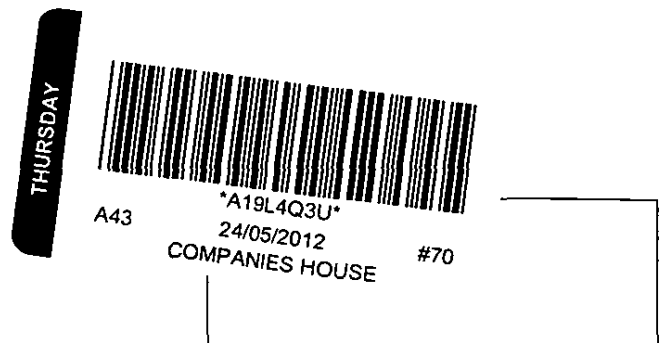

Witan Investment Trust plc
Annual Report 2011

01625



“A ship is always safe at the shore – but that is NOT what it is built for.” – Albert Einstein

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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.

Definitions In this document 'the Company' refers to Witan Investment Trust plc, 'the Group' refers to Witan Investment Trust plc (the parent company) and Witan Investment Services Limited (the subsidiary company), and 'the Trust' or 'Witan' refer to either the Company or the Group, according to the context.

Witan Investment Trust plc

Annual Report 2011

Company profile

Objective

To be the preferred choice for wealth creation through equity investment

Philosophy

- ◆ Seek returns for our investors across global stockmarkets
- ◆ Embrace new investment techniques when appropriate
- ◆ Present ourselves to investors in a clear, no-nonsense way

Method

- ◆ To maintain at least 80% exposure to equity markets
- ◆ To offer an independent multi-manager approach, accessing the best available talent within the global marketplace
- ◆ To use alternative asset classes and investment techniques to improve performance
- ◆ To grow the dividend in real terms, ahead of inflation
- ◆ To buy back shares to improve net asset value and mitigate the discount's volatility and level
- ◆ To be ready to use borrowing in attractive markets while retaining the ability to convert to cash when prospects are poor
- ◆ To explain Witan's strategy and performance to existing and potential new shareholders
- ◆ To exercise strict controls on costs and keep expenses competitive

Directors' Report

Financial Highlights

Corporate Key Performance Indicators

	31 December 2011	31 December 2010	% change
Share price	450 0p	516 5p	-12.9
Net asset value per ordinary share (debt at par value)	516 9p	584 4p	-11.6
Net asset value per ordinary share (debt at fair value)	503 7p	578 1p	-12.9
Dividends per ordinary share	12 0p	10 9p	+10.1
Discount (debt at par value)	12.9%	11.6%	
Discount (debt at fair value) ^(A)	10.7%	10.7%	
Share buybacks ^(B)	1.5%	4.0%	
Total expense ratio including performance fees ^(C)	0.87%	1.07%	
Total expense ratio excluding performance fees ^(C)	0.71%	0.81%	
Number of private investors ^(D)	33,421	36,595	

(A) The average discount to the NAV, excluding income, with debt at fair value in 2011 was 10.6% (2010 11.1%) (Source Datastream)

(B) The percentage of the ordinary share capital in issue at the previous year end that was bought back during the year

(C) The total of the management fees and other administrative expenses (excluding the expenses of the subsidiary company) as a percentage of the average of shareholders' funds at the beginning and end of the year (see note 5 on page 51) See further comment on pages 3 and 4

(D) The sum of the number of accounts on the Company's register of members and the number of accounts in Witan Wisdom and Jump Savings

Performance

Total returns to 31 December 2011	1 year % return	3 years % return	5 years % return
Total shareholder return ^(E)	-10.7	+38.8	+12.0
Net asset value total return ^(F)	-10.9	+34.6	+9.9
Benchmark ^(G)	-7.0	+33.5	+9.8
FTSE All-Share Index ^(H)	-3.5	+43.8	+6.2
FTSE World (ex UK) Index ^(H)	-6.1	+30.2	+18.4

(E) Source Datastream The movement in the ordinary share price adjusted to include the notional reinvestment of dividends

(F) Source Datastream/Witan The movement in the net asset value per share adjusted to include the notional reinvestment of dividends

(G) Source Witan Since 1 October 2007 the benchmark has been a composite of four indices the FTSE All-Share Index 40%, the FTSE All-World North America Index 20%, the FTSE All-World Europe (ex UK) Index 20% and the FTSE All-World Asia Pacific Index 20%

From 1 September 2004 to 30 September 2007 the benchmark consisted of the FTSE All-Share Index 50% and the FTSE World (ex UK) Index 50%

(H) Source Datastream

Other Financial Information

	31 December 2011	31 December 2010	% change
Net assets	£994,349,000	£1,141,765,000	-12.9
Number of ordinary shares in issue	192,367,000	195,375,220	-1.5
Revenue return per ordinary share	13.27p	9.45p	+40.4
Gearing*	10.5%	5.4%	

* The difference between shareholders' funds and the total market value of the investments (including the face value of equity index futures positions) expressed as a percentage of shareholders' funds

The Company's ten year historical record is shown on page 68

Directors' Report Chairman's Statement

"If you want to see the sunshine, you have to weather the storm." – Frank Lane

recovery experienced since 2009. In addition, the persistent inability of the Euro currency zone to solve its internal debt problems threatened to inflict severe losses on the banking system and hence lead to a renewed credit crunch. As a result, equity markets which had marked time in the first half of the year fell sharply in the first week of August and were only able to recover part of the lost ground by the year end. Witan's benchmark gave a total return for the year of -7%. Witan's portfolio suffered a total return of -10.9%, underperforming by 3.9%. At the time of writing, the absolute falls in 2011 and most of the relative underperformance had been recouped in 2012.

One notably positive feature in 2011 was the strong growth in revenue from dividends. This has enabled the Company to pay a substantially higher dividend as well as increasing its revenue reserves. The Company has a policy of growing its dividend in real terms, with dividends having risen 51% over the past 10 years, compared with 29% for the consumer price index. The Company has increased its dividend in each of the 37 years since 1974.

The share price total return during the year was -10.7%, in line with the net asset value total return. The discount (compared with the net asset value excluding income, calculated with debt at fair value) narrowed from 9.9% at the end of 2010 to 9.4%. Over the past 5 years, which have been a difficult period for equity markets, Witan's NAV total return has been +9.9%, a modest but positive annual return of +1.9% p.a.

Considerably more caution is built into market expectations than at this time last year. Consequently, if growth outside Europe proves more resilient than expected and the most disruptive

outcomes for the Euro zone crisis can be averted, equity markets should be able to recover from what currently appear to be low valuation ratings. Such a return to more rational investment conditions is likely to favour Witan's fundamental multi-manager investment approach.

Portfolio Attribution

The underperformance, which regrettably offset the outperformance of 3.4% in 2010, was attributable to three main factors. The first was that, having gradually raised our gearing from 5.4% to 11% during the first seven months of the year (into markets which were trending sideways) we were adversely exposed to the very steep drop in markets in the first few days of August. The second was that our managers' portfolios were not in aggregate positioned for the abrupt change in investor risk aversion in the market sell-off. The final factor was that the quoted value of our debt securities increased, since they tend to be traded by reference to UK gilt-edged securities which rose in value. This led to a fall in the value of our net asset value when calculated using the market value of our debt.

A breakdown of the performance attribution is shown in the table on page 4. The Company's gearing at the year-end was 10.5%, similar to the level before the market sell-off in early August. A decision was made to maintain gearing in August given that markets had already fallen significantly but not to add to it, owing to the continuing economic uncertainty, particularly in the Euro zone.

Total Expense Ratio

Including performance fees our Total Expense Ratio ("TER") fell by 0.20% to 0.87% (2010: 1.07%). Excluding performance fees, the TER fell from 0.81% in 2010 to 0.71%.

Highlights

- The NAV total return of -10.9% lagged the benchmark's return of -7.0%
- NAV total return over last five years was 9.9%, in line with the benchmark
- Dividend increased by 10.1%, more than twice the rate of inflation
- The 37th consecutive year the dividend has been increased

Performance and Shareholder Returns

2011 was a volatile and disappointing period for equity investors, as concerns grew over the sustainability of the economic

Directors' Report

Chairman's Statement *continued*

Performance Attribution

for the year ended 31 December 2011 (based on the Company's financial statements)

Net asset value total return	-10.9%	Portfolio investment total return (gross)	-7.2%
Benchmark total return	-7.0%	Benchmark total return	-7.0%
		Relative investment performance	-0.2%
		Gearing impact	-1.2%
		Rise in market value of debt	-1.2%
		Share buybacks	+0.2%
			-2.2%
			-2.3%
		Borrowing costs	-0.8%
		Operating costs and tax	-0.8%
			-1.6%
Relative performance	-3.9%*		-3.9%*

*The totals on each side may not add up because of rounding

These figures should be evaluated against the weighted average TER of 0.78% (October 2011, excluding performance fees) for the AIC Global Growth sector (source: AIC) and of 1.6% for the open-ended Global Growth sector (source: IMA, Financial Express as at December 2011)

Cost reductions in a number of outsourcing contracts and the non-recurring nature of certain costs seen in 2010 all helped to reduce the TER. Weaker investment performance was reflected in a reduction in performance fees for the year, reducing the total expense ratio inclusive of performance fees.

Dividend

Your Board has declared a second interim dividend of 6.55 pence per share (2010: 6.5 pence), to be paid to shareholders on 30 March 2012, making a total distribution for the year of 12.0 pence (2010: 10.9 pence). This represents an increase of 10.1% over 2010, more than double the 4.2% rate of consumer price inflation in the year to December 2011. This is the 37th consecutive year during

which we have increased the dividend.

Although equity market performance was disappointing during 2011, our portfolio generated an increase of over 40% in revenue earnings per share, allowing us to increase our dividend in real terms, as well as adding £2.6 million to our revenue reserves. Revenue reserves at the end of 2011 were £40.8 million (2010: £38.2 million), after providing for this second interim dividend payment. This is equivalent to 1.7 years' dividend payments.

In accordance with the revised policy announced in the 2011 Interim Results, the first interim dividend in 2012, in the absence of unforeseen circumstances, is expected to be 6.0 pence per share (2010: 5.45 pence), half of the total payout made in respect of 2011.

Share Buybacks and Discount

The Company purchased a total of 1.5% of the starting shares in issue during the year. These share buybacks generated an increase in net asset value

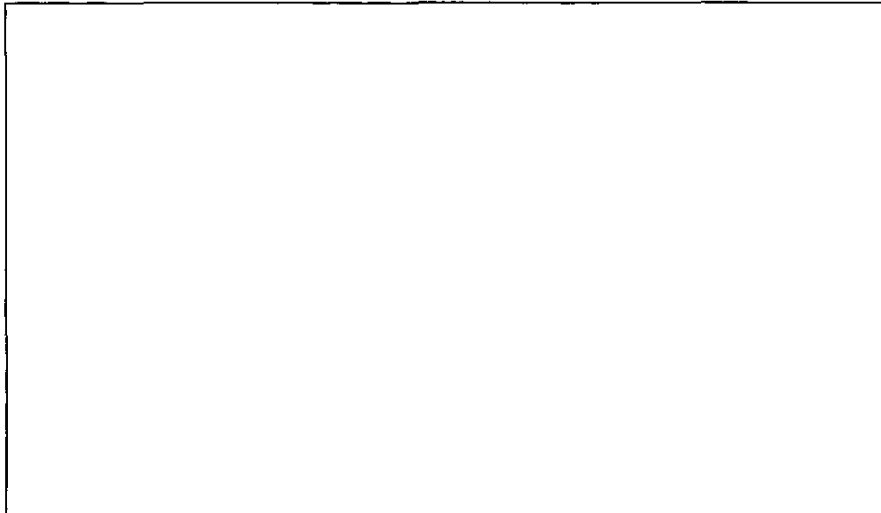
per share of 0.2% as well as helping to maintain the discount close to our desired target of a sustainable level of 10% or below. The share price discount (compared with the net asset value excluding income, with debt at fair value) ended the year at 9.4% compared with 9.9% at the end of 2010. The average discount for the year on this basis was 10.6% (2010: 11.1%).

The Board

Following the independent Board Review in 2010 (which is planned to be a 3-yearly event) the annual internal Board review was conducted as usual in 2011. This identified the desirability of increasing the Board's specialist knowledge of marketing (in the light of changes underway in the savings markets).

Following a search conducted by an external consultant for an additional director, we are pleased to announce that Suzy Neubert has been chosen and will be joining the Board in April. She is Sales & Marketing Director at J O Hambro Capital Management. We look forward to her contribution to the business.

10 Year Growth in Witan's dividends per share versus UK Consumer Price Inflation



The Board has considered the recommendation of the revised Corporate Governance Code that all directors of FTSE 350 constituent companies should submit themselves for re-election every year but believes that this would not be in shareholders' interests. The Company already has a requirement for new Directors to be confirmed at the AGM following their appointment, for existing Directors to submit themselves for re-election every 3 years and for Directors with more than 9 years' service to submit themselves for annual election.

Witan Differentiated Approach

Witan is unique amongst investment trusts in operating a fully-fledged multi-manager structure for the management of its assets. This aims to benefit from the specific skills of particular managers, as well as reducing the performance volatility that can come from having a single manager. This structure is overseen by the Company's executive team, which is responsible for managing risk appetite by actively varying gearing as well as taking advantage of specialised opportunities which fall outside the investment managers' remits. The details of the process and the changes implemented

during 2011 are set out in the Business Review on pages 6 to 17.

AGM

Our Annual General Meeting will be held at Merchant Taylors' Hall on Tuesday 1 May 2012 at 2.30 pm. Formal notice of the meeting will be sent to shareholders when the Annual Report is published. With my fellow Directors, I look forward to the opportunity to meet you then for the Company's 104th AGM.

Outlook

Despite the volatility in financial markets from August onwards, business confidence surveys have proved relatively resilient to the prolonged market fluctuations. This is particularly evident outside Europe, whose prospects are most impacted by fiscal tightening and uncertainty over the resolution of the sovereign debt crisis. Although a decisive solution to the structural tensions in the Euro currency remains elusive, the region's politicians appear to be more committed to containing the economic fallout. A process of procrastination smoothed by better crisis management is better than the banking catastrophe towards which

the Continent seemed to be sleepwalking in 2011. If Europe's crisis can be contained, the case for investment in faster growing parts of the world (emerging economies and the US) looks sound and there could also be opportunities amongst the global industrials headquartered in Europe.

Markets in 2011 appeared to be dominated by shorter-term concerns given the modest ratings in equity markets. This is in contrast to the enthusiasm for driving government bond yields in a select group of countries (the UK, US and Germany) down to levels which offer a low probability of any long-term real return and an increased risk of substantial erosion in value even with low rates of inflation. Some have described government bonds yielding 2% as a benchmark for return-free risk rather than risk-free return, in contrast to which equity ratings appear to have factored in substantial pessimism over long-term prospects and could benefit if economies perform less badly than feared.

Forecasts are unreliable, particularly concerning investor sentiment. However, it seems that even after the recent recovery equity markets are priced to give the patient investor a positive real return, though with significant uncertainty over the immediate future. In contrast, some of the major government bond markets are priced to deliver losses in real terms, while only offering security in the short term.

Harry Henderson
Chairman
14 March 2012

Directors' Report Business Review

This Business Review provides shareholders and other readers with information about the Company's business and results in 2011 and looks forward to the year ahead. It is divided into two sections: Corporate and Investment.

Corporate Section

- Objectives and Strategy
- Management Arrangements
- The Witan Benchmark
- Dividend Policy
- Share Buybacks and Discount Policy
- Marketing
- Debt and Gearing Policy
- Key Performance Indicators
- Principal Risks and Uncertainties
- Witan Investment Services
- Priorities for 2012

Investment Section (page 11)

- Investment Policy
- Portfolio Review
 - The year in summary
 - Manager changes
 - Use of derivatives
 - Gearing management
 - Directly held investments
 - Portfolio diversification
- Investment Managers
- Manager Review
- Portfolio breakdown
- Outlook
- Witan's Multi-Manager Approach
- Our Current Managers
- An Evolving Process

CORPORATE SECTION Objectives and Strategy

Witan's objective is to be the preferred choice for wealth creation through equity investment, adding value in the long term for its investors. This means that Witan will seek to make money for shareholders, to do so more effectively than its sector peers with similar objectives and to achieve consistent outperformance of the global stock markets represented by its benchmark. Recognising the importance of dividends in the returns from equity investment, Witan has a policy of seeking to increase its dividend in real terms, ahead of inflation. In addition, Witan seeks to attract new investors to buy the Trust's shares in order to provide ongoing liquidity for shareholders.

Witan's portfolio has a multi-manager investment structure. This reduces the performance volatility which can occur when employing a single manager. This approach allows us to select a range of high quality fund managers with differing areas of expertise from around the world – often where the fund manager is not otherwise available on the same terms (or at all) to the UK investor.

Your Board believes that active management of risk is essential in investment. This is particularly relevant when markets are threatened by major economic disruption, as seen in recent years, but an adaptable approach is also needed in order to enhance investment performance in more positive times. Where appropriate, we are also willing to employ innovative investment techniques and invest in diverse asset classes. Investment trusts have the advantage of being able to borrow in order to improve performance in rising markets. Witan has £110 million of long term debt (including

preference shares) which can be deployed, hedged or neutralised with cash balances according to our view of the outlook for markets. In addition, it has a £50m short term multi-currency borrowing facility to give additional flexibility. We have a policy of actively managing our gearing within limits set by the Board (see Investment Policy section on page 11).

Management Arrangements

As already noted, the management of Witan's portfolio is predominantly outsourced to third party investment managers around the world. A small proportion is invested in externally managed collective funds selected by Witan's in-house executive management team in areas to complement the delegated remit of Witan's external managers. The executive management team manages and controls these relationships, selects new managers when a change is appropriate and advises the Board on all relevant investment and business matters. The executive management team is also responsible for adjusting the overall risk appetite of the portfolio and for managing the subsidiary company, Witan Investment Services Limited.

Changes to the investment manager line-up during the year, along with other investment issues, are referred to in greater detail in the Investment Section on pages 11 to 21. Our current managers are listed on page 12.

Witan uses third parties for the supporting services it requires, including

- BNP Paribas Securities Services SA ('BNPSS') for global custody, investment accounting and administration
- Frostrow Capital LLP for company secretarial services

- International Financial Data Services ('IFDS') Limited as the savings plan administrators of Witan Wisdom and Jump Savings
- Cauldron Consulting for media relations
- Tangible Financial for advertising
- Towers Watson to monitor the market for managers
- From time to time, as required, Witan also procures professional advice in the areas of legal, compliance, investment consulting, financial and tax advice

Witan's aim (as indicated in the first paragraph of this Business Review on page 6) is to provide consistently superior returns to shareholders. Unlike other multi-manager services, we do not levy an additional fee (on top of the underlying external managers' fees) and any negotiated savings in investment management fees fall directly through to lower the costs for shareholders. Your Board applies strict controls over central corporate costs. Expenditure is only undertaken when necessary or when a specific endeavour has been identified which is likely to achieve a profitable return. Our Total Expense Ratio ('TER') reflects this disciplined attitude to costs as well as our ability to secure external investment management services on competitive terms. The figure for 2011 was 0.87%, or 0.71% excluding performance fees paid and accrued. This compares with a TER of 1.07% in 2010, or 0.81% excluding performance fees and with a weighted average TER of 0.78% for the AIC Global Growth sector (October 2011, excluding performance fees, source: AIC) and of 1.6% for the open-ended Global Growth sector (source: IMA, Financial Express as at December 2011).

Since November 2005 the Company has had a lease on office premises at 14 Queen Anne's Gate, London SW1H 9AA, which (since 21 February 2011) has also become the Company's registered office.

The Company's policy towards its employees is to attract and retain staff with the particular skills and expertise required to manage the affairs of an investment trust company. The Group has no specific policies in respect of environmental or social and community affairs.

The Witan Benchmark

Your Company's benchmark is a reference point for what shareholders can expect in the long term from an investment in Witan, in terms of the underlying investment structure of the portfolio and in performance. It enables the aims of your Company to be encapsulated succinctly without the need for a detailed description. Although it is an equity benchmark, your Board reserves the right to invest in other assets if appropriate, for better performance or capital preservation. Since 1 October 2007 the benchmark has been:

- 40% FTSE All-Share Index
- 20% FTSE All-World North America Index (£)
- 20% FTSE All-World Europe (ex UK) Index (£)
- 20% FTSE All-World Asia Pacific Index (£)

This reflects a balance between the domestic exposure and international status of the UK market and a broadly spread exposure to growth in other regions of the world. To assist shareholders who may apply different benchmarks in evaluating comparative performance, we include performance information for other commonly used indices in the Key Performance Indicators summary section on page 2.

The benchmark provides a basis for assessing the long term performance of the Company. Over shorter periods, performance can be expected to vary, sometimes considerably, from that of the benchmark, since the portfolio is actively managed. Over the longer term, we aim for consistent outperformance.

Dividend Policy

The Board has declared a second interim dividend of 6.55 pence per share, to be paid to shareholders on 30 March 2012, making a total distribution for 2011 of 12.0 pence (2010: 10.9 pence). This represents an increase of 10.1%, more than twice the rate of consumer price inflation to December 2011 (4.2%) and meets the Company's ongoing intention to increase dividends per share in real terms, ahead of inflation (subject to market circumstances). This is the 37th consecutive year that the annual dividend has been increased.

Share Buybacks and Discount Policy

Your Board places great importance on the encouragement of a liquid market in Witan's shares on the stock exchange. A healthy two-way market enables shareholders to sell Witan shares at a price that reflects prevailing market value while potential new shareholders should also be able to invest readily. The Company operates an active share buyback policy, purchasing shares for cancellation when they stand at a significant discount to the net asset value (excluding income, with debt at market value), with the objective of achieving a sustainable discount of 10% or below (subject to market conditions). This policy has the direct effect of improving net asset value per share with the additional strategic aims of mitigating volatility in the discount and bringing the share price closer to the net asset value.

The level of share buybacks during 2011 is referred to in detail in the Chairman's Statement. This activity not only generated an increase in net asset value per share of 0.2% but also helped to reverse periods of widening discounts occasioned by market conditions.

Marketing

In addition to share buybacks, Witan operates an ongoing marketing programme designed to stimulate interest in Witan by explaining our investment

Directors' Report Business Review *continued*

strategy and performance to existing and potential new shareholders. This programme communicates with private and professional investors, financial advisers and intermediaries using a range of media (including direct meetings, press interviews and advertising through traditional media and the internet). In particular, the Company aims to provide an informative and easy to use web-site (www.witan.com) to enable investors and their financial advisers to make informed decisions about including Witan shares in their investment portfolios.

Debt and Gearing Policy

Witan has long term debt consisting of debentures, secured bonds and preference share capital. The Company also has a £50 million one year multi-currency facility, which provides additional flexibility over the level of gearing, as well as enabling the Company to borrow in other currencies than sterling, if deemed appropriate. Witan may either invest its borrowings fully, or neutralise the gearing effect with cash balances (or the sale of equity index futures) according to our view of the markets.

Key Performance Indicators

Your Board assesses its performance in meeting the Company's objective against the following key performance indicators:

- net asset value total return
- total shareholder return
- investment performance compared with the benchmark
- annual dividend growth (after taking account of inflation)
- discount to net asset value
- total expense ratio

Witan's performance in 2011 against the above indicators is shown on page 2, with most being discussed in the Chairman's Statement on pages 3 to 5. The Board also reviews absolute and relative volatility and risk statistics for the portfolio and evaluates employee performance against assigned personal targets.

