

Management Review

Investment Philosophy

- *To pursue a flexible investment policy avoiding any permanent specialisation.*
- *To focus on fundamental value and employ a disciplined investment approach.*
- *To invest in well-managed companies in established stock markets around the world.*
- *To enhance performance in rising markets by prudent use of borrowed money.*
- *To provide simple, low cost investment and savings products for investors.*

Market Performances

Year to 31 October 2004

	Currency Adjusted %	In Local Terms %
UK	+8.1	+8.1
Europe (ex UK)	+11.2	+9.3
USA	-0.3	+7.7
Japan	-0.2	+4.0
Pacific (ex Japan)	+3.4	+7.6
Benchmark	+5.6	

Performance Attribution Analysis

Year to 31 October 2004

	%
Increase in NAV (excl. debt repayment)	+5.75
Debt repayment	-3.13
Increase in NAV	+2.62
Increase in benchmark index	+5.56
Relative performance	-2.94
Asset allocation	-0.20
Stock selection	+0.91
Gearing	+0.59
Interest and expenses charged to capital less retained earnings	-1.20
Buybacks	+0.14
Residual	-0.05
Relative performance (excl. debt repayment)	+0.19
Debt repayment	-3.13
Relative performance	-2.94

The attribution analysis shows how the overall performance of the company's NAV (with borrowings at par) relative to the benchmark has been achieved.

Performance Attribution

Last year, world equity market returns in the main regions were similar in local terms at 7% to 9% with the exception of Japan which rose by only 4%. Commodity-based countries also did well including South Africa and Canada.

The weakness of the US dollar was a significant factor for sterling investors. Sterling returns for the US and Pacific (ex Japan) markets were similar in local terms but reduced to -0.3% and +3.4% respectively when translated back into sterling. Sterling's strength against the Japanese yen also reduced sterling returns to almost zero here. The strongest sterling returns of the major regions came from Europe (ex UK) followed by the UK.

Our asset allocation result benefited from being overweight in Europe (ex UK) and underweight in the US although this was offset by being overweight in Pacific (ex Japan) and underweight in the UK and some of the smaller commodity-related markets.

Our record of good stock selection, which suffered a poor year in 2003, was restored. Stock selection added almost 1% to NAV performance due to the outperformance by the global portfolio. There were strong performances in Europe (ex UK) and the Pacific (ex Japan) and a good recovery over the year in the US which also outperformed. The UK portfolio recovered from a bad start to the year and underperformed by a narrow margin. Japan also underperformed modestly.

Over the nine months since the portfolio was restructured, stock selection has been strong in

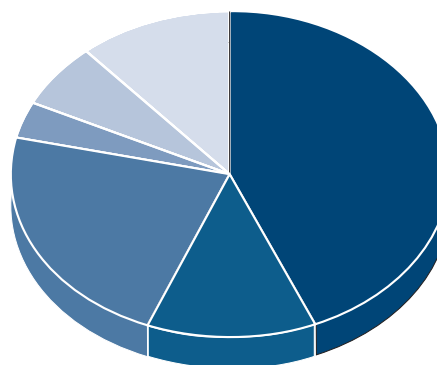
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all regions with the exception of Japan, allowing the global portfolio to rise 5.1% between end January and end October compared with the benchmark rise of 3.1%.

The market recovery of 2003 was driven by a strong performance from cyclical and technology stocks which offered most leverage to the recovering economy. By the start of the year, these stocks were looking relatively expensive and thereafter, our own holdings began to outperform. The contribution from stock selection was sharpened by the disposal of a material number of holdings, some of which subsequently underperformed significantly.

With world markets only rising 3.5% in sterling, and our benchmark by 5.6%, the benefit of our borrowings employed was wholly negated by interest and expenses charged to capital which left a net cost to NAV relative performance of 1.0%. The cost of repaying two of our long term higher coupon fixed rate debentures had a material impact on the NAV performance with borrowings valued at par, reducing it by 3.1%.

