



The Scottish Investment Trust PLC



The painting on the front cover is "Reflections, Balloch" by G L Hunter (1877 – 1931) and is reproduced by kind permission of The National Galleries of Scotland.

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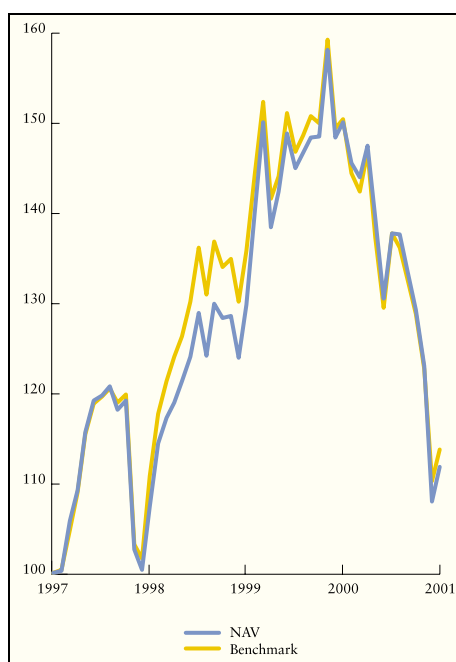
	2001	2000	% change	
CAPITAL	Equity investments	£1,024.4m	£1,550.1m	-33.9
	Net current assets	106.0m	28.9m	
	Total assets	1,130.4m	1,579.0m	-28.4
	Less: borrowings	222.3m	222.1m	
	Stockholders' funds	£908.1m	£1,356.9m	-33.1
	Net asset value (NAV)			
	per ordinary unit	402.1p	538.9p	-25.4
	Market price per ordinary unit	359.0p	457.0p	-21.4
	Discount	10.7%	15.2%	
	Benchmark index			-24.3
INCOME	Total income	£32.1m	£29.8m	+7.8
	Earnings per ordinary unit	9.33p	7.93p	+17.7
	Dividend per ordinary unit	7.05p	6.90p	+2.2
	Special dividend per ordinary unit	1.00p	-	
	Retail price index (RPI)			+1.6

YEAR'S HIGH & LOW

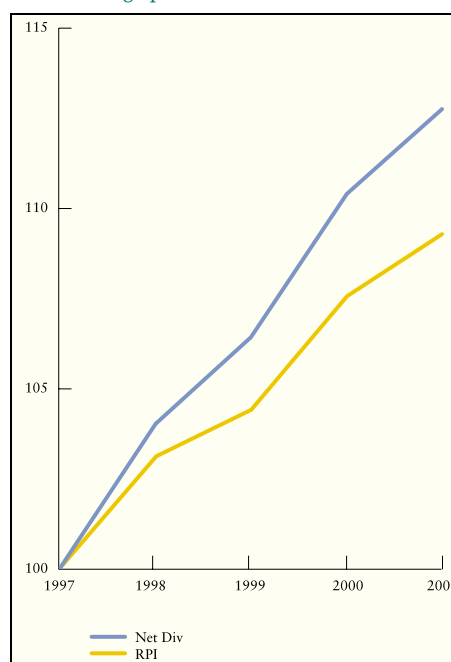
	Year to 31 October 2001		Year to 31 October 2000	
	High	Low	High	Low
NAV	540.5p	354.0p	567.5p	466.4p
Closing market price	472.0p	306.0p	485.0p	396.0p
Discount	14.8%	9.3%	17.6%	13.5%

Four Year Growth

SIT NAV AND BENCHMARK



SIT NET DIVIDEND AND RPI
excluding special dividends



These charts cover the period since the present benchmark was adopted and have been rebased to 100 at 31 October 1997.

2 The Company

COMPANY DATA
as at 31 October 2001

TOTAL ASSETS
£1,130.4 million

STOCKHOLDERS' FUNDS
£908.1 million

MARKET CAPITALISATION
£810.7 million

POLICY and OBJECTIVES

The Scottish Investment Trust (SIT) aims to provide investors with above average returns through a diversified portfolio of international equities and to achieve, over the long term, asset growth in excess of the company's stated benchmark and dividend growth ahead of UK inflation.

RISK

SIT's portfolio is invested over a range of industries and is diversified on a geographical basis so that risk is lowered. It regularly employs borrowed money to invest in equities with the objective of improving overall returns. The use of borrowings magnifies market movements both up and down.

BENCHMARK

The company's benchmark is made up of 50% FTSE Actuaries UK All-Share IndexTM and 50% FTSE World ex UK Index SeriesTM. This benchmark was changed in November 1997 from a purely UK index to reflect more fully the international spread of the company's investment activities.

MANAGEMENT

The company is managed by its own employees led by Ian McLeish and Donald Ness who are responsible to the directors for all aspects of the day to day management of the company. No other funds are managed leaving the managers free to concentrate exclusively on the company's affairs.

CAPITAL STRUCTURE

At 31 October 2001 the company had in issue 225,810,092 ordinary stock units and long term debt amounted to £222.3m.

MANAGEMENT COSTS

The total costs of managing the company's business last year were £4,821,000 equivalent to 0.43% of average stockholders' funds. The company aims to keep this percentage low in comparison to competing investment products.

ISA/PEP

The ordinary units are fully eligible for both ISAs and PEPs. Details of the schemes run by the company are on page 20.

AITC

The company is a member of The Association of Investment Trust Companies.

YEAR TO 31 OCTOBER	TOTAL ASSETS £'000	STOCKHOLDERS' FUNDS £'000	TOTAL EXPENSES £'000	EARNINGS PER ORDINARY UNIT NET P ⁽¹⁾	DIVIDEND PER ORDINARY UNIT NET P ⁽²⁾	NAV PER ORDINARY UNIT P ⁽³⁾	MARKET PRICE PER ORDINARY UNIT P	DISCOUNT %	NAV TOTAL RETURN %
1991	555,997	524,247	1,932	4.52	4.40	196.1	170.5	13.1	28.9
1992	615,209	552,665	2,027	4.82	4.62	206.6	175.5	15.1	7.7
1993	776,960	712,767	2,100	5.48	4.90	266.2	224.5	15.7	31.2
1994	783,096	671,873	2,276	5.49	5.15	250.3	215.5	13.9	-4.0
1995	913,287	801,040	2,602	5.84	5.67	282.6	242.5	14.2	15.2
1996	1,023,847	912,583	2,932	6.16	5.95	322.0	274.5	14.8	16.0
1997	1,101,239	1,020,680	3,310	6.29	6.25	360.1	306.0	15.0	13.8
1998	1,176,244	1,095,685	3,751	6.41	6.50	386.6	344.0	11.0	9.4
1999	1,364,145	1,287,086	4,467	8.34	6.65	466.4	393.5	15.6	22.4
2000	1,578,998	1,356,861	4,568	7.93	6.90	538.9	457.0	15.2	17.0

2001	1,130,370	908,066	4,821	9.33	7.05	402.1	359.0	10.7	-23.9
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1 From 1 November 1999 the company has charged two-thirds of eligible expenses and finance costs to realised capital reserves.

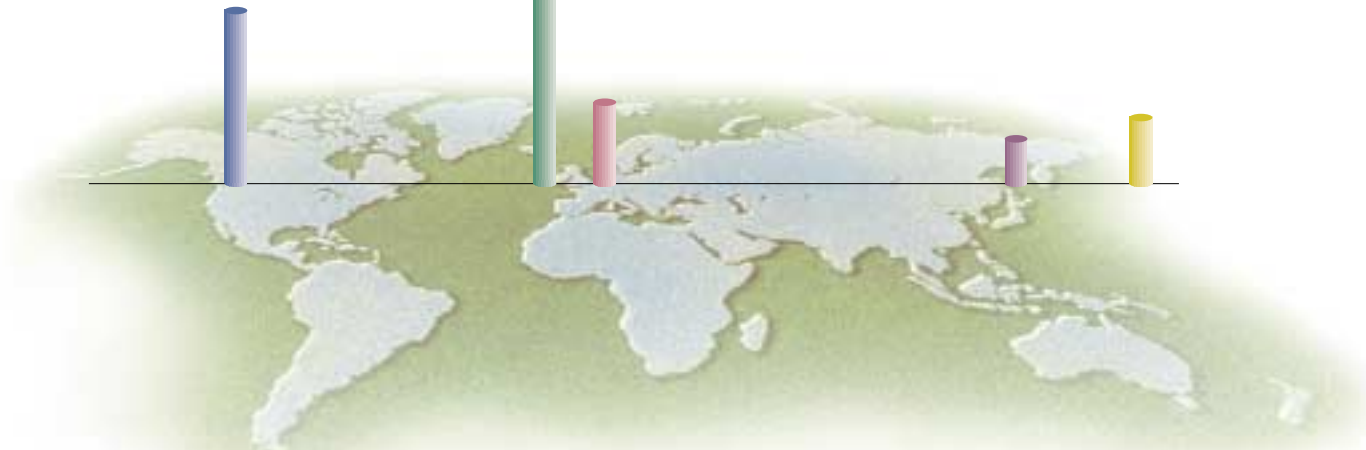
2 Excluding special dividends of 0.75p in 1998 and 1.00p in 2001.

3 NAV at 31 October 1995 has been adjusted to reflect the adoption of the Statement of Recommended Practice for investment trusts. NAV prior to 1995 has been adjusted to reflect the exercise in February 1995 of warrants to subscribe for ordinary units in SIT.

Distribution of Total Assets

At 31 October 2001

Americas Equities	27.5% (24.7)	UK Equities	45.5% (48.2)	Continental Europe Equities	10.8% (14.1)	Pacific Region Equities	6.8% (11.2)	Net Current Assets	9.4% (1.8)
USA	26.9			France	3.5	Japan	3.6		
Latin America	0.6			Germany	1.9	Hong Kong	1.6		
				Italy	1.8	Australia	1.1		
				Switzerland	1.1	Others	0.5		
				Spain	1.1				
				Others	1.4				



Figures in brackets are as at 31 October 2000



After six consecutive years of strong growth I have to report a reduction in net asset value. Over the year our NAV fell by 25.4% and our stock price by 21.4% which compare with the fall in our benchmark of 24.3%. Since the year end there has been some recovery in markets and at 23 November the unaudited NAV was 436.8p, a rise of 8.6% from 31 October. Even after this difficult year our stock price has risen by 30.8% over the last five financial years. Combined with reinvested net dividends the average annual return over this period has been 7.2%.

We have achieved a good performance on our revenue account and our earnings per ordinary unit have risen by 17.7% reflecting the higher yields achieved on the investments made with additional borrowed funds last year. The board is recommending a final dividend of 4.70p making a total for the year of 7.05p. This is an increase of 2.2% on last year and compares with UK inflation of 1.6%. We have increased our regular dividend level in each of the last eighteen years. In addition to the regular dividend the board is also recommending a special dividend of 1.0p out of the high level of income generated last year. This may not be repeated as we wish to have the flexibility to move between higher and lower yielding investments without being restricted by a dividend commitment which is too high. However, it is the board's intention to continue to grow the regular dividend ahead of UK inflation, in line with our objectives.

World stockmarkets, led by the USA, fell persistently throughout our year. Starting in January the US Federal Reserve made a series of interest rate cuts taking short rates down from 6.5% to 3.5% by the end of August. Lower interest rates are normally reassuring to stockmarkets but on this occasion a

collapse in corporate profitability, particularly in the previously over-promoted technology sectors, has weighed heavily on investor sentiment. This weakness spread to other markets so that by the end of August the major western markets had fallen significantly.

The terrorist attacks in New York on 11 September prompted a sharp sell-off much of which was recovered quite quickly but western markets were down by between 21.6% in the UK and 26.8% in the US over the full year. Unusually currencies over the period were remarkably steady and had little influence on these returns. Japan, however, has continued to experience particular problems. While the equity market performed broadly in line with the rest of the world the yen was weak and so Japan was the worst performing market in sterling terms falling by 32.7%.

We achieved good relative performances in our US and European portfolios. In the UK we benefited from the defensive nature of the holdings purchased with some of the proceeds of our £150m secured bond issued in the spring of last year. However, we underperformed in Japan, and in the Pacific region where we were too committed to Hong Kong.

After an excellent performance in the previous year our unlisted portfolio suffered from the sharp setback in technology markets and the value fell by 29.6%. This portfolio is invested mainly in diversified venture capital companies and partnerships and this is the first significant setback for a number of years. We value this portfolio on a conservative basis and believe that the longer term potential remains good.

Over the year we took the opportunity to buy back 26.0m ordinary stock units at a discount to NAV. This has added an estimated 5.4p to the closing NAV. The

company will continue to buy in ordinary stock when there are attractive opportunities to improve the NAV for continuing investors and a resolution to renew the buyback authority will be put to stockholders at the annual general meeting.

Until the end of August our overall NAV performance was ahead of our benchmark but our gearing had an adverse effect after 11 September. In view of the major additional risks to world growth prospects introduced by the terrorist attacks, as markets recovered from the initial shock we reduced our gearing to a level of 12.8% at year end.

We have been very encouraged by the inflows into our STOCKPLAN savings scheme and ISA which in aggregate rose by 11% over the year. In difficult market conditions for investors where even FTSE companies could fall dramatically, the benefits of a well diversified portfolio offered by an investment trust such as SIT become apparent. Investing in equities should not be viewed as a short term commitment and despite last year's setback we have consistently generated positive long term returns.

