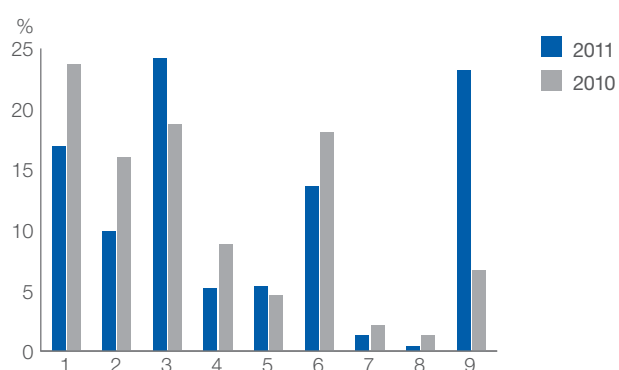


Management Review

Distribution of Total Assets by Region

At 31 October



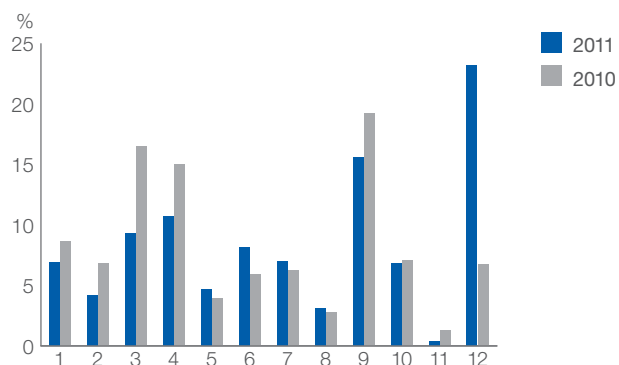
	2011 %	2010 %
1 UK	16.9	23.7
2 Europe (ex UK)	9.9	16.0
3 North America	24.2	18.7
4 Latin America	5.2	8.8
5 Japan	5.3	4.6
6 Asia Pacific (ex Japan)	13.6	18.1
7 Middle East & Africa	1.3	2.1
8 Fixed interest	0.4	1.3
9 Net current assets	23.2	6.7
Total assets	100.0	100.0

Changes in Asset Distribution by Region

	31 October 2010 £m	Net purchases/ (sales) £m	Appreciation/ (depreciation) £m	31 October 2011 £m
UK	165.7	(43.1)	(4.9)	117.7
Europe (ex UK)	118.6	(36.4)	(11.9)	70.3
North America	131.8	24.0	10.3	166.1
Latin America	65.3	(23.0)	(5.8)	36.5
Japan	34.1	(5.9)	9.2	37.4
Asia Pacific (ex Japan)	134.0	(32.9)	(4.6)	96.5
Middle East & Africa	15.6	(5.3)	(1.3)	9.0
Unlisted portfolio	15.9	(8.6)	0.8	8.1
Total equities	681.0	(131.2)	(8.2)	541.6
Fixed Interest	9.3	(6.1)	(0.2)	3.0
Net current assets	49.8	115.4	(0.8)	164.4
Total assets	740.1	(21.9)	(9.2)	709.0
Borrowings at par	(107.7)	(0.2)	-	(107.9)
Pension liability	(2.0)	-	(0.2)	(2.2)
Shareholders' funds	630.4	(22.1)	(9.4)	598.9

Distribution of Total Assets by Industry

At 31 October



	2011 %	2010 %
1 Oil & Gas	6.9	8.6
2 Basic Materials	4.2	6.8
3 Industrials	9.3	16.5
4 Consumer Goods	10.7	15.0
5 Health Care	4.7	3.9
6 Consumer Services	8.1	5.9
7 Telecommunications	7.0	6.2
8 Utilities	3.1	2.8
9 Financials	15.6	19.2
10 Technology	6.8	7.1
11 Fixed interest	0.4	1.3
12 Net current assets	23.2	6.7
Total assets	100.0	100.0

