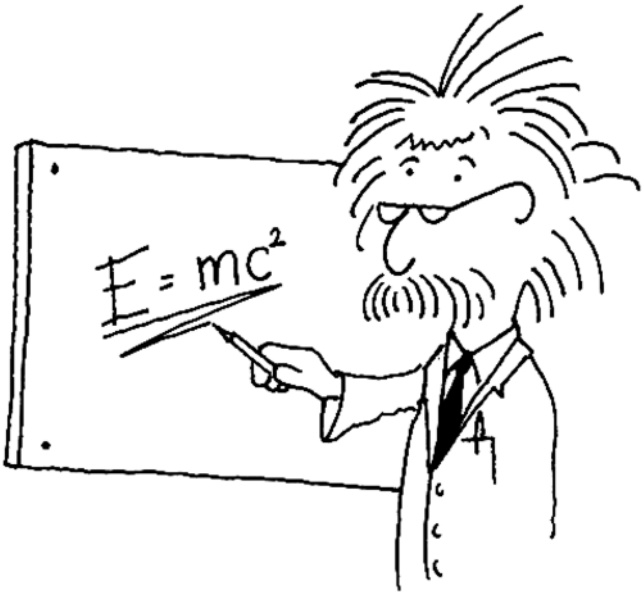
Witan Investment Trust plc
Annual Report 2012

Witan investment trust

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



Contents

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 2012
Company profile

Witan is an investment trust which is listed on the London Stock Exchange and was founded in 1909.

Aim

To be the preferred choice for wealth creation, delivering long-term capital growth and a growing real income to shareholders through investment in global equity markets.

Objectives and characteristics

- An independent multi-manager approach accessing the best available talent in the global marketplace.
- Diversified exposure both to developed and faster growing equity markets.
- A dividend growing in real terms, ahead of inflation.
- Selective use of gearing, alternative investment techniques and investment in other asset classes.
- Share buy-backs are employed to improve net asset value and reduce the level and volatility of the discount.
- Ensure competitive costs by strict control of expenses.

Directors' Report
Financial Highlights

Corporate Key Performance Indicators

	31 December 2012	31 December 2011	% change
Share price	503.0p	450.0p	+11.8
Net asset value per ordinary share (debt at par value)	581.8p	516.9p	+12.6
Net asset value per ordinary share (debt at market value)	568.9p	503.7p	+12.9
Dividends per ordinary share	13.2p	12.0p	+10.0
Discount (debt at par value)	13.5%	12.9%	
Discount (debt at market value) (A)	11.6%	10.7%	
Share buy-backs (B)	1.2%	1.5%	
Ongoing charges including performance fees (C)	0.97%	0.87%	
Ongoing charges excluding performance fees (C)	0.69%	0.71%	
Number of private investors (D)	31,329	33,421	

(A) This is the discount to the NAV including income. The average discount to the NAV, *excluding* income, with debt at market value in 2012 was 10.7% (2011: 10.6%). (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 recurring operating and investment management costs (excluding the expenses of the subsidiary company) expressed as a percentage of daily average net assets including debt at market value (December 2011 figures restated following calculation changes from period end average to daily average of net assets including debt at market value) (see notes 4 and 5 on pages 51 and 52). See further comment on page 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 2012	1 year % return	3 years % return	5 years % return
Total shareholder return (E)	+14.7	+21.9	+19.6
Net asset value total return (F)	+15.6	+22.4	+18.7
Benchmark (G)	+13.0	+21.3	+15.0
FTSE All-Share Index (H)	+12.3	+24.2	+13.2
FTSE World (ex UK) Index (H)	+11.9	+22.6	+20.8

(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%.
(H) Source: Datastream. See also FTSE International for conditions of use (www.ftse.com).

Other Financial Information

	31 December 2012	31 December 2011	% change
Net assets	£1,105,847,000	£994,349,000	+11.2
Number of ordinary shares in issue	190,079,500	192,367,000	-1.2
Revenue return per ordinary share	14.50p	13.27p	+9.3
Gearing*	6.1%	10.5%	

* The difference between shareholders' funds and the total market value of the investments (including the face value of 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

"For myself I am an optimist – it doesn't seem to be much use to be anything else." – Winston Churchill

Highlights

- The NAV total return of 15.6% outperformed the benchmark's return of 13%
- NAV total return over last five years was 18.7%, 3.7% ahead of the benchmark
- Dividend increased by 10%, 7% ahead of the rate of inflation
- Quarterly dividends introduced from 2013
- The 38th consecutive year of increased dividends

Performance and Shareholder Returns

In 2012 Witan delivered a net asset value total return of 15.6%, 2.6% better than our benchmark, which gave a total return of 13%. The rise in 2012 more than made up for the fall in 2011, despite volatile expectations for economic growth and weaker trends in corporate profits. We were able to increase our dividend by 10%, while adding to our revenue reserves, marking the 38th consecutive year of rising dividends at Witan.

Despite the difficulties that have been placed before the global economy over the last 5 years, Witan has achieved an NAV total return of + 18.7%, which is + 3.7% ahead of our benchmark over this period.

Fluctuating economic hopes in 2012 resulted in markets displaying some of the rollercoaster characteristics of the previous two years. A strong first quarter was largely reversed in the early summer months, before a more positive trend became established in the second half of the year. The two principal drivers of the strong returns were more pro-active official policies to sustain economic growth, acting on the dry tinder of the low equity valuations which prevailed at the end of 2011. Although arguments will continue over the policy of quantitative easing (central banks printing money to buy government bonds) it has undeniably helped offset the negative effects of contraction in the banking sector and kept interest rates low, which benefits borrowers (including, of course, governments).

2012 was a reminder that buying assets at low valuations gives a degree of fundamental support, even during periods of disappointing economic news. The positive returns for equity investors were assisted by a number of feared events which did not happen: Middle Eastern conflict did not lead to a spike in oil prices, the Euro did not implode and China did not slip into recession. Also on the positive side, inflation fell worldwide, the US housing market pulled out of a 6 year recession and Northern European governments showed a greater willingness to incur the costs of buying time for Southern European countries to reform their economies.

Portfolio Attribution

In 2012, our net asset value total return was 2.6% ahead of our equity benchmark, with a positive total return of 15.6% more than erasing the fall in 2011. The principal contributors were a 2.0% outperformance by our managers and a 1.5% benefit from the use of gearing during a year of rising markets. There was also a +0.5% contribution from a decline in the effect from marking our debt to market values and a +0.1% benefit from share buy-backs. These factors were offset by the cost of borrowings (-0.6%) and by operating and investment management costs (-0.9%).

A breakdown of the performance attribution is shown in the table on page 4.

Directors' Report
Chairman's Statement *continued*

Performance Attribution
for the year ended 31 December 2012 (based on the Company's financial statements)

Net asset value total return	15.6%	Portfolio investment total return (gross)		+15.0%
Benchmark total return	13.0%	Benchmark total return		+13.0%
		Relative investment performance		+2.0%
		Gearing impact	+1.5%	
		Effect of changed market value of debt	+0.5%	
		Share buy-backs	+0.1%	
				+2.1%
				+4.1%
		Borrowing costs	-0.6%	
		Operating costs and tax	-0.9%	
				-1.5%
Relative performance	+2.6%			+2.6%

Ongoing Charges Figure (formerly Total Expense Ratio)

The ongoing charges figure ('OCF') (which is the recurring operating and investment management costs of the Company, expressed as a percentage of average net assets) was 0.69% in 2012, marginally below that for 2011 (0.71%). When performance fees paid to our managers are included, the OCF was 0.97% in 2012 (2011: 0.87%).

Dividend

Your Board has declared a second interim dividend of 7.2 pence per share (2011: 6.55 pence), to be paid to shareholders on 28 March 2013, making a total distribution for the year of 13.2 pence (2011: 12.0 pence). This represents an increase of 10%, some 7% ahead of the 2.7% rate of consumer price inflation (CPI) in the year to December 2012. This is the 38th consecutive year that we have increased the dividend. During this period (since 1974) the UK retail price index has risen approximately 900% (a 10-fold move in prices), while Witan's dividends per share have increased by over 3500% (a 36-fold rise).

Our portfolio generated revenue earnings per share of 14.50 pence, an increase of 9.3%, allowing us to increase our dividend in real terms, as well as adding £2.6 million to our revenue reserves which at the year-end stood at £43.4 million, after providing for this year's second interim dividend payment.

In recent years, the practice of paying dividends quarterly rather than twice a year has become more common, as the level of personal investor ownership in many investment trusts has grown and electronic payment systems have reduced the additional administrative costs. The Retail Distribution Review ("RDR"), which takes effect in 2013, also broadens the potential investor base for investment trusts, among groups for whom predictable and regular dividend payments are a more important part of the total return than for institutional investors. The Company has accordingly decided to commence paying dividends quarterly, starting in 2013. The first three payments (in June, September and December) will, in the absence of unforeseen circumstances, be paid at a rate of 3.3 pence per share, being one quarter of the full year payment for 2012 (13.2 pence). The fourth payment (in March 2014) will be a balancing amount, reflecting the difference between the three quarterly dividends already paid and the payment decided for the full year.

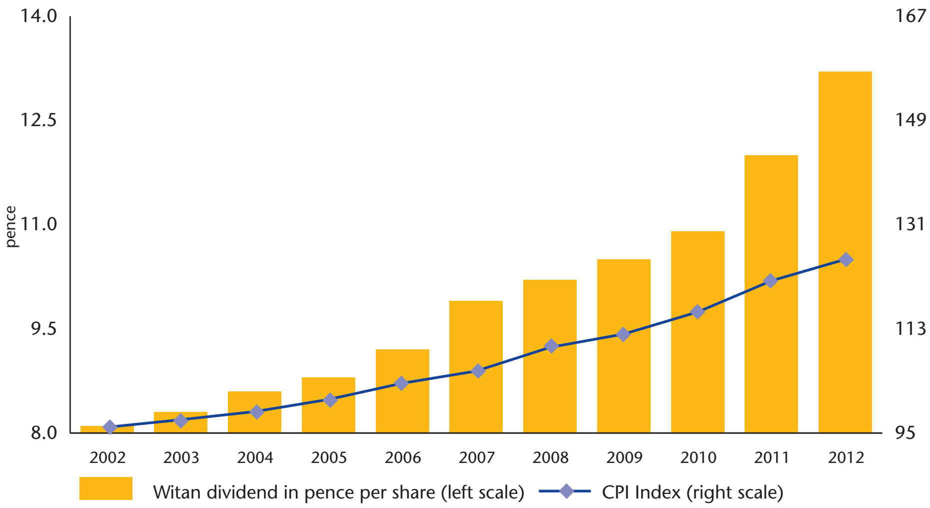
Share Buy-backs and Discount

The Company purchased a total of 1.2% of the starting shares in issue during the year. These share buy-backs generated an increase in net asset value per share of 0.1% 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 market value) ended the year at 10.2% compared with 9.4% at the end of 2011. The average discount for the year on this basis was 10.7% (2011: 10.6%).

