and the extent to which revenue in excess of that which is required to be distributed should be retained.

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

Independent Auditors' Report

To the members of The Scottish Investment Trust PLC

We have audited the financial statements of The Scottish Investment Trust PLC for the year ended 31 October 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Stockholders' Funds, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the directors' report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Ralph Adams CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Edinburgh, UK
10 December 2009

Investor Information

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

How to Invest

You can buy SIT stock using the investment products outlined below. SIT stock can also be bought directly on the stockmarket through a stockbroker. Your bank, lawyer, accountant or other professional adviser may be able to help with this.

STOCKPLAN

SIT's investment trust savings scheme is one of the most cost-effective available. Extremely flexible, it allows you to invest regularly (minimum investment £25 per month) and/or with a lump sum (minimum investment £250). There is no maximum investment limit and you can stop and start investing at any time.

STOCKPLAN: A Flying Start

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

The SIT ISA

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

The SIT SIPP

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

Update on Tax-Efficient Investing

ISAs

The overall ISA annual investment limit is currently £7,200 (up to £3,600 in a cash ISA and the balance, or full amount, in a stocks and shares ISA).

On 6 October 2009, the ISA subscription limit increased to £10,200 for anyone eligible to invest in an ISA who was born on or before 5 April 1960 (i.e. who will be aged 50 or over during the current tax year). Up to £5,100 of the new ISA allowance can be saved in a cash ISA with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider.

Alternatively, the full £10,200 can be invested in a stocks and shares ISA with one provider.

These higher limits will apply to all eligible ISA investors with effect from 6 April 2010.

Transfers from cash ISAs into stocks and shares ISAs are permitted and do not count against the current year's subscription.

Investment in ISAs continues to be free from any capital gains tax. Higher rate tax payers do not have to pay any additional tax on the dividend, nor does it need to be included in a tax return.

The SIT ISA is a stocks and shares ISA.

The SIT SIPP

The SIT SIPP accepts what is known as protected rights money.

Previously, the only option for most individuals who had built up a protected rights fund through contracting out of SERPs or the State Second Pension (S2P) into a personal pension was to hold it in a traditional style personal pension or stakeholder plan.

SIT Schemes' Administrator Telephone Number

There is one telephone number for the administration of the SIT STOCKPLAN and ISA schemes. This is the number for our scheme administrator, Halifax Share Dealing Limited (HSDL), and it should be used by holders of our STOCKPLAN, STOCKPLAN: A Flying Start and ISA schemes for:

- account queries
- requests for valuations
- information about your scheme
- instructing a sale
- making an investment using a debit card
- changing the amount of your monthly investment
- giving change of address details
- help with accessing STOCKPLAN and ISA information online

The number is: **0845 850 0181.**

Dividends

The following dividends have been paid or proposed during 2009:

Dividends	Amount	XD date	Record date	Payment date
Final 2008	5.05p	7 January 2009	9 January 2009	5 February 2009
Interim 2009	4.45p	10 June 2009	12 June 2009	17 July 2009
Final 2009	5.15p	13 January 2010	15 January 2010	11 February 2010

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

Conversely, name on register stockholders (investors whose names are on our stock register and who hold their stock in certificated form) where dividends are automatically paid as income, can have their dividends reinvested by joining our Dividend Reinvestment Plan (DRIP). Details are available from Computershare Investor Services, our Registrar, on 0870 703 0195, or from the investor relations section on our website, **www.sit.co.uk**

Monitoring Your Investment

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

The price of ordinary stock units is published daily in most quality newspapers and is also available on Ceefax and Teletext, listed as Scot.IT. In addition, a number of financial websites, such as the FT website, **www.ft.com** and Trustnet (Financial Express), **www.trustnet.com** carry stock price information.

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

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

Accessing Your Account Online

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

The above scheme investors may view their accounts online by registering with halifax-online. This can be accessed through the links in the various product sections on our website, **www.sit.co.uk** or by visiting **www.halifax.co.uk/online** Please note you will need your Share Dealing Personal Reference Number (PRN) to access this service. If you do not have this, please contact SIT's scheme administrator, HSDL, on 0845 850 0181.