Distribution of Total Assets
At 31 October 2004



	2004 %	2003 %
UK	43.6	45.7
Europe (ex UK)	12.6	9.6
North America	22.5	23.9
Japan	3.5	3.3
Pacific (ex Japan)	6.5	6.1
Net current assets	11.3	11.4
Total assets	100.0	100.0

Changes in Asset Distribution

Year to 31 October 2004

	Opening Valuation £m	Net Purchases (Sales) £m	Appreciation (Depreciation) £m	Closing Valuation £m
UK	402.3	(73.2)	26.9	356.0
Europe (ex UK)	90.3	7.3	13.7	111.3
North America	208.6	(24.0)	0.2	184.8
Japan	31.1	0.4	(0.5)	31.0
Pacific (ex Japan)	57.6	(3.0)	3.3	57.9
Unlisted portfolio	44.5	(9.5)	5.6	40.6 ¹
Total equities	834.4	(102.0)	49.2	781.6
Net current assets	107.7	(10.7)	2.7 ²	99.7
Total assets	942.1	(112.7)	51.9	881.3
Borrowings	(222.6)	75.0	(0.2)	(147.8)
Stockholders' funds	719.5	(37.7) ³	51.7	733.5

¹ Includes £6.7m of investments which are listed.

² Includes retained earnings.

³ Ordinary stock units repurchased, interest and expenses apportioned to capital and premium on repayment of debentures.

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Changes in Distribution

Having maintained effective gearing at relatively high levels as the market bottomed in early 2003, effective gearing was lowered in 2004 from 116.0% at the start of the year to 106.6% after the market recovery of 2003/4. The potential gearing ratio if we were to invest all borrowings in equities would be 120.2% (2003 – 130.9%). The average interest cost of borrowings, all of which are fixed rate and long term, is 5.9% (2003 – 6.9%). We have net current assets of £99.7m or 11.3% of total assets (2003 – 11.4%).

We made net sales of £102.0m in order to lower gearing and to fund buybacks of £3.9m and the repayment in July of £75m nominal of long term debentures at a repayment cost of £97.4m. Sales were mainly from our UK and North America regions while we added £7.3m to Europe (ex UK). We ended the year with proportionately higher asset allocations to Europe (ex UK) and the Pacific (ex Japan), two regions where we are already overweight. We remain underweight in North America and have moved underweight in the UK.

Unlisted Portfolio and Largest Unlisted Investment

The unlisted portfolio appreciated in value by 14.1%. The largest unlisted investment is Aberforth Limited Partnership 1B which holds stakes in small listed UK companies. At 31 December 2003, the date to which the last audited partnership accounts were prepared, the net assets attributable to our investment were £14.7m. At 31 October 2004, the cost of our 27.1% interest was £7.8m and the valuation was £13.3m. The partnership does not compute earnings per share or pay a dividend.

Largest Unlisted Holdings

At 31 October 2004

		£m
Aberforth LP 1B	Investment in small UK listed companies	13.3
Boston Ventures Funds	Venture capital, US	7.3
HG Capital Trust (Listed)	Venture capital, UK	6.0
Apax Europe V	Venture capital, Europe	3.4
Sprout Group Funds	Venture capital, US	3.0
		33.0

We did not enter into any new partnerships during the year. At year end, our commitments to invest in partnerships were £8.1m (2003 – £12.0m) and we anticipate that these will be met in large part from distributions from existing holdings.

The unlisted portfolio was valued at a total of £40.6m which is equivalent to 5.5% (2003 – 6.2%) of stockholders' funds. Included in this figure is £6.7m which is invested in listed funds which specialise in unlisted investments.

Holdings in Listed Funds

Our holdings include investments in listed investment funds of £28.4m (2003 – £16.1m). These are held to provide exposure to smaller companies in the UK and Japan and also the UK property sector. In addition, £6.7m (2003 – £5.8m) of listed funds which specialise in unlisted investments are included in the unlisted portfolio valuation of £40.6m (2003 – £44.5m).

The board has a policy not to invest more than 15% of gross assets in other UK listed investment companies.