Witan's Multi-manager Approach

Witan is unique amongst investment trusts in operating a fully-fledged

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



Source: DataStream

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.

The day to day investment management of the Company's assets is outsourced to third parties. However, the Board sets and reviews all the key elements of the Company's strategy, including the choice of investment benchmark, the selection of suitable investment managers, investment guidelines and limits and the appointment of providers for other services required by the Company. The Board ensures that, taking specialist advice as appropriate, its Directors have the appropriate mix of skills and time available to address the management of its outsourced, multi-manager investment approach.

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. Details of the process and the changes implemented during 2012 are set out in the Business Review on pages 7 to 17. Your Board is convinced that the multi-manager approach is beneficial particularly when it comes to global investing. However, we are mindful that the spread of managers and individual manager focus are key to unlocking the benefits.

Retail Distribution Review (RDR)

The implementation of the Retail Distribution Review ('RDR') from 2013 will usher in changes in the qualification requirements for Financial Advisers as well as ending product provider "trail" commissions on future sales. It has the potential to increase interest in Witan from individual investors and their financial advisers, which creates an opportunity for us and a requirement to address issues of relevance both for clients with investment advisers and those for whom investment advice may be harder to obtain under the new regime. These issues include diversification of risk, timely investment updates, the policy on dividend growth, the management of the discount to net asset value and corporate governance safeguards. Witan has well-established policies in all these areas, which are set out in more detail in the Business Review on pages 7 to 17. Further details of initiatives to increase the availability of information for investors and their advisers are set out in the Marketing Review on pages 70-71.

AGM

Our Annual General Meeting will be held at Merchant Taylors' Hall on Tuesday 30 April 2013 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 105th AGM.

Andrew Bruce, who has been a member of the board since 2002, will be retiring from the Board at this year's AGM. He has served during a period of exceptional financial turbulence, both as a Director of Witan and a member of the audit committee and I would like to thank him warmly on behalf of shareholders and the Board for his valuable service.

Outlook

Equity markets made widespread gains during 2012 despite headwinds from downgraded growth expectations in many regions. This positive market trend has continued in the early part of 2013, amid signs that economic performance was improving from last year's weakness, with fewer downside risks than appeared likely during the middle of 2012. Although the world appears some way from a return to robust economic growth, sentiment is less fearful, as evidenced by the inflows into equity funds in recent months.

2013 seems likely to be a further year of convalescence for the world economy. A necessary correction in

Directors' Report
Chairman's Statement *continued*

the private sector debt overhang in developed economies has been offset by a burgeoning in public sector budget deficits, to levels which are likely to be unsustainable in the longer term. This has cushioned the recent recession but led to disagreement over how to tackle the resulting problem of public sector debt. One group (led by the US but with increasingly vocal support in Europe) believes that higher economic growth should be the priority, arguing that growth will engender lower deficits than if budgets are cut in response to the currently wider deficits experienced as a result of weak growth. The other group (led by Germany) believes in addressing deficits first, forcing economies to adopt more competitive policies, in the belief that faster economic growth will eventually follow.

The question of whether austerity will impede or facilitate recovery is sharpened by the sheer number of countries where economic growth is weak, which are tempted to boost their growth via a weaker currency. Since the whole world evidently cannot devalue at the same time, the global imbalances between output and demand will need to be tackled, requiring the "grasshoppers" to invest more while the "ants" will need to consume more. The past few years have shown that achieving political consensus on a coordinated policy approach is difficult.

The other notable feature of investment markets during 2012 was the plunge in government borrowing rates to multi-century lows. Although the continuation of low interest rates (to assist with debt reduction and encourage economic growth) may prolong the period of depressed bond yields, there is an increased risk of bond investors losing money in real terms, given that current yields are below current and targeted rates of inflation. Bonds being expensive is not itself a reason to buy other assets, such as equities, but it may prompt a broader definition of what is meant by investment risk. If the focus shifts towards investing to preserve real value rather than purely to avoid short-term volatility the outperformance of equities versus bonds in 2012 could have much further to go.

Harry Henderson
Chairman
12 March 2013

Directors' Report
Business Review

This Business Review provides shareholders and other readers with information about the Company's business and results in 2012 and looks forward to the year ahead. It is divided into two sections: Corporate and Investment.

CORPORATE SECTION

Objectives and Strategy

Witan's objective is to be the preferred choice for wealth creation, delivering long-term capital growth and a rising real income to shareholders through investment in global equity markets. Witan seeks 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 CPI inflation. In addition, Witan seeks to attract new investors to buy the Trust's shares in order to help maintain liquidity for shareholders.

Witan's portfolio has a multi-manager investment structure. 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. This approach also aims to reduce the performance volatility which can occur when employing a single manager.

Your Board believes that active management of risk is essential in investment. This is particularly relevant when economic conditions are unsettled, as in recent years, but an adaptable approach is also appropriate 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. It has a £50m short-term multi-currency borrowing facility to give additional flexibility. We have a policy of actively managing gearing according to investment conditions (see Investment Policy section on page 12).

Management Arrangements

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 (the 'Executive') in areas to complement the delegated remit of Witan's external managers. The Executive manages and controls these relationships, recommends new managers when a change is appropriate and advises the Board on all relevant investment and business matters. The Executive is also responsible for adjusting the overall risk appetite of the portfolio (within guidelines set by the Board) 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 12 to 21. Our current managers are listed on page 13.

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.

Directors' Report
Business Review *continued*

- 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.

The Company also takes specialist compliance advice on regulatory issues and from time to time, as required, also procures professional advice in the areas of legal, investment consulting, financial and tax advice.

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 directly reduce the costs for shareholders. Your Board applies strict discipline over central corporate costs, as well as ensuring external investment management services are secured on competitive terms.

Our ongoing charges figure ('OCF', previously known as the Total Expense Ratio) reflects the recurring costs of running the Company, expressed as a percentage of average net assets. This was 0.69% in 2012, marginally lower than that for 2011 (0.71%). When performance fees paid to our managers are included, the OCF was 0.97% in 2012 (2011: 0.87%). Positive portfolio performance was reflected in a higher payment for performance fees. These figures should be evaluated against the weighted average OCF for the AIC Global Growth sector of 0.79% (February 2013, excluding performance fees, or 0.82% including performance fees) (source: AIC) and of 1.53% for the open-ended Global Growth sector (source: IMA, Financial Express as at December 2012).

Since November 2005 the Company has had a lease on office premises at 14 Queen Anne's Gate, London SW1H 9AA, which is also 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. Given its outsourced model and small number of direct employees, the Group has no specific policies in respect of environmental or social and community affairs.

Witan's 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. 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% UK
20% North America
20% Europe ex-UK
20% Asia Pacific.

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. During 2012, the comparator indices were the FTSE All-Share Index (UK), the FTSE All-World North America Index (£), the FTSE All-World Europe (ex UK) Index (£) and the FTSE All-World Asia Pacific Index (£). The Company seeks to source the performance data for indices on competitive terms.

The benchmark provides a basis for assessing the long-term performance of the Company although the portfolio is actively managed and not designed to track any index. Over shorter periods performance can be expected to vary, sometimes considerably, from that of the benchmark, while aiming for consistent outperformance in the longer term.

Dividend Policy

The Company's policy, subject to circumstances, is to increase its dividend per share in real terms, ahead of the CPI. The Board believes that this should normally be funded from current year revenue earnings, if necessary making use of revenue reserves to smooth variations in incoming income from the portfolio. Although the regulations governing investment companies now permit dividends to be funded from capital reserves, the Company is not currently seeking to amend its Articles of Association, which preclude the distribution of capital reserves as dividends. The Company believes it is important that its dividend payments are viewed as sustainable (rather than eroding capital) and the accumulated revenue reserve of £43.4m, representing 1.7 times the annual dividend already gives substantial flexibility to smooth the impact of occasional declines in market dividend payments.

In accordance with this policy, for 2012, the Board has declared a second interim dividend of 7.2 pence per share, to be paid to shareholders on 28 March 2013, making a total distribution for 2012 of 13.2 pence (2011: 12.0 pence). This represents an increase of 10%, some 7% ahead of the rate of CPI to December 2012 (2.7%). This is the 38th consecutive year that the annual dividend has been increased.

The Company has decided to commence quarterly payment of dividends from 2013. The first three payments in respect of any year will be made in June, September and December at a rate which, in the absence of unforeseen circumstances, will be one quarter of the total payment made in respect of the previous financial year. The fourth payment, the following March, will be a balancing amount, reflecting the difference between the three payments already made and the payment decided for the full year.

Market liquidity, Share Buy-backs 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 be able to invest with adequate market liquidity for their needs. The Company also operates an active share buy-back 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 less (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 buy-backs during 2012 is referred to in detail in the Chairman's Statement. This activity not only generated an increase in net asset value per share of 0.1% but also helped to reverse periods of widening discounts occasioned by market conditions.

Marketing

Witan operates a marketing programme designed to stimulate interest in the Company's shares by explaining our investment 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. This includes a section focused on the requirements of Financial Advisers, given the increased attention being paid to Investment Trusts following the introduction of the Retail Distribution Review in January 2013. Further details of the Company's marketing and investment information initiatives are set out in the Marketing Review on pages 70-71.

Debt and Gearing Policy

Witan has £110m of long-term debt consisting of debentures, secured bonds and preference share capital. The Company also has a £50 million one year facility, providing 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 its view of the markets. The Company's investment managers are not permitted to borrow within their portfolios but may hold cash if deemed appropriate.

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 and total shareholder returns, for which outperformance compared with Witan's composite benchmark is a key objective.
- Investment performance by the individual managers, where outperformance relative to the relevant benchmark is expected.
- Annual growth in the dividend, where the Company's policy is to achieve increases in real terms, ahead of inflation (subject to market circumstances).
- The discount to net asset value, where the objective is to achieve a sustainable discount of 10% or less (compared with the net asset value excluding income, with debt at market value) and an annual average of no more than 11% on the same basis.
- The level of ongoing charges; costs are managed with the objective of delivering a competitive ongoing charges figure. In recent years this has been c. 0.7–0.8%, excluding performance fees paid to investment managers. Where higher charges arise, these are carefully evaluated to assess the net benefit for shareholders.

