

The Scottish Investment Trust PLC

**Interim Report
For the six months to
30 April 2005**

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Financial Summary

Summary of Results (unaudited) for the six months to 30 April 2005

		30 April 2005	31 October 2004	% change	
CAPITAL	Net asset value per ordinary unit with borrowings at fair value	360.5p	350.1p	+3.0	
	Net asset value per ordinary unit with borrowings at par	365.1p	351.1p	+4.0	
	Market price per ordinary unit	317.5p	298.8p	+6.3	
	Discount with borrowings at fair value	11.9%	14.7%		
	Benchmark index			+2.4	
		£'m	£'m	% change	
	Total assets less current liabilities	910.7	881.3	+3.3	
	Borrowings at par	(147.9)	(147.8)		
	Stockholders' funds	762.8	733.5	+4.0	
			Six months to 30 April 2005 £'000	30 April 2004 £'000	% change
INCOME	Total income	14,897	13,710	+8.7	
	Earnings per ordinary unit	5.34p	4.67p	+14.3	
	Interim dividend per ordinary unit	4.05p	3.90p	+3.8	
	Retail Prices Index			+3.2	

Distribution of Total Assets less Current Liabilities:

Geographical

	30 April 2005 %	31 October 2004 %
UK	40.9	43.6
Europe (ex UK)	14.7	12.6
North America	22.5	22.5
Japan	3.2	3.5
Pacific (ex Japan)	7.5	6.5
Net current assets	11.2	11.3
Total assets	100.0	100.0

By Sector

	30 April 2005 %	31 October 2004 %
Resources	10.3	11.1
Basic industries	4.3	4.5
General industrials	4.4	5.1
Cyclical consumer goods	2.7	3.9
Non-cyclical consumer goods	14.1	10.3
Cyclical services	10.4	10.7
Non-cyclical services	6.5	7.1
Utilities	5.4	4.0
Financials	27.4	28.1
Information technology	3.3	3.9
Net current assets	11.2	11.3
Total assets	100.0	100.0

The Company

Company Data as at 30 April 2005

TOTAL ASSETS LESS CURRENT LIABILITIES	STOCKHOLDERS' FUNDS (with borrowings at par)	MARKET CAPITALISATION
£910.7 million	£762.8 million	£663.3 million

Objectives of The Scottish Investment Trust PLC (SIT)

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

Benchmark

The company's benchmark is made up of 50% FTSE Actuaries UK All-Share Index™ and 50% FTSE World ex UK Index Series.™

Management

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

Capital Structure

At 30 April 2005 the company had in issue 208,910,518 ordinary stock units and long term borrowings at par amounted to £147.9m.

Management Expenses

The total expenses of managing the company's business during the last financial year were £4,108,000, equivalent to 0.57% of average stockholders' funds. The company aims to keep this percentage low in comparison with 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 8.

AITC

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

Chairman's Review

The major international equity markets made unsteady progress over the six months to 30 April 2005. Over this period, our net asset value per ordinary unit (NAV) rose 4.0% while the benchmark index rose 2.4%. Our global equity portfolio outperformed the benchmark index due to good contributions from stock and sector selection in the listed portfolio and a strong performance from our unlisted investments.

Investors will recall that the management of the company's investments was re-organised in early 2004 into a single global portfolio. Since the end of January 2004, the global listed portfolio has risen 8.1%, outperforming the 5.6% rise by the benchmark. Over the same 15 month period, the NAV has increased by 8.7% excluding the debt repayment costs incurred in July 2004.

In my statement in the 2004 annual report, I indicated that a further reduction in the number of holdings was likely. Encouraged by an improved investment performance following restructuring, the manager reduced further the number of holdings in the listed portfolio from 150 to 127 at the end of the period. The portfolio remains very well diversified and there remains ample scope for continued refinement of the portfolio to allow increased focus on the management team's strongest investment ideas.

The first three months of the period saw further steady gains as markets continued to recover from the lows of 2003. However, the tone of markets deteriorated during March and April. Investors had been expecting a strong and sustainable economic recovery and further growth of corporate profits. However, the combination of a series of weaker economic indicators both in the US and Europe and a growing number of disappointing corporate trading statements served to undermine investor confidence. Consequently equity markets fell and bond markets rallied. US official short rates were increased steadily over the period and again in early May to 3.0%. UK base rates remained unchanged and with signs of cooling house prices and weakness in consumer spending they may well be peaking.

The strongest returns in sterling terms came from the Pacific (ex Japan), UK and Europe (ex UK) regions. Modest sterling strength eliminated the low returns achieved in local terms in Japan and the US.


