THE SCOTTISH
Investment Trust

THE SCOTTISH INVESTMENT TRUST PLC 133RD ANNUAL REPORT

31 OCTOBER 2020

THE SCOTTISH INVESTMENT TRUST PLC | 133RD ANNUAL REPORT

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:
Silver Birch Gathering, Rannoch by Julian Mason

Contents

Year at a Glance

31 October 2020

-12.0%

Share price total return†§

MSCI ACWI 5.0%
MSCI UK All Cap -20.6%

-10.6%

NAV* total return†§

MSCI ACWI 5.0%
MSCI UK All Cap -20.6%

9.9%

Share price discount to NAV*§ (cum-income)

31 October 2019: 8.1%

£662.9m

Total assets

31 October: 2019 £762.0m

0%

Gearing§

31 October 2019: 1%

4th Quartile

AIC Global peer group (one year share price total return)

31 October 2019: 4th quartile

23.20p

Regular dividend per share

31 October 2019: 22.80p

21.70p

Revenue return per share

31 October 2019: 29.75p

Revenue reserve

2.6x

Regular dividend

31 October 2019: 3.1x

37 years

of consecutive increase in regular dividend

59

Number of listed holdings

31 October 2019: 51

0.52%

Ongoing charges figure§

31 October 2019: 0.58%

† 2019: Share price total return 1.0%; NAV total return 0.5%; MSCI ACWI 11.2%; MSCI UK All Cap 5.8%
§ Alternative Performance Measures (please refer to Glossary on page 76).
* NAV with borrowings at market value.

Chairman's Statement

There have been many momentous periods for markets in the long history of the Company and 2020 will no doubt be counted as among the most noteworthy.

Stockmarket movements have been nearly as extraordinary as the events that swept the world. Fear and euphoria made their mark in equal measure, resulting in a period of significant volatility. The health and economic costs are still being counted, although, for the year under review, the significant interventions by governments and central banks have largely defined outcomes for equity investors.

During the financial year, markets boomed even as the pandemic initially raged, fell precipitously as the developed world 'locked down' their economies and then boomed again as support measures were judged to have averted the worst of the economic catastrophe.

The Company's portfolio held up well during the market sell-off but lagged considerably during both periods of market strength as momentum and growth companies soared irrespective of valuation.

Taken as a whole, it has been a challenging year for our contrarian approach. Seldom, if ever, has the dispersion of returns between growth and value names been so stark and, within this context, performance has been disappointing. While our performance relative to global indices has lagged in recent periods, we believe that this dispersion has created an opportunity to buy unloved, but robust, companies at attractive prices.

Performance

Amid this challenging environment, the share price total return was -12.0% and the net asset value per share (NAV) total return (with borrowings at market value) was -10.6%. 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 5.0% while the UK based MSCI UK All Cap Index total return was -20.6%. This leaves us strongly ahead of the UK comparator and well behind the global index.

Global markets continued this year to be dominated by a momentum style of investing which seemingly pays scant regard to valuation, and is an anathema to our value-focused style of investing. To have kept pace with global markets this year, our portfolio would have required a proportionately large exposure to a very small number of companies that we believe are greatly overvalued and a lot less exposure to the names which we consider offer the best potential for long-term gains.

This influence, unfortunately, has been a hallmark of markets during the five years since we adopted our contrarian approach and has become greater in more recent years. The result is an extreme divergence between the most and least expensive parts of the market. Such extremes have, historically, proved unsustainable and we believe that a new phase for markets is overdue, one that may favour those who, like us, do not follow the crowd.

Notwithstanding our lack of exposure to what we consider irrationally priced momentum driven investments, there were two particularly advantageous decisions made during the year. The first was our Manager's decision to take pre-emptive action to preserve capital at the onset of the Covid-19 crisis by selling out of some of the companies we believed would be most impacted. The second was a large exposure to gold miners, which participated strongly in the recovery. Unfortunately, the benefits of these decisions were masked in the second half of the year as markets rewarded stocks deemed impervious to the challenges facing the real economy, such as information technology stocks. In contrast we invested in companies we believed would be less impacted by the travails of the real economy, but were considered dull in the feverish monetary environment created by central bank support, which has fuelled momentum investing.

Our contrarian approach explicitly aims to take a different view from other managers and invest without regard to index composition in order to avoid the herding around popular investments that is an inherent trait of active management. We therefore expect our portfolio, and its returns, to be unlike any index.

Comparator index change

Reflecting our expectation that our portfolio, and its returns, will be unlike any index, the Company has for many years had two comparator indices, the MSCI All Country World Index (ACWI) and the MSCI UK All Cap index. The Board has however now come to the view that it would be helpful to the Manager, shareholders and the Board itself for the Company to move to a single comparator index in order to better judge the Company's performance. The most recent financial year has shown how difficult it is to assess performance against two comparator indices.

The Board considered a number of different indices as a new single comparator. As a high conviction contrarian

Chairman's Statement (continued)

fund, with a strong income ethos, there is no obvious single index to choose. The Board however concluded that shareholders are looking for performance to be measured against global markets. Accordingly, while it might appear counter-intuitive in view of this year's performance against the global index, the Board decided that the Company will henceforth compare performance against the MSCI All Country World Index as the sole comparator. While we always note performance for the year, I would remind shareholders that we assess progress over the longer term and we continue to expect to deliver above-average returns over an investment cycle.

Investing through the cycle

Our contrarian investment approach is grounded in the observation that stockmarket trends are frequently pushed to extremes, leading to their eventual reversal. What starts as an attractive opportunity is chased until the potential for further upside is eliminated and the potential for a fall becomes high. This process can transform great companies into bad investments. In a similar vein, companies can become so unloved that their improvement goes unnoticed, creating excellent investment opportunities.

It is already clear that this period marks an acute disparity between the out of favour 'value' areas of the market and the well-loved 'growth' segments. Although this is one of the largest recorded divergences, it is difficult to know what the precise trigger will be for a reversal. However, in a nutshell, once a particular investment becomes overly consensual, and thus overcrowded, the rotation out of those investments into other parts of the market can be swift and dramatic.

Standing apart from consensual trends during such times is discomforting, particularly during a cycle as long as this one. For us however the alternative is much more uncomfortable – owning stocks that are priced for perfection. Consequently, we continue to advocate a value-driven approach.

Income and dividend

Over the past year, earnings per share fell by 27.1% to 21.7p (2019: 29.8p). The decline was driven by reduced dividend receipts as many businesses, including some in which we invest, opted to curtail dividend payments to safeguard their financial health.

As I have previously mentioned, our portfolio is not explicitly invested for income and the Board recognises that there will be occasions when the portfolio does not necessarily fully cover the requirements of the regular dividend.

The precise causes of disruptions are often a surprise. The fact that they can and do occur is not. The Company prepares for these scenarios by building a substantial revenue reserve during more plentiful periods, which can be drawn down in less fruitful times. This approach serves us well in the current environment and the Company will utilise a small portion of its reserve in this financial year to cover the regular dividend. The revenue reserve remains substantial at 60.8p, equivalent to more than 2.5 times the targeted annual dividend for the year to 31 October 2021.

The Board recognises the importance of dividend income to many shareholders and our intent with regard to dividends remains unchanged. The Board aims to maintain the Company's long track record of annual regular dividend increases and also its objective to provide regular dividend growth ahead of UK inflation over the longer term.

Accordingly, the Board recommends a final dividend of 6.1p which, if approved, will mean that the total regular dividend for the year will increase by 1.8% to 23.2p. If approved, this will be the 37th year of annual regular dividend increases.

The Board's target is to declare three quarterly interim dividends of 5.8p for the year to 31 October 2021 and recommend a final dividend of at least 5.8p for approval by shareholders at the Annual General Meeting in 2022. The final dividend will be reviewed in accordance with the Board's desire to continue the long track record of annual dividend increases and the aim of the Company to provide dividend growth ahead of UK inflation over the longer term.

Discount, 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 discount at which the share price traded to NAV over the year was more volatile than normal, reflecting the periods of extreme market dislocation, but finished the year at 9.9%.

The average discount over the year was 10.0%. During the period, 1.0m shares were purchased for cancellation at an average discount of 10.6% and a cost of £7.3m. In the previous year, 3.3m shares were purchased.

The ongoing charges figure (OCF) for the year under review of 0.52% (2019: 0.58%) 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

As the Covid-19 pandemic looked certain to severely weaken the economy, the Company reduced gearing

Chairman's Statement (continued)

from its 31 October 2019 level of 1% to a net cash position of around 5%. In other words, we held all of our borrowings and an additional 5% of net assets in cash. This move was designed to shelter funds from a market decline and to preserve firepower for a period of sustained recovery.

As funds were deployed to take advantage of the recovery, gearing was increased and ended the year at 0%. It is our belief that there will be further compelling recovery opportunities and we continually assess when to deploy gearing for the long-term benefit of shareholders.

Amendments to the Articles of Association

The global pandemic highlighted challenges in companies' ability to hold shareholder meetings which complied with their Articles of Association. Fortunately, the government introduced temporary legislation which permitted companies to meet their obligations in this regard by holding virtual meetings and by restricting the ability of shareholders to attend. To avoid any such difficulties in the future, at the forthcoming Annual General Meeting (AGM), the Company will be seeking shareholder approval to amend its articles to allow for virtual, hybrid and/or physical meetings to be held at the discretion of the Directors. A number of other non-substantive changes are also proposed. Further details can be found in the Corporate Governance Report on page 35.

Annual General Meeting (AGM)

The Company's 133rd Annual General Meeting will be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF at 10.30am on Tuesday, 2 February 2021. Full details of the business to be conducted at the AGM are given on page 35.

In light of the restrictions on travel and social gatherings and as permitted by recent temporary legislation the AGM will, for the first time in its history, be held as a closed meeting and shareholders will not be able to attend in person. Shareholders' views are important and the Board encourages shareholders to vote on the resolutions within the Notice of AGM.

The Board always welcomes questions from our shareholders at the AGM. This year, to ensure that we are able to respond to any questions you may have for either the Board or the Manager, please send these via email to info@thescottish.co.uk or in writing to the Company's registered office.

Outlook

The course of the pandemic remains a matter of serious concern to markets and recent news about vaccines has been well received. Clearly there will be challenges to come, not least managing the current wave of Covid, but we believe the reaction to the vaccine newsflow demonstrates the potential for recovery in beaten down and overlooked areas should the good news be sustained.

During the pandemic, the Company has successfully operated with roles performed at home. If required, the Company can continue to operate on this basis for a further extended period.

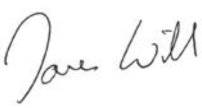
The drama around the US presidential election was emblematic of Donald Trump's tenure, but apparent President-elect Joe Biden is likely to bring a more diplomatic approach to the role. That said, President Trump clearly galvanised a substantial portion of the population and his better than anticipated showing perhaps suggests that the populist tendencies of recent years could be a durable trend.

At the time of writing, Brexit negotiations remain ongoing and have proven fractious. Although we continually review the potential effects of Brexit, we remain of the view that it will not have a material adverse impact on the Company's business model or operations.

While it is certainly premature to look beyond the impact of the virus, eventually attention will turn to how we deal with the long-term effects of the 'whatever it takes' fiscal and monetary response. While these measures were undoubtedly necessary to avoid more lasting damage to jobs and businesses, we have now entered a new era in economic policymaking. It has become obvious, especially to those who wish to control the levers of power, that governments can borrow without regard to the tax-base as interest rates remain very low. Borrowing and spending money is popular.

Central banks have directly or indirectly communicated a greater tolerance for inflation, which may prove an unstoppable development once it becomes apparent. This, combined with the eventual prospect of higher rates of interest, may favour our investment style over others.

The divergence of valuations within markets has reached new extremes, a position that we believe is unsustainable and likely to reverse. This favours a contrarian approach which seeks out mispriced investments that have been overlooked. We believe that the Company is well placed for the future.



James Will
Chairman

11 December 2020

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

Jane Lewis
Appointed to the Board in December 2015. Chair of the Remuneration Committee and Senior Independent Director.

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: 2,500 **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 and the OG Bursary Fund.

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: 10,352* **Fees:** £32,500

*8,456 held personally, 1,896 by members of his family.

Manager's Review

Markets have continued to reward past winners, leaving the unloved parts of the market, where we prefer to invest, in their shadow.

Before we consider the portfolio over the last year, I want to reflect on the position in which we find ourselves now.

On one hand there is reason for us to be optimistic. The divergence in the performance and valuation of the most loved companies and those that are unloved, has seldom been more extreme. As contrarian stock pickers, that excites us and offers the potential to buy attractive companies at a good price. Certain areas of the market look especially cheap but, on the whole, there are companies in almost all sectors that go unrewarded despite their incumbent market positions, durability and cash generation. That is where our opportunity lies.