Witan's performance in 2012 against these indicators is shown on page 2, and discussed in the Chairman's Statement on pages 3 to 6 and the Investment Section of the Business Review on pages 12 to 17. The Board also regularly 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

Directors' Report
Business Review *continued*

Witan is a general fall in equity prices. The other generic risks, as with any international equity portfolio, are the overall investment strategy and the resulting exposure to country, currency, industrial sector, and stock specific risks. There are also risks associated with the choice of managers.

Your Board seeks to manage these risks through:

- appropriate asset allocation decisions, with a broadly diversified equity benchmark. The investment remit covers the UK, North America, Europe and the Asia Pacific region. Investments are principally in listed (thus tradable) securities. Regional weightings are reviewed in the context of the Company's diversified benchmark at each board meeting, while country weightings, which mainly arise from decisions on stock selection, are assessed periodically as part of the manager review process.
- regular reviews of the competence and stock selection skills of our 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 the multi-manager approach renders Witan less exposed to individual manager performance than with a conventionally structured portfolio
- delegating authority 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 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, with 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 regularly reviews the matters delegated to executive management and the CEO reports on compliance at each Board meeting. Directors are provided with comprehensive management information including investment performance data, financial reports and shareholder analyses. The Board reviews investment strategy at each Board meeting, while also monitoring 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 conducts an annual internal review of the effectiveness of its governance processes in managing the Company and enabling it to evolve in response to future challenges. In line with best practice, there is also a 3-yearly 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 quarterly. Your Board also takes corporate, legal, compliance, accounting and tax advice as appropriate.

Operationally the multi-manager structure is robust, as 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 and reviewed at each board meeting. The accounting rules affecting investment trusts were revised in 2012, affording greater flexibility over portfolio structure, the use of derivatives for hedging and investment purposes and the ability to pay dividends from capital reserves. The Company carefully monitors compliance with these updated rules.

The Company must comply with the provisions of the Companies Act 2006 ('Companies Act'), and, as the Company's shares are listed for trading on the London Stock Exchange, the Company must also 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.

These legal and regulatory requirements offer significant protection for shareholders. 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 FSA 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 implementation of the Retail Distribution Review ('RDR') from 2013 is expected to increase interest in Investment Company shares, given the increased level of qualification amongst Financial Advisers and the ending of the practice of product providers (principally open ended funds) paying commission to buyers of their units. The Company has taken steps to increase the range of information on its web-site (including a section for Financial Advisers to help inform the choices they make on behalf of their investors), further details of which are set out on pages 70-71.

The Alternative Investment Fund Manager Directive ('AIFMD') has finally been passed by the European Parliament and is due to become UK law by July 2013. Although many of the issues covered are already addressed by current regulation, it will introduce changes in the rules governing entities, such as Witan, which are responsible for managing investment funds (including organisations where aspects of the management are delegated) and ensuring the safe custody of investors' assets. The Company is reviewing the detail of the new regulations as they are finalised, with a view to becoming authorised under the Directive ahead of the compliance deadline. It remains the Company's policy to meet best practice in complying with all applicable regulations, as an important part of delivering returns to shareholders and safeguarding the Company's assets.

5. Operational

Many of the Group's operations are outsourced to third parties, principally BNPSS. Disruption to 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 to provide investment products and services and to give investment advice to professional investors. It is authorised and regulated by the FSA.

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 net operating costs for Witan
- to seek appropriate business opportunities which can add value for shareholders.

WIS has two principal sources of income. These are savings plan revenues from transaction fees and annual management charges and the 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 25,000 customers with assets of some £220 million invested. The main costs incurred by WIS (which form part of the charges paid by savings plan account holders) are fees to the savings schemes administrator, IFDS. During 2012, the account fees for Jump were raised, to address the deficit between the costs of operating the savings plan and the revenue paid by account holders. Previously, the deficit had been funded by shareholders as a whole. Appropriate safeguards and transitional arrangements were put in place for smaller accounts and others who wished to transfer elsewhere.

Priorities for 2013

2012 was a positive year for equity markets, despite generally disappointing news on economic growth. Central banks have espoused policies conducive to maintaining economic growth, in the face of headwinds presented by the debt overhang from the last credit boom. This has encouraged investors to look beyond short-term negative news. In 2013, the key priorities include:

- **Investment.** Set an appropriate strategic asset allocation to reflect changing opportunities in the world economy. Select and monitor suitable managers to deliver our strategic objectives through a multi-manager structure. Continue to deliver dividend growth ahead of inflation.
- **Regulatory change.** Achieve cost-effective preparation to become authorised under the AIFMD. Communicate Witan's active investment process to existing and potential shareholders in particular increasing the focus on improving information for personal investors and financial advisers in the light of the RDR.
- **Client service.** Provide good service to the corporate and individual

Directors' Report
Business Review *continued*

clients of Witan Investment Services.

- **Business opportunities.** Seek business development opportunities where Witan's multi-manager and Executive Management expertise can be applied beneficially.

INVESTMENT SECTION
Investment Policy

Witan invests primarily in global equities, so 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 shareholders' funds, with the objective of enhancing returns. In practice the Board's policy is not to allow gearing (as defined on page 2) to rise to more than 20%, other than temporarily in exceptional circumstances. Over the past five years it has varied between 0% and 15% and on occasion the Company has held a small net cash position. At the end of 2012, the Company had in place £110 million of long-term debt and £21 million of short-term borrowings (equivalent in total to 11.8% of shareholders' funds), although actual gearing was less than this (6.1%), owing to cash holdings and a short position in the UK 10 year Gilt March 2013 futures contract.

Investment risk is managed through:

- diversification across global markets
- selection of a range of investment managers with different mandates
- monitoring and reviewing investment managers' performance and portfolios
- active management of risk, taking account of asset allocation, currency exposures and gearing levels
- carefully controlled use of liquid, exchange-traded index futures.

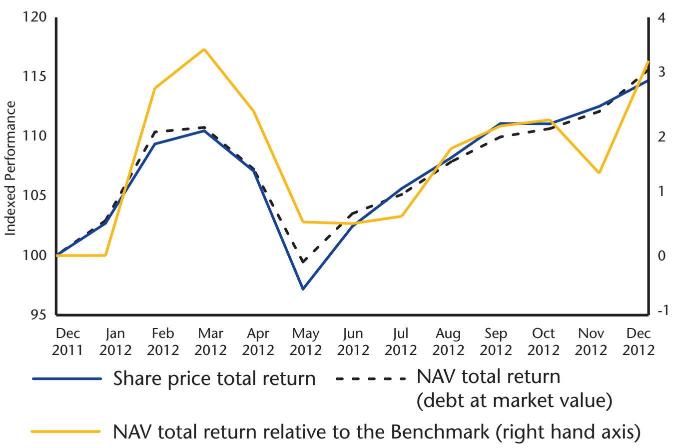
During the year the Company invested its assets with a view to spreading investment risk and in accordance with the investment policy as set out above. In particular it has maintained a diversified portfolio in terms of stocks, sectors and geography, details of which appear on pages 18 and 19. The portfolio has been actively managed by the investment managers, in accordance with their individual mandates, 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

2012 began on a positive note, with widespread equity market gains after the market setbacks seen in 2011. Growth indicators in the US had shown a healthier trend towards the end of 2011, while the European Central Bank ('ECB') introduced generous funding terms for the banking sector, which reduced fears that the management of the Euro crisis would spin out of control and create a sequel to the financial crisis which followed Lehman Brothers' bankruptcy in 2008.There were also signs that the Bank of Japan was contemplating more aggressive monetary easing measures, with the adoption of an inflation target in February.

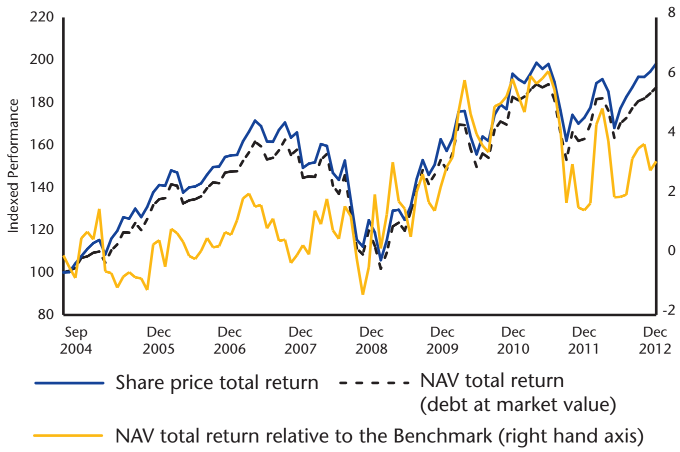
This rally lost momentum in March, when signs emerged that economic growth was again slowing. Southern European countries which had implemented fiscal austerity measures slipped into recession, fuelling renewed concerns about the banking sector, particularly in Spain, in a further twist in the region's recurring crisis of economic management. Fears of conflict with Iran led to a rise in oil prices, the inflationary effects of which were exacerbated by concerns over food prices as a result of record drought conditions in the US farming belt.

Performance for 2012



Source: Datastream from 31 December 2011 to 31 December 2012

Performance since multi-manager inception



Source: Datastream from 30 September 2004 to 31 December 2012

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 Cos. (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
Global	Lansdowne Partners Limited	DJ Global Titans	Concentrated, benchmark-independent investment in global developed markets
Pan-European	Marathon Asset Management	FTSE All-World Developed Europe	Capital cycles
Asia Pacific (including Japan)	Matthews International Capital Management***	MSCI AC Asia Pacific Free	Investment in companies with attractive and growing dividend yields
Emerging Markets	Trilogy Global Advisors	MSCI Emerging Markets	Fundamental, growth orientated
Directly-held investments	Witan Executive team	Witan's composite equity benchmark	Collective funds invested in mispriced assets, recovery situations or specialist assets

*** Replaced Comgest from February 2013

Elsewhere, the UK economy slipped into a period of recession, albeit mild, which disappointed hopes that 2012 would mark a recovery from weak growth in 2011. In Japan, official enthusiasm for more radical policy measures did not last beyond the end of the financial year in March, while China was slower in reversing the previous period of monetary tightening than investors wished.

