

The Scottish Investment Trust PLC

Interim Report
For the six months to 30 April 2016



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Principal risks and uncertainties

The principal risks and uncertainties facing the business are investment and market price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. These are listed on page 6 of the 2015 Annual Report and Accounts and they are unchanged from that year. An explanation of these risks and how they are managed is set out in Note 17 on pages 39 to 44 of the Annual Report and Accounts.

Responsibility statement

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

- a) the interim financial statements have been prepared on a going concern basis and in accordance with the Interim Financial Reporting Standard 104 applicable in the UK and Republic of Ireland ("FRS 104") and the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in 2014 and give a true and fair view of the assets, liabilities, financial position and return of the company;
- b) the interim report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties the company faces;
- c) the interim report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; and
- d) no material transactions with related parties took place during the first six months of the financial year other than fees payable to the directors.

For and on behalf of the board



James Will
Chairman
31 May 2016

The Company

Company Data as at 30 April 2016

£807,810,000

Total Assets

£721,662,000

Shareholders' Funds

£632,354,000

Market Capitalisation

Objective of The Scottish Investment Trust PLC

To provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation.

Investment Risk

The Scottish Investment Trust PLC (SIT) investment portfolio is diversified over a range of industries and regions in order to spread risk. SIT has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns but should stockmarkets fall, such borrowings would magnify losses. SIT can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing.

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

Capital Structure

At 30 April 2016, the company had in issue 101,501,426 shares. Long-term borrowings at par amounted to £83,598,000 with an average annual interest cost of 5.8%.

Management Expenses

The total expenses of managing the company's business during the last financial year were £4,900,000. The ongoing charges ratio was 0.52%. The company aims to keep this percentage low in comparison with competing investment products.

Dividend

An interim dividend of 5.25p (2015: 5.00p) has been declared and is payable on 20 July 2016 to shareholders registered at close of business on 17 June 2016.

ISA and SIPP

The shares are eligible for ISAs and SIPPs. Details of all of the savings schemes offered by SIT Savings Limited are shown on page 11.

