THE SCOTTISH Investment Trust

THE SCOTTISH INVESTMENT TRUST PLC
132ND ANNUAL REPORT & ACCOUNTS

31 OCTOBER 2019

Objective of The Scottish Investment Trust PLC

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

Our High Conviction, Global Contrarian Investment Approach

We are contrarian investors.

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

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

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

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

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

Cover painting:
Sand and Shallows, the Bay at the Back of the Ocean, Iona by Sarah Carrington

Contents

Year at a Glance

31 October 2019

1.0% **Share price total return†§** MSCI ACWI 11.2% MSCI UK All Cap 5.8%	**0.5%** **NAV* total return†§** MSCI ACWI 11.2% MSCI UK All Cap 5.8%	**8.1%** **Share price discount to NAV*§ (cum-income)** 31 October 2018: 8.3%
7.5% **Increase in regular dividend per share** CPI 1.5%	**20.0%** **Increase in total dividend per share** CPI 1.5%	**4th Quartile** **AIC Global peer group (one year share price total return)** 31 October 2018: 2nd quartile
3x **Dividend reserves** (regular dividend) 31 October 2018: 3x	**36 years** **of consecutive increase in regular dividend**	**51** **Number of listed holdings** 31 October 2018: 50
22% **Portfolio turnover rate** Year to 31 October 2018: 18%	**1%** **Gearing§** 31 October 2018: 0%	**0.58%** **Ongoing charges figure§** 31 October 2018: 0.52%

† 2018: Share price total return 1.9%; NAV total return 1.1%; MSCI ACWI 3.4%; MSCI UK All Cap -1.3%

§ Alternative Performance Measures (please refer to Glossary on page 72).

* NAV with borrowings at market value.

Chairman's Statement

Performance

The Company delivered a modest total return during the twelve months to 31 October 2019.

The share price total return was +1.0% and the net asset value per share (NAV) total return (with borrowings at market value) was +0.5%. The Company does not have a formal benchmark but, by way of comparison, the sterling total return of the international MSCI All Country World Index (ACWI) was +11.2% while the UK based MSCI UK All Cap Index total return was +5.8%.

This was not a fruitful year for our contrarian approach as cheap money continued to distort investor attitude to risk and reward. This situation looks increasingly stretched and we believe that it will correct over time. A key tenet of our philosophy is to invest in the knowledge that cycles still exist and that, when the trends inevitably change, it will prove a source of surprise to markets. The Manager seeks to position the portfolio to prepare for a change in consensual thinking. Cycles can represent both a threat to wealth (if investments are bought too near the top) and an opportunity to build wealth (if investments are bought near the trough).

Accordingly, the portfolio is invested in a contrarian manner, focusing on out-of-favour stocks, often in unloved areas of the market. Our logic is that there is a better long-term balance between risk and reward when the expectations for an investment's earnings power and future valuation are low.

This philosophy itself has been unfashionable in recent years, to the extent that the valuation gap between the cheapest and most expensive stocks and the widely divergent views about their prospects is reminiscent of the dotcom era. Then, the 'cheap stocks' bounced back after the 'tech mania' had passed and the Manager anticipates a similar period of mean reversion ahead.

A growing following

A focus in recent years has been to highlight the merits of the Company as an attractive and differentiated investment vehicle for the long-term investor. Individual investors are increasingly willing to self-select their investments through online platforms and our aim has been to build an identity with those investors.

We believe that a consistent, growing dividend is an important consideration for many long-term investors. Our contrarian approach has allowed the Company to deliver a step change increase in the regular dividend in recent years and we aim to continue to grow this dividend ahead of UK inflation. The Scottish is one of the highest yielding trusts in its peer group and is recognised as a 'Dividend Hero' by the AIC.

The team continues to create thoughtful and insightful content which is available on the Company's website and is shared on social media. As ever, I would encourage those of you who have not already done so to follow us on social media, where you can find the most up-to-date news and articles, and you can subscribe to our monthly email via the website.

We have set out to communicate our distinct identity to investors and are pleased to have attracted a loyal following who relate to our way of investing. We were delighted to be voted 'Best Investment Trust' in the Shares Awards 2019. This is the second consecutive year that the Company has won this award, sponsored by Shares Magazine.

Income and dividend

Over the past year, earnings per share rose by 14.4% to 29.8p (2018: 26.0p).

The Board recommends a final dividend of 6.9p which, if approved, will mean that the total regular dividend for the year will increase by 7.5% to 22.8p and will be the 36th consecutive year of regular dividend increase.

The Board's target is to declare three quarterly interim dividends of 5.7p for the year to 31 October 2020 and recommend a final dividend of at least 5.7p for approval by shareholders at the Annual General Meeting in 2021. The final dividend will be reviewed in accordance with the Board's desire to continue the long track record of annual dividend increases and the aim of the Company to provide dividend growth ahead of UK inflation over the longer term.

Chairman's Statement (continued)

Our income reserve remains substantial at 70.5p, equivalent to around three times the targeted annual dividend. As I have previously mentioned, our portfolio is not explicitly invested for income and the Board recognises that there may be occasions when the portfolio does not necessarily fully cover the requirements of the regular dividend. While it is currently academic, I would like to remind shareholders that we consider this reserve could be drawn upon in future, if required.

As I have previously outlined, following a step-change in our regular dividend, the Company does not intend to routinely pay discretionary special dividends. However, as the income generated during the year was substantial and we see no need to add significantly to revenue reserve this year, the Board recommends a special dividend of 7.45p. The total dividend for the year, if approved, will increase by 20.0% to 30.25p.

Discount, share buybacks and ongoing charges

The Company follows a policy that aims, in normal market conditions, to maintain the discount to NAV (with borrowings at market value) at or below 9%. The average discount over the year was 8.9%.

During the year, 3.3m shares were purchased for cancellation at an average discount of 9.4% and a cost of £27.0m. In the previous year, 2.3m shares were purchased.

The ongoing charges figure (OCF) for the year under review of 0.58% (2018: 0.52%) remains favourable compared with other actively-managed investment vehicles. As a self-managed investment trust, the OCF represents the ongoing costs of running the Company as a proportion of net assets.

Gearing

At 31 October 2019, gearing was 1% (31 October 2018: 0%). The Company continually reviews opportunities to deploy gearing and it is our expectation that borrowings will be utilised, over time, for the long-term benefit of shareholders.

Board composition

Russell Napier will retire as a Director and not stand for re-election at the AGM. The Company has benefitted immeasurably from Russell's knowledge and experience over the last ten years. The Board and I would like to extend our gratitude to Russell for his outstanding contribution.

We welcome Neil Rogan to the Board, following his appointment as a non-executive director in September 2019. Neil is an investment management specialist who brings extensive experience from his long career in the industry. Neil will stand for election at the AGM.

Outlook

Broadly speaking, the uncertain issues outlined in my previous outlook statements remain unresolved.

However, a significant new development was that the US Federal Reserve, which sets the benchmark for the global cost of money, was forced to abandon efforts to 'normalise' interest rates.

The cost of money remains too low as policy makers continue to grapple with the ramifications of the financial crisis of more than a decade ago. In August, close to a quarter of the global stock of government bonds offered negative yields, meaning that, if purchased at the prevailing price and held to maturity, the investor was guaranteed to lose money. Around the same time, a Danish bank made headlines by offering the world's first negative interest rate mortgage. It is uncertain if this more mainstream adoption of negative interest rates will prove transient or become the norm. However, one thing that is abundantly clear is that the long-term implications are not well understood.

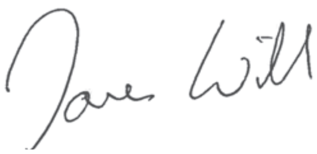
Cheap money has exacerbated wealth inequality and created a wider schism between the 'haves' and the 'have nots' in society. The Brexit vote and the election of Donald Trump were amongst the first salvos in a popular rebellion against the economic status quo and there seems to be an increasing number of these episodes of popular rage, as we have seen in France, Hong Kong, Spain and Chile. To appease this discontent, fiscal largesse is on the increase, with austerity on the wane.

Politics and political considerations will continue to have an impact on markets with the most notable being the Sino-US trade discussions, the 2020 US Presidential election and, as I write, the result of the UK general election and subsequent state of the Brexit negotiations. The potential impact of Brexit is reviewed regularly by the Company. As a global investment trust with a

Chairman's Statement (continued)

diversified portfolio of international equities, it is unlikely that the Company's business model or operations will be adversely impacted as a direct result of Brexit. Generally speaking, politicians seem motivated to resolve international disputes, but they obviously have to sell those solutions to their respective domestic audiences.

In the stockmarket, various trends resulting from cheap money, such as the substantial divergence of stock valuations, seem over-extended and, given our contrarian stance, we believe that the Company remains well placed for the future.



James Will
Chairman

13 December 2019

Board of Directors

James Will

Appointed to the Board in May 2013 and became Chairman in January 2016. Chair of the Nomination Committee.

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

Shares held: 10,000* **Fees:** £60,000

*On 3 May 2019, 2,000 shares were transferred to Mr Will for nil consideration following the conclusion of matters in relation to an Executry and Trust in which Mr Will was involved. As a result, Mr Will's shareholding increased from 8,000 to 10,000 shares.

Russell Napier

Appointed to the Board in July 2009.

Russell has worked in the investment business for 30 years and has been writing on global macro strategy for institutional investors since 1995. He is author of Anatomy of The Bear: Lessons From Wall Street's Four Great Bottoms and The Solid Ground investment report. He is founder and course director of the Practical History of Financial Markets course at The University of Edinburgh and co-founder of the investment research portal ERIC. He is a director of Mid Wynd International Investment Trust PLC and a member of the investment advisory committees of three fund management companies.

Shares held: 14,000 **Fees:** £32,500

Jane Lewis

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

Jane is an investment trust specialist who, until August 2013, was a director of corporate finance and broking at Winterflood Investment Trusts. Prior to this, she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker. She is Chair of Invesco Perpetual UK Smaller Companies Investment Trust PLC and a director of BlackRock World Mining Trust plc, BMO Capital and Income Investment Trust PLC and Majedie Investments PLC.

Shares held: 1,000 **Fees:** £32,500

Mick Brewis

Appointed to the Board in December 2015.

Mick is an experienced investor who was a partner at Baillie Gifford for 21 years, heading the North American equities team and having global asset allocation responsibilities. Prior to that he managed UK equity portfolios at the firm. He has a non-executive advisory role with Castlebay Investment Partners and is a trustee of the National Library of Scotland Foundation.

Shares held: 10,000 **Fees:** £32,500

Karyn Lamont

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

Karyn is a chartered accountant and former audit partner at PwC. She has over 25 years of experience and provided audit and other services to a range of clients across the UK's financial services sector including a number of investment trusts. Her specialist knowledge includes financial reporting, audit and controls, risk management, regulatory compliance and governance. She is a director of The North American Income Trust plc, The Scottish American Investment Company P.L.C., Scottish Building Society and iomart Group plc.

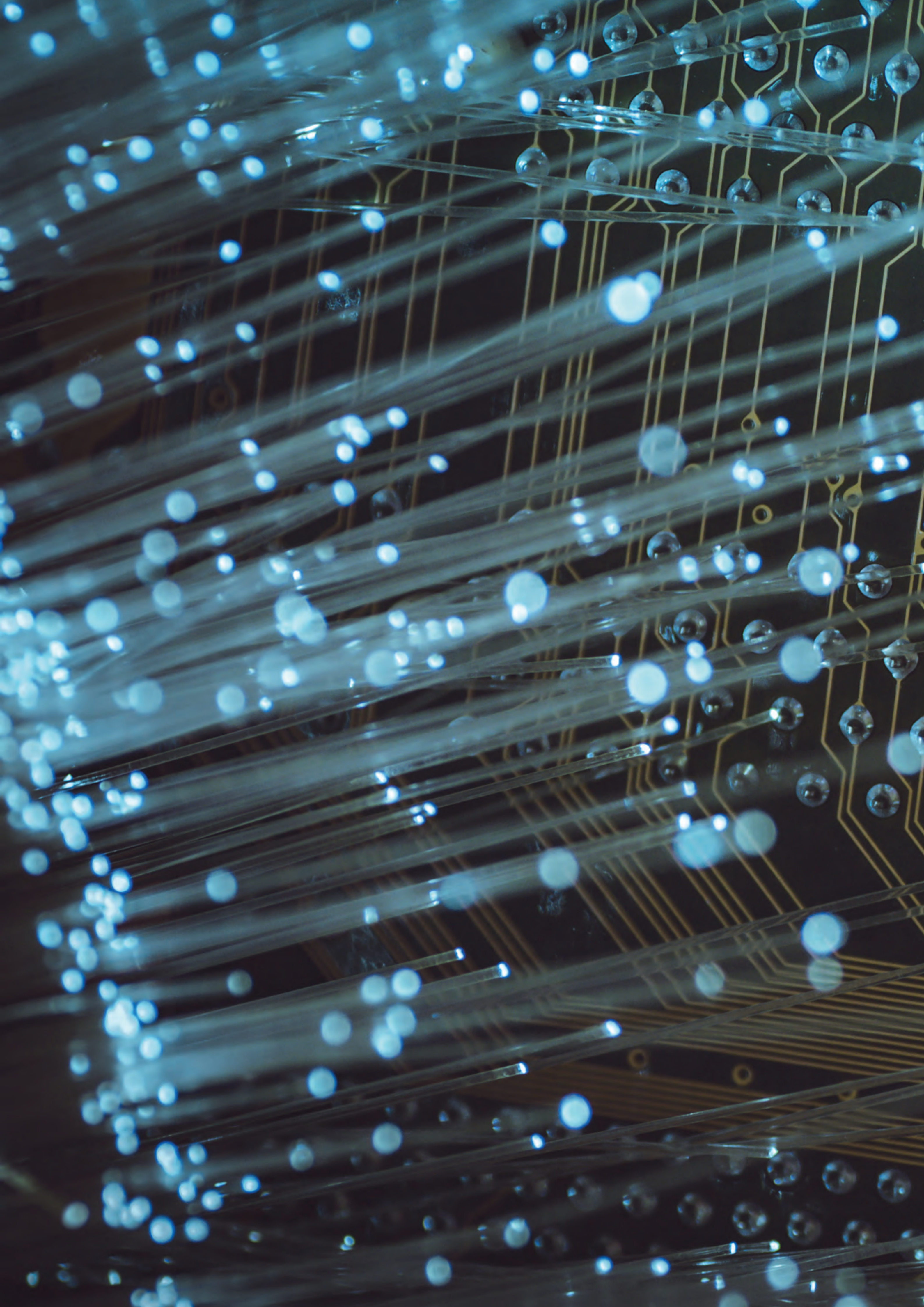
Shares held: 2,500 **Fees:** £37,500

Neil Rogan

Appointed to the Board in September 2019.

Neil has broad experience of investment companies both as an investment manager and as a non-executive director. He was Head of Global Equities at Gartmore with sole responsibility for Gartmore Global Focus Fund. At Jardine Fleming Investment Management and Fleming Investment Management, he was the lead manager of Fleming Far Eastern Investment Trust for many years. He is Chair of both Murray Income Trust PLC and Invesco Asia Trust plc.

Shares held: 6,000 **Fees:** £4,578 (annualised £32,500)



Manager's Review

One evening in September 2007, whilst on holiday, a flickering TV caught my attention. I was stunned to see a report that concerns about the financial strength of Northern Rock had dramatically escalated. Rather than accept the reassurances of the authorities, people were queuing around the block to withdraw their money. Admittedly, I had been worried for some time about the debt-funded party that had characterised the previous few years of economic activity but, to me, this was a tangible sign that we had reached the peak of that cycle. I had no exact knowledge of what would happen next but I reasoned that anything that had come to depend on easy money was shortly going to be in difficulty.

