



# Witan Investment Trust plc

Interim Report 2004

*“He was a bold man  
that first ate an oyster.”*

*Jonathan Swift*

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**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.**

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.

## Chairman's Statement



Harry Henderson

I am pleased to report that your Trust has outperformed its benchmark in NAV terms over the six months to June 2004, returning 1.5% in capital terms against a benchmark return of 1.2%. The return is obviously modest in absolute terms but taking a twelve-month perspective the net asset value per share has risen by a respectable 12.3%.

We shall be writing to all shareholders within the next two months concerning the selection and appointment of the new investment managers and the repositioning of the underlying investments. Your Board is very enthusiastic about these changes, the announcement of which will mark the culmination of a considerable amount of work. We believe that Witan's new multi-manager structure offers shareholders the prospect of stronger relative returns from equity investment, within a modern format.

The Board has managed carefully the costs associated with the change of structure but these, combined with the increase in management fees resulting from higher markets over the last twelve months, have put some pressure on the revenue account.

Further, the UK investment portfolio, which is the main driver of income generation, has shown negligible income growth in the period under review. Therefore your Board considers it prudent to maintain the level of interim dividend distribution for the current year, and, accordingly, we report an unchanged interim dividend of 3.70p per ordinary share.

The announcement last October of fundamental changes to the management of Witan, and the enormous amount of resulting work, have one aim, namely to improve the risk/reward ratio of your Trust. This means that we seek to retain the maximum upside potential when equity markets rise and to limit the downside when they fall. This is not an exact science, nor indeed guaranteed, but your Board believes strongly that diversification by manager, by investment style and by geography are powerful tools to help us achieve this goal.

H M Henderson  
30 July 2004

Witanwisdom

*"There are risks and costs to action. But they are far less than the long range risks of comfortable inaction."*

*John F Kennedy*

# Highlights

## Financial Highlights

	(Unaudited) 30 June 2004 in pence	(Unaudited) 30 June 2003 in pence	(Audited) 31 December 2003 in pence
Share price	302.5	282.0	303.0
Net asset value per ordinary share	363.5	323.6	358.2
Discount	16.8%	12.9%	15.4%
Earnings per ordinary share	5.11	5.07	8.98
Dividends per ordinary share	3.70	3.70	8.30
Gearing*	6.5%	7.9%	8.1%

\*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	(0.2)	7.3
Net asset value per ordinary share	1.5	12.3
Benchmark*	1.2	12.3

\*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 (2003: 3.70p) per ordinary share will be paid on 3 September 2004 to shareholders registered on 13 August 2004. The shares will be quoted ex-dividend on 11 August 2004.

## Chief Executive Officer's Statement



Jim Horsburgh

At the AGM in March, I explained the principles that underpinned our strategy review, namely that we wanted to achieve a better return for the risk that we are taking in the portfolio. To do this we would “spend” the risk budget in areas where we felt we had the greatest opportunity to add value and we would try to “save” risk where there was a high probability of it going unrewarded. This would also involve considering other asset classes to gain diversification benefits.

On 14 May 2004 we announced our intended asset allocation and indicated that over the summer we would be looking to appoint fund managers to the various equity mandates. That process is now close to completion and we will announce the names of the successful candidates in the near future. The UK mainstream and US equity portfolios will be managed in a low risk manner relative to their benchmarks, the UK smaller companies, the regional and the global equity portfolios will be managed with higher tracking errors (wider range of potential returns) whilst the overall volatility (riskiness) of Witan will remain similar to the past.

The new Witan will be different. Many of the fund managers we are looking to recruit invest with a significant emphasis on wealth preservation as well as looking to outperform. All the managers of the higher risk portfolios are true stock pickers,

rather than slaves to their benchmarks. All take a disciplined approach to investing and most are owner managed businesses, much of whose wealth is invested alongside their clients. Together they make a very exciting team and one which, we believe, will enhance returns to Witan shareholders in the future.

Markets so far in 2004 have been becalmed with returns almost everywhere being very close to zero. The one exception to this is in Japan where the Japanese equity market rose by over 10% in the first six months of the year as investors around the world became more confident that the economic recovery there was sustainable. With interest rates on an upward path in the US, the UK and in parts of the Pacific Region, markets are likely to continue to struggle for the rest of the year. Nevertheless, a combination of a better economic environment and productivity increases should for the most part result in rising corporate profits.

Stock selection is likely to prove the main driver of excess return in the medium term and that, of course, is the reason why the Witan Board has undertaken the review of fund management arrangements described in the paragraph above.