Our private investor schemes now hold 11.4% of our outstanding shares and individuals account for 55.0% of our total equity. We are promoting our savings vehicle STOCKPLAN : A Flying Start as an ideal medium for parents and grandparents to invest for the benefit of children. Also, we have capped our annual ISA charges at a maximum of £30 (plus VAT) no matter how many years' ISAs an investor has with SIT. These charges are extremely competitive and we are one of the lowest cost ISA providers. Our redesigned website (www.sit.co.uk) provides the most up to date information on SIT and is attracting an increasing number of users.

Ian Russell resigned from the board on 29 May 2001 in order to concentrate on his increased executive commitments. We shall miss his wise counsel, and wide experience, and his contribution was much valued.

OUTLOOK

Economic activity has weakened worldwide particularly in the US which has been the driving force behind global growth in recent years. It is too soon to predict how quickly corporate and consumer confidence can be restored in the US after the tragic events there last September, but aggressive action has been taken by the Federal Reserve in further lowering short term interest rates to 2.0%, a fiscal stimulus is in the making, and there will be beneficial effects from the recent sharp reduction in oil prices.

Over the last few years the patterns within equity markets have moved between the relative extremes of a momentum driven style focusing on technology to a more value based one favouring traditional areas and companies where inherent value has been overlooked. We believe that a more balanced approach is now merited but with a defensive emphasis in the short term.

The outlook for corporate profits next year is uncertain and stockmarket valuations in general are high by historical standards. The foundations are being laid for eventual economic recovery, and 2002 may be a better year for equities, but recent market enthusiasm based on an early and rapid economic recovery may be premature.



Sir Angus Grossart
26 November 2001

6 Board of Directors



*†Sir Angus M M Grossart CBE LLD FRSE DL (64) has been chairman since 1975 and a director since 1974. He is chairman and managing director of Noble Grossart, merchant bankers. He is also deputy chairman of Edinburgh Fund Managers and a former chairman of the trustees of the National Galleries of Scotland. He is a vice-chairman of the Royal Bank of Scotland Group and a director of other public companies.



*†Sir George Mathewson CBE LLD FRSE (61) joined the board in 1981. He was chief executive of the Scottish Development Agency until 1987. He then joined the board of The Royal Bank of Scotland Group and was appointed chief executive in January 1992. Following the Group's acquisition of NatWest Sir George was appointed executive deputy chairman in March 2000 and in April 2001 Sir George became chairman of the Group. Sir George is also a director of Banco Santander Central Hispano.



Francis Finlay (58) joined the board in November 1996. He is chairman of the New York based international fund management firm Clay Finlay. Previously he held senior investment management positions with Lazard Frères and Morgan Guaranty in Paris and New York.



†Hamish Leslie Melville (57) was appointed to the board in November 1996. He is a managing director senior advisor of Credit Suisse First Boston (Europe). He is chairman of Northern Recruitment Group, Old Mutual South Africa Trust and Mithras Investment Trust, and a director of other public companies. He is a former chairman of The National Trust for Scotland. He is chairman of the remuneration committee.



†Douglas McDougall (57) was appointed to the board in September 1998. He is chairman of The Law Debenture Corporation, The Independent Investment Trust and Foreign and Colonial Eurotrust. He is a former senior partner of Baillie Gifford & Co and former chairman of IMRO and of the Association of Investment Trust Companies.



*Sir Paul Nicholson (63) joined the board in September 1998. He is Lord-Lieutenant of County Durham, chairman of the Brewing Research Foundation and a director of Steelite International plc. He was chairman of Vaux Group plc and the Tyne and Wear Development Corporation. He is a former chairman of Northern Investors, the Northern Region of the CBI and former president of the North East Chamber of Commerce. He is chairman of the audit committee.

* Member of audit committee

† Member of remuneration committee



INVESTMENT MANAGERS

Ian McLeish CA (56)
 was appointed manager in 1986, having joined the company in 1973. He has overall responsibility for the UK and Pacific Region portfolios.

Donald Ness CA (59)
 joined the company in 1970. He was appointed manager in 1986 and has overall responsibility for the US and Continental European portfolios.

The managers are responsible directly to the board for all aspects of the day to day management of the company.

ASSISTANT MANAGERS

Ian Anderson
Michael Dick ACIB
John Kennedy MA (Hons) ACIB MBA ASIP
Hilary Vandore MA (Hons) MBA

PORTFOLIO MANAGER

Mari Yamamoto BA ASIP

ASSISTANT PORTFOLIO MANAGERS

Richard Doyle BA (Hons)
James Kinghorn BSc MBA
Howard Kippax MA (Hons)

Investment team, left to right

- John Kennedy
- Richard Doyle
- Mari Yamamoto
- James Kinghorn
- Ian McLeish
- Michael Dick
- Hilary Vandore
- Ian Anderson
- Donald Ness
- Howard Kippax

SECRETARY

Iain Harding FCMA FCIS
 joined the company in 1978 and was appointed secretary in 1979.

ASSISTANT SECRETARY

Alan Jamieson BA (Hons)
 joined the company in 1997



Donald Ness and Ian McLeish, Managers

MARKET PERFORMANCES

Year to 31 October 2001

	Currency adjusted %	In local terms %
UK	-21.6	-21.6
Continental Europe	-25.9	-30.1
USA	-26.8	-26.7
Japan	-32.7	-24.4
Pacific (ex Japan)	-18.7	-16.1
Benchmark	-24.3	

PERFORMANCE ATTRIBUTION ANALYSIS

Year to 31 October 2001

	%
Decrease in NAV	-25.4
Decrease in benchmark index	-24.3
Contribution	-1.1
Stock selection	-0.5
Asset allocation	-0.1
Gearing	-0.6
Interest and expenses charged to capital less retained earnings	-0.6
Buybacks	+1.0
Residual	-0.3
Contribution	-1.1

The attribution analysis shows how the overall performance of the company's NAV relative to the benchmark has been achieved. These figures refer to capital performance only and make no allowance for income.

INVESTMENT PHILOSOPHY

To pursue a flexible investment policy avoiding any permanent specialisation.

To focus on fundamental value and move funds into those areas offering the most attractive returns.

To invest in well managed companies in established stockmarkets around the world.

To enhance performance in rising markets by prudent use of borrowed money.

To provide simple, low cost dealing arrangements for investors.

PERFORMANCE ATTRIBUTION

After a good year in 1999/2000 relative to our benchmark it is disappointing that we have failed to better it in our latest year. Our stock selection was good in Europe and USA but we underperformed in Japan and the Pacific Region (ex Japan). The performance of our unlisted portfolio (referred to below) was the main reason for our overall stock selection being slightly negative. The performance of the investments purchased with the proceeds of the secured bonds issued in April 2000 has been attributed to gearing and was broadly neutral over the year.

The major UK, European and US markets all performed within a few per cent of each other and so asset allocation was not a significant factor last year. The reduction of our initial overweight in underperforming Japan and our overweight in the Pacific Region, an area which performed relatively well, largely cancelled each other out.

Our gearing was positive for most of the year as the holdings purchased with the proceeds of our secured bond issue performed very well until the events of 11 September. They fell sharply thereafter and failed to recover fully. In a falling market our other gearing was negative so that overall our gearing cost us 0.6% in relative performance.

Over the year we repurchased 26.0m ordinary stock units at a discount to NAV and this added 1.0% to our NAV. This was largely offset by the effect of charging a portion of interest and expenses to capital reserve.

CHANGES IN DISTRIBUTION

We made some significant changes in our asset distribution over the year. Buybacks were financed from sales of investments in all areas except for the US and with an emphasis on Europe and Japan. In the spring we de-gearred through sales from Europe and towards the end of the year we further de-gearred through more broadly based sales so that overall we reduced listed equities by £92.8m net of share buybacks. These moves have changed our overall balance quite considerably.

At the year end gearing was 112.8% of stockholders' funds. The potential gearing ratio if we were to invest all of our borrowings in equities is 124.5%.

UNLISTED PORTFOLIO

After a very good year in 1999/2000 during which our unlisted portfolio appreciated by 41.5%, this growth was given back last year and the unlisted portfolio fell in value by 29.6%. Nevertheless, over the last four years this portfolio has been successful for us growing by 35.0% compared to our benchmark which rose by 13.6%.

Technology related funds such as Sprout Group and Boston Ventures suffered most and had to write down the value of a number of investments. We received only £3.1m of distributions being an aggregation of relatively small

CHANGES IN ASSET DISTRIBUTION

Year to 31 October 2001

	Opening Valuation	Net Purchases (Sales)	Appreciation (Depreciation)	Closing Valuation
	£m	£m	£m	£m
Listed equities				
UK	727.2	(105.3)	(138.3)	483.6
Continental Europe	223.2	(56.3)	(45.1)	121.8
Americas	350.5	4.4	(70.4)	284.5
Japan	119.8	(45.4)	(33.9)	40.5
Pacific (ex Japan)	56.4	(8.9)	(11.1)	36.4
	1,477.1	(211.5)	(298.8)	966.8
Unlisted holdings	73.0	6.9	(22.3)	57.6*
Net current assets	28.9	74.7	2.4	106.0
	1,579.0	(129.9)	(318.7)	1,130.4
Borrowings and prior charges	(222.1)	-	(0.2)	(222.3)
	1,356.9	(129.9)†	(318.9)	908.1

* includes £10.4m of investments which are now listed

† ordinary stock units repurchased plus expenses and interest apportioned to capital

DISTRIBUTION OF ASSETS

	31/10/00 %	31/10/01 %
UK	48.2	45.5
Continental Europe	14.1	10.8
Americas	24.7	27.5
Japan	7.6	3.6
Pacific ex Japan	3.6	3.2
Net current assets	1.8	9.4
Total assets	100.0	100.0

LARGEST UNLISTED HOLDINGS

At 31 October 2001

	£m	
Wood Group	Oil service, UK	8.8
Boston Ventures Funds	Venture capital, US	8.3
Sprout Group Funds	Venture capital, US	7.6
Mercury Grosvenor (listed)	Private equity, UK	4.7
1818 Fund III	Growth capital, US	4.4
		33.8

10 Management Review

amounts from a number of funds. We made two new commitments – £15.0m to Aberforth LP which invests in small listed UK equities and £7.4m to Apax Euro V which invests in venture capital in Europe. Our total commitments at year end were £28.9m. We envisage these being drawn at a relatively slow pace.

Our largest direct unlisted investment is Wood Group which has developed from an Aberdeen based oil service company to operate on an international basis. Last year it made a very significant acquisition in the US and if market conditions are right we believe that the company

may float in the US or UK. In this event we would expect a useful increase in valuation.

Our unlisted portfolio is valued at a total of £57.6m which is equivalent to 6.3% of stockholders' funds. Of the total £10.4m is invested in specialist listed investment trusts and companies which have obtained a listing.

We value this portfolio on a conservative basis and, in particular, we take into account any diminution in value of the listed holdings which our partnerships hold. Such holdings are always carried at a discount to market price.

PORTFOLIO TURNOVER

Total purchases of investments amounted to £232.9m (2000 – £501.8m) and sales were £437.5m (£470.8m). Investment sales were 32.3% (32.0%) of average total assets. No use was made of investment derivatives or currency hedges during the year.

HOLDINGS IN LISTED FUNDS

Our holdings include investments in listed investment funds of £30.5m (2000 – £53.6m). These are held mainly to provide exposure to smaller companies in the UK (£14.0m) and Japan (£5.9m). In addition, £7.5m of UK listed funds which specialise in unlisted investments are included in the unlisted portfolio valuation of £57.6m.

SERVICES TO INVESTORS

Following a 40% increase in sales of our savings products in 1999/2000 we were pleased to achieve further growth of 11% last year against a very difficult market background. Our STOCKPLAN savings scheme and ISAs and PEPs have very low costs and we believe it is important to investors to be able to invest in SIT on economic terms. We introduced a new charging structure for our ISA so that no investor will pay more than £30 (plus vat) per annum in administration fees. We are now promoting STOCKPLAN: A Flying Start investment scheme to encourage investing for children. Over the last five years we have increased the number of investors in SIT by 28.1% to over 35,000. Individuals now hold 55.0% of our stock compared to 36.8% five years ago.