Principal Risks and Uncertainties

The Board has identified the key risks to the Group which need to be managed and has collated them in a risk matrix document. The risks relating to Witan's subsidiary company, Witan Investment Services Limited ('WIS'), are separately recorded. The respective documents are reviewed and updated regularly by the relevant Board of directors.

The Board is conscious that it must regularly review the nature of its corporate objectives and strategy to ensure that both remain relevant and appropriate in a changing financial services and savings market. This includes scrutiny of investment policies, the role of marketing, the service offered by the Witan Wisdom and Jump Savings schemes and wider industry trends. These issues are reviewed at least annually by the Board.

The Group's key risks fall broadly under the following categories:

1 Market and portfolio risks

Witan has traditionally been a vehicle for UK and overseas equity investment. Whilst this does not preclude a more diversified or defensive strategy during periods of falling or turbulent markets, nonetheless a key risk of investing in Witan is a general fall in equity prices.

The other generic risks, as with any international equity portfolio, are those of overall investment strategy and country, currency, industrial sector, and stock selection. There are also risks associated with the choice of managers. Your Board seeks to manage these risks through:

- appropriate asset allocation decisions, with delegated authority limits set for the Executive team
- regular reviews of the competence and stock selection skills of fund managers
- monitoring the economic outlook, geo-political environment and stock market conditions around the world

- the application of relevant policies on gearing and liquidity
- manager diversification, as a multi-manager structure means that from a risk point of view Witan is less exposed to individual manager performance than with a conventionally structured portfolio
- delegating authorities to the executive management team to manage risk actively, whether to preserve capital or capitalise on opportunities

2 Investment activity and strategy risks

It is important that investment activities, including asset allocation, stock selection and the level of gearing, are managed in a disciplined and prudent way, to reduce the risk of falls in Witan's portfolio value or underperformance against the Company's benchmark index or its peer group. Adverse performance could also result in the Company's shares trading on a wider discount. The Board seeks to manage these risks by implementing an appropriate asset allocation and a portfolio that is spread across a diverse range of investment managers and investments. These aspects are regularly reviewed, in addition to the extent of borrowings.

During the year Witan's Chief Executive Officer (CEO), Andrew Bell, managed the overall business and investment portfolio in accordance with limits and restrictions determined by the Board. These include limits on the extent to which borrowings may be used. The Board reviews regularly the matters delegated to executive management and the CEO confirms compliance at each Board meeting. Directors are provided with comprehensive management information covering many aspects of the business including investment performance data, financial reports and shareholder analyses. The Board reviews investment strategy at each Board meeting and monitors the implementation and results of the investment process with the CEO. The CEO regularly reviews reports and data which monitor the portfolio's principal risk factors.

3 Corporate governance and shareholder relations

Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 28 to 35

The Board has for a number of years conducted an annual internal review of its governance processes' effectiveness in managing the Company and enabling it to evolve in response to future challenges. In addition to this, it has established a 3-yearly schedule for an external review, the most recent of which was conducted in late 2010

Operational and regulatory risks are regularly and extensively reviewed by Witan's Audit Committee. Witan Investment Services Limited ('WIS') is subject to its own operating rules and regulations and is regulated by the Financial Services Authority ("FSA"). Your Board takes its own regulatory responsibilities very seriously and reviews the main points of compliance against requirements on a quarterly basis. Your Board also takes corporate, legal, accounting and tax advice as appropriate.

Operationally the multi-manager structure is robust, as each of the investment managers, the custodian and the fund accountants keep their own records which are reconciled monthly. Management monitors the activities of all third parties and reports any significant issues to the Board. Comprehensive contractual obligations and indemnification provisions have been put in place with each of the third party service providers.

4 Accounting, legal and regulatory

In order to qualify as an investment trust the Company must comply with sections 1158-59 of the Corporation Tax Act 2010 ('CTA'). A breach of these sections could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to

Corporation Tax. The criteria are monitored by the CEO.

The Company must comply with the provisions of the Companies Act 2006 ('the Companies Act'), and, as the Company's shares are listed for trading on the London Stock Exchange, the Company must comply with the UK Listing Authority's Listing Rules and Disclosure Rules ('UKLA Rules'). A breach of the Companies Act could result in the Company and/or the directors being fined or becoming the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of the provisions of the CTA.

The Board relies on the CEO, the Company Secretary and the Group's professional advisers to ensure compliance with the CTA, the Companies Act and the UKLA Rules. WIS is regulated by the Financial Services Authority for the marketing and administration of savings plans and the provision of investment advice to professional clients. The savings plans are administered on behalf of WIS by International Financial Data Services ("IFDS").

The Board takes legal, accounting or compliance advice, as appropriate, to monitor changes in the regulatory environment affecting the Company. Current issues include the Alternative Investment Fund Manager Directive from the European Commission and the Retail Distribution Review, which will affect the investment management industry as well as the marketing of investment products to retail investors. Their practical implications will become clearer as the details of how they will be implemented are specified in the coming year.

5. Operational

Many of the Group's operations are outsourced to third parties, principally BNPSS. Disruption to, or failure of, the accounting, payment systems or custody records operated by BNPSS could prevent

the accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by BNPSS and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement.

Witan Investment Services ('WIS')

Witan Investment Services Limited is a wholly owned subsidiary of Witan Investment Trust plc. It was established in March 2005 and is authorised and regulated by the FSA to provide investment products and services and to give investment advice to professional investors.

The principal activity of WIS is to provide executive management services to the Boards of Witan Investment Trust plc ('Witan') and Witan Pacific Investment Trust plc ('Witan Pacific') and stimulate interest in their shares.

Its objectives are

- to operate a reliable and efficient investment savings platform for Witan and Witan Pacific investors
- to provide suitable advice to the Boards of its corporate clients
- to minimise the operating costs for Witan Investment Trust
- to seek sources of revenue to generate a profit

WIS has two discernible channels of income by which its performance may be judged. These are the savings plan revenues from transaction fees and annual management charges and, secondly, executive management and marketing fees paid by its corporate clients, Witan and Witan Pacific.

The savings plans provided for WIS clients are marketed under the Witan Wisdom and Jump Savings brands. They currently have over 29,000 customers with assets of some £200 million invested. The main costs incurred by WIS (which form part of the charges paid by savings plan account holders) are fees to

Directors' Report

Business Review *continued*

the savings schemes administrator which (since December 2010) has been IFDS

Priorities for 2012

2011 was a disruptive year for economies and financial markets, with disappointing returns for equity investors, including Witan's shareholders. The Board and the Executive team are focused on taking advantage of the opportunities which may have been revealed by the general equity market reverses

In 2012, the key priorities include

- maintaining an appropriate strategic asset allocation to reflect changing opportunities in the world economy
 - selecting and monitoring suitable managers to deliver our strategic objectives through a multi-manager structure
 - active management of risk appetite, responding to tactical opportunities to boost returns or to protect capital
- aiming to deliver dividend growth ahead of inflation
 - communicating Witan's more active investment process to existing and potential shareholders
 - delivering a good service to the corporate and individual clients of Witan Investment Services
 - seeking business development opportunities where Witan's multi-manager expertise can be applied beneficially

INVESTMENT SECTION

Investment Policy

Witan invests primarily in global equities. Equity exposure is unlikely, in normal conditions, to drop below 80% although this does not preclude a more defensive positioning in exceptional market conditions. The Board is prepared to consider alternative investments when appropriate.

The Company has the power under its Articles of Association to borrow up to 100% of the adjusted total of capital and reserves. This allows the Board to seek to improve performance through gearing by borrowing amounts equivalent in value to shareholders' funds. In practice the Board would not, other than temporarily in exceptional circumstances, allow gearing as defined on page 2 to rise to more than 20%. Over the past five years it has varied between 0% and 15% while on occasion the Company has held a small net cash position. At the end of 2011, the Company had in place £110 million of long term debt and £15 million of short term borrowings (equivalent to 12.6% of shareholders' funds), although effective gearing was less than this (10.5%), owing to cash holdings held by the individual managers.

Investment risk is managed through

- diversification of the investment portfolio across global markets
- selection of a range of investment managers with different mandates
- monitoring and reviewing investment manager performance and portfolios
- active management of risk appetite, taking account of asset allocation, currency exposures and gearing levels
- carefully controlled use of liquid, exchange-traded derivatives (principally equity index futures)

During the year the Company invested its assets with a view to spreading investment risk and in accordance with the investment policy as set out above. In particular it has maintained a diversified portfolio in terms of stocks, sectors and geography. The portfolio has been actively managed by the investment managers, with overall asset allocation and risk being managed by Witan's executive team. The directors have received regular reports on investment activity and portfolio construction, both at and between the regular meetings of the Board.

Portfolio Review

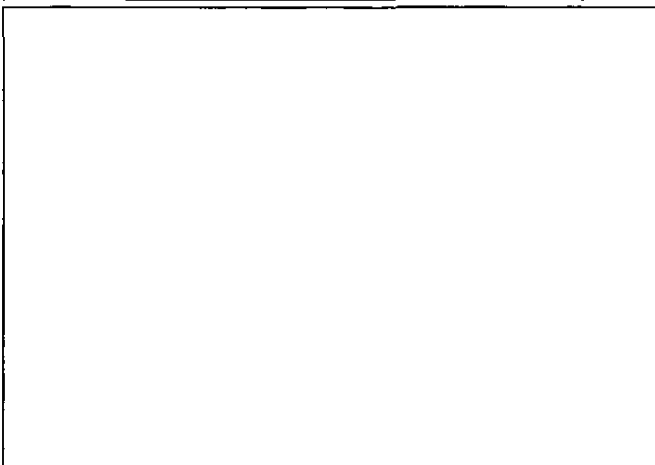
The year in summary

The first part of 2011 saw improving economic growth, together with strong

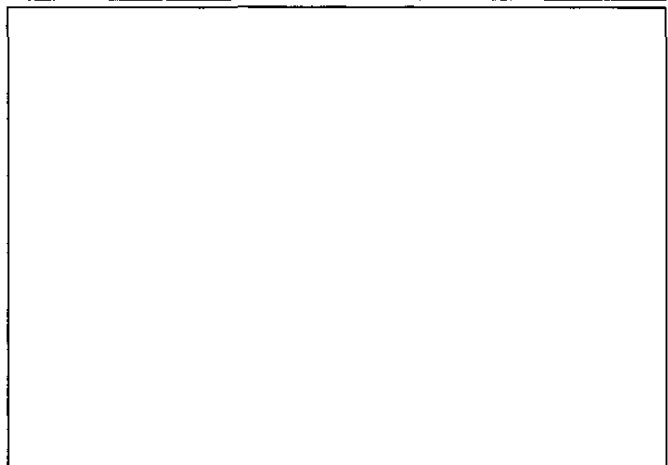
profit and dividend growth from companies. This positive news flow for the corporate sector was soon challenged by two major negative events. The first was the catastrophic Japanese earthquake in March, both in terms of the shock caused by the human scale of the disaster and the disruption to economic activity domestically and, through globally interconnected trade links, world-wide. This sapped the momentum from the improving growth picture seen at the start of the year. The second negative event was a sustained rise in commodity prices, including oil. A number of factors contributed to this, including rapid growth in emerging economies, financial market speculation at a time of abundant liquidity and the 'Arab Spring' which increased investor fears that oil supplies would be disrupted while producing countries underwent political change. The effect of rising commodity inflation was that many emerging economies switched priority from growth promotion to inflation fighting and raised interest rates, while consumers in developed economies were hit by a squeeze between rising inflation and only slowly-growing incomes. Growth therefore weakened in many countries during the early summer.

The result of these conflicting forces was that most stock markets were little

Performance for 2011



Performance since multi-manager inception



Directors' Report

Business Review *continued*

The table below shows the current investment management arrangements.

Equity mandate	Investment Manager	Benchmark	Investment style
UK	Artemis Investment Management	FTSE All-Share	Recovery/special situations
UK	Lindsell Train	FTSE All-Share	Long term growth from undervalued brands
UK	NewSmith Asset Management	FTSE All-Share	Flexible, thematic
UK Smaller Companies	Henderson Global Investors	Hoare Govett Smaller Co's (ex investment companies)	Growth at an attractive price
Global	Southeastern Asset Management	FTSE All-World	Value
Global	MFS Investment Management	FTSE All-World	Growth at an attractive price
Global	Thomas White International	FTSE All-World	Diversified growth at a reasonable price
Global	Veritas Asset Management	MSCI All-World	Fundamental value, real return objective
Pan-European	Marathon Asset Management	FTSE All-World Developed Europe	Capital cycles
Asia Pacific (ex Japan)	Comgest	FTSE All-World Asia (ex Japan, Australia, New Zealand)	Fundamental research
Emerging Markets	Trilogy	MSCI Emerging Markets	Fundamental, growth orientated
Directly-held investments	Witan Executive team	Witan's external benchmark	Collective funds invested in mispriced assets, recovery situations or specialist assets

changed by mid-year. Expectations that growth would pick up in the autumn began to fade during July, owing to a short-lived but nerve-wracking impasse over the US budget, which undermined confidence in the US political system's ability to function effectively, and by deepening foreboding over the prospects for the European currency area.

We commented in last year's review that the policy contradictions in Europe remained a potential source of instability, but underestimated how tortuous the

attempts to achieve agreement would prove to be. Successive inconclusive Euro zone political summits dominated economic and market sentiment for much of the latter half of 2011. Investors tried to assess the extent of the financial system's losses if one or more countries in the Euro zone were to default on their debts but it became clear that there was no political consensus on how to tackle the problems (initially confined to the relatively small economies of Greece, Ireland and Portugal). As a result, investors began to doubt whether

Germany and other stronger economies were willing to fund losses if certain countries defaulted or to provide bridging liquidity while weaker countries restructured their economies. Given spreading concerns about sovereign defaults, deposits began to shift from weaker to stronger countries, adding to fears of financial sector losses from their sovereign bond holdings. The banks consequently became unable to fund themselves fully in the markets (in an echo of the 2008 banking crisis) and had to borrow enormous sums from the

European Central Bank (ECB) For a period, it seemed that the European authorities were blind to the developing banking crisis, leading to highly volatile trading conditions as investors feared a repeat of the financial chaos after Lehman Brothers went bankrupt in 2008

By the end of the year, it appeared that European politicians were more alert to the financial risks stemming from their prolonged public disagreements on fiscal and monetary policy The ECB acted relatively cautiously to buy government bonds where yields were judged to have overshot owing to market sentiment but was more decisive in providing long term liquidity for the banks, on cheaper terms than the febrile conditions in the interbank market offered A programme was announced for banks to raise additional equity to improve their resilience to losses and Governments in

several key economies (e.g. Italy and Spain) initiated reforms to improve their fiscal position and growth prospects, though the initial effects of these measures were to subdue economic growth still further Although there remained gaps in the policy framework (notably how to promote growth through a period of austerity) the risk of a banking collapse appeared to have been averted

At the same time as this catastrophe risk faded, global inflationary pressures began to fade, ushering in a shift towards easier monetary policies It also became clear that growth in the US had been more resilient than feared and showed signs of accelerating towards the year end The result was a tentative return of confidence to equity markets and a recovery of part of the losses sustained during the third quarter

Manager changes

During the year, only one change was made to the list of Witan's managers In April we closed the smaller of our two European investment mandates (allocated to Varenne Capital Partners) This was not by reason of performance (which had been good) but as part of a strategic reduction in our European equity exposure

Use of Derivatives

Equity index futures were used for general portfolio management purposes on a number of occasions during 2011, although to a lesser extent than in 2010 The principal objectives for which they were used were to reduce our effective gearing during the turbulent market conditions seen during the autumn and to moderate the extent of our significantly underweight position in Japan The investments covered futures

Investment Manager	Inception Date	Value of Witan assets managed £m at 31 12 11	% of Witan's assets under management at 31 12 11 (Note 1)	Performance in 2011 (%)	Benchmark Performance in 2011 (%)	Performance since inception to 31 12 11 (%) (Note 2)	Benchmark Performance since inception to 31 12 11 (%) (Note 2)
Artemis Investment Management (UK)	06 05 08	90.6	8.2	-4.0	-3.5	+5.7	+0.8
Lindsell Train (UK)	01 09 10	119.6	10.8	+1.0	-3.5	+13.2	+5.7
NewSmith Asset Management (UK)	01 09 10	107.6	9.7	-7.5	-3.5	+3.7	+5.7
Henderson Global Investors (UK smaller)	31 08 04	23.8	2.2	-6.6	-9.1	+10.5	+9.0
Southeastern Asset Management (Global)	30 09 04	129.7	11.7	-13.7	-6.6	+5.2	+7.4
MFS Investment Management (Global)	30 09 04	90.1	8.1	-3.2	-6.6	+9.7	+7.4
Thomas White International (Global)	28 09 07	97.8	8.8	-2.3	-6.6	+3.7	+1.7
Ventas Asset Management (Global)	11 11 10	124.9	11.3	+4.6	-6.2	+7.9	-0.6
Marathon Asset Management (Pan-Europe)	23 07 10	98.2	8.9	-12.0	-10.8	-0.5	-0.2
Comgest (Asia Pacific (ex Japan))	31 07 07	71.8	6.5	-16.0	-16.4	+5.6	+5.1
Trilogy Global Advisors (Emerging Markets)	09 12 10	44.4	4.0	-22.5	-17.6	-18.3	-13.8
Witan Direct Holdings	19 03 10	108.9	9.8	-13.4	-7.0	-6.0	-0.5

Notes

- 1 Excluding cash balances held centrally by Witan and the unquoted investments
- 2 The percentages are annualised where the inception date was before 2011

Source: The WM Company

Directors' Report Business Review *continued*

in the FTSE 100, S&P Composite, Euro Stoxx 50 and Japanese equity market indices. The Company takes full account of the underlying value of the futures contracts in measuring its gearing. The value of the investments (which are traded on official exchanges) is fully marked to market every day.

The underlying futures exposure varied between -2% and +2% of assets, finishing the year at +1.5% (an investment in Nikkei index futures).

The use of equity index futures has a number of benefits. It enables Witan to increase or reduce its gearing at a known and immediate index level, conferring tactical flexibility. It also provides a means of adjusting the geographical asset allocation (for example, by allocating investment to particular markets). In both cases, the use of index futures enables the adjustments to be made without interfering with the assigned objectives for our investment managers, which are to pick stocks that will grow in value over the medium to long term and outperform their respective benchmarks.

The operation of this investment area is the responsibility of the CEO, within guidelines set by the Board. Transactions are reported to the Board as they occur, with the CEO being accountable for the financial results.

Gearing management

Gearing was managed actively during the year. Starting the year at 5.4%, it was increased following market setbacks to average 8.3% during the first half and averaged 10.7% in the second half, ending the year at 10.5%. This detracted from performance during 2011, given the abrupt and severe market falls in the early part of August. The Company's view remains that gearing should be used judiciously and can be an effective tool to boost returns.

Directly held investments

In 2010, the Company initiated a policy of making direct investments in selected collective funds. This portfolio was

increased in 2011, from 6.5% to 9.8% of assets, principally through investments in the convertible bonds of two investment trusts (Electra Private Equity and Edinburgh Dragon) and by increasing our investment in quoted private equity trusts. At the year end, the investment companies held covered a number of asset categories viewed as attractive, namely quoted Private Equity (3i Group, Electra Private Equity and Princess Private Equity), distressed debt investment (NB Distressed Debt Fund), UK domestic recovery (Invista Foundation Property Fund and Aberforth Geared Income Trust), specialist insurance (Polar Capital Insurance fund) and a specialist environmental fund (Ludgate Environmental Fund Limited). These amounted to 9.8% of Witan's portfolio at the year end, with the management of this portfolio being the responsibility of the CEO.

Portfolio diversification

In order to capture the changing dynamics in the global economy and provide stability against problems within individual countries, Witan's portfolio is well diversified across global stock markets and, importantly, across a range of managers. As expected in a multi-manager portfolio, individual manager returns vary. In 2011, 6 of the managers who were in place for the whole of the year outperformed their respective benchmarks, while 6 (including the portfolio of direct holdings) underperformed. This mixed relative performance, together with an increased allocation to emerging and growth economies (which performed poorly last year) and the effect of gearing during the market falls meant that Witan's net asset value total return of -10.9% was below that of the benchmark (-7%), despite having outperformed by 0.6% during the first half of the year.

Witan is predominantly equity based but the remit allows investment in other areas when considered appropriate, either to enhance returns or to mitigate risk. In

normal market circumstances, equity exposure can be expected to be at least 80%, while gearing, as noted elsewhere, is managed within an overall maximum level of 20%.

Investment Managers

As set out in the table on page 12, the portfolio consists of 11 separate external mandates managed by different fund management firms, in addition to the directly-held positions managed by the CEO.

Each of the external managers is entitled to a base management fee, calculated according to the value of the assets under management, and/or a performance fee, calculated according to investment performance, relative to the benchmark applicable to the investment mandate. The fees for each of the segregated investment management agreements are subject to a cap in respect of each accounting year. Each agreement can be terminated on one month's notice. One of the investment mandates is operated via a fund vehicle, to simplify custody arrangements in emerging economies.

The base management fee rates range from nil to 0.9 per cent per annum and the performance fees range from nil to 20 per cent per annum of the relevant outperformance. All the fees are payable quarterly in arrears. The performance fees are payable on a pro rata basis, after a minimum initial period of one year.

The average aggregate base management fee, weighted according to the value of the funds under management, was 0.34% as at 31 December 2011 (end 2010 0.35%). On a similar basis, the average performance fee is 12% of outperformance of the relevant benchmark, subject to capping of payments for any particular year. As an illustration, if our managers uniformly outperformed their benchmarks by 3% after base management fees, this would generate a performance fee of 0.37% of net assets, giving total investment management fees of 0.71%. The actual

fees payable will of course vary according both to the level of performance and the variation in performance between managers with higher or lower fees. Witan takes care to ensure the competitiveness of the fee rates it pays (which in aggregate have been reduced during 2011) and that where higher fees are incurred they are linked to good performance, from which shareholders benefit.

The Company's external investment managers may use certain services which are paid for, or provided by, various brokers. In return, they may place business, including transactions relating to the Company, with those brokers.

Manager Review

The table on page 13 shows the performance of the individual equity managers for 2011 as well as since inception, compared with their respective benchmarks. The two best performers during the year were Veritas (appointed in 2010 as a Global equity manager) and Lindsell Train (one of the two UK managers appointed in 2010). Both achieved a positive return despite the negative market trends. They also achieved the strongest relative performance against their allocated benchmarks, although four other managers also outperformed their benchmarks but had negative returns for the year as a whole.

At the other end of the scale, our Asian and Emerging markets managers had some of the weakest absolute returns (although Comgest outperformed their Asian equity benchmark). Emerging economies and the faster growing economies of Asia were hard-hit by the down-turn in global confidence as well as being affected by the tighter trend in monetary policy linked to the inflationary pressures in the first half.