J Horsburgh  
30 July 2004

# Portfolio Information

at 30 June 2004

## 50 largest equity investments by value (note 1)

Company	£'000	Company	£'000
BP	48,700	Rio Tinto	7,956
HSBC	42,640	Caledonia Investments	7,651
Vodafone	37,433	Microsoft (United States)	7,535
Shell Transport & Trading	32,360	Exxon Mobil (United States)	7,103
GlaxoSmithKline	31,248	Ito-Yokado (Japan)	6,873
Barclays	28,185	Mitsubishi Tokyo Financial (Japan)	6,807
Royal Bank of Scotland	26,996	Slough Estates	6,731
British American Tobacco	20,508	Next	6,404
HBOS	18,428	Pfizer (United States)	6,335
AstraZeneca	17,318	Total (France)	6,310
Lloyds TSB	15,111	Boots	6,192
Diageo	14,870	Reed Elsevier	6,164
Henderson Strata (note 2)	13,519	Keyence (Japan)	6,058
Tesco	13,313	Smiths	5,972
Unilever (UK & Netherlands)	12,175	Cadbury Schweppes	5,947
Reckitt Benckiser	10,927	Citigroup (United States)	5,783
BT	9,925	Legal & General	5,782
Land Securities	9,852	Anglo American	5,640
BHP Billiton (UK & Australia)	9,598	BOC	5,538
Prudential	9,490	Scottish & Southern Energy	5,452
National Grid Transco	9,255	Standard Chartered	5,388
Smith & Nephew	9,199	Daiwa Securities (Japan)	5,384
Aviva	9,090	Secom (Japan)	5,382
Wolseley	8,550	Cazenove (note 3)	5,250
General Electric Company (United States)	8,495	Nippon Telegraph & Telephone (Japan)	5,210

### Notes:

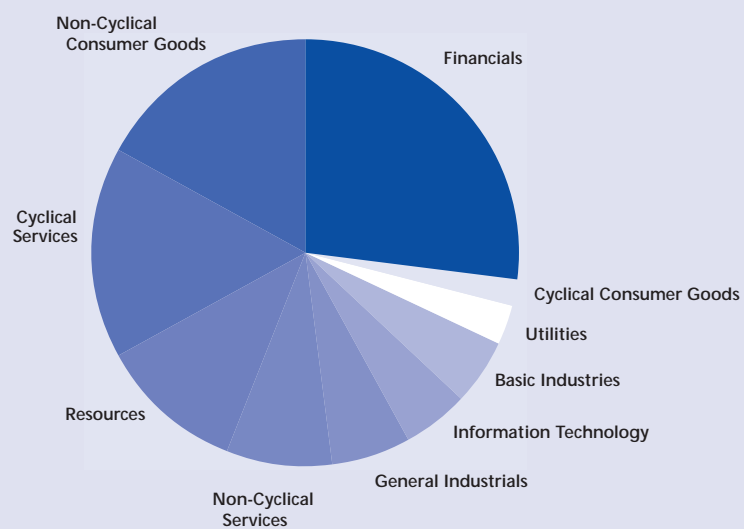
1. The above investments total £622,032,000 or 47.2% of the portfolio.  
All are listed in the UK except where stated otherwise.
2. A UK investment trust with an international portfolio of quoted smaller companies.
3. Cazenove Group plc is an unquoted company.

# Portfolio Information

at 30 June 2004

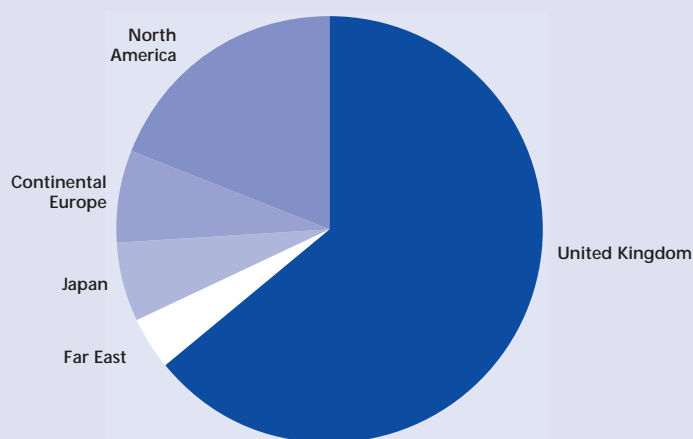
## Portfolio by industrial classification