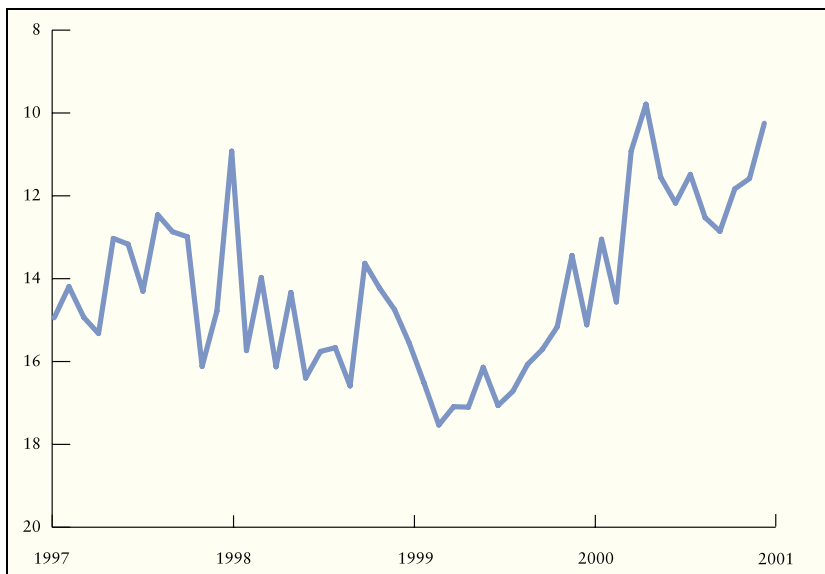
ANALYSIS OF STOCK REGISTER

At 31 October 2001

Category of holder	Number	Ordinary Capital %
Individuals	34,752	55.0
Insurance Companies	46	24.6
Pension Funds	40	9.5
Other	177	10.9
Total	35,015	100.0

DISCOUNT TO NAV

4 years to 31 October 2001



FUTURE STRATEGY

Throughout 2001 the US Federal Reserve has pursued a policy of aggressive monetary easing and the first signs of stabilisation in some economic readings are now appearing. Looking into 2002 when the US government's planned fiscal boost and the recent fall in oil prices should start to take effect, we envisage an improving economic scenario which should begin to spread to other countries. The corporate profit outlook will remain difficult for much of next year owing to the low level of capacity utilisation and a continuation of the weak pricing environment.

Financial markets are now looking forward to the prospects of a better US economy in a few months time. Bond yields have risen from earlier low levels and equity prices have rallied strongly since the terrorist attacks in September. We anticipate a better year for equity

markets in 2002 but our enthusiasm is muted by the high level of current valuations.

We are expecting some return of interest to economically sensitive businesses. More importantly we think key determinants of good stock selection will be to emphasise companies which are financially strong, which can demonstrate good returns on capital, and where the valuations are reasonable.

Ian McLeish

Donald Ness

Ian McLeish
Donald Ness
26 November 2001

DEFINITIONS

Total assets means total assets less current liabilities.

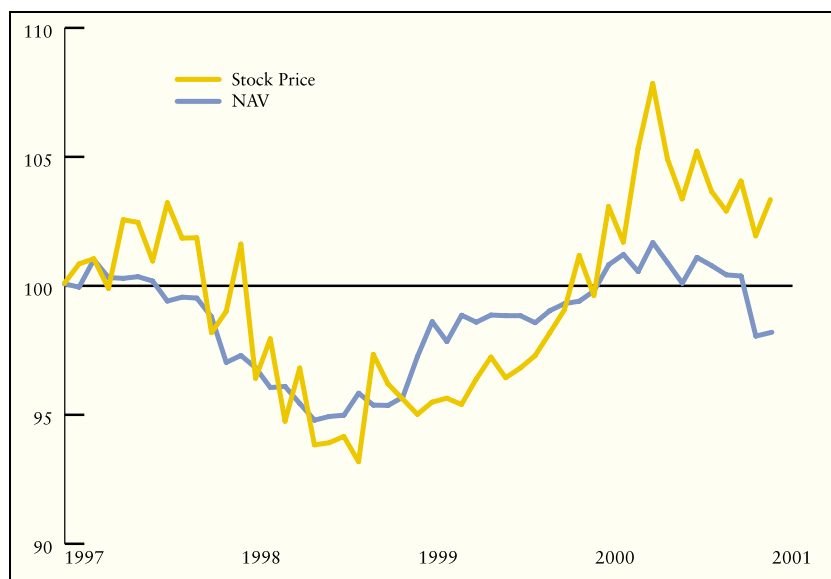
Net Asset Value (NAV) is stated after deducting borrowings at book value.

Discount is the difference between the ordinary stockmarket price and the NAV expressed as a percentage of the NAV.

Gearing is the percentage of stockholders' funds invested in equities.

STOCK PRICE AND NAV RELATIVE TO BENCHMARK

4 years to 31 October 2001



The index quoted for UK performance comparisons is the FTSE Actuaries UK All-Share Index. For all other markets the constituents of the FTSE World Index Series have been used. Unless otherwise stated, SIT and index performance figures have been adjusted for currency movements.

Unless otherwise stated, SIT ordinary stock performance figures are based on mid price to mid price before expenses.

United Kingdom

LISTED EQUITIES £491.1m
 PRINCIPAL HOLDINGS £'000

GLAXO SMITHKLINE 40,330
 Glaxo Wellcome merged with SmithKline Beecham to combine strengths in new drug generation and consumer healthcare.

BP 33,633
 Has created a strong international oil and energy group through the consolidation of Amoco, Arco and Burmah.

VODAFONE 24,645
 Leading UK mobile phone provider with developing European and Japanese operations.

SHELL TRANSPORT 23,870
 The drive for internal efficiency within this global energy group continues.

ROYAL BANK OF SCOTLAND 22,976
 The integration of Natwest and continuing US expansion provide opportunities to apply the group's banking and organisational skills.

BARCLAYS 17,740
 Expansion in Europe with Barclaycard and Barclays Capital and in the UK retail market with Woolwich provides leading products in chosen markets.

HSBC HOLDINGS 15,635
 Major bank whose international franchise and strong capital management will provide a solid platform when world economic growth resumes.

LLOYDS TSB 14,713
 Following the blocked bid attempt for Abbey National, management has renewed the focus on revenue growth from existing franchises.

ABBEY NATIONAL 10,742
 While maintaining a strong presence in the UK mortgage market, the purchase of Scottish Provident helps to further diversify earnings.

ASTRAZENECA 10,698
 Astra's cardiovascular and Zeneca's cancer expertise combine to offer a strong portfolio of drugs.

TOTAL 214,982



JJB Sports is a major retailer in the growing leisurewear market. (Our holding valued at £3.9m).

The outlook for corporate profits may keep equities in check.

The UK stockmarket trended downwards throughout the year. Although the economy continued to grow modestly the realisation that the slowing rate would impact on many company results led to steady market attrition during the first six months. The technology sectors were hit particularly hard as it became clear that not only would profits fail to meet over-optimistic projections but that they would actually fall sharply. A brief rally in the summer provided a respite before the slide continued. The atrocities in the USA in early September caused a dramatic plunge in the market that was quickly reversed but the FTSE All Share Index still ended our year 21.6% lower. Strong performances from the "value" purchases made out of the proceeds of our bond issue in early 2000 and other shares with above average yields compensated for losses in technology

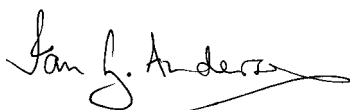
and media holdings with the result that our portfolio fell by 20.9%. However, the smaller company investment trusts that had contributed to our positive performance last year were especially disappointing.

Even in such a weak market there were some safe havens and continued strength in personal spending resulted in positive returns from consumer-related sectors which we had emphasised, such as general retail, tobacco, beverages and domestic banks. New holdings were established in Dixons and JJB Sports whilst existing positions in Diageo and British American Tobacco were increased. Other new names introduced include Northern Foods, creator of prepared meals for the supermarket chains, and fast-growing drugs company Shire Pharmaceuticals. Traditionally defensive areas such as pharmaceuticals, utilities and oils, where our overweight positions have delivered good returns for some time, fell in absolute value terms despite performing well relative to the index. The oil price peaked during the period and we reduced Shell and BP whilst diversifying into BG, an international exploration production group with an emphasis on gas. We made reductions of £31.8m in the previously popular technology, media and telecom sectors and Cable & Wireless and Marconi were completely sold. However, the magnitude of the price falls on the balance of our holdings in these sectors such as Logica and Pearson was quite destructive.

Corporate activity has also contracted. Early in the year, bids for Blue Circle, Hewden-Stuart and Powergen provided exits at good prices but most large deals were accomplished by merger. The Glaxo Wellcome/Smithkline Beecham and Bank of Scotland/Halifax combinations brought less change in market price. Granada and Compass were separated after a short marriage while BT disposed of substantial assets and laid plans to spin off the Cellnet mobile division.

UK interest rates had remained on a plateau of 6% for a year until February 2001 when the first of four 25 basis point cuts was made by the Bank of England to offset the potential adverse effects on the UK of the slowdown taking place in the US and elsewhere. Since 11 September the rate of reduction has accelerated and we have seen two 50 basis point cuts as part of a concerted attempt by western governments to promote economic growth in 2002. Several industries have been shaken into addressing over-capacity and there is a need for further corporate reorganisations for profits growth to turn up again. Continual announcements of job losses will undermine consumer confidence which has been sustained thus far by low inflation and low interest rates.

Concerns over economic activity and corporate profits may keep equities in check. Investors will regain confidence when analysts begin to upgrade company profit estimates. We aim to emphasise companies with strong managements and good balance sheets that are well placed to benefit from recovery in due course.



Ian G. Anderson



Continental Europe

LISTED EQUITIES £121.8m
 PRINCIPAL HOLDINGS £'000

TOTALFINAELF (France) 6,509
 The group has successfully completed its recent merger and set strong incremental oil and gas production targets.

ENI (Italy) 5,657
 Italy's leading oil company is reinvesting the proceeds of mature domestic businesses in offshore projects.

AVENTIS (France) 4,784
 A good pipeline of new drugs should augment leading treatments for thrombosis, hay fever and cancer.

TELEFONICA DE ESPANA (Spain) 4,324
 Spain's largest fixed and mobile telecom provider whose major Latin American commitment provides longer term potential.

NESTLÉ (Switzerland) 4,118
 The world's leading processed food group growing its key brands and focusing on water, pet care and ophthalmic products.

ALTANA (Germany) 4,090
 Medium-sized pharmaceuticals and speciality chemicals operator demonstrating superior growth in the anti-ulcer and respiratory fields.

TELECOM ITALIA MOBILE (Italy) 3,878
 Most profitable mobile telecom operator in Europe; also has good potential in the Brazilian market.

SWISS RE (Switzerland) 3,856
 The world's second largest reinsurer will benefit from a strong cyclical pricing upswing and is expanding its life reinsurance operations.

PEUGEOT (France) 3,514
 Europe's second ranked auto manufacturer generating superior growth from a range of highly attractive models.

AGF (France) 3,431
 French insurer controlled by Allianz of Germany which has established an innovative banking strategy.

TOTAL 44,161



The Vasco da Gama bridge, the longest in southern Europe, designed, built and operated by Vinci. (Our holding valued at £2.9m).

European markets offer reasonable upside during 2002.

With the background apparently favourable and the currency strengthening, our year began well and European equities outperformed the major markets over the first quarter. However, it was soon evident that the eurozone was not immune from a sharply slowing US economy while internal weaknesses developed, notably in Germany. Late summer saw a significant exodus from equity funds, exacerbated by the events of 11 September. While subsequently regaining part of this fourth quarter setback, our benchmark fell by 30.1% over the year in local currency terms. The stronger euro reduced this to 25.9% in sterling terms, more than eliminating last year's progress. Having taken a more defensive approach during the year the decline in our portfolio's value was limited to 24.0%.

The economic outlook appeared buoyant early in the year, with the European region targeted to achieve GDP growth of over 3%, on the back of expanding intra-regional trade, tax cuts

and productivity improvements. Concerns focused on the failure of certain countries to rein in budget deficits while inflation rose above the guidelines set by the European Central Bank (ECB) due to rising oil and food prices. As the weakening US economy began to have an impact on Europe, the ECB's failure to cut interest rates exacerbated the situation, and corporate and consumer confidence declined. Although interest rates were cut by 75 basis points over August and September these moves were viewed as inadequate by investors.

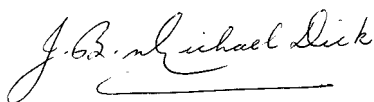
The aftermath of last year's US-led technology excesses saw a surge of profit warnings early in our financial year. Inevitably these reductions, together with the economic downturn, engendered a ripple effect with private investors turning net sellers of equity positions enthusiastically acquired since the mid 1990s. The events of September have increased investors' nervousness while bringing sharply higher risk provisioning amongst the banking and insurance sectors.

As 2001 progressed we took significant profits reflecting our reduced enthusiasm for European equities. Sizeable reductions were made in technology, investment banking and cyclical holdings. Large positions in high growth pharmaceuticals including Altana, Aventis and Schering were rewarded by strong outperformance and ENI and TotalFinaElf benefited from strong oil and gas prices during the year. An active weighting in banks and insurances contributed good relative returns. Peugeot in autos, Vinci in construction and Ahold in food retailing also performed relatively well.

During the year and in anticipation of an improvement in the macro environment we tilted the portfolio in the direction of some potential early beneficiaries. These included media stocks which suffered during the autumn sell off but have since rallied strongly. Our switch into software and IT services from

technology hardware was poorly timed and cost us performance. After a severe shakeout media and software appear to be close to a bottom but considerable uncertainties remain.

With fewer economic imbalances than the US, the eurozone should avoid outright recession during 2002. Corporate earnings forecasts are undergoing necessary revisions from over-optimistic expectations. With the ECB now cutting rates more aggressively in the face of declining inflation, confidence should return aided by some fiscal loosening in France and perhaps Germany. Meanwhile the downturn is forcing companies to reduce costs. Increased demand for pensions and savings products and ongoing corporate restructuring are longer term positives for European equities where we remain modestly overweight. Our portfolio reflects a careful mix of defensive growth positions and an increasing exposure to semi-cyclicals which should benefit from an economic recovery commencing in late 2002. Equity markets may anticipate this somewhat earlier, offering reasonable upside after an uncertain winter period which will see the introduction of the long-awaited euro currency.



