

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

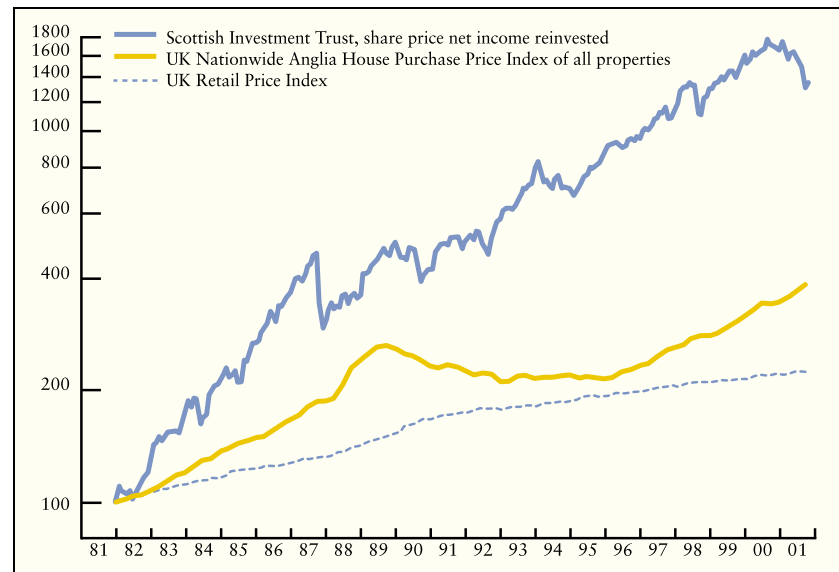
The Scottish Investment Trust provides weekly net asset value information on its website. All investors receive an interim report in June and the annual report in late December. SIT's investor newsletter is also issued twice yearly.

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

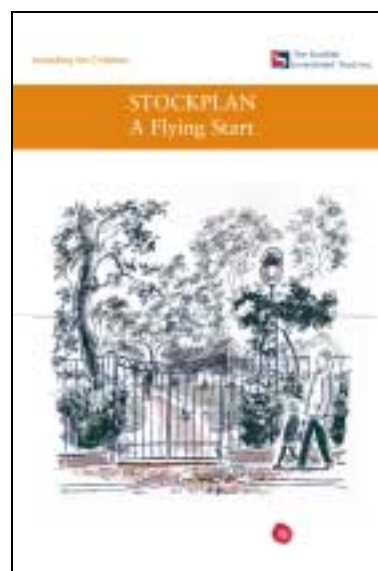
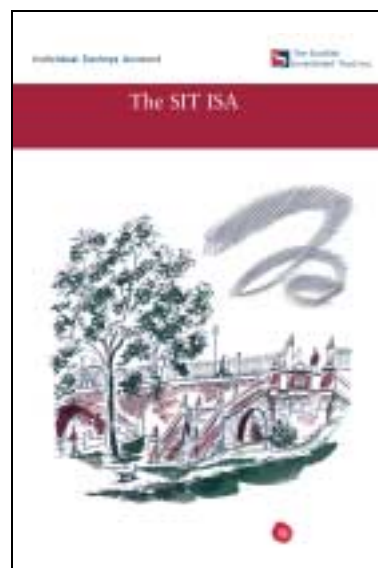
Computershare Investor Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Helpline: 0870 702 0010
Website: www.computershare.com

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.