Portfolio Turnover

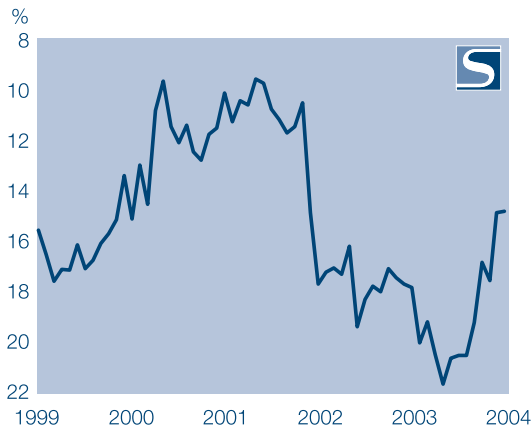
Total purchases of investments amounted to £288.1m (2003 – £154.7m) and sales were £390.1m (2003 – £176.6m). Investment sales were 42.8% (2003 – 19.2%) of average total assets. Turnover levels were unusually high during the year due to the restructuring of the regional portfolios into a smaller number of holdings within a single global portfolio and also due to the degearing. Dealing expenses during the restructuring process were minimised by using low-cost dealing programmes. Commission paid to brokers on purchases and sales during the year was £1,125,000 (2003 – £659,000).

No use was made of investment derivatives or currency hedges during the year.

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Discount to NAV with borrowings at par

5 years to 31 October 2004



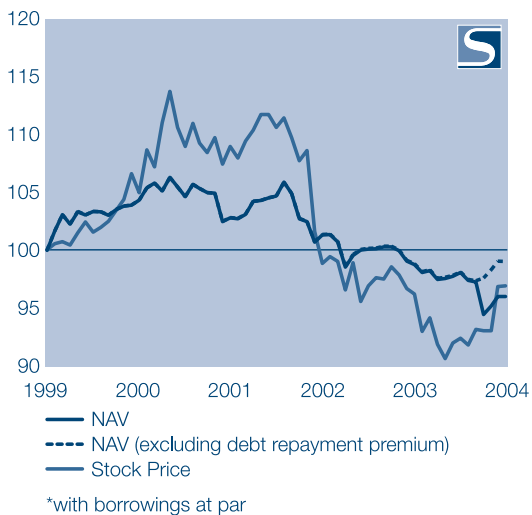
Analysis of Stock Register

At 31 October 2004

Category of holder	Number	Ordinary
		Capital %
Individuals	30,984	51.6
Investment companies	75	20.0
Insurance companies	21	17.1
Pension funds	36	6.3
Other	157	5.0
Total	31,273	100.0

NAV* and Stock Price relative to Benchmark

5 years to 31 October 2004



Services to Investors

Sales of our savings plan rose encouragingly this year, with our investing for children product the driving force behind positive figures. The tax efficient products fared less well following the demise of the tax credit on dividend income. Individuals hold 51.6% of SIT's stock, including 13.7% held in SIT Savings' products.

Our savings and investment schemes allow quick and easy access to SIT stock. Simple to use, they are low cost, transparent and flexible. The schemes are appropriate for the long term investor.

Our website www.sit.co.uk has been redesigned to improve ease of access and navigation. It provides a wide range of regularly updated information on the company and is a quick and easy way of obtaining information on and application forms for SIT's products. It is also the gateway for certificated stockholders and for PEP and ISA investors to obtain current valuations of their holdings online.

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GLOBAL ECONOMIC BACKDROP

The outlook for global economic growth improved steadily over 2004 which now looks like being the peak year of growth in an economic cycle which turned upward in 2002.

There have been two principal drivers behind the acceleration in global economic activity. The first was the monetary and fiscal stimulus to the US economy which saw short term US interest rates reduced to as low as 1% between mid-2003 and mid-2004. This action allowed US consumption spending to remain robust. The second factor was the growth of the Chinese economy from late 2001 onwards. Industrial production growth in China has been running at 15–20% during 2003/4 and through trade linkages with the rest of Asia, commodity-producing nations and the export sectors of the developed world, China has been an important lever of economic growth.

Chinese demand accounts for a rapidly increasing share of exports from around the World, with Japan, Korea and Taiwan among the most affected. Germany is also seeing a material impact on its exports.

The recovery in economic growth and burgeoning demand from China were two factors in the dramatic rise in the oil price which rose by over 75% during our year to over \$50 per barrel in October. Continued supply uncertainties and ongoing security concerns in the Middle East introduced a speculative element to oil prices.