As it turned out, money markets and credit conditions continued to deteriorate, which culminated, a year later, in the bankruptcy of Lehman Brothers. Looking back, there are two factors that I continue to find surprising. The first is how bad things got. I would not have predicted, in 2007, the de facto bankruptcy of the Western banking system within a year. The second is how the markets initially reacted to the downturn in the cycle. As credit markets froze and the US headed for recession, the markets' 'animal spirits' decided that emerging markets could 'decouple' from developed markets. Further, as emerging markets required a lot of raw materials, the logic was extended such that commodity prices could also 'decouple'. Accordingly, for about nine months 'decoupling' became the hottest investment theme, culminating most memorably in the oil price hitting a high of around $146 per barrel in July 2008. By the end of that year, as economic activity ground to a halt, the oil price was close to $40 which showed that decoupling was always a fanciful notion. Nevertheless, had investors correctly predicted the outcome of these events and acted accordingly in September 2007, they still would have endured a very uncomfortable nine months before their investment decisions came good.

I mention this because it seems that the recently failed IPO of WeWork is a similarly significant event for the 'unicorn' party and, perhaps, loss making ventures in general. A unicorn is the term given to private, recently started businesses that have an implied valuation of over $1bn. WeWork was one of the biggest unicorns of all, with an implied valuation of $47bn (for context, a well known company of similar market capitalisation is BMW). Many unicorns present themselves as technology based disrupters but actually operate at vast losses in low margin, cyclical industries with revenue growth only sustained through a subsidised user experience. In effect, these companies require a constant supply of new capital to sustain their business models.

I cannot say with certainty what the ramifications will be of the bursting of this 'disruption' bubble but, as I have expressed before, my view is that this particular investment theme has been one of the more egregious by-products of a cheap money environment. I think, if the mood is starting to turn away from these sorts of investments, that the unloved but cheap areas of the market will find favour.

The portfolio

Our gold miners, in aggregate, provided our largest gains during the year. **Newcrest Mining** (+£12.2m total return), **Barrick Gold** (+£8.2m) and **Newmont Goldcorp** (+£7.6m) appreciated as the gold price increased and investors were encouraged by a recent wave of mergers between the big miners and a greater focus on efficiency and capital discipline. Gold is perceived as a safe haven at times of market turbulence but, for us, a more attractive feature is the fact that it acts as a currency which is not susceptible to the devaluing effect that loose monetary policy and unfunded government spending has on paper money.

Returns from the retail sector were, overall, not as pleasing. Strong gains came from US-based **Target** (+£7.7m), which reaped the reward of a programme to optimise its operations for both online and in-store transactions. We believe this type of 'multi-channel' approach is most likely to prosper given the poor economics of online-only sales. UK supermarket **Tesco** (+£4.3m) also performed well as it continued to make significant strides towards rebuilding profitability. However, US department store operator **Macy's** (-£13.2m) was a source of disappointment as a stumble in the turnaround plan wiped out the strong gains from the previous year. We had hoped that **Gap** (-£9.6m) could unlock value by splitting the business in order to focus on distinct brands but this was undermined by weak sales in its most profitable brand. **Marks & Spencer** (-£6.9m) performed poorly as it entered into a venture with online food retailer Ocado.

Among our health care holdings, **GlaxoSmithKline** (+£5.4m) and **Roche** (+£4.0m) performed well as they advanced plans to reinvigorate their pipeline of drugs. **Pfizer** (-£2.5m), meanwhile, gave back some of its

Manager's Review (continued)

previous gains as it transforms from health conglomerate to a company focused on innovative pharmaceuticals.

In financials, the subdued yield environment was particularly disadvantageous for our Japanese banks **Mitsubishi UFJ Financial** (-£2.3m) and **Sumitomo Mitsui Financial** (-£2.0m). Solid returns came from emerging markets focused lender **Standard Chartered** (+£4.5m), which resumed share buybacks in a sign of progress with its turnaround plan, but we substantially reduced our holding when it became apparent to us that protests in Hong Kong would be longstanding.

Among our oil holdings, we continue to see exceptional value in the oil majors, which now have the whip hand when procuring services, but **Exxon Mobil** (-£2.5m) and **Royal Dutch Shell** (-£2.0m) retreated on concerns about a slower global economy. We sold **National Oilwell Varco** (-£4.1m) and **Diamond Offshore Drilling** (-£2.3m) as our analysis showed it would be several years before they again enjoyed pricing power.

Japanese electronic goods companies **Sony** (-£2.5m) and **Nintendo** (-£1.3m) were both sold during the period having successfully revived their fortunes. Despite recording losses during this reporting period, they were very fruitful investments over our holding period.

In telecommunications, our new holdings made modest gains **AT&T** (+£0.6m), **Deutsche Telekom** (+£0.6m), **KPN** (+£0.3m), **Orange** (+£0.6m), **Tele2** (+£0.6m) and **Telstra** (+£0.3m). Their defensive characteristics and attractive dividends are complemented by a shifting regulatory cycle which may incentivise investment in next generation networks. Among our pre-existing telecommunications holdings, **China Mobile** (-£2.3m) declined, not helped by its Hong Kong listing, while **BT** (+£1.8m) advanced as investors anticipated a more benign environment.

BHP (+£4.8m), a diversified miner, was aided by high iron ore prices and a focus on capital discipline which has helped fuel a meaningful recovery in cash flows. As this improvement seemed more fully appreciated by investors, we sold our holding during the year.

UK water and waste services company **United Utilities** (+£3.6m) recorded solid gains as the regulatory backdrop eased, defensive assets found favour with investors and, perhaps most importantly, investors sensed the chance of an unfavourable political environment had diminished.

Outlook

The stockmarket remains strong but the global economy seems to be slowing. Markets continue to dance to a cheap money tune but recently have shown less appetite for profitless growth at inflated valuations. We think this new mood will spread to other areas of the market where investors have been prepared to accept ever fancier valuations for 'certain' growth. We cannot be precise on when this will happen but we do know that 'sure' things almost always disappoint and that paying a steep price is a bad starting point.

There has been much talk of a recession lately, but the reality is that, outwith the US, most of the world is already enduring sluggish conditions. Most of our holdings are in the unloved and out-of-favour parts of the market and, arguably, many are already priced for a recession. We think this gives scope to defy low expectations and thus to generate long term gains.

A global recession is a possibility but politicians are alive to this threat. President Trump seems keen to sign a watered down trade deal with China, with one eye on his re-election, while the US Federal Reserve has not only cut interest rates but has again started to inject money into the financial system in a QE-like manner.

We think the Brexit fog is starting to lift and we believe that the combination of a cheap currency and depressed UK stocks relative to other parts of the world could be an interesting opportunity.

I have previously noted that, as contrarian investors, we actively seek unfashionable investments that we believe have underappreciated potential. Where expectations are low there can be significant scope for positive surprises and this is where we believe the best balance between risk and reward exists.

Alasdair McKinnon
Manager

13 December 2019

Manager's Review (continued)

Our approach

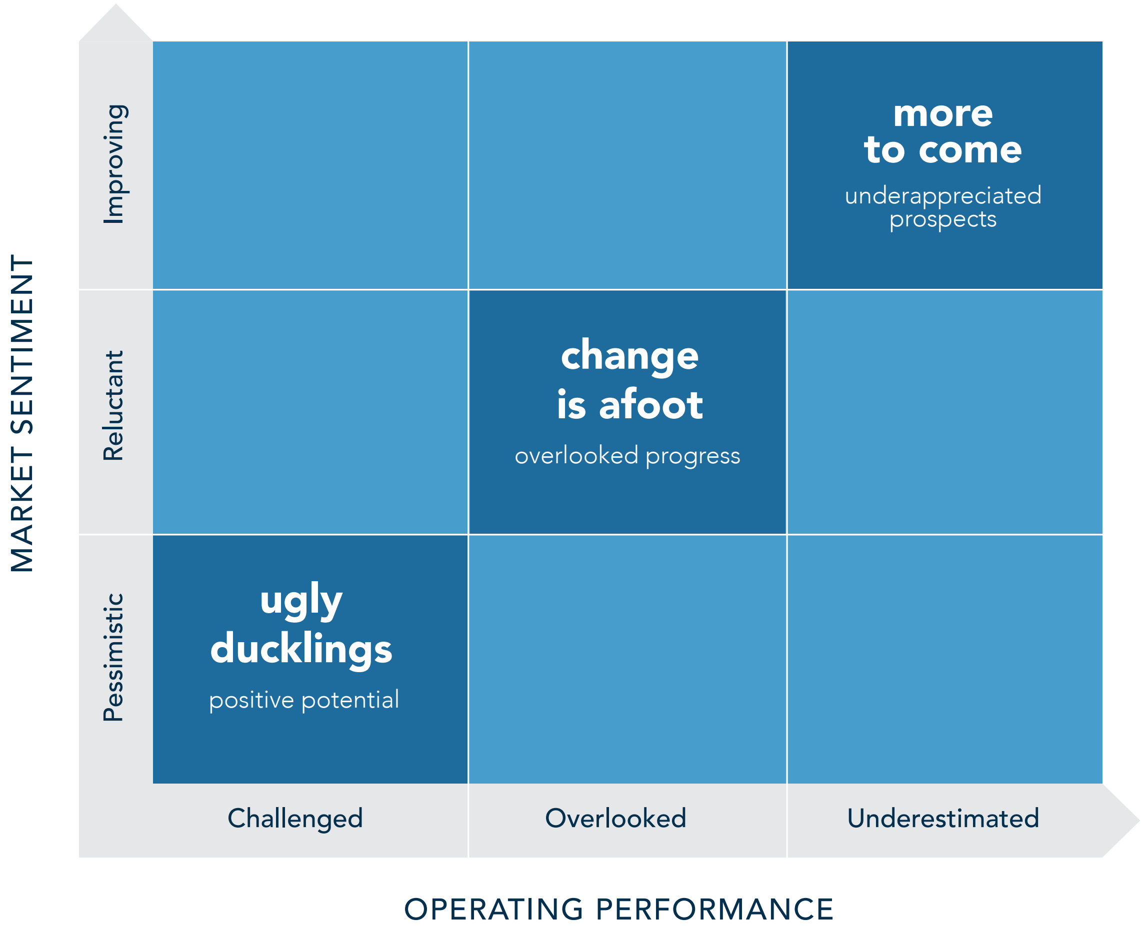
To apply our approach, we divide the stocks in which we invest into three categories.

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

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

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

Categorisation of Investments



Manager's Review (continued)

NAV Absolute Performance Attribution
Year to 31 October 2019

	Contribution %
Equity portfolio (ungeared)	+2.5
Gearing	+0.0
Total equities	**+2.5**
Other income and currency	+0.0
Buybacks	+0.3
Expenses	-0.8
Interest charges	-0.5
Change in market value of borrowings	-1.0
Change in pension liability	0.0
NAV with borrowings at market value total return	**+0.5**

Top Ten Gains and Losses
Year to 31 October 2019

	Performance† %	Gains £m
Newcrest Mining	47.6	12.2
Barrick Gold	40.8	8.2
Target	29.7	7.7
Newmont Goldcorp	32.8	7.6
GlaxoSmithKline	18.5	5.4
BHP*	12.8	4.8
Standard Chartered	13.5	4.5
Tesco	23.7	4.3
PepsiCo	24.5	4.3
Roche	25.1	4.0

	Performance† %	Losses £m
Macy's	-53.7	-13.2
Gap	-38.8	-9.6
Marks & Spencer	-33.0	-6.9
National Oilwell Varco*	-37.5	-4.1
Sony*	-9.4	-2.5
Pfizer	-13.0	-2.5
Exxon Mobil	-21.9	-2.5
Diamond Offshore Drilling*	-10.9	-2.3
Mitsubishi UFJ Financial	-44.6	-2.3
China Mobile	-12.4	-2.3

* Sold during the year.

† Total return on investment, taking into account both capital returns and entitlement to dividends declared, for the period the investment was held during the year.

The Investment Team

Alasdair McKinnon
Manager

Alasdair joined the Company in 2003 and became Manager in 2015. He has 20 years of investment experience. He graduated MA with Honours in Economic and Social History from the University of Edinburgh and MSc in Investment Analysis (with distinction) from the University of Stirling. Alasdair is a CFA® charterholder and an Associate of the UK Society of Investment Professionals.

Martin Robertson
Deputy Manager

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

Mark Dobbie
Investment Manager

Mark joined the Company in 2000 and became an Investment Manager in 2011. He has 9 years of investment experience. He also has extensive knowledge of the operation of investment trusts, including valuation and performance analytics, from previous roles with the Company. Mark is a CFA® charterholder.

Sarah Monaco
Investment Manager

Sarah joined the Company in 2000 and became an Investment Manager in 2002. She has 17 years of investment experience. She graduated with a Master of Business Administration from the University of Edinburgh and previously gained a BA in Commerce. Sarah also has broader investor relations experience and a Post Graduate CIM Diploma in Marketing. Sarah is a member of the CFA Institute.

Igor Malewicz
Investment Analyst

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

Strategic Report

Business Model and Status

The Company is a self-managed global growth investment trust and is an investment company within the meaning of the Companies Act 2006. HM Revenue & Customs has approved the Company as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. The Company continues to satisfy the conditions for such approval. The Company is registered in Scotland and its registered office is 6 Albyn Place, Edinburgh EH2 4NL.

Investment objective and policy

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

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

The Company's portfolio is actively managed and typically will contain 50 to 100 listed international equity investments. The portfolio is widely diversified both by industrial sector and geographic location of investments in order to spread investment risk.

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

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

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

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

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

- under the Company's Articles of Association, up to 40% of the Company's total assets on the last audited balance sheet may be used to make investments of up to a maximum of 8% of the value of total assets in any one company, at the time the investment is made. Thereafter, individual investments may not exceed 3% of the value of total assets, at the time the investment is made;
- the levels of gearing and gross gearing are monitored closely by the Board and the Manager. The Board currently limits gearing to 20%. While gearing will be employed in a typical range of 0% to 20%, the Company retains the ability to lower equity exposure to a net cash position if deemed appropriate;
- the Company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds; and
- the Company may not make investments in respect of which there is unlimited liability except that the Company may sell index futures for efficient portfolio management purposes.

Investment policy – implementation

During the year under review, the assets of the Company were invested in accordance with the Company's investment policy.

A full list of holdings is disclosed on pages 20 and 21 and detailed analysis of the spread of investments by geographic region and industry sector is shown on page 22. A further analysis of changes in asset distribution by industry sector over the year, including the sources of appreciation/depreciation, is shown on page 23. Attribution of NAV performance is shown on page 11.

At the year end, the number of listed holdings was 51 (2018: 50). The top ten holdings comprised 37.0% of total assets (2018: 33.8%).

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 3 to 5 and the Manager's Review on pages 8 to11.

Additional limitations on borrowings

Under the Company's Articles of Association, the Directors control the borrowings of the Company and its subsidiaries to ensure that the aggregate amount of borrowings does not, unless approved by an ordinary resolution of shareholders, exceed the aggregate of the reserves excluding unrealised capital profits of the

Strategic Report (continued)

Company and its subsidiaries, as published in the latest accounts. In addition, the Directors are authorised to incur temporary borrowings in the ordinary course of business of up to 10% of the Company's issued share capital. Such temporary borrowings are to be for no longer than six months.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are considered under the following categories:

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

These and other risks facing the Company are reviewed regularly by the Audit Committee and the Board. Further information on risks and their mitigation is detailed in the Corporate Governance Report on pages 30 and 31 and in note 16 to the accounts on pages 61 to 66 and on internal controls in the Report of the Audit Committee on page 34.

