

Witan Investment Trust plc
Interim Report 2003

Prosperity is a great teacher; adversity a greater.

– William Hazlitt

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Investment trusts are public limited companies, quoted on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments. Income, net of expenses and tax, is distributed substantially to shareholders. Shareholders elect the directors, a majority of whom are independent of the management company.

Witan Investment Trust plc is a global growth investment trust which is invested in a prudently diversified range of well managed large multinational companies, with some smaller companies selected for their long term growth prospects.

Our track record

Long history

Formed in 1909, and becoming publicly quoted in 1924, the Company has always responded to the rapid changes seen worldwide in the political, economic and social climate.

Performance record

£1,000 invested at 30 June 1978 would have increased in value to £13,194 at 30 June 2003 (share price capital only return). By comparison, the FTSE All-Share Index increased 9.36 times and the Retail Prices Index increased 3.63 times over the same period.†

Progressive dividend record

The last ten years' average annual dividend growth rate has been 3.8%, compared with an average annual inflation rate of about 2.6% during the decade.

Clear performance marker

Our portfolio benchmark, against which performance is measured, is 60% FTSE All-Share Index and 40% FTSE World (ex UK) Index (capital change only).

Fair management charge

A total expense ratio of 0.495% for 2002*.

Independent board

Five out of the seven directors, all of whom are non-executive, are wholly independent of the management company.

† Source: Datastream; the figure for the Witan share price return excludes dealing expenses.

* The total expense ratio is defined here as the total of the management fee and other administrative (including marketing) expenses as a percentage of the average of the shareholders' funds at the beginning and end of the year.

Highlights

Financial Highlights

	(Unaudited) 30 June 2003 in pence	(Unaudited) 30 June 2002 in pence	(Audited) 31 December 2002 in pence
Share price	282.0	352.5	261.5
Net asset value per ordinary share	323.6	382.6	307.6
Earnings per ordinary share	5.07	5.21	8.92
Dividends per ordinary share	3.70	3.65	8.10
Gearing†	7.9%	7.8%	8.4%

†Defined here as the total market value of the investments less shareholders' funds as a percentage of shareholders' funds.

Performance

	6 months % return	12 months % return
Share price	7.8	(20.0)
Net asset value per ordinary share	5.2	(15.4)
Benchmark*	5.6	(12.1)

*The benchmark comprises the FTSE All-Share Index and the FTSE World (ex UK) Index in the proportion 60:40 (capital change only).

Dividend

An interim dividend of 3.70p (2002: 3.65p) per ordinary share will be paid on 5 September 2003 to shareholders registered on 15 August 2003. The shares will be quoted ex-dividend on 13 August 2003.

Chairman's Statement



Harry Henderson

Lord Faringdon's last message to shareholders as Chairman, in February this year, was that 'hopefully most of the spin is out of the wicket'. How right that statement has proved to be with markets now showing respectable gains from the low point in March. I start my first communication to shareholders with reference to the previous Chairman, as this statement by him underscores his wisdom and his unique ability to communicate. He will be much missed.

The foundations of the rise in equity markets have not been built on better economic data but on the resolution of international uncertainties and by modest equity valuations, primarily with reference to the current very low levels of interest rates. Pricing power and predictable earnings growth are the ingredients that would stabilise the structure and restore confidence to markets. In the UK and the US, together representing 79% of our assets, we have experienced a corporate earnings setback alongside strong consumer spending and a housing boom. Can we expect a reversal of this position, a corporate earnings improvement while house prices ease? It is possible but seems somewhat unlikely, particularly if interest rates start to rise on the US recovery predicted by Alan Greenspan. Markets may therefore consolidate for a while, prior to a further move upwards.

We are obviously pleased to be reporting a 5.2% increase in the net asset value per share over the first six months of the year, although this may be of little consolation as we still have some way to go to reach previous peaks. We can also report a small increase in the interim dividend.

A handwritten signature in blue ink, appearing to read 'H M Henderson'.