Weak returns were also seen from Europe (which was the weakest of the developed markets), from our portfolio of direct holdings and from Southeastern, another

of our global equity managers. In the case of Europe, our manager's performance was 1% behind that of the weak European index, after outperforming during 2010. Southeastern has a value-focused approach to stock selection, assigning an intrinsic value to companies and seeking to invest on wide discounts to that value. Their portfolio is highly concentrated and includes a range from defensive non-cyclical growth to undervalued cyclical stocks and restructuring plays. Its performance was adversely affected by the abrupt change in risk aversion from mid-year and, as our largest single portfolio, this exerted a material drag on Witan's overall performance for the year. They retain confidence in their holdings and in the past (e.g. 2009) this confidence has been reflected in strong absolute and relative performance when market conditions have stabilised.

The portfolio of direct holdings, which was increased during the year from 6.5% to 9.8%, suffered from the derating of the holdings in listed private equity vehicles. Although two holdings (Electra Private Equity and Princess Private Equity) have delivered positive total returns in excess of those on Witan's portfolio as a whole since purchase, they have fallen back from higher levels. A third (HarbourVest Global Private Equity) was sold for an absolute and relative gain. However, 3i Group has been a significant disappointment so far. Its business performance has been unexceptional in net asset value terms since we first purchased the shares in 2010 but the price has fallen from a discount of approximately 10% to one of over 35%. Although this is not unique in the specialist financials sector in recent months, we believe it is not reflective of the performance of 3i's portfolio of investments. We have therefore added to the holding at the recent low levels as we believe that either a higher rating will be restored once markets become less volatile and more discriminating or management will have to take further

steps (beyond the welcome increase in the dividend payout) to address the gap between the underlying business performance and that of the share price.

The two convertible bond holdings (in Electra Private Equity and Edinburgh Dragon Trust) held up well during the market volatility and both trade above their purchase prices (in December 2010 and January 2011 respectively). They have offered a running income as well as downside protection relative to the equity, while giving longer-term equity participation should the underlying share prices overtake the conversion prices.

Japan is a market where we decided in 2010 to cease using a specialist manager, leaving it to our global managers to allocate according to the relative attractions of stock opportunities in the Japanese market. The underweighting of that market, resulting from their stock decisions as well as our strategic view, has been helpful, as the market underperformed in 2011. We increased our Japanese exposure late in the year, using equity index futures and the purchase of a specialist Japanese investment trust but remain relatively lowly weighted.

Portfolio breakdown

The sector breakdown and regional exposure for the aggregated portfolio is shown on page 18. A point to note is that the financials weighting is boosted by the investment companies held as specialist direct investments. Excluding those we have been underweight in financial stocks.

The top 50 holdings across the whole of Witan's portfolios are set out on page 19. They represent 46.0% of Witan's portfolio (2010 42.9%). This highlights the substantial diversification provided by our range of managers and global geographical exposure. The objective of using active managers is to outperform, which requires the portfolio to differ from the benchmark. Despite having a range of investment managers, Witan's aggregated portfolio retains an individual

Directors' Report

Business Review *continued*

Name	Sector	Portfolio Weighting %
Top 10 Overweight positions at 31 December 2011		
Electra Private Equity PLC (including convertible bond)	Equity Investment Instruments	2.63
3i Group PLC	Financial Services	2.51
Pearson PLC	Media	1.68
Unilever PLC	Food Producers	1.91
Sage Group PLC (The)	Software & Computer Services	1.22
Dell Inc	Technology Hardware & Equipment	1.13
Reed Elsevier PLC	Media	1.24
Princess Private Equity Holdings PLC	Equity Investment Instruments	1.00
London Stock Exchange Group PLC	Financial Services	1.05
Schroders PLC	Financial Services	1.04
Top 10 Underweight positions at 31 December 2011		
GlaxoSmithKline PLC	Pharmaceuticals & Biotechnology	1.31
National Grid PLC	Gas, Water and Multi Utility	0.00
Apple Inc	Technology Hardware & Equipment	0.00
Imperial Tobacco Group PLC	Tobacco	0.00
Tesco PLC	Food & Drug Retailer	0.16
Exxon Mobil Corporation	Oil & Gas Producer	0.00
Anglo American PLC	Mining	0.01
British American Tobacco PLC	Tobacco	0.50
HSBC Holdings PLC	Financial Services	0.00
Royal Dutch Shell PLC (A and B Shares)	Oil & Gas Producer	0.55

character distinct from the main holdings in the benchmark

The table above shows the investments with the widest variation above and below the weighting of the stocks in Witan's benchmark. Although stock selection is not driven by the significance of the stock in the index, the table gives a snapshot of the top overweight and underweight holdings (on a look through basis across our managers).

Outlook

Economic prospects for 2012 remain challenging, as developed economies attempt to reduce the debt burdens accumulated over recent economic cycles. The resulting headwind for economic growth is likely to continue to deliver weaker growth than the recent historical norm, generating periodic scares that the natural fluctuations of

growth may be the start of a renewed recession. There is also a risk that fiscal retrenchment in Europe leads to renewed recession, with political reactions of hostility to free trade and business. Inter-governmental disagreements could also lead to a break-up of the Euro, with unpredictable short term ramifications. The likelihood of a renewed European banking crisis currently appears lower than it did in autumn 2011 but recent years have been a graveyard for optimists on policy coherence in Europe.

Outside Europe, growth prospects appear better than expected a few months ago. Economic activity has been better than expected in the US, while emerging economies, which have contributed a disproportionate share of global growth in the past 10 years, are emerging from a period of monetary restraint. In contrast

to 2011, it is possible that growth prospects worldwide will improve during the year (from a weak and variable starting level). This depends partly on whether the corporate sector in developed economies becomes sufficiently confident in the outlook to increase capital investment and on whether emerging economies take steps to rebalance their growth towards greater reliance on domestic consumption rather than exports, helping to reduce the strains from global trade imbalances.

Given the sensitivity of economies to oil prices, tensions in the Middle East remain a key threat to growth. Iran's talk of a blockade of oil exports from the Arabian Gulf may represent sabre-rattling more than a risk of sustained oil supply disruptions but a prolonged period of

tension could keep oil prices high enough to create a renewed faltering in the global recovery, much as the Arab Spring did in 2011

Recent years have seen repeated swings from concerns about inflation to fears of deflation and from worries about recession to complacency about growth 2012 seems likely to see a similar cycle, with the start of the year burdened by apprehension about global stagnation or recession. Given the global shift towards an easier monetary policy bias in recent months and the greater government focus on the risks to growth, equity markets may be positively surprised by events in 2012, with some government bond markets correspondingly vulnerable if forecasts of deflation or economic calamity prove incorrect.

In this environment, we remain fully invested with 10% gearing at the time of writing but the lesson from recent years is to be watchful both to guard against risks and to take advantage of opportunities.

Witan's Multi-Manager Approach

As referred to elsewhere in this report, Witan manages its portfolio using a multi-manager approach. This was adopted in 2004, in the belief that no single investment manager was likely to excel in all asset classes over economic cycles or longer time periods. Therefore, seeking to employ managers to invest in

their areas of greatest competence has the potential both to improve returns and to reduce risk relative to using a single manager across the investment waterfront.

The Board and the executive team are responsible for managing the portfolio's asset allocation, choosing a suitable range of managers to use their stock selection skills to implement the strategy, designing appropriate incentives and monitoring performance against targets.

Witan selects its managers from amongst those whose processes, principles and performance commend them as long term custodians of investors' wealth. We are seeking managers who can capture the longer term growth rewards from equity investment by focusing on fundamental value rather than chasing short term momentum. This fits with a fundamental dictum of equity investment, that whilst in the short term markets are a voting machine (affected by sentiment) in the long term they are a weighing machine (driven by substance).

Central to this approach is the idea of balance. Just as exposure to a single market or a small number of investments can lead to volatile performance, so can investing with a single manager or a group of managers with the same philosophy. Witan's approach aims to balance different factors (such as value

and growth, geographical diversification, concentrated versus widely diversified portfolios and secular growth versus cyclical trends) with the intention of smoothing out stylistic fashions and profiting from the managers' ability to outperform over time.

Our Current Managers

The tables on pages 12 and 13 give a summary of the range of styles amongst our current investment managers, the proportion of Witan's portfolio they manage and their performance over the past year and since appointment. Further information is given on pages 20 and 21 regarding the managers' history, the total amount of investments they manage and their investment approach.

An Evolving Process

Witan's multi-manager approach has evolved in stages from its pre 2004 model as a Company with a single manager. After the significant changes introduced in 2010, 2011 was a year of consolidation in structural terms, occurring against a backdrop of disruptive global economic and political events and unstable markets. Our investment processes are focused on continuing to adapt to structural changes and themes in the global economy while being resilient against the shorter term influences of economic cycles and shifts in investor sentiment.

Directors' Report

Classification of Investments at 31 December 2011

(unaudited)

		United Kingdom %	Continental Europe %	North America %	Asia Pacific (ex Japan) %	Japan %	Latin America %	Other %	Total 2011 %
Basic Materials	Chemicals	0.6	0.9	0.2	-	0.1	-	-	1.8
	Industrial Metals & Mining	-	0.1	-	-	-	-	-	0.1
	Mining	1.5	0.1	-	0.9	-	0.1	0.2	2.8
		2.1	1.1	0.2	0.9	0.1	0.1	0.2	4.7
Consumer Goods	Automobiles & Parts	-	0.3	-	0.1	-	-	-	0.4
	Beverages	2.1	1.0	0.1	0.1	0.1	-	-	3.4
	Food Producers	2.2	0.7	0.1	0.2	-	-	-	3.2
	Household Goods & Home Construction	0.5	-	0.1	0.4	-	-	-	1.0
	Leisure Goods	-	0.7	-	-	-	-	-	0.7
	Personal Goods	0.8	0.6	0.2	0.3	-	-	-	1.9
	Tobacco	0.5	0.1	0.3	0.1	-	-	-	1.0
			6.1	3.4	0.8	1.2	0.1	-	-
Consumer Services	Food & Drug Retailers	0.2	0.5	0.7	-	-	-	-	1.4
	General Retailers	0.2	0.3	0.9	0.7	-	-	-	2.1
	Media	4.5	0.6	2.1	0.2	-	-	-	7.4
	Travel & Leisure	2.9	0.5	0.5	0.4	-	-	-	4.3
		7.8	1.9	4.2	1.3	-	-	-	15.2
Financials	Banks	1.0	1.1	0.5	0.5	-	0.1	-	3.2
	Equity Investment Instruments	5.8	-	0.8	-	0.2	-	-	6.8
	Financial Services	5.8	0.1	1.1	-	-	-	-	7.0
	Life Insurance	0.3	-	-	0.7	-	-	-	1.0
	Nonlife Insurance	0.4	0.4	2.5	0.1	0.1	-	-	3.5
	Real Estate Investment Services	0.1	0.5	-	0.6	-	-	-	1.2
	Real Estate Investment Trusts	-	-	0.1	-	-	-	-	0.1
		13.4	2.1	5.0	1.9	0.3	0.1	-	22.8
Health Care	Health Care Equipment & Services	0.5	0.9	1.5	-	0.3	-	-	3.2
	Pharmaceuticals & Biotechnology	1.9	1.4	0.4	-	-	-	-	3.7
		2.4	2.3	1.9	-	0.3	-	-	6.9
Industrials	Aerospace & Defense	0.8	0.1	0.8	-	-	-	-	1.7
	Construction & Materials	0.1	2.8	0.1	-	-	0.4	-	3.4
	Electronic & Electrical Equipment	0.7	0.3	0.1	0.3	0.1	-	-	1.5
	General Industrials	0.3	-	0.4	0.2	-	-	0.1	1.0
	Industrial Engineering	0.4	0.3	0.2	0.1	-	-	0.2	1.2
	Industrial Transportation	-	0.1	0.5	-	-	-	-	0.6
	Support Services	2.4	0.1	0.4	-	0.3	-	-	3.2
		4.7	3.7	2.5	0.6	0.4	0.4	0.3	12.6
Oil & Gas	Oil & Gas Producers	3.6	0.9	1.3	0.5	0.1	0.3	-	6.7
	Oil Equipment Services & Distributors	0.5	0.2	0.4	0.4	-	-	-	1.5
		4.1	1.1	1.7	0.9	0.1	0.3	-	8.2
Technology	Software & Computer Services	2.4	0.2	1.4	0.6	-	-	-	4.6
	Technology Hardware & Equipment	0.5	0.2	1.4	1.2	0.1	-	-	3.4
		2.9	0.4	2.8	1.8	0.1	-	-	8.0
Telecommunications	Fixed Line Telecommunications	0.4	0.1	0.2	0.6	-	-	-	1.3
	Mobile Telecommunications	1.9	-	0.1	0.3	-	0.1	0.6	3.0
		2.3	0.1	0.3	0.9	-	0.1	0.6	4.3
Utilities	Electricity	-	-	0.1	-	-	-	0.2	0.3
	Gas Water & Multi-utilities	-	0.1	0.1	-	0.1	0.4	-	0.7
		-	0.1	0.2	-	0.1	0.4	0.2	1.0
Open-Ended Funds	(see note 3 below)	-	0.5	0.5	2.2	-	0.9	0.6	4.7
Totals 2011		45.8	16.7	20.1	11.7	1.5	2.3	1.9	100.0
Totals 2010		43.7	19.4	17.7	12.2	2.3	2.5	2.2	100.0

1 Unquoted investments, options and futures are not included in this classification

2 Included in the above are fixed interest holdings (including convertibles) of £26,879,000 (2010 £11,822,000)

3 Open-ended funds relates to the collective investment fund used to invest in Emerging Markets and a specialist insurance fund

Directors' Report

Fifty Largest Equity Investments at 31 December 2011 (unaudited)

Company	Market value of holding £ million	% of portfolio	Country	Sector
1 Electra Private Equity*	28.5	2.63	UK	Equity Investment Instruments
2 3i Group	27.2	2.51	UK	Financial Services
3 BP	20.9	1.93	UK	Oil & Gas Producers
4 Vodafone Group	20.9	1.93	UK	Mobile Telecommunications
5 Unilever	20.7	1.91	UK/Netherlands	Food Producers
6 Pearson	18.2	1.68	UK	Media
7 Diageo	18.1	1.67	UK	Beverages
8 GlaxoSmithKline	14.2	1.31	UK	Pharmaceuticals & Biotechnology
9 Reed Elsevier	13.5	1.24	UK	Media
10 Sage	13.2	1.22	UK	Software & Computer Services
11 Dell	12.3	1.13	USA	Technology Hardware & Equipment
12 London Stock Exchange	11.4	1.05	UK	Financial Services
13 Schroders	11.3	1.04	UK	Financial Services
14 Princess Private Equity	10.8	1.00	UK	Equity Investment Instruments
15 Edinburgh Dragon 3.5% Conv Bond	10.5	0.97	UK	Equity Investment Instruments
16 Rio Tinto	10.4	0.96	UK	Mining
17 Roche	9.2	0.85	Switzerland	Pharmaceuticals & Biotechnology
18 Compass	9.2	0.84	UK	Travel & Leisure
19 Fairfax Financial	9.0	0.83	Canada	Nonlife Insurance
20 Chesapeake Energy	9.0	0.83	USA	Oil & Gas Producers
21 Burberry	8.9	0.83	UK	Personal Goods
22 Aberforth Geared Income Trust	8.9	0.83	UK	Equity Investment Instruments
23 BG	8.6	0.79	UK	Oil & Gas Producers
24 Walt Disney	8.2	0.76	USA	Media
25 NB Distressed Debt Investment Fund	8.0	0.74	USA	Equity Investment Instruments
Top 25	341.1	31.48		
26 Greene King	7.7	0.71	UK	Travel & Leisure
27 Willis	7.6	0.70	USA	Nonlife Insurance
28 Philips Electronics	7.5	0.69	Netherlands	Leisure Goods
29 Daily Mail & General Trust	7.1	0.66	UK	Media
30 DirecTV	7.1	0.66	USA	Media
31 Cheung Kong	7.0	0.64	Hong Kong	Real Estate Investment Services
32 Lafarge	6.9	0.63	France	Construction & Materials
33 Travelers	6.8	0.63	USA	Nonlife Insurance
34 Heineken	6.8	0.63	Netherlands	Beverages
35 Liberty Interactive	6.5	0.60	USA	Media
36 BHP Billiton	6.4	0.59	Australia	Mining
37 ACS Actividades	6.4	0.59	Spain	Construction & Materials
38 Standard Chartered	6.2	0.58	UK	Banks
39 Ferrovial	6.0	0.56	Spain	Construction & Materials
40 Rolls-Royce	6.0	0.55	UK	Aerospace & Defense
41 Royal Dutch Shell	6.0	0.55	UK	Oil & Gas Producers
42 Carrefour	5.7	0.52	France	Food & Drug Retailers
43 Taiwan Semiconductor Manufacturing	5.6	0.52	Taiwan	Technology Hardware & Equipment
44 Statoil	5.6	0.52	Norway	Oil & Gas Producers
45 Capita	5.6	0.51	UK	Support Services
46 Microsoft	5.4	0.50	USA	Software & Computer Services
47 Fresenius Medical Care	5.4	0.50	Germany	Health Care Equipment & Services
48 British American Tobacco	5.4	0.50	UK	Tobacco
49 AstraZeneca	5.3	0.49	UK	Pharmaceuticals & Biotechnology
50 Xstrata	5.3	0.49	UK	Mining
Top 50	498.4	46.00		

The full portfolio is not listed because it contains over 500 companies. The above listing is of the largest individual equity investments and as such excludes the collective investment used to invest in Emerging Markets (which is valued at £44.4 million) and the specialist insurance fund (which is valued at £6.0 million).

*Includes convertible bonds valued at £16.4 million.

Investment Managers

Artemis Investment Management

Established in 1997, Artemis Investment Management Limited manages over £10.9bn* on behalf of a range of retail and institutional clients. Witan's portfolio is a segregated mirror of Derek Stuart's £1.0bn UK Special Situations Strategy launched in 2001 – a contrarian fund that aims to outperform the FTSE All-Share Index by 3% per annum. This approach seeks to exploit market inefficiencies, with an absolute return mindset, in order to generate maximum returns. It is a stock-picking strategy that aims to achieve long term capital growth by focusing on stocks that are out of favour and have turnaround potential.

Comgest

Founded in 1985, Comgest is an independent, international asset management group with offices in Paris, Dublin, Hong Kong, Tokyo and Singapore. Comgest is characterised by its unique approach of 'quality growth in the long term' through its unconstrained style across all equity portfolios. It serves a diverse client base of long term oriented investors around the globe. Comgest manages £11.3bn* across 7 regional strategies (Asia, Asia ex-Japan, Asia Pacific ex-Japan, Global Emerging Markets, Global, Latin America, Pan-European) and 4 single country strategies (Greater China, India, Japan and USA).

Henderson Global Investors

Founded in 1934, Henderson Global Investors ('Henderson') is wholly-owned by Henderson Group plc, which is dual-listed on the London Stock Exchange and Australian Securities Exchange. Henderson Group is a constituent of the FTSE 250 and S&P/ASX 200 indices. Henderson Group plc is a focused organisation consisting solely of Henderson, the asset management entity of Henderson Group plc. The Group's strategic focus is the development of Henderson as a leading investment manager, based around its core fixed income, equity and property capabilities as well as its offering of alternative products, such as private equity and hedge funds. With its principal place of business in London, Henderson has over £65.4bn assets under management (as at 30 September 2011) and employs over 900 people worldwide.

Lindsell Train

Lindsell Train Limited was established in 2000 by Michael Lindsell and Nick Train and specialises in the management of UK equity, Japanese equity and global mandates for institutional clients. The business was founded on the shared investment philosophy that developed while the founders worked together from the early 1990s. Lindsell Train aims to provide a professional working environment where strong investment returns are delivered to their clients over the longer term. Both the founders were concerned about their ability to deliver such returns within the confines of the major institutions where they were employed previously. The business has grown steadily and assets under management total £1.6bn*. Lindsell Train continues to be majority owned by the two founders. This is important because it ensures they maintain the integrity of the business principles on which the firm was founded.

Marathon Asset Management

Marathon Asset Management was founded in 1986 and is totally independent, managing some £31bn* of institutional client assets. At the heart of Marathon's investment philosophy is the 'capital cycle' approach to investment. This is based on the idea that the prospect of high returns will attract excessive capital (and hence competition), and vice versa. In addition, the assessment of management and how they respond to incentives and the forces of the capital cycle is critical to the investment outcome. The investment philosophy is intrinsically contrarian. Given the long term nature of the capital cycle, Marathon's investment ideas generally require patience and, by industry standards, long stock holding periods.

MFS Investment Management

MFS is a global investment firm managing £161.8bn* of equity and fixed income assets for investors worldwide. Founded in 1924, MFS established one of the industry's first in-house fundamental research departments in 1932. Today, MFS offers a broad range of investment styles that combine both fundamental and quantitative research and portfolio management. Their investment philosophy has remained consistent to identify opportunities on behalf of clients through the application of global research and bottom-up security selection. MFS' culture is investment driven, client centred, and collaborative. To underscore their values of collaboration and accountability, they structure ownership and compensation to reward long-term investment performance and teamwork. Up to 22% ownership of MFS is available to key MFS contributors. Their majority shareholder since 1982 has been Sun Life of Canada (U.S.) Financial Services Holdings, Inc.

NewSmith Asset Management

NewSmith Asset Management LLP, established in 2004 by a team of fund managers who had worked together at Mercury Asset Management, has assets under management of £1.8bn*, the majority in UK equities on behalf of a range of institutional and high net worth clients. The UK team manages concentrated, unconstrained equity portfolios, all with performance fee structures, and the team's business model is driven by client performance not by asset gathering. Their investment philosophy is driven by the depth of understanding of UK companies and a strong market sense, combined with a flexible investment style and a thematic overlay.

Southeastern Asset Management

Founded in 1975 and based in Memphis, Tennessee, Southeastern manages approximately £20.3bn* for a range of institutional, high net worth and retail clients. When Southeastern makes an investment they take the view that they are purchasing that company in its entirety. They aim to avoid capital loss while targeting an annual average return of at least inflation plus 10%. In the US they manage the Longleaf mutual funds which reopened in 2008 to new investors, after being closed for several years, due to the large amount of opportunity in the market. Southeastern is 100% employee owned with all staff equity investment made exclusively into the firm's funds.

Thomas White International

Founded in 1992 by a Managing Director of Morgan Stanley Asset Management, Thomas White has £918m* under management. With professionals in Chicago and Bangalore, India, Thomas White invests in 50 markets around the world using a disciplined value-driven strategy. Its analysts are aided in their stock selection by proprietary fundamental appraisal techniques applied to each company within an industry and/or country. This body of valuation knowledge has been refined over decades. Their unique analytical approach allows them to limit overall portfolio volatility and downside risk while delivering excellent long term investment returns.

Trilogy Global Advisors

Trilogy Global Advisors is a long-only specialist equity investment boutique managing global developed and global emerging market portfolios for institutional pension schemes. Founded in 1999, it is wholly independent with all the equity owned by the principal partners, other staff and non-executive directors. It has two investment offices in New York and Orlando, Florida, and a marketing and client service office in London. Total assets under management comprise £7.8bn* with approximately a quarter represented by UK pension fund clients and around a third of total assets managed in dedicated global emerging market equity portfolios.

Veritas Asset Management

Veritas is an independent investment company, managing £6bn* of assets, with the key objective of delivering long term real returns to its clients. Veritas aligns its interest with clients' objectives and is committed to partnership. Veritas manages both segregated portfolios and funds, with either long-only or long-short real return mandates. Their clients include institutions, charities, trusts and private clients. The company was established in 1993 and has offices in London, Zurich and Hong Kong. Veritas Asset Management (UK) Ltd and Veritas Asset Management AG are wholly-owned subsidiaries of The Real Return Group, which is 100% owned by management and employees and operates as a partnership.