With inflation remaining subdued, global interest rates bottomed in 2004 as central banks in the US, UK and elsewhere raised rates from cyclical lows. US rates have been increased four times during 2004 to stand at 2.0% at end October. With the European recovery still a fragile one, the European Central Bank (ECB) left rates unchanged. China increased its interest rates in October, bolstering other measures which were taken to control economic growth.

The US economy, which fuelled so much of world growth throughout the 1995-2002 period, has rebounded strongly with 2004 growth likely to exceed 4%. However, this growth has been achieved by means of very low short term interest rates and a return to a federal budget deficit.

US consumer confidence indicators are now weakening which may reflect the fact that the recovery to date has not been accompanied by a typical level of increase in employment. Consumption growth has been financed by increased indebtedness and a further erosion of personal savings.

Continued strong consumption in the US also ensured a further deterioration in the US trade deficit. Despite continued external buying of US treasury bonds, the US dollar has remained persistently weak.

For most of the year, UK GDP growth was above-trend with consumer spending underpinned by a strong housing market. Consumer price inflation remained well below the Bank of England's target of 2%. Concerns that the strength of the housing market might push inflation above this level prompted an increase in UK base rates of 0.25% in November 2003 and on four more occasions subsequently to 4.75%. By October, the rate increases were taking effect and the housing market was showing signs of slowing.

Europe was again the laggard among the major regions. Growth was modest over the year with 2004 growth expectations being steadily ratcheted down. Growth was driven by export demand, with Germany in particular achieving nearly all of its growth through exports to more buoyant parts of the world. France, Spain and Italy experienced stronger domestic economies.

Asian countries recovered quickly from the effects of SARS in 2003 with the Chinese economy in particular resuming its very strong growth in trade, both with Asia and the rest of the world. The Chinese economy has produced reported real GDP growth close to 10% through 2003 and 2004 although this could be an understatement. Concerns surrounding the possible overheating of its economy led the Chinese authorities to implement administrative measures to control growth and avert a sharp slowdown, followed by the decision to raise interest rates in October.

The Korean economy has faltered this year due in part to its reliance upon imported oil and also a weak consumer sector suffering from high debt levels. Australia and New Zealand both enjoyed strong domestic economic conditions and firm housing markets which prompted their respective central banks to be the first in developed economies to raise interest rates.

The sharpest economic recovery over the year was that of Japan where 2004 expectations have improved dramatically. China's growth proved beneficial for Japanese capital equipment exporters. However, this period of relative strength appears to be losing momentum.

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GLOBAL EQUITY MARKET BACKDROP

The company's year started with a continuation of the recovery from the bear market of 2000/03.

Although the UK FTSE All-Share rallied by over 40% between March 2003 and our half-year in April, it and the other main markets spent much of 2004 within a narrow trading range, weathering concerns over rising interest rates, consumer debt levels, high oil prices and the risk to global growth from a slowdown in China.

Corporate profits continued to recover sharply and analyst earnings forecasts for 2004 and 2005 were increased. Improving economies, low inflation and low interest rates provided ideal conditions for the market recovery of 2003/4.

In October, markets broke out of the trading range on signs of cooling oil prices and an easing of interest rate expectations.

Over the year, the main regions appreciated by 7–9% in local terms. The exception was Japan, which rose only 4%, where we were modestly underweight. The local currency gains of the US and Japanese markets were eliminated in sterling by the relative strength of sterling against the US dollar and yen.

The strongest sterling returns were earned in Europe (ex UK), where we were overweight, and the UK. Global equity markets returned 3.5% over the year in sterling and our 50/50 benchmark appreciated by 5.6%.

Globally, the best performing area over the year was the Oil & Gas sector, reflecting improved profit expectations following the rise in oil prices. Utilities were strong in the UK due to a demand for safe income backed up by improved regulatory newsflow and also in Europe, where some utility companies have been restructuring.

Sectors like Construction & Building Materials and Steel also benefited from a combination of attractive valuations coupled with strong earnings upgrades. The worst performing area during the year was Information Technology which had performed well last year as economic growth picked up but now faces slowing order growth.

PORTFOLIO ACTIVITY AND PERFORMANCE

After a slow start, the global portfolio outperformed over the year by 0.9%. We had strong outperformance in Europe (ex UK) and Pacific (ex

Japan) while the US holdings recovered well to also end up ahead. The UK narrowly underperformed as did our small Japan region.