Investor Disclosure Document

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

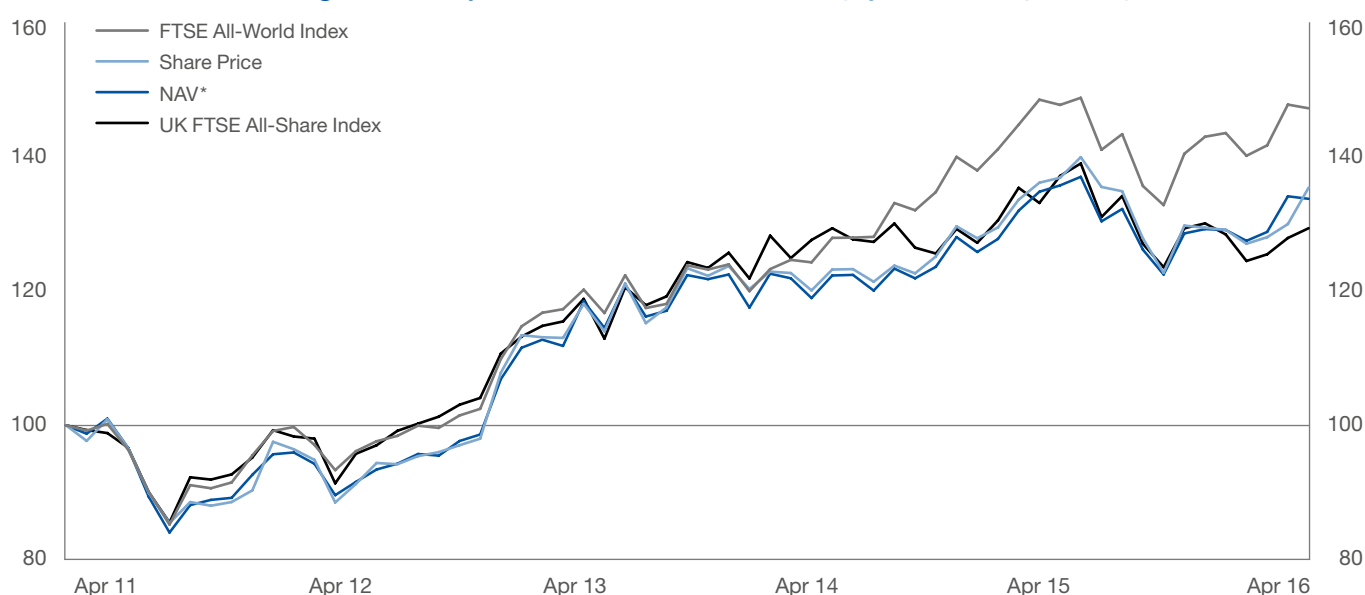
Financial Highlights

	30 April 2016	31 October 2015	Change %	Total return %
NAV with borrowings at market value	691.8p	676.1p	2.3	4.0
NAV with borrowings at par	711.0p	694.3p	2.4	4.1
Ex-income NAV with borrowings at market value	681.4p	665.0p	2.5	
Ex-income NAV with borrowings at par	700.6p	683.2p	2.6	
Share price	623.0p	608.0p	2.5	4.4
Discount to ex-income NAV with borrowings at market value	8.6%	8.6%		
FTSE All-World Index			3.5	4.8
UK FTSE All-Share Index			(1.8)	0.0

	£'000	£'000	
Equity investments	761,147	774,236	
Net current assets	46,663	65,769	
Total assets	807,810	840,005	
Long-term borrowings at par	(83,598)	(104,399)	
Pension liability	(2,550)	(2,550)	
Shareholders' funds	721,662	733,056	

	Six months to 30 April 2016 £'000	30 April 2015 £'000	%
Total income	13,719	11,858	15.7
Earnings per share	10.12p	7.82p	
Interim dividend per share	5.25p	5.00p	5.0
UK Consumer Prices Index – annual inflation			0.3
UK Retail Prices Index – annual inflation			1.3

NAV* and Share Price against Comparator Indices Total Return (5 years to 30 April 2016)



* With borrowings at market value.

Chairman's Statement

In the six months to 30 April 2016, the net asset value per share (NAV) total return was 4.0% (with borrowings at market value). The share price total return was 4.4%.

The company does not have a formal benchmark but, by way of reference, over the review period the FTSE All-World Index total return was 4.8% and the FTSE All-Share Index total return was 0%.

This is the first report covering a full period during which the more focussed, contrarian, investment approach adopted by Alasdair McKinnon and his team has been deployed. It is pleasing, even though we focus on long-term returns, that this approach has demonstrated early benefits with the company ranking in the first quartile of its AIC Global peer group over the period.

The geared equity portfolio contributed 5.2% but this was not fully reflected in the NAV, largely due to the change in value of our long-term borrowings, interest costs and the decision to repurchase a fifth of our secured bonds.

Process of Change

I became Chairman following the AGM and the process of change, instigated by the board under my predecessor, has continued. This change began with the appointment of Alasdair McKinnon, as Manager in February 2015, and has continued with a reorganisation of the investment team, to ensure a more effective structure for decision making, and the appointment of two new directors.

In the period under review, we have also outsourced the majority of our company secretarial and administration functions to ensure that our costs remain low. Our costs were already competitive with an ongoing charges ratio of 0.52% reported at the end of the last financial year.

Income and Dividends

Total income benefitted from sterling weakness and increased by 15.7% compared to a year ago. The board has declared an interim dividend of 5.25p per share (2015: 5.00p), an increase of 5.0%.

Reduction in Borrowings

Shareholders will be aware that the company has long-term borrowings that were arranged some 16 years ago when a 5.75% coupon was considered unusually low. Over recent years, the share buybacks made due to the discount policy of the company had resulted in the proportionate size of these borrowings increasing to the point where the board would not have considered it prudent to utilise these funds fully. The majority of borrowings have 14 years until expiry and, when retained in cash, they represent a drag to income at current

rates of interest. Accordingly, we took the opportunity to repurchase £21m nominal, being around 20%, of the company's secured bonds. While this decision had an immediate detrimental impact on the NAV of 0.4% (with borrowings at market value) or 1.0% (with borrowings at par), the £1.2m reduction in the annual interest charge going forward means that the amount will be clawed back well within the lifetime of the bond.

Discount and Share Buybacks

The discount at which the share price trades to the NAV was more volatile than in previous reporting periods but finished the period at 8.6% based on the ex-income NAV (with borrowings at market value). The company follows a policy that aims to maintain the discount at or below 9%. During the period 4.1m shares were purchased for cancellation (2015: 0.6m) at an average discount of 10.5% and a cost of £24.7m which enhanced the net asset value by 0.4%.

Gearing

Gearing was largely unchanged over the period at 5.1%.