H M Henderson

31 July 2003

Portfolio Information

at 30 June 2003

50 largest equity investments by value (note 1)

Company	£'000	Company	£'000
BP	45,387	Reckitt Benckiser	7,784
Vodafone	40,290	Prudential	7,340
GlaxoSmithKline	39,748	Johnson & Johnson (United States)	7,292
HSBC	37,232	Merck (United States)	7,227
Shell Transport & Trading	36,000	Next	7,185
Royal Bank of Scotland	28,050	Reed Elsevier	7,059
Barclays	26,100	Aviva	7,037
HBOS	19,613	British Sky Broadcasting	6,932
AstraZeneca	17,010	Wolseley	6,702
British American Tobacco	16,500	Land Securities	6,643
Diageo	12,940	Procter & Gamble (United States)	6,011
Lloyds TSB	12,908	Smith & Nephew	5,920
Henderson American Smaller Companies (note 2)	12,837	Caledonia Investments	5,887
National Grid Transco	11,919	Boots	5,836
Citigroup (United States)	11,455	Intel (United States)	5,785
Microsoft (United States)	11,296	Marks & Spencer	5,744
Pfizer (United States)	11,289	Smiths	5,624
BT	10,187	Scottish & Southern Energy	5,616
Henderson Strata (note 3)	9,868	Anglo American	5,550
Unilever	9,650	Total (France)	5,503
Rio Tinto	9,120	Roche (Switzerland)	5,473
Tesco	8,770	Compass	5,391
Wal-Mart Stores (United States)	8,723	BG	5,370
General Electric Company (United States)	8,351	Slough Estates	5,126
Exxon Mobil (United States)	8,168	Legal & General	5,112

Notes:

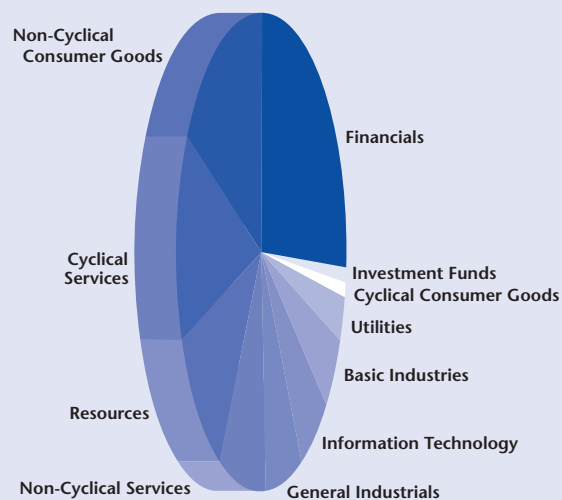
1. The above investments total £618,560,000 or 50.6% of the portfolio.
All are listed in the UK except where stated otherwise.
2. An open ended investment company with a portfolio of quoted North American smaller companies.
3. A UK investment trust with an international portfolio of quoted smaller companies.

Portfolio Information

at 30 June 2003

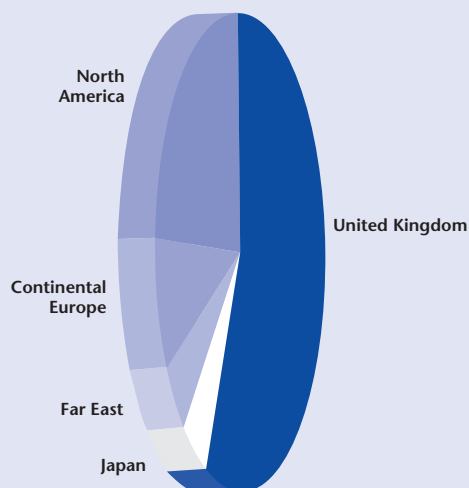
Portfolio by industrial classification

Equities	%
Financials	26
Non-Cyclical Consumer Goods	17
Cyclical Services	14
Resources	11
Non-Cyclical Services	9
General Industrials	7
Information Technology	6
Basic Industries	5
Utilities	3
Cyclical Consumer Goods	1
Investment Funds	1
Total	100



Portfolio by geographical spread

Equities	%
United Kingdom	57
North America	24
Continental Europe	9
Far East	5
Japan	5
Total	100