Following a board level strategy review in 2003, the regional portfolio structure was replaced mid-year by a single global portfolio approach. The company has a good long term record in stock selection and it was decided to raise its emphasis. To increase performance potential, the number of holdings has been reduced substantially. Commencing with an initial restructuring in January, a single global portfolio was created by the integration of the regional portfolios with the total number of listed holdings reduced from over 200 last year to 150.

This has led to a clearer focus on our strongest investment ideas while retaining ample diversification. Work continues to refine the portfolio and we are likely to reduce the number of names further to raise the performance potential of the portfolio.

The improvement in stock selection was helped in part by the number of complete sales of holdings which subsequently underperformed badly. Examples of these sales include Compass, Pearson, Logica CMG and Hanson in the UK; Convergium and Nokia in Europe (ex UK); and Marsh & McLennan, Sysco, Cisco Systems and Cardinal Health in the US.

Global outperformance over the year benefited from good sector positioning in Oil & Gas and Construction & Building Materials where we were overweight and also in IT Hardware and Pharmaceuticals where we were underweight.

RESOURCES

Mining/Oil & Gas

Our largest absolute gains were made in the Oil & Gas sector where our holdings appreciated by £16.8m. During the year we added a new name, Suncor Energy, which performed well. Suncor Energy is a Canadian oil company with an excellent long term production outlook due to its reserves in the Athabasca Tar Sands of Canada. We also rearranged our holdings during the year to place more emphasis on the overseas oil majors which we regarded as offering better value. We added to ConocoPhillips (US) and Total (France) funded out of reductions in Shell (UK) and BP (UK) and an outright sale of Exxon Mobil (US). We also made good profits in a US oil refiner, Valero, which we held during the year.

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BASIC INDUSTRIES

Chemicals/Construction & Building Materials/Forestry & Paper/Steel & Other Metals

Our main involvement in Basic Industries is in the Construction & Building Materials sector where we were overweight and also selected well. Profits were made through our holdings in UK housebuilder Persimmon and also by RMC (UK) which was the subject of a cash bid by Cemex of Mexico. Fears over the housing market caused our UK housebuilders Wimpey and Persimmon to underperform over the second half of the year despite their attractive valuations. Daito Trust Construction in Japan also performed well as did new holding Fletcher Building, a New Zealand based construction company. The single best performer among our sector holdings was French car-park to construction group, Vinci.

In the Steel sector, we added a new holding in Taiwan-based China Steel.

GENERAL INDUSTRIALS

Aerospace & Defence/Diversified Industrials/Electronic & Electrical Equipment/Engineering & Machinery

Despite the broad economic recovery of 2003/4, General Industrials only performed in line with global markets. We streamlined our holdings here, exiting nine stocks over the year including General Electric (US) and added to Ingersoll-Rand (US) and air conditioning manufacturer Daikin Industries (Japan). We took new holdings in US filtration manufacturer Donaldson and US industrial product supplier MSC Industrial Direct. UK-based aerospace group Meggitt, one of our largest overweight positions, also performed well over the year.

CYCLICAL CONSUMER GOODS

Automobiles & Parts/Household Goods & Textiles

We demonstrated good stock selection in these two small sectors which moved broadly in line with the market. We benefited from a strong performance by German sports goods manufacturer adidas-Salomon to which we made a timely addition in January. In the US we sold Liz Claiborne and Mattel on concerns over US consumption.

Within the Automobiles & Parts sector we had two large selections which performed well – German tyre and braking systems group Continental and US motorcycle manufacturer Harley-Davidson. We made a significant investment in Japanese auto

manufacturer Toyota which is making impressive market share gains globally and is attracting a good reputation for build quality. Korean manufacturer Hyundai Motor performed very well for us and this was another holding which we built up as part of the restructuring.