Changes in Asset Distribution by Industry

	31 October 2010 £m	Net purchases/ (sales) £m	Appreciation/ (depreciation) £m	31 October 2011 £m
Oil & Gas	63.5	(15.6)	0.8	48.7
Basic Materials	50.3	(15.9)	(4.5)	29.9
Industrials	121.9	(53.1)	(2.8)	66.0
Consumer Goods	111.3	(40.9)	5.4	75.8
Health Care	28.6	3.6	0.8	33.0
Consumer Services	44.0	11.8	1.7	57.5
Telecommunications	45.7	3.2	0.8	49.7
Utilities	21.1	1.3	(0.3)	22.1
Financials	142.0	(13.6)	(17.9)	110.5 ⁽¹⁾
Technology	52.6	(12.0)	7.8	48.4
Total equities	681.0	(131.2)	(8.2)	541.6
Fixed interest	9.3	(6.1)	(0.2)	3.0
Net current assets	49.8	115.4	(0.8)	164.4
Total assets	740.1	(21.9)	(9.2)	709.0
Borrowings at par	(107.7)	(0.2)	-	(107.9)
Pension liability	(2.0)	-	(0.2)	(2.2)
Shareholders' funds	630.4	(22.1)	(9.4)	598.9

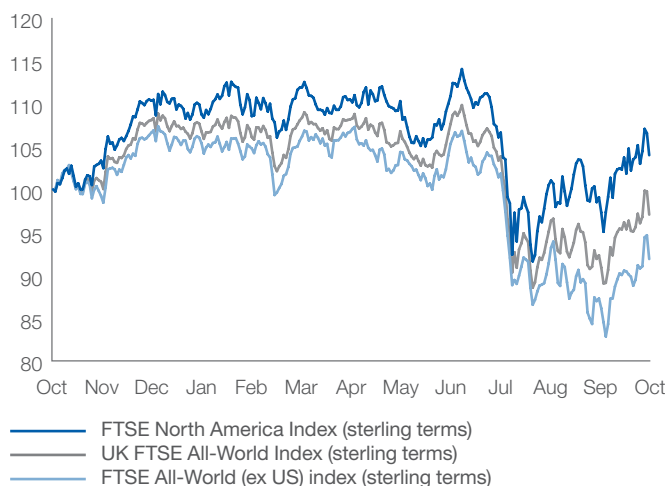
1. Includes £8.1m of investments which are unlisted.

Summary

- Subdued year for equity markets
- Global portfolio total return ahead of both global and UK indices
- Dividend income growth strong
- Discount to ex-income NAV tightened to 8.2%

The financial year to 31 October 2011 started on a positive note, continuing the stockmarket rally from the lows of mid-2010. However, the FTSE All-World Index was soon confined to a narrow trading range as investors weighed concerns over the escalation of the eurozone sovereign debt crisis against strong corporate profits and optimism regarding the global economic outlook. Markets fell in March following the Japanese earthquake and nuclear power plant disaster but recovered quickly. Having reached a new high for the year in early July, markets slumped shortly thereafter as the US sovereign credit rating was downgraded and eurozone debt concerns resurfaced, with the focus moving to the much larger economies of Italy and Spain. Equities staged a rally late in the year on brighter US economic data and hopes for a solution to the eurozone crisis.

**FTSE All-World, North America & All-World (ex US)
Year to 31 October 2011**



Source: Thomson Reuters

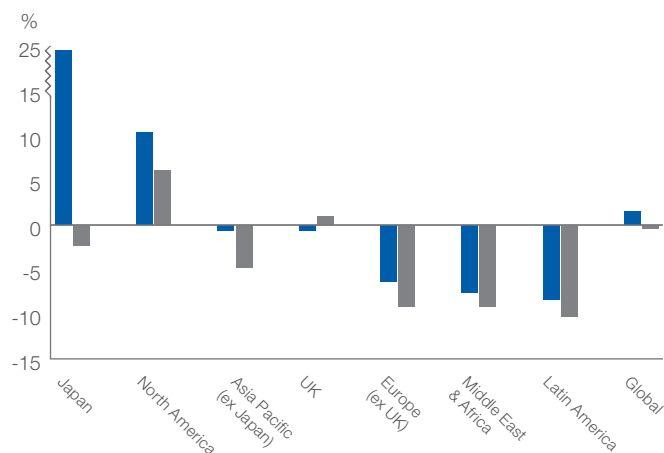
**Stockmarket Performance
10 years to 31 October 2011**



Source: Thomson Reuters

The FTSE All-World Index total return of -0.3% was driven by North America, which accounts for almost half of this global index and was the only region to post a sterling capital gain. The other regions within the All-World Index declined in capital terms and collectively by around -8%. With the exception of the troubled Europe (ex UK) region, developed markets performed better than faster growing regions and emerging markets. This pattern of risk aversion was also evident in sector returns as leadership rotated mid-year towards more economically defensive sectors.