Outlook

Investors have become accustomed to very low interest rates and a skittish market reaction has persuaded the US Federal Reserve to pause on a path to normalise interest rates. The reaction to the imposition of negative interest rates in Japan has suggested that this policy will not be readily applied to other major economies. Generally speaking, politicians and central banks remain sensitive to stockmarket movements and appear inclined to tailor policies to buoy markets, albeit their efforts may not have an immediate impact. The slowdown in the Chinese economy, despite some recent signs of stability, remains a source of concern while the outcome of the forthcoming referendum regarding UK membership of the European Union is likely to influence sterling and has the potential to impact markets more generally. In this environment, while equities are not obviously cheap, they appear to offer attractions over many other asset classes, given the prospect for dividend income and the inherent modicum of inflation protection. We have a portfolio of companies which we believe offers the prospect of good long-term returns but we have retained £36m (5% of shareholders' funds) of uninvested borrowings which can be deployed at an opportune time.



James Will
Chairman
31 May 2016

Manager's Review

Markets endured a volatile shift in the period under review, although this is not apparent from a glance at the positive headline figures.

At the beginning of the financial year, a small increase in US interest rates was widely anticipated and investors were confident in the abilities of the omniscient Federal Reserve. In contrast, at the same time, lacklustre Chinese economic data deepened investor pessimism with regard to emerging markets and commodities generally.

The actual increase in US interest rates in December seemed to be the trigger for a sharp shift in sentiment as investors realised, *en masse*, that the US economy was not isolated from the global economic slowdown while, in contrast, a severe slowdown in China was already discounted. Accordingly, a number of long established investment themes, that could be summarised as investors continuing to favour (or avoid) stocks that had already performed well (or badly), suddenly reversed course.

The portfolio benefitted from this shift in sentiment because, as previously reported, we had added to depressed stocks with a higher than average exposure to emerging markets which we considered to offer good long-term value.

Our biggest gain over the period came from, the Australian-listed, **Treasury Wine Estates** (+£9.1m). This wine producer has been transformed under the leadership of Michael Clarke and has focussed on maximising the value of branded wine while ensuring the most efficient use of the asset base.

Pandora (+£4.6m), the Danish-listed jewellery brand, delivered another very strong performance as its 'affordable luxury' products continued to be very popular. Since the period end we have sold our holding, as the stock had performed extremely well and we think the balance of risks has changed in this fashion driven segment.

Rentokil Initial (+£3.1m), the UK support services company, continues to perform solidly and we think the value of the attractively positioned pest control business is overlooked.

A theme for a number of the better performing holdings was that dependable businesses with higher than average dividend yields were more widely appreciated, in difficult market conditions.

KDDI (+£2.9m), the Japanese telecoms operator, continues to enjoy an oligopoly position and benefitted as a safe haven following the decision by the Bank of Japan to introduce negative interest rates.

Other holdings which gained from strong results and the prospect of secure, rising dividends were **Sydney Airport** (+£2.8m), which controls the only major airport serving the Australian city, **Johnson & Johnson** (+£2.2m), the US medical product and pharmaceutical company, and **Micro Focus International** (+£1.7m), the UK-listed information technology company.

Ambev (+£1.6m), the Brazilian-based brewer, delivered solid results and benefitted from the improved sentiment towards emerging markets while **Sands China** (+£1.7m) gained on the prospects of improved visitor spending in Macau.

Within our retail holdings, **Ross Stores** (+£2.1m) continued to offer an attractive 'value for money' proposition in a tough US retail market but, in contrast, **Associated British Foods** (-£1.2m) saw a slowdown in sales at the Primark retail chain. We sold both holdings subsequent to the period close as we felt that neither was priced for a spell of sustained slower growth.

Our largest loss came from **British Land** (-£2.3m), as the company suffered from a change in perception towards the London property market and the potential threat of 'Brexit'.

The majority of other losses in the period came from our financial holdings, which reacted to both the actual or speculated imposition of negative interest rates as well as the prospect of losses from loans to commodity backed ventures. Most impacted were Japanese banks, **Bank of Kyoto** (-£2.0m) and **Sumitomo Mitsui Financial Group** (-£1.9m), but European holdings **Intesa Sanpaolo** (-£1.2m), **BNP Paribas** (-£1.1m) and **ING** (-£0.9m) were also affected. **Standard Life** (-£1.5m) likewise reacted to the threat of negative interest rates and 'Brexit' and also a concern about the prospects for the flagship GARS fund.

The last six months have been an interesting period for investors favouring a long-term contrarian approach. Central bankers seem keen to sustain investor confidence at a time when corporate profitability appears to be slowing. We have increased our exposure to companies which appear good value, near to the bottom of their respective cycles, and we have reduced holdings which require continued positive developments to advance.