NON-CYCLICAL CONSUMER GOODS

Beverages/Food Producers & Processors/Health/Personal Care & Household Products/Pharmaceuticals & Biotechnology/Tobacco

Our stock selection was reasonable in this part of the market which underperformed globally. During the year, we reinforced our underweight position within the pharmaceutical sector through major reductions, exiting Bristol-Myers Squibb (US), Wyeth (US) and our Japanese sector holdings while making sizeable reductions in GlaxoSmithKline (UK). The industry's pressures include product pricing, generic competition, patent expiry and a struggle to replenish product pipelines. An emphasis on more robust names in the sector including Sanofi-Synthelabo (France), a new holding which subsequently merged with Aventis (France) and Johnson & Johnson (US) served us well. However, we over-estimated Pfizer's (US) ability to withstand industry pressures and our addition to AstraZeneca (UK) was unhelpful.

As we have grown progressively more wary of the pharmaceutical sector, we have become increasingly drawn to the broader medical technology sector. We recycled funds from the Pharmaceuticals and Beverages sectors, where we exited Anheuser-Busch (US) and Diageo (UK), into a number of health and medical technology stocks.

We benefited from gains by diagnostics group Cytyc (US), one of six new holdings which include European companies Nobel Biocare (Switzerland), a leader in dental implants, and hearing-aid maker GN Store Nord (Denmark). We believe carefully selected medical technology stocks have good long term performance potential as they offer a combination of profitability and growth unmatched in other sectors. In Tobacco, Korean tobacco group KT&G performed well and we added a new holding in UST (US), a leading provider of smokeless tobacco products which should benefit from demand for less harmful tobacco products.

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CYCLICAL SERVICES

Retailers-General/Leisure & Hotels/Media & Entertainment/ Support Services/Transport

The overall performance by these sectors was mixed with Leisure moderately outperforming and Retailers-General and Media & Entertainment underperforming. Within Cyclical Services, we switched our emphasis from media to retailing.

Our retail selections performed well, particularly Hong Kong-based fashion retailer Esprit Holdings. Esprit proved to be our best performing holding over the year as investors reappraised its good current trading and potential for growth around the world. Our two UK retailers GUS and Next also performed well and generated significant valuation gains, again reflecting good results.

Our largest retailing holding, US DIY retailer Lowe's Companies, underperformed over the year on fears of rising interest rates. However, we took advantage of this underperformance to add to the holding in the late summer and benefited from a recovery in the stock price. We took new holdings in Halfords (UK) which obtained a listing in June, German multi-format retailer Metro which is expanding outwith Germany and Japanese electrical retailer Yamada Denki.

As part of the restructuring, we sold twelve Media sector holdings including Pearson (UK), Emap (UK), Havas (France), VNU (Neth.), Fuji Photo (Japan), Nippon TV (Japan) and Omnicom (US). We added two new media holdings which are restructuring, United Business Media of the UK and Germany's ProSieben Sat 1.

A further complete sale which proved timely was UK-based caterer Compass Group. Our disposal was completed before the profit warning which caused the share price to fall heavily. Elsewhere in Support Services, UK outsourcing company Serco performed well and generated good gains after being built up further early in the year.

Within Leisure & Hotels, we made substantial gains in our holding in US cruise operator Carnival.

NON-CYCLICAL SERVICES

Food & Drug Retailers/Telecommunication Services

The Food & Drug Retailers sector underperformed modestly while Telecommunications outperformed global markets by a similar margin. We have tended to avoid the Food Retailing industry due to its competitive pressures. Our sole holding, UK market-leader Tesco, performed well generating sizeable

gains reflecting its strong trading in the UK where it is winning market share from rivals.

Telecommunications is another sector where we eliminated several names, with seven holdings being sold over the year including Alltel (US), NTT (Japan), NTT DoCoMo (Japan) and TeliaSonera (Sweden). In Europe, we also sold Telefonica (Spain), reinvesting in our holding in Italian mobile operator TIM, which was subsequently the subject of a bid. We also took a new holding in Deutsche Telekom (Germany) which performed well and marked its recovery from over-expansion in the technology bubble by reinstating a good level of dividend payout.

Our largest holding in this sector by some margin remains Vodafone which we felt looked attractively valued. This position was vindicated by a sound performance over the year, particularly the second half, with the holding generating significant gains for the portfolio. It subsequently announced a doubling of its dividend and an increased share buy-back programme.

Our stock selection in telecoms was undistinguished however, with modest underperformance from a number of names including BT (UK), Telstra (Australia) and China Mobile (HK).