Michael Dick



Americas

LISTED EQUITIES £287.4m
 PRINCIPAL HOLDINGS £'000

AMERICAN INTERNATIONAL GROUP 12,433
 Financially strong international insurance and financial services group with operations in 130 countries.

CITIGROUP 10,861
 Highly profitable financial services group with strong international positions in consumer and corporate banking.

IBM 9,750
 The company's diverse technology portfolio is migrating increasingly towards IT services and software.

GENERAL ELECTRIC 9,338
 The sheer breadth of activities which encompass electrical appliances, finance and broadcasting make GE a bellwether of the US economy.

MICROSOFT 8,717
 The world's largest software and technology company dominates desktop software and is expanding into other growth markets.

FANNIE MAE 7,749
 Government-sponsored mortgage agency which is benefiting from strong demand for mortgage capital.

EXXON MOBIL 7,433
 Strong oil and gas prices and merger savings have driven up profits at the world's largest super-major.

SBC COMMUNICATIONS 7,191
 Provider of telecommunications services in the US and 28 countries overseas emphasising growth in data, wireless and long-distance telephony.

PEPSICO 7,109
 With an impressive portfolio of snack foods and carbonated drinks, Pepsico is expanding into non-carbonated soft drinks.

JOHNSON & JOHNSON 6,730
 One of the world's largest and wide ranging manufacturers of healthcare and consumer products.

TOTAL 87,311



Pepsico's broad portfolio of beverages and snacks offers excellent prospects for balanced future growth.

(photograph: Ben Rosenthal)

The US continues to offer a wide range of investments with good potential.

This has been a very challenging year for investors in the US stock market who have had to endure a large fall in the major indices, a deteriorating economic outlook and the tragic events of 11 September. The benchmark FT/S&P US index fell by 26.8%. Our portfolio performed better than the index, registering a less severe fall of 20.3%.

A significant feature of the year was the dramatic collapse in the technology sector which fell by over 50%. Hardware stocks shouldered the brunt of the fall prompted by a sharp slowdown in demand which exposed their overvaluation. Consequently, sector performance was more broadly spread than in recent years when returns from technology stocks overshadowed the rest of the market. This year the best relative returns came from a mix of defensive and cyclical sectors including food, healthcare, paper, retailers and tobacco.

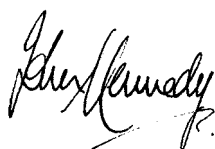
Our portfolio benefited from a relatively low exposure to technology hardware companies and good stock selection in the technology area where our holdings held up better than the sector. Our larger technology holdings are cash-generative sector leaders like IBM and Microsoft as well as more resilient IT service groups like Electronic Data Systems and Automatic Data Processing. Performance was also enhanced by a large weighting and good selection within the retail sector with strong performances from a number of stocks including new holding Family Dollar, Lowes and Supervalu.

Reductions were made in utilities, oils and in a number of defensive stocks which had generally performed well including food service group Sysco and healthcare companies Cardinal Health and Medtronic. Profits were taken from life assurer John Hancock which was a strong performer. New holdings made towards the end of the year included pharmaceutical major Pfizer, clothing retailer Liz Claiborne, credit card group Capital One and regional bank Amsouth.

For much of the year it appeared that the fiscal and monetary action taken by the US authorities would be enough to keep the US economy from stalling. However, figures for the third quarter of this calendar year revealed that GDP contracted for the first time in eight years, thereby ending the United States' longest period of continuous growth. Consumer spending has slowed to a standstill mirroring a collapse in consumer confidence. Unemployment is deteriorating sharply as companies respond by cutting costs and recent industrial survey evidence confirms the weak outlook. Further cuts have taken official domestic interest rates down to only 2%, the lowest in 40 years. Additional fiscal action is pending in the form of a substantial economic stimulus package. After growing by over 4% in 2000, the US economy is likely to remain weak over the coming two or three quarters with a recovery possible by the second half of 2002. Corporate earnings

expectations for this year have collapsed with the lack of earnings clarity compounded by record write-offs. Consequently, even after a significant fall, the US market appears fully valued by historic standards.

US equities had been weak before the events of 11 September and plummeted in the immediate aftermath. However, the market has shown creditable resilience by recovering strongly since the terrorist attacks while weathering a raft of depressing economic and corporate announcements. This resilience is attributable to a belief that the fiscal and monetary actions taken will yield a recovery in earnings next year. We are conscious of the risks and challenges which lie immediately ahead, both politically and economically, but believe that the US continues to offer a wide range of investments with good potential. We believe that profits should begin to recover towards the end of 2002 and this outlook should allow the US market to progress.



John Kennedy





The Gotemba plant in Shizuoka is Ricoh's largest copier manufacturing facility.

Japan

LISTED EQUITIES £40.5m
PRINCIPAL HOLDINGS £'000

INVESCO GT JAPAN ENTERPRISE FUND 3,125

FLEMING JAPANESE SMALLER COMPANIES INVESTMENT TRUST 2,770
These two funds specialise in smaller companies in the technology and service sectors with future growth potential.

HONDA MOTOR 2,392
Mini vehicle sales in Japan are strong while the weak yen is benefiting sales in US.

RICOH 2,384
Digitisation in office automation equipment is benefiting domestic and overseas operations, while a recent US acquisition is making good progress.

TAKEDA CHEMICAL INDUSTRIES 2,332
Top Japanese pharmaceutical company expanding into USA and Europe with a range of innovative drugs.

TOTAL 13,003

The best companies in Japan are in the export and technology sectors.

Hopes of economic recovery in Japan disappeared over the last year. GDP is expected to decline by around 1% in the year to March 2002 and the Bank of Japan (BoJ) is now forecasting another poor year thereafter. Exports and capital

expenditure, previously the drivers of growth, are both falling, reflecting weakness in the US economy and in the domestic technology sector. This has now spread to other industries.

With this negative background the equity market dropped by 24.4% over the year. The yen also declined, resulting in our benchmark index falling by 32.7% in sterling terms. Defensive sectors such as utilities, and cyclical industries such as transportation, construction and paper did relatively well while the technology sectors, both hardware and software, underperformed badly. Our portfolio was down by 35.8% in sterling terms due to our underweighting of the defensive and cyclical sectors.

During the year our overweight position in information technology hardware was cut back, including complete sales of Matsushita Communication Industries (mobile handset manufacturer) and Fujitsu (computers), although later in the year we added Kyocera (electronic components) when the valuation became attractive. Among other new purchases were Nissan Motors, where new management is cutting costs sharply and Skylark, a growing restaurant chain. We sold all our commercial banking holdings as the banks have continually failed to address their bad debt problems.

Bankruptcies have been rising; one of the most prominent was Mycal, the fourth largest general supermarket operator which failed this autumn. Banks are under pressure to write off more non-performing loans but may not have enough capital to absorb the losses. Corporate restructuring is progressing slowly, leading to higher unemployment rates and tighter household spending. A new political leader, Mr Koizumi, was elected this spring with an overwhelming majority in the hope that he would tackle these prolonged problems. However, his promises for structural reform have been watered down to such an extent that little of substance is left. The BoJ has reverted to a zero interest rate policy, announcing a willingness to supply enough liquidity in case of need. There is now little effective scope in monetary policy left to the central bank. Public finances are very stretched and it is not clear that the government can stimulate the economy through fiscal measures.

Japan still faces difficult conditions but the stock market has discounted some of the gloomy period ahead. Companies are extremely reluctant to make forecasts and there is little visibility. The best companies in Japan are in the export and technology sectors. The market may rotate through a series of short-term themes for some time but we will continue to invest in well financed companies which will benefit from international economic recovery.

Mari Yamamoto





Mayne Nickless is the second largest provider of private pathology services in Australia. (Our holding valued at £1.3m).

Pacific (ex Japan)

LISTED EQUITIES £36.4m
 PRINCIPAL HOLDINGS £'000

BHP BILLITON (Australia) 2,201
 Global resources company, formed from the merger of BHP and Billiton with potential for growth and cost savings.

CHEUNG KONG HOLDINGS 2,124 (Hong Kong)
 Holding company of Hutchison Whamboa with large property interests, mainly in Hong Kong.

NATIONAL AUSTRALIA BANK 1,592 (Australia)
 Largest bank in Australia with assets in the UK and US targeting growth from increasing wealth management operations.

HUTCHISON WHAMPOA 1,561 (Hong Kong)
 Diversified holding company with growing operations in mobile telecommunications, and in container ports in Asia and Europe.

CHINA PETROLEUM 1,536 (Hong Kong)
 China's largest oil refiner benefiting from rising oil usage in its domestic market.

TOTAL 9,014

Most Asian markets are now at reasonable valuations.

At the beginning of our year economic growth for the Pacific region was forecast to be between 4% and 6%.

Economies were still recovering from the Asian crisis of 1998 and there were hopes that, although there may be a global slowdown, there would not be a recession. Throughout the year these estimates were revised down dramatically as conditions deteriorated in the US.

We began the year overweight in Hong Kong and Singapore as these markets appeared reasonably valued. However these were not the markets to be in when global growth deteriorated. Overall the regional index fell by 18.7% in sterling terms. This was the best performing global area largely as a result of the strength of the Australian market which rose by 0.5%. We underperformed the regional index, falling by 21.9%. Although we outperformed in Hong Kong and Singapore our underweighting of banks and consumer companies in Australia was detrimental to our overall performance, as was our underweight in Korea.

Australia has one of the better growth prospects in the region and we increased our exposure there during the year through purchases such as Australia and New Zealand Banking and Mayne Nickless, a leading health care provider.

We are also positive on China. We have invested in Chinese companies listed in Hong Kong and these account for 36% of our Hong Kong portfolio. Beijing Capital International Airport and PetroChina performed particularly well for us this year. There is risk in this market as the

ultimate owner of all listed Chinese companies in Hong Kong is the Chinese government, but China is seeking to attract more outside capital. China's GDP is expected to grow at 7% this year; unlike many countries in Asia it has a strong domestic economy and is less dependent on exports.

We have benefited from corporate activity among the Singapore banks. Development Bank of Singapore acquired Dao Heng Banking, one of our top holdings in Hong Kong, at a high valuation. In Singapore itself Overseas Union Bank, which we held, was taken over by United Overseas Bank.

Among the other major countries in the region Korea's GDP growth is expected to be around 1.5% this year, considerably better than Hong Kong and Singapore where economic activity is forecast to decline. Taiwan has some world class companies in the technology field but at present we are not invested in this area. The economy and banking system there are very weak and the outlook for Pacific region technology companies remains very cloudy.

The overall outlook remains uncertain. The Asian markets have not suffered from a credit bubble and are reasonably valued but they are very correlated with the United States. Until we see some stability in the developed markets, with some growth in earnings to act as a trigger, equities in the region are unlikely to rise strongly. However, with the positives outlined above and the liquidity in the system, these markets have the potential to outperform when global growth recovers.

Hilary Vandore

Hilary Vandore



THE SCOTTISH INVESTMENT TRUST

The Scottish Investment Trust (SIT) was founded in 1887 and we have been producing wealth for our investors for well over 110 years – through periods of market volatility and uncertainty as well as in more prosperous times. SIT's independence enables its management to follow a focused approach which has resulted in SIT providing consistently good long term performance – with an average annual return over the last fifty years of 15.0%.

WHY INVEST IN SIT?

SIT's global investment strategy spreads risk over a broad range of sectors and countries and promotes the widest possible search for investment opportunities to benefit our investors.

Over the past five years SIT's stock price has outperformed the average investment trust, equity unit trust and building society.

The Scottish Investment Trust can be used for a number of financial planning requirements such as helping to pay off your mortgage or to supplement your retirement income. It is also an ideal way for investing on behalf of a child with a view to providing a nest egg for the child's future.

SIT SAVINGS PRODUCTS

SIT's wholly-owned subsidiary, SIT Savings Limited, provides a number of cost effective plans which allow investments to be made on a lump sum or regular basis, or a combination of both. Regular investment, which smooths out highs and lows in the prices of shares, can be beneficial in times of market volatility. Investors buy fewer shares when prices are high and more when prices are low, so their timing risk is considerably reduced.



Left to right: Alan Jamieson, Iain Harding, Sarah Monaco and Sherry-Ann Sweeting.

STOCKPLAN – SIT's savings scheme – is one of the lowest charging investment trust savings schemes available. There is no initial charge, no annual management fee and, with a selling charge of only £10+vat, it is a very cost effective investment plan. There is considerable flexibility built into the scheme, allowing minimum regular investments from only £25 per month and/or lump sum investments from £250. There is no maximum investment limit and you can stop and start at any time.

STOCKPLAN: A Flying Start is SIT's Investing for Children plan. It is based on the STOCKPLAN scheme with the same low charges and flexibility of investment. A Flying Start enables parents, other family members, godparents and friends to invest on behalf of a child with a view to providing a nest egg for the future. It can also be used to help save for future expenses – such as school and university fees, to fund a gap year, a deposit on a first home, a wedding or a business start up.

All schemes provide automatic reinvestment of dividends, but also allow for dividends to be taken as income if required. Stockholders whose names are on our register can have their dividends reinvested by joining our dividend reinvestment plan. Details are available from Computershare, our Registrar, on 0870 702 0010.