Reflecting investors' growing concerns over the growth outlook, during the period markets rotated towards more defensive sectors such as pharmaceuticals, health and beverages while more cyclical areas started to underperform in a global context.

Over the period, we maintained effective gearing levels at the relatively low level of 106% reflecting the belief that markets would be subdued. We increased our listed portfolio by £6.3m adding to Europe (ex UK) (£18.6m), the

US (£6.9m) and Pacific (ex Japan) (£3.7m) funded out of sales in the UK (-£20.5m) and Japan (-£2.4m). By sector, our main changes included reductions to cyclical areas such as automobiles and oil with additions to health sector investments (£14.5m) and utilities (£13.1m).

Reflecting the new structure, the most significant contributions to relative performance came from international holdings including ConocoPhillips, Nobel Biocare, Esprit Holdings, Yamada Denki and Sanofi-Aventis. In unlisted, our performance benefited from a write up at Aberforth Partnership and a good performance in general. Net distributions from the unlisted portfolio amounted to £11.9m.

Our income again held up well with strong growth in dividends from our holdings, most notably from those in Europe. Lower expenses, receipt during the period of a larger component of our annual dividend income and special dividends allowed the earnings per ordinary unit to rise 14.3%. Last year's interim dividend of 3.90p per ordinary unit was paid in March 2004 to create a final opportunity for SIT PEP & ISA holders and charities to reclaim tax on that dividend prior to abolition of the tax credit. The board has declared an interim dividend of 4.05p per ordinary unit which is an increase of 3.8% and this will be payable on 15 July 2005.



Douglas McDougall

27 May 2005

Statement of Total Return (unaudited)

for the six months to 30 April 2005 (incorporating Revenue Account)

	Six months to 30 April 2005			Six months to 30 April 2004			Year to 31 October 2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments and currencies	–	32,542	32,542	–	29,024	29,024	–	49,108	49,108
Income	14,897	–	14,897	13,710	–	13,710	26,894	–	26,894
Expenses	(872)	(1,052)	(1,924)	(928)	(1,093)	(2,021)	(1,878)	(2,230)	(4,108)
Net Return before Finance Costs and Taxation	14,025	31,490	45,515	12,782	27,931	40,713	25,016	46,878	71,894
Premium on repayment of debentures	–	–	–	–	–	–	–	(22,360)	(22,360)
Interest payable	(1,461)	(2,921)	(4,382)	(2,573)	(5,146)	(7,719)	(4,602)	(9,205)	(13,807)
Return on Ordinary Activities before Tax	12,564	28,569	41,133	10,209	22,785	32,994	20,414	15,313	35,727
Tax on ordinary activities	(1,416)	805	(611)	(415)	–	(415)	(985)	–	(985)
Return attributable to Equity Stockholders	11,148	29,374	40,522	9,794	22,785	32,579	19,429	15,313	34,742
Dividends on ordinary stock	(8,461)	–	(8,461)	(8,148)	–	(8,148)	(16,922)	–	(16,922)
Return per Ordinary Unit	5.34p	14.06p	19.40p	4.67p	10.88p	15.55p	9.29p	7.32p	16.61p
Weighted average number of Ordinary Units in issue	208,910,518			209,533,698			209,220,405		
The income figure is made up as follows:									
	2005 £'000			2004 £'000			2004 £'000		
Dividends	12,386			11,515			22,104		
Interest	2,511			2,195			4,790		
	14,897			13,710			26,894		

Summary Balance Sheet (unaudited)

	30 April 2005 £'m	31 October 2004 £'m	30 April 2004 £'m
Equity investments	808.8	781.6	838.7
Net current assets	101.9	99.7	122.4
Total assets less current liabilities	910.7	881.3	961.1
Less: borrowings at par	147.9	147.8	222.7
Equity stockholders' funds	762.8	733.5	738.4
Net asset value per ordinary unit with borrowings at par	365.1p	351.1p	353.4p

Cash Flow Statement (unaudited)

	Six months to 30 April 2005 £'000	Six months to 30 April 2004 £'000	Year to 31 October 2004 £'000
Net cash inflow from operating activities	8,459	6,186	21,597
Premium or repayment of debenture stocks	(1,116)	–	(21,244)
Interest paid	(4,407)	(7,657)	(13,975)
Taxation recovered	90	144	283
Purchases of investments	(200,705)	(167,985)	(288,305)
Disposals of investments	208,845	192,428	388,123
Equity dividends paid	(8,774)	(19,083)	(19,083)
Decrease/(increase) in short term deposits	6,500	(1,500)	8,500
Repayment of debenture stocks	–	–	(75,000)
Share buybacks	–	(3,868)	(3,868)
Increase/(decrease) in cash	8,892	(1,335)	(2,972)

Notes:

The interim statement has been prepared under accounting policies consistent with those used in the preparation of the annual report and accounts for the year to 31 October 2004.