Total Return by Region
Year to 31 October 2011



■ SIT equity portfolio
■ FTSE All-World Index

Source: Thomson Reuters

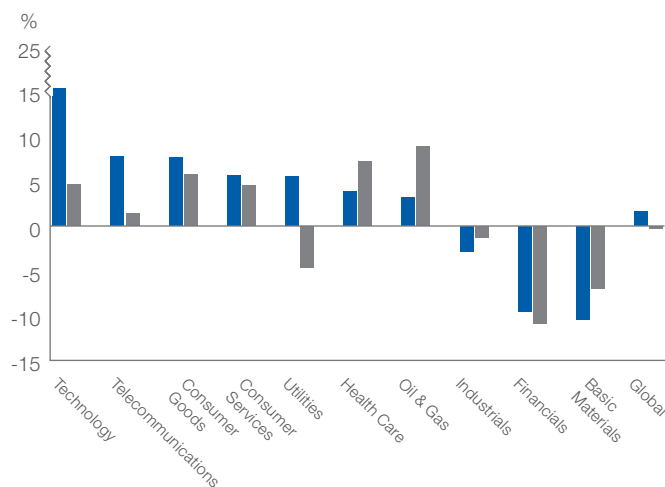
Indices are components of the FTSE All-World Index Series

The 1.6% total return for the company's global equity portfolio was ahead of the total return of both of the company's comparator indices, the global FTSE All-World Index (-0.3%) and the UK FTSE All-Share Index (+0.6%).

The equity portfolio outperformance was attributable to stock selection which added +4.0% and more than offset the -1.4% cost to relative performance from the under-exposure to North America. Portfolio holdings were ahead of the relevant FTSE All-World sub-indices in all six overseas regions.

The strongest absolute and relative returns were achieved by the **Japanese** holdings which rose 25.0% in total return terms compared with a -2.3% regional index return. Japanese holdings which contributed materially included **Sega Sammy**, a producer of pachinko and pachislot amusement arcade machines, and **Daito Trust Construction** which is a builder of rental housing. **Daihatsu Motor**, an automotive company with a niche focus on mini-vehicles and cars in Japan, also did well. Daihatsu has the leading brand within the mini-vehicle sub-sector which enjoys preferential tax treatment in Japan and is also benefiting from strong demand elsewhere in Asia.

Total Return by Industry
Year to 31 October 2011



■ SIT equity portfolio
■ FTSE All-World Index

Source: Thomson Reuters

Indices are components of the FTSE All-World Index Series

North American holdings achieved a total return of 10.4% compared with 6.1% for the FTSE All-World North America Index. The largest contributor to regional and global performance was again **Apple** which performed well reflecting continued growth across its product segments. Significant profits were booked as the holding was reduced by £11.0m. Maintaining Apple's strategic and operating momentum will be a challenge without co-founder Steve Jobs who passed away during the year. **McDonald's**, the world's largest quick-service restaurant group, benefited from its product offering being well-suited to an uncertain economic climate. North American oil equipment & service holdings also made a material contribution including **FMC Technologies**, a provider of technology solutions for the energy industry. A full valuation after a period of strong outperformance prompted the outright sale of the holding. **National Oilwell Varco**, which designs, manufactures and sells equipment and components used in oil and gas drilling and production, also did well. Elsewhere in the US, new holdings **Accenture**, **Ross Stores**, **Coca-Cola** and **UnitedHealth Group** all made positive contributions.