Performance

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

Key Performance Indicators

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

- NAV total return;
- NAV total return against comparators;
- NAV and share price total return against peers;
- discount with debt at market value;
- dividend growth against UK inflation; and
- ongoing charges figure.

Definitions of the APMs can be found in the Glossary on page 72.

Future Developments

The main trends and factors likely to affect the future development, performance and position of the Company's business are set out in the Chairman's Statement on pages 3 to 5 and the Manager's Review on pages 8 to 11.

Dividends

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

The Directors recommend a final dividend of 6.9p and a special dividend of 7.45p payable on 14 February 2020. With the interim dividends each of 5.3p already paid in May, August and November 2019, this makes a total of 30.25p for the year. Based on 73,893,508 shares in issue at 31 October 2019, the final and special dividend will cost £10.604m. The total dividend for the year will cost £22.573m.

Share capital

General

The Company had 73,893,508 shares of 25p each in issue on 31 October 2019 (2018: 77,184,578). Since the year end, the Company has bought back 50,000 shares for cancellation. The rights attaching to shares in the Company are set out in the Company's Articles of Association which may be amended by the passing of a special resolution of shareholders, that is, by the approval of a majority of not less than 75% of votes cast.

The Financial Conduct Authority rules in relation to non-mainstream investment products do not apply to the Company.

Rights to the capital of the Company on winding up

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

Voting

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

Transfer

There are no restrictions concerning the holding or transfer of shares in the Company and there are

Strategic Report (continued)

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

Deadlines for exercising voting rights

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

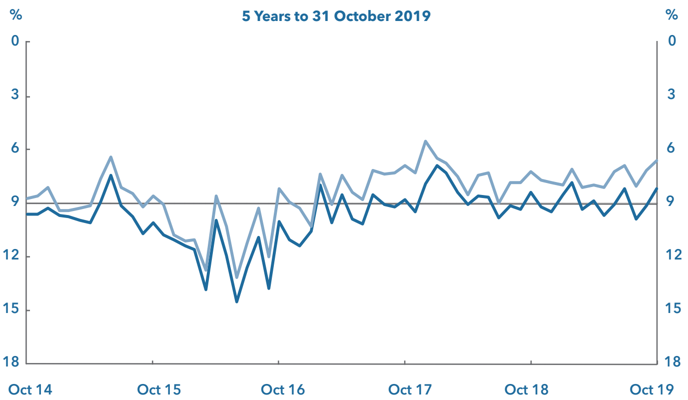
Discount control policy

The Company's policy aims, in normal market conditions, to maintain the discount to cum-income NAV at or below 9%. In calculating the NAV for the purposes of this policy, the Company's borrowings are taken at their market value so as to ensure that future repurchases of shares will take into account changes in the value of the borrowings brought about by movements in long-term interest rates. During the year ended 31 October 2019, the Company bought back for cancellation a total of 3,291,070 shares of 25p each representing 4.3% of shares in issue at 31 October 2018, at a cost of £26,978,000.

At the AGM on 7 February 2019, authority was granted to repurchase up to 14.99% of shares in issue on that date. The number of shares authorised for repurchase was 11,502,977. Share buybacks from the date of the AGM to the Company's year end amounted to 2,844,162 shares or 3.71% percentage points of the 14.99% authority.

Discount to NAV*

5 Years to 31 October 2019



* with borrowings at market value

Source: The Company

Holding in listed closed-ended investment fund

Company holdings include one investment in a listed closed-ended investment fund of £13.1m: 1.7% of total assets (2018: £12.5m: 1.6%). This comprised solely of an investment in British Land, a UK property fund. The Company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds.

Unlisted portfolio

The Company's unlisted holdings were valued at £1.5m (0.2% of shareholders' funds). These comprise the Company's office property and subsidiary.

Viability statement

The Directors have assessed the prospects of the Company for a period of five years. The Board believes this time period is appropriate having consideration for the Company's principal risks and uncertainties (outlined on pages 30 and 31); its portfolio of liquid listed international equity investments and cash balances; and its ability to achieve the stated dividend policy and to cover interest payments on the Company's debt.

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

Based on the above, the Board confirms it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of this assessment.

Investment risk

The investment portfolio is diversified over a range of industries and regions in order to spread risk. The Company has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns but, should stockmarkets fall, such borrowings would magnify losses. The Company can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing. Investment risk is considered in more detail in the Corporate Governance Report on page 30 and in note 16 on page 62.

Performance comparators

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

Strategic Report (continued)

Management

The Board has appointed the Company's wholly-owned subsidiary, S.I.T. 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.

The Board has appointed Maitland Administration Services (Scotland) Limited to provide company secretarial, administration and accounting services to the Company.

Substantial shareholdings

At 31 October 2019, the Company had been informed of the following notifiable interest in its voting rights:

	Shares	% held
Wells Capital Management Inc.	4,924,836	6.7

There have been no changes notified to the Company in respect of the above interest, and no new interests notified, since 31 October 2019.

Analysis of share register at 31 October 2019

Category of holder	Share capital %
Individuals	82.9
Investment companies	5.5
Pension funds	4.8
Other	6.8
Total	**100.0**

Company's directors and employees

The table below shows the breakdown of Directors and employees.

	31 October 2019		31 October 2018	
	Male	Female	Male	Female
Directors	4	2	3	2
Senior Manager	1	0	1	0
Employees	4	5	5	3

Environmental, Social and Governance Policy

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

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

Bribery Act 2010

The Company has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly.

Criminal Finances Act 2017

The Company has a zero tolerance policy to tax evasion and the facilitation of tax evasion.

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

James Will
Chairman
13 December 2019

Financial Summary

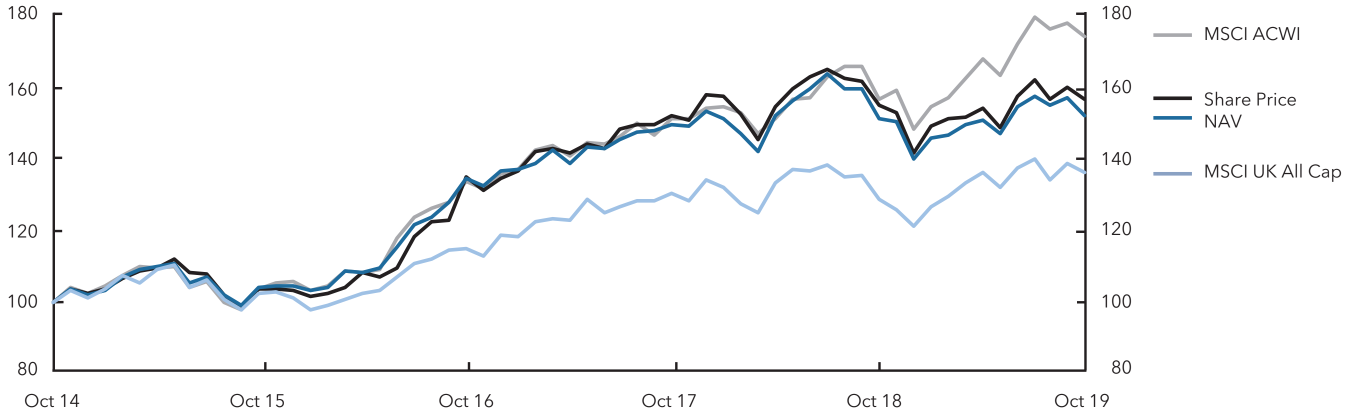
	2019	2018	Change %	Total return %
NAV with borrowings at market value	878.5p	900.1p	(2.4)	+0.5§
NAV with borrowings at amortised cost	915.9p	926.8p	(1.2)	+1.7§
Ex-income NAV with borrowings at market value§	864.2p	888.9p	(2.8)	
Ex-income NAV with borrowings at amortised cost	901.6p	915.5p	(1.5)	
Share price	807.0p	825.0p	(2.2)	+1.0
Discount to NAV with borrowings at market value§	8.1%	8.3%		
MSCI ACWI			+8.9	+11.2
MSCI UK All Cap Index			+1.0	+5.8
	£'000	£'000		
Equity investments	687,820	717,547		
Net current assets	74,173	82,931		
Total assets	761,993	800,478		
Long-term borrowings at amortised cost	(83,921)	(83,829)		
Pension liability	(1,279)	(1,337)		
Shareholders' funds	676,793	715,312		
Earnings per share	29.75p	26.02p	+14.4	
Regular dividend per share (2019: proposed final 6.90p)	22.80p	21.20p	+7.5	
Special dividend per share	7.45p	4.00p		
Total dividend per share	30.25p	25.20p	+20.0	
UK Consumer Prices Index – annual inflation			+1.5	

§ Alternative Performance Measures (please refer to Glossary on page 72).

Year's High & Low

	Year to 31 October 2019 High	Year to 31 October 2019 Low	Year to 31 October 2018 High	Year to 31 October 2018 Low
NAV with borrowings at market value	930.6p	812.9p	991.8p	844.9p
Closing share price	843.0p	748.0p	902.0p	771.0p
Discount to NAV with borrowings at market value	10.1%	7.0%	10.7%	6.2%

NAV* and Share Price against Comparator Indices
Total Return – 5 years to 31 October 2019



*with borrowings at market value

Chart data source: Bloomberg and the Company

List of Investments

As at 31 October 2019

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Newcrest Mining	Australia	37,565	
Tesco	UK	35,539	
Target	US	33,699	
Newmont Goldcorp	US	31,256	
Barrick Gold	Canada	30,534	
BT	UK	28,548	
Pfizer	US	24,048	
Royal Dutch Shell	UK	22,402	
Roche	Switzerland	19,677	
ING	Netherlands	18,599	41.0
GlaxoSmithKline	UK	18,040	
Japan Tobacco	Japan	18,002	
United Utilities	UK	17,661	
East Japan Railway	Japan	17,598	
PepsiCo	US	17,067	
Kirin	Japan	16,516	
Exxon Mobil	US	16,501	
China Mobile	China	16,104	
Gap	US	14,752	
Chevron	US	14,358	65.2
Total	France	13,735	
Royal Bank of Scotland	UK	13,613	
Marks & Spencer	UK	13,455	
Verizon Communications	US	13,342	
British Land	UK	13,101	
BNP Paribas	France	12,967	
Telstra	Australia	12,515	
Deutsche Telekom	Germany	11,501	
Macy's	US	10,970	
Carrefour	France	10,176	83.4
Sumitomo Mitsui Financial	Japan	9,631	
Orange	France	9,524	
BASF	Germany	8,746	
AT&T	US	8,475	
Adecco	Switzerland	7,211	
KPN	Netherlands	6,850	
Mitsubishi UFJ Financial	Japan	6,505	
Intesa SanPaolo	Italy	6,468	
Bank of Kyoto	Japan	5,757	
TGS Nopec Geophysical	Norway	5,714	94.3

List of Investments (continued)

As at 31 October 2019

Listed Equities

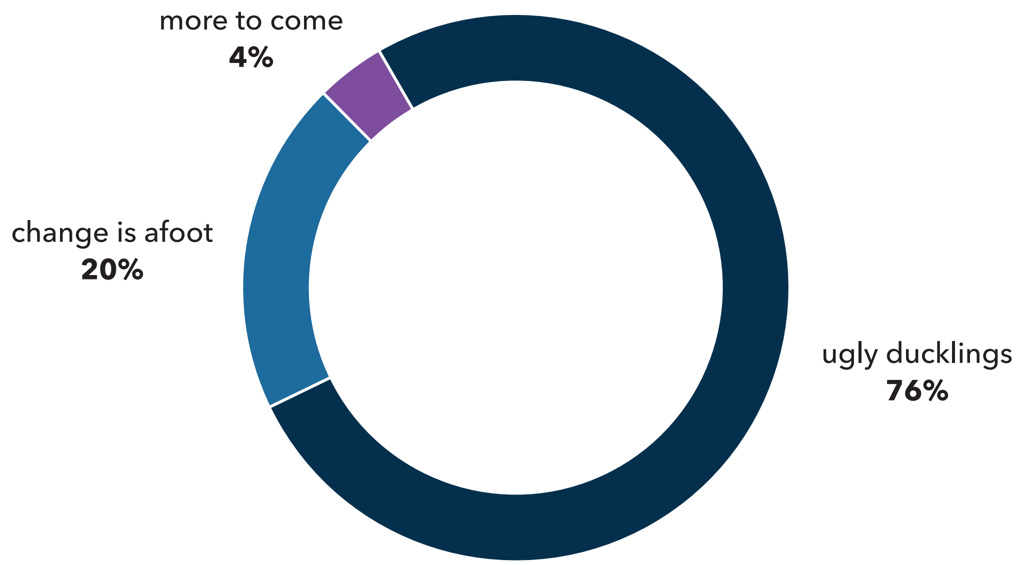
Holding	Country	Market value £'000	Cumulative weight %
KDDI	Japan	5,508	
Vinci	France	5,455	
Lloyds Banking	UK	5,111	
Hess	US	5,030	
Tele2	Sweden	4,717	
Bank of Ireland	Ireland	3,815	
Baker Hughes	US	2,098	
BP	UK	1,957	
Tourmaline Oil	Canada	1,486	
Freehold Royalties	Canada	1,236	
Standard Chartered	UK	1,185	
Total listed equities		**686,320**	**99.8**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Heritable property and subsidiary	UK	1,500	
Total unlisted		**1,500**	**0.2**
Total equities		**687,820**	**100.0**

The 10 largest holdings have an aggregate market value of £281,867,000.