Equity markets proved fragile in the face of these widespread disappointments and had retraced the earlier rally by early June. The selling was less severe than in August 2011, since markets appeared to have become battle-hardened in the face of the repetition of themes to which they had already reacted in 2011. Furthermore, it became increasingly apparent that central banks were committed to fostering economic growth and less concerned about inflation than the previous year. This helped to limit investor fears, at the same time pushing certain government bond yields to their lowest levels in history. The US, UK and Germany saw 10 year bond yields fall below 2%, offering investors a yield lower than current and forecast inflation levels. The apparent absurdity of this in investment terms was overwhelmed by the clamour to own assets perceived as

Directors' Report
Business Review *continued*

"safe", where the eventual repayment at face value (even if devalued by inflation) was viewed as worth buying seemingly at any price relative to more volatile assets which were more lowly valued.

A gradual market recovery began in the early summer, helped by reduced expectations of air strikes on Iran's nuclear facilities, and a consequent fall in oil prices, which alleviated the squeeze on consumers. There were also increasing signs that European leaders recognised that it was imperative to arrest speculation over fragmentation of the Euro currency bloc and take steps to underpin the financial position of the banks and the debtor countries in Southern Europe. This culminated in a watershed speech by the ECB Governor Mario Draghi in which he declared he would do "whatever it takes" to preserve the Euro. Although the details of the ECB's policy tools took further months to become clear and had not been used at the end of the year, the crucial issue of confidence had been addressed and, for the time being, markets have acted on the assumption that a "Lehman 2" crisis rooted in a disintegrating Euro will be avoided. Towards the end of the year, the signs of recovery in the US housing market became more consistent, China's economy appeared to have bottomed out and an eye-catching election in Japan saw the election of a leader who had called for the Bank of Japan to adopt a 2% inflation target and undertake unlimited monetary easing until it was achieved.

Although these developments represent events rather than solutions to problems which are likely to take years to work through, they provided a positive impetus which saw all major equity markets deliver strong returns, in aggregate more than erasing the falls of the previous year. This was largely a valuation shift, since corporate earnings estimates were under pressure for most of the year. Evidence of economic progress is likely to be necessary to build on these gains, despite the encouraging start to 2013, although the ratings on equity markets are low by historic standards (if current levels of corporate profits can be sustained) and offer premium returns relative to those on cash and most government bonds.

Manager changes

There was only one change to the list of managers during the year. Lansdowne Partners was appointed to manage a new global portfolio for Witan. This was invested in their newly-established Developed Markets Strategy, which seeks significant outperformance and absolute returns from a highly concentrated portfolio invested in larger companies in global developed markets, without regard to market weightings. An allocation of 3% of assets was made to them in December.

Performance for the year ended 31 December 2012 and from inception to 31 December 2012 **Investment Manager**	**Inception Date**	**Value of Witan assets managed £m at 31.12.12**	**% of Witan's assets under management at 31.12.12 (Note 1)**	**Performance in 2012 (%)**	**Benchmark Performance in 2012 (%)**	**Performance since inception to 31.12.12 (%) (Note 2)**	**Benchmark Performance since inception to 31.12.12 (%) (Note 2)**
Artemis Investment Management (UK)	06.05.08	104.6	8.6	+19.5	+12.3	+8.5	+3.2
Lindsell Train (UK)	01.09.10	147.4	12.0	+22.6	+12.3	+17.1	+9.7
NewSmith Asset Management (UK)	01.09.10	106.3	8.7	+13.4	+12.3	+7.7	+9.7
Henderson Global Investors (UK smaller)	31.08.04	22.7	1.9	+36.5	+29.9	+13.3	+11.3
Southeastern Asset Management (Global)	30.09.04	104.6	8.6	+9.5	+12.0	+5.7	+7.9
MFS Investment Management (Global)	30.09.04	104.9	8.6	+19.1	+12.0	+10.8	+7.9
Thomas White International (Global)	28.09.07	99.7	8.1	+10.0	+12.0	+4.8	+3.6
Veritas Asset Management (Global)	11.11.10	146.7	12.0	+8.1	+11.7	+8.0	+5.0
Lansdowne Partners (Global)	14.12.12	31.1	2.5	N/A	N/A	+0.2	-0.4
Marathon Asset Management (Pan-Europe)	23.07.10	96.8	7.9	+19.0	+15.3	+7.0	+5.9
Comgest (Asia Pacific (ex Japan))	31.07.07	77.9	6.4	+6.7	+17.8	+5.8	+7.4
Trilogy Global Advisors (Emerging Markets)	09.12.10	53.9	4.4	+10.3	+13.4	-5.5	-1.5
Witan Direct Holdings	19.03.10	126.5	10.3	+21.5	+13.0	+3.1	+4.2

Notes:
1. Excluding cash balances held centrally by Witan and the unquoted investments.
2. The percentages are annualised where the inception date was before 2012.

Source: The WM Company.

Since the year end, Matthews International Capital Management has been appointed to manage a portfolio of c. 9% of Witan's assets, investing in their Asia Dividend Strategy covering the Asia Pacific region, including Japan. They replaced our previous Asia Pacific manager (whose remit excluded Japan), reflecting our belief that the region's economies have become increasingly interdependent and that although Witan has benefited from being substantially underweight in Japan in recent years this will not always be the case. Rather than, as in 2012, using equity index futures to raise exposure to Japan, alongside an Asia ex-Japan manager, we believe that having a manager with the ability to allocate capital on the basis of stock-specific attractions is preferable to predetermining allocations to Japan and Asia separately.

Use of Derivatives

Exchange-traded benchmark futures were employed on a number of occasions during 2012. The principal objectives for which they were used were to increase exposure to the Japanese equity market (where our managers had few stock holdings) in a way that mitigated the drag from the weak yen, and to reduce exposure to the risk of higher gilt yields.

Exposure to the Japanese Nikkei index future was varied during the year according to market circumstances. The position was closed at a profit during December, after a strong rally in the market. In March, the Company sold gilt futures to establish a short position in the 10 year gilt market, on the view that the fall in yields to levels below the inflation rate was likely to prove unsustainable and that this was a way to benefit from a reversal of the move and to mitigate the impact on the portfolio from a future rise in bond yields. During the second quarter of the year, yields fell further and remained lower for the balance of the year, so this position was loss-making during the year.

The underlying futures exposure varied between -3% and +3% of assets, finishing the year at -2.7% (the 10-year gilt futures position). The Company takes full account of the effect of the underlying value of the futures contracts on its gearing. The value of the investments (which are traded on official exchanges) is fully marked to market every day.

The use of futures has a number of benefits. It enables Witan to increase or reduce its gearing at a known and immediate price level, conferring tactical flexibility. It also provides a means of adjusting asset allocation (for example, by allocating investment to particular markets). In both cases, the use of 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. The Company's external managers are not permitted to make use of derivatives or to gear their portfolios.

Gearing management

Gearing was managed actively during the year. Starting the year at 10.5%, it was reduced following the rally in the early months of the year and reduced again with the sale of the Japanese equity future position in December, to end the year at 6.1%. Gearing was a significant benefit to performance during 2012, increasing the Company's exposure to the positive market trend. The Company's policy is that gearing should be used judiciously as a potentially effective tool to boost returns.

Directly held investments

In 2010, the Company initiated a policy of making direct investments of up to 10% of assets in selected collective funds, with the management of this portfolio being the responsibility of the CEO. This portfolio, which was 9.8% of assets at the end of 2011, outperformed Witan's benchmark during 2012 (after lagging in 2011) and represented 10.3% of assets at the year end. The portfolio was a net seller of assets during the year, although the list of investments was the same as at the end of 2011. The main investments were in listed private equity and related companies (3i Group, Electra Private Equity, Princess Private Equity and NB Distressed Debt Investment Fund), UK domestic recovery (Schroder Real Estate Investment Trust and Aberforth Geared Income Trust), two specialist sector funds (Polar Capital Insurance fund and Ludgate Environmental Fund Limited) and the convertible bonds of Edinburgh Dragon Investment Trust.

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, but in aggregate the outperformance at the portfolio level, together with the effect of gearing during a year of generally rising markets meant that Witan's net asset value total return of 15.6% outperformed the benchmark (+13.0%).

Investment Managers

As set out in the table on page 13, the portfolio consists of 12 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. The agreements can be terminated on one month's notice (except one, for which a three month

Directors' Report
Business Review *continued*

notice period applies). One of the investment mandates is operated via a fund, to simplify custody arrangements in emerging economies.

The base management fee rates in 2012 ranged from nil to 0.9 % per annum and the performance fees ranged from nil to 20 per cent per annum of the relevant outperformance. 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 0.35% as at 31 December 2012 (end 2011: 0.34%). On a similar basis, the average performance fee is 11% 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 0.34% of net assets, giving total investment management fees of 0.69%. 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 and that where higher fees are incurred they are supported by 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 14 shows the performance of the individual equity managers for 2012 as well as since inception, compared with their respective benchmarks.

The two best performers in absolute terms during the year were Henderson (managing a portfolio of UK smaller and mid-cap companies), with a total return of 36.5%, 6.6% ahead of its benchmark and Lindsell Train (one of our UK managers) which generated a total return of 22.6%, 10.3% ahead of the UK market benchmark. Artemis achieved a total return of 19.5%, 7.2% ahead of the UK benchmark, while MFS stood out amongst our global managers, with a return of 19.1%, 7.1% ahead of its global index benchmark.

The returns earned by all of our managers during the year were positive and well ahead of inflation. Six of our external managers and the internally-managed portfolio of investment funds outperformed their benchmarks, while five of the external managers underperformed. These included Comgest, our Asia Pacific manager, who earned a total return of 6.7% during the year but underperformed by 11.1%. Subsequent to the year end, we have changed the structure of our investment management in the Asia region, to include Japan in the portfolio and appointed Matthews International Capital Management for this mandate in February 2013.

A strong recovery in the price of the listed private equity holdings in particular helped the directly held portfolio to outperform during the year. Although there was net selling, as some holdings were reduced into strength, the portfolio ended 2012 at 10.3% of assets. The two largest exposures were to 3i Group and to the ordinary shares and convertible bonds of Electra Private Equity.

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. The top 50 holdings across the whole of Witan's portfolios are set out on page 19. They represent 44.4% of Witan's portfolio (2011: 46.0%). This highlights the substantial diversification provided by our range of managers. The objective of using active managers is to outperform, which requires the portfolio to differ from the benchmark. Witan's aggregated portfolio retains an individual character distinct from the main holdings in the relevant indices.