In **Asia Pacific (ex Japan)**, the outstanding regional contribution came again from **Kia Motors**, South Korea's second largest automobile manufacturer. Kia's new models led to market share gains, particularly in the domestic and US markets. Cost control and technology sharing agreements with sister company Hyundai Motors enabled further margin improvement. Profits were taken in Kia through sales of £12.8m.

Management Review (continued)

In the **UK**, two holdings produced particularly good contributions – Spectris and BT. **Spectris**, a leading supplier of industrial precision instrumentation and controls, benefited from strong demand in all regions and notably from emerging markets. The holding was reduced by £5.9m with significant profits taken. **BT** benefitted from a repositioned Global Services business, increased broadband market share and a defence of its traditional retail business. International services company **Serco** underperformed due to an uncertain outlook for government budgets in the UK and US. Following sales at the end of the last financial year, reductions of £11.8m were made mostly early in the year.

In **Europe (ex UK)**, a generally low exposure to troubled European financials, and a good performance in Industrials enabled the holdings in the region to outperform despite having the two investments most detrimental to performance. **Marine Harvest**, the world's largest producer of farmed salmon, faced a supply glut which led to reduced pricing.

The share price fall was offset to a degree by a dividend payment equivalent to over 11% of purchase cost. Reductions made to the holding in French bank **BNP Paribas** were insufficient to avoid some cost to performance as its share price suffered from its exposure to the eurozone financial markets.

Latin America holdings produced the worst regional total return in the portfolio but did better than the regional index. Performance was helped by positive contributions from power utility group **CPFL Energia**, toll road operator **CCR** and new Brazilian beverage holding, **Ambev**.

Analysing the global equity outperformance on an industry basis, industry allocation and stock selection were both positive and contributed +0.4% and +1.6% respectively to the +2.0% portfolio relative outperformance.

NAV Attribution Analysis by Region Year to 31 October 2011

	%
NAV with borrowings at par total return	0.0
FTSE All-World Index total return	-0.3
Relative performance	0.3

	Region Allocation %	Stock Selection %	Contribution %
UK	0.1	-0.1	0.0
Europe (ex UK)	0.3	0.5	0.8
North America	-1.4	1.0	-0.4
Latin America	-0.6	0.2	-0.4
Japan	0.0	1.8	1.8
Asia Pacific (Ex Japan)	-0.3	0.5	0.2
Middle East & Africa	-0.1	0.0	-0.1
Unlisted portfolio	0.0	0.1	0.1
Total equities	-2.0	4.0	2.0
Gearing			0.0
Other income, tax & currency			-0.4
Buybacks			0.4
Interest and expenses			-1.7
Relative performance			0.3

NAV Attribution Analysis by Industry Year to 31 October 2011

	%
NAV with borrowings at par total return	0.0
FTSE All-World Index total return	-0.3
Relative performance	0.3

	Industry Allocation %	Stock Selection %	Contribution %
Oil & Gas	0.0	-0.7	-0.7
Basic Materials	0.2	-0.2	0.0
Industrials	0.0	-0.1	-0.1
Consumer Goods	0.0	0.5	0.5
Health Care	-0.2	-0.1	-0.3
Consumer Services	0.1	0.2	0.3
Telecommunications	0.1	0.5	0.6
Utilities	0.1	0.4	0.5
Financials	0.1	0.3	0.4
Technology	0.0	0.8	0.8
Total equities	0.4	1.6	2.0
Gearing			0.0
Other income, tax & currency			-0.4
Buybacks			0.4
Interest and expenses			-1.7
Relative performance			0.3

Contributors to Absolute Performance

	Total Return Performance %	Positive Contribution %		Total Return Performance %	Negative Contribution %
Apple	32.6	1.0	Marine Harvest	-56.0	-0.5
Kia Motors	64.7	1.0	BNP Paribas	-44.3	-0.4
Daito Trust Construction	50.9	0.5	Serco	-16.0	-0.3
McDonald's	22.0	0.5	Shanghai Industrial	-27.2	-0.3
Sega Sammy	36.5	0.4	Hutchison Port Holdings Trust	-34.6	-0.3

There were three broad aspects driving portfolio activity over the year. First, a steady reduction in gearing from a starting level of 110% (with borrowings at market value) to 106% by January was followed by larger sales of equities in August and September to take effective equity gearing down to a year-end position of 94%. This was based on concerns over the global macro-economic outlook and developments within the eurozone.