The figures for 31 October 2004 have been extracted from the annual report and accounts for the year ended on that date which have been filed with the Registrar of Companies and which contain an unqualified report from the auditors.

The interim dividend absorbs £8,461,000 (2004 – £8,148,000) and is payable on 15 July 2005 to stockholders registered at 10 June 2005.

The ordinary stock will be traded ex the interim dividend from 8 June 2005 and investors purchasing on or after that date will not be entitled to the interim dividend for 2004/05.

Equity stockholders' funds at 30 April 2005 exclude all revenue items for the current financial year.

Equity investments include the unlisted portfolio of £38.5m. Of this £8.5m is in listed funds which invest in unlisted securities.

The weighted average number of ordinary units during the half-year was 208,910,518 (2004 – 209,533,698) and this figure has been used to calculate the return per ordinary unit shown in the statement of total return. The net asset value per ordinary unit at 30 April 2005 has been calculated using the number of ordinary units in issue on that date which was 208,910,518 (31 October 2004 – 208,910,518).

Unless otherwise stated, performance comparisons in the Chairman's Review are made with the FTSE Actuaries All-Share Index™ for the UK and with the relevant currency-adjusted constituents of the FTSE World ex UK Index Series™ for other geographical areas.

Changes in Asset Distribution

Six months to 30 April 2005

	Opening Valuation £m	Net Purchases (Sales) £m	Appreciation (Depreciation) £m	Closing Valuation £m
UK	356.0	(20.5)	10.5	346.0
Europe (ex UK)	111.3	18.6	4.5	134.4
North America	184.8	6.9	1.2	192.9
Japan	31.0	(2.4)	0.2	28.8
Pacific (ex Japan)	57.9	3.7	6.6	68.2
Unlisted portfolio	40.6	(11.9)	9.8	38.5 ¹
Total equities	781.6	(5.6)	32.8	808.8
Net current assets	99.7	2.4	(0.2)	101.9
Total assets less current liabilities	881.3	(3.2)	32.6	910.7
Borrowings	(147.8)	–	(0.1)	(147.9)
Stockholders' funds	733.5	(3.2) ²	32.5	762.8

¹ Includes £8.5m of investments which are now listed.

² Interest and expenses apportioned to capital.

Performance Attribution Analysis

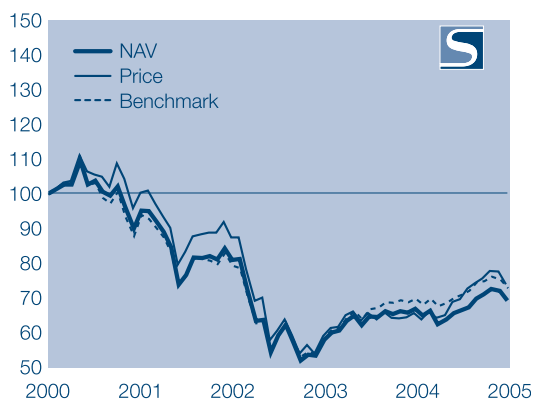
Six months to 30 April 2005

	%
Increase in NAV	+4.0
Increase in benchmark index	+2.4
Relative performance	+1.6
Stock selection	+1.6
Asset allocation	+0.5
Gearing	+0.1
Interest and expenses charged to capital	–0.6
Relative performance	+1.6