Outlook

The problems facing the world economy remain similar to a year ago but the process of economic convalescence in some developed economies is further advanced (US housing being an example), while the framework for crisis management in Europe appears better thought through. Even though the internal stresses of the Euro currency zone remain unresolved, the rich North appears to have decided that buying time to help the poorer South to make adjustments is a better approach than coded threats of expulsion.

Sentiment has become more positive towards equity markets, reflecting the avoidance of some of the worst case scenarios envisaged at the end of 2011. Markets rose in 2012 in the face of downgraded expectations for economic growth and corporate earnings, anticipating an improvement in 2013. This more optimistic mood has been sustained in the early part of 2013.

In absolute terms, after recent gains the near-term upside from equities appears lower than a year ago although if the economic risks are under better control investors may not insist on such high risk premia for buying equities, particularly given the sub-inflation returns on offer from bank deposits and government bonds. In this environment, a more selective approach is likely to be required, since less return is on offer from a general levitation in the level of market indices and more depends upon the growth prospects, business resilience and quality of management of individual companies. This is reflected in Witan's increased focus on managers with greater thematic or stock-specific concentration in their portfolios.

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. 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. 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.

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 (reflecting 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 approaches, geographical exposure and secular growth versus cyclical trends) with the intention of profiting from the managers' combined ability to outperform over time.

The tables on pages 13 and 14 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.

Directors' Report
Classification of Investments *at 31 December 2012* (unaudited)

		United Kingdom %	Continental Europe %	North America %	Asia Pacific (ex Japan) %	Japan %	Latin America %	Other %	Total 2012 %
Basic Materials	Chemicals	0.6	0.9	0.3	–	0.1	–	–	1.9
	Industrial Metals & Mining	–	0.2	–	–	–	–	–	0.2
	Mining	1.9	–	–	0.4	–	–	0.1	2.4
		2.5	1.1	0.3	0.4	0.1	–	0.1	4.5
Consumer Goods	Automobiles & Parts	0.1	0.3	–	0.1	–	–	–	0.5
	Beverages	2.8	0.8	0.2	–	0.1	–	–	3.9
	Food Producers	1.9	0.5	–	0.2	–	–	–	2.6
	Household Goods & Home Construction	0.5	0.2	–	0.5	–	–	–	1.2
	Leisure Goods	–	–	–	0.4	–	–	–	0.4
	Personal Goods	0.8	1.0	0.5	0.3	–	–	–	2.6
	Tobacco	0.7	0.1	0.2	–	0.1	–	–	1.1
		6.8	2.9	0.9	1.5	0.2	–	–	12.3
Consumer Services	Food & Drug Retailers	0.1	0.1	0.6	–	–	–	–	0.8
	General Retailers	0.3	0.1	1.1	0.8	–	–	0.1	2.4
	Media	4.6	0.7	1.3	0.2	–	–	–	6.8
	Travel & Leisure	3.2	0.1	0.4	0.5	–	–	–	4.2
		8.2	1.0	3.4	1.5	–	–	0.1	14.2
Financials	Banks	1.3	0.8	1.1	0.4	–	0.2	0.1	3.9
	Equity Investment Instruments	4.9	1.3	0.6	–	–	–	–	6.8
	Financial Services	6.7	0.1	1.5	–	–	–	–	8.3
	Life Insurance	0.4	–	0.1	1.0	–	–	–	1.5
	Nonlife Insurance	–	0.5	2.1	0.1	–	–	–	2.7
	Real Estate Investment Services	0.6	–	–	0.6	–	–	–	1.2
	Real Estate Investment Trusts	–	–	0.1	–	–	–	–	0.1
		13.9	2.7	5.5	2.1	–	0.2	0.1	24.5
Health Care	Health Care Equipment & Services	0.4	1.1	1.8	0.3	0.3	–	–	3.9
	Pharmaceuticals & Biotechnology	1.2	1.2	0.3	–	–	–	0.1	2.8
		1.6	2.3	2.1	0.3	0.3	–	0.1	6.7
Industrials	Aerospace & Defence	0.9	0.2	0.6	–	–	–	–	1.7
	Construction & Materials	0.1	2.3	–	–	–	0.6	–	3.0
	Electronic & Electrical Equipment	0.6	0.3	0.1	0.4	0.1	–	–	1.5
	General Industrials	0.4	0.5	0.4	0.1	–	–	0.1	1.5
	Industrial Engineering	0.5	0.5	0.2	–	–	–	0.2	1.4
	Industrial Transportation	–	0.1	0.8	–	–	–	–	0.9
	Support Services	2.1	0.4	0.5	–	0.2	–	–	3.2
		4.6	4.3	2.6	0.5	0.3	0.6	0.3	13.2
Oil & Gas	Oil & Gas Producers	3.5	0.7	0.8	0.3	0.1	0.1	0.1	5.6
	Oil Equipment Services & Distribution	0.4	0.2	0.6	0.4	–	–	–	1.6
		3.9	0.9	1.4	0.7	0.1	0.1	0.1	7.2
Technology	Software & Computer Services	2.6	0.1	1.7	0.6	–	–	–	5.0
	Technology Hardware & Equipment	0.8	0.1	0.8	0.6	0.1	–	–	2.4
		3.4	0.2	2.5	1.2	0.1	–	–	7.4
Telecommunications	Fixed Line Telecommunications	0.4	0.1	0.2	0.4	–	–	–	1.1
	Mobile Telecommunications	1.4	0.4	–	0.4	–	–	0.7	2.9
		1.8	0.5	0.2	0.8	–	–	0.7	4.0
Utilities	Electricity	–	–	0.1	–	–	–	0.3	0.4
	Gas Water & Multiutilities	–	0.1	0.1	–	–	0.4	–	0.6
		–	0.1	0.2	–	–	0.4	0.3	1.0
Open-Ended Funds	(see note 3 below)	–	0.5	0.4	2.4	–	1.0	0.7	5.0
Totals 2012		**46.7**	**16.5**	**19.5**	**11.4**	**1.1**	**2.3**	**2.5**	**100.0**
Totals 2011		45.8	16.7	20.1	11.7	1.5	2.3	1.9	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 £28,704,000 (2011: £26,879,000).
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 2012* (unaudited)

Company	Market value of holding £ million	% of portfolio	Country	Sector
1 3i Group	35.5	2.95	UK	Financial Services
2 Electra Private Equity*	31.7	2.63	UK	Equity Investment Instruments
3 Diageo	26.0	2.17	UK	Beverages
4 Unilever	19.4	1.61	UK	Food Producers
5 BP	18.8	1.57	UK	Oil & Gas Producers
6 Pearson	17.8	1.48	UK	Media
7 London Stock Exchange	16.7	1.39	UK	Financial Services
8 Reed Elsevier	16.5	1.37	UK	Media
9 Princess Private Equity	15.8	1.32	UK	Equity Investment Instruments
10 Schroders	15.3	1.28	UK	Financial Services
11 Vodafone Group	15.3	1.27	UK	Mobile Telecommunications
12 Aberforth Geared Income	13.6	1.13	UK	Equity Investment Instruments
13 Rio Tinto	13.2	1.10	UK	Mining
14 Sage	13.0	1.08	UK	Software & Computer Services
15 Royal Dutch Shell	12.6	1.05	UK/Netherlands	Oil & Gas Producers
16 Daily Mail & General	10.8	0.90	UK	Media
17 Edinburgh Dragon 3.5% Conv Bond	10.5	0.87	UK	Equity Investment Instruments
18 Greene King	10.3	0.86	UK	Travel & Leisure
19 Burberry	9.6	0.80	UK	Personal Goods
20 GlaxoSmithKline	9.2	0.76	UK	Pharmaceuticals & Biotechnology
21 Roche Holdings	9.1	0.76	Switzerland	Pharmaceuticals & Biotechnology
22 Compass	8.5	0.71	UK	Travel & Leisure
23 Google	8.3	0.69	USA	Software & Computer Services
24 Capita	8.1	0.67	UK	Support Services
25 BG	7.9	0.66	UK	Oil & Gas Producers
Top 25	***373.5***	***31.08***		
26 Standard Chartered	7.4	0.62	UK	Banks
27 Lafarge	7.3	0.61	France	Construction & Materials
28 Cheung Kong	7.3	0.61	Hong Kong	Real Estate Investment Services
29 Cemex	7.1	0.59	Mexico	Construction & Materials
30 MTN	7.0	0.58	South Africa	Mobile Telecommunications
31 Walt Disney	6.9	0.57	USA	Media
32 Schroder Real Estate	6.9	0.57	UK	Real Estate Investment Services
33 Taiwan Semiconductor	6.8	0.56	Taiwan	Technology Hardware & Equipment
34 Microsoft	6.8	0.56	USA	Software & Computer Services
35 NB Distressed Debt	6.7	0.55	USA	Equity Investment Instruments
36 Philips	6.5	0.54	Netherlands	General Industrials
37 Chesapeake	6.4	0.53	USA	Oil & Gas Producers
38 Rathbone Brothers	6.3	0.53	UK	Financial Services
39 Fresenius	6.3	0.52	Germany	Health Care Equipment & Services
40 Rolls Royce	6.3	0.52	UK	Aerospace & Defence
41 BHP Billiton	6.2	0.52	UK	Mining
42 Dell	6.1	0.51	USA	Technology Hardware & Equipment
43 Genting Berhad	6.1	0.51	Malaysia	Travel & Leisure
44 ACS Actividades	6.0	0.50	Spain	Construction & Materials
45 British American Tobacco	5.8	0.48	UK	Tobacco
46 DirecTV	5.7	0.48	USA	Media
47 SabMiller	5.6	0.47	UK	Beverages
48 Travelers	5.6	0.46	USA	Nonlife Insurance
49 Statoil	5.5	0.46	Norway	Oil & Gas Producers
50 Fairfax	5.5	0.46	Canada	Nonlife Insurance
Top 50	***533.6***	***44.39***		

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 £53.9 million) and the specialist insurance fund (which is valued at £6.6 million).
*Includes convertible bonds valued at £18.2 million.

Directors' Report
Investment Managers

Artemis Investment Management

Established in 1997, Artemis Investment Management Limited manages over £12.6bn* 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.

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 £64.8bn assets under management (as at 30 September 2012) and employs over 900 people worldwide.