The SIT ISA is one of the most competitive ISAs on offer. There is no initial, exit or withdrawal charge. The annual management fee is 0.6% capped at £30 + vat regardless of how much your ISA investment grows or how many years' ISA allowances you invest with SIT. Both Mini and Maxi equity ISAs are available.

The SIT PEP also has one of the lowest charging structures around, with an annual fee of only £30 + vat again regardless of the number of SIT PEPs held or the value of the investment. Existing PEP investments continue to grow tax free. The regulations governing PEPs have been relaxed and SIT can now accept Single Company as well as General PEPs with full or partial transfers allowed. There is no entry charge for transferring an existing PEP to SIT in order to benefit from The SIT PEP's investment spread, low costs and consistent performance.

PRODUCT SALES PERFORMANCE

The growth in sales of our products has been particularly pleasing this year given the turbulence in the world's stock markets and a downturn in investment activity in general. Total inflows into our savings schemes increased by 11% to our year end. SIT Savings products attracted over 2,000 new investors over the course of the year.

SHARE EXCHANGE FACILITY

SIT Savings offers a low cost share exchange facility through which most UK equities and gilts may be exchanged into The SIT ISA, STOCKPLAN or A Flying Start.

HOW CAN I MONITOR MY INVESTMENT?

SIT's share price, together with performance information and product details can be found on SIT's website:

www.sit.co.uk

The price of ordinary stock units is published daily in most quality newspapers. It is also available on the following:

- FT Cityline telephone service 0336 433 953 or 0891 433 953.
- Ceefax page 231, Teletext page 537, listed as Scot.IT.
- A number of financial websites, such as the FT website, www.ft.com and Trustnet, www.trustnet.com

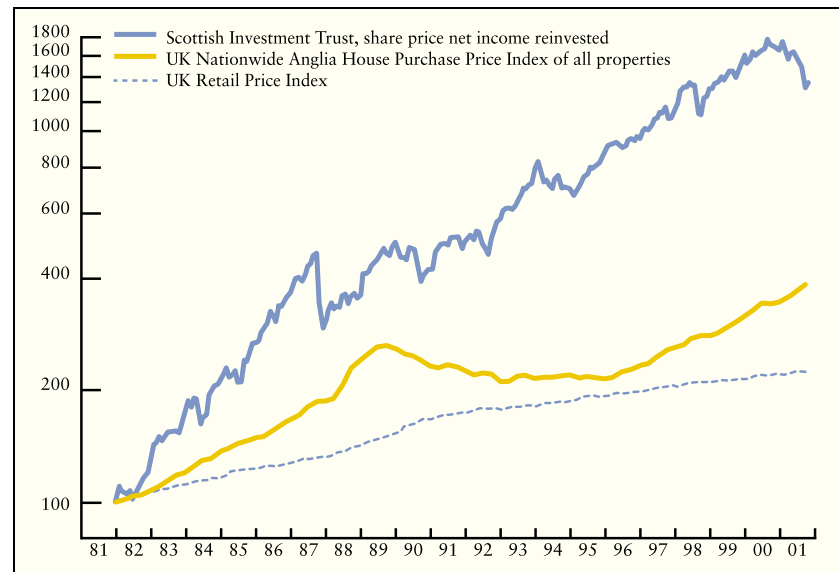
The Scottish Investment Trust provides weekly net asset value information on its website. All investors receive an interim report in June and the annual report in late December. SIT's investor newsletter is also issued twice yearly.

STOCKPLAN, A Flying Start, PEP and ISA investors receive twice yearly statements of their holdings.

Investors who hold ordinary stock in their own name on SIT's share register can check their holdings on our Registrar's website www.computershare.com or through the link on our website. Please note that to access this facility investors will need to quote the reference number shown on their stock certificate.

20 YEAR TOTAL RETURN

How an investment in SIT has performed relative to UK house prices and UK inflation.



Source: Datastream

PERFORMANCE COMPARISONS

At 31 October 2001

	Note	1 YEAR	3 YEARS	5 YEARS
SIT – NAV	1	73	105	130
SIT – Share Price	1	78	106	138
AVERAGE:				
Investment Trust – Share Price	1	72	117	124
Global Growth Inv. Trust – Share Price	1	76	112	137
Equity Unit Trust	2	79	116	132
Global Growth Unit Trust	3	71	106	122
Insurance Fund – Global Equities	3	73	102	112
Individual Pensions – Global Equities	3	71	105	117

Notes

- 1 NAV/share price with net income reinvested based on Fundamental Data figures adjusted for notional expenses of 2.5%.
- 2 Offer to bid, net income reinvested. Source: Fundamental Data.
- 3 Offer to bid, net income reinvested. Source: Money Management December 2001.

The figures show the value of £100 invested at the beginning of the period including net income reinvested and allowing for notional expenses of buying and selling.

STOCKHOLDERS' MEETINGS

Investors are welcome to attend the AGM and other general meetings. Details are given in the notes to the Notice of Meeting on page 37.

22 Investor Information

PERSONAL TAXATION

Income Tax

Currently, all UK dividends are paid to stockholders net of a tax credit of 10%. Changes to the tax regime mean that from April 1999 non tax payers are no longer able to reclaim the tax credit. It is currently only reclaimable by PEP and ISA managers on behalf of their investors on dividends paid before April 2004. Non PEP and ISA stockholders liable to higher rates of tax will be assessed for any additional tax through their annual returns.

Capital Gains Tax (CGT)

Investment trusts currently pay no CGT on gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. Currently, the first £7,500 pa of such gains from all sources is exempt.

Up to 5 April 1998 the cost of investments for CGT purposes was adjusted to allow for inflation. However from 6 April 1998 this indexation was replaced by a taper relief and from this date chargeable gains will be reduced in line with the length of time the investment has been held.

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

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

PEP and ISA investments will continue to remain exempt from CGT.

FURTHER DETAILS

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

SIT Investor Relations
SIT Savings Limited
Freeport EH882
Edinburgh EH2 0BR
Telephone: 0800 42 44 22
Fax: 0131 226 3663
Email: heather@sit.co.uk

USEFUL ADDRESSES

Registrar

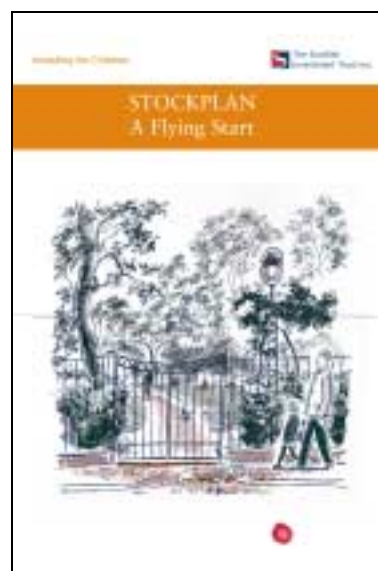
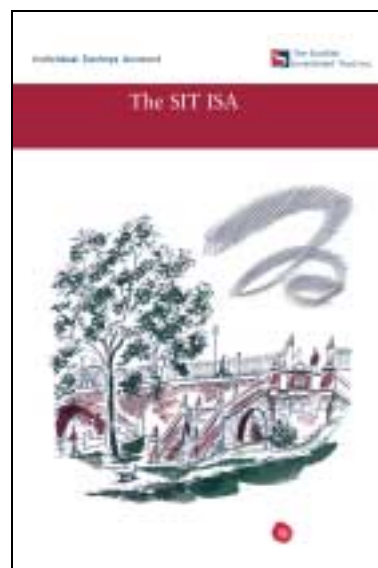
Computershare Investor Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Helpline: 0870 702 0010
Website: www.computershare.com

PEP and ISA Administrator

Bank of Scotland
PEP and ISA Administration Centre
PO Box 17122
600 Gorgie Road
Edinburgh EH11 3WA
Helpline: 0845 300 3980

STOCKPLAN and A Flying Start Administrator

The Bank of New York Europe Limited
Investment Trust Administration Unit
12 Blenheim Place
Edinburgh EH7 5ZR
Helpline: 0131 525 9839



Please remember that we are unable to offer individual investment or taxation advice. If you require such advice, you should consult your professional adviser. SIT Savings Limited is regulated by the Financial Services Authority (FSA).

Risk Warning

Past performance is no guarantee of future returns and the capital value of units (and the income from them) may fall as well as rise as a result of market and currency fluctuations and is not guaranteed. An investor may not get back the amount originally invested. Taxation levels, bases and reliefs are subject to change and may depend on individual circumstances.

Based on total assets
at 31 October 2001 of £1,130.4m

	United Kingdom %	Continental Europe %	Americas %	Pacific Region %	October 2001 Total %	October 2000 Total %
Resources	7.1	1.3	1.4	0.6	10.4	8.3
Mining	1.0	0.0	0.0	0.2	1.2	0.5
Oil & Gas	6.1	1.3	1.4	0.4	9.2	7.8
Basic Industries	2.0	0.8	0.6	0.6	4.0	3.2
Chemicals	0.3	0.0	0.4	0.2	0.9	1.0
Construction & Building Materials	1.7	0.6	0.0	0.4	2.7	1.9
Forestry & Paper	0.0	0.0	0.2	0.0	0.2	0.3
Steel & Other Metals	0.0	0.2	0.0	0.0	0.2	0.0
General Industrials	1.7	0.7	2.0	1.0	5.4	5.8
Aerospace & Defence	1.4	0.0	0.4	0.1	1.9	0.9
Diversified Industrials	0.0	0.3	1.3	0.4	2.0	1.4
Electronic & Electrical Equipment	0.0	0.2	0.0	0.5	0.7	2.6
Engineering & Machinery	0.3	0.2	0.3	0.0	0.8	0.9
Cyclical Consumer Goods	0.0	0.6	0.3	0.6	1.5	1.6
Automobiles & Parts	0.0	0.4	0.0	0.5	0.9	0.9
Household Goods & Textiles	0.0	0.2	0.3	0.1	0.6	0.7
Non-cyclical Consumer Goods	7.7	1.5	5.1	0.4	14.7	14.3
Beverages	1.3	0.0	1.0	0.0	2.3	1.8
Food Producers & Processors	0.4	0.4	0.4	0.0	1.2	1.4
Health	0.0	0.0	0.9	0.0	0.9	1.5
Packaging	0.0	0.0	0.0	0.1	0.1	0.2
Personal Care & Household Products	0.0	0.0	0.3	0.0	0.3	0.4
Pharmaceuticals	5.0	1.1	2.5	0.3	8.9	8.5
Tobacco	1.0	0.0	0.0	0.0	1.0	0.5
Cyclical Services	6.0	0.7	2.4	1.0	10.1	10.3
Distributors	0.2	0.0	0.0	0.0	0.2	0.6
Retailers – General	1.9	0.0	1.6	0.1	3.6	1.7
Leisure, Entertainment & Hotels	1.2	0.0	0.2	0.3	1.7	1.6
Media & Photography	1.3	0.6	0.3	0.3	2.5	3.4
Support Services	0.0	0.1	0.3	0.0	0.4	1.1
Transport	1.4	0.0	0.0	0.3	1.7	1.9
Non-cyclical Services	4.1	1.1	3.1	0.5	8.8	11.1
Food & Drug Retailers	1.2	0.3	0.9	0.0	2.4	1.5
Telecommunication Services	2.9	0.8	2.2	0.5	6.4	9.6
Utilities	1.7	0.1	0.5	0.0	2.3	3.9
Electricity	0.6	0.1	0.5	0.0	1.2	2.1
Gas Distribution	0.0	0.0	0.0	0.0	0.0	0.6
Water	1.1	0.0	0.0	0.0	1.1	1.2
Information Technology	0.7	0.7	4.3	0.3	6.0	11.1
Information Technology Hardware	0.1	0.5	2.3	0.3	3.2	8.0
Software & Computer Services	0.6	0.2	2.0	0.0	2.8	3.1
Financials	14.5	3.3	7.8	1.8	27.4	28.6
Banks	7.9	2.0	2.1	0.6	12.6	13.1
Insurance	0.0	1.1	1.2	0.1	2.4	2.0
Life Assurance	2.0	0.2	0.4	0.0	2.6	3.0
Investment Companies	3.1	0.0	2.4	0.5	6.0	7.3
Real Estate	0.8	0.0	0.3	0.4	1.5	1.2
Speciality & Other Finance	0.7	0.0	1.4	0.2	2.3	2.0
Total Equities	45.5	10.8	27.5	6.8	90.6	98.2
Net Current Assets	4.6	1.6	2.9	0.3	9.4	1.8
Total Assets	50.1	12.4	30.4	7.1	100.0	100.0

Total equities include convertibles £8,777,000 = 0.8% (2000 – £8,744,000 = 0.6%).

DIVIDEND

The directors recommend a final dividend of 4.70p and a special dividend of 1.00p per ordinary stock unit both payable on 8 February 2002 which, with the interim dividend of 2.35p already paid, makes a total of 8.05p for the year. The total dividend absorbs £18,171,000 leaving £3,543,000 to be transferred to revenue reserve.

BUSINESS AND TAX STATUS

The business of the company is that of an investment trust and it is registered as an investment company within the meaning of the Companies Act 1985. A review of the company's business during the year is given in the chairman's statement on page 4 and the management review on page 8.