Listed Equities by Category
(Market Value Weighted)

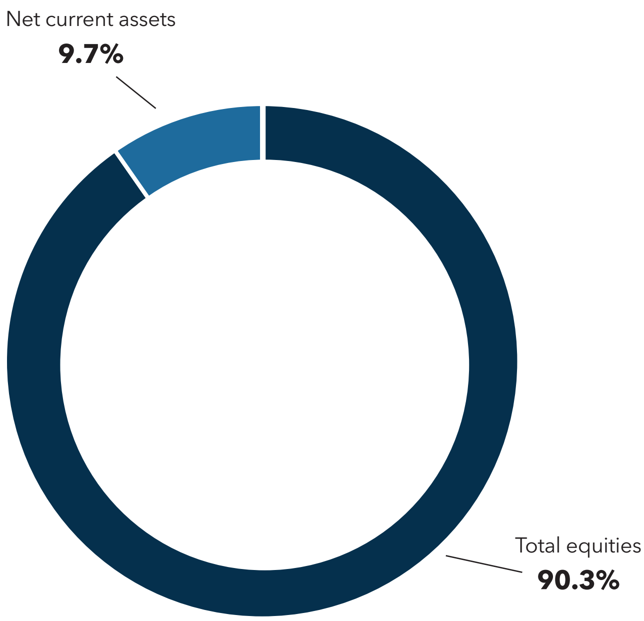


Distribution of Assets

Distribution of Total Assets

by Sector	31 October 2019 %	31 October 2018 %
Energy	11.1	17.9
Materials	14.2	9.5
Industrials	4.0	3.3
Consumer Discretionary	9.5	14.6
Consumer Staples	12.8	7.2
Health Care	8.1	9.1
Financials	11.2	18.8
Information Technology	–	–
Communication Services	15.4	5.9
Utilities	2.3	1.7
Real Estate	1.7	1.6
Net current assets	9.7	10.4
Total assets	**100.0**	**100.0**

Allocation of Total Assets



by Region	31 October 2019 %	31 October 2018 %
UK	22.6	24.5
Europe (ex UK)	19.1	14.8
North America	29.5	34.5
Japan	10.4	10.7
Asia Pacific (Ex Japan)	8.7	5.1
Net current assets	9.7	10.4
Total assets	**100.0**	**100.0**

Allocation of Shareholders' Funds

	%
Total equities	**101.6**
Net current assets	11.0
Borrowings at amortised cost	-12.4
Pension liability	-0.2
Shareholders' funds	**100.0**

Distribution of Assets (continued)

Changes in Asset Distribution

by Sector	31 October 2018 £m	Net purchases (sales) £m	Appreciation (depreciation) £m	31 October 2019 £m
Energy	143.3	(39.9)	(18.9)	84.5
Materials	76.4	0.5	31.2	108.1
Industrials	26.6	2.0	1.7	30.3
Consumer Discretionary	117.1	(17.1)	(27.1)	72.9
Consumer Staples	57.7	35.6	4.0	97.3
Health Care	72.6	(14.9)	4.1	61.8
Financials	150.2	(58.2)	(6.9)	85.1
Information Technology	–	–	–	–
Communication Services	47.3	69.9	(0.1)	117.1
Utilities	13.8	1.0	2.8	17.6
Real Estate	12.5	–	0.6	13.1
Total equities	**717.5**	**(21.1)**	**(8.6)**	**687.8**

Changes in Shareholders' Funds

	31 October 2018 £m	Net purchases (sales) £m	31 October 2019 £m	Appreciation (depreciation) £m	Dividend income £m	Total return £m
Total equities	**717.5**	**(21.1)**	**687.8**	**(8.6)**	**27.9**	**19.3**
Net current assets	82.9	(7.9)	74.2			
Total assets	**800.4**	**(29.0)**	**762.0**			
Borrowings at amortised cost	(83.8)	(0.1)	(83.9)			
Pension liability	(1.3)	–	(1.3)			
Shareholders' funds	**715.3**	**(29.1)**	**676.8**			

Ten Year Record

Year to 31 October	Earnings per share p	Regular dividend per share p[1]	Total expenses £'000	Ongoing charges figure %	Total assets £'000	Share-holders' funds £'000	Buybacks £'000	NAV (debt at amortised cost) p	Share price p	Discount to NAV[2] cum-income %	Discount to NAV[2] ex-income %	NAV (debt at amortised cost) total return %
2009	10.62	9.60	4,139	0.78	696,971	587,675	13,776	465.6	410.0	10.1	8.9	17.6
2010	10.26	10.05	4,284	0.72	740,140	630,367	36,046	533.7	469.3	10.0	9.0	17.0
2011	12.43	10.40	4,443	0.71	708,972	598,870	19,339	524.2	452.0	9.6	8.2	(0.0)
2012	12.01	11.25	4,632	0.79	734,801	628,244	11,121	561.6	479.0	9.8	8.6	9.2
2013	13.41	11.60	5,110	0.75	857,545	750,818	10,139	682.7	603.0	9.8	8.6	23.8
2014	11.51	12.00	4,887	0.68	841,189	734,293	11,308	679.5	598.0	9.6	8.7	1.5
2015	15.91	12.50	4,900	0.52	840,005	733,056	15,426	694.3	608.0	10.1	8.6	3.9
2016	21.62	13.50	4,080	0.49	935,934	849,017	59,944	881.2	769.5	10.0	8.1	29.9
2017	23.06	20.00	3,517	0.49	845,199	760,371	135,188[3]	956.8	843.0	8.8	6.8	11.4
2018	26.02	21.20	3,254	0.52	800,478	715,312	19,602	926.8	825.0	8.3	7.2	0.4
2019	**29.75**	**22.80**	**4,133**	**0.58**	**761,993**	**676,793**	**26,978**	**915.9**	**807.0**	**8.1**	**6.6**	**1.7**

Ten Year Growth Record

Year to 31 October	Earnings per share	Regular dividend per share[1]	Consumer Prices Index	Share price	Share price total return	NAV (debt at amortised cost) total return	NAV (debt at market value) total return	MSCI UK All Cap Index total return	MSCI ACWI[4] total return
2009	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2010	96.6	104.7	103.2	114.5	117.1	117.0	116.7	116.7	117.6
2011	117.0	108.3	108.4	110.2	115.1	117.0	114.0	118.0	117.0
2012	113.1	117.2	111.2	116.8	124.8	127.7	123.5	129.4	127.3
2013	126.3	120.8	113.6	147.1	160.4	158.1	158.3	158.9	157.3
2014	108.4	125.0	115.1	145.9	162.7	160.6	159.9	159.6	170.3
2015	149.8	130.2	115.0	148.3	168.6	166.9	166.4	163.1	176.3
2016	203.6	140.6	116.1	187.7	219.2	216.8	215.4	183.1	227.6
2017	217.1	208.3	119.5	205.6	247.3	241.4	239.1	207.9	257.8
2018	245.0	220.8	122.2	201.2	251.9	242.4	241.6	205.1	266.6
2019	**280.1**	**237.5**	**124.2**	**196.8**	**254.5**	**246.5**	**242.9**	**217.0**	**296.4**
Ten year return per annum	**10.9%**	**9.0%**	**2.2%**	**7.0%**	**9.8%**	**9.4%**	**9.3%**	**8.1%**	**11.5%**
Five year return per annum	**20.9%**	**13.7%**	**1.5%**	**6.2%**	**9.4%**	**9.0%**	**8.7%**	**6.3%**	**11.7%**

1. Excluding special dividends of 1.80p in 2013, 3.50p in 2015, 9.00p in 2016, 5.00p in 2017, 4.00p in 2018 and 7.45p in 2019.
2. Discount to NAV with borrowings at market value.
3. Includes Aviva repurchase of £90,255,000.
4. MSCI ACWI is the MSCI All Countries World Index.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Responsibility Statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

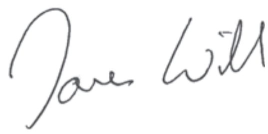
The Board of Directors confirms that to the best of its knowledge:

a) the Financial Statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and return of the Company;

b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties the Company faces; and

c) the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

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



James Will
Chairman
13 December 2019

Corporate Governance Report

Introduction

The Board is committed to implementing high levels of corporate governance within the Company in order to safeguard the interests of its shareholders, to manage the risks that the Company faces and to ensure the efficient and effective running of the Company. Sound governance is at the heart of the Board's efforts to ensure that the Company continues to meet its investment objective. The following statement reports on how the Board, supported by the committees that it has established, has continued to achieve these aims over the course of the year.

Statement of compliance

The Board has reviewed the principles set out in the UK Corporate Governance Code (revised 2018), which can be found at **www.frc.org.uk** and the Association of Investment Companies Code of Corporate Governance by reference to the AIC Corporate Governance Guide for Investment Companies (published in February 2019), both of which can be found at **www.theaic.co.uk** The Board has not adopted early the revised UK Corporate Governance Code published in July 2018, which first applies to the Company for its financial year commencing 1 November 2019, but has complied with the UK Corporate Governance Code published in April 2016.

The Board believes that the way the Company is governed is consistent with the principles of the UK Corporate Governance Code and that the Company has complied with its provisions, except that:

- there is no senior independent director;
- the Chairman is a member of the Audit Committee; and
- the annual evaluation of the Board has not been externally facilitated.

The Board considers that, as all Directors are independent and non-executive, there is no compelling case for appointing a senior independent director. The Board further considers that the Chairman is independent in character and judgement and, therefore, that there is no reason for James Will not to be a member of the Audit Committee. An external consultant has been engaged to facilitate the evaluation of the Board in 2020.

Directors' independence

A Director's tenure of office will normally be for up to nine years, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders. The Chairman's tenure of office will also normally be for up to nine years, except that the Board may determine otherwise if it is considered that the continued service on the Board of a Chairman, who has in addition served a period of time as a Director, is in the best interests of the Company and its shareholders. In such circumstances, the Chairman may serve up to an aggregate twelve years as an officer of the Company. The Board believes that each Director is independent in character and judgement and that there are no relationships with the Company or its employees which might compromise this independence.

Board committees

The Board has established three committees: Audit, Remuneration and Nomination. Each of the committees has written terms of reference which are reviewed at least annually and clearly define their responsibilities and duties. The terms of reference for these committees are available on the Company's website **www.thescottish.co.uk**

Audit Committee

The Audit Committee comprises the whole Board and is chaired by Karyn Lamont. It 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 2019;
- 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 appointment of the external auditor and it has considered the proposed terms of their engagement;
- it has satisfied itself as to the independence of the external auditor and agreed that any non-audit services provided by the auditor must be approved by the Audit Committee in advance;
- it has satisfied itself that the Strategic Report is consistent with the Financial Statements; and
- it has reviewed the Company's procedures for handling allegations from whistleblowers.

Further details are set out in the Report of the Audit Committee on pages 34 and 35.

Independent auditor

The Company conducted an Audit Committee led tender of its audit services during the year under review to coincide with the end of the five year rotation cycle of the current audit partner of Deloitte LLP. The result of the tender process, described more fully on page 35, was that the Board proposes the appointment of PricewaterhouseCoopers LLP as auditor for the financial year ending 31 October 2020. PricewaterhouseCoopers LLP has expressed its willingness to be appointed auditor to the Company. The appointment is subject to shareholder approval at the Annual General Meeting to be held on 4 February 2020 and resolutions concerning PricewaterhouseCoopers LLP's appointment and remuneration will be submitted to that meeting.

Corporate Governance Report (continued)

Remuneration Committee

The Board has appointed a Remuneration Committee to recommend pay and conditions for the Board and employees. The Committee is chaired by Jane Lewis. Further details of Directors' remuneration are included in the Directors' Remuneration Report on pages 36 and 37.

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

Every employee is entitled to a salary and other benefits including a contributory pension scheme. In addition, there is a discretionary performance-related bonus scheme. For all staff, bonuses payable depend, *inter alia*, on individual performance and the Company's short and medium term performance in both absolute and relative terms. Any other metrics that are considered appropriate may be taken into account.

Nomination Committee

There is a Nomination Committee comprising the whole Board. The Committee is chaired by James Will. The Committee meets at least annually to review the structure, size and composition of the Board.

The Nomination Committee is responsible for nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Committee will evaluate the skills, experience, independence, knowledge and diversity of the Board and, subject to the aforementioned, prepare a description of the role and capabilities required to fulfil the appointment.

When Board positions become available as a result of retirement or resignation, the Committee will ensure that a diverse group of candidates is considered. In order to recruit relevant candidates, the identification of such candidates may be carried out in conjunction with the Board by an independent firm of consultants. This was the process followed with respect to the appointment of Neil Rogan. If such a process is not used, the Committee will disclose the reasons in the Corporate Governance Report or the Directors' Report in the next Annual Report and Accounts.

The Committee will consider candidates on merit and against objective criteria having regard to the benefits of diversity, including gender.

Board and committee meetings

The Board has adopted a schedule of matters reserved for the Board which includes investment strategy, accounting and financial controls, dividends and announcements, capital structure (including share buybacks), gearing and major contracts.

The Board has appointed the Company's wholly-owned subsidiary, S.I.T. 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.

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.

On an annual basis the Board normally meet five times, the Audit Committee three times, the Remuneration Committee twice and the Nomination Committee at least once. Attendance at the scheduled and additional meetings throughout the year is shown in the table below.

Directors' time commitments

The Company has a policy of ensuring that all non-executive directors of the Company have sufficient time to commit to the respective duties and responsibilities applicable to their particular Board roles.

When making new appointments, the Board takes into account other demands on potential candidates' time and prior to appointment any significant commitments are disclosed with an indication of the time involved. In the year under review the Board assessed the time commitment of each individual Director on external appointments. Each Director's aggregate time commitment is discussed with him or her as part of the annual appraisal process.

In the year under review, all Directors were considered to have sufficient time to commit to their respective roles on the Board, taking account of their external appointments.

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
James Will	5	5	3	3	2	2	2	2
Russell Napier	5	5	3	3	2	2	2	2
Jane Lewis	5	5	3	3	2	2	2	2
Mick Brewis	5	5	3	3	2	2	2	2
Karyn Lamont	5	5	3	3	2	2	2	2
Neil Rogan (appointed 10 September 2019)	1	1	1	1	1	1	1	1

Corporate Governance Report (continued)

If at any time any Director wishes to accept an additional significant external appointment, the prior approval of the Board is first required. In considering whether to grant such approval, the Board will in particular consider the Director's other time commitments and any potential conflicts of interest.

Biographical details for each of the Directors, including their significant external appointments, can be found on page 6.

Board and Directors' performance appraisal

The performance of each Director was assessed and appraised by the Nomination Committee during the year. The Chairman's performance was assessed and appraised in his absence by the other Directors. The review and assessment by the Nomination Committee of each Director's performance as well as the performance of the Board as a whole and of its committees followed completion by each of the Directors of a written questionnaire. The appraisals and assessments considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its committees.

Following this process it was concluded that the performance of each Director, the Chairman, the Board and its committees continues to be effective and that each Director and the Chairman remain committed to the Company.

Appointment and re-election of Directors

The Company's policy on the appointment of Directors is shown on the Company's website, **www.thescottish.co.uk**

New Directors receive an induction from the Company's Manager and the Company Secretary on joining the Board, and all Directors will receive other relevant training as necessary.

All Directors are appointed for initial three year terms, renewable every three years, subject to the Company's policy for all Directors to stand for re-election annually. Each of the Directors has made a valuable and effective contribution to the Company and the Board therefore recommends that shareholders vote in favour of their re-election and election in the case of Neil Rogan.

Directors' letters of appointment will be available for inspection at the AGM.

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 or her as a Director or other officer of the Company to the extent permitted by law. The Company entered into deeds of indemnity in favour of each Director (other than Karyn Lamont and Neil Rogan) on 26 August 2016 and in favour of Karyn Lamont and Neil Rogan on their appointments. The deeds cover any liabilities that may be incurred by a Director in respect of any act or omission (alleged or otherwise) in the exercise of his or her powers or in respect of his or her duties in relation to the Company (including any liabilities arising from negligence, default or breach of trust or duty). The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person (pursuant to the Directors' and officers' liability insurance policy which is maintained by the Company or otherwise).

The Board has direct access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible for ensuring timely delivery of information and reports to the Board and for compliance with the Company's statutory obligations.

There is a procedure for Directors to seek independent professional advice at the expense of the Company.

Diversity policy

The Company recognises the need to consider the diversity of its staff and its Board of Directors. As a general principle, the Company will show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability in considering the appointment of staff or Board members and will ensure appointments are made on the basis of merit against objective criteria.

The structure, size and composition of the Board of Directors are reviewed at least annually by the Nomination Committee ensuring an appropriate balance of skills, experience, independence and knowledge. In considering new appointments to the Board, the Committee recognises the benefits of diversity on the Board, including gender. The Committee will consider both male and female candidates and ensure appointments are made on the basis of merit against objective criteria. As all appointments will be based on merit and in view of the small size of the Board, the Board does not consider it appropriate to set diversity targets.

The Board currently consists of four male and two female Directors.

Corporate Governance Report (continued)

Conflicts of interest

The Companies Act 2006 requires that a director of a company must avoid a situation in which he or she 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.