SIPP investors

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

Name on register stockholders

Investors who hold ordinary stock in their own name on SIT's stock register can check their holdings on our Registrar's website, **www.investorcentre.co.uk** or through the link in the investor relations section on SIT's website, **www.sit.co.uk**

Please note that to access this facility, investors will need to quote the reference number shown on their stock certificate.

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

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

Electronic Communications

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

Stockholders' Meetings

Investors whose names appear on the main stock register (i.e. not in one of our schemes, nor in a broker's nominee) are entitled to attend and vote at the AGM and other general meetings. Notices of meetings and proxy cards are sent to their registered addresses.

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

The AGM will be held at the Roxburghe Hotel, Charlotte Square, Edinburgh on 5 February 2010 at 10.30am.

Electronic Voting

Name on register stockholders in their own right (i.e. not in one of our schemes, nor in a broker's nominee) are able to submit proxy votes electronically for our AGM. Please follow the instructions on your proxy card.

Personal Taxation

Income Tax

Currently, all UK dividends are paid to stockholders net of a tax credit of 10%. Changes to the tax regime mean that from April 1999 non-tax payers are no longer able to reclaim the tax credit.

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

Capital Gains Tax (CGT)

Investment trusts currently pay no CGT on gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. Currently, the first £10,100 pa of such gains from all sources is exempt.

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

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

ISA investments remain exempt from CGT.

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

SIT Savings Limited is the plan manager of STOCKPLAN, STOCKPLAN: A Flying Start and The SIT ISA and is authorised and regulated by the Financial Services Authority (FSA), 25 The North Colonnade, Canary Wharf, London E14 5HS.

Risk Warning

The capital value of stock units and the income from them can go down as well as up as a result of market and currency fluctuations and cannot be guaranteed. That means you may not get back the amount you originally invested. Past performance may not be repeated and is no indicator of future performance. The Scottish Investment Trust PLC has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns for stockholders. However, if markets fall, these borrowings will magnify any losses. Investment in SIT is intended as a long-term investment. Taxation levels, bases and reliefs are subject to change and may depend on individual circumstances.

Further Information

For further information and brochures on any SIT products please visit our website, **www.sit.co.uk** or contact:

SIT Investor Relations
SIT Savings Limited
Freepost EH882
Edinburgh
EH2 0BR

Brochure Request Line: 0800 42 44 22
Fax: 0131 226 3663
Email: info@sit.co.uk

Notice of Meeting

Notice is hereby given that the one hundred and twenty second annual general meeting of The Scottish Investment Trust PLC will be held at The Roxburghe Hotel, Charlotte Square, Edinburgh, on 5 February 2010 at 10:30am, for the purpose of transacting the following:

As ordinary business:

1. To receive and consider the directors' report and statement of accounts for the year to 31 October 2009.
2. To approve the directors' remuneration report for the year to 31 October 2009.
3. To declare a final dividend of 5.15p per ordinary stock unit.
4. To re-elect Mr Douglas McDougall as a director.
5. To re-elect Mr Francis Finlay as a director.
6. To re-elect Mr Hamish Buchan as a director.
7. To elect Mr Russell Napier as a director.
8. To re-appoint Deloitte LLP as auditors and to authorise the directors to fix their remuneration.
9. To authorise the company, in accordance with section 701 of the Companies Act 2006 (the 'Act') and in substitution for any pre-existing such authority, to make market purchases (within the meaning of section 693 of the Act) of ordinary stock units of 25p each (or, subject to the passing of resolutions 10 and 11 in the notice convening the meeting at which this resolution is to be proposed, ordinary shares of 25p each) ('ordinary stock units') for cancellation, provided that:
   a. the maximum number of ordinary stock units hereby authorised to be purchased shall be 14.99% of the aggregate issued ordinary stock units on the date this resolution is passed;
   b. the minimum price which may be paid for an ordinary stock unit shall be 25p;
   c. the maximum price (exclusive of expenses) which may be paid for an ordinary stock unit shall be the higher of:
      (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and
      (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
   d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 April 2011, save that the company may, prior to such expiry, enter into a contract to purchase ordinary stock units under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary stock pursuant to any such contract.