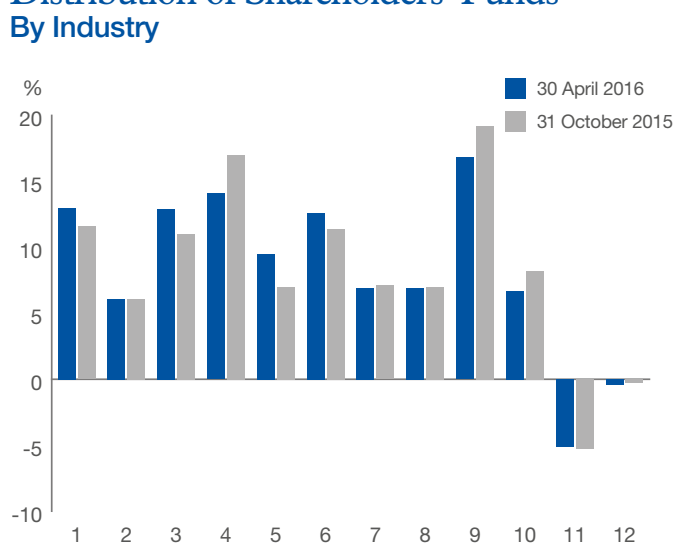
Alasdair McKinnon
Manager
31 May 2016

Manager's Review (continued)

NAV Performance Attribution Six months to 30 April 2016

Absolute performance	Contribution %	
Equity portfolio (ungeared)	+4.8	
Gearing	+0.4	
Total equities	+5.2	
Other income, tax & currency	+0.1	
Buybacks	+0.4	
Expenses	-0.3	
Interest charges	-0.4	
Premium on repayment of secured bonds	-0.4	
Change in market value of borrowings	-0.6	
NAV with borrowings at market value total return	+4.0	
Relative to FTSE:	All-World %	All-Share (UK) %
NAV with borrowings at market value total return	+4.0	+4.0
Index total return	+4.8	+0.0
Relative performance	-0.8	+4.0

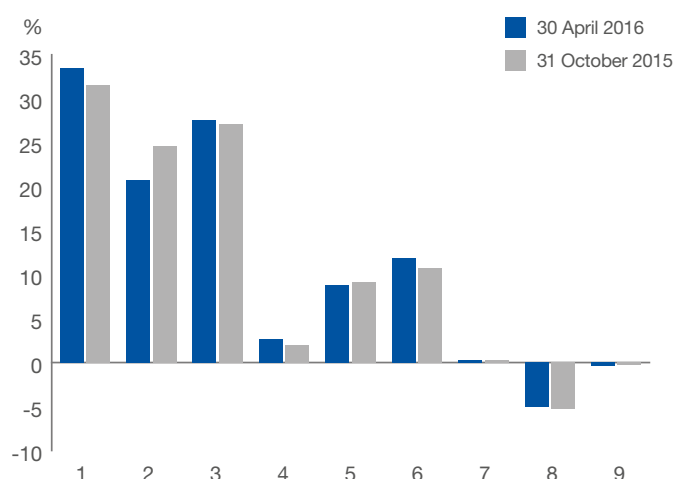
Distribution of Shareholders' Funds By Industry



	30 April 2016 %	31 October 2015 %
1 Oil & Gas	13.0	11.6
2 Basic Materials	6.1	6.1
3 Industrials	12.9	11.0
4 Consumer Goods	14.1	17.0
5 Health Care	9.5	7.0
6 Consumer Services	12.6	11.4
7 Telecommunications	6.9	7.1
8 Utilities	6.9	7.0
9 Financials ⁽¹⁾	16.8	19.2
10 Technology	6.7	8.2
Total equities	105.5	105.6
Net current assets	6.5	9.0
Borrowings at par	(11.6)	(14.3)
11 Gearing	(5.1)	(5.3)
12 Pension liability	(0.4)	(0.3)
Shareholders' funds	100.0	100.0

⁽¹⁾ Includes unlisted.

By Region



	30 April 2016 %	31 October 2015 %
1 UK	33.5	31.6
2 Europe (ex UK)	20.7	24.6
3 North America	27.6	27.1
4 Latin America	2.7	2.0
5 Japan	8.8	9.2
6 Asia Pacific (ex Japan)	11.9	10.8
7 Unlisted	0.3	0.3
Total equities	105.5	105.6
Net current assets	6.5	9.0
Borrowings at par	(11.6)	(14.3)
8 Gearing	(5.1)	(5.3)
9 Pension liability	(0.4)	(0.3)
Shareholders' funds	100.0	100.0