Going concern

The accounts of the Company have been prepared on a going concern basis. It is the opinion of the Directors that, as most of the Company's assets are readily realisable and exceed its liabilities, it is expected that the Company will continue in operational existence for the foreseeable future. The viability statement, under which the Directors assess the prospects of the Company over a longer period, is contained on page 16.

Internal controls and risk management

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness on an annual basis. A process has been implemented for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year ended 31 October 2019 and up to the date that the Financial Statements were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objective. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material mis-statement or loss.

The Board considers the following as the principal risks and uncertainties faced by the Company:

Principal risks	Mitigation
Strategic Risks in relation to the level of investor appetite for the Company, which may decline, resulting in disinvestments from the Company, pressure on the discount and declining economies of scale. The Company needs to remain alert to any challenges from the external environment, such as potential regulatory changes which impact the investment trust sector more widely; global financial markets which impact on the stability of the banking system; and the uncertainties around Brexit and Scottish independence.	The Board has an annual strategy day to focus on the overall business model and any material changes required to ensure the ongoing attractiveness of the Company. This also considers the annual marketing plan, taking into account advice from external advisers on key messages as well as the most impactful communication channels. The Company has a regular programme of engagement with key institutional investors and with platform providers in relation to retail investors. Quarterly board meetings review developments in the external environment and specifically in relation to the performance of the Company and take action as required.
Investment portfolio and performance The holding of securities and investing activities involve certain inherent risks, principally in relation to market risk. A contrarian investment approach is a distinctive style that may deviate from comparator indices and peer group performance over discrete periods.	Company performance is monitored at each Board meeting, including investment performance. The Manager seeks to maintain a diversified portfolio. The contrarian investment approach is explained in our shareholder communications and through meetings with media and the investor community.
Financial The Company's normal business activities are exposed to market risk (including market price risk, foreign currency risk and interest rate risk), liquidity risk and credit risk.	The Company holds a portfolio which is diversified across industrial and geographical areas. Most assets are held in listed securities and are therefore readily realisable. All debenture stocks and secured bonds are at fixed rates. Only approved counterparties are used and within agreed limits.

Corporate Governance Report (continued)

Principal risks	Mitigation
Operational Failure of the Company's or third party service providers' systems could result in a misappropriation of assets or an inability to report to shareholders. There could be a possible impact on reputation if any such events were to occur. The Company is also exposed to the operational risk that one or more of its service providers may not provide the required level of service. The threat of cyber attack has become more prevalent across all sectors.	The Company monitors the performance of its service providers, whether internal (S.I.T Savings Limited is the Company's AIFM) or external (custody and depositary, company secretarial, administration and accounting services) through regular meetings and review of available internal control reports.
Tax, legal and regulatory The Company is required to comply with a range of legislation and regulation and may be impacted by changes in the external environment.	The Company employs internal and external resource to ensure compliance with relevant legislation and regulation and the Board receives periodic reports on any issues and potential changes.

These and other risks facing the Company, including Brexit, are reviewed regularly by the Audit Committee and the Board. As a global investment trust with a diversified portfolio of international equities, it is unlikely the Company's business model or operations will be adversely impacted as a direct result of Brexit.

Further information on risks is detailed in note 16 to the accounts on page 61.

Relations with shareholders

The Company recognises the value of good communication with its shareholders. Management meets regularly with private client stockbrokers, wealth managers and the Company's major institutional shareholders. The Board receives regular briefings from the Company's broker. Annual and Interim Reports and newsletters are sent to shareholders during the year and are posted on the Company's website.

The Annual General Meeting of the Company is the main forum at which shareholders can ask questions of the Board and management. All shareholders are encouraged to attend the AGM and to vote on the resolutions which are contained in the Notice of Meeting on page 74 and which is posted to shareholders at least 21 days prior to the meeting. Shareholders who cannot attend the AGM are encouraged to vote by proxy on the resolutions. Proxy voting figures are given after each resolution has been voted on and are published after the end of the meeting.

Any shareholder who wishes to ask a question at another time should write to the Chairman at 6 Albyn Place, Edinburgh EH2 4NL.

Corporate governance and stewardship

Management reviews resolutions put to general meetings of the companies in which the Company invests and, wherever practicable, will cast its vote, usually by proxy. In voting on its shareholdings, the Company will normally support management.

The Company votes against resolutions which are considered to damage shareholders' rights or economic interests.

Alternative Investment Fund Managers (AIFM) Directive – Leverage

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

The Company's maximum limits and actual leverage levels are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit (AIFM)	200%	200%
Maximum limit (Board)	20%	20%
Actual at 31 October 2019	0%	12%

Corporate Governance Report (continued)

Annual General Meeting

The Company's 132nd AGM will be held at The Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh, EH2 1JQ on Tuesday 4 February 2020 at 10.30am.

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

Resolutions 1 to 10 are self-explanatory.

Resolution 11 - Renewal of authority to purchase shares

This resolution, set out in the Notice of AGM on page 74, seeks to renew the authority to purchase shares until 4 May 2021. The principal reasons for such purchases are to enhance the NAV of the shares by purchasing shares for cancellation at prices which, after allowing for costs, improve the NAV for remaining shareholders and to allow implementation of the Company's discount control policy. The maximum number of shares which may be purchased pursuant to this authority shall be 11,069,141 or, if less, 14.99% of the aggregate issued capital of the Company on the date of passing of the resolution.

Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of the authority must not exceed the higher of (i) 105% of the average market value of a share for the five business days immediately preceding the date of purchase and (ii) the higher price of the last independent trade and the highest current independent bid. The minimum price which may be paid is 25p per share.

Resolution 11 will be proposed as a special resolution that requires to be passed by a three-quarters majority of votes cast at the AGM.

Carbon emissions

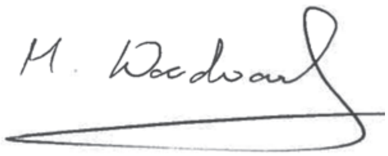
The Company's carbon emissions result predominantly from its consumption of electricity at its single office. Using Defra/DECC's GHG conversion factors for company reporting 2015, emissions for the year to October 2019 were 25.0 tonnes of CO_2e (2018: 27.7 tonnes CO_2e). This equates to 0.07 tonnes of CO_2e (2018: 0.08 tonnes of CO_2e) per square metre.

The Directors' Report on pages 26 to 37, which includes the Responsibility Statement, the Corporate Governance Report, the Report of the Audit Committee and the Directors' Remuneration Report, and the Going concern statement on page 30, have been approved by the Board.

The Strategic Report on pages 14 to 17 includes information relating to: Future Developments, Dividends, Share capital and Discount control policy (including share buybacks).

There have been no significant post-balance sheet events.

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



Maitland Administration Services (Scotland) Limited
Company Secretary

13 December 2019

Report of the Audit Committee

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 and Financial Statements prior to their release; and the Company's procedures on whistleblowing. The Committee is also responsible for all aspects of the Company's relationship with its external auditor including:

- reviewing the scope and effectiveness of the annual audit, including the independence and objectivity of the external auditor;
- the appointment, remuneration and terms of engagement of the external auditor; and
- the level of non-audit work, if any, carried out by the external auditor.

Annual Report

The Audit Committee reviews the Annual Report and Accounts to ensure it is fair, balanced and understandable.

The Committee also reviews the Interim Report.

Internal controls

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

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

In compliance with the UK Corporate Governance Code, the Committee reviews the effectiveness of the Company's system of internal controls at six-monthly intervals.

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

The Committee and management also monitor the controls and risk management of Maitland and Northern Trust. Maitland provide company secretarial, administration and accounting services to the Company and Northern Trust provide custody and depositary services.

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

Significant issues

The Committee considers the risks that may have an impact on the Company's Financial Statements. The Committee asked the Company's auditor to pay particular attention to the valuation and ownership of investments and recognition of income. The Committee reviewed and challenged the results of the audit with the external auditors noting there were no disagreements.

The valuation and ownership of the Company's investments are risks. Investments are valued in accordance with the accounting policy on page 51. The prices of all investments are agreed by Maitland with an independent source and the ownership of each investment agreed through confirmation received from the Company's independent global custodian, Northern Trust.

The incomplete or inaccurate recognition of income in the Financial Statements are also risks. Internal control systems are in place to ensure income is fully accounted for. The Board is provided with information on the Company's income account at each meeting.

Auditor

Assessment

To fulfill its responsibility regarding the independence and objectivity of the external auditor, the Committee reviewed the external auditor's audit plan, which includes a description of their arrangements to manage independence, and a report from the external auditor on the conclusion of the audit, setting out why they remain independent and the extent of any non-audit services provided.

The fees for audit and non-audit services were £33,075 (2018: £31,500) and £5,945 (2018: £16,200), respectively. Non-audit services include: tax compliance £nil (2018: £10,500) and assurance services £5,945 (2018: £5,700).

Report of the Audit Committee (continued)

All costs for non-audit services are considered to be appropriate relative to fees paid for audit services. An engagement letter is issued for all non-audit work and subsequently reviewed by the Audit Committee to ensure that the independence and objectivity of the auditor is not compromised by the provision of non-audit services.

The Company has complied with the provisions of the Statutory Audit Services for Larger Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilites) Order 2014.

To assess the effectiveness of the external auditor and the audit process, the Committee reviewed and considered the audit plan and the audit findings report on conclusion of its work as well as the Audit Committee chair meeting with Deloitte LLP during the year. The external auditor attended the Audit Committee meeting in December to present the results of its audit work. Feedback on the performance of the audit team was obtained from management and Maitland and the Committee also considered the Audit Quality Inspection Report on Deloitte LLP issued by the FRC in July 2019.

Deloitte LLP was first appointed external auditor to the Company in 2002. The audit partner responsible for the audit is rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity. The current audit partner is in the fifth (and final) year of his rotation cycle with the Company. Deloitte LLP has confirmed that they believe they are independent within the meaning of professional and regulatory requirements and that the objectivity of the audit partner and staff is not impaired. Having carried out the assessment described above, the Committee is satisfied that the external auditor remains independent and effective for the purpose of this year's audit.

Audit tender

As noted on page 27, the Committee conducted a tender of the Company's audit services during the year under review to coincide with the end of the five year rotation cycle of the current audit partner of Deloitte LLP. Invitations to tender were issued to four audit firms, resulting in three comprehensive proposals being submitted and one firm deciding that they were unable to participate in the process. Three firms were then invited to make presentations to the Audit Committee in more detail. In evaluating the firms, the primary focus was on audit quality, with consideration of the proposed audit approach and service delivery as well as the results of external regulatory inspections of the three firms. Other factors considered were the quality and experience of the proposed audit team members as well as the audit firms' knowledge and experience in the investment trust sector. Following a robust review process where each firm was subject to an appropriate level of challenge, the Board proposes a resolution at the Annual General Meeting seeking shareholder approval to appoint PricewaterhouseCoopers LLP as the Company's auditor for the financial year ending 31 October 2020. The Committee is satisfied that PricewaterhouseCoopers LLP is independent and that sufficient controls are in place to deal with any conflict of interest, should it arise.

The Board extends it appreciation to Deloitte LLP for its services as auditor and confirms that there are no matters in connection with Deloitte LLP ceasing to hold office as auditor following the 2019 audit which need to be brought to the attention of shareholders. A statutory statement from Deloitte LLP confirming the reasons connected with it ceasing to hold office as auditor is included as a letter to shareholders.

Appointment of auditor

A resolution to appoint PricewaterhouseCoopers LLP as the Company's auditor, and to authorise the Directors to fix its remuneration, will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

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

The Report of the Audit Committee was approved by the Board and signed on its behalf by:

Karyn Lamont
Chair of the Audit Committee
13 December 2019

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of section 421 of the Companies Act 2006 incorporating The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Directors' Remuneration Report Regulations 2002. An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the AGM on 4 February 2020.

Remuneration Committee

The Company has a Remuneration Committee, the terms of reference of which include setting the fees of the Directors. The full terms of reference are posted on the Company's website. The Committee is chaired by Jane Lewis and the other members are Mick Brewis, Russell Napier, James Will, Karyn Lamont and Neil Rogan.

Policy on Directors' fees

On 31 October 2019, the Board consisted of six Directors, all of whom are non-executive. Directors' fees are set by the Remuneration Committee with a view to attracting and retaining individuals, taking into account the skills and experience necessary for the effective stewarding of the Company and the expected contribution of the Board as a whole in continuing to achieve the Company's investment objective. It aims to be fair and reasonable in relation to similar investment trusts and other similar sized financial companies. Fees recommended by the Remuneration Committee are subject to approval by the Board. The Company's Articles of Association provide for a maximum level of total remuneration of £300,000 in aggregate payable to Directors in any financial year.

The policy on Directors' fees was approved at the AGM held in February 2018 and this policy applied for the period up to 31 October 2019. This approval is valid for three years and it is therefore intended that this policy will apply for the period to 31 October 2020. Any views expressed by shareholders on Directors' fees are taken into consideration by the Board when reviewing the policy.

The Board may amend the level of remuneration paid to Directors within the parameters of the Directors' remuneration policy.

Directors are remunerated exclusively by fixed fees in cash and do not receive bonuses, share options, long-term incentives, pension or other benefits. Directors do not receive exit payments and are not provided with any compensation for loss of office.

	Proposed fees for the year to 31 October 2020 £	Actual fees for the year to 31 October 2019 £
Chairman	60,000	60,000
Audit Committee Chair	37,500	37,500
Non-executive Director	32,500	32,500

Annual statement

The level of Directors' fees was unchanged during the financial year.

Directors' emoluments (audited)

	Year to 31 October 2019 £	Year to 31 October 2018 £
James Will [1]	60,000	60,000
Hamish Buchan (retired 2 February 2018)	–	8,375
Russell Napier	32,500	32,500
Jane Lewis	32,500	32,500
Mick Brewis	32,500	32,500
Karyn Lamont [2]	37,500	37,500
Neil Rogan (appointed 10 September 2019)	4,578	-
	199,578	203,375

[1] Chairman
[2] Audit Committee Chair

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

Directors' Remuneration Report (continued)

Service contracts

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

Directors' interests

The interests of the Directors and their families in the Company's capital are as follows:

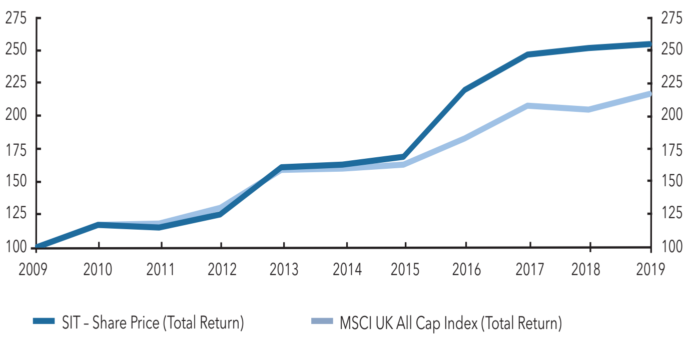
	Shares of 25p	
	31 October 2019	31 October 2018
James Will	10,000*	8,000
Russell Napier	14,000	14,000
Jane Lewis	1,000	1,000
Mick Brewis	10,000	10,000
Karyn Lamont	2,500	2,500
Neil Rogan	6,000	–

*On 3 May 2019, 2,000 shares were transferred to Mr Will for nil consideration following the conclusion of matters in relation to an Executry and Trust in which Mr Will was involved. As a result, Mr Will's shareholding increased from 8,000 to 10,000 shares.