On the other hand, we continue to worry about the overextended valuations accorded to previous 'winners'. These can appear to offer the prospect of perpetual growth. We understand why this finds favour with some but, in contrast, we are wary of paying a fancy valuation for a company that is priced as if nothing will ever go wrong. In our view the margin of error is diminished and the potential for disappointment large.

Scott McNealy, then CEO of Sun Microsystems, one of the 'winners' in the dotcom boom, famously lambasted his own investors after the crash. He asked those who had paid a multiple of 10 times sales for his company's shares, "what were you thinking?". As he pointed out, at this valuation the payback period is likely to be unfathomably long. Having worked through that era, I never thought I would witness similar conditions, but here we are. Like then, the 'fear of missing out' has become one of the hottest investment themes. Indeed, the proportion of companies trading at 10 times sales or greater is near to that seen at the height of the dotcom boom.

The root cause of such exuberance is, like then, too much cheap money creating a febrile atmosphere. In the period we have seen an electric truck maker, without a product in production, soar in valuation to become one of the biggest companies in the world. The share price quickly crashed when it was revealed that the promotional video purporting to show the vehicle in action was filmed using a mocked-up truck rolling down a slope.

Our view is that a large proportion of market participants do not make discerning value judgements. This allows momentum to build for extended periods. There is tremendous pressure on many to perform in a similar manner to markets (or benchmarks), while passive investment products explicitly target such an outcome. Success breeds confidence which breeds inflows which breeds momentum. All we can say is that, without valuation support, when markets turn, as they always do, the virtuous circle quickly becomes vicious.

I remember from my formative investing experiences how easy it was to be wowed by a good story and a stock chart pointing to the sky. On occasion, I even found myself parroting some of these stock-hype narratives. This is what happens in a crowd – members tell each other what they think they are meant to say. Given the exceptional length of the current investment cycle, many professional investors have never experienced a period where growth and momentum investments are not the only game in town. As a result, sceptics (such as ourselves) are in short supply, so that the possibility of a change in trends is widely ignored.

For value-orientated investors the current market drivers can be viewed as a potential positive because of the opportunity they provide. The arithmetic of indices determines that they will struggle to increase if the speculative bubble in the most popular part of the market starts to deflate, potentially allowing the unloved names to outperform. Wavering equity markets would also almost certainly push central banks to redouble efforts in order to prop them up and, as after the dotcom crash, the unintended consequence of this would be to provide substantial liquidity to the, currently unfashionable, areas of markets where we invest.

The portfolio

Gold typically offers shelter from the devaluing effects of unfettered money printing, so the period provided a favourable backdrop for our two largest gold mining investments **Newmont** (+£18.8m total return) and **Barrick Gold** (+£16.9m). Production challenges held back **Newcrest Mining** (-£1.2m), but we believe there are interesting growth opportunities that are being overlooked. Exposure to the sector was increased with the addition of two South African listed miners **Gold Fields** (+£4.6m) and **AngloGold Ashanti** (+£1.3m) that are working to substantially improve operating performance.

US retailer **Target** (+£4.6m) performed well as efforts to tilt its business model towards online sales and convenient store formats bolstered sales and profitability, an approach that served particularly well during the pandemic. **Tesco** (-£1.8m) declined despite taking positive steps towards divesting its overseas operations and refocusing on growing profitability in its core UK market. Many traditional retailers have found their operations severely crimped, of

Manager's Review (continued)

course, and those that had not sufficiently advanced their transformations were sold early in the year, including **Gap** (+£0.2m), **Macy's** (-£0.1m) and **Marks & Spencer** (-£1.0m). We added a holding in US fashion group **Capri** (-£0.1m), which is undergoing a turnaround of its strong but underperforming brands.

PepsiCo (£0.0m) continues to benefit from plans to enhance growth and profitability, while Japanese beverages group **Kirin** (-£2.1m) declined as the closure of the hospitality sector hampered sales. Brazilian brewing giant **Ambev** (-£0.4m) is a new holding and we expect it to participate in a recovery in consumption.

We made a timely reduction in our energy holdings, leaving only oil majors with the greatest ability to withstand oil price volatility. Their comparative strength did not shield them from the weak operating environment, however, and **Royal Dutch Shell** (-£10.8m), **Exxon Mobil** (-£5.7m), **Chevron** (-£5.2m) and **Total** (-£5.1m) all declined in value. We took the opportunity to purchase oil services group **Halliburton** (-£0.5m) at a discounted valuation to take advantage of its strong position within the sector and recovery potential.

We also scaled down our investments in banks, in advance of the pandemic, in anticipation of a more challenging lending environment. We retained a small exposure to strong franchises that have scope to rebound as the economy improves including **NatWest** (-£4.1m), **ING** (-£3.8m), **Lloyds Banking** (-£2.3m) and **BNP Paribas** (-£1.6m). Later in the period, we added **JPMorgan Chase** (-£0.5m), **Banco Santander** (+£0.1m) and **First Horizon** (+£0.1m). We also established a position in Dutch life insurer **Aegon** (-£0.1m) which is undergoing a transformation under new leadership. Meanwhile, we completely sold UK real estate trust **British Land** (-£5.6m) as lockdowns looked set to place considerable strain on tenants.

East Japan Railway (-£5.2m) declined as passenger volumes were severely curtailed by lockdown measures, though we see rebound potential as well as longer term value in the company's property assets.

Within the health care sector, **Roche** (+£1.9m) and **GlaxoSmithKline** (-£4.0m) continue to make progress in their transitions to a new generation of innovative medicines. New holdings were established in **Bristol-Myers Squibb** (-£0.3m), **Sanofi** (-£1.3m) and **Gilead Sciences** (-£3.5m) where we believe the market has misjudged the potential for these businesses to transform and grow. Gilead has become famous for its Covid-19 treatment remdesivir, though we believe that value lies elsewhere in the business.

BT (-£13.8m) was a notable disappointment as tentative efforts to revive the business were overshadowed by the additional headwind of Covid-19. More broadly, telecoms were lacklustre despite increased reliance on communications infrastructure during lockdowns. **KPN** (-£0.6m), **AT&T** (-£2.1m), **Telstra** (-£2.1m), **Orange** (-£2.6m) and **China Mobile** (-£3.3m) all fell in value.

We took new positions in several tobacco firms including **Altria** (-£1.2m), **British American Tobacco** (-£0.8m), **Philip Morris International** (-£0.4m) and **KT&G** (-£0.5m) where we believe that the durability of cash flows has been underappreciated by the market. Our longer-standing investment in **Japan Tobacco** fell in value (-£2.5m).

Among utilities, **United Utilities** (+£0.7m) gained on the back of stabilising regulatory and political environment. We also added two US utilities, **Duke Energy** (-£1.2m) and **Dominion Energy** (-£0.2m), as we concluded that the potential for asset growth is not fully reflected in their discounted valuations versus peers.

Outlook

Great uncertainty remains but it seems as if a return to some form of normality will occur next year, even if the various vaccines do not make their anticipated impact. That said, the recent rapid spread of Covid-19 in numerous countries indicates that restrictions may remain part of life for some time.

Government and central bank support have been crucial to supporting economies and stockmarkets. We believe this will continue and expect its beneficiaries to be more broadly spread if a sustainable recovery is evident in the real economy. The out of favour stocks that we prefer have lagged the stockmarket recovery to date but still offer excellent long term investment opportunities for patient investors. This is a positive environment for contrarian investors.

Alasdair McKinnon
Manager

11 December 2020

Manager's Review (continued)

Our approach

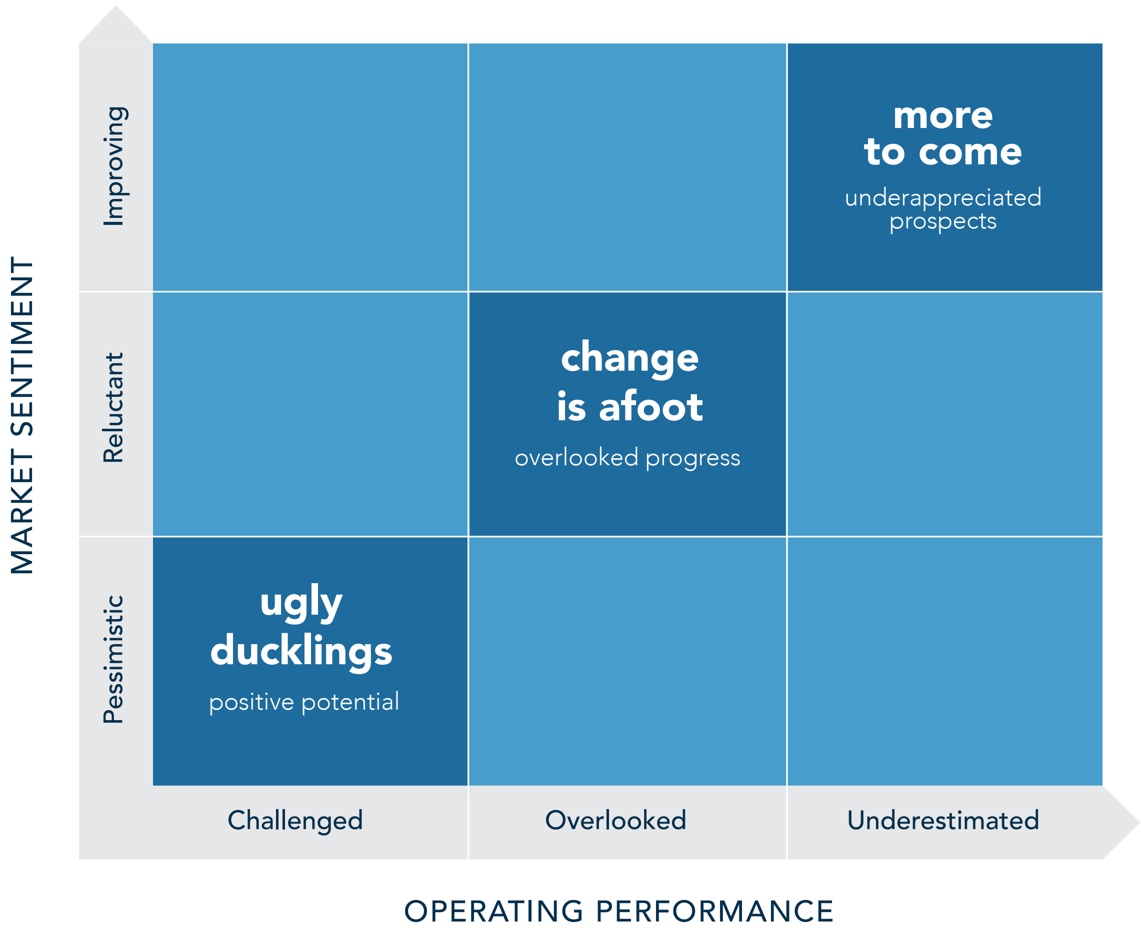
To apply our approach, we divide the stocks in which we invest into three categories.

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 2020

	Contribution %
Equity portfolio (ungeared)	-8.8
Gearing	-0.7
Total equities	**-9.5**
Other income and currency	+0.1
Buybacks	+0.1
Expenses	-0.7
Interest charges	-0.5
Change in market value of borrowings	+0.1
Change in pension liability/surplus	-0.2
NAV with borrowings at market value total return	**-10.6**

Top Ten Gains and Losses
Year to 31 October 2020

	Performance† %	Gains £m
Newmont	60.3	18.8
Barrick Gold	55.7	16.9
Target	57.9	4.6
Gold Fields	54.9	4.6
Roche	9.6	1.9
Anglogold Ashanti	9.4	1.3
Heritable property and subsidiary	58.3	0.9
United Utilities	3.8	0.7
Gap*	1.1	0.2
Tourmaline Oil*	7.5	0.1

	Performance† %	Losses £m
BT	-49.3	-13.8
Royal Dutch Shell	-60.5	-10.8
Exxon Mobil	-44.8	-5.7
British Land*	-54.9	-5.6
East Japan Railway	-43.4	-5.2
Chevron	-37.4	-5.2
Total	-38.2	-5.1
Natwest	-43.6	-4.1
GlaxoSmithKline	-23.3	-4.0
ING	-30.6	-3.8

* 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 21 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 10 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 18 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.

James Webb
Investment Manager

James joined the Company as an Investment Manager in 2020. He has 8 years of investment experience. He graduated MA with Honours in Economics and International Relations from the University of Aberdeen and holds the CFA UK's Investment Management Certificate.

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.

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

Investment objective and policy

The Company's objective is to provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation. In order to achieve this objective, the Company invests in an integrated global portfolio constructed through an investment process whereby assets are primarily allocated on the basis of the investment merits of individual stocks rather than those of regions, sectors or themes.