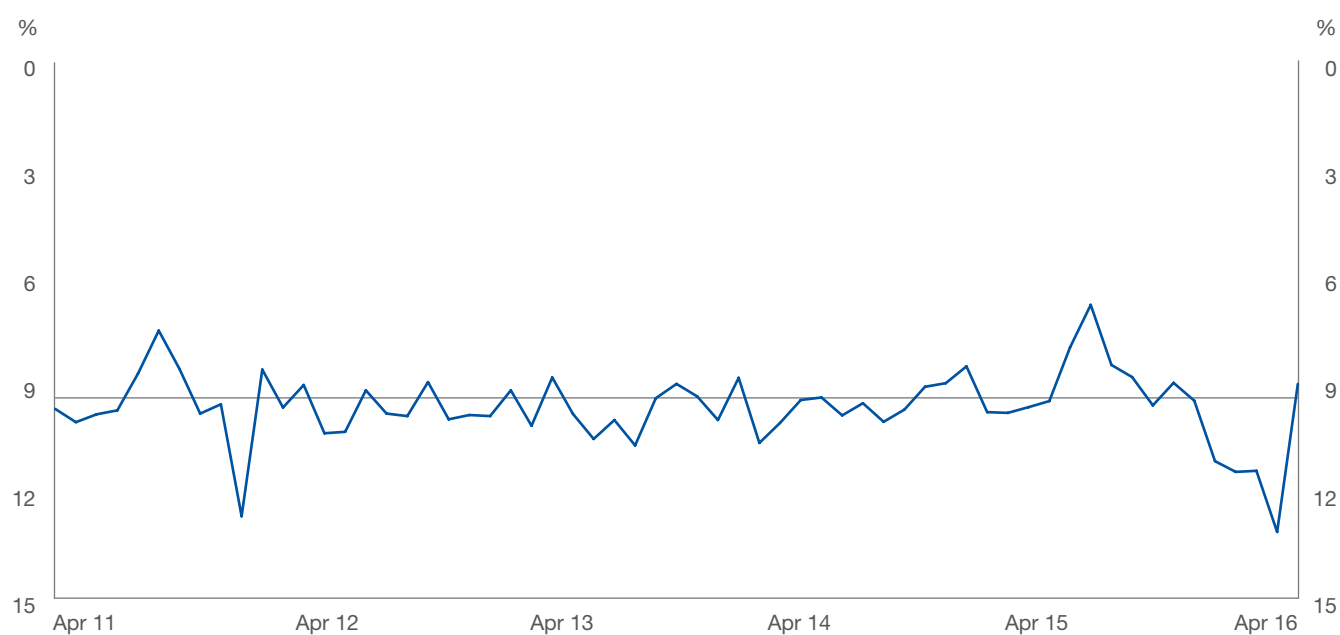
Manager's Review (continued)

Changes in Asset Distribution by Industry

	31 October 2015 £m	Net purchases (sales) £m	30 April 2016 £m	Appreciation (depreciation) £m	Dividend income £m	Total return £m
Oil & Gas	84.7	4.0	93.7	5.0	1.9	6.9
Basic Materials	44.5	–	44.2	(0.3)	0.7	0.4
Industrials	81.0	3.8	93.2	8.4	1.4	9.8
Consumer Goods	124.6	(33.3)	101.9	10.6	2.1	12.7
Health Care	51.7	14.1	68.2	2.4	1.3	3.7
Consumer Services	83.6	4.1	91.0	3.3	1.2	4.5
Telecommunications	52.2	(6.3)	49.7	3.8	1.0	4.8
Utilities	50.9	–	49.8	(1.1)	0.6	(0.5)
Financials ⁽¹⁾	140.7	(6.5)	120.9	(13.3)	3.1	(10.2)
Technology	60.3	(15.1)	48.5	3.3	0.4	3.7
Total equities	774.2	(35.2)	761.1	22.1	13.7	35.8
Net current assets	65.8	(21.1)	46.7			
Total assets	840.0	(56.3)	807.8			
Long-term borrowings at par	(104.4)	20.8	(83.6)			
Pension liability	(2.5)	–	(2.5)			
Shareholders' funds	733.1	(35.5)	721.7			

⁽¹⁾ Includes unlisted.

Discount to ex-income NAV* 5 years to 30 April 2016



* With borrowings at market value.