UTILITIES

Electricity/Utilities – Other

The unfashionable Utilities sector proved to be the second best performing area after Oil & Gas over the year. We added to the area principally by investing further in our holding in German gas and electricity group E.On early in the year, turning it into one of our largest overweight selections. E.On has successfully repositioned itself through a series of disposals and acquisitions into a more focused energy group with improving returns on capital and rising dividend payouts. E.On, together with UK utility holdings ScottishPower, AWG, United Utilities and National Grid Transco, generated combined gains of over £7.3m over the year.

FINANCIALS

Banks/Insurance/Life Assurance/Investment Companies/Real Estate/Speciality & Other Finance

Globally, Financials matched world equity returns over the year. Banks around the world were mixed performers, underperforming by 5.3% in the UK market where they account for 19.6% of the FTSE All-Share.

Insurance companies suffered from a combination of company-specific problems and more broadly,

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following an investigation into insurance industry practices by the New York State Attorney General.

Over the year, we sold eight small bank holdings and added two new ones: Dublin based Anglo Irish Bank which is expanding rapidly and performed well; and Dah Sing Financial, a Hong Kong-based bank with a focus on consumer lending and credit cards.

Our stock selection was disappointing in the Banks sector where our holdings underperformed the sector everywhere except the UK. There, our bank performance benefited from reductions in Lloyds TSB and HBOS on fears of the impact of a slowing housing market on loan growth rates. We consolidated our UK bank holdings, reinvesting our Standard Chartered sale proceeds into HSBC.

We boosted our UK real estate exposure over the year by £5.5m, taking stakes in newly listed property investment trusts, Insight Foundation Property Trust and Standard Life Investments Property Income Trust, both of which generated gains, as did our existing holding UK Balanced Property Trust. Each of these property trusts contributes good levels of dividend income.

In Japan we invested in a fund, Schroder Japan Alpha Plus, to maintain exposure to Japan while we restructure our Japanese holdings.

Within insurance, we sold our holding in Marsh & McLennan (US) prior to its fall of almost 50% in October as the Spitzer investigation into industry practices came to light.

Within Speciality & Other Finance, we disposed of our long-held stake in Fannie Mae (US). We generated good profits in bond-rating agency Moodys (US) to which we added during the year. However, we suffered from the performance of UK financial group Man.

INFORMATION TECHNOLOGY

Information Technology Hardware/Software & Computer Services

The underperformance of the IT sectors was attributable largely to the Hardware sector which was the single worst performing sector in our year, falling 18.5% behind global markets. Our decision to exit a number of holdings including Nokia (Finland) and Cisco Systems (US) was helpful as we remained underweight in this area. We reduced our holding in semiconductor leader Intel (US) but not decisively enough and lost performance on this high quality but deeply cyclical share. A new investment in US telecom equipment manufacturer Qualcomm performed well.

We opted to build Samsung Electronics (S. Korea) into one of our larger technology investments believing it to have considerable growth potential. However, it underperformed over the year. Another new holding was Acer (Taiwan), a manufacturer of PCs, which did contribute positively to performance.

In Software & Computer Services, we sold six small holdings and added to the UK-based tax and accounting software group Sage which has recovered well in recent months. Our holding in Adobe Systems (US) also generated good gains. Industry bellwether Microsoft (US), in which we have a holding, announced plans to pay a \$32bn special dividend, having already commenced payment of regular dividends.

UNLISTEDS

Our unlisted portfolio provided another good contribution. The investment in unlisted Aberforth LP 1B Partnership, which invests in a portfolio of small UK listed companies, performed exceptionally well appreciating by £3.3m over the year. Apax Europe V and the UK listed HG Capital Trust also generated good gains for the portfolio. We reduced our investment in unlisted by £9.5m over the year through proceeds from Aberforth and a number of the other unlisted funds.

GLOSSARY

Total assets means total assets less current liabilities.

NAV is net asset value per ordinary unit after deducting borrowings at par or fair value, as stated.

Par value is the book value of the company's borrowings.

Fair value is the company's estimate of the market value of its borrowings.

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

Gearing is the percentage of stockholders' funds invested in equities. 100% represents an ungeared position.

GDP references are to gross domestic product in real terms.

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.