The company has continued the programme of ordinary stock buybacks authorised by stockholders. During the year 25,996,279 ordinary stock units, representing 10.3% of the issued ordinary stock at 31 October 2000, were repurchased at a cost of £118,708,000.

The Inland Revenue has approved the company as an investment trust for the purposes of S842, Income and Corporation Taxes Act 1988 up to the accounting period ending 31 October 2000. The company has subsequently continued to satisfy the conditions for such approval. The "close company" provisions of the 1988 Act do not apply to the company.

The company has throughout the year met the requirements for full qualifying status under the Personal Equity Plan legislation. It is the directors' present intention to continue to meet these requirements.

DIRECTORS

The directors who held office at the end of the financial year and their interests in the company's capital are shown on page 36.

Mr Ian Russell resigned from the board on 29 May 2001. Sir George Mathewson and Sir Paul Nicholson retire by rotation from the board of directors at the annual general meeting and are eligible for re-election. Mr Francis Finlay and Mr Hamish Leslie Melville were appointed directors for fixed terms of three years in November 1996 which were renewed in November 1999 for a further three years. Mr Douglas McDougall and Sir Paul Nicholson were appointed for fixed terms of three years in September 1998

which were renewed in September 2001 for a further three years. Sir Angus Grossart and Sir George Mathewson do not have service contracts with the company. All directors are subject to re-election in rotation by stockholders. Expenses for the year under review include £300,000 plus VAT payable to Noble Grossart Limited, of which Sir Angus Grossart is chairman and managing director, in respect of corporate advice. No other contract or arrangement entered into by the company in which any director is interested has subsisted during the year.

The company maintained liability insurance for its directors and officers throughout the year.

CORPORATE GOVERNANCE

The Committee on Corporate Governance published its report on the principles of good governance and code of best practice entitled "The Combined Code" in June 1998 and this was incorporated into the Listing Rules of The UK Listing Authority in January 1999.

The company has complied with the provisions of the Combined Code except that non-executive directors appointed prior to 1996 have not been appointed for specific terms and there is no senior independent director. The directors consider that, where all directors are independent and non-executive, there is no compelling case for having a senior independent director.

The board has considered the principles set out in the Combined Code and believes that the way the company is governed is consistent with those principles.

*The principles of good governance**Directors*

The board meets monthly throughout the year and deals with important aspects of the company's affairs including setting and monitoring strategy, reviewing performance, the making of major investments and ensuring adequate financial reporting. There is a formal schedule of matters reserved for the board.

All six members of the current board are non-executive and are independent of the company's management. Day to day management is in the hands of the company's two managers who report directly to the board.

All directors appointed after 1995 are appointed for fixed terms of three years. Each year at the annual general meeting one third of the board retires and is eligible for re-election.

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

There is a nomination committee comprising the whole board for the purpose of selecting and appointing new directors.

Remuneration

The board has appointed a remuneration committee to recommend pay and conditions for the board and employees.

Directors' fees are set with a view to attracting individuals of appropriate calibre and experience and taking into account the level of fees paid by similar investment trusts. No other benefits are provided to directors. Fees recommended by the remuneration committee are subject to approval by the board and stockholders.

Since all directors are non-executive the company is not required to comply with principles B1, 2 and 3 of the Combined Code which relate to executive directors.

With regard to the company's employees, the company aims to provide levels of remuneration in line with similar organisations and to reward responsibility and achievement. Basic salaries are compared annually with those of equivalent employees in a group of comparable fund management organisations operating in Scotland. Remuneration consists of basic salary, a performance-related bonus and benefits including a contributory pension scheme.

Relations with stockholders

The company recognises the value of good communications with its stockholders. The managers meet regularly with the company's major institutional stockholders and all attendees at the AGM have an opportunity to ask questions of the board and management. Newsletters are sent to stockholders during the year. Proxy voting figures for each resolution are announced to the

meeting after voting on a show of hands. Separate items of business are proposed as separate resolutions including the receipt of the report and accounts. The annual report is sent to stockholders at least 20 working days before the AGM.

Accountability and audit

The respective responsibilities of the directors and the auditors in respect of the financial statements are given on pages 25 and 26.

The audit committee, which meets three times per year, has written terms of reference. Its duties include the approval of published financial statements prior to approval by the full board.

The directors continue to believe that the financial statements should be prepared on a going concern basis as the assets of the company consist mainly of readily realisable securities.

The board is responsible for ensuring that the company has in place an effective system of internal controls designed to maintain the integrity of accounting records and safeguard the company's assets.

The board has applied Principle D.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the company faces. This process, which has been in place from the start of the year to the date of approval of this report is in accordance with Internal Control: Guidance for Directors on the Combined Code published in September 1999 (The Turnbull guidance).

In compliance with Provision D.2.1 of the Combined Code, the board regularly reviews the effectiveness of the group's system of internal control. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The audit committee assists the board in discharging its review responsibilities.

Detailed procedures are in place to ensure that:

- all transactions are accounted for accurately and reported fully to the board;

- the management observes the authorisation limits set by the board;
- there is a clear segregation of duties so that no investment transaction can be completed by one person;
- control activities are regularly checked;
- compliance procedures are in place for legal and regulatory obligations.

The board recognises that such systems can only provide reasonable, not guaranteed, assurance against material misstatement or loss. The effectiveness of the company's internal controls is reviewed by the audit committee every six months. The company has only 25 employees and the audit committee considers that an internal audit function is not required. This is reviewed every year.

The audit committee also reviews on an annual basis the scope and results of the external audit and the company's relationship with the auditors.

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to

prevent and detect fraud and other irregularities.

SUBSTANTIAL STOCKHOLDINGS

At 26 November 2001 the company had been notified of the following holdings in excess of 3% of its ordinary stock.

	Ordinary stock units	% of issue
AXA Group	24,637,797	10.9
Britel Fund Trustees	14,003,712	6.2*
Standard Life Assurance Company	8,830,780	3.9

*Includes a 4.1% interest notified by Devon County Council.

ANNUAL GENERAL MEETING

A resolution relating to the following item of special business will be proposed at the forthcoming annual general meeting:

Repurchase of the company's own ordinary stock

At the annual general meeting of the company held on 23 February 2001 stockholders passed a resolution giving the company authority to make purchases of up to 35,149,315 ordinary stock units, being 14.99% of the then issued ordinary stock of the company. The authority is due to expire on 22 August 2002.

Resolution number 6 set out in the notice of annual general meeting seeks to renew the authority to repurchase ordinary stock until 27 July 2003. The principal reasons for such repurchases are to enhance the net asset value of the ordinary stock by repurchasing ordinary stock at prices which, after allowing for costs, represent a discount to the prevailing net asset value and also to address any imbalance between the supply of and demand for ordinary stock.

Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of the authority must not exceed 105% of the average of the middle market quotations for the ordinary stock over the five business days immediately preceding the date of purchase. The minimum price which may be paid is 25p per ordinary stock unit. Purchases of ordinary stock will be made within guidelines established from time to time by the directors.

The directors consider that it is in the best interests of the company to renew the authority to repurchase ordinary stock and recommend that stockholders vote in favour of resolution number 6.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

Auditors' Report

TO THE STOCKHOLDERS OF THE SCOTTISH INVESTMENT TRUST PLC

We have audited the financial statements of The Scottish Investment Trust PLC for the year ended 31 October 2001 which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement, and the related notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules

PAYMENT OF CREDITORS

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

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

DONATIONS

During the year the company made charitable donations totalling £10,000. No political donations were made.

regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the Corporate Governance Statements reflect the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if they do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, The Financial Summary, 10 Year Record, Management Review, Portfolio Reviews, Distribution of Assets by Sector and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and

By order of the board



I M Harding
Secretary
26 November 2001

disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 October 2001 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and
Registered Auditors

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

18 December 2001

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

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable accounting standards. The company's accounting policies comply with the Statement of Recommended Practice (SORP) "Financial statements of investment trust companies".

True and fair override

During part of the year to 31 October 2000 the company was not an investment company within the meaning of s266, Companies Act 1985. However, it continued to conduct its affairs as an investment trust for taxation purposes under s842, Income and Corporation Taxes Act 1988 and the company's Articles of Association prevent the distribution of capital profits as dividends. In these circumstances the directors consider that it is appropriate to present the comparative figures in accordance with the SORP. Under the SORP, the financial performance of the company is presented in the statement of total return in which the revenue column is the profit and loss account of the company. The revenue column excludes certain capital items which the Companies Act and FRS3 would require to be shown by a company which is not an investment company: gains on realisation of investments of £133,352,000 and realised currency losses of £794,000. In the opinion of the directors the inclusion of these items in the profit and loss account would be misleading, would obscure and distort both the revenue and capital performance of the company and would not show clearly revenue profits distributable as dividends. The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act, and the departures from accounting standards, are necessary to give a true and fair view. They have no effect on the balance sheet or total return.

(b) Valuation of investments

Listed investments are valued at closing or last traded prices 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. The directors have adopted the guidelines issued by the British 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 and permanent impairments in the value of investments

are taken to capital reserve—realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve—unrealised as explained in note (h) below.

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

(c) Income

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

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares. Other returns on non-equity shares are recognised when the right to the return is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

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

(d) Expenses

All expenses are accounted for on an accruals basis.

Eligible investment expenses and interest payable are charged one-third to revenue, two-thirds to realised capital reserves in line with the directors' expectations of the nature of long term future returns from the company's investments. Tax relief applicable to those charges is allocated between revenue and capital in the same proportion as the charges themselves using the company's effective rate of corporation tax for the period.

Expenses which are incidental to the acquisition of an investment are included within the cost of the investment.

Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(e) Finance costs

Finance costs, including dividends and other finance costs of non-equity shares, are accounted for on an accruals basis, and in accordance with the provisions of FRS 4 "Capital Instruments".

The discount and expenses of issue on the secured bonds due 17/4/2030 have been included in the financing costs of the issue which are being amortised over the life of the bonds.

(f) Taxation

Deferred taxation is provided on all timing differences expected to crystallise in the foreseeable future using the liability method. The provision is calculated using the rate at which the tax is expected to be payable.

(g) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward contract. Monetary 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 respectively.

(h) Capital reserves

Capital Reserve—Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- realised gains and losses and related income on transactions undertaken to hedge an exposure of a capital nature
- the funding of ordinary stock repurchases
- expenses and interest charged to capital.

Capital Reserve—Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature
- unrealised gains and losses and related income on transactions undertaken to hedge an exposure of a capital nature.

(i) Pensions

The amount charged to the statement of total return in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll.

	Notes	Revenue £'000	2001 Capital £'000	Total £'000	Revenue £'000	2000 Capital £'000	Total £'000
Net (losses)/gains on investments and currencies	15	–	(322,546)	(322,546)	–	179,618	179,618
Income	1	32,086	–	32,086	29,775	–	29,775
Expenses	2	(2,436)	(2,385)	(4,821)	(2,423)	(2,145)	(4,568)
Net Return before Finance Costs and Taxation		29,650	(324,931)	(295,281)	27,352	177,473	204,825
Interest payable	5	(5,160)	(10,321)	(15,481)	(3,918)	(7,837)	(11,755)
Return on Ordinary Activities before Tax		24,490	(335,252)	(310,762)	23,434	169,636	193,070
Tax on ordinary activities	6	(2,776)	1,622	(1,154)	(2,768)	1,655	(1,113)
Return attributable to Equity Stockholders		21,714	(333,630)	(311,916)	20,666	171,291	191,957
Dividends on ordinary stock:	7						
Regular		(15,913)	–	(15,913)	(17,318)	–	(17,318)
Special		(2,258)	–	(2,258)	–	–	–
Transfer to Reserves	15	3,543	(333,630)	(330,087)	3,348	171,291	174,639
Return per Ordinary Stock Unit		9.33p	(143.39)p	(134.06)p	7.93p	65.72p	73.65p
Weighted average number of Ordinary Stock Units outstanding during the year			232,673,041			260,627,599	

*The revenue column of this statement is the profit and loss account of the company.
The accompanying notes are an integral part of this statement.

	Notes	2001 £'000	2000 £'000
Fixed Assets			
Equity investments	8	1,024,416	1,550,121
Current Assets			
Debtors	11	12,966	11,076
Cash		108,690	36,591
		121,656	47,667
Creditors: amounts falling due within one year	12	(15,702)	(18,790)
Net Current Assets		105,954	28,877
Total Assets less Current Liabilities		1,130,370	1,578,998
Creditors: amounts falling due after more than one year	13		
Long term borrowings		(222,304)	(222,137)
Net Assets		908,066	1,356,861
Capital and Reserves			
Called-up share capital	14	56,453	62,951
Share premium account	15	39,922	39,922
Other reserves	15		
Capital redemption reserve		14,408	7,909
Capital reserve – realised		659,788	709,597
Capital reserve – unrealised		113,057	515,587
Revenue reserve		24,438	20,895
Total Stockholders' Funds	16	908,066	1,356,861
Net Asset Value per Ordinary Stock Unit	17	402.1p	538.9p
Number of Ordinary Stock Units outstanding at year end		225,810,092	251,806,371

The financial statements on pages 27 to 36 were approved by the board of directors on 26 November 2001 and were signed on its behalf by:

Sir Angus Grossart, Director

The accompanying notes are an integral part of this balance sheet.