Statement of Total Return (incorporating the revenue account)

for the half year ended 30 June 2003

	(Unaudited)			(Unaudited)			(Audited)		
	Half year ended 30 June 2003			Half year ended 30 June 2002			Year ended 31 December 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total capital gains/(losses) from investments	–	55,503	55,503	–	(163,753)	(163,753)	–	(420,454)	(420,454)
Income from fixed asset investments	20,103	–	20,103	21,151	–	21,151	36,034	–	36,034
Other interest receivable and similar income	1,455	–	1,455	1,024	–	1,024	2,376	–	2,376
Gross revenue and capital gains/(losses)	21,558	55,503	77,061	22,175	(163,753)	(141,578)	38,410	(420,454)	(382,044)
Management fee	(522)	(1,568)	(2,090)	(509)	(1,968)	(2,477)	(1,018)	(3,057)	(4,075)
Other administrative expenses	(1,352)	–	(1,352)	(1,324)	–	(1,324)	(2,341)	–	(2,341)
Net return/(loss) on ordinary activities before interest payable and taxation	19,684	53,935	73,619	20,342	(165,721)	(145,379)	35,051	(423,511)	(388,460)
Interest payable	(1,269)	(3,808)	(5,077)	(1,263)	(3,790)	(5,053)	(2,535)	(7,606)	(10,141)
Net return/(loss) on ordinary activities before taxation	18,415	50,127	68,542	19,079	(169,511)	(150,432)	32,516	(431,117)	(398,601)
Taxation on net return on ordinary activities	(671)	–	(671)	(714)	–	(714)	(1,071)	–	(1,071)
Net return/(loss) on ordinary activities after taxation	17,744	50,127	67,871	18,365	(169,511)	(151,146)	31,445	(431,117)	(399,672)
Dividends – preference shares	(42)	–	(42)	(42)	–	(42)	(83)	–	(83)
Attributable to the ordinary shareholders	17,702	50,127	67,829	18,323	(169,511)	(151,188)	31,362	(431,117)	(399,755)
Dividends – ordinary shares									
Interim payment of 3.70p (2002: 3.65p)	(12,861)	–	(12,861)	(12,836)	–	(12,836)	(12,822)	–	(12,822)
Final 2002: 4.45p	–	–	–	–	–	–	(15,590)	–	(15,590)
	(12,861)	–	(12,861)	(12,836)	–	(12,836)	(28,412)	–	(28,412)
Transfer to/(from) reserves	4,841	50,127	54,968	5,487	(169,511)	(164,024)	2,950	(431,117)	(428,167)
Return/(loss) per ordinary share (note 1)	5.07p	14.34p	19.41p	5.21p	(48.20)p	(42.99)p	8.92p	(122.68)p	(113.76)p

The revenue columns of this statement represent the revenue accounts of the Company.

Balance Sheet

at 30 June 2003

	(Unaudited) 30 June 2003 £'000	(Unaudited) 30 June 2002 £'000	(Audited) 31 December 2002 £'000
Fixed asset investments			
Listed in the United Kingdom (at market value)	694,755	807,483	690,176
Listed abroad (at market value)	515,635	615,678	454,346
Unquoted (at directors' valuation)	11,115	30,132	26,067
	<u>1,221,505</u>	<u>1,453,293</u>	<u>1,170,589</u>
Current assets			
Debtors	7,304	30,734	3,306
Cash at bank and short term deposits	67,161	25,186	68,806
	<u>74,465</u>	<u>55,920</u>	<u>72,112</u>
Creditors: amounts falling due within one year	<u>(19,781)</u>	<u>(16,879)</u>	<u>(18,267)</u>
Net current assets	<u>54,684</u>	<u>39,041</u>	<u>53,845</u>
Total assets less current liabilities	<u>1,276,189</u>	<u>1,492,334</u>	<u>1,224,434</u>
Creditors: amounts falling due after more than one year	<u>(144,216)</u>	<u>(144,136)</u>	<u>(144,176)</u>
Total net assets	<u>1,131,973</u>	<u>1,348,198</u>	<u>1,080,258</u>
Capital and reserves			
Called-up share capital			
Preference shares	2,555	2,555	2,555
Ordinary shares	87,260	87,921	87,585
Share premium	16,237	16,237	16,237
Other capital reserves			
Redemption reserve	6,566	5,905	6,241
Capital reserve – realised	922,534	1,061,478	977,552
Capital reserve – unrealised	69,296	148,881	(32,596)
Revenue reserve	27,525	25,221	22,684
	<u>1,131,973</u>	<u>1,348,198</u>	<u>1,080,258</u>
Shareholders' funds (including non-equity interests of £2,555,000)	<u>1,131,973</u>	<u>1,348,198</u>	<u>1,080,258</u>
Net asset value per ordinary share	<u>323.6p</u>	<u>382.6p</u>	<u>307.6p</u>