Lansdowne Partners Limited

Lansdowne Partners Limited Partnership, acting through its general partner Lansdowne Partners Limited ("Lansdowne Partners") was founded in 1998. Lansdowne Partners manages assets for a diversified client base that includes some of the world's largest and most sophisticated investors. Assets under management are £7.2bn* across three distinct Equity investment strategies; European, Developed Markets (previously known as the UK Strategy) and Global Financials, each with its own dedicated team of portfolio managers and analysts, Lansdowne Partners employs 85 people in its London office. The investment philosophy is predicated on generating consistent, absolute risk-adjusted returns, through the use of exceptional investment talent within a leading-edge operational infrastructure. Central to Lansdowne Partners' investment philosophy is a rigorous process of fundamental research. The Developed Markets Strategy is run by Co-Heads Peter Davies and Stuart Roden, who have been with Lansdowne since 2001. The Developed Markets Long Only Strategy leverages the fundamental stock analysis of the team, investing predominantly in mega-cap companies (+$10bn market cap) in developed markets.

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 £2.1bn*. 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 £26bn* 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.

Matthews International Capital Management (Matthews Asia)

Matthews Asia, an independent, privately owned firm based in San Francisco, is the largest dedicated Asia-only investment specialist in the U.S. Matthews has USD20.9 bn* in assets under management, including an Asia Dividend portfolio managed for Witan Pacific Investment Trust since April 2012. Matthews Asia employs a fundamental, bottom-up investment process that seeks to identify companies with sustainable long-term growth prospects, strong business models, quality management teams and reasonable valuations. Matthews Asia will seek to invest its portion of the Trust in companies that are paying high dividends relative to their current share price, or are well-positioned to do so in the future.

MFS Investment Management

MFS is a global investment firm managing £197.8bn* 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 £1.3bn*, 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 £19.6bn* 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 £1.2bn* 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 £8.2bn* 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 £8.9bn* 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, Zürich 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 2012.

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

Directors' Report
Board of Directors

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.

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. Previously he worked at Rensburg Sheppards Investment Management Limited as Head of Research and as an equity strategist and Co-Head of the Investment Trusts team at BZW and Credit Suisse First Boston. 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 became Chairman of the Association of Investment Companies in January 2013. Mr Bell is a director of Witan Investment Services Limited.

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.

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 and Prosperity Voskhod Fund Ltd (an AIM listed company) and a non-executive director of Schroder AsiaPacific Fund plc.

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.

M C Claydon [a,c] BA, MBA

Catherine Claydon joined the Board in 2009. Previously she was a Managing Director in the Pension Advisory Group at Goldman Sachs (1992-2007) and Lehman Brothers (2007-2008). She is a non-executive director of the Dunedin Income Growth Investment Trust and Witan Investment Services Limited. She is a trustee of the Barclays UK Pension Fund and the BT Pension Scheme, and an independent member of Unilever UK Pension Fund's Investment Committee.

S E G A Neubert [a]

Suzy Neubert joined 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. She is a director of Witan Investment Services Limited.

R J Oldfield [a,c] MA

Richard Oldfield joined the Board in 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.

A Watson [a,b] CBE, BSc (Econ), ASIP, Barrister-at-Law, FCISI (Hons), D.Sc. (Hons)

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.

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.

Directors' Report
Statistics Information

In this Section

The directors present the Annual Report of the Group for the year ended 31 December 2012.

Activities and Business Review
A review of the business is given in the Chairman's Statement on pages 3 to 6 and in the Business Review on pages 7 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 2012 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 7 to 17.

Investment Policy
The Company's investment policy is set out, within the Business Review, on page 12.

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 2011, although approval for that year may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. Following changes to the section 1158 rules with effect from 1 January 2012, the Company no longer has to seek approval as an investment trust under section 1158 of the Corporation Tax Act each year, but had to make a one-off application for approval as an investment trust. The Company has received confirmation from HM Revenue and Customs that it has been accepted as an approved investment trust with effect from 1 January 2012, provided it continues to meet the eligibility conditions of section 1158 and of the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

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 12 March 2013, the following had notified the Company of interests in the Company's voting rights:

	%
AXA Investment Managers SA	18.1
Legal & General Group plc (direct)	4.4

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued ordinary share capital as at 12 March 2013 (the shareholdings representing the voting rights).

Assets
At 31 December 2012 the total net assets of the Group were £1,105.8 million (2011: £994.3 million). At this date the net asset value per ordinary share was 581.8p (2011: 516.9p).

Directors' Report
Statatutory Information *continued*

Revenue and Dividend

The total profit for the year was £146.3 million (2011: loss £109.3 million). A profit of £27.7 million is attributable to revenue (2011: £25.7 million). The profit for the year attributable to revenue has been applied as follows:

	£'000
Distributed as dividends:	
First interim of 6.0p per ordinary share (paid on 14 September 2012)	11,414
Second interim of 7.2p per ordinary share (payable on 28 March 2013)	13,665
Added to the revenue reserve	2,644
	27,723

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 £27,660,000 (2011: £25,879,000).

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 Ms Neubert, who was appointed with effect from 2 April 2012.

At the Annual General Meeting on 30 April 2013, Mr Bell, Mr Boyle and Mr Bruce will retire in accordance with the Company's Articles of Association. Mr Bell and Mr Boyle, being eligible, will seek re-election by shareholders but Mr Bruce, although eligible, will not. Mr Henderson will also retire and stand for re-election, as he has served as a director for more than nine years and is eligible to stand for re-election. The Board considers him to be independent despite his length of service. This is explained in more detail in sections 1 and 2 on pages 28 and 29. 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 Henderson and Mr Oldfield.

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).

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:

	31 December 2012	
Ordinary shares:	Beneficial	Non-Beneficial
H M Henderson	722,732	432,500
A L C Bell	110,000	–
J E B Bevan	–	–
R W Boyle	14,935	–
R A Bruce	3,546	–
M C Claydon	43,093	–
S E G A Neubert	–	–
R J Oldfield	21,500	–
A Watson	25,000	–
	940,806	432,500

	1 January 2012	
Ordinary shares:	Beneficial	Non-Beneficial
H M Henderson	722,732	432,500
A L C Bell	90,000	–
J E B Bevan	–	–
R W Boyle	12,149	–
R A Bruce	3,354	629
M C Claydon	42,312	–
S E G A Neubert*	–	–
R J Oldfield	–	–
A Watson	25,000	–
	895,547	433,129

*on appointment on 2 April 2012.

Since the year end, Ms Neubert has bought 4,242 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 40.

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.

Directors' Report
Statutory Information *continued*

The Board reviews the appointments of the investment managers on a regular basis and makes changes as appropriate.

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 2011 there were 192,367,000 shares in issue. During the year a total of 2,287,500 shares was bought back by the Company for cancellation. At 31 December 2012 there were 190,079,500 shares in issue and thus the number of voting rights was 47,519,875 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 2012 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2013, to make market purchases for cancellation of the Company's ordinary shares up to a maximum of 28,740,701 shares (being 14.99% of the issued ordinary share capital as at 1 May 2012). As at 31 December 2012 the Company had valid authority, outstanding until the conclusion of the AGM in 2013, to make market purchases for cancellation of 27,087,701 shares. A further 391,500 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 26,696,201 shares. The directors intend to seek a fresh authority at the AGM in April 2013.

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 market 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 2012 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 2012 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 2012 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2013, 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 2012 the Company had valid authority, outstanding until the conclusion of the AGM in 2013, 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 April 2013.

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 2012 the Company had no trade creditors (2011: none).

The Company has signed up to the Prompt Payment Code, which is administered for the Department for Business Innovation and Skills by the Institute of Credit Management.

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 30 April 2013 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 Corporate Governance 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 2012 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 Board has noted the recommendations of the new edition of the Corporate Governance Code, which was published by the FRC in September 2012 and which are reflected in the new AIC Code which was published in February 2013. These new Codes apply to reporting periods beginning on or after 1 October 2012. The Board will report on its compliance with the recommendations of the new AIC Code in the Company's 2013 Annual Report.

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.	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. 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

Principles of the AIC Code	Application of the principles
	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. 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.
2. A majority of the board should be independent of the manager.	At 31 December 2012 the Board was composed of eight 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).
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.	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, but will be retiring from the Board at this year's AGM. 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. 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.
4. The board should have a policy on tenure, which is disclosed in the annual report.	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

Directors' Report
Corporate Governance Statement *continued*

Principles of the AIC Code	Application of the principles
	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.
5. There should be full disclosure of information about the board.	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.
6. The board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	The Board considers that it has achieved this aim. Brief biographical details of each director are set out on page 22. Board Diversity 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.
7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	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, in September 2010, the Board appointed Trust Associates Limited to carry out an evaluation programme. The Board reviewed the report submitted to it and the Chairman 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. A further external evaluation will be carried out during the coming year.

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 40 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.	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. 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.
11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	This principle does not apply to the Company, which is a long established investment trust 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 buy-back 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 at the Annual General Meeting 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 (at the time of purchase) 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 40.

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*
J E B Bevan	9	–	–
R W Boyle	10	3	–
R A Bruce	10	3	–
M C Claydon	9	–	1
S E G A Neubert	7 of 8	–	–
R J Oldfield	9	–	2
A Watson	9	2	–

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

All the directors attended the Annual General Meeting in May 2012 and the Board's "Away Day" in May 2012.

Directors' Remuneration
The directors' remuneration is detailed in the Directors' Remuneration Report on pages 37 to 40.

Accountability and Audit
The directors' statement of responsibilities in respect of the accounts is set out on page 41.

The report of the independent auditor is set out on page 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 12 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 2012, 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. 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
12 March 2013

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. As noted in note 5 on page 51, the Committee approved the appointment of Deloitte LLP to provide advice on one-off withholding tax claims for a fee of £65,000. The appointment, which was made on a one-off basis, was awarded on a competitive basis and the Committee was assured that Deloitte's audit team and tax advisory team were independent of each other. On this basis, the Committee did not consider that this appointment affected Deloitte's independence in its role as auditor to the Company.

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 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 2011 financial statements and to consider the plan for the audit of the Group's 2012 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 Alternative Investment Fund Managers Directive; the new editions of the UK Corporate Governance Code, the Guidance on Audit Committees and the UK Stewardship Code published by the FRC; the new tax rules for investment trusts; the Bribery Act and the Foreign Account Tax Compliance Act. In each case, the Committee considered the implications for the Company and determined whether appropriate procedures should be put in place or other action taken.