	Notes	2001 £'000	2000 £'000
Net Cash Inflow from Operating Activities		24,516	23,106
Servicing of Finance			
Interest paid		(15,314)	(11,309)
Taxation			
ACT recovered		603	218
Overseas tax recovered		444	496
Net cash inflow from taxation		1,047	714
Investing Activities			
Purchases of investments		(235,178)	(499,171)
Disposals of investments		434,053	465,570
Net cash inflow/(outflow) from investing activities		198,875	(33,601)
Equity dividends paid		(16,958)	(17,939)
Net cash inflow/(outflow) before use of liquid resources and financing		192,166	(39,029)
Management of Liquid Resources			
Increase in short term deposits		(70,085)	(5,441)
Financing			
Issue of secured bonds		–	144,987
Share buybacks	14	(118,708)	(104,864)
Net cash (outflow)/inflow from financing		(118,708)	40,123
Increase/(decrease) in Cash	18	3,373	(4,347)
Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities			
Net revenue before finance costs and taxation		29,650	27,352
Expenses charged to capital		(2,385)	(2,145)
Scrip dividends		(840)	(548)
Decrease/(increase) in accrued income		387	(39)
(Decrease)/increase in other creditors		(473)	309
Decrease in other debtors		60	22
Tax on investment income		(1,883)	(1,845)
Net Cash Inflow from Operating Activities		24,516	23,106

The accompanying notes are an integral part of this statement.

1. INCOME	2001 £'000	2000 £'000
Income from investments:		
UK franked investment income	18,757	16,495
Overseas dividends	9,693	9,397
Overseas interest	–	5
Scrip dividends	840	548
Other	93	171
	29,383	26,616
Other income:		
Deposit interest	2,698	3,146
Underwriting commission	5	13
	2,703	3,159
Total income	32,086	29,775
Total income comprises:		
Dividends including special dividends of £1,235,000 (2000 – £926,000)	29,334	26,547
Interest	2,747	3,215
Other income	5	13
	32,086	29,775
Income from investments:		
Listed UK	19,216	16,818
Listed overseas	9,834	9,691
Unlisted	333	107
	29,383	26,616

2. EXPENSES	2001 £'000	2000 £'000
Staff costs (Note 3)	1,987	1,790
Auditors' remuneration for audit	19	19
Other expenses	2,815	2,759
	4,821	4,568

Since 1 November 1999 eligible expenses have been charged one-third to revenue and two-thirds to capital.

Auditors' remuneration for non-audit services totalled £16,000 (2000 – £51,000).

3. STAFF COSTS	2001 £'000	2000 £'000
Salaries	1,502	1,353
Social security costs	165	152
Pensions and post-retirement benefits	320	285
	1,987	1,790

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

	2001 Number	2000 Number
Investment	10	10
Administration	15	15
	25	25
Directors' remuneration:		
Fees for services as directors	£124,813	£114,750
Chairman and highest paid director	£28,500	£24,750
Other directors – number in range £10,001 – £15,000	1	6
£15,001 – £20,000	5	–

4. PENSION SCHEME

The company provides for its employees a defined benefit pension scheme based on final salary. The assets of the scheme are held separately from those of the company. The fund is under the control of trustees and is administered by a life assurance company.

The pension cost charge for the period was £304,000 (2000 – £270,000). The pension cost charge is determined by a qualified actuary on the basis of triennial valuations. The charge for 2001 is based on a triennial valuation as at 1 August 1999. The attained age method was used. The most significant assumptions were that the rate of return on investments would be 8½% and that the rate of increase of salaries would be 6½%. The actuarial value of the assets at 1 August 1999 represented 102% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and former members as well as benefits based on service completed to date for active members allowing for future salary rises. The market value of the scheme assets at 1 August 1999 was £5,672,000.

The contribution rate for 2001 was 24.0% of pensionable earnings and the agreed contribution rate until 1 August 2005 is 24.0% of pensionable earnings.

Additional disclosures regarding the company's defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of the FRS 17 in the year ending 31 October 2003.

The actuarial valuation described above has been updated at 31 October 2001 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:	2001 £'000
Rate of increase in salaries	4.5%
Rate of increase in pensions in payment	2.5%
Discount rate	6.0%
Inflation assumption	2.5%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	Expected rate of return 2001 %	Fair value 2001 £'000
Equities	8.2	4,848
Bonds	5.2	1,034
Other	5.2	964
Total fair value of assets		6,846
Present value of scheme liabilities		8,819
Net pension liability		1,973

The net pension liability arises mainly because future liabilities are discounted at a rate based on the yield on AA corporate bonds which is lower than the expected rate of return from equities in which the fund is largely invested.

5. INTEREST PAYABLE	2001 £'000	2000 £'000
On debentures, bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	1	309
Repayable wholly or partly in more than 5 years	15,313	11,355
Amortisation of secured bond issue expenses	167	91
	15,481	11,755

Since 1 November 1999 interest has been charged one-third to revenue and two-thirds to capital.

6. TAX ON ORDINARY ACTIVITIES	2001 £'000	2000 £'000
UK corporation tax at 30% (2000 – 30%)	–	–
Overseas taxation	1,867	1,798
Relief for overseas taxation	(726)	(679)
Deferred taxation	13	(6)
	1,154	1,113
Tax relief credited to capital reserve	1,622	1,655
	2,776	2,768

7. DIVIDENDS AND OTHER APPROPRIATIONS	2001 £'000	2000 £'000
Dividends on ordinary stock:		
– interim paid of 2.35p per unit (2000 – 2.27p)	5,354	5,797
– second interim paid of 4.63p per unit	–	11,659
– final declared of 4.70p per unit	10,613	–
– special declared of 1.00p per unit	2,258	–
– 2000 final dividend on stock repurchased	(7)	(138)
– 2001 interim dividend on stock repurchased	(47)	–
	18,171	17,318

8. INVESTMENTS	2001 £'000	2000 £'000
Investments listed on a recognised investment exchange	977,176	1,493,084
Unlisted investments	47,137	56,934
Subsidiary undertakings (Note 9)	103	103
	1,024,416	1,550,121

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total 2001 £'000
Opening book cost	457,820	545,908	30,807	1,034,535
Opening unrealised appreciation	290,508	198,848	26,230	515,586
Opening valuation	748,328	744,756	57,037	1,550,121
Movements in the year:				
Purchases at cost	90,559	132,387	9,977	232,923
Sales – proceeds	(199,146)	(235,266)	(3,117)	(437,529)
– realised gains on sales	59,011	21,420	999	81,430
Decrease in unrealised appreciation	(203,253)	(181,708)	(17,568)	(402,529)
Transfers	–	88	(88)	–
Closing valuation	495,499	481,677	47,240	1,024,416
Closing book cost	408,244	464,537	38,578	911,359
Closing unrealised appreciation	87,255	17,140	8,662	113,057
	495,499	481,677	47,240	1,024,416

	2001 £'000	2000 £'000
Realised gains on sales	81,430	133,352
(Decrease)/increase in unrealised appreciation	(402,529)	47,059
(Losses)/gains on investments	(321,099)	180,411

A geographical analysis of the investment portfolio (page 3), an analysis of the investment portfolio by broad industrial or commercial sector (page 23), and a full list of investments by market value (pages 38 and 39), are contained within the annual report.

Unlisted investments include the following:

- (a) Heritable property valued at £700,000 (2000 – £700,000). The property was valued on an open market basis by Ryden, chartered surveyors, on 3 November 1998.
- (b) Property loans totalling £100,000 (2000 – £100,000) in respect of the following related parties: Ian McLeish, Donald Ness and Iain Harding who form part of the key management of the company. Standard securities are held for all loans outstanding.

9. SUBSIDIARY UNDERTAKINGS

The company has investments in the following subsidiary undertakings:

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

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

10. SIGNIFICANT INTERESTS

Details of investments in which the company has an interest of 10% or more of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

Name of undertaking	Country of incorporation and operation	Description of shares held	Percentage held	Aggregate capital and reserves £'000	Profit after tax for year £'000
Sprout Growth Limited	Inc Cayman Islands operating in USA	ord shares of US\$1 part red pref shares of US\$0.01	49.7 49.7	528	2

11. DEBTORS

	2001 £'000	2000 £'000
Amounts due from brokers	9,958	7,206
Overseas tax recoverable	780	594
Prepayments and accrued income	2,228	2,673
ACT receivable	–	603
	12,966	11,076

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Amounts due to brokers	1,006	3,378
UK corporation tax payable	–	97
Dividends	12,871	11,659
Other creditors	1,817	2,287
Bank overdraft	8	1,369
	15,702	18,790

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £'000	2000 £'000
4% perpetual debenture stock	350	350
4 $\frac{1}{4}$ % perpetual debenture stock	700	700
5% perpetual debenture stock	1,009	1,009
10 $\frac{7}{8}$ % debenture stock 30/4/2019	25,000	25,000
7 $\frac{3}{4}$ % debenture stock 25/9/2013	50,000	50,000
5 $\frac{3}{4}$ % secured bonds due 17/4/2030	145,245	145,078
	222,304	222,137

The debenture stocks and secured bonds are secured by a floating charge over the assets of the company.

14. CALLED-UP SHARE CAPITAL	Authorised		Issued	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Ordinary stock units of 25p	85,500	85,500	56,453	62,951
Number of ordinary stock units in issue			225,810,092	251,806,371

25,996,279 ordinary stock units were repurchased in the stockmarket during the year to 31 October 2001 at a total cost of £118,708,000. No repurchases were made between 31 October and 26 November 2001.

15. RESERVES	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
Beginning of year	39,922	7,909	709,597	515,587	20,895
Exchange difference	–	–	(1,447)	–	–
Net gain on realisation of investments	–	–	81,430	–	–
Decrease in unrealised appreciation	–	–	–	(402,530)	–
Ordinary stock repurchased	–	6,499	(118,708)	–	–
Interest and expenses charged to capital in current year	–	–	(11,084)	–	–
Transfer to reserves	–	–	–	–	3,543
End of year	39,922	14,408	659,788	113,057	24,438

16. RECONCILIATION OF MOVEMENTS IN STOCKHOLDERS' FUNDS	2001 £'000	2000 £'000
Opening equity stockholders' funds	1,356,861	1,287,086
Total recognised (losses)/gains	(311,916)	191,957
Dividend payments	(18,171)	(17,318)
Ordinary stock repurchases	(118,708)	(104,864)
Closing equity stockholders' funds	908,066	1,356,861

17. NET ASSET VALUE PER ORDINARY STOCK UNIT

Basic net asset value per ordinary stock unit is based on net assets after deducting long term borrowings at book value and on the number of ordinary stock units in issue at the year end.

Reconciliation of movement in NAV per ordinary stock unit:	P
Opening NAV	538.85
Total return per ordinary unit	(134.06)
Dividend per ordinary unit	(8.05)
Adjustments for dividends on stock repurchased	0.02
Adjustment for change in issued ordinary stock during year	5.38
Closing NAV	402.14

18. ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

	At 1 November 2000 £'000	Cash flows £'000	Non-cash movements £'000	At 31 October 2001 £'000
Cash at bank	9,091	2,014	–	11,105
Bank overdraft	(1,369)	1,361	–	(8)
Short term deposits	27,500	70,085	–	97,585
Debt due after one year	(222,137)	–	(167)	(222,304)
	(186,915)	73,460	(167)	(113,622)

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS	2001	2000
	£'000	£'000

Contingencies, guarantees and financial commitments of the company at the year end, which have not been accrued, are as follows:

Commitments to provide additional funds to investees	28,875	15,961
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20. FINANCIAL INSTRUMENTS

In pursuing its investment policy the company holds certain financial instruments, comprising equity and non-equity shares, fixed income securities, interests in limited liability partnerships, cash and liquid resources. These are financed through stockholders' funds and long and short term borrowings.

The risks faced by the company and the strategies for managing them are identified below.

- **Investment risk and market price risk.** The holding of securities and investing activities involve certain inherent risks. Events may occur within the underlying investments which affect their value and they are also sensitive to movements in market levels. The company holds a portfolio which is well diversified across industrial and geographical areas to help minimise these risks. It may also use derivatives. Trading in derivatives is not within the normal activities of an investment trust nor is it the company's policy to trade in such instruments. However, from time to time the company may wish to use such instruments in order to protect against a specific risk or to facilitate a change in investment policy such as the movement of funds from one area to another. No such transaction may take place without the prior authorisation of the board and no such transaction took place during the year.
- **Interest rate risk.** The company finances its operations through a combination of investment realisations, retained revenue reserves, bank credit facilities and debenture stocks. All of the existing debenture stocks are at fixed rates. The company has undrawn short term multicurrency line of credit facilities which can be drawn at variable rates of interest.
- **Liquidity risk.** The majority of the company's assets comprise listed securities which represent a ready source of funds. In addition the company has access to short term borrowing facilities.
- **Foreign currency risk.** Approximately half of the company's assets are invested overseas which gives rise to a currency risk. This risk is monitored by the managers on a daily basis and by the board monthly. From time to time specific hedging transactions are undertaken although none was in place at the year end. The company's overseas income stream is subject to currency movements which are not hedged.