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

Whilst performance is compared against 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 22 and 23 and detailed analysis of the spread of investments by geographic region and industry sector is shown on page 24. A further analysis of changes in asset distribution by industry sector over the year, including the sources of gains/losses, is shown on page 25. Attribution of NAV performance is shown on page 11.

At the year end, the number of listed holdings was 59 (2019: 51). The top ten holdings comprised 39.5% of total assets (2019: 37.0%).

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 to 11.

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

Strategic Report (continued)

resolution of shareholders, exceed the aggregate of the reserves excluding unrealised capital profits of the 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, Scottish independence and the global pandemic;
- 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 – 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 33 to 34 and in note 16 to the accounts on pages 66 to 69 and on internal controls in the Report of the Audit Committee on page 37.

Performance

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

Key Performance Indicators

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

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

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

Definitions of the APMs can be found in the Glossary on page 76.

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 6.1p payable on 12 February 2021. With the interim dividends each of 5.7p already paid in May, August and November 2020, this makes a total of 23.2p for the year. Based on 72,896,247 shares in issue at 31 October 2020, the final dividend will cost £4.447m. The total dividend for the year will cost £17.026m.

Share capital

General

The Company had 72,896,247 shares of 25p each in issue on 31 October 2020 (2019: 73,893,508). Since the year end, the Company has bought back 545,747 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

Strategic Report (continued)

member present in person or by proxy has one vote for each share.

Transfer

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

Deadlines for exercising voting rights

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

In calculating these time periods, no account is taken of any day or part thereof that is not a working day.

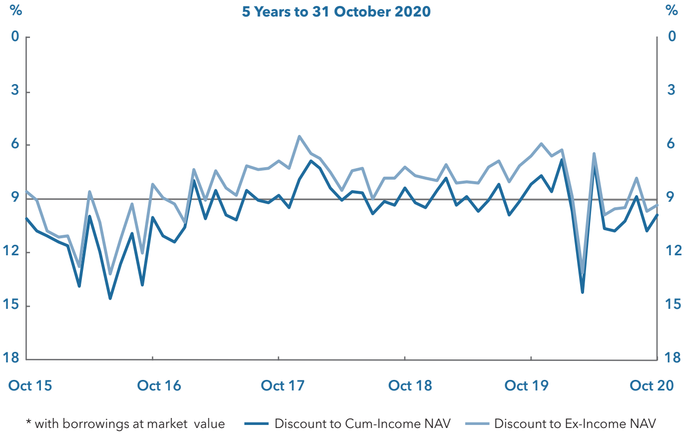
Discount control policy

The Company's policy aims, in normal market conditions, to maintain the discount to cum-income NAV at or below 9%. In calculating the NAV for the purposes of this policy, the Company's borrowings are taken at their market value so as to ensure that future repurchases of shares will take into account changes in the value of the borrowings brought about by movements in long-term interest rates. During the year ended 31 October 2020, the Company bought back for cancellation a total of 997,261 shares of 25p each representing 1.3% of shares in issue at 31 October 2019, at a cost of £7,334,000.

At the AGM on 4 February 2020, authority was granted to repurchase up to 14.99% of shares in issue on that date. The number of shares authorised for repurchase was 11,067,642. Share buybacks from the date of the AGM to the Company's year-end amounted to 937,261 shares or 1.27 percentage points of the 14.99% authority.

Discount to NAV*

5 Years to 31 October 2020



* with borrowings at market value

Source: The Company

Holdings in listed closed-ended investment funds

The Company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds.

Unlisted portfolio

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

Viability statement

The Directors have assessed the prospects of the Company for a period of five years. The Board believes this time period continues to be most appropriate as it aligns with the Company's strategy to deliver above-average returns over the longer term, being at least five years.

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

Consideration was also given to the principal risks and uncertainties faced by the Company (outlined in more detail on page 33), its portfolio of liquid listed international equity investments and cash balances, as well as its ability to achieve the stated dividend policy and to cover the interest payments on the Company's debt.

The Board has also considered the implications of the global pandemic in 2020 and resultant global macro-economic uncertainty, in relation to the Company's investment position, its future income streams, its gearing covenants and its ability to continue trading operationally.

The Company was in a resilient financial position as at 31 October 2020, with a strong asset-backed balance sheet and a flexible team capable of adapting to different working patterns. If necessary, the Company would be able to withstand continuing market volatility, reduced asset values and income streams and a depressed macro-economic outlook for a considerable period of time.

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

Strategic Report (continued)

Stakeholder relations (s.172 Statement)

In performing its duties, the Board applies the following key principles of section 172 of the Companies Act 2006, being those relevant to the Company as a listed investment company to all its decision making:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

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

Stakeholder	Engagement in year
Shareholders	The Board recognises the importance of communications with shareholders. The primary modes of communication are the interim and annual reports which are designed to provide shareholders with a full understanding of the Company's activities and performance. The Company's Annual General Meeting in February 2020 was held in person. The Company also engages with shareholders and potential shareholders via its website, social media and a regular newsletter. Under normal circumstances, the Board welcomes the opportunity to meet with shareholders at the Annual General Meeting and to respond to any questions that may be raised. Due to the unprecedented circumstances arising from the global pandemic, the Company will be holding a closed AGM in 2021; however, shareholders are welcome to submit questions ahead of the AGM or at any time throughout the year via email to info@thescottish.co.uk or by writing to the Chairman at the Company's registered office.
Employees	The Company is fortunate to benefit from a group of long-serving, experienced staff. The team works closely with the Board in defining and implementing strategy to meet the Company's objective. In light of the small number of employees, there is regular formal and informal interaction between the Board and staff. In addition, an Employee Handbook is provided to all staff. The handbook, which is reviewed annually, sets out key policies and procedures to ensure the well-being of all employees. The Company has also established a whistleblowing policy which enables concerns to be raised and investigated in a confidential manner. As a result of the global pandemic, provision has been made to ensure that employees are able to work safely and effectively from home. Appropriate adaptations have been made to the office space to create a Covid-safe working environment for employees' return in due course.
Key Service Providers	As a company with a listing on the Premium Segment of the London Stock Exchange, the Board is mindful of the importance of ensuring compliance with appropriate corporate legislation and the rules and regulations of the Financial Conduct Authority insofar as they relate to the Company and its wholly owned subsidiary, S.I.T. Savings Limited. There is a robust oversight framework in place to evaluate the performance of key service providers, including Maitland (who provide company secretarial and administration services) as well as our custodian and depositary. The Board and management maintain regular communication with senior personnel at key service providers to provide feedback, ensure open communications and to develop and maintain long-term collaborative partnerships. There was enhanced dialogue between the Company and its key service providers during the year to monitor their responses to the Covid-19 pandemic and to ensure that business continuity processes were operating effectively.

Strategic Report (continued)

Stakeholder	Engagement in year
Community & Environment	As stated in the Chairman's Statement, in pursuing the Company's objectives, various factors that may impact on the performance are considered and these may include environmental, social and governance issues. The consideration of ESG factors is an important part of the investment process as the Company believes that poor practices can have an impact on the value of investments and potential investments. In a broader context, the Company's operations create employment, aid economic growth, as well as generating tax revenues and wealth, thereby benefitting the community, economy and environment more generally.

Principal Decisions

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

Principal decision 1 – Dividend declarations

Each year, in conjunction with advice from the Manager, the Board makes an assessment of the strength of the Company's income, forecast revenue, revenue reserve and future prospects relative to uncertainties in the external environment and makes decisions about the payment of dividends. Despite the uncertainties arising from the global pandemic and having reviewed a range of metrics, the Board approved and declared dividends totalling £17.026m to shareholders during the year to 31 October 2020.

Principal decision 2 – Comparator index change

As part of the Board's annual review of the Company's strategy, it considered the ongoing appropriateness of the two comparator indices which it had been using to assess performance. Taking into account feedback from some shareholders and the views of the current Directors, it was concluded that it would be better to move to a single comparator index, the MSCI All Country World Index. The Board believes that this will provide shareholders with a clear comparison of the Company's performance against global markets, as well as providing direction to the Manager on how we will be assessing performance in the future.

Principal decision 3 – Elimination of the actuarial deficit in the Company's defined benefit pension scheme

Following completion of the latest triennial valuation of the Company's defined benefit pension scheme, the Board gave consideration to the options around the future funding of the scheme. As a result of its deliberations, the Board approved a one-off contribution of £3,220,000 to the Company's Retirement Benefits Scheme to eliminate the remaining actuarial deficit after deduction of regular payments in the year. In reaching this decision, the Board considered the effects on key stakeholders including employees, shareholders and the Company as a whole. Further information is provided in note 4 to the financial statements.

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 33 and in note 16 on page 66.

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.

As explained in the Chairman's Statement on page 3, with effect from 1 November 2020 the Company will henceforth compare performance against the MSCI All Country World Index as the sole comparator.

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 Limited to provide company secretarial, administration and accounting services to the Company. Northern Trust acts as custodian and depositary.

Strategic Report (continued)

Substantial shareholdings

At 31 October 2020, the Company had been informed of the following notifiable interest in its voting rights:

	Shares	% held
Wells Capital Management Inc.	4,924,836	6.8

On 4 November 2020, Wells Capital Management Inc. informed the Company that it no longer held a notifiable interest in its voting rights. On the same date, 1607 Capital Partners, LLC informed the Company of its interest in 3,785,706 shares, being 5.2% of the share capital as at 31 October 2020.

Analysis of share register at 31 October 2020

Category of holder	Share capital %
Individuals	82.6
Investment companies	5.2
Pension funds	5.7
Other	6.5
Total	**100.0**

Company's directors and employees

The table below shows the breakdown of Directors and employees.

	31 October 2020		31 October 2019	
	Male	Female	Male	Female
Directors	3	2	4	2
Senior Manager	1	0	1	0
Employees	5	5	4	5

Purpose, Culture and Stakeholders

Reflecting the time the Board has spent considering these areas during the year, our stakeholder responsibilities and approach to purpose, culture and values are reviewed in more detail on pages 17 to 18 and 34.

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.

The consideration of ESG factors is an important part of the investment process as the Board and Manager believe that poor practices can have an impact on the value of the Company's investments and/or potential investments. Prescriptive criteria are not applied; however, the Manager considers the circumstances of each situation.

If an ESG concern pertaining to an existing investment is identified the Manager would initially consider if engagement with the investee company would give rise to a satisfactory resolution. Depending on the conclusion, the Manager will either engage with the company to encourage resolution of the issue or sell the investment.

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
11 December 2020

Financial Summary

	2020	2019	Change %	Total return %
NAV with borrowings at market value	755.5p	878.5p	-14.0	-10.6§
NAV with borrowings at amortised cost	793.6p	915.9p	-13.4	-10.1§
Ex-income NAV with borrowings at market value§	750.9p	864.2p	-13.1	
Ex-income NAV with borrowings at amortised cost	789.0p	901.6p	-12.5	
Share price	681.0p	807.0p	-15.6	-12.0
Discount to NAV with borrowings at market value§	9.9%	8.1%		
MSCI ACWI			+3.2	+5.0
MSCI UK All Cap Index			-23.0	-20.6

	£'000	£'000
Equity investments	581,235	687,820
Pension surplus	1,161	–
Net current assets	80,542	74,173
Total assets	662,938	761,993
Long-term borrowings at amortised cost	(84,013)	(83,921)
Pension scheme deferred tax on surplus	(406)	–
Pension liability	–	(1,279)
Shareholders' funds	578,519	676,793

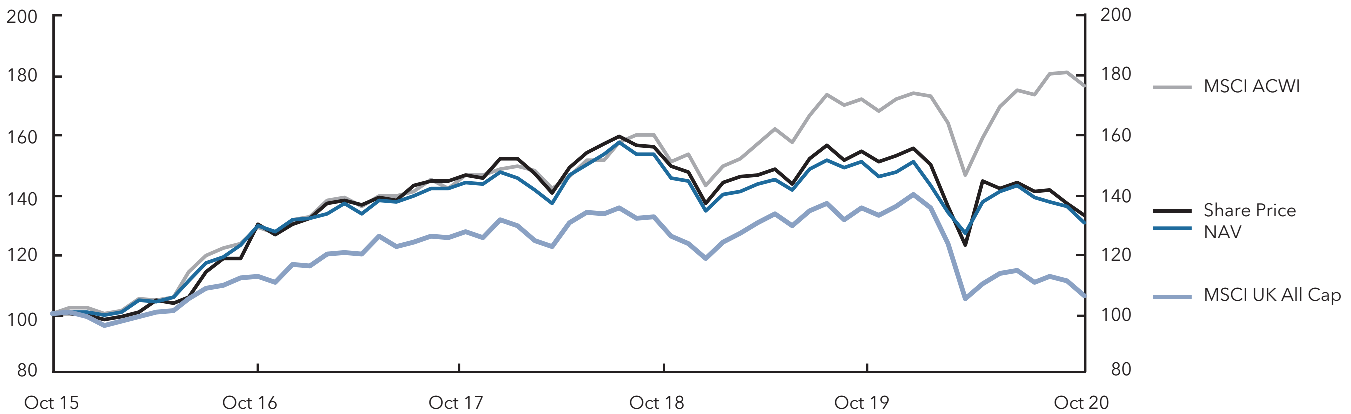
	2020	2019	Change %
Earnings per share	21.70p	29.75p	-27.1
Regular dividend per share (2020: proposed final 6.10p)	23.20p	22.80p	+1.8
Special dividend per share	–	7.45p	
Total dividend per share	23.20p	30.25p	-23.3
UK Consumer Prices Index – annual inflation			+0.7

§ Alternative Performance Measures (please refer to Glossary on page 76).