Robert Boyle
Chairman of the Audit Committee
12 March 2013

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 2012. It also serves as the report of the Remuneration Committee (the 'Committee'). An ordinary resolution to approve the Report will be put to the Annual General Meeting on 30 April 2013. The Act requires the auditors 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 Committee
The role of the Committee is essentially twofold; 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 found on the Company's website.

The 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 and Mr R J Oldfield. Mrs Claydon was appointed to the Committee, and as its Chairman, in 2009. Mr Henderson and Mr Oldfield were appointed to the Committee in 2003 and 2011 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.

Ms S E G A Neubert was appointed as a non-executive director of the Board on 2 April 2012. The Committee, in its role as the Board's nomination committee, reviewed the skills and experience required for the position of non-executive 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. 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 non-executive directors' remuneration but it has appointed the Committee to consider matters relating thereto. The Committee also considers the remuneration of the Chief Executive Officer and makes a recommendation on this to the Board for its approval.

The 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 non-executive 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. Each of the non-executive directors has a letter of appointment which sets out the terms on which they provide their services. A non-executive 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 non-executive directors' performance, either individually or collectively.

The Company's on-going remuneration policy is that the fees payable to the directors should reflect the time committed by the non-executive directors to the Company's affairs and the responsibilities borne by them and should be sufficient to enable candidates of high

Directors' Report
Directors' Remuneration Report *continued*

calibre to be recruited. The policy is for the Chairman of the Board, the Chairmen of the Board's Committees and the Senior Independent Director to be paid higher fees than the other non-executive directors in recognition of their more onerous roles.

The Company's Articles of Association limit the aggregate fees payable to the non-executive directors to £300,000 per annum. During the year under review, the non-executive directors' fees were paid at the following annual rates: the Chairman £51,500; the Chairmen of the Board's Committees and the Senior Independent Director £31,000; the other directors £27,000. The Company's remuneration policy is to review these rates from time to time, although such review will not necessarily result in any increase in these fees. The fees were last increased in April 2011.

The aggregate non-executive directors' fees currently amount to £252,500 per annum.

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

Directors' service agreements and letters of appointment

Chairman and Non-Executive Directors	Appointment date	Letter of appointment	Notice Period
Mr H M Henderson	13.01.88	13.01.88	No set period
Mr J E B Bevan	01.02.07	19.01.07	No set period
Mr R W Boyle	01.02.07	19.01.07	No set period
Mr R A Bruce	18.06.02	19.06.02	No set period
Mrs M C Claydon	09.03.09	07.04.09	No set period
Ms S E G A Neubert	02.04.12	13.03.12	No set period
Mr R J Oldfield	01.05.11	19.04.11	No set period
Mr A Watson	01.02.06	04.01.06	No set period
Executive Director	**Appointment date**	**Service Agreement**	**Notice Period**
Mr A L C Bell	08.02.10	03.02.10	9 months

Executive director

Mr A L C Bell was appointed as an executive director and Chief Executive Officer with effect from 8 February 2010. His appointment may be terminated by either party on the giving or receiving of not less than nine months' written notice.

The Company's on-going policy on the remuneration of the CEO is to pay a basic salary appropriate to the position, together with short and long-term bonuses that link his remuneration to the Company's performance and his personal performance. The only elements of Mr Bell's remuneration package that are subject to performance conditions are the annual and long-term bonus arrangements (see below). The purpose of the bonus arrangements is to incentivise the CEO to maximise the Company's performance and its return to shareholders. Mr Bell's service agreement dated 3 February 2010, as amended, provides for a salary of £245,440 (2011: £236,000) 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 2013, by 2.7% to £252,000 per annum.

In developing and reviewing the Company's remuneration policy for the executive director and other senior employees, the Committee is sensitive to the views of shareholders and to the relationship between the arrangements for the executive director and those of other employees.

The Company may, in its absolute discretion and without any obligation to do so, terminate Mr Bell's employment immediately by giving him written notice together with a payment of such sum as would have been payable by the Company to Mr Bell as salary (excluding any future bonus accrual) in respect of his nine month notice period. The Company has the discretion to make the termination payment in instalments over a period of no longer than six months from the termination date and on terms that any payment should be reduced to take account of mitigation by Mr Bell.

The CEO is not entitled to any fees from the Company for his service as an executive director. However, subject to receiving the Board's permission, he is entitled to hold outside appointments and to retain any fees payable.

Mr Bell's service agreement currently provides that he is eligible to receive a bonus of up to 50% of his basic salary, at the ultimate discretion of the Board, which would vest and be paid out over two years from the date of grant (these provisions being set out in (i) and (ii) below).

As fully disclosed in the Company's Remuneration Reports for 2010 and 2011, the Company has provisionally agreed to replace this arrangement by granting Mr Bell a new cash bonus arrangement pursuant to which he will be eligible to receive a bonus of up to 100% of his basic salary in aggregate, (i.e. inclusive of the existing annual bonus arrangements) subject to shareholders approving the three year performance bonus outlined at (iii) (below). The cash bonus arrangement consists of three separate elements:

(i) Annual discretionary bonus
Each year Mr Bell is eligible to receive, at the absolute discretion of the Committee, a cash bonus of up to 20% of his basic annual salary. The Committee has determined a number of criteria that it may take into account, including the management and administration of the Company and reporting to the Board, shareholders and other stakeholders, on which to judge his performance. The Committee will review 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 (if any) that is payable for that year. In February 2013, the Committee recommended, and the Board agreed, that Mr Bell should receive a discretionary bonus equal to 20% of his basic salary (£49,088) in respect of the financial year ended 31 December 2012.

(ii) Annual performance bonus
Each year Mr Bell is eligible to receive an additional cash bonus of up to 30% of his basic annual salary. The bonus will be determined by the Company's net asset value per share total return performance over the previous financial year (excluding the effect of share buy-backs) 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 bonus. (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 outperformed its benchmark in 2012 by 1.94% excluding the effect of share buy-backs and therefore a bonus of £57,116 is payable to Mr Bell based on the Company's financial performance in the year ended 31 December 2012.

(iii) Three year performance bonus (the 'Long-Term Bonus')
The terms of the Long-Term Bonus were fully disclosed in the Company's Remuneration Reports for 2010 and 2011, which were approved by shareholders at the Company's AGMs in May 2011 and May 2012 respectively. However, the Company should have, but inadvertently did not, put a specific resolution to shareholders asking for approval of the Long-Term Bonus at the AGM in May 2011. This omission will be corrected this year and a resolution to approve the Long-Term Bonus will be put to shareholders at the AGM on 30 April 2013. A full summary of the Long-Term Bonus is set out in the explanatory notes to the resolutions attached to the Notice of AGM and a brief summary is set out below. Shareholders should note that no amounts have yet been paid in respect of the Long-Term Bonus and no amounts will be paid until this has been approved by shareholders.

Each year Mr Bell is eligible to receive a Long-Term Bonus of up to 50% of his basic annual salary by reference to the Company's performance over the previous three financial years. The Long-Term Bonus will be determined by reference to the Company's net asset value (debt at par) per share total return (excluding the effect of share buy-backs) relative to its benchmark, as set out in the Company's audited annual accounts for the applicable financial years. Outperformance of the benchmark by an average of 3% per annum or more will generate a bonus of the full 50%. No bonus is payable if performance is in line with or below that of the benchmark. Relative performance of between nil and 3% per annum will generate a pro rata bonus.

The Long-Term Bonus will be halved if, despite outperformance of the benchmark over the relevant three financial years, the Company's net asset value total return per share is negative over that period.

Subject to shareholder approval, the Long-Term Bonus will be payable for the first time in respect of the three financial years ended 31 December 2012. The Company has outperformed its benchmark over the three financial years to 31 December 2012 by 1.25% excluding the effect of share buy-backs and therefore a Long-Term Bonus of £16,764 would be payable to Mr Bell if it is approved by shareholders.

Subject to shareholder approval of the Long-Term Bonus, Mr Bell's total bonus in respect of the year ended 31 December 2012 is £122,968 (2011: £47,200).

As in previous years, payment of the annual discretionary bonus and the annual performance bonus will be partly deferred, with half paid in March 2013 and the

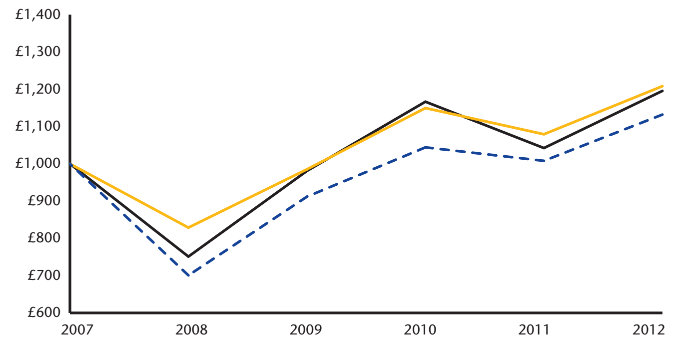
Directors' Report
Directors' Remuneration Report *continued*

remaining half in January 2014. The Long-Term Bonus of £16,764 will, subject to shareholder approval, be paid in May 2013.

Total Shareholder Return performance graph

The graph below sets out the Company's five-year total shareholder return performance relative to the FTSE ALL-Share Index and the FTSE World (ex UK) Index (sterling adjusted). This assumes a notional investment of £1,000 into the Indices on 31 December 2007 and the reinvestment of all income, excluding dealing expenses.

Performance Graph



Witan share price total return, assuming the investment of £1,000 on 31 December 2007 and the reinvestment of all dividends (excluding dealing expenses).

FTSE All-Share Index total return, assuming the notional investment of £1,000 into the Index on 31 December 2007 and the reinvestment of all income (excluding dealing expenses).

FTSE World (ex UK) Index, sterling adjusted, assuming the notional investment of £1,000 into the Index on 31 December 2007 and the reinvestment of all income (excluding dealing expenses).

Source: Datastream

Although the Company is only required to compare the Company's share price with a single broad equity market index, the Company has compared it against (i) a UK market index, namely the FTSE All-Share Index, because the Company's shares are listed on the UK market and the UK forms the largest constituent of the Company's benchmark; and also (ii) a global index, namely the FTSE World (ex UK) Index, 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 non-executive directors who served during the financial years ended 31 December 2012 and 2011, were as follows:

	2012 £	2011 £
H M Henderson	51,500	51,125
J E B Bevan	27,000	26,750
R W Boyle	31,000	30,750
R A Bruce	27,000	26,750
M C Claydon	31,000	30,750
R H McGrath (i)	–	10,907
S E G A Neubert (ii)	20,250	–
R J Oldfield (iii)	27,000	18,025
A Watson	31,000	30,750
Total	245,750	225,807

Notes:
(i) Mr McGrath retired from the Board on 10 May 2011.
(ii) Ms Neubert was appointed a director on 2 April 2012.
(iii) Mr Oldfield was appointed a director on 1 May 2011.