List of Investments

as at 30 April 2016

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %	Holding	Country	Market value £'000	Cumulative weight %
Treasury Wine Estates	Australia	28,942*		Citigroup	US	6,856	
Severn Trent	UK	27,049*		Intesa Sanpaolo	Italy	6,320	
GlaxoSmithKline	UK	26,836*		Vodafone	UK	6,175	
Rentokil Initial	UK	23,279*		WPP	UK	5,881	
Microsoft	US	22,819*		Standard Life	UK	5,741	
Sands China	Hong Kong	22,761*		Cemex	Mexico	5,576	
Kingfisher	UK	19,463*		Aeropuerto del Sureste	Mexico	5,394	
Suncor Energy	Canada	18,451*		Bank of Kyoto	Japan	5,219	
Royal Dutch Shell	UK	18,039*		Exxon Mobil	US	5,074	
United Utilities	UK	17,888*	29.6	Engie	France	4,830	94.6
Sydney Airport	Australia	16,173		Citizens Financial	US	4,350	
Sumitomo Mitsui Financial	Japan	15,898		East Japan Railway	Japan	4,163	
Rio Tinto	UK	15,689		HSBC	UK	4,087	
Sampo	Finland	14,824		Hess	US	4,066	
Roche	Switzerland	14,617		Marks & Spencer	UK	3,922	
Comcast	US	14,227		International Business Machines	US	3,786	
PepsiCo	US	13,853		Tourmaline Oil	Canada	3,492	
Johnson & Johnson	US	13,611		TGS-NOPEC Geophysical	Norway	3,245	
Ross Stores	US	13,130		BorgWarner	US	2,869	
SAP	Germany	13,088	48.7	ANZ Banking	Australia	2,769	
Pfizer	US	13,085		Freehold Royalties	Canada	2,215	99.8
KDDI	Japan	12,942		Total listed equities		759,306	99.8
BT	UK	12,769					
BHP Billiton	UK	12,695					
General Electric	US	12,032					
British Land	UK	12,025					
Pandora	Denmark	11,955					
BNP Paribas	France	11,613					
Total	France	11,608					
RSA Insurance	UK	11,129	64.7				
National Oilwell Varco	US	11,099					
Sony	Japan	10,837					
Associated British Foods	UK	10,418					
Verizon Communications	US	9,932					
ING	Netherlands	9,570					
Micro Focus International	UK	8,853					
Svenska Handelsbanken	Sweden	8,614					
Vinci	France	8,511					
Ambev	Brazil	8,445					
Baker Hughes	US	8,396	77.1				
BASF	Germany	8,371					
Dürr	Germany	8,041					
Chevron	US	7,994					
Telstra	Australia	7,928					
Toyota Motor	Japan	7,537					
Avery Dennison	US	7,477					
Inditex	Spain	7,470					
Jardine Matheson	Singapore	7,318					
Nintendo	Japan	7,056					
Adecco	Switzerland	6,919	87.1				

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Heritable Property & Subsidiaries	UK	1,400	
Boston Ventures VI	US	413	
Apax Europe V-B	UK	28	
Total unlisted		1,841	0.2
Total equities		761,147	100.0

* Denotes 10 largest holdings with an aggregate market value of £225,527,000 (29.6% of total equities).

Income Statement (unaudited)

	Six months to 30 April 2016			Six months to 30 April 2015			Year to 31 October 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value through profit and loss	-	22,081	22,081	-	68,978	68,978	-	15,778	15,778
Net gains on currencies	-	1,653	1,653	-	132	132	-	3	3
Income	13,719	-	13,719	11,858	-	11,858	24,057	-	24,057
Expenses	(1,129)	(784)	(1,913)	(1,390)	(966)	(2,356)	(2,892)	(2,008)	(4,900)
Net Return before Finance Costs and Taxation	12,590	22,950	35,540	10,468	68,144	78,612	21,165	13,773	34,938
Premium on repayment of secured bonds	-	(7,393)	(7,393)	-	-	-	-	-	-
Interest payable	(1,303)	(1,302)	(2,605)	(1,548)	(1,547)	(3,095)	(3,096)	(3,095)	(6,191)
Return on Ordinary Activities before Tax	11,287	14,255	25,542	8,920	66,597	75,517	18,069	10,678	28,747
Tax on ordinary activities	(750)	-	(750)	(479)	-	(479)	(984)	-	(984)
Return attributable to Shareholders	10,537	14,255	24,792	8,441	66,597	75,038	17,085	10,678	27,763
Return per share	10.12p	13.70p	23.82p	7.82p	61.72p	69.54p	15.91p	9.95p	25.86p
Weighted average number of shares in issue	104,096,827			107,906,871			107,353,426		
	£'000			£'000			£'000		
Dividends payable and paid	5,329			5,366			16,900		
Income comprises:									
Dividends	13,666			11,787			23,842		
Interest	53			71			215		
	13,719			11,858			24,057		

Summary Balance Sheet (unaudited)

	30 April 2016 £'000	31 October 2015 £'000	30 April 2015 £'000
Equity investments	761,147	774,236	841,752
Net current assets	46,663	65,769	63,108
Total assets	807,810	840,005	904,860
Long-term borrowings at par	(83,598)	(104,399)	(104,340)
Pension liability	(2,550)	(2,550)	(2,613)
Shareholders' funds	721,662	733,056	797,907
Net asset value per share with borrowings at par	711.0p	694.3p	742.3p

Statement of Total Recognised Gains and Losses (unaudited)

	Six months to 30 April 2016 £'000	Six months to 30 April 2015 £'000	Year to 31 October 2015 £'000
Total recognised gains	24,792	75,038	27,336*
Total recognised gains per share	23.82p	69.54p	25.46p

* Includes an actuarial deficit of £427,000.