21. FINANCIAL ASSETS

The company's portfolio investments are listed on pages 38 and 39. A geographical distribution is given on page 3 and a sector distribution appears on page 23. Cash and deposits are held at fixed and floating rates in the following currencies:

	2001			2000		
	Fixed £'000	Floating £'000	Total £'000	Fixed £'000	Floating £'000	Total £'000
Sterling	52,500	2,145	54,645	27,500	2,512	30,012
Swiss francs	-	1,936	1,936	-	2,493	2,493
Euro	11,767	4,705	16,472	-	2,233	2,233
US dollar	32,318	712	33,030	-	1,849	1,849
Other	-	2,607	2,607	-	4	4
	96,585	12,105	108,690	27,500	9,091	36,591

The maximum fixed period for deposits outstanding at the year end was 15 weeks.

22. FINANCIAL LIABILITIES

The company's long term borrowings as detailed in note 13 are denominated in Sterling and carry interest at fixed rates. The secured bond and two debentures with fixed maturities have a weighted average life of 23.5 years (2000-24.5 years) and are stated in the balance sheet at book value. Restating them at estimated market value would have the effect of reducing the year end NAV per ordinary stock unit from 402.1p to 393.1p (2000-538.9p to 535.1p). Based on the market price of 359.0p (2000-457.0p) the discount to NAV at the year end would be reduced from 10.7% to 8.7% (2000-15.2% to 14.6%).

23. DIRECTORS' INTERESTS

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

Beneficial interests	Ordinary stock units of 25p	
	31 October 2001	1 November 2000
Sir Angus Grossart	7,982	7,920
Sir George Mathewson	364	364
F Finlay	10,000	10,000
I H Leslie Melville	10,000	10,000
D C P McDougall	10,000	10,000
Sir Paul Nicholson	3,000	3,000

There have been no changes in the directors' interests between 31 October and 26 November 2001.

Notice is hereby given that the one hundred and fourteenth annual general meeting of The Scottish Investment Trust PLC will be held at the Roxburghe Hotel, Charlotte Square, Edinburgh, on 28 January 2002 at 11.00 am, for the purpose of transacting the following:

As ordinary business:

1. To receive and consider the directors' report and statement of accounts for the year to 31 October 2001.
2. To declare a final dividend of 4.70p per ordinary stock unit.
3. To declare a special dividend of 1.00p per ordinary stock unit.
4. (a) To re-elect Sir George Mathewson as a director.
4. (b) To re-elect Sir Paul Nicholson as a director.
5. To re-appoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

As special business:

6. To authorise the Company, in accordance with section 166 of the Companies Act 1985 (the "Act") and in substitution for any pre-existing such authority, to make market purchases (within the meaning of section 163(3) of the Act) of ordinary stock units of 25p each ("ordinary stock units"), provided that:

- (a) the maximum number of ordinary stock units hereby authorised to be purchased shall be 14.99% of the issued ordinary stock on the date this resolution is passed;
- (b) the minimum price which may be paid for an ordinary stock unit shall be 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for an ordinary stock unit shall be 105% of the average of the middle market quotations (as derived from the Daily Official List of the London

Stock Exchange) for the ordinary stock units for the five business days immediately preceding the date of purchase; and

- (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 27 July 2003, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary stock units under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary stock pursuant to any such contract.

All resolutions are ordinary resolutions except number 6 which is a special resolution.

By order of the board



I M Harding

Secretary

18 December 2001

Notes

Arrangements have been put in place to enable all investors to attend and vote at the annual general meeting.

Registered stockholders whose names appear on the company's register of members at 11.00 am on 26 January 2002 are entitled to attend and vote at the meeting in respect of ordinary stock registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote on his or her behalf. Such proxy need not be a member of

the company. Proxy forms must be lodged at the company's registered office, 6 Albyn Place, Edinburgh EH2 4NL, not less than 48 hours before the meeting.

STOCKPLAN, A Flying Start, PEP and ISA investors are welcome to attend and may vote on a poll by completing the Form of Direction enclosed with this report. This must be returned to the company no later than 19 January 2002. Other investors whose holdings are in nominee names and who wish to attend and vote are advised to contact their nominee before 19 January 2002.

The final and special ordinary stock dividends, if approved, will be paid on 8 February

2002 to stockholders registered at the close of business on 4 January 2002.

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

A statement giving details of all transactions of each director and his family interests in the ordinary stock of the company during the twelve months to 30 November 2001 will be available for inspection at the registered office of the company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until 28 January 2002.

38 List of Equity Investments

UNITED KINGDOM

Holding	£'000	Holding	£'000
GlaxoSmithKline	40,330*	Dixons Group	1,688
BP	33,633*	CMG	1,680
Vodafone Group	24,645*	Hanson	1,601
Shell Transport & Trading	23,870*	Edinburgh Fund Managers	1,459
Royal Bank of Scotland Group	22,976*	Land Securities	1,454
Barclays	17,740*	Spirent	1,404
HSBC Holdings	15,635*	Henderson Smaller Companies	
Lloyds TSB Group	14,713*	Investment Trust	1,189
Abbey National	10,742	3i Smaller Quoted Companies	
AstraZeneca	10,698	Trust	1,181
Diageo	10,400	Granada	977
CGNU	10,186	Stagecoach Group	866
British Telecom	7,600	Others (under £0.5m)	1,010
British Land	7,565		
Prudential	7,524		
ScottishPower	6,320		
Compass Group	6,018		
Gallaher Group	5,896		
Rio Tinto	5,803		
British American Tobacco	5,640		
AWG	5,520		
J Sainsbury	5,264		
Pearson	5,260		
Aggregate Industries	5,220		
BAE Systems	5,177		
Fleming Mercantile	5,158		
Boots	5,142		
FirstGroup	5,130		
Anglo American	5,104		
Close Brothers	5,075		
Whitbread	5,014		
Mercury Grosvenor	4,736		
Smiths Group	4,706		
Northern Foods	4,681		
Shire Pharmaceuticals	4,615		
Tesco	4,607		
Berkeley Group	4,594		
Persimmon	4,590		
HBOS	4,534		
United Utilities	4,354		
Britannic	4,258		
Aegis Group	4,250		
Scottish & Newcastle	4,207		
Next	4,076		
Morrison Supermarkets	4,040		
JJB Sports	3,914		
P & O	3,867		
FKI	3,850		
BG Group	3,624		
ICI	3,467		
Standard Chartered	3,435		
BBA Group	3,390		
Wolseley	3,388		
Kingfisher	3,200		
Pennon Group	3,125		
Meggitt	3,098		
GUS	3,044		
Rolls-Royce	2,990		
P & O Princess Cruises	2,986		
Thompson Clive Investments	2,821		
Xansa	2,736		
Aberforth Split Level Trust	2,670		
Electrocomponents	2,634		
Throgmorton Trust	2,049		
Logica	2,046		
Themis FTSE All-Small Index			
Trust	1,791		
Hilton Group	1,770		
EMAP	1,734		
United Business Media	1,732		
Total UK Investments	491,116		

CONTINENTAL EUROPE

Holding	£'000
FINLAND	
Nokia	2,377
Elisa Communications	903
FRANCE	
TotalFinaElf	6,509
Aventis	4,784
Peugeot	3,514
AGF	3,431
Vivendi Universal	3,139
Société Générale	3,031
Vinci	2,946
Saint Gobain	2,325
Pechiney	2,243
Atos Origin	1,949
Havas Advertising	1,313
Alcatel	1,246
Cap Gemini	1,239
Penauille Polyservices	1,079
Lafarge	1,009
GERMANY	
Altana	4,090
Schering	3,389
Siemens	2,877
E.On	2,856
Allianz	2,089
Deutsche Bank	1,931
BMW	1,924
Linde	1,907
ITALY	
ENI	5,657
Telecom Italia Mobile	3,878
San Paolo IMI	3,086
Generali	3,017
Unicredito Italiano	2,973
Alleanza	1,921
NETHERLANDS	
Ahold	3,031
Royal Dutch Petroleum	2,603
VNU	2,528
SPAIN	
Telefonica De España	4,324
BSCH	3,315
Banco Popular Español	2,557
Union Fenosa	1,830
SWEDEN	
Svenska Handelsbanken	3,188
Ericsson	1,634
SWITZERLAND	
Nestlé	4,118
Swiss Re	3,856
UBS	2,367
Swatch Group	1,811
Total European Investments	121,794

AMERICAS	
Holding	£'000
American International Group	12,433*
Citigroup	10,861*
IBM	9,750
General Electric	9,338
Microsoft	8,717
Fannie Mae	7,749
Exxon Mobil	7,433
SBC Communications	7,191
Pepsico	7,109
Johnson & Johnson	6,730
American Home Products	6,641
Bank of America	6,490
Pfizer	6,482
Supervalu	6,310
Lowe's Companies	6,155
Tyco International	6,048
Cardinal Health	5,889
John Hancock Financial Services	5,812
Family Dollar Stores	5,616
Target	5,612
Alltel	5,343
Duke Energy	5,282
Sysco	5,146
Schering-Plough	4,755
Electronic Data Systems	4,736
American Express	4,710
Automatic Data Processing	4,540
Intel	4,525
Ecolab	4,451
Walgreen	4,342
Bristol-Myers Squibb	4,337
United Technologies	4,298
Bank of New York	4,046
Telmex	3,992
Medtronic	3,963
Anheuser Busch	3,953
Verizon Communications	3,853
Omnicom	3,717
Liz Claiborne	3,473
Halliburton	3,226
Goldman Sachs Group	2,994
Phillips Petroleum	2,993
Clorox	2,946
Texas Instruments	2,945
Illinois Tool Works	2,832
Carnival	2,576
International Paper	2,486
Worldcom	2,460
Hewlett-Packard	2,361
Oracle	2,331
Cisco Systems	2,327
Equifax	2,183
Adobe Systems	2,106
Amsouth Bancorp	2,081
Motorola	2,026
Equity Residential Properties Trust	1,784
AMX	1,746
Burlington Resources	1,742
Latin America Growth Fund	1,462
Capital One Financial	1,420
Certegy	1,391
INVESTCO GT Healthcare Fund	1,188
Resource Bancshares Mortgage Group	1,185
EMC	1,177
Scientific-Atlanta	947
Others (under £0.5m)	658
Total Americas Investments	287,401

JAPAN	
Holding	£'000
INVESTCO GT Japan Enterprise Fund	3,125
Fleming Japanese Smaller Companies Investment Trust	2,770
Honda Motor	2,392
Ricoh	2,384
Takeda Chemical Industries	2,332
Nintendo	2,251
Acom	1,895
Daito Trust Construction	1,836
Skylark	1,771
Suzuki Motor	1,617
NTT DoCoMo	1,585
Nippon Television Network	1,549
Fanuc	1,490
Kyocera	1,441
Chugai Pharmaceuticals	1,367
Daikin Industries	1,312
Sumitomo Bakelite	1,307
Nissan Motor	1,256
Rohm	1,161
Fast Retailing	1,081
Asahi Kasei	921
NTT	875
Sony	801
Amada	773
Nomura Holdings	705
Advantest	478
Total Japanese Investments	40,475

PACIFIC (ex Japan)	
Holding	£'000
AUSTRALIA	
BHP Billiton	2,201
National Australia Bank	1,592
Telstra	1,390
Mayne Nickless	1,344
Santos	1,302
Amcor	1,180
ANZ Bank	1,052
CSR	985
NRMA Insurance Group	963
HONG KONG	
Cheung Kong Holdings	2,124
Hutchison Whampoa	1,561
China Petroleum	1,536
Bank of East Asia	1,497
Swire Pacific	1,470
China Mobile	1,241
Petrochina	1,166
Beijing Capital International Airport	1,165
Cheung Kong Infrastructure	1,069
South China Morning Post	1,036
Wharf Holdings	1,019
Sun Hung Kai Properties	969
Henderson Land Development	936
MTRC	838
China Unicom	467

Holding	£'000
SINGAPORE	
Oversea-Chinese Banking Corp	1,476
ST Engineering	1,312
United Overseas Bank	1,253
Singapore Press Holdings	780
Keppel Land	179
SOUTH KOREA	
Korea Telecom	867
OTHER ASIAN	
INVESTCO Asia NET Fund	420
Total Pacific Region Investments	36,390

UNLISTED HOLDINGS	
Holding	£'000
UNITED KINGDOM	
J Wood Group	8,776
Aberforth IB	4,189
Morgan Grenfell Equity	3,267
Close Investment 1997 Fund	2,322
Close Investment 1994 Fund	1,827
Apax UK VI	1,420
Heritable Property & Loans	1,075
Apax Europe V	760
Others	15
UNITED STATES	
1818 Fund III	4,373
Sprout Capital VIII	3,882
Boston Ventures V	3,729
Sprout Capital VII	3,436
Boston Ventures VI	3,327
Cahill Warnock Strategic	2,123
Boston Ventures IV	1,127
T Rowe Price Recovery II	1,086
Others	506
Total Unlisted Investments	47,240

* Denotes ten largest holdings with an aggregate market value £216,836,000.

DIVIDEND AND INTEREST PAYMENTS

Ordinary stock final 2000/2001	8 February
Ordinary stock interim 2001/2002	July
Secured bonds	17 April, 17 October
Debenture stocks	30 April, 31 October

ANNOUNCEMENT OF RESULTS

NAV	Weekly
Interim figures	May
Preliminary final figures	November
Annual report & accounts	December
Annual general meeting	28 January 2002

Useful Addresses

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Association of Investment Trust Companies

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