* Figures as at 31 December 2011

The foregoing summaries are based upon information supplied by the managers regarding their investment styles and assets under management.

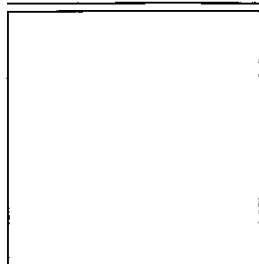
Directors' Report Board of Directors

a Independent non-executive directors

b Members of the Audit Committee which is chaired by Mr Boyle

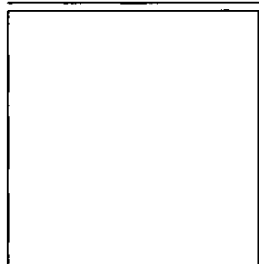
c Members of the Remuneration Committee which is chaired by Mrs Claydon

H M Henderson ^{a,c}



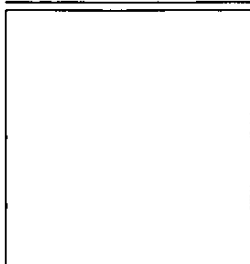
Appointed a director in 1988, Harry Henderson became Chairman in March 2003. He was formerly a partner of Cazenove & Co and subsequently a senior executive at Cazenove Group plc, retiring in 2002. Mr Henderson is Chairman of Witan Investment Services Limited. He is also a director of Cadogan Settled Estates Limited.

R A Bruce ^{a,b} MA, MBA



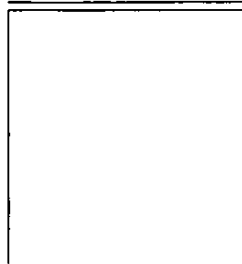
Andrew Bruce was appointed a director in 2002. He is Group Credit Risk Director at Barclays PLC where he has responsibility for asset quality and credit risk across the Barclays Group. He is also a member of the Advisory Board of Clearstream International.

J E B Bevan ^a MA



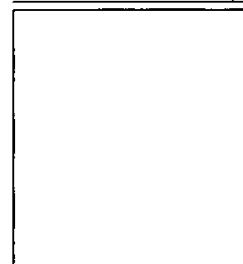
James Bevan was appointed a director in 2007. He is CIO, CCLA Investment Management. Before joining CCLA in November 2006, he was the Chief Investment Officer at Abbey. Prior to Abbey, he was Chief Investment Officer for Barclays Stockbrokers and Barclays Personal Investment Management, having joined BZW in 1988, following postgraduate research in applied economics and asset allocation at Cambridge University.

M C Claydon ^{a,c} BA, MBA



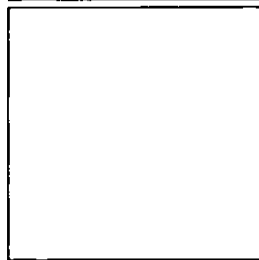
Catherine Claydon joined the Board in 2009. From 1992 to 2007 she worked at Goldman Sachs, from 2002 as Managing Director, Pension Advisory Group. She held the same position at Lehman Brothers from 2007 to 2008. She is a non-executive director of London Metal Exchange Limited, Dunedin Income Growth Investment Trust and Witan Investment Services Limited. She is an independent member of Barclays UK Pension Fund and Unilever UK Pension Fund's Investment Committee.

A L C Bell MA



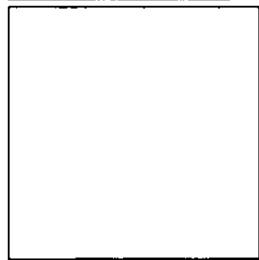
Andrew Bell was appointed a director and Chief Executive Officer from February 2010. He is responsible for the overall management of Witan. He has worked in the City since 1987, as an equity strategist and subsequently as Co-Head of the Investment Trusts team at BZW and Credit Suisse First Boston. From 2000 until 2010 he worked for Rensburg Sheppards Investment Management Limited as Head of Research and Strategy. Prior to the City, he worked for Shell in Oman, leaving to take a Sloan Fellowship at the London Business School. He is a non-executive director of Henderson High Income Trust plc and a deputy chairman of the Association of Investment Companies. Mr Bell is a director of Witan Investment Services Limited.

A Watson ^{a,b} CBE, BSc (Econ), ASIP, Barrister-at-Law, FSI (Hon)



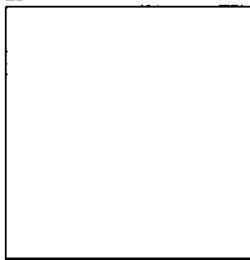
Tony Watson was appointed a director in 2006. He was appointed Senior Independent Director in February 2008. He is a non-executive director of Hammerson plc, Lloyds Banking Group plc, Vodafone Group Plc and the Shareholder Executive. He was chairman of the Trustees of the Marks & Spencer Pension Scheme and Strategic Investment Board Limited (Northern Ireland) and was a member of the Financial Reporting Council. Mr Watson retired in 2006 from an executive career in the investment management industry, most recently as Chief Executive of Hermes Fund Managers Limited.

R W Boyle ^{a,b} MA, FCA



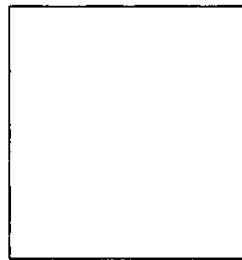
Robert Boyle was appointed a director in 2007. He is a Chartered Accountant and was a partner of PricewaterhouseCoopers LLP, where he was responsible for multi-national client accounts, specialising in the telecoms and media sectors. He was chairman of the PWC European Entertainment and Media Practice for twelve years, retiring in 2006. He is a non-executive director, and chairman of the audit committee, of Maxis Berhad (in Malaysia), Centaur Media plc, Prosperity Voskhod Fund Ltd (an AIM listed company) and the Southern Health NHS Foundation Trust and a non-executive director of Schroder AsiaPacific Fund plc. He is also the independent member of the audit committee of the National Trust.

R J Oldfield ^{a,c} MA



Richard Oldfield joined the Board on 1 May 2011. He is chief executive of Oldfield Partners LLP, an investment management firm which he founded in 2005 after nine years as chief executive of a family investment office. Before that he was a director of Mercury Asset Management plc which he joined in 1977. He is chairman of the Oxford University investment committee and was chairman of Keystone Investment Trust plc from 2001 to 2010. He is a trustee of Royal Marsden Cancer Charity and of Canterbury Cathedral Trust.

S E G A Neubert ^a



Suzy Neubert will join the Board on 2 April 2012. She is Sales & Marketing Director at J O Hambro Capital Management, which she joined in March 2006. She was previously Managing Director of Equity Markets within the Global Markets and Investment Banking Group at Merrill Lynch Securities in London. From 1993, she worked at Smith New Court Europe (later taken over by Merrill Lynch) as a European equity analyst and later as Director of European Equity Sales. Prior to Smith New Court, she worked at Hambros Bank as an Executive in the Corporate Finance division. She is a qualified barrister.

Directors' Report

Statutory Information

In this Section

- Activities and Business Review
- Investment Policy
- Status
- Subsidiary Company
- ISAs
- Substantial Share Interests
- Assets
- Revenue and Dividend
- Company Revenue Account
- Directors
- Directors' Interests
- Directors' Conflicts of Interest
- Directors' Indemnity
- Directors' Fees
- Financial Instruments and the Management of Risk
- Investment Managers
- Share Capital
- Payment of Suppliers
- Independent Auditor
- Directors' Statement as to the Disclosure of Information to the Auditor
- Donations
- Annual General Meeting ('AGM')
- Corporate Governance Statement

The directors present the Annual Report of the Group for the year ended 31 December 2011

Activities and Business Review

A review of the business is given in the Chairman's Statement on pages 3 to 5 and in the Business Review on pages 6 to 17

The Company is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2011 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group ('business review'). The information that fulfils the requirements of the business review can be found within the Business Review on pages 6 to 17

Investment Policy

The Company's investment policy is set out, within the Business Review, on page 11

Status

Witan Investment Trust plc ('the Company') is incorporated in the United Kingdom and registered in

England and Wales and domiciled in the United Kingdom. It is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. HM Revenue & Customs approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2010, although approval for that year may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company will continue each year to seek approval as an investment trust under section 1158 of the Corporation Tax Act.

Subsidiary Company

The Company has one subsidiary company, Witan Investment Services Limited, which provides marketing services and investment products to the Company and executive management and marketing services to third party investment trust clients. Witan Investment Services Limited is authorised and regulated by the Financial Services Authority to manage savings schemes for investors and provide investment advice to professional investors.

ISAs

The Company intends to continue to manage its affairs so that its investments fully qualify for the stocks and shares component of an ISA and Junior ISA.

Substantial Share Interests

As at 14 March 2012, the following had notified the Company of interests in the Company's voting rights

	%
AXA Investment Managers SA	17.9
Legal & General Group plc (direct)	4.3

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued ordinary share capital as at 14 March 2012 (the shareholdings representing the voting rights)

Assets

At 31 December 2011 the total net assets of the Group were £994.3 million (2010: £1,141.8 million). At this date the net asset value per ordinary share was 516.9p (2010: 584.4p).

Revenue and Dividend

The total loss for the year was £109.3 million (2010: profit of £177.0 million). A profit of £25.7 million is attributable to revenue (2010: £18.7 million). The profit for the year attributable to revenue has been applied as follows:

Directors' Report

Statutory Information *continued*

	£'000
Distributed as dividends	
First interim of 5 45p per ordinary share (paid on 16 September 2011)	10,487
Second interim of 6 55p per ordinary share (payable on 30 March 2012)	12,589
Added to the revenue reserve	2,603
	25,679

The directors have declared a second interim dividend instead of a final dividend in order to ensure that, as in previous years, the distribution is made to the shareholders before 5 April. The Company intends to grow the dividend in real terms, ahead of inflation.

Company Revenue Account

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement. The profit on the revenue return of the Company dealt with in the accounts of the Group amounted to £25,879,000 (2010: £18,682,000).

Directors

The current directors of the Company are shown on page 22.

All the directors held office throughout the year under review, with the exception of Mr Oldfield, who was appointed with effect from 1 May 2011. Mr R H McGrath also served as a director until 10 May 2011. Ms S Neubert, whose details are included on page 22, has agreed to serve on the Board and will be appointed as a director with effect from 2 April 2012.

At the Annual General Meeting on 1 May 2012, Mr Bevan and Mrs Claydon will retire in accordance with the Company's Articles of Association. Mr Henderson and Mr Bruce will also stand for re-election, as they have both served as a director for more than nine years and are eligible to stand for re-election. The Board considers both directors to be independent despite their length of service. This is explained in more detail in sections 1 and 2 on pages 28 and 29. Ms Neubert will stand for election as a new director. The Board's policy on the frequency of the re-election of directors is set out on page 29 in the Corporate Governance Statement.

Throughout the year the membership of the Audit Committee comprised Mr Boyle (Chairman), Mr Bruce

and Mr Watson. During the year the membership of the Remuneration Committee comprised Mrs Claydon (Chairman), Mr H M Henderson, Mr R H McGrath (until his retirement on 10 May 2011) and Mr R J Oldfield (with effect from 7 December 2011).

As noted on page 28, Mr Henderson was formerly a senior executive at Cazenove and a partner in its predecessor firm. As one of a number of institutional investors, the Company purchased in 2001 a holding of shares in Cazenove Group plc ('Cazenove') (see note 10 (v) on page 56). Subject to this exception, no director was a party to, or had an interest in, any contract or arrangement with the Company at any time during the year or to the date of this report. With the exception of Mr Bell, no director has or had a service contract with the Company.

Directors' Interests

The interests of the directors in the share capital of the Company were as follows:

Ordinary shares	31 December 2011	
	Beneficial	Non-Beneficial
H M Henderson	722,732	432,500
A L C Bell	90,000	–
R A Bruce	3,354	629
A Watson	25,000	–
J E B Bevan	–	–
R W Boyle	12,149	–
M C Claydon	42,312	–
R J Oldfield	–	–
	895,547	433,129

Ordinary shares	1 January 2011	
	Beneficial	Non-Beneficial
H M Henderson	722,732	432,500
A L C Bell	40,000	–
R A Bruce	3,270	549
A Watson	25,000	–
J E B Bevan	–	–
R W Boyle	9,775	–
M C Claydon	39,888	–
R J Oldfield*	–	–
	840,665	433,049

*on appointment on 1 May 2011

Since the year end, Mr Bruce's non-beneficial interests have increased to 638 shares, as a result of regular investment through the Jump Savings plans. Mr Bell's

holding has increased to 100,000 shares. No other changes in the interests of the directors have been notified. No director had an interest in the secured bonds, debenture stock or preference shares of the Company.

Directors' Conflicts of Interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 ('the Act') has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the Articles of Association contain a provision to this effect. The Act also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two circumstances in which a conflict of interest can be permitted: either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's Articles of Association, which were adopted by shareholders on 27 April 2010, give the directors the relevant authority required to deal with conflicts of interest.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. The directors have also undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that need to be approved by the Board and added to the Register, which is reviewed annually by the Board. It has also been agreed that directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only directors who have no interest in the matter being considered would be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts has operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors.

Directors' Indemnity

The Company's Articles of Association allow the Company, subject to the provisions of UK legislation, to

- (a) indemnify any person who is or was a director, or a director of any associated company, directly or indirectly against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or her, or otherwise, in relation to the Company or any associated company, and
- (b) purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure he or she may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or her, or otherwise, in relation to the Company or any associated company.

Directors' and officers' liability insurance cover is in place in respect of the directors and was in place throughout the year under review.

Directors' Fees

The report on the directors' remuneration is set out on pages 37 to 39.

Financial Instruments and the Management of Risk

By its nature as an investment trust, the Company is exposed to market risk, price risk, currency risk, interest rate risk, liquidity risk and credit risk. The Company's policies for managing these risks are outlined in note 14 to the accounts on pages 57 to 64.

Investment Managers

It is the opinion of the directors that the continuing appointment of the investment managers listed on pages 20 and 21 is in the interests of the Company's shareholders as a whole and that the terms of engagement negotiated with them are competitive and appropriate to the investment mandates. The Board reviews the appointments of the investment managers on a regular basis and makes changes as appropriate.

Directors' Report

Statutory Information *continued*

Share Capital

The Company's share capital comprises

a) ordinary shares of 25p nominal value each ('shares')

The voting rights of the shares on a poll are one vote for every four shares held (one vote per £1 of nominal value) At 31 December 2010 there were 195,375,220 shares in issue During the year a total of 3,008,220 shares were bought back by the Company for cancellation At 31 December 2011 there were 192,367,000 shares in issue and thus the number of voting rights was 48,091,750 on a poll

The Company's Articles of Association permit the Company to purchase its own shares and to fund such purchases from its accumulated realised capital profits At the AGM in May 2011 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2012, to make market purchases for cancellation of the Company's ordinary shares up to a maximum of 29,018,991 shares (being 14.99% of the issued ordinary share capital as at 10 May 2011) As at 31 December 2011 the Company had valid authority, outstanding until the conclusion of the AGM in 2011, to make market purchases for cancellation of 27,796,991 shares A further 269,000 shares have been bought back between the year end and the date of this report and, accordingly, the Company has valid authority to make market purchases for cancellation of 27,527,991 shares The directors intend to seek a fresh authority at the AGM in May 2012

The Company announced in December 2004 its intention to buy back shares proactively in order to maintain an appropriate level of discount, with the aim of moving the sustainable level of the discount to below 10% (excluding income, valuing the Company's debt on a fair value basis) Shares are not bought back unless the result is an increase in the net asset value per ordinary share

b) 2.7% preference shares of £1 nominal value each ('2.7% preference shares')

The 2.7% preference shareholders have no rights to attend and vote at general meetings At 31 December 2011 there were 500,000 2.7% preference shares in issue Further details on the preference shares are given in note 17 on page 65

c) 3.4% preference shares of £1 nominal value each ('3.4% preference shares')

The 3.4% preference shareholders have no rights to attend and vote at general meetings At 31 December 2011 there were 2,055,000 3.4% preference shares in issue Further details on the preference shares are given in note 17 on page 65

At the AGM in May 2011 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2012, to make market purchases for cancellation of the Company's own 2.7% preference shares and 3.4% preference shares up to a maximum of all those in issue This authority has not been used Accordingly, as at 31 December 2011 the Company had valid authority, outstanding until the conclusion of the AGM in 2011, to make market purchases for cancellation of 500,000 2.7% preference shares and 2,055,000 3.4% preference shares No preference shares were bought back between the year end and the date of this report Accordingly, the Company has valid authority to make market purchases for cancellation of 500,000 2.7% preference shares and 2,055,000 3.4% preference shares The directors intend to seek a fresh authority at the AGM in May 2012

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company

Payment of Suppliers

It is the Company's payment policy for the financial year to 31 December 2012 to obtain the best terms for all business In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms At 31 December 2011 the Company had no trade creditors (2010 none)

Independent Auditor

Resolutions to re-appoint Deloitte LLP as the Company's auditor and to authorise the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting

Directors' Statement as to the Disclosure of Information to the Auditor

Each of the directors at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Donations

No donations were made to political parties during the year No donations were made to charities during the year

Annual General Meeting ('AGM')

The next AGM will be held at 2 30 pm on Tuesday 1 May 2012 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB The formal notice of the AGM is set out in the accompanying circular to shareholders

Directors' Report

Corporate Governance Statement

Background

The UK Listing Authority's Disclosure and Transparency Rules (the 'Disclosure Rules') require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'Corporate Governance Code'), as issued by the Financial Reporting Council ('the FRC'). The provisions of the Corporate Governance Code, which was issued by the FRC in June 2010, were applicable in the year under review. The Corporate Governance Code can be viewed at www.frc.org.uk

The related Code of Corporate Governance ('the AIC Code'), issued by the Association of Investment Companies ('the AIC'), provides specific corporate governance guidelines to investment companies. The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies (the 'AIC Guide') will be meeting their obligations in relation to the Combined Code and the associated disclosure requirements of the Disclosure Rules. The AIC Code issued in October 2010 was applicable in the year under review. The AIC Code can be viewed at www.theaic.co.uk

Compliance

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the

Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the Corporate Governance Code) will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the best practice provisions of the Corporate Governance Code throughout the year ended 31 December 2011 except as set out below:

- The Corporate Governance Code (C 3.5) includes provisions relating to the need for an internal audit function. As explained on page 35, the Company does not have an internal audit function.
- The Corporate Governance Code (B 7.1) includes provisions relating to the annual re-election of all directors. As explained on page 29, the Company considers that this provision is inappropriate to the Company.

The Principles of the AIC Code

The AIC Code is made up of twenty one principles. Its three sections cover the Board, Board Meetings and relations with the Investment Manager, and Shareholder Communications.

Principles of the AIC Code	Application of the principles
The Board	
1 The chairman should be independent	<p>Mr H M Henderson has been Chairman of the Company since the Annual General Meeting in March 2003, he joined the Board in 1988. The Board considers that Mr Henderson is, and has been since his appointment, an independent non-executive director. Independence stems from the ability to make those objective decisions that may be in conflict with the interests of management, this in turn is a function of confidence, integrity and judgement. Mr Henderson has served on the Board for more than nine years. Accordingly, he stands for re-election by the shareholders each year and will do so for as long as he continues to serve on the Board. The Board is firmly of the view, however, that length of service does not of itself impair a director's ability to act independently, rather, a director's longer perspective adds value to the deliberations of a well-balanced investment trust company board. The other independent non-executive directors, under the chairmanship of the Senior Independent Director, review and evaluate annually the performance and continuing independence of the Chairman.</p> <p>Mr Henderson was formerly a partner of Cazenove & Co, the firm which for many years acted as the Company's stockbroker. However, he did not have responsibility for or involvement with Cazenove's role with the Company, being for many years responsible for aspects of Cazenove's fund management division. Accordingly, the Board considers that the Chairman has no relationships that might create a conflict of interest between his interests and those of the other shareholders.</p>

Principles of the AIC Code	Application of the principles
	<p>Mr A Watson was appointed as the Senior Independent Director in February 2008. As noted above, he takes the lead in the annual evaluation of the Chairman. He is also able to act as a sounding board for the Chairman and serve as an intermediary for the other directors, should this prove necessary, and to act as a channel of communication for shareholders in the event that contact through the Chairman has failed to resolve concerns or is inappropriate.</p>
<p>2 A majority of the board should be independent of the manager</p>	<p>At 31 December 2011 the Board was composed of seven independent non-executive directors and one executive director (the Chief Executive Officer). The Board is therefore independent of the Company's executive management. All the directors are wholly independent of the Company's various investment managers. In the opinion of the Board, each of the directors is independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement (see also section 1 on page 28).</p>
<p>3 Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.</p>	<p>New directors stand for election by the shareholders at the annual general meeting of the Company that follows their appointment. Thereafter all directors stand for re-election at least every three years, as required by the Company's Articles of Association. Directors who have served for more than nine years stand for re-election annually. There are currently two directors with service of more than nine years: Mr H M Henderson (the Chairman) and Mr R A Bruce who was appointed as a director in 2002.</p> <p>The Board has reviewed Provision B 7.1 of the Corporate Governance Code, which states that all directors of FTSE 350 companies should be subject to annual election by shareholders. The Board considers that the annual re-election of all the directors is inappropriate to the Company. There are two main reasons for this view: (a) it appears to place excessive emphasis on the short term and insufficient emphasis on the need for an effective board to work together and to refresh its composition over time, and (b) there is some danger, because many small and nominee shareholders choose not to exercise their voting rights, that if all the directors seek re-election at once a minority of the shareholders could engineer the removal of the whole Board for reasons injurious to the interests of the Company's investors as a whole. Therefore the Board considers it appropriate to continue to apply Provision B 7.1 as if the Company were not a constituent of the FTSE 350 Index, a view which a number of prominent institutional investors have shared.</p> <p>Every year the Board reviews its composition and the composition of its two Committees. The Board's Remuneration Committee, which serves as its nominations committee, oversees this process. Further details are given under section 7 below.</p>
<p>4 The board should have a policy on tenure, which is disclosed in the annual report</p>	<p>New directors are appointed for an initial term ending three years from the date of their first annual general meeting after appointment and with the expectation that they will serve two three-year terms. The continuation of directors' appointments is contingent on satisfactory performance evaluation and re-election at annual general meetings. Directors' appointments are reviewed formally every three years by the Board as a whole. None of the non-executive directors has a contract of service and a director may resign by notice in writing to the Board at any time, there are no set notice periods. The Board's tenure and succession policy seeks to ensure that the Board is well-balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by</p>