Reconciliation of Movements in Shareholders' Funds (unaudited)

	Six months to 30 April 2016 £'000	Six months to 30 April 2015 £'000	Year to 31 October 2015 £'000
Opening shareholders' funds	733,056	734,293	734,293
Total recognised gains	24,792	75,038	27,336
Dividend payments	(11,534)	(7,781)	(13,147)
Share buybacks	(24,652)	(3,643)	(15,426)
Closing shareholders' funds	721,662	797,907	733,056

Cash Flow Statement (unaudited)

	Six months to 30 April 2016 £'000	Six months to 30 April 2015 £'000	Year to 31 October 2015 £'000
Net Cash inflow from operating activities	5,585	3,770	11,980
Investing activities			
Purchase of Investments	(69,258)	(89,941)	(319,796)
Disposal of Investments	104,566	80,253	326,984
Net cash inflow/(outflow) from investing activities	35,308	(9,688)	7,188
Financing activities			
Share buybacks	(23,005)	(3,320)	(15,042)
Dividends paid	(11,534)	(7,781)	(13,147)
Decrease in short-term deposits	28,658	15,718	10,862
Repayment of secured bond	(28,241)	-	-
Net cash (outflow)/inflow from financing activities	(34,122)	4,617	(17,327)
Net inflow/(outflow) of cash in period	6,771	(1,301)	1,841
Cash and cash equivalents at start of period	14,815	12,974	12,974
Cash and cash equivalents at end of period	21,586	11,673	14,815
Movement	6,771	(1,301)	1,841

Notes

The adoption of FRS 104, has not resulted in any changes to the Accounting Policies and as such the Interim accounts have been prepared on a going concern basis and in accordance with the Interim Financial Reporting Standard 104 applicable in the UK and Republic of Ireland ("FRS104") and the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in 2014. It is the opinion of the directors that, as most of the company's assets are readily realisable and exceed its liabilities, it is expected that the company will continue in operational existence for the foreseeable future.

The information contained in this report for the year ended 31 October 2015 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Where applicable, the figures have been extracted from the annual report and accounts for the year ended on that date which has been filed with the Registrar of Companies and which contains an unqualified report from the auditors. The financial information contained in this interim report does not constitute statutory accounts as defined in section 434-436 of the Companies Act 2006. The financial information for the six months ended 30 April 2016 and 30 April 2015 has not been audited.

Based on the number of shares in issue at 30 April 2016, the interim dividend will cost £5,329,000 (2015: £5,366,000) and is payable on 20 July 2016 to shareholders registered at 17 June 2016. The shares will be traded 'ex' the interim dividend from 16 June 2016 and investors purchasing on or after that date will not be entitled to the interim dividend for 2015/16.

Equity investments include the unlisted portfolio of £1.8m (31 October 2015: £1.9m).

The weighted average number of shares in issue during the half-year was 104,096,827 (2015: 107,906,871) and this figure has been used in calculating the return per share shown in the income statement. The net asset value per share at 30 April 2016 has been calculated using the number of shares in issue on that date which was 101,501,426 (31 October 2015: 105,587,426).

Analysis of Changes in Net Debt

	31 October 2015 £'000	Cash flows £'000	Non-cash movements £'000	30 April 2016 £'000
Cash	14,815	6,771	–	21,586
Short-term deposits	59,138	(28,658)	–	30,480
Long-term borrowings at par	(104,399)	21,188	(387)	(83,598)
	(30,446)	(699)	(387)	(31,532)

Glossary

Total assets means total assets less current liabilities.

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

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

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

Borrowings at market value is the company's estimate of the 'fair value' of its borrowings. The current estimated fair value of the company's borrowings is based on the redemption yield of the relevant existing reference gilt plus a margin derived from the spread of BBB UK corporate bond yields (15 years+) over UK gilt yields (15 years+). The reference gilt for the secured bonds is the 6% UK Treasury Stock 2028 and the reference gilt for the perpetual debenture stocks is the longest-dated UK Treasury Stock listed in the Financial Times.