As special business:

10. To convert each of the company's issued stock units to an ordinary share of 25p.
11. To approve that;
    a. the articles of association be amended by deleting all of the provisions of the company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the company's articles of association;
    b. the articles of association of the company be amended by deleting all the provisions referred to in para 42 of schedule 2 of the Companies Act 2006 (Commencement No 8, Transitional Provisions and Savings) Order 2008 (Statutory Instrument 2008 No. 2860); and
    c. the draft regulations produced to the meeting and, for the purposes of identification initialled by the chairman of the meeting be adopted as the articles of association of the company in substitution for, and to the entire exclusion of, the existing articles of association of the company.

All resolutions are ordinary resolutions except numbers 9 and 11 which are special resolutions.

Steven Hay
Secretary
10 December 2009

Notes

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

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

A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote on his or her behalf. If a stockholder wishes to appoint more than one proxy, each proxy must be appointed to exercise rights attaching to a different £1 nominal value, or multiple of £1 in nominal value, of ordinary stock units held by the stockholder. A proxy need not be a member of the company but must attend the AGM to represent you. Stockholders may not use any electronic address provided either in this notice or any related documents, including the proxy form, to communicate with the company for any purpose other than those expressly stated.

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

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

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

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

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

Any person holding 3% of the total voting rights in the company who appoints a person other than the chairman as his proxy will need to ensure that both he and such third party comply with their respective disclosure obligations under the Disclosure and Transparency Rules. As at 4 December 2009, the total number of voting rights exercisable at the meeting was 31,293,729.

Stockholders may require the company to publish, on its website, without payment, a statement, which is also passed to the auditors, setting out any matter relating to the audit of the company's accounts, including the auditors' report and the conduct of the audit, which they intend to raise at the meeting. The company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the company or (ii) at least 100 members who have a relevant right to vote and hold stock in the company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the company's registered office.

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

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

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

A copy of the articles of association of the company as proposed to be adopted with effect from the passing of resolution 11 will be available for inspection at Royal London House, 22-25 Finsbury Square, London E2A 1DX and at the registered office of the company from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the Annual General Meeting 15 minutes prior to the start of the meeting until the conclusion of the meeting.

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

STOCKPLAN, STOCKPLAN: A Flying Start, SIPP and ISA investors are welcome to attend and may vote on a poll by completing the Form of Direction enclosed with this report. This must be returned to the company's registrar no later than 10.30am on 29 January 2010. Other investors whose holdings are in nominee names and who wish to attend and vote are advised to contact their nominee before 29 January 2010.

The final dividend, if approved, will be paid on 11 February 2010 to stockholders registered at the close of business on 15 January 2010.

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

The register of directors' interests maintained by the company will be available for inspection at the meeting together with copies of directors' appointment letters.

Financial Calendar 2010

Dividend and Interest Payments

Ordinary stock final for the financial year to 31 October 2009	11 February 2010
Ordinary stock interim	July
Secured bonds	17 April, 17 October
Perpetual debenture stock	30 April, 31 October

Announcement of Results

NAV	Daily
Interim Management Statement	February, August
Interim figures	May
Preliminary final figures	November
Annual Report & Accounts	December
Annual General Meeting (AGM)	5 February 2010

Useful Addresses

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

Telephone: 0131 225 7781
Facsimile: 0131 226 3663
Website: **www.sit.co.uk**
Email: info@sit.co.uk

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

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

Actuaries
Punter Southall & Co
Charlotte House
2 South Charlotte Street
Edinburgh
EH2 4AW

The Association of Investment Companies
SIT is a member of The Association of Investment Companies (AIC) which publishes a number of useful free booklets and explanatory leaflets for investors interested in investment trusts.
Their address is:
The AIC
9th Floor
24 Chiswell Street
London
EC1Y 4YY

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

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

Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

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

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

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

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

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

Helpline: 08457 22 55 25

Notes

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. TT-COC-002242

Printed on Claro Silk (300gsm cover and 170gsm pages 1-52)
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