Second, while de-gearing, Industrials holdings were reduced by £53.1m. Amidst a deteriorating economic outlook, several of these companies appeared relatively fully valued with profit margins at cyclical highs. In so doing, we exited **Schneider Electric** and made significant reductions to **Atlas Copco**, **Spectris** and **Komatsu**, all of which had been strong performers in recent years. In consumer goods, we also made significant reductions to Hong Kong-based sourcing agent **Li & Fung**. Within Oil & Gas, we sold the holding in **BP**, which had been built up at depressed levels in the previous year following the Gulf of Mexico oil spill. The portfolio was placed on a more defensive footing as the year progressed which overall was helpful to performance given the shift in market leadership in the second half.

The third strand to portfolio activity was to add £24.0m to North America while selling a net £155.2m from all other regions. This raised North America exposure to over 31% of total equities which was also helpful to performance.

The NAV (with borrowings at par) total return was 0.0%. The outperformance by the global equity portfolio added 2.0% to NAV performance and the uplift from share buybacks added 0.4%. Gearing had a neutral effect while the combined charge for interest and expenses deducted 1.7% from NAV performance.

The NAV total return with borrowings at market value was -2.4%. The difference between the return with borrowings at par and market value was attributable to the sharp decline in UK gilt yields which increased the market value of the borrowings.

Turnover of 36% was elevated by the net sales of equities to lower effective equity gearing levels. Underlying portfolio turnover excluding moves to de-gear and buy back shares, was 26%.

Holdings in Listed Closed-ended Investment Funds

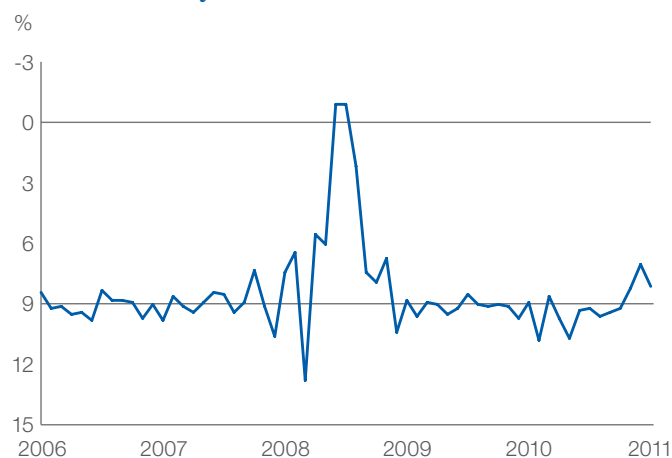
Company holdings include investments in listed closed-ended investment funds of £24.1m: 3.4% of gross assets (2010: £17.6m: 2.4%). These are held to provide, variously, exposure to private equity, small companies, Indian and environmental equities. The company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds.

Unlisted Portfolio

The company's unlisted portfolio appreciated by £0.8m. Net distributions from the unlisted portfolio totalled £2.7m (2010: £4.1m). No new partnerships were entered into during the year and outstanding commitments to invest in such partnerships totalled £1.0m (2010: £1.1m).

The unlisted portfolio was valued at £8.1m (2010: £15.9m) which is equivalent to 1.4% of shareholders' funds. Hg Capital Trust, a UK listed fund which specialises in unlisted investments, was moved to the listed portfolio at the beginning of the year at a value of £5.9m.

Discount to ex-income NAV* 5 years to 31 October 2011



* with borrowings at market value (monthly).

The discount to ex-income NAV (with borrowings at market value) narrowed from 9.0% to 8.2% over the year which was within the targeted level of 9.0% under the company's discount control policy. Under this policy, 3.9m (2010: 8.1m) shares were repurchased at a cost of £19.3m (2010: £36.0m) and at an estimated average discount of 10.0%.

Analysis of Share Register at 31 October 2011

Category of holder	Number	Ordinary capital %
Individuals	23,364	66.7*
Insurance companies	13	18.0
Investment companies	58	5.1
Pension funds	29	5.0
Other	152	5.2
Total	23,616	100.0

* Includes 21.0% held in SIT Savings' products.