Equities	%
Financials	27
Non-Cyclical Consumer Goods	17
Cyclical Services	16
Resources	11
Non-Cyclical Services	8
General Industrials	6
Information Technology	5
Basic Industries	5
Utilities	3
Cyclical Consumer Goods	2
Total	<u>100</u>



## Portfolio by geographical classification

Equities	%
United Kingdom	58
North America	22
Continental Europe	8
Japan	7
Far East	5
Total	<u>100</u>



# Statement of Total Return (incorporating the revenue account)

for the half year ended 30 June 2004

	(Unaudited)			(Unaudited)			(Audited)		
	Half year ended 30 June 2004			Half year ended 30 June 2003			Year ended 31 December 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total capital gains from investments	-	16,238	16,238	-	55,503	55,503	-	180,470	180,470
Income from fixed asset investments	20,240	-	20,240	20,103	-	20,103	36,068	-	36,068
Other interest receivable and similar income	1,290	-	1,290	1,455	-	1,455	2,576	-	2,576
<b>Gross revenue and capital gains</b>	<b>21,530</b>	<b>16,238</b>	<b>37,768</b>	<b>21,558</b>	<b>55,503</b>	<b>77,061</b>	<b>38,644</b>	<b>180,470</b>	<b>219,114</b>
Management fee	(563)	(1,686)	(2,249)	(522)	(1,568)	(2,090)	(1,059)	(3,175)	(4,234)
Other administrative expenses	(1,607)	-	(1,607)	(1,352)	-	(1,352)	(2,540)	-	(2,540)
<b>Net return on ordinary activities before interest payable and taxation</b>	<b>19,360</b>	<b>14,552</b>	<b>33,912</b>	<b>19,684</b>	<b>53,935</b>	<b>73,619</b>	<b>35,045</b>	<b>177,295</b>	<b>212,340</b>
Interest payable	(1,268)	(3,805)	(5,073)	(1,269)	(3,808)	(5,077)	(2,532)	(7,599)	(10,131)
<b>Net return on ordinary activities before taxation</b>	<b>18,092</b>	<b>10,747</b>	<b>28,839</b>	<b>18,415</b>	<b>50,127</b>	<b>68,542</b>	<b>32,513</b>	<b>169,696</b>	<b>202,209</b>
Taxation on net return on ordinary activities	(680)	-	(680)	(671)	-	(671)	(1,151)	-	(1,151)
<b>Net return on ordinary activities after taxation</b>	<b>17,412</b>	<b>10,747</b>	<b>28,159</b>	<b>17,744</b>	<b>50,127</b>	<b>67,871</b>	<b>31,362</b>	<b>169,696</b>	<b>201,058</b>
Dividends – preference shares	(42)	-	(42)	(42)	-	(42)	(83)	-	(83)
<b>Attributable to the ordinary shareholders</b>	<b>17,370</b>	<b>10,747</b>	<b>28,117</b>	<b>17,702</b>	<b>50,127</b>	<b>67,829</b>	<b>31,279</b>	<b>169,696</b>	<b>200,975</b>
<b>Dividends – ordinary shares</b>									
Interim payment of 3.70p (2003: 3.70p)	(12,378)	-	(12,378)	(12,861)	-	(12,861)	(12,832)	-	(12,832)
Final 2003: 4.60p	-	-	-	-	-	-	(15,802)	-	(15,802)
	(12,378)	-	(12,378)	(12,861)	-	(12,861)	(28,634)	-	(28,634)
<b>Transfer to reserves</b>	<b>4,992</b>	<b>10,747</b>	<b>15,739</b>	<b>4,841</b>	<b>50,127</b>	<b>54,968</b>	<b>2,645</b>	<b>169,696</b>	<b>172,341</b>
<b>Return per ordinary share (note 1)</b>	<b>5.11p</b>	<b>3.16p</b>	<b>8.27p</b>	<b>5.07p</b>	<b>14.34p</b>	<b>19.41p</b>	<b>8.98p</b>	<b>48.70p</b>	<b>57.68p</b>