Directors' Report

Corporate Governance Statement *continued*

Principles of the AIC Code	Application of the principles
	<p>directors' retirements. Directors must be able to demonstrate their commitment to the Company, including in terms of time. The Board seeks to encompass past and current experience of various areas that is relevant to the Company's objective and operations, the most important skill-sets being investment management, finance, marketing, financial services, risk management, custody and settlement, and investment banking. Specialist agents are used to assist with recruitment. While the roles and contributions of longer serving directors are subject to rigorous review, the Board is strongly of the view that length of service is only one factor and that the shareholders benefit from having directors with a longer perspective of the Company's history and its place in the savings market. Therefore there is no absolute limit to the period for which a director may serve.</p>
<p>5 There should be full disclosure of information about the board</p>	<p>Details of the directors are set out on page 22. They demonstrate a broad range of investment, professional and commercial expertise and experience, gained overseas as well as in the United Kingdom.</p>
<p>6 The board should aim to have a balance of skills, experience, length of service and knowledge of the Company</p>	<p>The Board considers that it has achieved this aim. Brief biographical details of each director are set out on page 22.</p> <p>Mr McGrath was responsible for monitoring the Group's marketing activities on behalf of the Board until his retirement in May 2011. Following a review of the skills available within the Board, the Board has appointed Ms Neubert as a new Director with significant marketing experience, with effect from 2 April 2012.</p> <p>Board Diversity</p> <p>As announced in November 2011, the Company welcomes the objectives of the Davies Report to improve the performance of Corporate boards by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Company recognises the benefits of diversity on the board, including gender, and takes this into account in its board appointments. The Company is committed to ensuring that its Director search processes actively seek both men and women with the right qualifications so that appointments can be made, on the basis of merit, against objective criteria from a diverse selection of candidates. To this end the Board will continue to dedicate time to consider diversity during the director search process.</p>
<p>7 The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors</p>	<p>The Board has established a process to evaluate its performance on an annual basis. This process is based on open discussion and seeks to assess the strengths and weaknesses of the Board and its Committees. The Chairman leads on applying the conclusions of the evaluation. The Chairman reviews with each director his or her individual performance, contribution and commitment to the Company. The Senior Independent Director leads the annual evaluation of the Chairman and reviews the conclusions with him. The Board's Remuneration Committee oversees this process. In addition, in consideration of Provision B 6.2 of the Corporate Governance Code, which states that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years, the Board concluded that, regardless of the size of the company, periodic external evaluation should add value to the process. Accordingly, a sub-committee of the Board reviewed a number of the firms offering this service and, in September 2010, appointed Trust Associates Limited to carry out an evaluation programme. The Board has reviewed the report submitted to it and the Chairman has led on implementing those changes recommended by the report that the Board considered should be made. The report did not identify any material weaknesses or concerns. Trust Associates Limited as a firm has been used to identify possible candidates for recruitment to the Board in the past.</p>

Principles of the AIC Code	Application of the principles
8 Director remuneration should reflect their duties, responsibilities and the value of their time spent	The Directors' Remuneration Report on pages 37 to 39 details the process for determining the directors' remuneration and sets out the amounts payable
9 The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report	The Board's Remuneration Committee serves as its nominations committee and oversees the recruitment process, which includes the use of a firm of non-executive director recruitment consultants (see page 37) However, all the independent non-executive directors are asked to contribute and to consider serving on the sub-committee appointed to draw up the shortlist of candidates Notwithstanding this, the Chairman would not expect to be involved in the selection of his successor
10 Directors should be offered relevant training and induction	<p>Directors newly appointed to the Board are provided with an introductory programme covering the Company's strategy, policies and operations, including those outsourced to third parties Thereafter, directors are given, on a regular and ongoing basis, key information on the Company's investment portfolios, financial position, internal controls and details of the Company's regulatory and statutory obligations (and changes thereto) The directors are encouraged to attend industry and other seminars, conferences and courses, if necessary at the Company's expense, and to participate generally in industry events A log of directors' training is maintained and reviewed each year by the Audit Committee</p> <p>The directors have access to the advice and services of the Company's executive team and of the Company Secretary, through its appointed representative, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with</p>
11 The chairman (and the board) should be brought into the process of structuring a new launch at an early stage	As a long established investment trust company, this principle does not apply to the Company
Board meetings and the relationship with the manager	
12 Boards and managers should operate in a supportive, co-operative and open environment	Typically, the Board meets approximately ten times each year The Chief Executive Officer (who is himself a director), other representatives of the Company's executive team and a representative of the Company Secretary expect to be present at all meetings The Board devotes two full days each year to meetings with the Company's investment managers and each investment manager sends representatives at least once a year The Chairman seeks to encourage open debate within the Board and a supportive and co-operative relationship with the executive team and with the Company's investment managers, advisors and support staff
13 The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues	The Chief Executive Officer and his team monitor investment performance and all associated matters He reports to each Board meeting, at which investment performance, asset allocation, gearing, marketing and investor relations are usually key agenda items

Directors' Report

Corporate Governance Statement *continued*

Principles of the AIC Code	Application of the principles
14 Boards should give sufficient attention to overall strategy	The Board is responsible for determining the strategic direction of the Company and for promoting its success. At least one of its meetings is devoted entirely to reviewing overall strategy and progress is monitored throughout the year.
15 The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company)	The Board's Remuneration Committee reviews the performance of and the contractual arrangements with the Chief Executive Officer. The Chief Executive Officer is responsible to the Board for reviewing the performance and the contractual arrangements of his staff. The Board's Remuneration Committee oversees this process. The Chief Executive Officer leads on the selection and monitoring of the investment managers and their terms of reference, which are approved by the Board.
16 The board should agree policies with the manager covering key operational issues	The Company manages its own operations through the Board as set out on page 33 below. Each investment manager runs a discrete investment portfolio within the terms of the mandate given to them in an investment management contract. Further details are given on page 33. Shares are held by the Company's custodian.
17 Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it	The Chief Executive Officer and his team monitor the share price and the discount to net asset value per share on a daily basis and he reports to every Board meeting. The Board has a share buyback programme that seeks to add to the net asset value per share and achieve a sustainable discount of not more than 10%.
18 The board should monitor and evaluate other service providers	The Chief Executive Officer and his team are responsible for monitoring and evaluating the performance of the Company's various service providers. The Board's Audit Committee oversees this process.
Shareholder communications	
19 The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders	The Chairman is responsible for ensuring that there is effective communication with the Company's shareholders. He works closely with the Chief Executive Officer and there is regular liaison with the Company's stockbroker. There is a process in place for analysing and monitoring the shareholder register and a programme for meeting or speaking with the institutional investors and with private client stockbrokers and advisors. In addition to the Chief Executive Officer, the Chairman, or the Senior Independent Director, expects to be available to meet the larger shareholders. The Company encourages attendance at its Annual General Meeting as a forum for communication with the individual shareholders. The Chairman, the Chief Executive Officer, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee all expect to be present and able to answer questions from shareholders as appropriate. Details of the proxy votes received in respect of each resolution are made available to shareholders. The Chief Executive Officer makes a presentation to the meeting. The directors may be contacted through the Secretary at the address shown on page 72.

Principles of the AIC Code	Application of the principles
20 The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman	While the Chief Executive Officer and his team expect to lead on preparing and effecting communications with investors, all major corporate issues are put to the Board or, if time is of the essence, to a Committee thereof
21 The board should ensure that shareholders are provided with sufficient information for them to understand the risk reward balance to which they are exposed by holding the shares	The Board places importance on effective communication with investors and approves a marketing programme and budget each year to enable this to be achieved. Copies of the Annual Report and the Half Year Report are circulated to shareholders, to those who hold shares through the subsidiary company's products and, where possible, to investors through other providers' products and nominee companies (or written notification is sent when they are published on-line). In addition, the Company publishes a fact sheet monthly and its net asset value per share daily. All this information is readily accessible on the Company's website (www.witan.com). The Company belongs to the Association of Investment Companies which publishes information to increase investors' understanding. Details of how the Company is managed are set out below

The Board

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board sets the Company's strategic aims (subject to the Company's Articles of Association and to such approval of the shareholders in general meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board has typically met approximately ten times a year and deals with the most important aspects of the Company's affairs, including the setting of parameters for and the monitoring of investment strategy, the review of investment performance and the extent to which borrowings may be used.

The Chief Executive Officer is responsible to the Board for the overall management of the Company including investment performance, business development, shareholder relations, marketing, investment trust industry matters, administration and unquoted investments. The duties of the Chief Executive Officer include leading on investment strategy and asset allocation, on the selection and monitoring of the investment managers and their terms of reference and on the use of derivatives. The Board sets limits on matters such as asset allocation, gearing and investment in derivatives, within which the Chief Executive Officer may operate at his discretion.

The Chief Executive Officer reports to each meeting of the Board. His report includes confirmation that the Board's investment limits and restrictions and those

which govern the Company's tax status as an investment trust, have been adhered to.

The individual investment managers are each appointed to manage a discrete portfolio in accordance with guidelines which limit, for example, the stocks in which they can invest, the size of each investment and the amount of cash that may be held in their portfolio in normal circumstances. They are not allowed to invest in unquoted securities, to borrow against the security of the portfolio, to sell stocks short or to use derivatives. The investment managers take decisions as to the purchase and sale of individual investments and are responsible for effecting those decisions on the best available terms. The Company receives monthly confirmation from each of the investment managers that they have carried out their duties in accordance with the terms of their investment mandates.

In addition to his responsibilities for the overall management of the Company, the Chief Executive Officer manages the Direct Holdings portfolio. A maximum of 10% of the Company's gross assets may be invested in this portfolio and there are restrictions on the number, size and type of investments that may be made.

The Chairman is responsible for ensuring that the directors are provided, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant, whether from the Chief Executive Officer or otherwise.

Matters specifically reserved for decision by the full Board have been defined. There is an agreed procedure for directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

Directors' Report

Corporate Governance Statement *continued*

Board Committees

The Board has established Audit and Remuneration Committees. The membership of the Audit Committee and the Remuneration Committee is set out on page 22. The roles and responsibilities of the Committees are described in the Report of the Audit Committee on page 36 and in the Directors' Remuneration Report on pages 37 to 39.

Meetings of the Board and its Committees

The number of formal meetings during the year of the Board and its Committees, and the attendance of the individual directors at those meetings, is shown in the table that follows.

	Board	Audit Committee	Remuneration Committee
Number of meetings	10	3	2
H M Henderson	10	3*	2
A L C Bell	10	3*	2*
R H McGrath	4 of 4	–	1 of 1
R A Bruce	10	3	–
A Watson	10	3	–
J E B Bevan	9	–	–
R W Boyle	9	3	–
M C Claydon	10	–	2
R J Oldfield	5 of 6	–	1 of 1

*Not a member of the Committee but in attendance by invitation for all or part of the meetings.

All the then directors attended the Annual General Meeting in May and, with the exception of Mr Oldfield, the Board's 'away day' in June 2011.

Directors' Remuneration

The directors' remuneration is detailed in the Directors' Remuneration Report on pages 37 to 39.

Accountability and Audit

The directors' statement of responsibilities in respect of the accounts is set out on page 40.

The report of the independent auditors is set out on pages 41 and 42.

The Board has delegated contractually to external agents, including the various investment managers, the management of the investment portfolio, global custody (which includes the safeguarding of the assets), the investment administration, management and financial accounting, company secretarial and certain other administrative requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the investment managers and ad hoc reports and information are supplied to the Board from its other contractors as required.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the Turnbull guidance, is subject to regular review by the Audit Committee and was fully in place during the year under review and up to the date of this annual report. The Board remains responsible for the Company's system of internal control and has conducted its annual review of the effectiveness of the system, covering all the controls, including financial, operational and compliance controls and risk management systems. This review took into account points raised during the year in the regular appraisal of specific areas of risk. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In accordance with the provision C2 and C3 of the Corporate Governance Code the Board reviews the Company's business risks at least once a year. These are analysed and recorded in a risk map. The Company receives from its main contractors formal reports which detail the steps taken to monitor the areas of risk and which report the details of any known internal control failures.

As described elsewhere, the management of Witan's portfolio is outsourced to a number of third party investment managers around the world. There are currently 11 such investment managers as well as the Direct Holdings portfolio which is managed by the Chief Executive Officer.

The Chief Executive Officer has responsibility for a number of aspects of the management of the portfolio, including asset allocation, gearing and investment in derivatives. The Board has set guidelines in respect of each of these aspects within which he may operate. The Chief Executive Officer reports to the Board regularly on each of these areas, as well as on the overall performance of the Company and other matters of significance.

Witan's in-house executive management team is responsible for managing and controlling the relationships with the third party managers. The management team receives monthly reports on investment and compliance matters from each manager. During 2011, the investment managers were asked to provide detailed information on their operational structures and systems. The information provided is being used to implement a rolling programme of visits to the managers by the management team. The Board also receives each year from its investment managers reports on their internal controls, in most cases these include a report from the relevant company's auditors on the control policies and procedures in operation.

The Chief Executive Officer makes regular reports to the Board on the performance of and activity within the Direct Holdings portfolio. A maximum of 10% of the Company's gross assets may be invested in the portfolio and there are restrictions on the number and size of investments that may be made. In addition, the portfolio's performance is independently measured by WM Performance Services, along with those of the third party managers.

The Company's subsidiary, Witan Investment Services Limited, is authorised and regulated by the Financial Services Authority to provide investment products and services. The compliance structures required for these activities, including a compliance manual and a compliance monitoring programme, have been duly put into place.

The Company has a formal policy for staff to raise in confidence any concerns about possible improprieties, whether in matters of financial reporting or otherwise, for appropriate independent investigation. Its staff comprises only six people (including the Chief Executive Officer), who are well known to and have frequent formal and informal contact with the members of the Board.

The Company does not have an internal audit function. It delegates to third parties the management of its investments and most of its other operations and employs only a small staff. The investment managers and certain other key contractors are subject to external regulation and most have compliance and internal audit functions of their own. The Company's investments are held on its behalf by a global custodian. A specialist firm of investment accountants and administrators is responsible for investment administration, for maintaining accounting records and for preparing financial accounts, management accounts and other management information. Their work is reviewed by an independent accountant who also carries out some of the work that an internal audit function would cover. In addition, the Board receives from the investment administrator an annual report on its internal controls, including a report from its auditor on the control policies and procedures in operation. The investment performance of the investment managers, both individually and collectively, is measured for Witan by a company that is independent of all the investment managers. The corporate company secretary is a firm with well-established experience in servicing investment trusts.

The appointment of these and other professional contractors provides a clear separation of duties and a structure of internal controls that is balanced and robust. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors will review at least annually whether a function equivalent to an internal audit is needed.

Going Concern

The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Therefore, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council. (See also note 1(b) on page 47.)

Stewardship and the Exercise of Voting Powers

It is the Board's view that, in order to achieve long term success, companies need to maintain high standards of corporate governance and corporate responsibility. Therefore Witan expects the companies in which it is invested to comply with best practice in corporate governance matters, or to provide adequate explanation of any areas in which they fail to comply, whilst recognising that a different approach may be justified in special circumstances. In respect of UK companies, current best practice in corporate governance matters is set out in the UK Corporate Governance Code.

The Board encourages the Company's appointed investment managers to engage with companies and to vote proxies, in the best long term interest of Witan shareholders but in accordance with their own investment philosophies. Where applicable, it monitors the policies of the investment managers in respect of the UK Stewardship Code. Elsewhere in the world it can be more difficult to vote shares as each country has its own rules and practices regarding shareholder notification, voting restrictions, registration conditions and share blocking, including, for example, dealing constraints. Therefore, while the Company's investment managers are apprised of the Company's approach to the stewardship of its assets and the importance of sound corporate governance, they use their discretion according to their knowledge of the relevant circumstances. The investment managers report their compliance with the UK Stewardship Code, or equivalent legislation, to the Audit Committee each year.

In respect of the direct investments held, the Company's executive management maintains regular touch with the management of the investee holdings and engages when issues arise that are controversial or potentially prejudicial to the interests of Witan's shareholders. An annual report is provided to the Audit Committee on compliance with the UK Stewardship Code.

By order of the Board
Frostrow Capital LLP,
Secretary
14 March 2012

Frostrow Capital LLP

Directors' Report

Report of the Audit Committee

The role of the Audit Committee is to assist the directors in applying financial reporting and internal control principles and to maintain an appropriate relationship with the Group's auditor

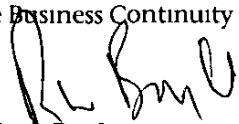
The Committee's role and responsibilities are set out in its terms of reference, which comply with the UK Corporate Governance Code. The terms of reference are available on request from the Company Secretary and can be seen on the Company's website

The Committee is responsible for monitoring the integrity of the Company's financial statements, including consideration of the Company's accounting policies and significant reporting judgements. It reviews the Company's internal financial controls and risk management systems using an external consultant where appropriate. The audit was subject to competitive tender in 2007 when Deloitte LLP was reappointed. The Committee reviews the scope and effectiveness of the audit process and monitors the auditor's independence and objectivity. It conducts a formal review of the performance of the external auditor and makes recommendations in relation to this appointment, including their remuneration and the provision by them of any non-audit services. The Committee has established a procedure to ensure that the engagement of the auditor to provide non-audit services cannot exceed a specified proportion of the annual audit fees without due consideration being given by the Committee to the proposed appointment. The Committee also reviews the process for negotiating and monitoring major contracts undertaken by the Company, the Board's investment restrictions and the values attributed to the unlisted investments. It ensures that the Company maintains appropriate compliance with the requirements of regulators, and it reviews the reporting of investment performance. The Committee reports to the Board, identifying matters on which it considers that action is needed and making recommendations on the steps to be taken.

The Committee comprises three non-executive directors, including its Chairman, who are appointed by the Board. Mr Boyle was appointed Chairman of the Committee in 2007. He is a Chartered Accountant and was previously a partner in PricewaterhouseCoopers LLP. The other two members are Mr Bruce and Mr Watson, who were appointed in 2002 and 2006 respectively, details of their qualifications and experience are given on page 22. The Committee's programme is to meet at least three times a year in advance of the publication of both the annual and the half year results and on at least one other occasion.

The Committee held three meetings during the year, at two of which representatives of the auditor were present to consider the outcome of the audit of the Group's 2010 financial statements and to consider the plan for the audit of the Group's 2011 financial statements.

During the year the Committee addressed all the matters set out as its responsibilities under its terms of reference and confirmed that the Group should not establish an internal audit function. In addition, the Committee reviewed the implications of the Bribery Act and the Data Protection Act for the Company to ensure that appropriate procedures were put in place, and reviewed the Business Continuity Plan.


Robert Boyle
Chairman of the Audit Committee
14 March 2012

Directors' Report

Directors' Remuneration Report

Introduction

The Directors' Remuneration Report ('the Report') is prepared, in accordance with the Listing Rules of the Financial Services Authority and with sections 420 to 422 of the Companies Act 2006 ('the Act'), in respect of the year ended 31 December 2011. It also serves as the report of the Remuneration Committee. An ordinary resolution to approve the Report will be put to the Annual General Meeting on 1 May 2012. The Act requires the auditor to report to the Company's members on certain information contained within the Report and to state whether in their opinion those parts of the Report have been properly prepared in accordance with the Act. Therefore the Report has been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Role of the Remuneration Committee

The role of the Remuneration Committee is essentially twofold. In respect of the Company's staff, it assists the directors in determining the remuneration of the Chief Executive Officer and evaluating his performance, and it assists the Chief Executive Officer in determining the remuneration arrangements for the Company's staff. In respect of the non-executive directors, it serves as the Board's nomination committee with responsibility for reviewing the effectiveness and composition of the Board and considering the remuneration of the non-executive directors. The Committee's role and responsibilities are set out in its terms of reference, which are available on request from the Company Secretary and can be seen on the Company's website.

The Remuneration Committee normally consists of three non-executive directors, including its Chairman, who are appointed by the Board. During the year the following directors served as members of the Committee: Mrs M C Claydon (Chairman), Mr H M Henderson, Mr R H McGrath (until his retirement on 10 May 2011) and Mr R J Oldfield (with effect from 7 December 2011). Mrs Claydon was appointed to the Committee, and as its Chairman, in 2009. Mr Henderson and Mr McGrath were appointed to the Committee in 2003 and 2006 respectively.

The Committee's programme is to meet formally at least twice a year and on other occasions as business demands. The Committee held two formal meetings during the year, during which it addressed all the matters under its remit.

Mr R J Oldfield was appointed to the Board on 1 May 2011 and Ms S Neubert has agreed to join the Board in

April 2012. In each case, the Remuneration Committee, in its role as the Board's nomination committee, reviewed the skills and experience required of the new director and, assisted by a firm of non-executive director recruitment consultants, identified the person it considered to be most suitable to fill the vacancy. In each case, the Board confirmed this choice and the appointment was duly made.

The Board's statement on board diversity is included on page 30.

Consideration by the Directors of Matters relating to Directors' Remuneration

The Board as a whole sets the directors' remuneration but it has appointed its Remuneration Committee to consider matters relating thereto.

The Remuneration Committee has not been provided with advice or services by any person in respect of its consideration of the non-executive directors' remuneration, although the directors review, from time to time, the fees paid to the boards of directors of other investment trust companies.

Statement of the Company's Policy on Directors' Remuneration

Non-executive directors

All the directors are non-executive, with the exception of the Chief Executive Officer. New directors are appointed for an initial term ending three years from the date of their first annual general meeting after appointment and with the expectation that they will serve two three-year terms. The continuation of directors' appointments is contingent on satisfactory performance evaluation and re-election at annual general meetings. Directors' appointments are reviewed formally every three years by the Board as a whole. None of the directors has a contract of service and a director may resign by notice in writing to the Board at any time, there are no set notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by him. There are no long term incentive schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively.

The Company's policy is that the fees payable to the directors should reflect the time committed by the directors to the Company's affairs and the responsibilities borne by them and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board, the Chairmen of the

Directors' Report

Directors' Remuneration Report *continued*

Board's Committees and the Senior Independent Director to be paid higher fees than the other directors in recognition of their more onerous roles

The Company's Articles of Association limit the aggregate fees payable to the directors. A resolution was passed at the Annual General Meeting in May 2011 which increased the aggregate maximum to £300,000 per annum. At the beginning of the year under review, directors' fees were paid at the following annual rates: the Chairman £50,000, the Chairmen of the Board's Committees and the Senior Independent Director £30,000, Mr McGrath, who had the additional role of monitoring the Group's marketing activities on behalf of the Board, £30,000, the other directors £26,000. The policy is to review these rates from time to time, although such review will not necessarily result in any change to the rates.

During the year the Remuneration Committee undertook reviews of the directors' fees and, on its recommendation, the Board agreed that the directors' fees be increased with effect from 1 April 2011, by £1,500 per annum in respect of the Chairman and by £1,000 per annum in respect of the other directors (the first general increase since 1 April 2008). Accordingly, from 1 April 2011 the directors' fees have been paid at the following annual rates: the Chairman £51,500, the Chairman of the Audit Committee, the Chairman of the Remuneration Committee, the Senior Independent Director and, until his retirement on 10 May 2011, Mr McGrath £31,000 and the other non-executive directors £27,000. Following the increase in fees and Mr McGrath's retirement, the directors' fees have amounted to £198,500 per annum in aggregate.

Directors' and officers' liability insurance cover is held by the Company in respect of all the directors (including the executive director).

Executive director

Mr A L C Bell was appointed a director and Chief Executive Officer with effect from 8 February 2010. His appointment may be terminated by either party subject to not less than nine months' written notice.

The Company's policy on the remuneration of the Chief Executive Officer is to pay a basic salary appropriate to the position, together with bonus arrangements that link his remuneration to the performance achieved in the different aspects of his role.

Mr Bell's service agreement dated 3 February 2010, as amended, provides for a salary of £236,000 (2010 £225,000) per annum, payment in lieu of pension

contributions equivalent to 10% of salary, death in service insurance cover and private health insurance cover. The Board has agreed to increase Mr Bell's salary, with effect from 1 January 2012, by 4% to £245,440 per annum.