Glossary

Total assets means total assets less current liabilities.

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

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

Borrowings at par is the nominal value of the company's borrowings less any unamortised issue expenses.

Borrowings at market value is the company's estimate of the 'fair value' of its borrowings. The estimated fair value of the company's secured bonds was based on the redemption yield of the reference gilt plus a margin of 100 basis points (1 percentage point). The reference gilt is the 6% Treasury Stock 2028.

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

Gearing is the term used to describe the process of borrowing money for investment purposes in the expectation that the returns on the investments purchased will exceed the cost of those borrowings.

Gross (potential) gearing is the gearing ratio if all borrowings were invested in equities: shareholders' funds (excluding current year revenue) + borrowings, expressed as a percentage of shareholders' funds.

Effective equity gearing is the true geared position of the company: shareholders' funds (excluding current year revenue) + borrowings – fixed interest investments – net current assets, expressed as a percentage of shareholders' funds.

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Distribution of Total Assets by Industry

	31 October 2011 %	31 October 2010 %
Oil & Gas	6.9	8.6
Oil & Gas Producers	5.5	6.4
Oil Equipment, Services & Distribution	1.4	2.2
Basic Materials	4.2	6.8
Chemicals	0.4	1.2
Industrial Metals	0.5	1.1
Mining	3.3	4.5
Industrials	9.3	16.5
Construction & Materials	2.1	1.4
Aerospace & Defence	–	0.4
General Industrials	1.1	4.4
Electronic & Electrical Equipment	1.0	2.3
Industrial Engineering	2.1	3.1
Industrial Transportation	2.4	2.4
Support Services	0.6	2.5
Consumer Goods	10.7	15.0
Automobiles & Parts	3.6	5.8
Beverages	1.5	–
Food Producers	1.8	1.4
Household Goods	–	0.5
Leisure Goods	1.3	1.0
Personal Goods	0.2	3.6
Tobacco	2.3	2.7
Health Care	4.7	3.9
Health Care Equipment & Services	2.2	1.0
Pharmaceuticals & Biotechnology	2.5	2.9
Consumer Services	8.1	5.9
Food & Drug Retailers	1.4	0.3
General Retailers	2.9	2.9
Media	0.9	0.8
Travel & Leisure	2.9	1.9
Telecommunications	7.0	6.2
Fixed Line Telecommunications	1.5	1.8
Mobile Telecommunications	5.5	4.4
Utilities	3.1	2.8
Electricity	1.3	0.8
Gas, Water & Multiutilities	1.8	2.0
Financials	15.6	19.2
Banks	5.6	11.9
Non-life Insurance	1.1	1.2
Life Insurance	1.1	1.2
Real Estate Investment & Services	1.7	–
Real Estate Investment Trusts	0.6	–
Financial Services	1.7	1.3
Equity Investment Instruments	3.8	3.6
Technology	6.8	7.1
Software & Computer Services	2.8	2.4
Technology Hardware & Equipment	4.0	4.7
Total equities	76.4	92.0
Fixed interest	0.4	1.3
Net current assets	23.2	6.7
Total assets	100.0	100.0

Based on total assets at 31 October 2011 of £709.0m (2010: £740.1m).