Year's High & Low

	Year to 31 October 2020 High	Year to 31 October 2020 Low	Year to 31 October 2019 High	Year to 31 October 2019 Low
NAV with borrowings at market value	924.0p	705.2p	930.6p	812.9p
Closing share price	841.0p	557.0p	843.0p	748.0p
Discount to NAV with borrowings at market value	25.8%	5.9%	10.1%	7.0%

NAV* and Share Price against Comparator Indices Total Return – 5 years to 31 October 2020



*with borrowings at market value

Chart data source: Bloomberg and the Company

List of Investments

As at 31 October 2020

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Newmont	US	49,475	
Barrick Gold	Canada	47,034	
Newcrest Mining	Australia	35,884	
Pfizer	US	22,254	
Japan Tobacco	Japan	21,209	
Roche	Switzerland	21,041	
United Utilities	UK	17,515	
Severn Trent	UK	16,031	
Duke Energy	US	16,029	
Gilead Sciences	US	15,201	45.0
BT	UK	14,135	
Kirin	Japan	13,939	
KT & G	South Korea	13,830	
Tesco	UK	13,365	
Sanofi	France	13,278	
GlaxoSmithKline	UK	13,176	
Verizon Communications	US	12,584	
China Mobile	China	12,037	
PepsiCo	US	11,443	
Gold Fields	South Africa	11,176	67.2
Bristol-Myers Squibb	US	10,849	
Deutsche Telekom	Germany	9,961	
Target	US	9,948	
Telstra	Australia	9,803	
Carrefour	France	9,316	
Altria	US	9,206	
Chevron	US	8,600	
Anglogold Ashanti	South Africa	8,163	
Total	France	7,862	
Orange	France	6,630	82.8
National Grid	UK	6,548	
JPMorgan Chase	US	6,063	
British American Tobacco	UK	5,996	
KPN	Netherlands	5,974	
AT&T	US	5,956	
BP	UK	5,603	
KDDI	Japan	5,301	
East Japan Railway	Japan	5,046	
Royal Dutch Shell	UK	4,829	
Aegon	Netherlands	4,267	92.3

List of Investments (continued)

As at 31 October 2020

Listed Equities

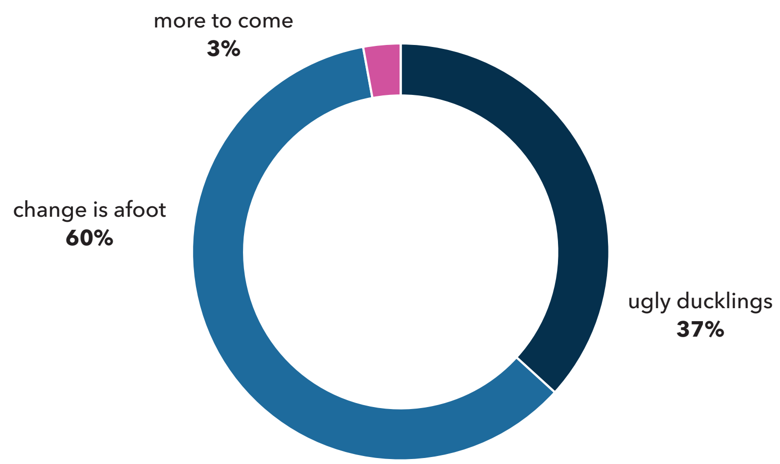
Holding	Country	Market value £'000	Cumulative weight %
Tele2	Sweden	3,907	
Exxon Mobil	US	3,431	
Dominion Energy	US	3,169	
First Horizon	US	3,059	
Banco Santander	Spain	3,005	
Philip Morris International	US	2,856	
Capri	US	2,805	
Bank of Kyoto	Japan	2,581	
Ambev	Brazil	2,539	
Sumitomo Mitsui Financial	Japan	2,461	97.4
Halliburton	US	2,425	
NatWest	UK	1,925	
Mitsubishi UFJ Financial	Japan	1,602	
ING	Netherlands	1,557	
Lloyds Banking	UK	1,303	
BNP Paribas	France	1,286	
Adecco	Switzerland	928	
Intesa Sanpaolo	Italy	869	
Standard Chartered	UK	595	
Total listed equities		**578,860**	**99.6**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Heritable property and subsidiary	UK	2,375	
Total unlisted		**2,375**	**0.4**
Total equities		**581,235**	**100.0**

The 10 largest holdings have an aggregate market value of £261,673,000.

Listed Equities by Category
(Market Value Weighted)



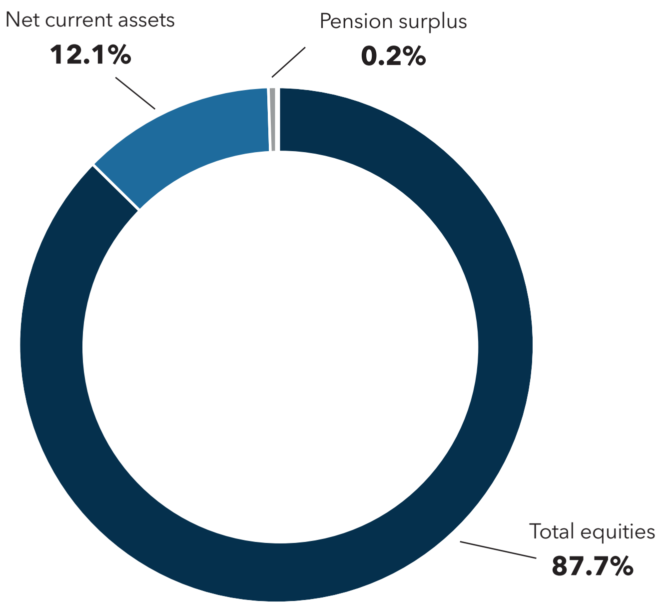
Distribution of Assets

Distribution of Total Assets

by Sector	31 October 2020 %	31 October 2019 %
Energy	4.9	11.1
Materials	22.9	14.2
Industrials	0.9	4.0
Consumer Discretionary	1.9	9.5
Consumer Staples	15.7	12.8
Health Care	14.5	8.1
Financials	5.0	11.2
Information Technology	–	–
Communication Services	13.0	15.4
Utilities	8.9	2.3
Real Estate	–	1.7
Pension surplus	0.2	–
Net current assets	12.1	9.7
Total assets	**100.0**	**100.0**

by Region	31 October 2020 %	31 October 2019 %
UK	15.6	22.6
Europe (ex UK)	13.5	19.1
North America	36.6	29.5
Latin America	0.4	–
Japan	7.9	10.4
Asia Pacific (Ex Japan)	10.8	8.7
Middle East & Africa	2.9	–
Pension surplus	0.2	–
Net current assets	12.1	9.7
Total assets	**100.0**	**100.0**

Allocation of Total Assets



Allocation of Shareholders' Funds

	%
Total equities	**100.5**
Pension surplus	0.2
Net current assets	13.9
Borrowings at amortised cost	-14.5
Provisions for liabilities	-0.1
Shareholders' funds	**100.0**

Distribution of Assets (continued)

Changes in Asset Distribution

by Sector	31 October 2019 £m	Net purchases (sales) £m	Gains/ (losses) £m	31 October 2020 £m
Energy	84.5	(19.7)	(32.1)	32.7
Materials	108.1	5.7	37.9	151.7
Industrials	30.3	(18.4)	(5.9)	6.0
Consumer Discretionary	72.9	(62.6)	2.5	12.8
Consumer Staples	97.3	20.7	(14.3)	103.7
Health Care	61.8	45.7	(11.7)	95.8
Financials	85.1	(37.4)	(14.8)	32.9
Information Technology	–	–	–	–
Communication Services	117.1	–	(30.8)	86.3
Utilities	17.6	45.4	(3.7)	59.3
Real Estate	13.1	(7.3)	(5.8)	–
Total equities	**687.8**	**(27.9)**	**(78.7)**	**581.2**

Changes in Shareholders' Funds

	31 October 2019 £m	Net purchases (sales) £m	31 October 2020 £m	Gains/ (losses) £m	Dividend income £m	Total return £m
Total equities	**687.8**	**(27.9)**	**581.2**	**(78.7)**	**19.9**	**(58.8)**
Pension surplus	–	–	1.2			
Net current assets	74.2	6.0	80.5			
Total assets	**762.0**	**(21.9)**	**662.9**			
Borrowings at amortised cost	(83.9)	(0.1)	(84.0)			
Provision for liabilities	(1.3)	–	(0.4)			
Shareholders' funds	**676.8**	**(22.0)**	**578.5**			

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 %
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
2020	**21.70**	**23.20**	**3,415**	**0.52**	**662,938**	**578,519**	**7,334**	**793.6**	**681.0**	**9.9**	**9.3**	**(10.1)**

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
2010	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2011	121.2	103.5	105.0	96.3	98.3	100.0	97.6	101.1	99.5
2012	117.1	111.9	107.8	102.1	106.5	109.2	105.8	110.8	108.2
2013	130.7	115.4	110.1	128.5	137.0	135.2	135.6	136.1	133.7
2014	112.2	119.4	111.6	127.4	138.9	137.2	137.0	136.7	144.7
2015	155.1	124.4	111.4	129.6	144.0	142.7	142.5	139.7	149.9
2016	210.7	134.3	112.4	164.0	187.2	185.3	184.5	156.9	193.5
2017	224.8	199.0	115.8	179.6	211.2	206.4	204.8	178.1	219.2
2018	253.6	210.9	118.6	175.8	215.1	207.2	207.0	175.7	226.6
2019	290.0	226.9	120.3	172.0	217.4	210.7	208.1	185.9	251.9
2020	**211.5**	**230.8**	**121.2**	**145.1**	**191.2**	**189.4**	**185.9**	**147.7**	**264.4**
Ten year return per annum	**7.8%**	**8.7%**	**1.9%**	**3.8%**	**6.7%**	**6.6%**	**6.4%**	**4.0%**	**10.2%**
Five year return per annum	**6.4%**	**13.2%**	**1.7%**	**2.3%**	**5.8%**	**5.8%**	**5.5%**	**1.1%**	**12.0%**

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.

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
11 December 2020

Corporate Governance Report

Introduction

The Board prioritises the highest principles of corporate governance within its own workings and throughout the Company's operations. The following Corporate Governance Report provides more information on: how the Company has responded to the expectations of the updated governance standards; and how the Board, supported by the committees that it has established and the executive management team, has continued to achieve its strategic aims over the course of the year.

Statement of compliance

The Board has reviewed the principles set out in both the UK Corporate Governance Code (revised in July 2018), which can be found at **www.frc.org.uk**, and the Association of Investment Companies Code of Corporate Governance (published in February 2019), which can be found at **www.theaic.co.uk**

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 in full.

Directors' independence

A Director's maximum 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 maximum tenure of office will also normally be for up to nine years. However, 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.

Following review during the year, 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 their 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 is chaired by Karyn Lamont and, for the period to 16 September 2020, it comprised the whole Board. In order to comply with the UK Corporate Governance Code the Chairman of the Board stepped down from the Committee on that date; however, he may attend Committee meetings by invitation as an observer. The Committee has reviewed the matters within its terms of reference and reports as follows:

- it has approved the Financial Statements for the year to 31 October 2020;
- it has approved the 2020 Annual Report and Financial Statements as a fair, balanced and understandable assessment of the Company's position and future prospects as at 31 October 2020;
- it has considered the Company's going concern and future viability assessments, particularly in the context of the continuing macro-economic uncertainty arising from the global pandemic this year;
- it has reviewed the effectiveness of the Company's internal controls and risk management during the financial year;
- 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 re-appointment of the external auditors and it has considered the proposed terms of their engagement;
- it has satisfied itself as to the independence of the external auditors and agreed that any non-audit services provided by the auditors 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 37 and 38.