The Chief Executive Officer is not entitled to fees for his service as a director. However, subject to receiving the Board's permission, he is entitled to hold outside appointments and to retain the fees receivable from them.

Mr Bell's service agreement provides for the payment of a bonus, at the ultimate discretion of the Board, bonus payments to be made over two years. The maximum bonus payable to Mr Bell each year is currently 50% of his salary and with effect from 1 January 2013 will be equivalent to 100% of his salary.

With effect from 2011, the bonus is calculated as follows:

- (i) **Discretionary bonus**
Up to 20% of salary is payable entirely at the discretion of the Board. The Remuneration Committee has determined a number of criteria, including the management and administration of the Company and reporting to the Board, shareholders and other stakeholders, on which to judge Mr Bell's performance. The Committee reviews Mr Bell's performance against these criteria over the preceding year at its meeting in February each year to determine the appropriate level of bonus payable for that year. In February 2012, the Committee recommended and the Board agreed that Mr Bell should receive a discretionary bonus of 20% of salary in respect of 2011.
- (ii) **One year performance of the Company**
Up to 30% of salary may be paid in bonus determined by the Company's net asset value per share total return performance over the year (excluding the effect of share buybacks) relative to its benchmark. Outperformance of the benchmark by 2.5% or more will generate a bonus of the full 30%. No bonus is payable if performance is in line with or below that of the benchmark. Relative performance of between nil and 2.5% will generate a pro rata award. (The benchmark is a composite of 40% the FTSE All-Share Index, 20% the FTSE All-World North America Index, 20% the FTSE All-World Europe (ex UK) Index and 20% the FTSE All-World Asia Pacific Index, all on a total return basis.)

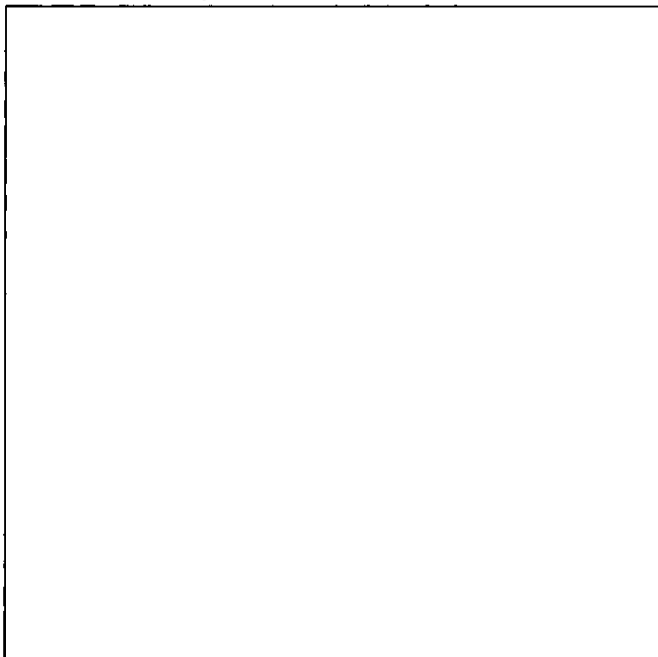
The Company underperformed its benchmark in 2011 and therefore no bonus is payable based on the one year performance.

(iii) Three year performance of the Company

Up to 50% of salary will be payable if, over each rolling three year period, beginning with the year ended 31 December 2010, the Company's net asset value per share total return (excluding the effect of share buybacks) has outperformed the benchmark by 3% per annum or more. No bonus is payable if performance is in line with or below that of the benchmark. Relative performance of between nil and 3% will generate a pro rata award. This additional bonus will be halved if, despite outperformance of the benchmark over the relevant three year period, the net asset value total return per share is negative over the period.

This element of the bonus will be payable for the first time in respect of the three year period ending 31 December 2012.

For the first year of Mr Bell's employment the bonus was guaranteed to be at least 30% of his salary. In respect of 2010, the Board awarded Mr Bell a bonus of £112,500 (that is, the equivalent of 50% of his then salary), which was paid half in March 2011 and half in January 2012.

Performance Graph

The Act requires the performance of the Company's share price to be compared with a single broad equity market index. The FTSE All-Share Index is selected for the graph because it is the prime index of the UK market, on which the Company's shares are listed, and forms the largest constituent of the Company's benchmark. The FTSE

World (ex UK) Index is also shown because more than half of the Company's investments are held in overseas companies.

AUDITED INFORMATION**Amount of each Director's emoluments****Non-executive directors**

The fees payable in respect of each of the directors who served during the year, and during 2010, were as follows

	2011 £	2010 £
H M Henderson	51,125	50,000
R H McGrath (i)	10,907	30,000
R A Bruce	26,750	26,000
A Watson	30,750	29,000
J E B Bevan	26,750	26,000
R W Boyle	30,750	30,000
M C Claydon	30,750	29,000
R J Oldfield (ii)	18,025	-
Total	225,807	220,000

Notes

- (i) Mr McGrath retired from the Board on 10 May 2011
(ii) Mr Oldfield was appointed a director on 1 May 2011 and as a member of the Remuneration Committee on 7 December 2011

Executive director

The remuneration payable to the Chief Executive Officer in respect of the year is as follows

	2011 £	2010 £
Basic salary	236,000	200,481
Paid in lieu of pension contributions and health insurance	26,210	22,280
Compensation on recruitment*	-	70,181
Performance related bonus	47,200	112,500
Benefits in kind (life insurance)	4,750	4,053
Total	314,160	409,495

*The £70,181 related to the buy-out of deferred emoluments from Mr Bell's previous employment

By order of the Board


Catherine Claydon

Chairman of the Remuneration Committee
14 March 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the EU IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They

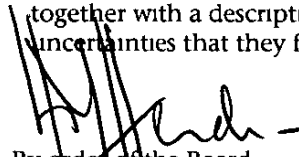
are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face


By order of the Board
H M Henderson
Chairman
14 March 2012


A L C Bell
Chief Executive Officer
14 March 2012

Note to those who access this document by electronic means

The Annual Report for the year ended 31 December 2011 has been approved by the Board of Witan Investment Trust plc. Copies of the Annual Report and the Half Year Report are circulated to shareholders, to those who hold shares through the subsidiary company's products and, where possible, to investors through other providers' products and nominee companies (or written notification is sent when they are published on-line). It is also made available in electronic format for the convenience of readers. Printed copies are available from the Company's Registered Office in London.

Independent Auditor's Report to the members of Witan Investment Trust plc

We have audited the financial statements of Witan Investment Trust plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Individual Company Statements of Changes in Equity, Consolidated and Individual Company Balance Sheets and Consolidated and Individual Company Cash Flow Statements and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited

financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are


Independent Auditor's Report to the members of Witan Investment Trust plc *continued*

not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the directors' statement, contained within the Corporate Governance Statement on page 35, in relation to going concern,
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review and the equivalent provisions of the AIC Code of Corporate Governance, and
- certain elements of the report to shareholders by the Board on directors' remuneration


Stuart McLaren (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
14 March 2012

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

Notes	Year ended 31 December 2011			Year ended 31 December 2010			
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	
2	Investment income	34,247	–	34,247	28,021	–	28,021
3	Other income	1,269	–	1,269	1,365	–	1,365
10	(Losses)/gains on investments held at fair value through profit or loss	–	(124,144)	(124,144)	–	169,686	169,686
	Total income	35,516	(124,144)	(88,628)	29,386	169,686	199,072
	Expenses						
4	Management fees	(809)	(4,151)	(4,960)	(776)	(5,161)	(5,937)
25	Write-back of prior years' VAT	–	–	–	75	–	75
5	Other expenses	(5,190)	(440)	(5,630)	(6,195)	(387)	(6,582)
	Profit/(loss) before finance costs and taxation	29,517	(128,735)	(99,218)	22,490	164,138	186,628
6	Finance costs	(2,163)	(6,239)	(8,402)	(2,046)	(5,888)	(7,934)
	Profit/(loss) before taxation	27,354	(134,974)	(107,620)	20,444	158,250	178,694
7	Taxation	(1,675)	–	(1,675)	(1,715)	–	(1,715)
	Profit/(loss) attributable to equity holders of the parent company	25,679	(134,974)	(109,295)	18,729	158,250	176,979
9	Earnings/(loss) per ordinary share	13 27p	(69 75)p	(56 48)p	9 45p	79 87p	89 32p

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRSs as adopted by the European Union

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies

The Group does not have any Other Comprehensive Income and hence the total (loss)/profit, as disclosed above, is the same as the Group's Total Comprehensive Income

All items in the above statement derive from continuing operations

The net loss for the year of the Company was £109,295,000 (2010 profit £176,979,000)

All income is attributable to the equity holders of Witan Investment Trust plc, the parent company. There are no minority interests.

The notes on pages 47 to 67 form part of these financial statements

Financial Statements

Consolidated and Individual Company Statements

of Changes in Equity

for the year ended 31 December 2011

Group Year ended 31 December 2011	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Notes						
Total equity at 31 December 2010	48,844	16,237	44,982	980,884	50,818	1,141,765
Total comprehensive income						
(Loss)/profit for the year	-	-	-	(134,974)	25,679	(109,295)
Transactions with owners, recorded directly to equity						
8 Ordinary dividends paid	-	-	-	-	(23,141)	(23,141)
15, 16 Buybacks of ordinary shares	(752)	-	752	(14,980)	-	(14,980)
Total equity at 31 December 2011	48,092	16,237	45,734	830,930	53,356	994,349

Company Year ended 31 December 2011	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Notes						
Total equity at 31 December 2010	48,844	16,237	44,982	981,047	50,655	1,141,765
Total comprehensive income						
(Loss)/profit for the year	-	-	-	(135,174)	25,879	(109,295)
Transactions with owners, recorded directly to equity						
8 Ordinary dividends paid	-	-	-	-	(23,141)	(23,141)
15, 16 Buybacks of ordinary shares	(752)	-	752	(14,980)	-	(14,980)
Total equity at 31 December 2011	48,092	16,237	45,734	830,893	53,393	994,349

Group year ended 31 December 2010	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Notes						
Total equity at 31 December 2009	50,866	16,237	42,960	859,595	53,161	1,022,819
Total comprehensive income						
Profit for the year	-	-	-	158,250	18,729	176,979
Transactions with owners, recorded directly to equity						
8 Ordinary dividends paid	-	-	-	-	(21,072)	(21,072)
15, 16 Buybacks of ordinary shares	(2,022)	-	2,022	(36,961)	-	(36,961)
Total equity at 31 December 2010	48,844	16,237	44,982	980,884	50,818	1,141,765

Company year ended 31 December 2010	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Notes						
Total equity at 31 December 2009	50,866	16,237	42,960	859,711	53,045	1,022,819
Total comprehensive income						
Profit for the year	-	-	-	158,297	18,682	176,979
Transactions with owners, recorded directly to equity						
8 Ordinary dividends paid	-	-	-	-	(21,072)	(21,072)
15, 16 Buybacks of ordinary shares	(2,022)	-	2,022	(36,961)	-	(36,961)
Total equity at 31 December 2010	48,844	16,237	44,982	981,047	50,655	1,141,765

The notes on pages 47 to 67 form part of these financial statements

Financial Statements

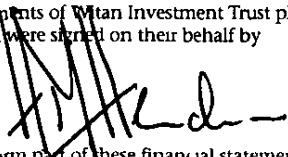
Consolidated and Individual Company Balance Sheets

for the year ended 31 December 2011

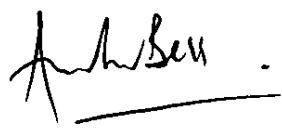
Notes	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000	
Non current assets					
10	Investments held at fair value through profit or loss	1,083,393	1,084,256	1,203,675	1,204,738
Current assets					
11	Other receivables	4,346	4,259	4,986	5,918
	Cash and cash equivalents	37,150	36,254	52,510	50,357
		<u>41,496</u>	<u>40,513</u>	<u>57,496</u>	<u>56,275</u>
	Total assets	<u>1,124,889</u>	<u>1,124,769</u>	<u>1,261,171</u>	<u>1,261,013</u>
Current liabilities					
12	Other payables	(5,277)	(5,157)	(9,160)	(9,002)
	Bank loan	(15,000)	(15,000)	-	-
		<u>(20,277)</u>	<u>(20,157)</u>	<u>(9,160)</u>	<u>(9,002)</u>
	Total assets less current liabilities	<u>1,104,612</u>	<u>1,104,612</u>	<u>1,252,011</u>	<u>1,252,011</u>
Non current liabilities					
At amortised cost					
13	8½ per cent Debenture Stock 2016	(44,585)	(44,585)	(44,589)	(44,589)
13	6 125 per cent Secured Bonds due 2025	(63,123)	(63,123)	(63,102)	(63,102)
13, 17	3 4 per cent cumulative preference shares of £1	(2,055)	(2,055)	(2,055)	(2,055)
13, 17	2 7 per cent cumulative preference shares of £1	(500)	(500)	(500)	(500)
		<u>(110,263)</u>	<u>(110,263)</u>	<u>(110,246)</u>	<u>(110,246)</u>
	Net assets	<u>994,349</u>	<u>994,349</u>	<u>1,141,765</u>	<u>1,141,765</u>
Equity attributable to equity holders					
15	Ordinary share capital	48,092	48,092	48,844	48,844
16	Share premium account	16,237	16,237	16,237	16,237
16	Capital redemption reserve	45,734	45,734	44,982	44,982
Retained earnings					
16	Other capital reserves	830,930	830,893	980,884	981,047
16	Revenue reserve	53,356	53,393	50,818	50,655
	Total equity	<u>994,349</u>	<u>994,349</u>	<u>1,141,765</u>	<u>1,141,765</u>
18	Net asset value per ordinary share	<u>516 9p</u>	<u>516 9p</u>	<u>584 4p</u>	<u>584 4p</u>

The financial statements of Witan Investment Trust plc (registered number 101625) were approved by the directors and authorised for issue on 14 March 2012 and were signed on their behalf by

H M Henderson



A L C Bell



The notes on pages 47 to 67 form part of these financial statements

Financial Statements

Consolidated and Individual Company Cash Flow Statements

for the year ended 31 December 2011

Notes	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Operating activities				
	(107,620)	(107,620)	178,694	178,694
	8,278	8,278	7,909	7,909
10	124,144	124,344	(169,686)	(169,733)
19	(2,654)	(2,654)	33,295	33,295
	201	201	8,984	8,984
	(810)	(810)	-	-
	(977)	42	397	(262)
	(1,525)	(1,487)	(76)	31
Net cash inflow from operating activities before interest and taxation				
	19,037	20,294	59,517	58,918
	(8,278)	(8,278)	(7,909)	(7,909)
	17	17	80	80
	(1,943)	(1,943)	(1,877)	(1,877)
Net cash inflow from operating activities				
	8,833	10,090	49,811	49,212
Financing activities				
8	(23,141)	(23,141)	(21,072)	(21,072)
	(15,364)	(15,364)	(36,561)	(36,561)
	15,000	15,000	-	-
Net cash outflow from financing activities				
	(23,505)	(23,505)	(57,633)	(57,633)
Decrease in cash and cash equivalents				
	(14,672)	(13,415)	(7,822)	(8,421)
	52,510	50,357	58,638	57,084
	(688)	(688)	1,694	1,694
Cash and cash equivalents at the end of the year				
	37,150	36,254	52,510	50,357

The notes on pages 47 to 67 form part of these financial statements

Financial Statements

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that they have been adopted by the European Union.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts* ('the SORP') issued by the Association of Investment Companies ('the AIC') in January 2009 is consistent with the requirements of IFRSs as adopted by the European Union, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Business Review section of the Directors' Report on pages 6 to 17. The financial position of the Group as at 31 December 2011 is shown in the balance sheet on page 45. The cash flows of the Group for the year ended 31 December 2011, which are not untypical, are set out on page 46. The Company had fixed debt and preference share capital totalling £110,263,000, as set out in note 13 on page 57, none of the borrowings is repayable before 2016. In 2011, the Group renewed a one year secured multi-currency borrowing facility for £50 million, of which £15 million was drawn down at 31 December 2011 (2010: £nil). Note 14 on pages 57 to 64 sets out the Group's risk management policies and procedures, including those covering currency risk, interest rate risk and liquidity risk. As at 31 December 2011 the Group's total assets less current liabilities exceeded its total non current liabilities by a multiple of over ten. The assets of the Group consist mainly of securities that are held in accordance with the Company's investment policy, as set out on page 11. Most of these securities are readily realisable even in volatile markets. The directors, who have reviewed carefully the Group's budget and forecast for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used by it into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(d) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010 (formerly section 842 of the Income and Corporation Taxes Act 1988).

(e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities and shares. Interest receivable from cash and short term deposits is accrued to the end of the period. Stock lending fees and underwriting commission are recognised as earned. Any special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital. Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the Statement of Comprehensive Income.

Financial Statements

Notes to the Financial Statements *continued*

for the year ended 31 December 2011

1 Accounting policies *continued*

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis. Expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fees and finance costs are allocated 25% to revenue and 75% to capital to reflect the Board's expectations of long term investment returns. Any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance.

Transaction costs incurred on the acquisition or disposal of investments are included in the costs of acquisition or deducted from the proceeds of sale as appropriate and included in capital reserves.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Investments held at fair value through profit or loss

When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All the Group's investments are defined by IFRSs as adopted by the European Union as investments held at fair value through profit or loss. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in unit trusts or OEICs are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager.

Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by using various valuation techniques. These may include recent arm's length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and reference to similar quoted companies. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such instruments, they are carried at cost, subject to any provision for impairment.

The subsidiary company, Witan Investment Services Limited, is held at fair value. This is considered to be the net asset value of the shareholder's funds, as shown in its balance sheet.

(i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

1 Accounting policies continued**(j) Dividends payable**

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by the shareholders in general meeting.

(k) Non current liabilities

All debentures and secured bonds are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments over the expected life of the financial liabilities, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(l) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Foreign currency monetary assets and liabilities that are fair valued and denominated in foreign currencies are re-translated into sterling at the rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and allocated to the capital return.

(m) Adoption of new and revised accounting standards**(i) Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year.

(ii) Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 24 (2009) <i>Related Party Disclosures</i>	The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.
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At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 7 (amended)	<i>Disclosures – Transfers of Financial Assets</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 (amended)	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 12 (amended)	<i>Deferred Tax – Recovery of Underlying Assets</i>
IAS 19 (revised)	<i>Employee Benefits</i>
IAS 27 (revised)	<i>Separate Financial Statements</i>
IAS 28 (revised)	<i>Investments in Associates and Joint Ventures</i>

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Financial Statements

Notes to the Financial Statements *continued*

for the year ended 31 December 2011

1 Accounting policies *continued*

(n) Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to manage currency risks arising from the Company's investing activities), quoted options on shares held within the portfolio, or on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings) and futures contracts on indices appropriate to sections of the portfolio (to provide additional market exposure or to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to the investment managers' longer term expectations for the relevant share prices. The Group does not use derivative financial instruments for speculative purposes. Hedge accounting is not used.

The use of financial derivatives is governed by the Group's policies as approved by the Board, which has set written principles for the use of financial derivatives.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income as they arise. If capital in nature, the associated change in value is presented as a capital item in the Statement of Comprehensive Income.

2 Investment income

	2011 £'000	2010 £'000
Franked		
UK dividends from listed investments	13,499	11,515
UK special dividends from listed investments	608	19
UK dividends from unquoted investments	56	53
	<u>14,163</u>	<u>11,587</u>
Unfranked		
Overseas dividends from listed investments	17,941	16,253
Overseas special dividends from listed investments	337	–
Property income dividends	7	53
Scrip dividends from listed investments	810	–
Overseas fixed interest and convertible bonds	989	128
	<u>20,084</u>	<u>16,434</u>
Total investment income	<u>34,247</u>	<u>28,021</u>

	2011 £'000	2010 £'000
Analysis of investment income by geographical segment		
United Kingdom	15,320	11,708
North America	3,347	2,818
Continental Europe	10,071	8,026
Japan	803	2,091
Asia Pacific (ex Japan)	3,214	2,573
South America	575	117
Other	917	688
Total investment income	<u>34,247</u>	<u>28,021</u>

3 Other income

	2011 £'000	2010 £'000
Deposit interest	58	124
Stock lending income	320	217
Underwriting commission	–	135
Income from the subsidiary company's third party business	875	840
Other income	16	49
	<u>1,269</u>	<u>1,365</u>

At 31 December 2011 the total value of securities on loan by the Company for stock lending purposes was £24,168,000 (2010 £16,127,000). The maximum aggregate value of securities on loan at any time during the year ended 31 December 2011 was £62,262,000 (2010 £76,928,000). Collateral, revalued on a daily basis at a level equivalent to at least 105% of the market value of the securities lent, was provided against all loans. Collateral in respect of UK securities is usually in the form of Crest DBVs (Delivery by Values), the content of Crest DBVs is subject to a concentration limit of 10%.

4 Management fees

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	809	2,426	3,235	776	2,328	3,104
Performance fees	–	1,725	1,725	–	2,833	2,833
	<u>809</u>	<u>4,151</u>	<u>4,960</u>	<u>776</u>	<u>5,161</u>	<u>5,937</u>

A summary of the terms of the management agreements is given on page 14 in the Business Review section of the Directors' Report.