Cash Flow Statement

for the half year ended 30 June 2003

	(Unaudited) Half year ended 30 June 2003 £'000	(Unaudited) Half year ended 30 June 2002 £'000	(Audited) Year ended 31 December 2002 £'000
Net cash inflow from operating activities	16,479	17,113	30,180
Net cash outflow from servicing of finance	(5,077)	(5,071)	(10,147)
Net tax recovered	87	285	438
Net cash inflow/(outflow) from financial investment	6,571	(17,301)	35,586
Equity dividends paid	(15,537)	(15,298)	(28,120)
Management of liquid resources	–	5,000	(25,000)
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) before financing	2,523	(15,272)	2,937
Net cash outflow from financing (note 2)	(3,253)	–	(3,797)
	<hr/>	<hr/>	<hr/>
Decrease in cash	(730)	(15,272)	(860)

Reconciliation of operating revenue to net cash inflow from operating activities

Net revenue before interest payable and taxation	19,684	20,342	35,051
Increase in accrued income	(846)	(703)	(253)
Increase in debtors	(66)	(33)	(43)
Increase/(decrease) in creditors	133	399	(137)
Management expenses charged to capital	(1,568)	(1,968)	(3,057)
UK income tax deducted at source	(2)	–	(10)
Overseas withholding tax suffered	(815)	(924)	(1,371)
Scrip dividends included in investment income	(41)	–	–
	<hr/>	<hr/>	<hr/>
	16,479	17,113	30,180

Reconciliation of net cash flow to movement in net debt

Decrease in cash as above	(730)	(15,272)	(860)
Cash (inflow)/outflow from management of liquid resources	–	(5,000)	25,000
	<hr/>	<hr/>	<hr/>
Change in net debt resulting from cash flows	(730)	(20,272)	24,140
Exchange movements	(915)	(473)	(1,265)
Increase in valuation of debt	(40)	(39)	(79)
	<hr/>	<hr/>	<hr/>
Movement in net debt in the period	(1,685)	(20,784)	22,796
Net debt at the beginning of the period	(75,370)	(98,166)	(98,166)
	<hr/>	<hr/>	<hr/>
Net debt at the end of the period	(77,055)	(118,950)	(75,370)

Represented by:

Cash at bank and short term deposits	67,161	25,186	68,806
Debt falling due after more than five years	(144,216)	(144,136)	(144,176)
	<hr/>	<hr/>	<hr/>
	(77,055)	(118,950)	(75,370)

Notes to the Accounts

1. Return/(loss) per ordinary share

The revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £17,702,000 (half year ended 30 June 2002: £18,323,000; year ended 31 December 2002: £31,362,000) and on the weighted average number of ordinary shares of 25p each in issue during the period of 349,488,914 (half year ended 30 June 2002: 351,682,244; year ended 31 December 2002: 351,412,865).

The capital return per ordinary share is based on the net capital gains of £50,127,000 (half year ended 30 June 2002: net capital losses of £169,511,000; year ended 31 December 2002: net capital losses of £431,117,000) and on the weighted average number of ordinary shares in issue, as stated above.

2. Issued share capital

At 30 June 2003 there were 349,038,086 ordinary shares in issue (30 June 2002: 351,682,244; 31 December 2002: 350,338,086).

During the half year ended 30 June 2003 the Company bought 1,300,000 of its own issued ordinary shares in the market for cancellation (half year ended 30 June 2002: none; year ended 31 December 2002: 1,344,158). The cost of the share buy-backs, including stamp duty, amounted to £3,253,000 (year ended 31 December 2002: £3,797,000).

3. Interim dividend

The directors have declared an interim dividend of 3.70p (2002: 3.65p) per ordinary share, payable on 5 September 2003 to shareholders registered on 15 August 2003. The shares will be quoted ex-dividend on 13 August 2003.

4. Interim accounts

The interim accounts have been neither audited nor reviewed by the auditors.

5. Comparative information

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the half year ended 30 June 2003 and for the half year ended 30 June 2002 has not been audited.

The figures and financial information for the year ended 31 December 2002 are extracted from the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985.

Note to those who access this document by electronic means

The interim report for the half year ended 30 June 2003 has been approved by the Board of Witan Investment Trust plc and circulated to the Company's shareholders in hard copy format. It is also made available in electronic format for the convenience of readers. However, the Board cannot accept responsibility for guaranteeing the integrity of the document in electronic format. Printed copies are available from the Company's Registered Office in London.