List of Investments

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %	Holding	Country	Market value £'000	Cumulative weight %
Apple	US	20,625*		US Bancorp	US	3,511	
McDonald's	US	16,579*		Freeport-McMoRan Copper & Gold	US	3,481	
Daito Trust Construction	Japan	10,916*		Imperial Tobacco	UK	3,470	
Chevron	US	10,778*		Taiwan Mobile	Taiwan	3,446	
Repsol YPF	Spain	9,728*		MedicX Fund	UK	3,375	
Sega Sammy	Japan	9,506*		Associated British Foods	UK	3,216	
Daihatsu Motor	Japan	9,304*		Svenska Handelsbanken	Sweden	3,169	
Ross Stores	US	9,206*		Noble	US	3,126	
CIMB	Malaysia	9,087*		BASF	Germany	3,123	
Tencent	Hong Kong	8,565*	21.0	Shanghai Industrial	China	3,082	90.9
América Móvil	Mexico	8,312		MTN	South Africa	3,004	
Capital One Financial	US	8,069		IG Group	UK	2,870	
Qualcomm	US	8,061		Morrison (Wm.) Supermarkets	UK	2,780	
Fresenius Medical Care	Germany	7,922		Enel	Italy	2,596	
China Mobile	China	7,832		Aberforth Geared Income Trust	UK	2,485	
Sampo	Finland	7,818		Marine Harvest	Norway	2,470	
Jardine Matheson	Singapore	7,705		Standard Chartered	UK	2,420	
UnitedHealth Group	US	7,683		Banco Brasil	Brazil	2,321	
KT & G	South Korea	7,674		Fast Retailing	Japan	2,256	
Nestlé	Switzerland	7,315	35.4	Greggs	UK	2,109	95.5
Spectris	UK	7,295		Antofagasta	UK	2,061	
Severn Trent	UK	7,290		Walmex	Mexico	1,996	
Kia Motors	South Korea	7,288		Zoomlion Heavy Industry	China	1,783	
Rockwell Automation	US	7,147		Banco Santander	Spain	1,632	
eBay	US	7,012		Petrobras	Brazil	1,376	
Royal Dutch Shell	UK	6,752		BNP Paribas	France	1,306	
Comcast	US	6,655		Li & Fung	Hong Kong	1,035	
National Oilwell Varco	US	6,603		Citigroup	US	969	
Hess	US	6,501		Lloyds Banking Group	UK	825	
CPFL Energia	Brazil	6,433	48.1	Komatsu	Japan	322	
Norfolk Southern	US	6,374		Total listed equities		533,433	98.0
CCR	Brazil	6,322					
Coca-Cola	US	6,300					
Vodafone	UK	6,213					
Accenture	US	6,191					
Hg Capital Trust	UK	6,050					
Aspen Pharmacare	South Africa	6,000					
BT	UK	5,878					
BHP Billiton	UK	5,873					
United Utilities	UK	5,778	59.2				
Pfizer	US	5,710					
ANZ Banking	Australia	5,709					
GlaxoSmithKline	UK	5,668					
Vale	Brazil	5,635					
Newcrest Mining	Australia	5,475					
DBS	Singapore	5,457					
Philip Morris International	US	5,377					
Atlas Copco	Sweden	5,290					
Walgreen	US	5,168					
KDDI	Japan	5,106	69.3				
Telstra	Australia	5,052					
Oracle	US	4,991					
Wharf Holdings	Hong Kong	4,965					
Volkswagen	Germany	4,864					
Tele2	Sweden	4,849					
JP Morgan Indian Investment Trust	India	4,515					
Serco	UK	4,366					
Vinci	France	4,319					
Rio Tinto	UK	4,184					
Ambev	Brazil	4,122	77.8				
Hutchison Port Holdings Trust	Singapore	4,120					
British Land	UK	4,087					
Aviva	UK	4,040					
Standard Life	UK	3,895					
GKN	UK	3,859					
Tüpras	Turkey	3,839					
Ladbroke's	UK	3,767					
China Overseas Land & Investment	China	3,666					
HSBC	UK	3,543					
Impax Environmental Markets	UK	3,540	84.8				
				Total unlisted		8,121	1.5
				Total equities		541,554	99.5

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Boston Ventures VI	US	4,720	
Apax Europe V-B	UK	1,293	
Heritable Property & Subsidiaries	UK	1,153	
Boston Ventures V	US	519	
Others (under £0.5m) (4)	US	436	
Total unlisted		8,121	1.5
Total equities		541,554	99.5

Fixed Interest

Holding	Coupon	Date	Country	Market value £'000	Cumulative weight %
Western Union	5.4%	2011	US	848	
Lowe's	5.6%	2012	US	844	
Kraft Foods	6.3%	2011	US	835	
E.ON	6.4%	2012	Germany	461	
Total fixed interest				2,988	0.5
Total investments				544,542	100.0

* Denotes 10 largest holdings with an aggregate market value of £114,294,000.