5 Other expenses**Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	2011 £'000	2010 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	48	46
Fees payable to the Company's auditor and its associates for other services to the Group – The audit of the Company's subsidiary	4	4
Total audit fees	<u>52</u>	<u>50</u>
Other services	<u>2</u>	<u>9</u>
Total non-audit fees	<u>2</u>	<u>9</u>

Financial Statements

Notes to the Financial Statements *continued*

for the year ended 31 December 2011

5 Other expenses *continued*

	2011 Revenue £'000	2010 Revenue £'000
Auditor's remuneration (see page 51)	54	59
Tax advisory services	13	–
Directors' fees (see the Directors' Remuneration Report on pages 37 to 39)	226	220
Employers' national insurance contributions on the directors' fees	29	18
Employee costs (including executive director's remuneration)		
– salaries and bonuses	717	864
– employers' national insurance contributions	95	108
– pension contributions (or payments in lieu thereof)	49	51
Advisory, consultancy and legal fees	263	424
Investment accounting fees	204	202
Company secretarial fees	127	76
Insurances	67	79
Occupancy costs	119	140
Bank charges and overseas safe custody fees	311	361
Marketing expenses	1,387	1,709
Savings scheme expenses (Witan Wisdom and Jump Savings)	673	300
Savings scheme expenses (Child Trust Fund)	–	50
Savings scheme expenses (migration project)	–	550
Other expenses	586	571
Irrecoverable VAT	270	413
	5,190 [†]	6,195 [†]

[†]The total includes costs of £1,282,000 (2010 £994,000) in respect of the subsidiary company's third party business which are offset by the subsidiary company's income from that business. The analysis relates to the revenue return column only

The average number of employees during the year was 5 (2010 6)

6 Finance costs

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on overdrafts and loans repayable within one year	144	431	575	11	33	44
Interest payable on the secured bonds and debenture stock repayable between 1 and 5 years	946	2,839	3,785	–	–	–
Interest payable on the secured bonds and debenture stock repayable in more than 5 years	990	2,969	3,959	1,952	5,855	7,807
Preference share dividends	83	–	83	83	–	83
	2,163	6,239	8,402	2,046	5,888	7,934

7 Taxation

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of the charge for the year						
UK corporation tax at 26.5% (2010 28%)	-	-	-	-	-	-
Foreign tax suffered	2,261	-	2,261	1,975	-	1,975
Foreign tax recoverable	(589)	-	(589)	(298)	-	(298)
Write-off of overseas tax reclaimable	1	-	1	38	-	38
Indian capital gains tax	2	-	2	-	-	-
Total current tax for the year (see note 7(b))	1,675	-	1,675	1,715	-	1,715

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is higher than that resulting from applying the effective standard rate of corporation tax in the UK for a large company of 26.5% (2010 28%). The difference is explained below

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit/(loss) on ordinary activities before taxation	27,354	(134,974)	(107,620)	20,444	158,250	178,694
Corporation tax at 26.5% (2010 28%)	7,249	(35,768)	(28,519)	5,724	44,310	50,034
Effects of						
Non-taxable UK dividends	(3,753)	-	(3,753)	(3,244)	-	(3,244)
Non-taxable overseas dividends	(4,953)	-	(4,953)	(4,396)	-	(4,396)
Withholding tax written off	1,672	-	1,672	1,677	-	1,677
Income taxable in different years	-	-	-	2	-	2
Write-off of overseas tax reclaimable	1	-	1	38	-	38
Non taxable gains on investments held at fair value through profit or loss	-	32,898	32,898	-	(47,512)	(47,512)
Excess management expenses not utilised in year	2,374	-	2,374	2,899	-	2,899
Unused loan relationship deficits for the year	1,877	-	1,877	2,168	-	2,168
Preference dividends not deductible in determining taxable profit	22	-	22	23	-	23
Capitalised expenses	(2,818)	2,870	52	(3,176)	3,202	26
Indian capital gains tax	2	-	2	-	-	-
Disallowable expenses	2	-	2	-	-	-
Current tax charge	1,675	-	1,675	1,715	-	1,715

(c) Deferred tax

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments

No provision has been made for deferred tax on income outstanding at the end of the year as this will be covered by unrelieved business charges and eligible unrelieved foreign tax (2010 £nil)

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £26,362,000 (2010 £23,857,000) arising as a result of having unrelieved loan relationship deficits and eligible unrelieved foreign tax

It is unlikely that the Company will obtain relief for these in the future so no deferred tax asset has been recognised

Financial Statements

Notes to the Financial Statements *continued*

for the year ended 31 December 2011

8 Dividends

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the year		
Second interim dividend for the year ended 31 December 2010 of 6 50p (2009 6 20p) per ordinary share	12,654	12,407
First interim dividend for the year ended 31 December 2011 of 5 45p (2010 4 40p) per ordinary share*	10,487	8,665
	<u>23,141</u>	<u>21,072</u>
*includes a write-back of £31,000 of dividends unclaimed for 12 years or more		
Second interim dividend for the year ended 31 December 2011 of 6 55p (2010 6 50p) per ordinary share	12,589	12,654

The second interim dividend has not been included as a liability in these financial statements as it was declared after the year end

Total in respect of the year.

Set out below is the total dividend to be paid in respect of the year. This is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered

	2011 £'000	2010 £'000
Revenue profits available for distribution	25,679	18,729
First interim dividend for the year ended 31 December 2011 of 5 45p (2010 4 40p) per ordinary share	(10,487)	(8,665)
Second interim dividend for the year ended 31 December 2011 of 6 55p (2010 6 50p) per ordinary share	(12,589)	(12,654)
Revenue retained/(utilised) for the year	<u>2,603</u>	<u>(2,590)</u>

9 Earnings/(loss) per ordinary share

The (loss)/earnings per ordinary share figure is based on the net loss for the year of £109,295,000 (2010 profit of £176,979,000) and on 193,509,347 ordinary shares (2010 198,139,038), being the weighted average number of ordinary shares in issue during the year

The (loss)/earnings per ordinary share figure detailed above can be further analysed between revenue and capital, as below. The Company has no securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted earnings per ordinary share are the same

	2011 £'000	2010 £'000
Net revenue profit	25,679	18,729
Net capital (loss)/profit	(134,974)	158,250
Net total (loss)/profit	<u>(109,295)</u>	<u>176,979</u>
Weighted average number of ordinary shares in issue during the year	193,509,347	198,139,038
	2011 Pence	2010 Pence
Revenue earnings per ordinary share	13 27	9 45
Capital (loss)/earnings per ordinary share	(69 75)	79 87
Total (loss)/earnings per ordinary share	<u>(56 48)</u>	<u>89 32</u>

10 Investments held at fair value through profit or loss**(i) Analysis of investments held at fair value through profit or loss**

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Listed in the United Kingdom	495,317	495,317	507,310	507,310
Listed abroad	587,236	587,236	695,403	695,403
Unquoted at directors' valuation (see note 10(v))	840	840	962	962
Investment in subsidiary undertaking	-	863	-	1,063
	<u>1,083,393</u>	<u>1,084,256</u>	<u>1,203,675</u>	<u>1,204,738</u>

(ii) Group changes in investments held at fair value through profit or loss

	Valuation 31 December 2010 £'000	Purchases £'000	Sales £'000	Movement in investment holding gains/(losses) £'000	Valuation 31 December 2011 £'000	Cost 31 December 2011 £'000
United Kingdom	526,335	197,013	139,536	(87,295)	496,517	484,238
North America	212,734	60,448	84,597	28,818	217,403	181,010
Continental Europe	233,279	62,835	90,875	(24,043)	181,196	194,794
Japan	28,436	8,758	17,663	(3,331)	16,200	16,920
Asia Pacific (ex Japan)	146,460	40,519	45,560	(15,287)	126,132	129,165
Latin America	29,746	10,301	2,690	(12,184)	25,173	36,740
Other	26,685	15,130	11,152	(9,891)	20,772	23,549
	<u>1,203,675</u>	<u>395,004</u>	<u>392,073</u>	<u>(123,213)</u>	<u>1,083,393</u>	<u>1,066,415</u>

Included in the above figures are purchase costs of £1,276,000 (2010 £1,525,000) and sales costs of £573,000 (2010 £672,000). These comprise mainly stamp duty and commission.

(iii) (Losses)/gains on investments held at fair value through profit or loss

	2011 £'000	2010 £'000
Realised gains on sales of investments	40,019	75,429
Movement in investment holding gains	(163,475)	92,563
Net movement on foreign exchange on cash and cash equivalents	(688)	1,694
	<u>(124,144)</u>	<u>169,686</u>

(iv) Substantial share interests

The Company has notified interests in 3% or more of the voting rights of five of the investee companies, all of which are closed-ended investment funds. However, the Board does not consider any of the Company's investments to be individually material in the context of these financial statements.

It is the Company's stated policy to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

Financial Statements

Notes to the Financial Statements *continued*

for the year ended 31 December 2011

10 Investments held at fair value through profit or loss *continued*

(v) Unquoted investments

The value of the unquoted investments as at 31 December 2011 was £840,000 (2010 £962,000) and the portfolio comprised the following holdings

Investments	Valuation £'000
Cazenove Capital Holdings Limited	840
	<u>840</u>

Cazenove Capital Holdings Limited is an asset management business which split away from Cazenove Group in 2005. The holding is valued on the basis of an independently determined price set within Cazenove Capital Holdings in September 2011 for matching internal buyers and sellers, discounted to reflect illiquidity. The directors consider this price to be supported by information about the company's business over the remainder of 2011.

11 Other receivables

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Sales for future settlement	73	73	1,958	1,958
Taxation recoverable	870	870	602	602
Intercompany account	-	229	-	1,330
Prepayments and accrued income	3,016	3,016	1,973	1,973
Other debtors	387	71	453	55
	<u>4,346</u>	<u>4,259</u>	<u>4,986</u>	<u>5,918</u>

12 Other payables

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Purchases for future settlement	892	892	3,310	3,310
Unrealised loss on derivatives designated as held at fair value through profit or loss	444	444	-	-
Share buybacks awaiting settlement	302	302	686	686
Preference dividends	38	38	38	38
Accruals	3,601	3,481	5,126	4,968
	<u>5,277</u>	<u>5,157</u>	<u>9,160</u>	<u>9,002</u>

13 Non current liabilities

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Financial instruments redeemable other than in instalments are as follows				
8½ per cent Debenture Stock 2016	44,585	44,585	44,589	44,589
6 125 per cent Secured Bonds due 2025	63,123	63,123	63,102	63,102
2,055,000 3 4 per cent cumulative preference shares of £1 (see note 17 on page 65)	2,055	2,055	2,055	2,055
500,000 2 7 per cent cumulative preference shares of £1 (see note 17 on page 65)	500	500	500	500
	<u>110,263</u>	<u>110,263</u>	<u>110,246</u>	<u>110,246</u>

On 15 December 2000 the Company issued £100,000,000 (nominal) 6 125 per cent Secured Bonds due 2025, net of discount and issue costs totalling approximately £2,000,000. The discount and the issue costs will be written back over the life of the Secured Bonds. The nominal value of the remaining Secured Bonds in issue (£64,290,000 at 31 December 2011) is redeemable on 15 December 2025. The nominal value of the Debenture Stock is redeemable on 1 October 2016. The Debenture Stock and the Secured Bonds are secured by floating charges over all the undertaking and assets of the Company. The security of the charges applies *pari passu* to both issues.

14 Financial instruments***Risk management policies and procedures***

As an investment company, Witan invests in equities and other investments for the long term so as to secure its investment objective as stated on page 1. In pursuing its investment objective, the Group is exposed to a variety of risks that could result in either a reduction in the Group's net assets or a reduction in the profits available for distribution by way of dividends.

These risks, market risk (comprising price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the directors' approach to the management of them, are set out below.

The objectives, policies and processes for managing the risks and the methods used to manage the risks, as set out below, have not changed from the previous accounting period, although in some instances additional resources have been allocated to some areas.

14.1 Market risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate due to changes in market prices. This market risk comprises price risk (see note 14.2), currency risk (see note 14.3) and interest rate risk (see note 14.4). The Board reviews and agrees policies for managing these risks, which policies have remained substantially unchanged from those applying in the year ended 31 December 2010. The investment managers assess the exposure to market risk when making each investment decision and monitor the overall level of market risk on the whole of their investment portfolios on an ongoing basis.

14.2 Price risk

Price risks (ie changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the quoted and the unquoted investments.

Management of the risk

The Board manages the risks inherent in the investment portfolios by regularly reviewing relevant information from the investment managers. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the managers' compliance with their mandates and also whether each mandate and asset allocation is compatible with Witan's objective.

When appropriate, Witan has the ability to manage its exposure to risk through the controlled use of derivatives.

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Notes to the Financial Statements *continued*

for the year ended 31 December 2011

14 Financial instruments *continued*

The Group's exposure to other changes in market prices at 31 December on its quoted and unquoted equity investments, and on options on indices and investments, was as follows

	2011 £'000	2010 £'000
Investments held at fair value through profit or loss	1,083,393	1,203,675

Concentration of exposure to price risks

An analysis of the Group's investment portfolio is shown on page 18. This shows that the greater geographical weighting is to UK companies, with significant exposure also to North America and Continental Europe. Accordingly, there is a concentration of exposure to those regions, although an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the value of the shareholders' funds to an increase or decrease of 15% in the fair values of the Group's equity investments (including equity exposure through options). This level of change is considered to be reasonably possible based on observation of market conditions and historical trends. The sensitivity analysis is based on the Group's equities and equity exposure through options at each balance sheet date, with all other variables held constant. The results of these example calculations are significant but not unreasonable, given that most of the Group's assets are equity investments.

	2011		2010	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – profit after tax				
Revenue return	–	–	–	–
Capital return	162,509	(162,509)	180,551	(180,551)
Change to the profit after tax for the year and shareholders' funds	162,509	(162,509)	180,551	(180,551)

14.3 Currency risk

A proportion of the Group's assets, liabilities and income are denominated in currencies other than sterling (the Group's functional currency, and the currency in which it reports its results). As a consequence, movements in exchange rates may affect the sterling value of those items.

Management of the risk

The investment managers monitor their exposure to currencies as part of their normal investment processes. The Board receives a monthly report on the currency exposures of the entire fund.

Income denominated in foreign currencies is converted into sterling upon receipt. The Group does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The fair values of the Group's monetary items that have foreign currency exposure at 31 December are shown on page 59. Where the Group's equity investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

14 Financial instruments continued

2011	US\$ £'000	Euro £'000	Yen £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	364	286	26	680
Cash at bank and on deposit	6,605	1,203	1,230	502
Payables (due to brokers, accruals and other creditors)	–	–	(444)	–
Total foreign currency exposure on net monetary items	6,969	1,489	812	1,182
Investments at fair value through profit or loss that are equities	218,750	128,681	14,417	168,738
Total net foreign currency exposure	225,719	130,170	15,229	169,920

2010	US\$ £'000	Euro £'000	Yen £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	276	254	20	2,578
Cash at bank and on deposit	4,372	1,987	470	742
Payables (due to brokers, accruals and other creditors)	–	(6)	–	(2,267)
Total foreign currency exposure on net monetary items	4,648	2,235	490	1,053
Investments at fair value through profit or loss that are equities	253,201	170,952	28,436	195,900
Total net foreign currency exposure	257,849	173,187	28,926	196,953

The above amounts are not representative of the exposure to risk during the year as levels of monetary foreign currency exposure change significantly throughout the year

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the Group's equity in regard to the Group's monetary financial assets and financial liabilities and the exchange rates for the £/US dollar, £/Euro and £/Japanese yen. The results of these example calculations are significant but not unreasonable in the context of the majority of the Group's assets being invested overseas.

It assumes the following changes in exchange rates

£/US dollar +/- 15% (2010 15%)

£/Euro +/- 15% (2010 15%)

£/Japanese yen +/- 15% (2010 15%)

The sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at the balance sheet date and takes account of forward foreign exchange contracts that offset the effects of changes in currency exchange rates.

If sterling had depreciated against the currencies shown, this would have had the following effect

	2011			2010		
	US\$ £'000	Euro £'000	Yen £'000	US\$ £'000	Euro £'000	Yen £'000
Income statement – profit after tax						
Revenue return	583	1,050	131	580	928	353
Capital return	38,603	22,708	2,544	44,683	30,168	5,018
Change to the profit after tax	39,186	23,758	2,675	45,263	31,096	5,371
Change to the shareholders' funds	39,186	23,758	2,675	45,263	31,096	5,371

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Notes to the Financial Statements *continued*

for the year ended 31 December 2011

14 Financial instruments *continued*

If sterling had appreciated against the currencies shown, this would have had the following effect

	2011			2010		
	US\$ £'000	Euro £'000	Yen £'000	US\$ £'000	Euro £'000	Yen £'000
Income statement – profit after tax						
Revenue return	(431)	(776)	(97)	(429)	(686)	(261)
Capital return	(28,533)	(16,784)	(1,881)	(33,026)	(22,298)	(3,709)
Change to the profit after tax	(28,964)	(17,560)	(1,978)	(33,455)	(22,984)	(3,970)
Change to the shareholders' funds	(28,964)	(17,560)	(1,978)	(33,455)	(22,984)	(3,970)

In the opinion of the directors, neither of the above sensitivity analyses are representative of the year as a whole since the level of exposure changes frequently, as part of the currency risk management process used to meet the Group's objective

14.4 Interest rate risk

Interest rate movements may affect the level of income receivable from fixed interest securities and cash at bank and on deposit

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions

The Group holds cash balances, partly to meet payments as they fall due but also when appropriate to offset the long term borrowings that it has in place

The Group finances part of its activities through preference shares (that do not have redemption dates) and through debenture stock and secured bonds that were issued as part of the Company's planned gearing

Interest rate exposure

The exposure at 31 December 2011 of financial assets and financial liabilities to interest rate risk is shown by reference to

- floating interest rates when the interest rate is due to be re-set, and
- fixed interest rates when the financial instrument is due to be repaid

The Group's exposure to floating interest rates on assets is £22,150,000 (2010 £52,510,000)

The Group's exposure to fixed interest rates on assets is £26,879,000 (2010 £11,822,000)

The Group's exposure to fixed interest rates on liabilities is £110,263,000 (2010 £110,246,000)

Interest receivable and finance costs are at the following rates

- interest received on cash balances, or paid on bank overdrafts and loans, is at margin over LIBOR or its foreign currency equivalent (2010 same),
- the finance charge on the preference shares is at a weighted average interest rate of 3.3% (2010 3.3%),
- the finance charge on the debenture stock is at a weighted average interest rate of 8.5% (2010 8.5%), and
- the finance charge on the secured bonds is at a weighted average interest rate of 6.125% (2010 6.125%)

The above year end amounts are not representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made in fixed interest securities, long term debt is partially redeemed and as the level of cash balances varies during the year. In the context of the Group's balance sheet, the exposure to interest rate risk is not considered to be material

Interest rate sensitivity

Based on the Group's monetary financial instruments at each balance sheet date, an increase or decrease of 200 basis points in interest rates would decrease or increase revenue return after tax by £668,000 (2010 £1,050,000), capital return after tax by £225,000 (2010 £nil), and total profit after tax and shareholders' funds by £443,000 (2010 £1,050,000)

14 Financial instruments continued

This level of change is considered to be reasonably possible based on observation of current market conditions. This is not representative of the year as a whole, since the exposure changes as investments are made. In the context of the Group's balance sheet, the outcome is not considered to be material.

14.5 Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Group's assets are investments in quoted equities and other quoted securities that are readily realisable. The Group has borrowed £44,589,000 by its issue in 1986 of 8½ per cent Debenture Stock 2016 and £63,123,000 by its issue in 2000 of 6.125 per cent Secured Bonds due 2025. The Group is able to draw short term borrowings of up to the sterling equivalent of £50 million from its secured and committed multi-currency borrowing facility of £50 million with BNP Paribas, London Branch (expiring on 10 December 2012). £15,000,000 was drawn down under the facility at 31 December 2011 (no borrowings drawn down in 2010).

The Board gives guidance to the investment managers as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Group should remain fully invested in normal market conditions.

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 December 2011, based on the earliest date on which payment can be required, was as follows:

	2011			2010		
	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stock*	3,790	58,802	–	3,790	15,160	47,432
Secured bonds*	3,938	15,751	99,557	3,938	15,751	103,495
Preference shares†	83	332	2,555	83	332	2,555
Other creditors and accruals	5,277	–	–	9,160	–	–
Bank loan	15,000	–	–	–	–	–
	<u>28,088</u>	<u>74,885</u>	<u>102,112</u>	<u>16,971</u>	<u>31,243</u>	<u>153,482</u>

*The above figures show interest payable over the remaining terms of each instrument. The figures in the 'between 1 and 5 years' and 'more than 5 years' columns also include the capital to be repaid.

†The figures in the 'more than 5 years' columns do not include the ongoing annual finance cost of £83,000.

14.6 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Group suffering a loss.

Management of the risk

The risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Group of default,
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the investment managers, and limits are set on the amount that may be due from any one broker,
- cash at bank is held only with reputable banks with high quality external credit ratings.

None of the Group's financial liabilities are past their due dates or impaired.

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Notes to the Financial Statements *continued*

for the year ended 31 December 2011

14 Financial instruments *continued*

Credit risk exposure

The table below summarises the credit risk exposure of the Group as at the year end

	2011 £'000	2010 £'000
Fixed interest securities	26,879	11,822
Cash	37,150	52,510
Receivables		
Sales for future settlement	73	1,958
Taxation recoverable	870	602
Accrued income	3,016	1,920
Other debtors	387	448
	<u>68,375</u>	<u>69,260</u>

14.7 Fair values of financial assets and financial liabilities

Except for those financial liabilities measured at amortised cost that are shown below, the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (amounts due from brokers, dividends and interest receivable, amounts due to brokers, accruals, cash at bank and bank overdrafts)

	2011		2010	
	Fair value £'000	Balance sheet amount £'000	Fair value £'000	Balance sheet amount £'000
Financial liabilities measured at amortised cost				
Non current liabilities				
Preference shares	1,404	2,555	1,403	2,555
Debenture stock	53,953	44,585	51,819	44,589
Secured bonds	80,233	63,123	69,296	63,102
	<u>135,590</u>	<u>110,263</u>	<u>122,518</u>	<u>110,246</u>

The fair values shown above are derived from the offer price at which the securities are quoted on the London Stock Exchange. Note 1(h) on page 48 sets out the Board's policy for determining the fair values of the unquoted investments. The directors are of the opinion that changing one or more of those assumptions to reasonably possible alternative assumptions would not change those fair values significantly. The amount of change in fair value for such investments recognised in the profit or loss for the year was a loss of £122,000 (2010: £248,000).

Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy

Financial assets at fair value through profit or loss

At 31 December 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,032,111	–	840	1,032,951
Investments in other funds	–	50,442	–	50,442
Derivatives	–	(444)	–	(444)
Total	<u>1,032,111</u>	<u>49,998</u>	<u>840</u>	<u>1,082,949</u>

14 Financial instruments continued

At 31 December 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,150,768	–	780	1,151,548
Investments in other funds	–	51,945	–	51,945
Derivatives	–	–	182	182
Total	1,150,768	51,945	962	1,203,675

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows

Level 1 – valued using quoted prices in an active market for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices within Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation techniques used by the Group are explained in the accounting policies in note 1(h). There were no transfers during the year between Level 1 and Level 2. A reconciliation of fair value measurements in Level 3 is set out below

Level 2 Financial assets

Level 2 Financial assets refer to investments in Trilogy Emerging Markets Fund and Polar Capital Insurance Fund (2010 Trilogy Emerging Markets Fund)

Level 3 Reconciliation of Level 3 fair value measurement of financial assets

At 31 December 2011	£'000
Opening fair value	962
Purchases at cost	–
Sales proceeds	–
Total gains included in gains on investments in the Statement of Comprehensive Income	
– on sold assets	(182)
– on assets held at the end of the year	60
Closing fair value	840

Level 3 valuation techniques used by the Group are explained in the accounting policies in note 1(h)

Capital management policies and procedures

The Group's capital management objectives are

- to ensure that it will be able to continue as a going concern, and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt

The Group's total capital employed at 31 December 2011 was £1,119,612,000 (2010 £1,252,011,000) comprising £125,263,000 of debt (2010 £110,246,000) and £994,349,000 of equity share capital and other reserves (2010 £1,141,765,000)

The Group's policy is to manage the effective gearing in the portfolio to not normally exceed +20%. Effective gearing is defined to be the total market value of investments less shareholders' funds as a percentage of shareholders' funds. At 31 December 2011 effective gearing was 10.6% (2010 5.4%)

The Board monitors and reviews the broad structure of the Group's capital on an ongoing basis. This review includes

- the planned level of gearing, which takes into account the Chief Executive Officer's view on the market,
- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium), and
- the extent to which revenue in excess of that which is required to be distributed should be retained

The Group's objectives, policies and processes for managing capital are unchanged from the preceding accounting period

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Notes to the Financial Statements *continued*

for the year ended 31 December 2011

14 Financial instruments *continued*

The Company is subject to several externally imposed capital requirements

- the terms of issue of the Company's debenture stock and secured bonds require the aggregate amount outstanding in respect of borrowings, measured in accordance with the policies used to prepare the annual financial statements, not to exceed a sum equal to the Company's capital and reserves at any time,
- as a public company, the Company has a minimum issued share capital of £50,000, and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law

These requirements are unchanged since the previous year end and the Company has complied with them

15 Called up share capital

	Group and Company 2011 £'000	Group and Company 2010 £'000
Called up, issued and fully paid 192,367,000 ordinary shares of 25p each (2010 195,375,220)	48,092	48,844

During the year, 3,008,220 ordinary shares were bought back for cancellation at a cost of £14,980,000 (2010 8,089,060 ordinary shares at a cost of £36,961,000)

16 Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
Group					
At 1 January 2011	16,237	44,982	800,875	180,009	50,818
Net movement on investments	–	–	40,019	(163,475)	–
Net movement on foreign exchange	–	–	(688)	–	–
Expenses and interest payable charged to capital net of tax relief	–	–	(10,830)	–	–
Buybacks of ordinary shares	–	752	(14,980)	–	–
Profit for the year	–	–	–	–	25,679
Ordinary dividends paid	–	–	–	–	(23,141)
At 31 December 2011	16,237	45,734	814,396	16,534	53,356
Company					
At 1 January 2011	16,237	44,982	800,875	180,172	50,655
Net movement on investments	–	–	40,019	(163,675)	–
Net movement on foreign exchange	–	–	(688)	–	–
Expenses and interest payable charged to capital net of tax relief	–	–	(10,830)	–	–
Buybacks of ordinary shares	–	752	(14,980)	–	–
Profit for the year	–	–	–	–	25,879
Ordinary dividends paid	–	–	–	–	(23,141)
At 31 December 2011	16,237	45,734	814,396	16,497	53,393

17 Preference shares

Included in non current liabilities is £2,555,000 in respect of issued preference shares as follows

	Group and Company 2011 £'000	Group and Company 2010 £'000
2,055,000 3 4 per cent cumulative preference shares of £1	2,055	2,055
500,000 2 7 per cent cumulative preference shares of £1	500	500
	<u>2,555</u>	<u>2,555</u>

The 3 4 per cent and 2 7 per cent cumulative preference shares constitute a single class and confer the right, in priority to any other class of shares

- (i) to receive a fixed cumulative preferential dividend at the respective rates (exclusive of tax credit thereon) of 3 4 per cent and 2 7 per cent per annum, such dividend being payable half-yearly on 15 January and 15 July in each year, in respect of the 3 4 per cent cumulative preference shares, and on 1 February and 1 August in each year, in respect of the 2 7 per cent cumulative preference shares, and
- (ii) to receive repayment of capital at par in a winding up of the Company (but do not confer any further right to participate in profits or assets)

The preference shareholders are entitled to receive notices of general meetings of the Company but are not entitled to attend or vote thereat (except on a resolution for the voluntary liquidation of the Company or for any alteration to the objects of the Company as set out in its Articles of Association)

In the event of a poll at a general meeting of the Company, every member of the Company who is present in person or by proxy and who is entitled to vote thereat, whether an ordinary shareholder or, in the circumstances outlined above, a preference shareholder, has one vote for every £1 nominal value of shares registered in their name. Accordingly, on a poll each ordinary shareholder has one vote for every four shares held

18 Net asset value per ordinary share

The net asset value per ordinary share (516 9p, 2010 584 4p) is based on the net assets attributable to the ordinary shares of £994,349,000 (2010 £1,141,765,000) and on the 192,367,000 ordinary shares in issue at 31 December 2011 (2010 195,375,220)

The movements during the year of the net assets attributable to the ordinary shares were as follows

	£'000
Total net assets at 1 January 2011	1,141,765
Total loss for the year	(109,295)
Dividends paid in the year on the ordinary shares (see note 8)	(23,141)
Buybacks of ordinary shares	<u>(14,980)</u>
Net assets attributable to the ordinary shares at 31 December 2011	<u>994,349</u>

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the preference shares, the debenture stock and the secured bonds at their market (or fair) values rather than at their par (or book) values. Details of the alternative values are set out in note 14 7. The net asset value per ordinary share at 31 December 2011 calculated on this basis is 503 7p (2010 578 1p)

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Notes to the Financial Statements *continued*

for the year ended 31 December 2011

19 Note to the cash flow statement

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. However, the cash flows associated with these activities are presented below

	Group and Company 2011 £'000	Group and Company 2010 £'000
Proceeds on disposal of fair value through profit or loss investments	393,958	764,285
Purchases of fair value through profit or loss investments	(396,612)	(730,990)
	<u>(2,654)</u>	<u>33,295</u>

20 Capital commitments and contingent liabilities

At 31 December 2011 there were capital commitments in respect of securities not fully paid up of £nil (2010 £nil) and underwriting liabilities of £nil (2010 £nil). In November 2005 the Company took a five year lease on office premises at 14 Queen Anne's Gate, London SW1 which was renewed for a further five years in October 2010

21 Operating lease arrangements

	2011 £'000	2010 £'000
Minimum lease payments under operating leases recognised for the year	<u>49</u>	<u>58</u>

At the balance sheet date, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2011 £'000	2010 £'000
Within one year	49	51
In the second to fifth years inclusive	149	196
	<u>198</u>	<u>247</u>

The operating lease payments represent rentals payable by the Group for its office property

The lease was re-negotiated during 2010 for a further term of five years. Rentals are fixed for an average of five years

22 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital of its wholly owned subsidiary undertaking, Witan Investment Services Limited, which was incorporated on 28 October 2004, is registered in England and Wales and operates in the United Kingdom

23 Related party transactions disclosures

Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company for each of the relevant categories specified in IAS 24 *Related Party Disclosures* is provided in the audited part of the Directors' Remuneration Report on pages 37 to 39

Directors' transactions

Dividends totalling £157,000 were paid in the year in respect of ordinary shares held by the Company's directors

24 Segment Reporting

The Group adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed regularly by the Chief Executive Officer and that are used to allocate resources to the segments and to assess their performance. The identification of the Group's reportable segments did not change as a result of the adoption of IFRS 8.

Geographical segments

Geographical segments are considered to be the primary reporting segment. An analysis of investment income by geographical segment is set out in note 2 on page 50. Analyses of expenses by geographical segment and of profit by geographical segment have not been given as it is not possible to prepare such information in a meaningful way. An analysis of the investments by geographical segment is set out in note 10 on page 55. Analyses of the remaining assets and liabilities by geographical region have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

Business segments

Business segments are considered to be the secondary reporting segment. The Group has two business segments: (i) its activity as an investment trust, which is the business of the parent company, Witan Investment Trust plc, and recorded in the accounts of that company, and (ii) the provision of executive and marketing management services and the management of savings schemes, which is the business of the subsidiary company, Witan Investment Services Limited, and recorded in the accounts of that company.

	Year ended 31 December 2011		Year ended 31 December 2010	
	Investment trust £'000	Management services £'000	Investment trust £'000	Management services £'000
Revenue – see notes 2 and 3	34,641	875	28,546	840
Carrying amount of assets	993,486	863	1,140,702	1,063
Interest expense	8,402	–	7,934	–

25 Value Added Tax on management fees

Following the decision of the European Court of Justice in 2007 that Value Added Tax ('VAT') should not be charged on fees paid for management services provided to investment trust companies, the Company received, over the three financial years to 31 December 2009, refunds of VAT totalling £3,264,000 (relating to management fees paid during the periods 1990 to 1996 and 2000 to 2007) and £1,191,000 of simple interest on those VAT refunds. During the year to 31 December 2010, the Company received a further £75,000 in respect of the VAT on investment administration fees incurred between 2004 and 2007. No further VAT refunds or interest were expected or received during the year under review. The write-backs of VAT were allocated between revenue return and capital return according to the allocation of the amounts originally paid. The £75,000 recognised in the previous year was allocated wholly to the revenue return. The interest paid by HMRC on the VAT recovered was included in other income.

There remain outstanding claims relating to the period 1996 to 2000 and claims for compound interest from 1990 onwards. No amounts have been recognised in respect of these claims as it is currently uncertain whether any further amounts will be recovered.

26 Subsequent events

Since the year end, the Company has bought back 269,000 of its ordinary shares (see also page 26).

Since the year end, the Board has declared a second interim dividend in respect of the year ended 31 December 2011 of 6.55p per ordinary share (see also pages 23 and 24 and note 8 on page 54).

Historical Record (unaudited)

Year end	Market price per ordinary share in pence	Debt at fair value		Debt at par value		Net revenue after taxation in £'000	Earnings per ordinary share in pence	Dividends per ordinary share in pence
		Net asset value per ordinary share in pence ^(b)	Share price discount % ^(b)	Net asset value per ordinary share in pence ^(c)	Share price discount % ^(c)			
31 December 2001	391 0	not recorded		429 3	8 9	29,634	8 40	7 95
31 December 2002	261 5	303 2	13 8	307 6	15 0	31,445 ^(e)	8 92 ^(e)	8 10
31 December 2003	303 0	354 7	14 6	358 2	15 4	31,362	8 98	8 30
31 December 2004	331 5	384 4	13 8	390 2 ^(a)	15 0	29,330 ^(a)	8 63 ^(a)	8 60
31 December 2005	414 0	458 9	9 8	469 5 ^(a)	11 8	28,002 ^(a)	8 96 ^(a)	8 80
31 December 2006	454 5	508 4	10 6	517 1	12 1	27,565	10 24	9 20
31 December 2007	478 5	537 9	11 0	545 7	12 3	27,137	11 08	9 90
31 December 2008	351 0	400 3	12 3	410 1	14 4	25,261	11 60	10 20
31 December 2009	444 6	497 0	10 5	502 7	11 6	22,524	10 63	10 50
31 December 2010	516 5	578 1	10 7 ^(f)	584 4	11 6	18,729	9 45	10 90
31 December 2011	450 0	503 7	10 7 ^(f)	516 9	12 9	25,679	13 27	12 00

(a) The figure for 2005 has been calculated in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the figure for 2004 has been restated in accordance with IFRSs. The figures for the earlier years have not been restated.

(b) The net asset value per ordinary share is calculated by deducting from the total assets less current liabilities of the Group the fixed borrowings at their fair (or market) values. The share price discount shown reflects this calculation.

(c) The net asset value per ordinary share is calculated by deducting from the total assets less current liabilities of the Group the fixed borrowings at their par (not their market) values. The share price discount shown reflects this calculation.

(d) With effect from 1 January 2001, 75% of finance costs and management fees have been charged to capital. The 2000 figures were restated to reflect this change of accounting policy.

(e) With effect from 1 January 2002, tax relief has been allocated as described in note 1(g) on page 48.

(f) The average discount to the net asset value, excluding income, with debt at fair value, in 2011 was 10.6% (2010 11.1%) (Source: Datastream).

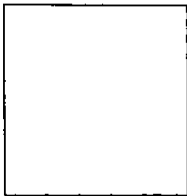
Warning to Shareholders

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on page 72.

Marketing Review



James Frost,
Marketing Director

2011 Witan's marketing programme aims to stimulate interest in the Trust's shares and to create liquidity, thereby enabling shareholders to buy and sell shares at a price reflecting the net asset growth performance of the Trust. Using a blend of marketing disciplines this programme focuses on private investors who invest through Witan Investment Services' savings schemes, online brokers and via the main share register, as well as professional investors such as discretionary managers and private client brokers who invest on behalf of their clients. 2012 will bring the savings industry one step closer to the Retail Distribution Review (RDR), requiring changes in the nature of advice financial advisers offer and in the way it is paid for. This is expected to increase the number of financial advisers and investors actively considering the merits of investment trusts for their portfolios. Witan intends to focus more resource on the Financial Adviser market in 2012 to help inform the decision making process of these new potential investors.

Despite the market conditions, and poor investor appetite for funds, Witan saw continued demand for its shares from both within its own savings schemes and externally through online brokers. This was in part down to strong ISA season sales, and also the continued growth of Jump, which has been strengthened further by the launch of the Jump Junior ISA in November 2011.

2012

If market conditions remain volatile then the short term appetite for

equity based products from retail investors could be suppressed. However, we have seen in 2011 that many private investors are prepared to look beyond the short term volatility, in the belief that over the longer term equities offer the potential to deliver positive real returns. The introduction of increased university tuition fees has again highlighted the importance of saving for children. Jump, with the addition of its Junior ISA, will continue to offer a range of ways for families to save for their children's needs as they grow up.

As mentioned earlier, we intend to focus more of our resources on information and service for financial advisers because of the opportunity offered by the RDR. The aim of the RDR is to introduce transparency and reduce conflicts in the way in which financial advice is paid for. The removal of commission will 'level the playing field' and to that extent make conditions more favourable for investors to choose investment trusts. Furthermore as a result of RDR we have started to see some data aggregators rating funds and investment trusts on the same basis, which enables advisers to be able to compare them directly.

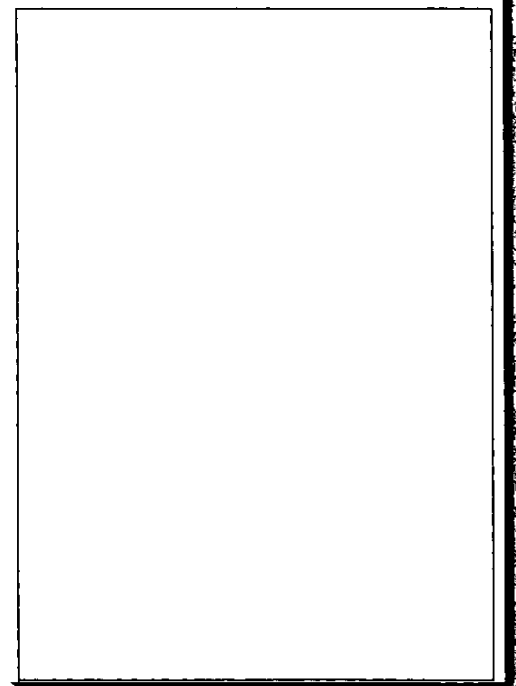
There are however a number of key challenges that the investment trust sector must address in order to maximise this opportunity.

- The 3 biggest IFA platforms have yet to make clear their plans for including investment trusts
- Financial advisers need information and training in the key features of investment trusts. There is more to understand and therefore

explain to clients when recommending an investment trust, such as premiums/discounts and gearing (although it should be kept in mind that these factors are potential extra levers for delivering performance, not random sector eccentricities!)

- The sector is competing with open ended managers who have large marketing budgets, albeit that the previous tailwind of trail commissions is coming to an end under the new rules.

Witan offers good liquidity (a market capitalization of over £860m at the end of 2011), a straight forward capital structure and a relatively stable discount close to 10%. Witan is also the only global wholly multi-managed investment trust. Open-ended multi-managed funds have for many years been popular with financial advisers because multi-manager helps smooth out the volatility normally associated with



a single manager. As well as the inherent benefits of multi-manager, Witan also has a competitive TER and unlike open-ended funds it has the ability to gear and to build up dividend reserves.

How to Invest

There are a variety of ways to invest in Witan Investment Trust plc. Naturally, Witan's shares can be traded through any UK stockbroker, however, Witan is also available for investment through the two savings schemes managed by Witan Investment Services – Witan Wisdom and Jump Savings.

Witan Wisdom

Witan Wisdom offers two different savings wrappers:

- The **Witan Wisdom ISA** is a stocks and shares ISA that enables investors to buy Witan shares within a tax efficient wrapper. Investors have an annual ISA allowance of up to £10,680 for the 2011/12 tax year, rising to £11,280 for the 2012/13 tax year. The minimum lump sum investment with Witan Wisdom is £2,000, with the regular savings minimum being £100 per month. You can also transfer existing ISAs to Witan Wisdom while retaining their tax efficient wrapper during and after transfer.
- The **Witan Wisdom Share Plan** is our straightforward, low-cost savings scheme. The minimum lump sum investment is £500, and the minimum regular contribution is £50 per month or quarter. There is no maximum. Accounts can also be held jointly, or designated to a child.

Jump Savings for children

Jump gives parents, grandparents and other adults the chance to invest in Witan on behalf of a child. This flexible savings plan has a minimum lump sum investment set at £100 and regular contributions can be

made from as little as £25 per month or quarter.

Jump is available in three different wrappers:

Junior ISA – Is a tax efficient wrapper available to children born before 1 September 2002, born on or after 3 January 2012, or those who did not qualify for a Child Trust Fund. The account can only be opened by the parent though others can add to it. It currently has an annual subscription limit of £3,600 each tax year. You can open a Jump Junior ISA with a lump sum investment of just £250 or £50 per month or quarter.

Jump Child Trust Fund – Like the Junior ISA, the Child Trust Fund (CTF) is a tax efficient savings vehicle with an annual limit of £3,600 each year (measured by the child's birthday). Each child born in the UK born between 1 September 2002 and 3 January 2012 was eligible for a CTF. You can transfer existing CTFs to Jump subject to a minimum transfer value of £1,000.

Jump Savings Plan – Unlike the Junior ISA or Child Trust Fund the Jump Savings Plan is not tax efficient however it offers greater flexibility in terms of the limits, access and control of the investment, and can also be opened by grandparents, relatives and other family friends. You can open a Jump Savings Plan with a lump sum investment of just £250 or £50 per month or quarter.

Brochures and applications for all of our products are available by calling 0800 082 81 80 or online via www.witan.com. If you would prefer to write to request further information, the address details can be found on page 72.

Investors are reminded that the value of investments and the income from them may go down as well as up and investors may not get back the amount

originally invested. Please note that tax assumptions may change if the law changes, and the value of tax relief (if any) will depend upon your individual circumstances. Investors should consult their own tax advisers in order to understand any applicable tax consequences.

Witan Investment Trust plc is an equity investment. Issued and approved by Witan Investment Services Limited. Witan Investment Services Limited of 14 Queen Anne's Gate, London SW1H 9AA is registered in England number 5272533. Witan Investment Services provides investment products and services and is authorised and regulated by the Financial Services Authority. We may record telephone calls for our mutual protection and to improve customer service.

Shareholder Information

Points of Contact

If you have any questions or need more information concerning Witan, you may contact us in the following ways

Freephone
0800 082 8180

E-mail
wisdom@ifdsgroup.co.uk

Post
For Witan Wisdom and Jump Savings queries
Witan Wisdom
PO Box 10550
Chelmsford
CM99 2BA

Points of Reference

You can follow the progress of your investment through the newspapers. Witan's share price appears daily in the national press stock exchange listings under 'Investment Trusts' or 'Investment Companies' and is also included on the Witan website (www.witan.com)

The London Stock Exchange Daily Official List (SEDOL) code is 0974406

Dividend

A second interim dividend of 6.55p per share has been declared, payable on 30 March 2012. The record date for the dividend was 2 March 2012 and the ex-dividend date for the dividend was 29 February 2012 (see pages 4 and 24)

Capital Gains Tax

The calculation of the tax on chargeable gains will depend on your personal circumstances. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Disability Act

Copies of this Annual Report and other documents issued by Witan Investment Trust plc are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact our Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People), you should dial 18001 followed by the number you wish to dial.

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Telephone 020 3008 4910

Registered Number
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Custodian and Investment Administrator

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Registrar
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The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone 0870 707 1408*

*Calls cost about 7 pence per minute from a BT line, calls from other providers, or from mobile phones, may cost more.

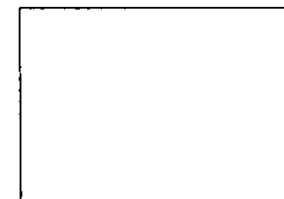
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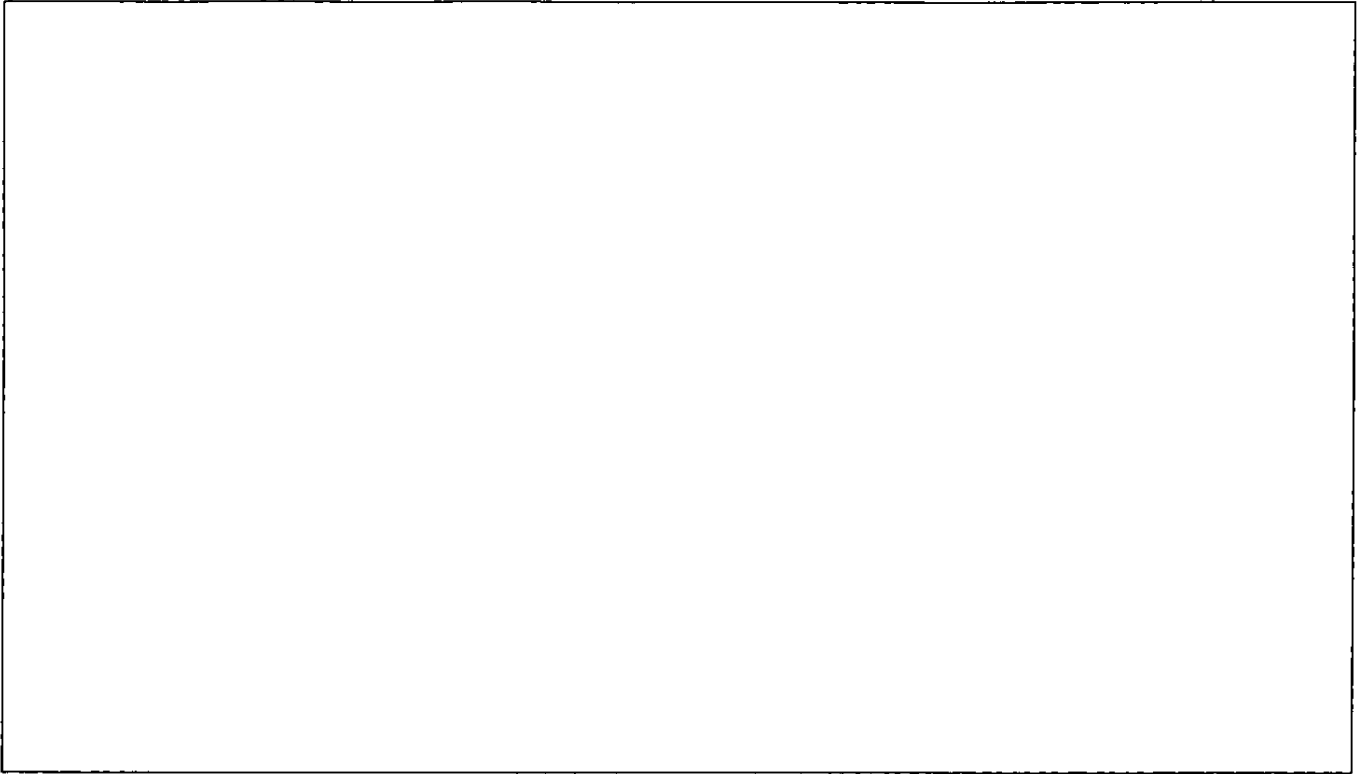
Solicitors
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Exchange House
Primrose Street
London EC2A 2HS

Stockbroker
JPMorgan Cazenove Limited
10 Aldermanbury
London EC2V 7RF



The Company is a member of





Source RHS

Witan Investment Trust has enjoyed a long and fruitful relationship with the Royal Horticultural Society ('RHS') for more than thirteen years. Over this time Witan has helped the RHS to redevelop a number of new gardens at Wisley including the Walled Garden West, the Herb Garden and most recently the Bowes-Lyon Rose Garden.

Witan shareholders who hold their shares through Witan Wisdom or Jump Savings, or on the main register, are eligible to apply for a ticket that will allow free entry for two adults to either Wisley or one of the 3 other RHS Gardens in the UK. In the photo above you can see a view of the Hyde Hall garden, one of the other RHS gardens open to Witan shareholders.

If you would like to request a ticket then please phone us on 0800 082 81 80 or email us at wisdom@ifdsgroup.co.uk

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