Independent auditors

The Board proposes the re-appointment of PricewaterhouseCoopers LLP as auditors for the financial year ending 31 October 2021. PricewaterhouseCoopers LLP has expressed its willingness to be re-appointed auditors to the Company. The re-appointment is subject to shareholder approval at the Annual General Meeting to be held on 2 February 2021 and resolutions concerning PricewaterhouseCoopers LLP's re-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 39 to 41.

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.

Given the size and scale of the Company's operations, the Remuneration Committee has deemed that the utilisation of a remuneration consultant is not necessary.

Nomination Committee

The Board has formed a Nomination Committee, membership of which comprises 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, prepares 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 as a matter of policy. In order to recruit relevant candidates, the identification of such candidates may be carried out in conjunction with an independent firm of consultants. 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 and ethnicity. The Board's diversity policy is discussed in more detail on pages 31 and 32.

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 is shown in the table below. Ad hoc Board meetings are also held as and when required.

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.

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
James Will	5	5	3	3	2	2	1	1
Russell Napier[1]	1	1	1	1	1	1	–	–
Jane Lewis	5	5	3	3	2	2	1	1
Mick Brewis	5	5	3	3	2	2	1	1
Karyn Lamont	5	5	3	3	2	2	1	1
Neil Rogan	5	5	3	3	2	2	1	1

[1] Retired from the Board with effect from 4 February 2020.

Corporate Governance Report (continued)

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.

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 also assessed and appraised in his absence by the other Directors, led by the Senior Independent Director.

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 an appraisal form and one-to-one appraisals of each Director by the Chairman (and, in the case of the Chairman, by the Senior Independent Director). 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.

The services of Lintstock, an external consultant, were also utilised as part of this exercise. The process involved the completion of a questionnaire by each Director and an interview with a representative from Lintstock.

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.

Directors' letters of appointment are available by request to the Company's registered office.

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 constitute qualifying third party indemnity provisions and were in place throughout the financial year and at the date of approval of these Financial Statements.

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

Corporate Governance Report (continued)

knowledge. In considering new appointments to the Board, the Committee recognises the benefits of diversity on the Board, including gender, ethnicity, experience and background. 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 formal diversity targets.

The Board currently consists of three male and two female Directors. This exceeds the recommendation of the 'Women on Boards' review by Lord Davies. Whilst the Board does not currently have the same levels of ethnic diversity, this will be kept under review by the Nomination Committee.

Conflicts of interest

The Companies Act 2006 and the 2018 version of the UK Corporate Governance Code require that the Board manages potential conflicts of interest. Individual directors are required to avoid situations 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.

Covid-19 pandemic

The speed and scale of the spread of the global pandemic in the early months of 2020 took all countries, markets and commentators by surprise.

There remains uncertainty as to whether, and the extent to which, the virus which caused the pandemic will continue to affect global travel, trade, investment, markets and international relations.

The immediate implications for the Company are less visibility of future income streams and greater volatility in underlying asset values and markets.

The Directors have considered these in determining the Company's going concern assessment and viability statement this year.

The Board's investment strategy together with the Company's financial position provide sufficient diversification, liquidity and resilience to withstand either a continuation of the macro-economic conditions at the time the exercises were completed or a further macro-economic downturn.

The Board closely monitors market analysis of the pandemic and best practice guidance to ensure that it has the best advice available in forming related judgements.

As a result of the restrictions imposed by the government, the Company's staff and those of its third party service providers have been working remotely for the majority of 2020. Notwithstanding this, the business continuity arrangements have all functioned efficiently, resulting in no noticeable variations in either service levels or the Company's ability to operate effectively.

Going concern

The Financial Statements 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 and for at least the next 12 months from the date of signing these Financial Statements.

In concluding that the adoption of the going concern basis of accounting is appropriate, the Directors, and specifically the Audit Committee members, have given due consideration to the enhanced risks and potentially extended period of uncertainty posed by the Covid-19 pandemic, as discussed in the section above. The Board and the Company's executive management monitor developments closely and are confident that the going concern basis remains appropriate.

The viability statement, under which the Directors assess the prospects of the Company over a longer period, can be found on page 16. That statement also discusses the reviews undertaken by the Board this year in the context of the global pandemic and related macro-economic uncertainty in more detail.

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.

The Board confirms that an ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Company in accordance with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014. This process has been in place throughout the year ended 31 October 2020 and up to the date that the Financial Statements were approved.

The Directors confirm that they have undertaken a robust assessment of emerging and principal risks facing the Company during the year, including those that would threaten its business model, future performance or liquidity. The Company maintains a risk matrix which sets out the risks facing the Company, the likelihood and potential impact of each risk and the controls established to mitigate those risks. The risk matrix is reviewed by the Audit Committee and Board on a regular basis throughout the year.

Corporate Governance Report (continued)

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; the uncertainties around Brexit and Scottish independence; and the various risks arising from the global pandemic.	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 keeps shareholders and investors informed with regular communications. 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.
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. These risks are magnified by the heightened risk of either a continuation of the global pandemic, or future macro-economic event, following the events of 2020. 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 (such as: custody and depositary, company secretarial, administration and accounting services) through regular meetings and review of available internal control reports. The Company and each of its third party providers has adapted to new business continuity procedures designed to facilitate remote working whilst maintaining the operational standards required for the Company to continue to operate effectively.
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.

Corporate Governance Report (continued)

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

Details of the main features of the Company's internal control and risk management systems in relation to the financial reporting process are included in the Audit Committee Report on page37.

Further information on risks is detailed in note 16 to the accounts on pages 66 to 69.

Relations with shareholders

The Company recognises the value of good communication with its shareholders. Management engages with private client stockbrokers, wealth managers and the Company's major institutional shareholders. The Board receives regular briefings from the Company's broker on these themes and activity in the Company's share register. Annual and Half-Year 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 normally encouraged to attend the AGM and to vote on the resolutions which are contained in the Notice of Meeting on page 78 and which is posted to shareholders at least 20 working days prior to the meeting.

As this year's AGM will be a closed meeting, all shareholders 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.

Corporate Purpose, Values and Culture

The Board has determined that the Company's purpose is as set out in its established objective which 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". This objective and the Company's high conviction, global contrarian investment approach represent the Company's purpose as envisaged by the UK Corporate Governance Code.

The Company is an independent, self-managed investment trust and its values and culture reflect that independence. The Board always strives to focus on delivering long term returns for shareholders. In doing this, the Board, while recognising the Company's distinctive heritage, aims to ensure that the Company always remains at the forefront of best practice, whether in relation to investment approach, operational excellence, shareholder communication or cost efficiency. The Board has an annual strategy meeting to consider these and other matters and our track record shows that we are prepared to make changes when they are necessary to remain successful.

The Board and the investment team prioritise extensive discussion of investment proposals, whether potential buy or sell decisions. There is a collegiate approach and a willingness to take a contrarian position to established thinking or valuations.

The Board is committed to following high standards of corporate governance and always seeks to operate with integrity, transparency and respect in everything that it does.

The Board is mindful of the importance of employee engagement in building and maintaining the desired culture and values throughout the Company. Further information on employee engagement is set out on page 40.

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.

Corporate Governance Report (continued)

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 2020	0%	15%

Annual General Meeting

The Company's 133rd Annual General Meeting will be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF at 10.30am on Tuesday, 2 February 2021. As explained in the Chairman's Statement on page 5, this will be a closed meeting and shareholders will not be able to attend in person.

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 11 are self-explanatory.

Resolution 12 - Renewal of authority to purchase shares

This resolution, set out in the Notice of AGM on page 78, seeks to renew the authority to purchase shares until 2 May 2022. The principal rationale for such purchases is to reduce the discount between the Company's share price and net asset value. This is achieved through the Company purchasing shares for cancellation at prices which, after allowing for costs, improve the NAV for remaining shareholders, in line with the Board's discount control policy.

The maximum number of shares which may be purchased pursuant to this authority shall be 10,845,339 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 Financial Conduct 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 12 will be proposed as a special resolution that requires a three-quarters majority of votes cast at the AGM in order to be passed.

Resolution 13 -

Resolution 13, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include provisions enabling the Company to hold shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings).

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including: (i) the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; and (ii) removing the requirement for the Company to place advertisements in national newspapers when dealing with untraced shareholders. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, www.thescottish.co.uk.

Streamlined Energy and Carbon Reporting

The Company's carbon emissions result predominantly from its consumption of electricity at its single freehold office in Edinburgh. Using Defra/DECC's GHG conversion factors for company reporting 2015, emissions for the year to 31 October 2020 were 21.0 tonnes of CO2e (2019: 25.0 tonnes CO2e). This equates to 0.06 tonnes of CO2e (2019: 0.07 tonnes of CO2e) per square metre.

Reflecting the size of its operations, the Company is therefore formally categorised as a lower energy user under the HMRC Environmental Reporting Guidelines

March 2019 and is not required to make the additional detailed disclosures of energy and carbon information, and specifically its annual energy usage, intensity ratio and methodologies, as set out within those guidelines.

Stakeholder Engagement

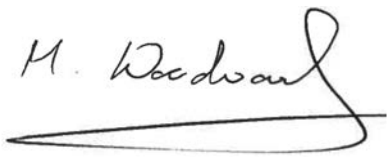
The Board gives regular consideration to the need to foster good relationships with all of its key stakeholders. Details of stakeholder engagement undertaken during the financial year is set out in the Strategic Report on pages 17 and 18.

Board Approval of Report

The Directors' Report on pages 28 to 41, 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 32, have been approved by the Board. The Strategic Report on pages 14 to 19 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 Limited
Company Secretary

11 December 2020

Report of the Audit Committee

The Audit Committee has written terms of reference which are shown on the Company's website. The Committee's duties include risk assessment and oversight; reviewing the internal control environment, the Company's accounting policies and its financial statements prior to their release; ensuring that the Annual Report presents a fair, balanced and understandable assessment of the Company's performance and prospects; and monitoring the Company's procedures on whistleblowing.

The Committee is also responsible for all aspects of the Company's relationship with its external auditors including:

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

Composition of the Committee

Membership of the Committee is shown on page 29. The Committee benefits from the Audit Chair having recent and relevant financial experience. Additionally, the Committee as a whole has competence relevant to the financial services sector in which the Company operates.

Annual Report

The Audit Committee reviews the Annual Report to ensure that 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 relatively small number of employees do not warrant such a function at the current time. 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 and risk management systems 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 and risk management systems 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 appropriately 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 during the financial year. Therefore, a confirmation of completion of necessary actions has not been considered appropriate.

The Committee and management also monitor the controls and risk management of the Company's independent advisers Maitland Administration Services Limited ("Maitland") and Northern Trust. Maitland provides company secretarial, administration and accounting services to the Company and Northern Trust provides 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 Company has faced and addressed significant issues, both operationally and related to its investments, as a result of the Covid-19 pandemic and related global market volatility. These are risks not specific to the Company, its approach or sector of the economy, and have not impacted on the Company's underlying liquidity at any time. To help mitigate these risks, the executive management team has deployed new operational procedures to facilitate working from home. We specifically discuss the implications of the Covid-19 pandemic for our going concern assessment and viability statement in more detail on pages 32 and 16 respectively.

A significant issue addressed by the Audit Committee during the year related to the treatment of a pension surplus. Under the accounting standard relating to defined benefit pension schemes, FRS 102, any surplus shall be recognised by the sponsor to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. After reviewing the scheme rules and taking appropriate advice, the Committee considered that the Company has a right to a refund of any surplus and thus that any pension surplus should be recognised in full. Subsequently, in making a one-off contribution to the Company's defined benefit pension scheme such that, as at the date of the scheme's most recent triennial valuation the actuarial deficit was eliminated, an accounting surplus was created.

Report of the Audit Committee (continued)

The Committee also asked the Company's newly appointed auditor to pay particular attention to the valuation and ownership of investments and recognition of income, as in 2019. The Committee reviewed and challenged the results of the audit with the external auditors; however, there were no material disagreements.

Investments are valued in accordance with the accounting policy on page 55.

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.

Auditors

Assessment

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

To assess the effectiveness of the external auditors and the audit process, the Committee reviewed and considered the audit plan and the audit findings report on conclusion of its work. The Audit Committee chair also met privately with PricewaterhouseCoopers LLP ("PwC") during the year. The PwC Engagement Partner attended the Audit Committee meeting in December to present the results of their 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 PwC issued by the FRC in July 2020. The Committee is of the opinion that PwC have performed satisfactorily since their appointment during the financial year and have provided reassurance through the events related to the global pandemic.

PwC were first appointed external auditors to the Company at the Annual General Meeting in 2020. 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 therefore in the first year of his rotation cycle with the Company. PwC have confirmed that they believe that 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 auditors remain independent and effective for the purpose of this year's audit.

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 Responsibilities) Order 2014 throughout the financial year.