Readers should note that legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Witanwisdom

There are a variety of ways to invest in Witan. Naturally, Witan's shares can be traded easily on the stock market. However, bearing in mind the benefits of income reinvestment, regular savings and tax free wrappers, one of Witan's investment plans may be the answer.

- **Witan Share Plan** is a straightforward savings scheme with minimum lump sum investment from £500 and regular savings from £50 per month.
- **Witan ISA** enables investors to save tax free up to a limit of £7,000 per annum. The minimum lump sum investment is £2,000 with regular savings from £50 per month.
- **Witan Transfer PEP** allows investors to transfer all or any number of their existing PEP holdings into Witan. The transfer is free (except for 0.5% stamp duty) and investments retain their tax free status during and after transfer.
- **Witan Simple Contribution Pension** provides the opportunity to claim up to £792 in tax benefit from the Inland Revenue. It is a stakeholder type pension which can be opened on behalf of another person, including non-earners.
- **Jump** gives parents, grandparents or other adults the chance to save effectively for children over the long term. Minimum lump sum investment is set at £100 and regular contributions can be made from as little as £25 a month or quarter.

Call free on **0800 21 22 56** for product information and guidance.

Visit www.witan.com or www.jumpsavings.com for all the latest news and views and the opportunity to access plan application forms.

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Tax assumptions may change if the law changes and the value of tax relief will depend upon your individual circumstances.

Henderson Global Investors is the name under which Henderson Global Investors Limited, Henderson Investment Funds Limited, Henderson Fund Management plc and Henderson Administration Limited (all authorised and regulated by the Financial Services Authority) provide investment products and services.

4 Broadgate, London EC2M 2DA
Telephone: 020 7818 1818

Witan...

The secret of happiness is to find a congenial monotony.

— V.S. Pritchett

wisdom

If you're looking for one, 230 pages (paper) or one 10" could give you a lot of wisdom and joy.

Witan Investment Trust

Witan... ISA 2003/2004

I suspect people of plotting to make me happy

— J.K. Rowling

wisdom

We don't sleep on our wits. An ISA from Witan is an investment in your life's biggest joys and pleasures.

Witan Investment Trust



The best investment you've ever made.



The savings fund for children

Witan... Transfer PSP

A great pleasure in life is doing what people say you cannot do.

— Albert Einstein

wisdom

Why not give your PSP a better place?

Witan Investment Trust

Directors and other Information

Directors

H M Henderson (Chairman)
C G Clarke
R W C Colvill*
A W Jones*
R H McGrath*
C S McVeigh III*
R A Bruce*

*Member of the audit committee and of the management engagement committee (both of which are chaired by Mr Colvill)

Investment Manager

Henderson Global Investors Limited, an AMP Company, represented by James Robinson (Manager) and Job Curtis (Deputy Manager)

Henderson Global Investors Limited is authorised and regulated by the Financial Services Authority.

Secretary

Henderson Secretarial Services Limited, represented by G S Rice ACIS

Registered Office

4 Broadgate
London
EC2M 2DA

Telephone: 020 7638 5757

Registered Number

Registered as an investment company in England and Wales No. 101625

Registrar

Computershare Investor Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh
EH11 4BR

Telephone: 0870 702 0010

Payment of Dividends

Dividends can be paid directly to a shareholder's bank account by means of BACS. Mandate forms for this purpose are available on request from the Registrar (at the address above). Alternatively, shareholders can write to the Registrar to give their instructions: these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

The Internet

The Witan website has the latest news on Witan, including the latest published net asset value, share price and portfolio information. The site address is www.witan.com



Launched in November 2002 the Witan Simple Contribution Pension is modelled on the stakeholder approach, allowing investors to take advantage of the latest benefits attached to pension investment. It is particularly suited to investment on behalf of children, spouses and non-earners.



Witan is the principal sponsor to Britain's number one skier, Chemmy Alcott. In her first full season of professional skiing, Miss Alcott continued to progress. She won all four alpine skiing disciplines at the British Championships in Tignes, taking the overall Victor Ludorum both for men and women. Miss Alcott competed in the World Championships representing Great Britain and finished her season by taking third place in the World Cup race at Innsbruck in March and finishing on the podium at the Austrian Italian Championships. On both occasions she had some of the world's leading competitors behind her. She remains a prodigious talent. Witan's support for her during the 2002/2003 season was more than matched by the sponsorship's exposure in the media during the year.