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

# Balance Sheet

at 30 June 2004

	(Unaudited) 30 June 2004 £'000	(Unaudited) 30 June 2003 £'000	(Audited) 31 December 2003 £'000
<b>Fixed asset investments</b>			
Listed in the United Kingdom (at market value)	759,485	694,755	776,212
Listed abroad (at market value)	546,341	515,635	545,922
Unquoted (at directors' valuation)	11,632	11,115	10,573
	<u>1,317,458</u>	<u>1,221,505</u>	<u>1,332,707</u>
<b>Current assets</b>			
Debtors	11,179	7,304	6,802
Cash at bank and short term deposits	70,964	67,161	56,435
	<u>82,143</u>	<u>74,465</u>	<u>63,237</u>
<b>Creditors: amounts falling due within one year</b>	<u>(18,729)</u>	<u>(19,781)</u>	<u>(18,750)</u>
<b>Net current assets</b>	<u>63,414</u>	<u>54,684</u>	<u>44,487</u>
<b>Total assets less current liabilities</b>	<u>1,380,872</u>	<u>1,276,189</u>	<u>1,377,194</u>
<b>Creditors: amounts falling due after more than one year</b>	<u>(144,295)</u>	<u>(144,216)</u>	<u>(144,255)</u>
<b>Total net assets</b>	<u>1,236,577</u>	<u>1,131,973</u>	<u>1,232,939</u>
<b>Capital and reserves</b>			
Called-up share capital			
Preference shares	2,555	2,555	2,555
Ordinary shares	84,880	87,260	85,880
Share premium	16,237	16,237	16,237
Other capital reserves			
Redemption reserve	8,946	6,566	7,946
Capital reserve – realised	908,453	922,534	907,689
Capital reserve – unrealised	185,185	69,296	187,303
Revenue reserve	30,321	27,525	25,329
	<u>1,236,577</u>	<u>1,131,973</u>	<u>1,232,939</u>
<b>Shareholders' funds (including non-equity interests of £2,555,000)</b>	<u>1,236,577</u>	<u>1,131,973</u>	<u>1,232,939</u>
<b>Net asset value per ordinary share</b>	<u>363.5p</u>	<u>323.6p</u>	<u>358.2p</u>

# Cash Flow Statement

for the half year ended 30 June 2004

	(Unaudited) Half year ended 30 June 2004 £'000	(Unaudited) Half year ended 30 June 2003 £'000	(Audited) Year ended 31 December 2003 £'000
Net cash inflow from operating activities	15,795	16,479	29,852
Net cash outflow from servicing of finance	(5,076)	(5,077)	(10,144)
Net tax recovered	31	87	190
Net cash inflow from financial investment	32,297	6,571	18,001
Equity dividends paid	(15,616)	(15,537)	(28,422)
Management of liquid resources (note 4)	(10,000)	-	-
Net cash inflow before financing	17,431	2,523	9,477
Net cash outflow from financing (note 2)	(12,101)	(3,253)	(19,660)
<b>Increase/(decrease) in cash</b>	<b>5,330</b>	<b>(730)</b>	<b>(10,183)</b>

## Reconciliation of operating revenue to net cash inflow from operating activities

Net revenue before interest payable and taxation	19,360	19,684	35,045
Increase in accrued income	(906)	(846)	(530)
Decrease/(increase) in debtors	37	(66)	(27)
(Decrease)/increase in creditors	(278)	133	149
Management expenses charged to capital	(1,686)	(1,568)	(3,175)
UK income tax deducted at source	-	(2)	(4)
Overseas withholding tax suffered	(732)	(815)	(1,360)
Scrip dividends included in investment income	-	(41)	(246)
	<b>15,795</b>	<b>16,479</b>	<b>29,852</b>

## Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash as above	5,330	(730)	(10,183)
Cash outflow from management of liquid resources (note 4)	10,000	-	-
Change in net debt resulting from cash flows	15,330	(730)	(10,183)
Exchange movements	(801)	(915)	(2,188)
Increase in valuation of debt	(40)	(40)	(79)
Movement in net debt in the period	14,489	(1,685)	(12,450)
Net debt at the beginning of the period	(87,820)	(75,370)	(75,370)
<b>Net debt at the end of the period</b>	<b>(73,331)</b>	<b>(77,055)</b>	<b>(87,820)</b>

## Represented by:

Cash at bank and short term deposits	70,964	67,161	56,435
Debt falling due after more than five years	(144,295)	(144,216)	(144,255)
	<b>(73,331)</b>	<b>(77,055)</b>	<b>(87,820)</b>

# Notes to the Accounts

## 1. Return per ordinary share

The revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £17,370,000 (half year ended 30 June 2003: £17,702,000; year ended 31 December 2003: £31,279,000) and on the weighted average number of ordinary shares of 25p each in issue during the period of 339,983,536 (half year ended 30 June 2003: 349,488,914; year ended 31 December 2003: 348,414,853).