There were no changes in the Directors' interests between 31 October and 13 December 2019.

Company performance

The graph below shows the Company's share price total return compared to the notional total return of the MSCI UK All Cap Index (assuming all dividends were reinvested for both the Company and the Index) over a 10 year period.



This index has been chosen as it is a common performance comparator for companies such as The Scottish Investment Trust PLC.

Relative importance of Directors' fees

	2019 £'000	2018 £'000	% Change
Directors' fees	200	203	-1.5
Expenses	4,133	3,254	+27.0
Staff costs	2,106	1,690	+24.6
Dividends paid and proposed	22,573	19,544	+15.5

Directors' fees as a percentage of:	2019 %	2018 %
Expenses	4.8	6.2
Staff costs	9.5	12.0
Dividends paid and proposed	0.9	1.0

Excluding discretionary performance-related bonuses, pension liability adjustments and the refund of previously paid expenses, expenses decreased by 0.9% and staff costs increased by 2.6%.

Further details of the Company's expenses and staff costs can be found in notes 2 and 3, respectively, on page 53 and of dividends paid and proposed on page 47.

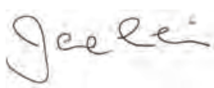
The voting to approve the Directors' remuneration policy at the Company's AGM held on 2 February 2018 was as follows:

	Votes cast For	% For	Votes cast Against	% Against	Votes Withheld
Approve Directors' remuneration policy	17,941,084	98.7	98,586	0.5	67,395

The voting to approve the Directors' Remuneration Report at the Company's AGM held on 7 February 2019 was as follows:

	Votes cast For	% For	Votes cast Against	% Against	Votes Withheld
Approve Directors' Remuneration Report	22,090,201	96.8	549,988	2.4	639,821

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:



Jane Lewis
Chair of the Remuneration Committee
13 December 2019

Independent Auditor's Report

Opinion

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice issued by the Association of Investment Companies "Financial Statements of Investment Trust Companies and Venture Capital Trusts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Scottish Investment Trust PLC (the 'Company') which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Cash Flow Statement;
- the Statement of Accounting Policies; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation and existence of listed investments • Recognition of investment income Within this report, any new key audit matters are identified with ⊗ and any key audit matters which are the same as the prior year identified with ⊗.
Materiality	The materiality that we used in the current year was £6.7m which was determined on the basis of 1% of net assets at 31 October 2019.
Scoping	Our audit was scoped by obtaining an understanding of the entity and its environment including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach from the prior year.

Independent Auditor's Report (continued)

Conclusions relating to principal risks, going concern and viability statement

Going concern

We have reviewed the Directors' statement on page 30 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 30 and 31 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 30 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 16 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

Valuation and existence of listed investments

Key audit matter description

Listed investments of £686m (2018: £716m) represent the most significant number on the balance sheet and is the main driver of the Company's performance. Listed investments represented 90% (2018: 88%) of total assets of the Company at 31 October 2019 (see accounting policy (b) and note 8).

There is a risk that the prices quoted in respect of the listed investments held by the Company may not be reflective of fair value. There is a risk over the recording and custody of listed investments, and whether listed investments recorded are the property of the Company. We have also identified valuation of listed investments as a potential fraud risk as incorrect investment prices could result in a material misstatement of the net asset value of the Company.

The description of the key audit matter above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 34.

Valuation and existence of listed investments

How the scope of our audit responded to the key audit matter

We have performed the following procedures to address this key audit matter:

- obtained an understanding of the relevant controls in place and evaluated whether the design and implementation of controls over the valuation and ownership of listed investments was appropriate;
- agreed 100% of the bid prices of quoted investments on the investment ledger at year-end to closing bid prices published by an independent pricing source; and
- agreed 100% of the company's investment portfolio at the year-end to confirmations received directly from the depositary.

Key observations

Based on the audit procedures performed, we concluded that the valuation and existence of listed investments are appropriate.

Recognition of investment income

Key audit matter description

Dividend income of £27.9m (2018: £25.4m) represented 97% (2018: 98%) of the total income of the Company (see accounting policies (d) and note 1).

Dividends from equity shares are accounted for on an ex-dividend basis. Overseas dividends are accounted for on an ex-dividend basis and included gross of withholding tax.

There is a risk that investment income is incomplete and consequently revenue recognised in the financial statements is misstated.

The description of the key audit matter above should be read in conjunction with the significant issues considered by the Audit Committee as discussed on page 34.

How the scope of our audit responded to the key audit matter

We have performed the following procedures to address this key audit matter:

- obtained an understanding of the relevant controls in place to evaluate whether the design and implementation of the controls over investment income are appropriate, including management's monitoring of the accuracy and completeness of revenue;
- for a sample of listed investments held, agreed the ex-dividend dates and rates for dividends declared during the year and agreed the amounts recorded within the general ledger to confirm that the recognition policy has been applied consistently; and
- agreed a sample of dividend income receipts to bank statements.

Key observations

Based on the audit procedures performed, we concluded that recognition of investment income is appropriate.

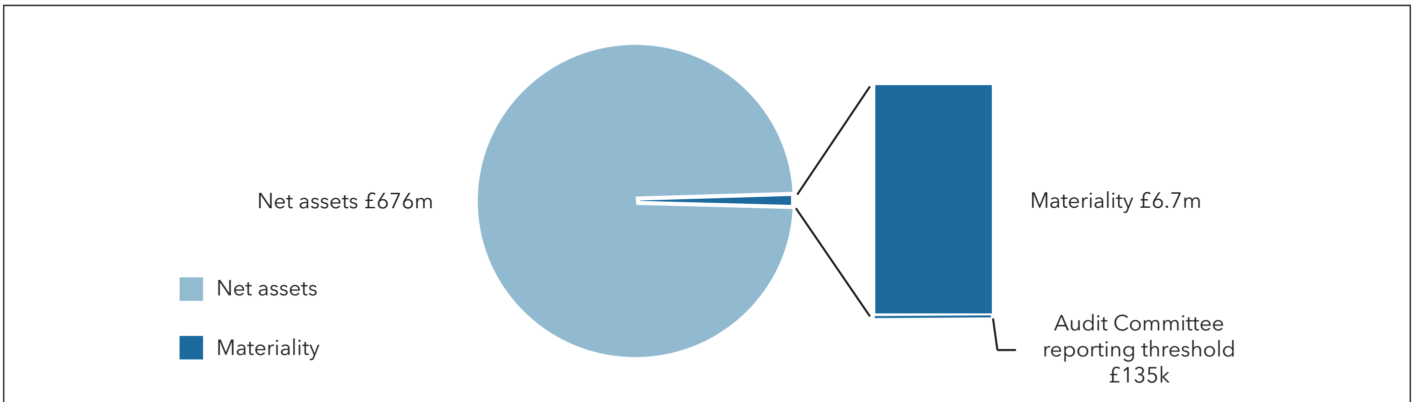
Independent Auditor's Report (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£6.7m (2018: £7.1m)
Basis for determining materiality	1% (2018: 1%) of net assets
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is the key driver of shareholder value.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135k (2018: £143k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatements was performed directly by the audit engagement team.

As part of our risk assessment, we assessed the control environment in place at the administrator to the extent relevant to our audit.

Other information

We have nothing to report in respect of these matters.

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditor's Report (continued)

Other information

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Independent Auditor's Report (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, the administrator and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following area: Valuation of investments, as an incorrect investment price could result in a material misstatement in the net asset value of the Company; and
- obtaining an understanding of the legal and regulatory framework that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included the UK Companies Act and Listing Rules, as well as the company qualification as an Investment Trust under UK tax legislation.

Audit response to risks identified

As a result of performing the above, we identified valuation of listed investments as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the administrator and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report (continued)

Report on other legal and regulatory requirements

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's Report (continued)

Other matters

Auditor tenure

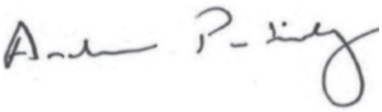
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 1 August 2002 to audit the financial statements for the year ending 31 October 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ending 31 October 2002 to 31 October 2019.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Partridge CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

13 December 2019

Income Statement

For the year to 31 October 2019

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Net losses on investments held at fair value through profit and loss	8	–	(8,651)	(8,651)	–	(14,566)	(14,566)
Net (losses)/gains on currencies		–	(1,175)	(1,175)	–	819	819
Income	1	28,859	–	28,859	25,854	–	25,854
Expenses	2	(2,625)	(1,508)	(4,133)	(2,045)	(1,209)	(3,254)†
Net Return before Finance Costs and Taxation		26,234	(11,334)	14,900	23,809	(14,956)	8,853
Interest payable	5	(1,732)	(3,217)	(4,949)	(1,732)	(3,217)	(4,949)
Return on Ordinary Activities before Tax		24,502	(14,551)	9,951	22,077	(18,173)	3,904
Tax on ordinary activities	6	(1,929)	–	(1,929)	(1,697)	–	(1,697)
Return attributable to Shareholders		**22,573**	**(14,551)**	**8,022**	**20,380**	**(18,173)**	**2,207**
Return per share (basic and fully diluted)		**29.75p**	**(19.18)p**	**10.57p**	**26.02p**	**(23.20)p**	**2.82p**
Weighted average number of shares in issue during the year			**75,862,506**			**78,338,201**	

	Notes	2019 £'000	2018 £'000
Dividends paid and proposed	7		
First interim 2019: 5.30p (2018: 5.00p)		4,055	3,931
Second interim 2019: 5.30p (2018: 5.00p)		3,996	3,906
Third interim 2019: 5.30p (2018: 5.00p)		3,918	3,880
Final 2019: 6.90p (2018: 6.20p)		5,099	4,758
Special 2019: 7.45p (2018: 4.00p)		5,505	3,069
Total 2019: 30.25p (2018: 25.20p)		**22,573**	**19,544**

† Includes a refund of previously paid expenses.

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 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed Assets					
Investments	8		687,820		717,547
Current Assets					
Debtors	10	2,459		12,733	
Cash and cash equivalents	8	72,378		83,236	
		74,837		95,969	
Creditors: liabilities falling due within one year	11	(664)		(13,038)	
Net Current Assets			**74,173**		**82,931**
Total Assets less Current Liabilities			**761,993**		**800,478**
Creditors: liabilities falling due after more than one year					
Long-term borrowings at amortised cost	12		(83,921)		(83,829)
Provisions for Liabilities					
Pension liability	4		(1,279)		(1,337)
Net Assets			**676,793**		**715,312**
Capital and Reserves					
Called-up share capital	13		18,474		19,296
Share premium account	14		39,922		39,922
Other reserves:					
Capital redemption reserve	14		52,387		51,565
Capital reserve	14		513,930		555,308
Revenue reserve	14		52,080		49,221
Shareholders' Funds			**676,793**		**715,312**
Net Asset Value per share with borrowings at amortised cost (basic and fully diluted)			**915.9p**		**926.8p**
Number of shares in issue at year end			**73,893,508**		**77,184,578**

The Financial Statements on pages 47 to 66 were approved by the Board of Directors and were signed on its behalf by:

James Will
Chairman
13 December 2019

The accompanying notes are an integral part of this statement.

Statement of Comprehensive Income

For the year to 31 October 2019

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Return attributable to shareholders		22,573	(14,551)	8,022	20,380	(18,173)	2,207
Actuarial gains /(losses) relating to pension scheme	4	82	151	233	(216)	(400)	(616)
Total comprehensive income for the year		22,655	(14,400)	8,255	20,164	(18,573)	1,591
Total comprehensive income per share		29.86p	(18.98)p	10.88p	25.74p	(23.71)p	2.03p

Statement of Changes in Equity

For the year to 31 October 2019

	Notes	2019 £'000	2018 £'000
Opening balance		715,312	760,371
Total comprehensive income		8,255	1,591
Dividends	7	(19,796)	(27,047)
Share buybacks		(26,978)	(19,603)
Closing balance		676,793	715,312

The accompanying notes are an integral part of this statement.

Cash Flow Statement

For the year to 31 October 2019

	2019 £'000	2018 £'000
Operating activities		
Net revenue before finance costs and taxation	26,234	23,809
Expenses charged to capital	(1,508)	(1,209)
Increase in accrued income	(91)	(72)
(Decrease)/increase in other payables	(135)	264
(Increase)/decrease in other receivables	(80)	9
Adjustment for pension funding	175	(370)
Tax on investment income	(1,929)	(1,809)
Cash flows from operating activities	**22,666**	**20,622**
Investing activites		
Purchases of investments	**(176,213)**	**(105,183)**
Disposals of investments	**196,088**	**175,216**
Cash flows from investing activities	**19,875**	**70,033**
Cash flows before financing activities	**42,541**	**90,655**
Financing activities		
Dividends paid	(19,800)	(27,047)
Share buybacks	(28,742)	(18,451)
Interest paid	(4,857)	(4,857)
Cash flows used in financing activities	**(53,399)**	**(50,355)**
Net movement in cash and cash equivalents	**(10,858)**	**40,300**
Cash and cash equivalents at the beginning of year	**83,236**	**42,936**
Cash and cash equivalents at the end of year*	**72,378**	**83,236**

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

The accompanying notes are an integral part of this statement.

Accounting Policies

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

(a) Basis of accounting

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 and with the AIC 's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP). They are also prepared on a going concern basis (see page 30) under the historical cost convention, modified to include the revaluation of investments at fair value. The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates.

(b) Valuation of investments

Listed investments and current asset investments are valued at fair value through profit and loss. Fair value is the closing bid or last traded price according to the recognised convention of the markets on which they are quoted. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

Where appropriate, the Directors have adopted the guidelines issued by the International Private Equity and Venture Capital Association for the valuation of unlisted investments. Heritable property is included at a professional valuation. Depreciation is not charged on heritable property as it is not material.

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

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

(c) Valuation of debt

The Company's secured bonds and debentures are held at amortised cost being the nominal value of the bonds in issue less the unamortised costs of issue.

(d) Income

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

Interest and other income from non-equity securities, including debt securities, are recognised on a time apportionment basis so as to reflect the effective yield on the securities.

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

(e) Expenses

All expenses are accounted for on an accruals basis.

Eligible expenses are allocated 65% to capital and 35% to revenue in line with the Directors' expectations of the long-term future returns from the Company's investments. Expenses not eligible to be charged to capital are wholly charged to revenue.

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

(f) Finance costs

Interest payable is charged 65% to capital and 35% to revenue in line with the Directors' expectations of the long-term future returns from the Company's investments.

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

(g) Taxation

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

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

Accounting Policies (continued)

(h) Foreign currency

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

(i) Reserves

(i) Share Premium Account – the surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares is credited to this account. The nominal value of the shares issued is recognised in share capital. This reserve is non-distributable.

(ii) Capital Redemption Reserve – the nominal value of the ordinary shares bought back for cancellation was added to this reserve. This reserve is non-distributable.

(iii) Capital Reserve – this is a distributable reserve and the following are accounted for in this reserve:

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

(iv) Revenue Reserve – the net profit/loss arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends paid during the year may be deducted from this reserve.

(j) Pensions

Employer contributions for the defined benefit scheme are calculated by reference to the triennial actuarial valuation. Employer contributions for the defined contribution scheme are a predetermined percentage of the employee's salary.

Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

Further information on the Company's pension scheme is contained in note 4 to the Financial Statements on pages 54 to 56.

Critical accounting estimates and judgements

The preparation of the Financial Statements necessarily requires the exercise of judgement, both in application of accounting policies, which are set out above, and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates.