Fees paid to the External Auditors

The fees for audit and non-audit services (which comprised a CASS assurance opinion and debenture covenant assurances) were £39,000 (2019: £33,075) and £7,500 (2019: £5,945), respectively.

All costs for non-audit services are considered to be appropriate relative to fees paid for audit services and are incurred in accordance with the Committee's related policy. 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 auditors is not compromised by the provision of non-audit services.

Re-appointment of auditors

Resolutions to re-appoint PwC as the Company's auditors, and to authorise the Directors to fix their remuneration, will accordingly be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

It is the Company's policy to allow the auditors unlimited access to its records. The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps which they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Karyn Lamont
Chair of the Audit Committee
11 December 2020

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. Two ordinary resolutions, for the approval of the Directors' Remuneration Report and approval of the Directors' Remuneration Policy respectively, will be put to shareholders at the AGM on 2 February 2021.

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, James Will, Karyn Lamont and Neil Rogan.

Policy on Directors' fees

On 31 October 2020, the Board consisted of five Directors, all of whom are non-executive. Directors' fees are set by the Remuneration Committee with a view to attracting 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 last approved by shareholders at the AGM held in February 2018 and this policy therefore applied for the period up to 31 October 2020. This approval was valid for three years and therefore the policy will be subject to approval and adoption by shareholders at the Company's annual general meeting to be held in February 2021. Subject to that approval, the policy will then apply for the financial year ending 31 October 2021. Any views expressed by shareholders on Directors' fees are taken into consideration by the Board when reviewing the policy.

Directors' fees were last increased in 2017. The Remuneration Committee believes that more regular fee reviews are appropriate and should take into account factors such as the prevailing rate of inflation and research carrried out by third parties on the level of fees paid to the non-executive directors of the Company's peers and within the investment trust industry generally. The Remuneration Committee believes that any general review of Directors' fee levels should be postponed until market conditions stabilise; however, it has agreed that the fee paid to the Audit Committee Chair should be increased from £37,500 to £40,000 per annum, with effect from 1 November 2020, to recognise the additional workload and responsibilities required in that role.

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 2021 £	Actual fees for the year to 31 October 2020 £
Chairman	60,000	60,000
Audit Committee Chair	40,000	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 2020 £	Year to 31 October 2019 £
James Will [1]	60,000	60,000
Russell Napier (retired 4 February 2020)	8,481	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)	32,500	4,578
Total	203,481	199,578

[1] Chairman

[2] Audit Committee Chair

Directors' Remuneration Report (continued)

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 directly consult with employees when drawing up the Remuneration Report.

However, during the financial year the Board also reviewed the expectations of the latest version of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018, across the theme of employee engagement. Following that review, which encompassed the Company's workforce policies and practices, the Board concluded that the existing regular opportunities for staff members to raise concerns or suggested improvements, including in respect of staff rewards and incentives, were sufficient to cover its responsibilities in respect of employee engagement, given the size of the business operationally and number of staff appointed.

EU Shareholder Rights Directive II ('the Directive')

The Committee has reviewed its responsibilities in respect of the Directive, which applies to the Company for the first time this year. The Committee considers that its governance arrangements and operation of the Board's conflicts policy at all times allows any potential issues, the likelihood of which are low in any case, to be proactively managed.

Discussion and analysis of the percentage change in the aggregated Directors' fixed fees, together with a comparison with all employee costs, can also be found below. The Committee is of the opinion that these disclosures give sufficient information for the purposes of compliance with the Directive for the first year of disclosure and given the Directors' fixed pay structure.

As a UK listed investment company, the requirements of the Directive do not otherwise apply.

Service contracts

The Directors do not have service contracts. All Directors retire and seek re-election at the Annual General Meeting on an annual basis.

Directors' interests

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

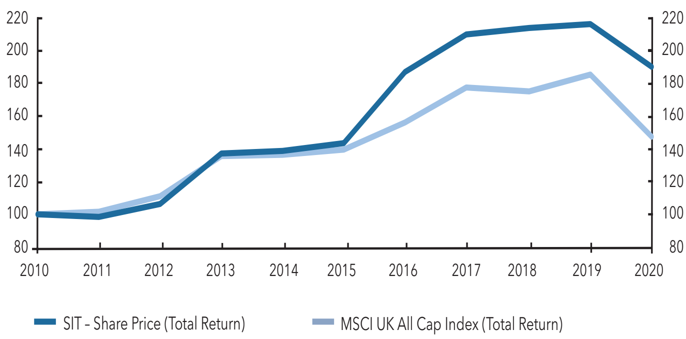
	Shares of 25p	
	31 October 2020	31 October 2019
James Will	10,000	10,000
Jane Lewis	2,500	1,000
Mick Brewis	10,000	10,000
Karyn Lamont	2,500	2,500
Neil Rogan	10,352	6,000
Russell Napier (retired 4 February 2020)	–	32,500

There were no changes in the Directors' interests between 31 October and 11 December 2020.

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.



Directors' Remuneration Report (continued)

Relative importance of Directors' fees

	2020 £'000	2019 £'000	% Change
Directors' fees	203	200	1.5
Expenses	3,415	4,133	(17.4)
Staff costs	1,210	2,106	(42.5)
Dividends paid and proposed	17,026	22,568	(24.6)

Directors' fees as a percentage of:	2020 %	2019 %
Expenses	6.0	4.8
Staff costs	16.8	9.5
Dividends paid and proposed	1.2	0.9

Further details of the Company's expenses and staff costs can be found in notes 2 and 3, respectively, on page 57 and of dividends paid and proposed on page 50.

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)	96,586	(0.5)	67,395

The voting to approve the Directors' Remuneration Report at the Company's AGM held on 4 February 2020 was as follows:

	Votes cast For	% For	Votes cast Against	% Against	Votes Withheld
Approve Directors' Remuneration Report	21,708,610	(97.6)	149,760	(0.7)	394,667

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

Jane Lewis
Chair of the Remuneration Committee
11 December 2020

Independent Auditors' Report

to the members of The Scottish Investment Trust PLC

Report on the audit of the Financial Statements

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 2020 and of its return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 October 2020; the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended; the accounting policies; and the notes to the Financial Statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the company in the period from 1 November 2019 to 31 October 2020.

Our audit approach

Overview

- Overall materiality: £5.7 million, based on 1% of net assets.

- The Group is a self-managed Investment Trust Company. The Company's wholly-owned subsidiary S.I.T Savings Limited has been appointed as the AIFM. Maitland Administration Services Limited has been appointed as the Company Secretary and Administrator.
- We conducted our audit of the Financial Statements using information from the Administrator to whom the Directors have delegated the provision of the majority of administrative functions.
- We tailored the scope of our audit to ensure that we have performed sufficient and appropriate work to be able to give an opinion on the Financial Statements as a whole, taking into account the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at the Company and adopted a fully substantive testing approach using reports obtained from the AIFM.

- Valuation and existence of listed investments.
- Income from listed investments.
- Considerations of the impact of Covid-19.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Independent Auditors' Report (continued)

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 61 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the preparation of the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with the Administrator, executive management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Audit Committee;
- Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- Identifying and testing journal entries, in particular year end journal entries posted by the Administrator during the preparation of the Financial Statements and any journals with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matters	How our audit addressed the key audit matter
Valuation and existence of listed investments Refer to page 38 (Report of the Audit Committee), page 55 (Accounting Policies) and page 62 (Notes to the Accounts). The investment portfolio at the year-end comprised listed equity investments valued at £581 million. We focussed on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the Financial Statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No differences were identified. .

Independent Auditors' Report (continued)

Key audit matters	How our audit addressed the key audit matter
Income from listed investments Refer to page 38 (Report of the Audit Committee), page 55 (Accounting Policies) and page 57 (Notes to the Financial Statements). ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). As the Company has an income objective, there might be an incentive to overstate income. As such, we focussed this risk on the existence/occurrence of revenue from investments, completeness of gains/losses from investments and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").	We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see above), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. In addition, we tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. Our testing did not identify any material misstatements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements.
Considerations of the impact of Covid-19. Refer to the Chairman's Statement (page 3), Principal Risks and Uncertainties (page 33), the Viability Statement (page 16) and the Going Concern Statement (page 32), which disclose the impact of the Covid-19 pandemic. From a small number of cases of an unknown virus in 2019, the Covid-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date.	We evaluated the Directors' assessment of the impact of the Covid-19 pandemic on the Company by: • Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by Covid-19. • Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the Financial Statements.

Independent Auditors' Report (continued)

Key audit matters	How our audit addressed the key audit matter
Considerations of the impact of Covid-19 (contd.) The coronavirus impacted global capital markets significantly from March 2020 onwards. The Directors have prepared the Financial Statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.	We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report. • We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third party service providers. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by reading the other information, including the Principal Risks and Uncertainties and Viability Statement set out in the Strategic Report, and assessing its consistency with the Financial Statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

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

Overall materiality	£5.7 million.
How we determined it	1% of net assets.
Rationale for benchmark applied	We believe that Net Assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £285,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report (continued)

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent Auditors' Report (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 October 2020 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 32 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 32 of the Annual Report 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 have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 28, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 29 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Independent Auditors' Report (continued)

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Responsibility Statement, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 4 February 2020 to audit the Financial Statements for the year ended 31 October 2020 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

11 December 2020

Income Statement

For the year to 31 October 2020

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net losses on investments held at fair value through profit and loss	8	–	(78,698)	(78,698)	–	(8,651)	(8,651)
Net gains/(losses) on currencies		–	818	818	–	(1,175)	(1,175)
Income	1	21,737	–	21,737	28,859	–	28,859
Expenses	2	(2,346)	(1,069)	(3,415)	(2,625)	(1,508)	(4,133)
Net Return before Finance Costs and Taxation		19,391	(78,949)	(59,558)	26,234	(11,334)	14,900
Interest payable	5	(1,732)	(3,217)	(4,949)	(1,732)	(3,217)	(4,949)
Return on Ordinary Activities before Tax		17,659	(82,166)	(64,507)	24,502	(14,551)	9,951
Tax on ordinary activities	6	(1,673)	–	(1,673)	(1,929)	–	(1,929)
Return attributable to Shareholders		**15,986**	**(82,166)**	**(66,180)**	**22,573**	**(14,551)**	**8,022**

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Return per share (basic and fully diluted)	**21.70p**	**(111.52)p**	**(89.82)p**	**29.75p**	**(19.18)p**	**10.57p**
Weighted average number of shares in issue during the year		**73,677,432**			**75,862,506**	

	Notes	2020 £'000	2019 £'000
Dividends paid and proposed	7		
First interim 2020: 5.70p (2019: 5.30p)		4,207	4,055
Second interim 2020: 5.70p (2019: 5.30p)		4,204	3,996
Third interim 2020: 5.70p (2019: 5.30p)		4,168	3,918
Final 2020: 6.10p (2019: 6.90p)		4,447	5,098
Special 2020: Nil (2019: 7.45p)		–	5,501
Total 2020: 23.20p (2019: 30.25p)		**17,026**	**22,568**

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 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed Assets					
Investments	8		581,235		687,820
Non-current Assets					
Pension surplus	4		1,161		–
			582,396		**687,820**
Current Assets					
Debtors	10	7,188		2,459	
Cash and cash equivalents	8	75,981		72,378	
		83,169		74,837	
Creditors: liabilities falling due within one year	11	(2,627)		(664)	
Net Current Assets			**80,542**		**74,173**
Total Assets less Current Liabilities			**662,938**		**761,993**
Creditors: liabilities falling due after more than one year					
Long-term borrowings at amortised cost	12		(84,013)		(83,921)
Provisions for Liabilities					
Pension scheme deferred tax on surplus	4		(406)		–
Pension liability	4		–		(1,279)
Net Assets			**578,519**		**676,793**
Capital and Reserves					
Called-up share capital	13		18,224		18,474
Share premium account	14		39,922		39,922
Other reserves:					
Capital redemption reserve	14		52,637		52,387
Capital reserve	14		423,402		513,930
Revenue reserve	14		44,334		52,080
Shareholders' Funds			**578,519**		**676,793**
Net Asset Value per share with borrowings at amortised cost (basic and fully diluted)			**793.6p**		**915.9p**
Number of shares in issue at year end			**72,896,247**		**73,893,508**

The Financial Statements on pages 50 to 70 were approved by the Board of Directors and were signed on its behalf by:

James Will

James Will
Chairman
11 December 2020

The accompanying notes are an integral part of this statement.