The capital return per ordinary share is based on the net capital gains of £10,747,000 (half year ended 30 June 2003: £50,127,000; year ended 31 December 2003: £169,696,000) and on the weighted average number of ordinary shares in issue, as stated above.

## 2. Issued share capital

At 30 June 2004 there were 339,518,086 ordinary shares in issue (30 June 2003: 349,038,086; 31 December 2003: 343,518,086).

During the half year ended 30 June 2004 the Company bought 4,000,000 of its own issued ordinary shares in the market for cancellation (half year ended 30 June 2003: 1,300,000; year ended 31 December 2003: 6,820,000). The cost of the share buy-backs, including stamp duty, amounted to £12,101,000 (half year ended 30 June 2003: £3,253,000; year ended 31 December 2003: £19,660,000).

## 3. Interim dividend

The directors have declared an interim dividend of 3.70p (2003: 3.70p) per ordinary share, payable on 3 September 2004 to shareholders registered on 13 August 2004. The shares will be quoted ex-dividend on 11 August 2004.

## 4. Cash flow statement

The figure for the management of liquid resources represents the net purchases and sales of certificates of deposit (CDs) and the placing of deposits at various banks, usually on a short term basis.

## 5. Interim accounts

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

## 6. 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 2004 and for the half year ended 30 June 2003 has not been audited.

The figures and financial information for the year ended 31 December 2003 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 2004 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 832 832 for product information and guidance.

Visit [www.witan.com](http://www.witan.com) or [www.jumpsavings.com](http://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... Transfer PEP

*If everybody is thinking alike, then somebody isn't thinking*

... George J. Borner

wisdom

Who says you can't transfer your PEP to a better place?

Witan investment trust

Witan... Share Plan

*The saddest thing I can imagine is to get used to luxury*

- Charlie Chaplin

wisdom

A company spending more on large computers than on staff could soon suffer, standing one day

Witan investment trust

Witan Single Contribution Pension  
Product Information (including Key Features)  
Tax year 2004/2005

*We are never prepared for what we expect.*

... James A. Michener

A pension based on Witan comes with a generous contribution from the government. Plus there's a pleasant surprise.

Witan investment trust

Witan... ISA

*There is a very easy way to return from a casino with a small fortune – go there with a large one*

- Jack Lemmon

wisdom

Forget casinos or other games – take the informed investment route with the Witan ISA

Witan investment trust

The above represent some examples of Witan investment literature.

# 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\*  
J Horsburgh (Chief Executive Officer)†

\*Member of the audit committee, which is chaired by Mr Colvill

†Appointed on 2 February 2004.

## Investment Manager

Henderson Global Investors Limited, 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

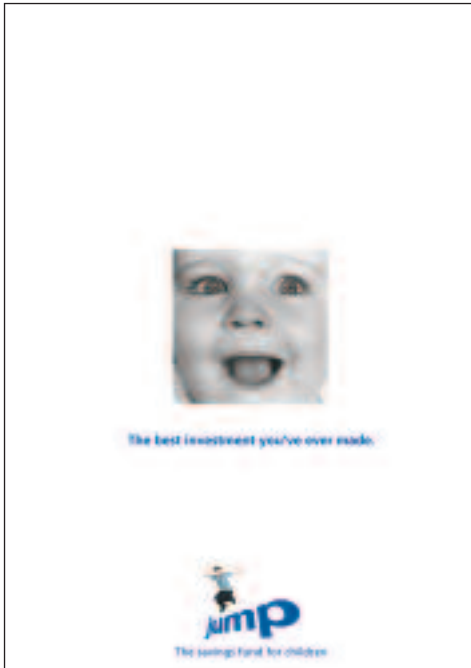
Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 7NH  
Telephone: 0870 702 0010

## 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](http://www.witan.com)



Jump continues to grow in popularity as a method of investing in Witan. Over the next 12 months HM Treasury will launch the Child Trust Fund, further focusing on this type of savings and investment. At the moment the participation of the investment trust industry appears doubtful owing to the need to offer single priced products to potential CTF customers. Hopefully this situation will be resolved, as schemes such as Jump appear to provide a better investment option in terms of proposition, price and flexibility than the government's current proposals.



Despite a painful fall in one of the final races of the 2003/2004 season which robbed Chemmy of the chance of defending her five British titles, she had an excellent season overall. Six top twenty finishes in World Cup races have established Chemmy as a world class competitor. Witan's sponsorship is set to continue until the Olympics in 2006 in Turin. If she continues to progress at the current rate she should have a great chance of finding success there.