The Directors do not believe any accounting judgements or estimates have been applied to this set of Financial Statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Notes to the Financial Statements

For the year to 31 October 2019

1. Income

	2019 £'000	2018 £'000
UK dividends including special dividends of £780,000 (2018: £nil)	5,797	6,435
Overseas dividends including special dividends of £174,000 (2018: £nil)	22,087	18,957
Deposit interest	975	462
	28,859	**25,854**

2. Expenses

	2019 £'000	2018 £'000
Staff costs (note 3)	2,106	1,690
Auditor's remuneration for audit services	33	32
Auditor's remuneration for tax compliance services	–	10
Auditor's remuneration for other assurance services	6	6
Investment and accounting services	193	170
Professional fees, marketing and scheme administration	704	475
Company secretarial and administration fee	191	185
Office expenses	210	239
Depositary, custody and bank charges	156	182
Refund of previously paid expenses	–	(535)
Other expenses	534	800
	4,133	**3,254**

3. Staff costs

	2019 £'000	2018 £'000
Remuneration	1,289	1,432
Social security costs	174	135
Pensions and post-retirement benefits	57	94
Pension deficit funding by employer	411	399
Pension liability adjustment	175	(370)
	2,106	**1,690**

The average monthly number of persons employed during the year was:	2019 Number	2018 Number
Investment	5	5
Administration	5	4
	10	**9**

Details of the Directors' remuneration are noted on pages 36 and 37.

Notes to the Financial Statements (continued)

4. Pension scheme

The Company's defined benefit pension scheme, based on final salary, closed to future accrual on 30 September 2015. Members of the defined benefit pension scheme were enrolled in the Company's defined contribution scheme on 1 October 2015. 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 XPS Pensions Group, consulting actuaries.

Actuarial valuations are obtained triennially and are updated at each balance sheet date. A full actuarial valuation was carried out as at 31 July 2016 by XPS Pensions Group which disclosed a scheme deficit of £6,942,000. The Company has agreed to meet this deficit over fifteen years and seven months. It should be noted that this deficit differs from that disclosed by Financial Reporting Standard 102 (FRS102) 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 FRS102 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 FRS102 liability is separately disclosed in the balance sheet. The latest triennial valuation is due as at 31 July 2019 and the valuation process is currently underway.

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

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 amount charged during the year was £57,000 (2018: £76,000). There were no outstanding payments due at either 31 October 2019 or 2018.

Notes to the Financial Statements (continued)

4. Pension scheme (continued)

The major assumptions used for the actuarial valuation of the final salary scheme were:	2019 %	2018 %	2017 %	2016 %	2015 %
Rate of increase in salaries	3.2	3.2	3.2	3.2	3.2
Rate of increase in pensions in payment	3.4	3.6	3.5	3.7	3.8
Discount rate	2.5	3.3	3.2	3.3	4.3
Inflation – RPI	3.0	3.4	3.2	3.5	3.6
– CPI	2.0	2.4	2.2	2.5	2.8
Life expectancies on retirement at age 60 are:					
Retiring today – males	26.4	26.5	26.7	27.2	28.1
– females	28.9	28.6	28.6	29.4	30.8
Retiring in 20 years' time – males	27.9	28.1	28.2	29.5	30.2
– females	30.4	30.2	30.3	31.8	32.9

The fair value of the scheme assets and the present value of the scheme liabilities were:	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Equities	4,803	8,072	7,913	7,401	6,224
Bonds	2,379	3,437	4,992	6,181	5,717
With-profit policies	301	301	288	264	251
Cash	1,830	265	1,180	1,976	2,343
Total fair value of assets	9,313	12,075	14,373	15,822	14,535
Present value of scheme liabilities	(10,592)	(13,412)	(15,464)	(19,094)	(17,085)
Net pension liability	**(1,279)**	**(1,337)**	**(1,091)**	**(3,272)**	**(2,550)**

Reconciliation of the opening and closing balances of the present value of the scheme assets	2019 £'000	2018 £'000
Fair value of scheme assets at beginning of year	12,075	14,373
Interest income on scheme assets	324	428
Returns on assets, excluding interest income	1,443	(733)
Contributions by employer	411	399
Benefits paid	(252)	(2,392)
Settlements	(4,688)	–
Fair value of scheme assets at end of year	**9,313**	**12,075**

Reconciliation of the opening and closing balances of the present value of the scheme liabilities	2019 £'000	2018 £'000
Liabilities at beginning of year	13,412	15,464
Interest cost	371	457
Actuarial losses/(gains)	1,210	(117)
Benefits paid	(252)	(2,392)
Settlements	(4,149)	–
Liabilities at end of year	**10,592**	**13,412**

Notes to the Financial Statements (continued)

4. Pension scheme (continued)

Analysis of amount chargeable to operating profit during the year	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Current service cost	–	–	–	–	358
Past service cost	–	–	–	–	–
Total operating charge	–	–	–	–	358
Employee contribution to be set off	–	–	–	–	(31)
Analysis of amount credited to other finance income:					
Interest income return on assets	324	428	476	605	685
Interest on liabilities	(371)	(457)	(576)	(706)	(687)
Net return	(47)	(29)	(100)	(101)	(2)
Movement in deficit during year:					
Deficit at beginning of year	(1,337)	(1,091)	(3,272)	(2,550)	(2,613)
Movement in year:					
Current service cost	(539)	–	–	–	(358)
Past service cost	–	–	–	–	–
Contributions for year	411	399	455	389	850
Net return from other finance income	(47)	(29)	(100)	(101)	(2)
Actuarial gains/(losses) in Statement of Comprehensive Income	233	(616)	1,826	(1,010)	(427)
Deficit at end of year	**(1,279)**	**(1,337)**	**(1,091)**	**(3,272)**	**(2,550)**

Notes to the Financial Statements (continued)

5. Interest payable

	2019 £'000	2018 £'000
On secured bonds and debentures	4,857	4,857
Amortisation of secured bonds issue expenses	92	92
	4,949	**4,949**

6. Tax on ordinary activities

	2019 £'000	2018 £'000
Taxation		
UK corporation tax at 19.00% (2018: 19.00%)	–	–
Overseas tax	1,929	1,697
Total tax	**1,929**	**1,697**

The tax charge for the year is lower than that resulting from applying the standard rate of corporation tax in the UK.

	2019 £'000	2018 £'000
Return on ordinary activities before tax	9,951	3,904
Corporation tax at 19.00% (2018: 19.00%)	1,891	742
Effects of:		
Non-taxable capital returns	1,867	2,612
Finance costs and expenses charged to capital	(898)	(841)
Non-taxable dividends	(5,447)	(4,876)
Unutilised expenses	2,587	2,363
Overseas tax	1,929	1,697
	1,929	**1,697**

Deferred tax

No deferred tax asset has been recognised on unrelieved expenses as the Company does not expect to have future profits to offset those expenses.

7. Dividends

	2019 £'000	2018 £'000
Dividends paid on shares recognised in the financial year:		
Previous year final of 6.20p per share (2017: 14.50p)	4,758	11,400
Previous year special of 4.00p per share (2017: 5.00p)	3,069	3,930
Three interims each of 5.30p per share (2018: three interims each of 5.00p)	11,969	11,717
	19,796	**27,047**

Notes to the Financial Statements (continued)

8. Investments

	2019 £'000	2018 £'000
Investments listed on a recognised investment exchange	686,320	716,047
Unlisted investments	1,150	1,150
Subsidiary undertaking (note 9)	350	350
	687,820	**717,547**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	195,534	453,253	358	649,145
Opening unrealised appreciation	(967)	68,227	1,142	68,402
Opening valuation	**194,567**	**521,480**	**1,500**	**717,547**
Movements in the year:				
Purchases at cost	33,745	131,406	–	165,151
Sales – proceeds	(66,177)	(120,050)	–	(186,227)
– realised gains on sales	15,669	20,243	–	35,912
Decrease in unrealised appreciation	(7,193)	(37,370)	–	(44,563)
Closing valuation	**170,611**	**515,709**	**1,500**	**687,820**
Closing book cost	178,771	484,852	358	**663,981**
Closing unrealised appreciation	(8,160)	30,857	1,142	23,839
Closing valuation	**170,611**	**515,709**	**1,500**	**687,820**

Total purchases of equities amounted to £165,151,000 (2018: £116,063,000) and sales were £186,227,000 (2018: £185,252,000). The purchases at cost and sales proceeds figures include transaction costs of £396,000 (2018: £287,000), comprising commissions, government stamp duty and other fees.

Unlisted investments include heritable property valued at £1,150,000 (2018: £1,150,000). The property was valued on an open market basis by Allied Surveyors Scotland PLC, chartered surveyors, on 18 September 2018.

	2019 £'000	2018 £'000
Realised gains on sales	35,912	68,091
Decrease in unrealised appreciation	(44,563)	(82,657)
Net gains on investments	**(8,651)**	**(14,566)**

Financial assets – cash and deposits	Fixed £'000	2019 Floating £'000	Total £'000	Fixed £'000	2018 Floating £'000	Total £'000
Sterling	10,000	12,449	22,449	25,000	17,955	42,955
US dollar	–	49,929	49,929	34,046	6,235	40,281
	10,000	**62,378**	**72,378**	**59,046**	**24,190**	**83,236**

The maximum maturity period for fixed rate deposits outstanding at the year end was 7 days (2018: 7 days). The weighted average fixed interest rate at the year end was 0.60% (2018: 1.48%). Floating interest rates vary in relation to short-term rates in the currencies in which deposits are held.

Notes to the Financial Statements (continued)

9. Subsidiary undertaking

The Company has an investment in the following subsidiary:

Name of undertaking	Principal activities	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares and voting rights held
S.I.T. Savings Limited	AIFM	UK	Ordinary	100%

The accounts of this subsidiary 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 subsidiary reflects and does not exceed the value of the underlying assets.

The registered office of the subsidiary is 6 Albyn Place, Edinburgh, EH2 4NL.

10. Debtors

	2019 £'000	2018 £'000
Amounts due from brokers	–	10,445
Overseas tax recoverable	922	922
Prepayments and accrued income	1,537	1,366
	2,459	**12,733**

11. Creditors: liabilities falling due within one year

	2019 £'000	2018 £'000
Amounts due to brokers	–	12,235
Other creditors	664	803
	664	**13,038**

12. Creditors: liabilities falling due after more than one year

	2019		2018	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
4% Perpetual Debenture Stock	350	478	350	374
4¼% Perpetual Debenture Stock	700	1,015	700	795
5% Perpetual Debenture Stock	1,009	1,722	1,009	1,348
5¾% Secured Bonds due 17 April 2030	81,862	108,325	81,770	101,855
	83,921	**111,540**	**83,829**	**104,372**

The secured bonds are secured by a floating charge over the assets of the Company and have a redemption value in 2030 of £82,827,000.

The debenture stocks and secured bonds are stated in the balance sheet at amortised cost. Restating them at market value of £111.5m (2018: £104.4m) has the effect of decreasing the year end NAV per share from 915.9p to 878.5p (2018: decreasing from 926.8p to 900.1p).

Market value is the estimated fair value of the Company's secured bonds and debenture stocks. The current estimated fair value of the Company's borrowings is based on the redemption yield of the relevant existing reference gilt plus a margin derived from the spread of BBB UK corporate bond yields (15 years+) over UK gilt yields (15 years+). 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.

Notes to the Financial Statements (continued)

13. Called-up share capital

	2019	2018
Shares of 25p	£18,474,000	£19,296,000
Number of shares in issue	73,893,508	77,184,578

3,291,070 shares were repurchased in the stockmarket during the year to 31 October 2019 (2018: 2,283,880).

50,000 shares were repurchased from 1 November to 11 December 2019.

14. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 31 October 2018	39,922	51,565	555,308	49,221
Net gains on currencies	–	–	(1,175)	–
Net gains on realisation of investments	–	–	35,912	–
Decrease in unrealised appreciation	–	–	(44,563)	–
Share buybacks	–	822	(26,978)	–
Actuarial losses relating to pension scheme	–	–	151	82
Expenses and interest charged to capital	–	–	(4,725)	–
Return attributable to shareholders	–	–	–	22,573
Dividends paid	–	–	–	(19,796)
At 31 October 2019	**39,922**	**52,387**	**513,930**	**52,080**

15. Analysis of changes in net debt during the year

	31 October 2018 £'000	Cash flows £'000	Non-cash movements £'000	31 October 2019 £'000
Cash	24,190	38,188	–	62,378
Short-term deposits	59,046	(49,046)	–	10,000
Long-term borrowings at amortised cost	(83,829)	–	(92)	(83,921)
	(593)	**(10,858)**	**(92)**	**(11,543)**

Notes to the Financial Statements (continued)

16. Financial instruments

Summary of financial assets and financial liabilities by category

The Company's financial assets and financial liabilities at the balance sheet date are as follows. The Accounting Policies on page 51 explain how the various categories of financial instrument are measured.

	2019 £'000	2018 £'000
Financial assets		
Financial assets at fair value through profit and loss:		
Fixed asset investments – designated as such on initial recognition	687,820	717,547
Current assets:		
Debtors	2,459	12,733
Cash and short-term deposits	72,378	83,236
	74,837	95,969
	762,657	**813,516**
Financial liabilities		
Creditors: liabilities falling due within one year		
Amounts due to brokers	–	(12,235)
Other creditors	(664)	(803)
	(664)	(13,038)
Creditors: liabilities falling due after more than one year		
Long-term borrowings at amortised cost	(83,921)	(83,829)
Provisions for liabilities		
Pension liability	(1,279)	(1,337)
	(85,200)	(85,166)
	(85,864)	**(98,204)**

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective stated on the inside front cover. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets and a reduction in the profits available for dividend.

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

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

a. Investment and market price risk

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

Management of the risk

Company performance is monitored at each Board meeting, including investment performance. The Company holds a portfolio which is well diversified across industrial and geographical areas to help minimise these risks. The contrarian investment approach is explained in our shareholder communications and through meetings with media and the investor community. The levels of gearing and gross gearing are monitored closely by the Board and the Manager. The Board currently limits gearing to 20%. While gearing will be employed in a typical range of 0% to 20%, the Company retains the ability to lower equity exposure to a net cash position if deemed appropriate.

b. Foreign currency risk

Approximately 75% of the Company's assets are invested overseas which gives rise to a currency risk. From time to time, specific hedging transactions may be undertaken. The Company's overseas income is subject to currency movements. The currency profile of the Company's monetary assets and liabilities is set out below.

Management of the risk

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

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

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

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Foreign currency exposure

The fair values of the Company's monetary items denominated in foreign currencies at 31 October 2019 and 31 October 2018 are shown below.

2019	US $ £'000	Euro £'000	Other £'000
Debtors (amounts due from brokers, dividends receivable and accrued income)	211	225	1,295
Creditors (amounts due to brokers)	–	–	–
Cash	49,929	–	–
Foreign currency exposure on net monetary items	50,140	225	1,295
Equity investments at fair value through profit and loss	222,131	107,835	185,743
Total net foreign currency exposure	**272,271**	**108,060**	**187,038**

2018	US $ £'000	Euro £'000	Other £'000
Debtors (amounts due from brokers, dividends receivable and accrued income)	10,638	185	1,414
Creditors (amounts due to brokers)	–	(307)	(10,163)
Cash	40,281	–	–
Foreign currency exposure on net monetary items	50,919	(122)	(8,749)
Equity investments at fair value through profit and loss	247,645	88,723	185,114
Total net foreign currency exposure	**298,564**	**88,601**	**176,365**

The above year end amounts are not representative of the exposure to risk during the year, because the levels of 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 2019	US $ £'000	Euro £'000	Other £'000
Maximum	56,308	–	–
Minimum	39,340	–	–
Year to 31 October 2018			
Maximum	40,281	–	–
Minimum	13,028	–	–

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return for the year and the shareholders' funds in regard to the Company's financial assets and financial liabilities. It assumes a 10% depreciation of sterling against both the US dollar and the euro at 31 October 2019. 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.