Statement of Comprehensive Income

For the year to 31 October 2020

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Return attributable to shareholders		15,986	(82,166)	(66,180)	22,573	(14,551)	8,022
Actuarial (losses)/gains relating to pension scheme	4	(412)	(764)	(1,176)	82	151	233
Pension scheme deferred tax on surplus	4	(142)	(264)	(406)	–	–	–
Total comprehensive income for the year		15,432	(83,194)	(67,762)	22,655	(14,400)	8,255
Total comprehensive income per share		20.95p	(112.92)p	(91.97)p	29.86p	(18.98)p	10.88p

Statement of Changes in Equity

For the year to 31 October 2020

	Notes	2020 £'000	2019 £'000
Opening balance		676,793	715,312
Total comprehensive income		(67,762)	8,255
Dividends	7	(23,178)	(19,796)
Share buybacks		(7,334)	(26,978)
Closing balance		578,519	676,793

The accompanying notes are an integral part of this statement.

Cash Flow Statement

For the year to 31 October 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
Net revenue before finance costs and taxation		19,391	26,234
Expenses charged to capital		(1,069)	(1,508)
Decrease/(increase) in accrued income		278	(91)
(Decrease)/increase in other payables		(60)	(135)
Decrease/(increase) in other receivables		158	(80)
Adjustment for pension funding	3	(3,616)	175
Tax on investment income	6	(1,637)	(1,929)
Cash flows from operating activities		**13,445**	**22,666**
Investing activites			
Purchases of investments		**(178,725)**	**(176,213)**
Disposals of investments		**203,970**	**196,088**
Cash flows from investing activities		**25,245**	**19,875**
Cash flows before financing activities		**38,690**	**42,541**
Financing activities			
Dividends paid		(23,178)	(19,800)
Share buybacks		(7,052)	(28,742)
Interest paid	5	(4,857)	(4,857)
Cash flows used in financing activities		**(35,087)**	**(53,399)**
Net movement in cash and cash equivalents		**3,603**	**(10,858)**
Cash and cash equivalents at the beginning of year		**72,378**	**83,236**
Cash and cash equivalents at the end of year*		**75,981**	**72,378**

*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) and in accordance with the Companies Act 2006. They are also prepared on a going concern basis (see page 32) under the historical cost convention, modified to include the revaluation of investments at fair value. 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 and for at least the next 12 months from the date of signing these financial statements. The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates. The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 in full in respect of the financial instruments.

(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.

Staff costs, investment and accounting services and research costs 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

Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal method and the Company's effective rate of corporation tax for the accounting period.

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

Deferred tax is provided in full on timing differences

Accounting Policies (continued)

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.

(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 – the amount of the capital reserve that is distributable is complex to determine and is not necessarily the full amount of the reserve as disclosed within these Financial Statements. 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 58 to 60.

(k) Cash and cash equivalents

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents.

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 2020

1. Income

	2020 £'000	2019 £'000
UK dividends including special dividends of £nil (2019: £780,000)	5,098	5,797
Overseas dividends including special dividends of £342,000 (2019: £174,000)	16,423	22,087
Deposit interest	216	975
	21,737	**28,859**

2. Expenses

	2020 £'000	2019 £'000
Staff costs (note 3)	1,210	2,106
Directors' fees	203	200
Auditors' remuneration for audit services	39	33
Auditors' remuneration for other assurance services	7	6
Investment and accounting services	199	193
Professional fees, marketing and research costs	822	704
Company secretarial and administration fee	183	191
Office expenses	297	210
Depositary, custody and bank charges	164	156
Other expenses	291	334
	3,415	**4,133**

3. Staff costs

	2020 £'000	2019 £'000
Remuneration	960	1,289
Social security costs	172	174
Pensions and post-retirement benefits	78	57
Pension deficit funding by employer	–	411
Pension liability adjustment	–	175
	1,210	**2,106**

The net interest expense for the current year is now included within pensions and post-retirement benefits. In the prior year this expense was shown along with a reversal of the pension deficit funding by the employer within the pension liability adjustment line. These amendments have been made to better reflect the requirements of FRS 102.

The average monthly number of persons employed during the year was:	2020 Number	2019 Number
Investment	5	5
Administration	5	5
	10	**10**

Details of the Directors' remuneration are noted on pages 39 and 41.

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 2019 by XPS Pensions Group which disclosed a scheme deficit of £3,699,000. 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. Furthermore, in October 2020, the Company made a one-off contribution of £3,220,000 such that the pension scheme was in a net surplus position as at 31 October 2020. This surplus has created a deferred tax liability of £406,000 which would be incurred at source and only if any funds were returned to the Company. For the avoidance of doubt, this deferred tax liability does not form part of the Company's taxation.

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 £51,000 (2019: £57,000). There were no outstanding payments due at either 31 October 2020 or 2019.

Notes to the Financial Statements (continued)

4. Pension scheme (continued)

The major assumptions used for the actuarial valuation of the final salary scheme were:	2020 %	2019 %	2018 %	2017 %	2016 %
Rate of increase in salaries	2.9	3.2	3.2	3.2	3.2
Rate of increase in pensions in payment	3.4	3.4	3.6	3.5	3.7
Discount rate	1.7	2.5	3.3	3.2	3.3
Inflation – RPI	2.9	3.0	3.4	3.2	3.5
– CPI	2.0	2.0	2.4	2.2	2.5
Life expectancies on retirement at age 60 are:					
Retiring today – males	26.4	26.4	26.5	26.7	27.2
– females	28.5	28.9	28.6	28.6	29.4
Retiring in 20 years' time – males	27.9	27.9	28.1	28.2	29.5
– females	30.1	30.4	30.2	30.3	31.8

The fair value of the scheme assets and the present value of the scheme liabilities were:	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Equities	4,672	4,803	8,072	7,913	7,401
Bonds	3,029	2,379	3,437	4,992	6,181
With-profit policies	–	301	301	288	264
Cash	4,562	1,830	265	1,180	1,976
Total fair value of assets	12,263	9,313	12,075	14,373	15,822
Present value of scheme liabilities	(11,102)	(10,592)	(13,412)	(15,464)	(19,094)
Net pension asset/(liability)	**1,161**	**(1,279)**	**(1,337)**	**(1,091)**	**(3,272)**

Reconciliation of the opening and closing balances of the present value of the scheme assets	2020 £'000	2019 £'000
Fair value of scheme assets at beginning of year	9,313	12,075
Interest income on scheme assets	223	324
Returns on assets, excluding interest income	299	1,443
Contributions by employer	3,643	411
Benefits paid	(1,215)	(252)
Settlements	–	(4,688)
Fair value of scheme assets at end of year	**12,263**	**9,313**

Reconciliation of the opening and closing balances of the present value of the scheme liabilities	2020 £'000	2019 £'000
Liabilities at beginning of year	10,592	13,412
Interest cost	250	371
Actuarial losses	1,475	1,210
Benefits paid	(1,215)	(252)
Settlements	–	(4,149)
Liabilities at end of year	**11,102**	**10,592**

Notes to the Financial Statements (continued)

4. Pension scheme (continued)

Analysis of amount chargeable to operating profit during the year	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Analysis of amount credited to other finance income:					
Interest income return on assets	223	324	428	476	605
Interest on liabilities	(250)	(371)	(457)	(576)	(706)
Net return	(27)	(47)	(29)	(100)	(101)
Movement in deficit during year:					
Deficit at beginning of year	(1,279)	(1,337)	(1,091)	(3,272)	(2,550)
Movement in year:					
Current service cost	–	(539)	–	–	–
Contributions for year	3,643	411	399	455	389
Net return from other finance income	(27)	(47)	(29)	(100)	(101)
Actuarial (losses)/gains in Statement of Comprehensive Income	(1,176)	233	(616)	1,826	(1,010)
Surplus/(deficit) at end of year	**1,161**	**(1,279)**	**(1,337)**	**(1,091)**	**(3,272)**
Deferred tax on surplus	**406**	**–**	**–**	**–**	**–**

Notes to the Financial Statements (continued)

5. Interest payable

	2020 £'000	2019 £'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

	2020 £'000	2019 £'000
Taxation		
UK corporation tax at 19.00% (2019: 19.00%)	–	–
Overseas tax	1,673	1,929
Total tax	**1,673**	**1,929**

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

	2020 £'000	2019 £'000
Return on ordinary activities before tax	(64,507)	9,951
Corporation tax at 19.00% (2019: 19.00%)	(12,256)	1,891
Effects of:		
Non-taxable capital returns	14,797	1,867
Finance costs and expenses charged to capital	(814)	(898)
Non-taxable dividends	(4,089)	(5,447)
Unutilised expenses	2,362	2,587
Overseas tax	1,673	1,929
	1,673	**1,929**

Deferred tax

No deferred tax asset has been recognised on unrelieved expenses (2019: nil) as the Company does not expect to have future profits to offset those expenses.

A deferred tax liability of £406,000 was created on the pension scheme as a result of the Company's one-off contribution, in October 2020, of £3,220,000. This charge would be incurred at source and only if any funds were returned to the Company (see note 4 for further details). For the avoidance of doubt, this deferred tax liability relates to the pension scheme and does not form part of the Company's taxation.

7. Dividends

	2020 £'000	2019 £'000
Dividends paid on shares recognised in the financial year:		
Previous year final of 6.90p per share (2018: 6.20p)	5,098	4,758
Previous year special of 7.45p per share (2018: 4.00p)	5,501	3,069
Three interims each of 5.70p per share (2019: three interims each of 5.30p)	12,579	11,969
	23,178	**19,796**

Notes to the Financial Statements (continued)

8. Investments

	2020 £'000	2019 £'000
Investments listed on a recognised investment exchange	578,860	686,320
Unlisted investments	2,025	1,150
Subsidiary undertaking (note 9)	350	350
	581,235	**687,820**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	178,771	484,852	358	663,981
Opening unrealised (losses)/gains	(8,160)	30,857	1,142	23,839
Opening valuation	**170,611**	**515,709**	**1,500**	**687,820**
Movements in the year:				
Purchases at cost	36,484	144,800	–	181,284
Sales – proceeds	(54,347)	(154,824)	–	(209,171)
(Losses)/profits on investments in the year	(51,726)	(27,847)	875	(78,698)
Closing valuation	**101,022**	**477,838**	**2,375**	**581,235**
Closing book cost	129,965	454,288	358	**584,611**
Closing unrealised (losses)/gains	(28,943)	23,550	2,017	(3,376)
Closing valuation	**101,022**	**477,838**	**2,375**	**581,235**

The Company received £209,171,000 (2019: £186,227,000) from investments sold in the year. The book cost of these investments when they were purchased was £260,654,000 (2019: £148,943,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments. The purchases at cost and sales proceeds figures include transaction costs of £466,000 (2019: £396,000), comprising commissions, government stamp duty and other fees. In the year to 31 October 2020 the portfolio turnover rate was 26% (2019: 22%).

Unlisted investments include heritable property valued at £2,025,000 (2019: £1,150,000). The property was valued on an open market basis by Ryden LLP, chartered surveyors, on 31 October 2020. The valuation has been made in accordance with the RICS Valuation – Global Standards 2020 (The Red Book) with the latest edition having taken effect from 31 January 2020. The report is also fully compliant with the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC). The basis of value is market value: the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Taking the comparable sales evidence into consideration, the valuer has come up with a benchmark capital rate which can be supported for the property itself. Ryden's agency department are involved in several ongoing similar property disposals and acquisitions and, notwithstanding the ongoing pandemic and associated recession, transactions are concluding and the market is still performing, albeit at a slower pace than in the pre-Covid economy.

The wholly owned subsidiary is held at a value equal to the total share capital of S.I.T. Savings Limited.

The disclosure of gains on investments has been amended to comply with the requirements of the AIC Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in October 2019).

Notes to the Financial Statements (continued)

Cash and cash equivalents

Financial assets – cash and deposits	2020 Fixed £'000	2020 Floating £'000	2020 Total £'000	2019 Fixed £'000	2019 Floating £'000	2019 Total £'000
Sterling	50,000	17,781	67,781	10,000	12,449	22,449
US dollar	–	8,200	8,200	–	49,929	49,929
	50,000	**25,981**	**75,981**	**10,000**	**62,378**	**72,378**

The maximum maturity period for fixed rate deposits outstanding at the year end was 7 days (2019: 7 days). The weighted average fixed interest rate at the year end was 0.02% (2019: 0.60%). Floating interest rates vary in relation to short-term rates in the currencies in which deposits are held.

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

	2020 £'000	2019 £'000
Amounts due from brokers	5,201	–
Overseas tax recoverable	886	922
Prepayments and accrued income	1,101	1,537
	7,188	**2,459**

11. Creditors: liabilities falling due within one year

	2020 £'000	2019 £'000
Amounts due to brokers	1,741	–
Other creditors	886	664
	2,627	**664**

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

	2020 Book value £'000	2020 Fair value £'000	2019 Book value £'000	2019 Fair value £'000
4% Perpetual Debenture Stock	350	515	350	478
4¼% Perpetual Debenture Stock	700	1,093	700	1,015
5% Perpetual Debenture Stock	1,009	1,855	1,009	1,722
5¾% Secured Bonds due 17 April 2030	81,954	108,311	81,862	108,325
	84,013	**111,774**	**83,921**	**111,540**

Notes to the Financial Statements (continued)

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 £111.8m (2019: £111.5m) has the effect of decreasing the year end NAV per share from 793.6p to 755.5p (2019: decreasing from 915.9p to 878.5p).