Performance

To 30 April 2005

SIT NAV, Stock Price and Benchmark



List of Investments

Listed Holdings

Holding	Country	£'000
Vodafone	UK	26,837
Royal Bank of Scotland	UK	16,597
Barclays	UK	16,350
BP	UK	15,641
ConocoPhillips	USA	14,564
Total	France	14,238
Shell Transport & Trading	UK	12,601
Tesco	UK	12,029
Serco	UK	11,316
GUS	UK	10,970
BT	UK	10,695
Johnson & Johnson	USA	10,622
HSBC Holdings	UK	10,406
Meggitt	UK	10,392
Legal & General	UK	10,258
Duke Energy	USA	10,101
Lloyds TSB	UK	10,021
Deutsche Telekom	Germany	9,680
Sanofi-Aventis	France	9,673
AstraZeneca	UK	9,375
GlaxoSmithKline	UK	9,237
Persimmon	UK	8,971
Lehman Brothers	USA	8,956
Hartford Financial Services	USA	8,893
Aviva	UK	8,588
E.On	Germany	8,464
Moodys	USA	8,460
National Grid Transco	UK	8,145
BNP Paribas	France	7,902
Suncor Energy	Canada	7,889
HG Capital Trust	UK	7,832
Rio Tinto	UK	7,801
AXA	France	7,780
UST	USA	7,734
ScottishPower	UK	7,715
Bank of America	USA	7,565
Allianz	Germany	7,232
Wellpoint	USA	7,197
Adidas-Salomon	Germany	7,186
Anglo Irish Bank	Ireland	7,101
Ingersoll-Rand	USA	6,951
Imperial Tobacco	UK	6,907
Sage	UK	6,905
UBS	Switzerland	6,833
Wolseley	UK	6,822
Carnival	USA	6,749
Pepsico	USA	6,331
Pfizer	USA	6,329
Renal Care	USA	6,203
Close Brothers	UK	6,160
ANZ Bank	Australia	6,083
Lowe's Companies	USA	5,732
United Business Media	UK	5,722
BBA	UK	5,679
Vinci	France	5,658
Biomet	USA	5,634
AWG	UK	5,624
Fisher Scientific	USA	5,581
UK Balanced Property Trust	UK	5,529
Toyota Motor	Japan	5,527
P & O	UK	5,492
Esprit Holdings	Hong Kong	5,422
Rinker	Australia	5,271
Throgmorton Trust	UK	5,198
Continental	Germany	5,156
Whitbread	UK	5,055
BHP Billiton	UK	5,048
First Group	UK	5,032
Yamada Denki	Japan	5,015
Nobel Biocare	Switzerland	4,869
Schroder Japan Alpha Plus	Japan	4,827
Samsung Electronics	South Korea	4,758
Sempra Energy	USA	4,677

Listed Holdings

Holding	Country	£'000
United Utilities	UK	4,607
ING	Netherlands	4,512
Taylor Nelson Sofres	UK	4,511
Microsoft	USA	4,484
United Technologies	USA	4,476
GN Store Nord	Denmark	4,460
KT & G	South Korea	4,424
Scottish & Newcastle	UK	4,421
Dell	USA	4,332
ENI	Italy	4,280
Hon Hai Precision Industries	Taiwan	4,177
Beckman Coulter	USA	4,174
Swire Pacific	Hong Kong	4,091
BHP Billiton	Australia	4,035
Bed Bath & Beyond	USA	3,973
Novartis	Switzerland	3,908
Daito Trust Construction	Japan	3,853
Halfords	UK	3,767
Suzuki Motor	Japan	3,750
CSL	Australia	3,721
Metro	Germany	3,566
Daikin Industries	Japan	3,530
Insight Foundation Property Trust	UK	3,511
Société Générale	France	3,472
Marshall & Ilsley	USA	3,411
Insurance Australia Group	Australia	3,357
Fletcher Building	New Zealand	3,339
Hormel Foods	USA	3,290
Wimpey (George)	UK	3,245
Todco	USA	3,087
Equity Residential	USA	2,992
Yue Yuen Industrial	Hong Kong	2,972
MSC Industrial Direct	USA	2,956
Adobe Systems	USA	2,880
Acer	Taiwan	2,872
Man Group	UK	2,870
Standard Life Property Income Trust	UK	2,819
Prosieben Sat 1	Germany	2,800
China Petroleum	Hong Kong	2,438
Keppel	Singapore	2,427
JPMF Mercantile	UK	2,387
OCBC Bank	Singapore	2,382
China Steel	Taiwan	2,337
JPMF Japanese Smaller Companies	Japan	2,296
Clorox	USA	2,287
Qualcomm	USA	2,234
Petrochina	Hong Kong	2,189
T&F Informa	UK	2,156
Autoroutes du Sud de la France	France	1,957
Danske Bank	Denmark	1,933
Dah Sing Financial	Hong Kong	1,910
Roche Holding	Switzerland	1,677
Merrill Lynch British Smaller Companies	UK	1,643
Intel	USA	1,425
Others (under £1.0m)		2,378
		778,774

Unlisted Holdings

Holding	Country	£'000
Aberforth 1B	UK	9,848
Boston Ventures VI	USA	4,801
Apax Europe V	UK	4,199
Boston Ventures V	USA	2,045
1818 Fund III	USA	1,465
Sprout Capital VII	USA	1,405
Close Investment 1994 Fund	UK	1,245
Heritable Property & Loans	UK	1,233
Sprout Capital VIII	USA	1,161
Others (under £1.0m)		2,572
		29,974

Investor Information

The Scottish Investment Trust PLC (SIT) has been working to provide solid returns for investors for 118 years through bull and bear markets and the most volatile conditions. SIT aims to provide both capital growth through active management of the fund and steady growth in dividend income through its portfolio of holdings which is diversified by geography and industrial sector. A key strength of the company is its simplicity, with the focus on only one fund.