	2019		2018	
	US $ £'000	Euro £'000	US $ £'000	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	912	500	984	462
Capital return	27,227	10,806	29,856	8,861
Return attributable to shareholders	**28,139**	**11,306**	**30,840**	**9,323**

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, debenture stocks and secured bonds. All debenture stocks and secured bonds are at fixed rates. Details of interest rates on financial assets are included in note 8 on page 58. Details of interest rates on financial liabilities are included in note 12 on page 59.

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.

Interest rate exposure

The exposure, at the year end, of financial assets and financial liabilities to interest rate risk is shown below.

	2019			2018		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates						
Cash	62,378	–	62,378	24,190	–	24,190
Exposure to fixed interest rates						
Short-term deposits	10,000	–	10,000	59,046	–	59,046
Long-term borrowings	–	(83,921)	(83,921)	–	(83,829)	(83,829)
Total exposure	**72,378**	**(83,921)**	**(11,543)**	**83,236**	**(83,829)**	**(593)**

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Interest rate sensitivity

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

	2019 £'000	2018 £'000
Return attributable to shareholders	**(49)**	**(23)**

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. The maturity profile of the Company's borrowings is included in note 12 on page 59.

Management of the risk

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

e. Credit risk

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

Credit risk exposure

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

Cash comprises balances held by banks with a satisfactory credit rating (2018: same).

Management of the risk

This risk is managed as follows:

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

f. Capital management policies and procedures

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

The levels of gearing and gross gearing are monitored closely by the Board and management. The Board currently limits gearing to 20%. While gearing will be employed in a typical range of 0% to 20%, the Company retains the ability to lower equity exposure to a net cash position if deemed appropriate.

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

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

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques not based on observable market data. Further details on the valuation techniques used for level 3 investments are included in the Company's accounting policies on page 51.

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	**686,320**	**–**	**1,500**	**687,820**

	2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	**716,047**	**–**	**1,500**	**717,547**

There were no transfers between Level 1 & 2 during the year (2018: same).

Reconciliation of Level 3 fair value measurements of financial assets	Fair value through profit and loss 2019 £'000
Balance at 31 October 2018	1,500
Purchase costs	–
Sales proceeds	–
Total profit: in profit and loss	–
Balance at 31 October 2019	**1,500**

The table above only includes financial assets. There were no financial liabilities measured at fair value on Level 3 fair value measurement bases.

17. Related party transactions

Directors' fees are detailed in the Directors' Remuneration Report on pages 36 and 37. There were no matters requiring disclosure under section 412 of the Companies Act 2006.

18. Subsequent events

Since the year end the Board has declared a final dividend of 6.90p per share and a special dividend of 7.45p per share in respect of the year ended 31 October 2019.

Details of shares repurchased since the year end are disclosed in note 13 on page 60.

Investor Information

How to invest

You can buy the Company's shares directly on the stockmarket through a stockbroker or a share dealing platform. Your bank, lawyer, accountant or other professional adviser may also be able to help with this.

More information on ways to invest can be found in the **How to invest** section of the Company's website **www.thescottish.co.uk**

Dividends paid

The following dividends have been paid during 2018/19:

Dividends	Amount	XD date	Record date	Payment date
Third Interim 2019	5.30p	3/10/19	4/10/19	1/11/19
Second Interim 2019	5.30p	4/7/19	5/7/19	2/8/19
First Interim 2019	5.30p	11/4/19	12/4/19	10/5/19
Final 2018	6.20p	17/1/19	18/1/19	15/2/19
Special 2018	4.00p	17/1/19	18/1/19	15/2/19

Dividend reinvestment

Shareholders who hold share certificates

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

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

Other Shareholders

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

Most brokers and platform providers offer a dividend reinvestment service which enables dividends to be automatically reinvested to buy more shares.

Please note that dividend reinvestment is usually a chargeable service; you should establish the cost of any such facility.

Identifiers

ISIN:	GB0007826091
SEDOL:	0782609
Ticker:	SCIN
LEI:	549300ZL6XSHQ48U8H53

Monitoring your investment

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

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

The Company publishes a daily NAV and a monthly factsheet on its website. An Interim Report is issued in June of each year and the Annual Report is distributed in December.

On the Company's website **www.thescottish.co.uk** you can find our latest **News & views** as well as educational videos and guides in the newly launched **Learning hub**. There is also an option to subscribe for a monthly email roundup. Items of interest to our investors are regularly highlighted on **LinkedIn, YouTube** and **Twitter @ScotInvTrust**

Investor Disclosure Document

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

Key Information Document

In accordance with the EU Packaged Retail and Insurance-based Investment Products (PRIIP) Regulation, the Company's Key Information Document is available on the Company's website **www.thescottish.co.uk**

Personal taxation

Capital Gains Tax (CGT)

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

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

Investor Information (continued)

Shareholders' meetings

All investors are welcome to attend the Annual General Meeting and other general meetings.

Investors who hold share certificates are entitled to attend and vote at the AGM and other general meetings. Notices of meetings and proxy cards, which include attendance and voting instructions, are sent to their registered address.

Investors who hold shares through a third party, such as a broker or share dealing platform, should contact their provider to arrange their voting and attendance. Alternatively, if they have been provided with a Form of Direction, they can indicate their voting, or intention to attend, on the form and return it as directed.

If you would like to attend any meeting as a guest please email us at **info@thescottish.co.uk** to arrange.

The AGM will be held at the Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh, EH2 1JQ, on Tuesday 4 February 2020 at 10.30am.

Electronic voting

Shareholders who hold share certificates can submit proxy votes electronically by following the instructions on the proxy card.

Electronic communications

Investors who hold share certificates may choose to receive the Company's Interim and Annual Reports and other shareholder communications electronically instead of by post.

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

Other publications

If you would like to receive a monthly email which contains our newsletter, factsheet and other useful insights please register your email address at **www.thescottish.co.uk/subscribe** More ways of how to keep in touch with The Scottish can be found overleaf.

The Common Reporting Standard (CRS)

CRS requires financial institutions, including the Company, to obtain information on individual account holders which meet certain criteria set out in the legislation and report it to their local tax authority who may then share this information with other international tax authorities as required. You will be asked by the Registrar to complete and return a tax self-certification form for this purpose.

Further information can be found on HMRC's website; **www.gov.uk/government/publications/exchange-of-information-account-holders**

Retail investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisors (IFAs) to retail private investors in accordance with the Financial Conduct Authority's (FCA) rules in relation to non-mainstream pooled investment producers.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in a UK listed investment trust.

Risk warning

Past performance may not be repeated and is not a guide to future performance. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations. You may not get back the amount you invest.

The Company has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns but should stockmarkets fall, such borrowings would magnify losses on these investments.

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

Investment in the Company is intended as a long-term investment. 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 tax advice. If you require such advice, you should consult your professional adviser.

S.I.T. Savings Limited is authorised and regulated by the Financial Conduct Authority.

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

Keeping in Touch

with The Scottish

Newsletter

Together with our Annual Report & Accounts you also received 'The Contrarian', a quarterly newsletter to investors with our latest thinking on a variety of investment related subjects and other key highlights.

If you would like to hear from us more frequently – there are a number of ways to stay in touch.

Monthly email

Sign-up for our monthly email and receive our factsheet with the latest commentary on markets and trends, our contrarian thoughts and insights on a range of investment subjects – directly to your inbox.

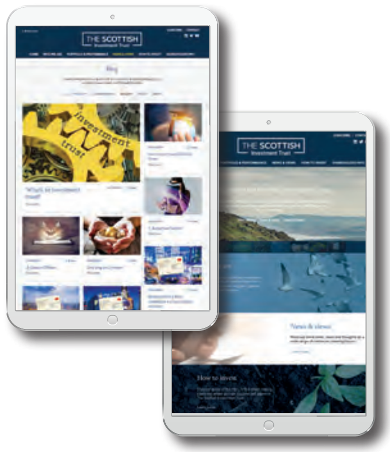
www.thescottish.co.uk/subscribe

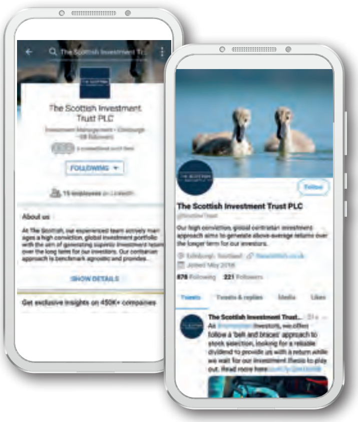
Website

Visit www.thescottish.co.uk to keep up-to-date on performance and portfolio statistics, browse through our annual and interim reports and access other key shareholder information.

In our blog, you will find thought provoking articles from our investment team, weekly thoughts, commentaries, videos and more.

www.thescottish.co.uk/blog





Social media

Follow us on social media – be notified about any new content, highlights from events we are attending, coverage in the press and other activities. You can find our social profiles using the information below.

Twitter: **@ScotInvTrust**

LinkedIn: **The Scottish Investment Trust PLC**

YouTube: **The Scottish Investment Trust PLC**

Financial Calendar 2020

Dividend and interest payments

Final and special for the financial year to 31 October 2019	February 2020
First Interim	May 2020
Second Interim	August 2020
Third Interim	November 2020
Final	February 2021
Secured bonds	17 April, 17 October
Perpetual debenture stock	30 April, 31 October

Announcement of results

NAV	Daily
Interim figures	June
Final figures	December
Annual Report & Accounts	December
Annual General Meeting (AGM)	4 February 2020

Useful Addresses

Registered Office
6 Albyn Place
Edinburgh EH2 4NL
Telephone: **0131 225 7781**
Website: **www.thescottish.co.uk**
Email: **info@thescottish.co.uk**
Company Registration Number: **SC001651**
Legal Entity Identifier: **549300ZL6XSHQ48U8H53**

Company Secretary
Maitland Administration Services (Scotland) Limited
20 Forth Street
Edinburgh EH1 3LH

Depositary
Northern Trust Global Services SE
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
XPS Pensions Group
40 Torphichen Street
Edinburgh EH3 8JB

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

The AIC
9th Floor
24 Chiswell Street
London EC1Y 4YY
Telephone: **0207 282 5555**
Website: **www.theaic.co.uk**

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

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

Glossary

Borrowings at amortised cost is the nominal value of the Company's borrowings less any unamortised issue expenses.

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

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

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

Gearing§ is the true geared position of the Company: long-term borrowings less net current assets expressed as a percentage of shareholders' funds.

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

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

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

	2019	2018
NAV at start of year	**900.1p**	924.4p
NAV at end of year	**878.5p**	900.1p
Effect of dividends*	**26.5p**	34.5p
NAV at end of year including effect of dividends	**904.9p**	934.6p
NAV total return	**0.5%**	1.1%

*Assumed reinvested at the time of dividend going ex-dividend.

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

		2019 £'000	2018 £'000
Expenses		**4,133**	3,254
Less: pension liability adjustment		**(175)**	905
Less: non recurring projects		**(72)**	(346)
Regular recurring expenses	a	**3,886**	3,813
Average Shareholders' Funds^	b	**671,329**	727,966
Ongoing charges figure	a/b	**0.58%**	0.52%

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

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

	2019	2018
Share price at start of year	**825.0p**	843.0p
Share price at end of year	**807.0p**	825.0p
Effect of dividends*	**26.5p**	34.0p
Share price at end of year including effect of dividends	**833.5p**	859.0p
Share price total return	**1.0%**	1.9%

*Assumed reinvested at the time of dividend going ex-dividend.

Total assets means total assets less current liabilities.

† UK GAAP Measure

§ Alternative Performance Measures (APMs) are measures not defined in FRS 102. The Company believes that APMs provide shareholders with important information on the Company and are appropriate for an investment trust.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty-second Annual General Meeting (AGM) of The Scottish Investment Trust PLC will be held at The Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ, on Tuesday 4 February 2020 at 10.30am, for the purpose of transacting the following:

1. To receive and consider the Annual Report and Accounts for the year to 31 October 2019.

2. To approve the Directors' Remuneration Report for the year to 31 October 2019.

3. To declare a final dividend of 6.90p per share.

4. To declare a special dividend of 7.45p per share.

5 To elect Neil Rogan as a Director.

6. To re-elect James Will as a Director.

7. To re-elect Jane Lewis as a Director.

8. To re-elect Mick Brewis as a Director.

9. To re-elect Karyn Lamont as a Director.

10. To appoint PricewaterhouseCoopers LLP as auditor and to authorise the Directors to fix their remuneration.

11. To authorise the Company, in accordance with section 701 of the Companies Act 2006 (the 'Act') and in substitution for any pre-existing such authority, to make market purchases (within the meaning of section 693 of the Act) of shares of 25p each for cancellation, provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 11,069,141 or, if less, 14.99% of the aggregate issued shares on the date this resolution is passed;

    b) the minimum price which may be paid for a share shall be 25p;

    c) the maximum price (exclusive of expenses) which may be paid for a share shall be the higher of:

        (i) 105% of the average of market value of a share 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 4 May 2021, save that the Company may, prior to such expiry, enter into a contract to purchase shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

All resolutions are ordinary resolutions except number 11 which is a special resolution.

Maitland Administration Services (Scotland) Limited
Company Secretary
13 December 2019

Map showing location of AGM venue

Notice of Annual General Meeting (continued)

Notes

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

2. A proxy may only be appointed using the procedure set out in these notes and the notes to the proxy form. Proxy forms and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, must be lodged with the Company's Registrars at Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol, BS99 6ZY or **www.eproxyappointment.com**, not less than 48 hours (excluding non-working days) before the meeting or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours, excluding non-working days, before the time appointed for the taking of the poll. Completion of the proxy form will not prevent a member from attending the meeting and voting in person.

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

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

5. 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.

6. The return of a completed proxy form or other instrument of proxy will not prevent members attending the AGM and voting in person if they wish.

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B of the Companies Act 2006, the Company specifies that only registered shareholders whose names appear on the Company's Register of Members no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting shall be entitled to attend, speak and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. Any person to whom this notice is sent who is a person nominated under S146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated,

Notice of Annual General Meeting (continued)

have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

9. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.

10. Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party comply with their respective disclosure obligations under the Disclosure and Transparency Rules.

11. On 11 December 2019 (being the last practicable date prior to the publication of this notice), the Company's issued share capital comprised 73,843,508. shares (none of which is held in treasury). Each share carries the right to one vote at a general meeting of the Company. Accordingly, as at 11 December 2019, the total number of voting rights exercisable at the AGM was 73,843,508.

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

13. Further information regarding the AGM, including the information required by section 311A of the Companies Act 2006 is available from **www.thescottish.co.uk**

14. 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.

15. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

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

17. Investors whose holdings are in nominee names and who wish to attend and vote are advised to contact their nominee before 24 January 2020.

18. The final and special dividends, if approved, will be paid on 14 February 2020 to shareholders registered at the close of business on 17 January 2020.

19. This report was sent to the address currently registered for communications. Any change of address should be notified to the Company's registrar.

THE SCOTTISH
Investment Trust

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