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.

13. Called-up share capital

	2020	2019
Shares of 25p	£18,224,062	£18,474,000
Number of shares in issue	72,896,247	73,893,508

997,261 shares were repurchased in the stockmarket during the year to 31 October 2020 (2019: 3,291,070).

545,747 shares were repurchased from 1 November to 10 December 2020.

14. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 1 November 2019	39,922	52,387	513,930	52,080
Net gains on currencies	–	–	818	–
Losses on investments in the year	–	–	(78,698)	–
Share buybacks	–	250	(7,334)	–
Actuarial losses relating to pension scheme	–	–	(764)	(412)
Pension scheme deferred tax on surplus	–	–	(264)	(142)
Expenses and interest charged to capital	–	–	(4,286)	–
Return attributable to shareholders	–	–	–	15,986
Dividends paid	–	–	–	(23,178)
At 31 October 2020	**39,922**	**52,637**	**423,402**	**44,334**

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 1 November 2018	39,922	51,565	555,308	49,221
Net losses on currencies	–	–	(1,175)	–
Losses on investments in the year	–	–	(8,651)	–
Share buybacks	–	822	(26,978)	–
Actuarial gains 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**

Notes to the Financial Statements (continued)

15. Analysis of changes in net debt during the year

	1 November 2019 £'000	Cash flows £'000	Non-cash movements* £'000	31 October 2020 £'000
Cash	62,378	(36,397)	–	25,981
Short-term deposits	10,000	40,000	–	50,000
Long-term borrowings at amortised cost	(83,921)	–	(92)	(84,013)
	(11,543)	**3,603**	**(92)**	**(8,032)**

*Amortisation of secured bonds' issue expenses.

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 55 explain how the various categories of financial instrument are measured.

	2020 £'000	2019 £'000
Financial assets		
Financial assets at fair value through profit and loss:		
Fixed asset investments – designated as such on initial recognition	581,235	687,820
Current assets:		
Debtors	7,188	2,459
Cash and short-term deposits	75,981	72,378
	83,169	74,837
	664,404	**762,657**
Financial liabilities		
Creditors: liabilities falling due within one year		
Amounts due to brokers	(1,741)	–
Other creditors	(886)	(664)
	(2,627)	(664)
Creditors: liabilities falling due after more than one year		
Long-term borrowings at amortised cost	(84,013)	(83,921)
	(86,640)	**(84,585)**

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.

Please refer to the Corporate Governance Report on page 32 regarding the Company's risk as a result of Covid-19.

a. Investment and market price risk

The holding of securities and investing activities involve certain inherent risks, principally in relation to market risk. A contrarian investment approach is a distinctive style that may deviate from comparator indices and peer group performance over discrete periods. Whilst performance is compared against 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 82% 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 2020 and 31 October 2019 are shown below.

2020	US $ £'000	Euro £'000	Other £'000
Debtors (amounts due from brokers, dividends receivable and accrued income)	5,522	198	987
Creditors (amounts due to brokers)	(811)	(932)	–
Cash	8,200	–	–
Foreign currency exposure on net monetary items	12,911	(734)	987
Equity investments at fair value through profit and loss	244,924	64,005	168,908
Total net foreign currency exposure	**257,835**	**63,271**	**169,895**

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**

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 2020	US $ £'000	Euro £'000	Other £'000
Maximum	49,970	–	–
Minimum	8,200	–	–

Year to 31 October 2019	US $ £'000	Euro £'000	Other £'000
Maximum	56,308	–	–
Minimum	39,340	–	–

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 2020. 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.

	2020		2019	
	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	769	261	912	500
Capital return	25,703	6,234	27,227	10,806
Return attributable to shareholders	**26,472**	**6,495**	**28,139**	**11,306**

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Foreign currency sensitivity (continued)

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 63. Details of interest rates on financial liabilities are included in note 12 on page 63.

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.

	2020 Within one year £'000	2020 More than one year £'000	2020 Total £'000	2019 Within one year £'000	2019 More than one year £'000	2019 Total £'000
Exposure to floating interest rates						
Cash	25,981	–	25,981	62,378	–	62,378
Exposure to fixed interest rates						
Short-term deposits	50,000	–	50,000	10,000	–	10,000
Long-term borrowings	–	(84,013)	(84,013)	–	(83,921)	(83,921)
Total exposure	**75,981**	**(84,013)**	**(8,032)**	**72,378**	**(83,921)**	**(11,543)**

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:

	2020 £'000	2019 £'000
Return attributable to shareholders	**(11)**	**(49)**

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

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

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 63. The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	2020				2019			
	Less than three months £'000	Three to twelve months £'000	More than one year £'000	Total £'000	Less than three months £'000	Three to twelve months £'000	More than one year £'000	Total £'000
Cash	–	–	81,954	81,954	–	–	81,862	81,862
Exposure to fixed interest rates	–	4,763	45,073	49,836	–	4,763	49,836	54,599
Short-term deposits	1,741	–	–	1,741	–	–	–	–
Long-term borrowings	701	–	–	701	479	–	–	479
Total exposure	**2,442**	**4,763**	**127,027**	**134,232**	**479**	**4,763**	**131,698**	**136,940**

The following debenture stocks do not have a fixed repayment date and are, as a result, not shown in the above table:

4% Perpetual Debenture Stock, 4.25% Perpetual Debenture Stock and 5% Perpetual Debenture Stock.

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 (2019: 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. The investments in level 3 relate to the heritable property and the subsidiary (please see note 8 for information on the valuation of these investments). Further details on the valuation techniques used for level 3 investments are also included in the Company's accounting policies on page 55.

	2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	**578,860**	**–**	**2,375**	**581,235**

	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**

There were no transfers between Level 1 & 2 during the year (2019: same).

Reconciliation of Level 3 fair value measurements of financial assets	Fair value through profit and loss 2020 £'000	Fair value through profit and loss 2019 £'000
Balance at 31 October 2019	1,500	1,500
Purchase costs	–	–
Sales proceeds	–	–
Total profit: in profit and loss	875	–
Balance at 31 October 2020	**2,375**	**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 39 and 41. There were no matters requiring disclosure under section 412 of the Companies Act 2006. S.I.T. Savings Limited is a wholly owned subsidiary of the Company. During the year to 31 October 2020 the net amount paid to S.I.T. Savings Limited was £1,667 (2019: nil) in relation to expenses. At 31 October 2020 the net amount due to S.I.T. Savings Limited was £10,501 (2019: £14,011). The net amount receivable from S.I.T. Savings Limited was £13,860 (2019: £14,812).

18. Subsequent events

Since the year end the Board has declared a final dividend of 6.10p per share in respect of the year ended 31 October 2020.

Details of shares repurchased since the year end are disclosed in note 13 on page 64.

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 2019/20:

Dividends	Amount	XD date	Record date	Payment date
Third Interim 2020	5.70p	1/10/20	2/10/20	2/11/20
Second Interim 2020	5.70p	2/7/20	3/7/20	3/8/20
First Interim 2020	5.70p	9/4/20	14/4/20	7/5/20
Final 2019	6.90p	16/1/20	17/1/20	14/2/20
Special 2019	7.45p	16/1/20	17/1/20	14/2/20

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 **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

Under normal circumstances, all investors are welcome to attend the Annual General Meeting and other general meetings. As explained in the Chairman's Statement on page 5, the AGM in February 2021 will be a closed meeting and shareholders will not be able to attend in person.

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. Alternatively, if they have been provided with a Form of Direction, they can indicate their voting instructions on the form and return it as directed.

The AGM will be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF, on Tuesday 2 February 2021 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.

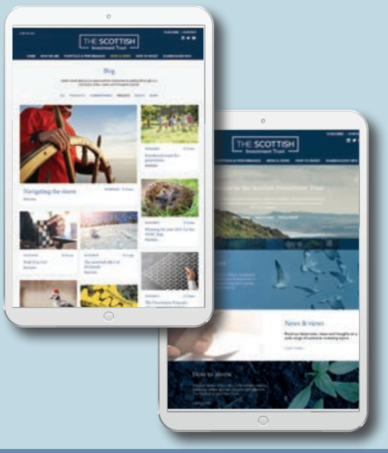
www.thescottish.co.uk/subscribe

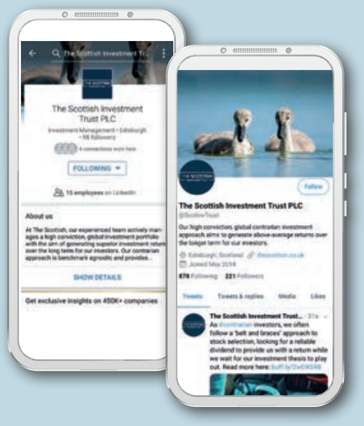
Website

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 2021

Dividend and interest payments

Final and special for the financial year to 31 October 2020	February 2021
First Interim	May 2021
Second Interim	August 2021
Third Interim	November 2021
Final	February 2022
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)	2 February 2021

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 Limited
Hamilton Centre
Rodney Way
Chelmsford CM1 3BY

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

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

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.

	2020	2019
NAV at start of year	**878.5p**	900.1p
NAV at end of year	**755.5p**	878.5p
Effect of dividends*	**29.6p**	26.5p
NAV at end of year including effect of dividends	**785.1p**	904.9p
NAV total return	**-10.6%**	0.5%

*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^.

		2020 £'000	2019 £'000
Expenses		**3,415**	4,133
Less: pension liability adjustment		**-**	(175)
Less: non-recurring projects		**(198)**	(72)
Regular recurring expenses	a	**3,217**	3,886
Average Shareholders' Funds^	b	**613,380**	671,329
Ongoing Charge Calculation	a/b	**0.52%**	0.58%

For the current year, the pension liability adjustment is no longer being deducted from expenses in the calculation provided above.

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.

	2020	2019
Share price at start of year	**807.0p**	825.0p
Share price at end of year	**681.0p**	807.0p
Effect of dividends*	**29.0p**	26.5p
Share price at end of year including effect of dividends	**710.0p**	833.5p
Share price total return	**-12.0%**	1.0%

*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.


NA

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty-third Annual General Meeting (AGM) of The Scottish Investment Trust PLC will be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF, on Tuesday 2 February 2021 at 10.30am, for the purpose of transacting the following:

Ordinary Resolutions

1. To receive and consider the Annual Report and Financial Statements for the year to 31 October 2020.
2. To approve the Directors' Remuneration Report for the year to 31 October 2020.
3. To approve the Directors' Remuneration Policy.
4. To declare a final dividend of 6.10p per share.
5. To re-elect James Will as a Director.
6. To re-elect Jane Lewis as a Director.
7. To re-elect Mick Brewis as a Director.
8. To re-elect Karyn Lamont as a Director.
9. To re-elect Neil Rogan as a Director.
10. To re-appoint PricewaterhouseCoopers LLP as auditors.
11. To authorise the Directors to fix the remuneration of the auditors.

Special Resolutions

12. 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 10,845,339 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 2 May 2022, 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.

13. That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

    As explained in the Chairman's Statement on page 5, this will be a closed meeting and shareholders will not be able to attend in person.

Maitland Administration Services Limited
Company Secretary

11 December 2020

Notice of Annual General Meeting (continued)

Notes

1. Given the risks posed by the spread of Covid-19 and in accordance with the Company's articles of association, the Corporate Insolvency and Governance Act 2020 and government guidance, the Annual General Meeting (AGM) will be closed and shareholders will not be able to attend in person.. Shareholders are therefore strongly encouraged to register their votes in advance by submitting proxy forms in advance to the Company's Registrar in accordance with the procedure set out in these notes.
2. 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.
3. 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, Bridgwater 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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

Notice of Annual General Meeting (continued)

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.

9. 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, 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.

10. 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.

11. 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.

12. On 10 December 2020 (being the last practicable date prior to the publication of this notice), the Company's issued share capital comprised 72,350,500 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 10 December 2020, the total number of voting rights exercisable at the AGM was 72,350,500

13. 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.

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

15. 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.

16. 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.

17. 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.

18. Investors whose holdings are in nominee names and who wish to attend and vote are advised to contact their nominee before 22 January 2021.

19. The final dividend, if approved, will be paid on 12 February 2021 to shareholders registered at the close of business on 15 January 2021.

20. A copy of the proposed new articles of association of the Company, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on the Company's website, www.thescottish.co.uk.

21. 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

6 ALBYN PLACE | EDINBURGH | EH2 4NL
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