How to Invest

You can buy SIT stock using the simple, low cost investment products outlined below. SIT stock can also be bought directly on the stockmarket through a stockbroker or a bank, lawyer, accountant or other professional adviser.

STOCKPLAN

This investment trust savings scheme is one of the lowest charging available. Its flexibility allows 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

SIT's investing for children plan is based on the STOCKPLAN scheme and has the same low charges and flexible investment options. STOCKPLAN: A Flying Start enables family and friends to invest on behalf of a child with a view to providing an investment for the future. It also allows investors to set up a bare trust for a child as well as the usual designated plan, thus providing even greater flexibility. As it is not a Child Trust Fund (CTF) product, the scheme can be used to invest for a child regardless of when the child was born and there is no maximum investment limit. Although intended as a long term investment vehicle, the investment can be accessed if it is needed before the child reaches 18.

The SIT ISA

One of the most competitively priced ISAs on offer. Other than stamp duty and dealing spread, there is no initial, exit or withdrawal plan charge. The ISA 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.

The SIT PEP

This also has one of the lowest charging structures around. The annual fee is only £30 + VAT, again regardless of the number of SIT PEPs held or the value of the investment.

PEP and ISA tax issues

Investment in PEPs and ISAs continues to be free from any capital gains tax. Higher rate tax payers do not have

to pay any additional tax on the dividend, nor does it need to be included in a tax return.

Dividends

This year SIT will pay the interim dividend in July as usual. Last year's early payment of the interim dividend in March instead of July was exceptional. Please note that, as a result of this early payment of the 2004 interim dividend, for tax purposes for the tax year 2004-2005 there is only one SIT dividend to record – the year-end dividend paid in February 2005.

SIT PEP and ISA investors

The contact / helpline number for the SIT PEP and ISA administrator, Halifax Share Dealing (HSDL) is **0845 850 0181**.

This number should be used for any account queries, requests for valuations or information about your PEP or ISA, to give change of address details or for help with accessing PEP and ISA information on-line.

Electronic communications

If you are a name on register stockholder (ie, not in the PEP, ISA or STOCKPLAN schemes) you may choose to receive our interim and annual reports and other stockholder communications electronically instead of in paper form. All you need to do to register is to visit the link on our website at www.sit.co.uk and provide your email details. You will then be advised by email when an electronic communication is available to be accessed.

Electronic voting

Name on register stockholders are able to submit proxy votes electronically for our AGM. Details will be sent to investors with their annual report.

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

Risk Warning

The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and you may not get back the amount you originally invested. SIT has a long term policy of borrowing money to invest in equities in the expectation that this will improve returns and, should stockmarkets fall, such borrowings would magnify losses on these investments. Investment in SIT is intended as a long term investment. Taxation levels, bases and reliefs are subject to change and may depend on individual circumstances.

Useful Addresses

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
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0800 42 44 22
Fax: 0131 226 3663
Email: heather@sit.co.uk

Registered Office

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Edinburgh
EH2 4NL
Registered No: SCO 01651
Telephone: 0131 225 7781
Fax: 0131 226 3663

For valuations and other details of your investment or to notify a change of address, please contact the relevant administrator.

Registrar

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
BRISTOL
BS99 7NH
Helpline: 0870 702 0010
Website: www.computershare.com

PEP and ISA Administrator

The SIT PEP/ISA
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Trinity Road
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West Yorkshire
HX1 2RG
Helpline: 0845 850 0181
Website: www.halifax-online.co.uk

STOCKPLAN and STOCKPLAN:

A Flying Start Administrator

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

Association of Investment Trust Companies

SIT is a member of the Association of Investment Trust Companies (AITC) which publishes a number of useful free booklets and explanatory leaflets for investors interested in investment trusts. The AITC also regularly holds a number of investor roadshows throughout the country. Their address is:

AITC
9th Floor
24 Chiswell Street
London EC1Y 4YY
Telephone: 020 7282 5555
Website: www.aitc.co.uk