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

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

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

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How to Invest

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

STOCKPLAN

SIT's investment trust savings scheme is one of the most cost-effective available. There is no initial plan charge, other than stamp duty and dealing spread, and no annual charge. It costs just £12.50 to sell some or all of your holding. STOCKPLAN allows you to invest regularly (minimum investment £25 per month) and/or with a lump sum (minimum investment £250). There is no maximum investment limit and you can stop and restart investing at any time.

STOCKPLAN: A Flying Start

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

The SIT ISA

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

The SIT ISA Transfer

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

The SIT SIPP

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

In addition to these products, you can buy SIT shares directly on the stockmarket through a stockbroker. Your bank, lawyer, accountant or other professional adviser may also be able to help with this. SIT's registrar, Computershare Investor Services PLC, provides a sharedealing service which can be accessed on its website, www.investorcentre.co.uk or by telephoning 0370 703 0195.

Update on Tax-Efficient Investing ISAs

The SIT ISA is a stocks and shares ISA.

- The annual ISA investment limit for the current tax year is £15,240.
- Transfers from previous years' ISAs are permitted and do not count against the current year's investment.
- The surviving spouse/civil partner of a deceased ISA holder can receive an additional ISA allowance on top of their own annual ISA allowance.
- Investment gains in ISAs continue to be free from any capital gains tax. Higher and additional rate tax payers do not have to pay any further tax on dividends, nor do they need to be included in a tax return.

Contact Telephone Numbers

Full contact details for SIT's scheme administrator and SIT's registrar can be found on page 13.

STOCKPLAN and ISA investors wishing to:

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

can contact the scheme administrator, Halifax Share Dealing Limited (HSDL), on: 0345 850 0181.

SIT SIPP investors with questions about the administration of their SIPP, or any other pension-related enquiry, can contact the SIPP administrator, AJ Bell Management Limited, on: 0345 722 5525.

Shareholders who hold share certificates can contact the registrar, Computershare Investor Services PLC, on: 0370 703 0195.

Dividends

SIT STOCKPLAN and ISA schemes

The STOCKPLAN and SIT ISA schemes provide automatic reinvestment of dividends. However, they also allow for dividends to be taken as income, if required. STOCKPLAN and SIT ISA holders should contact the scheme administrator, HSDL, on 0345 850 0181 if they would like to change their dividend arrangements.

Shareholders who hold share certificates

Conversely, for shareholders who hold share certificates (investors whose names are on SIT's share register and who are not in SIT's schemes) dividends are automatically paid as income. However, it is easy to arrange to have these dividends reinvested, free of charge, by joining SIT's Dividend Reinvestment Plan (DRiP). Details are available from Computershare Investor Services, SIT's registrar, on 0370 703 0195, or from the investor relations section on SIT's website, www.sit.co.uk

Accessing Your Account Online

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

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

Please note, you will need your Share Dealing Personal Reference Number (PRN) to access this service. If you do not have this, please contact SIT's scheme administrator, HSDL, on 0345 850 0181.

SIPP investors

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

Shareholders who hold share certificates

Investors who hold share certificates can check their holdings by registering on SIT's registrar's website, www.investorcentre.co.uk The registrar's website can also be accessed through the link in the investor relations section on SIT's website, www.sit.co.uk

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

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

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

Electronic Communications

Shareholders who hold share certificates

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

Risk Warning

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

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 authorised and regulated by the Financial Conduct Authority (FCA), 25 The North Colonnade, Canary Wharf, London E14 5HS.

Investor Information (continued)

Board of Directors

James Will (Chairman)
Hamish Buchan
Russell Napier
Ian Hunter
Jane Lewis
Mick Brewis

Registered Office

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Registered no. SC001651

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

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Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London
E14 5NT

Custodian

The Northern Trust Company
50 Bank Street
Canary Wharf
London
E14 5NT

Auditor

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

Actuaries

Punter Southall & Co
7 Castle Street
Edinburgh
EH2 3AH

Company Secretary and Fund Administrator

R&H Fund Services Limited
20 Forth Street
Edinburgh
EH1 3LH

Investor Relations

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 424 422
Email: info@sit.co.uk

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

Shareholders who hold share certificates:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Helpline: 0370 703 0195
Website: www.investorcentre.co.uk

STOCKPLAN, STOCKPLAN: A Flying Start and The SIT ISA investors:

SIT Schemes
Halifax Share Dealing Limited
Lovell Park Road
Leeds
LS1 1NS

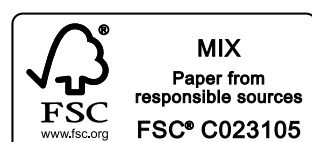
Helpline: 0345 850 0181
Website: www.halifaxsharedealing.co.uk/online

The SIT SIPP investors:

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

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

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