Executive director

The remuneration payable to the Chief Executive Officer in respect of the financial years ended 31 December 2012 and 2011 is as follows:

	2012 £	2011 £
Basic salary	245,440	236,000
Paid in lieu of pension contributions and health insurance	27,090	26,210
Total bonus	122,968	47,200
Benefits in kind (life insurance)	5,037	4,750
Total	400,535	314,160

By order of the Board

Catherine Claydon
Chairman of the Remuneration Committee
12 March 2013

Statement of Directors' Responsibilities
in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

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 ('EU') 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 is 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
12 March 2013

A L C Bell
Chief Executive Officer
12 March 2013

Note to those who access this document by electronic means

The Annual Report for the year ended 31 December 2012 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 2012 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Individual Company Statements of Changes in Equity, Consolidated and Individual Company Balance Sheets, 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 Statement of Directors' Responsibilities, 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 2012 and of the Group's profit 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 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
12 March 2013

Financial Statements
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

		Year ended 31 December 2012			Year ended 31 December 2011		
Notes		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	Investment income	35,583	–	35,583	34,247	–	34,247
3	Other income	1,467	–	1,467	1,269	–	1,269
10	Gains/(losses) on investments held at fair value through profit or loss	–	130,213	130,213	–	(124,144)	(124,144)
	Total income/(loss)	37,050	130,213	167,263	35,516	(124,144)	(88,628)
	Expenses						
4	Management fees	(845)	(5,465)	(6,310)	(809)	(4,151)	(4,960)
5	Other expenses	(4,764)	(101)	(4,865)	(5,190)	(440)	(5,630)
	Profit/(loss) before finance costs and taxation	31,441	124,647	156,088	29,517	(128,735)	(99,218)
6	Finance costs	(2,115)	(6,092)	(8,207)	(2,163)	(6,239)	(8,402)
	Profit/(loss) before taxation	29,326	118,555	147,881	27,354	(134,974)	(107,620)
7	Taxation	(1,603)	–	(1,603)	(1,675)	–	(1,675)
	Profit/(loss) attributable to equity holders of the parent company	27,723	118,555	146,278	25,679	(134,974)	(109,295)
9	**Earnings/(loss) per ordinary share**	14.50p	62.02p	76.52p	13.27p	(69.75)p	(56.48)p

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 profit/(loss), 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 profit for the year of the Company was £146,278,000 (2011: loss £109,295,000).

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 2012

Group Year ended 31 December 2012 Notes		Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 December 2011	48,092	16,237	45,734	830,930	53,356	994,349
	Total comprehensive income:						
	Profit for the year	–	–	–	118,555	27,723	146,278
	Transactions with owners, recorded directly to equity:						
8	Ordinary dividends paid	–	–	–	–	(24,003)	(24,003)
15, 16	Buy-backs of ordinary shares	(572)	–	572	(10,777)	–	(10,777)
	Total equity at 31 December 2012	47,520	16,237	46,306	938,708	57,076	1,105,847

Company Year ended 31 December 2012 Notes		Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 December 2011	48,092	16,237	45,734	830,893	53,393	994,349
	Total comprehensive income:						
	Profit for the year	–	–	–	118,618	27,660	146,278
	Transactions with owners, recorded directly to equity:						
8	Ordinary dividends paid	–	–	–	–	(24,003)	(24,003)
15, 16	Buy-backs of ordinary shares	(572)	–	572	(10,777)	–	(10,777)
	Total equity at 31 December 2012	47,520	16,237	46,306	938,734	57,050	1,105,847

Group Year ended 31 December 2011 Notes		Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	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	Buy-backs 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 Notes		Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	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	Buy-backs 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

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 2012

Notes		Group 31 December 2012 £'000	Company 31 December 2012 £'000	Group 31 December 2011 £'000	Company 31 December 2011 £'000
	Non current assets				
10	Investments held at fair value through profit or loss	1,202,076	1,203,002	1,083,393	1,084,256
	Current assets				
11	Other receivables	4,549	4,461	4,346	4,259
	Cash and cash equivalents	36,420	35,309	37,150	36,254
		40,969	39,770	41,496	40,513
	Total assets	1,243,045	1,242,772	1,124,889	1,124,769
	Current liabilities				
12	Other payables	(5,882)	(5,609)	(5,277)	(5,157)
	Bank loan	(21,000)	(21,000)	(15,000)	(15,000)
		(26,882)	(26,609)	(20,277)	(20,157)
	Total assets less current liabilities	1,216,163	1,216,163	1,104,612	1,104,612
	Non current liabilities				
	At amortised cost:				
13	8½ per cent. Debenture Stock 2016	(44,587)	(44,587)	(44,585)	(44,585)
13	6.125 per cent. Secured Bonds due 2025	(63,174)	(63,174)	(63,123)	(63,123)
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)
		(110,316)	(110,316)	(110,263)	(110,263)
	Net assets	1,105,847	1,105,847	994,349	994,349
	Equity attributable to equity holders				
15	Ordinary share capital	47,520	47,520	48,092	48,092
16	Share premium account	16,237	16,237	16,237	16,237
16	Capital redemption reserve	46,306	46,306	45,734	45,734
	Retained earnings:				
16	Other capital reserves	938,708	938,734	830,930	830,893
16	Revenue reserve	57,076	57,050	53,356	53,393
	Total equity	1,105,847	1,105,847	994,349	994,349
18	**Net asset value per ordinary share**	581.8p	581.8p	516.9p	516.9p

The financial statements of Witan Investment Trust plc (registered number 101625) were approved by the directors and authorised for issue on 12 March 2013 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 2012

Notes		Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
	Operating activities				
	Profit/(loss) before taxation	147,881	147,881	(107,620)	(107,620)
	Interest paid	7,995	7,995	8,278	8,278
10	(Gains)/losses on investments held at fair value through profit or loss	(130,213)	(130,276)	124,144	124,344
19	Net sales/(purchases) of investments held at fair value through profit or loss	10,913	10,913	(2,654)	(2,654)
	Net gain from futures contracts	2,458	2,458	201	201
	Scrip dividends included in investment income	(1,136)	(1,136)	(810)	(810)
	Decrease/(increase) in other receivables	467	468	(977)	42
	Increase/(decrease) in other payables	598	445	(1,525)	(1,487)
	Net cash inflow from operating activities before interest and taxation	38,963	38,748	19,037	20,294
	Interest paid	(7,995)	(7,995)	(8,278)	(8,278)
	Amortisation of debt issue costs	53	53	17	17
	Tax on overseas income	(1,651)	(1,651)	(1,943)	(1,943)
	Net cash inflow from operating activities	29,370	29,155	8,833	10,090
	Financing activities				
8	Equity dividends paid	(24,003)	(24,003)	(23,141)	(23,141)
	Buy-backs of ordinary shares	(10,899)	(10,899)	(15,364)	(15,364)
	Drawdown of loans	6,000	6,000	15,000	15,000
	Net cash outflow from financing activities	(28,902)	(28,902)	(23,505)	(23,505)
	Increase/(decrease) in cash and cash equivalents	468	253	(14,672)	(13,415)
	Cash and cash equivalents at the start of the year	37,150	36,254	52,510	50,357
	Effect of foreign exchange rate changes	(1,198)	(1,198)	(688)	(688)
	Cash and cash equivalents at the end of the year	36,420	35,309	37,150	36,254

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 2012

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 7 to 17. The financial position of the Group as at 31 December 2012 is shown in the balance sheet on page 45. The cash flows of the Group for the year ended 31 December 2012, which are not untypical, are set out on page 46. The Company had fixed debt and preference share capital totalling £110,316,000, as set out in note 13 on page 57; none of the borrowings is repayable before 2016. In 2012, the Group renewed a one year secured multi-currency borrowing facility for £50 million, of which £21 million was drawn down at 31 December 2012 (2011: £15 million). 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 2012 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 12. 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 Articles of Association, 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 2012

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.

(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 in the Company balance sheet. 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.

(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.

1 Accounting policies *continued*

(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.

Amendments to IAS 12 *Income taxes*	The Group has applied the amendments to IAS 12 (December 2010) titled *Deferred tax: Recovery of underlying assets*. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 1 (amended)	*Government Loans*
IFRS 7 (amended)	*Disclosures – Offsetting Financial Assets and Financial Liabilities*
Annual Improvements to IFRSs	*(2009 – 2011) Cycle*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 10, IFRS 12 and IAS 27 (amended)	*Investment entities*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 27 (revised)	*Separate Financial Statements*
IAS 28 (revised)	*Investments in Associates and Joint Ventures*
IAS 32 (amended)	*Offsetting Financial Assets and Financial Liabilities*

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, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments;
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

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 2012

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 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

	2012 £'000	2011 £'000
Franked:		
UK dividends from listed investments	15,868	13,499
UK special dividends from listed investments	209	608
UK dividends from unquoted investments	56	56
	16,133	14,163
Unfranked:		
Overseas dividends from listed investments	16,322	17,941
Overseas special dividends from listed investments	843	337
Property income dividends	5	7
Scrip dividends from listed investments	1,136	810
Fixed interest and convertible bonds	1,144	989
	19,450	20,084
Total investment income	35,583	34,247

	2012 £'000	2011 £'000
Analysis of investment income by geographical segment:		
United Kingdom	17,428	15,320
North America	3,429	3,347
Continental Europe	9,268	10,071
Japan	369	803
Asia Pacific (ex Japan)	3,302	3,214
South America	444	575
Other	1,343	917
Total investment income	35,583	34,247

3 Other income

	2012 £'000	2011 £'000
Deposit interest	29	58
Stock lending income	269	320
Underwriting commission	15	–
Income from the subsidiary company's third party business	1,154	875
Other income	–	16
	1,467	1,269

At 31 December 2012 the total value of securities on loan by the Company for stock lending purposes was £51,305,000 (2011: £24,168,000). The maximum aggregate value of securities on loan at any time during the year ended 31 December 2012 was £67,693,000 (2011: £62,262,000). 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 2012			Year ended 31 December 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	845	2,534	3,379	809	2,426	3,235
Performance fees	–	2,931	2,931	–	1,725	1,725
	845	5,465	6,310	809	4,151	4,960

A summary of the terms of the management agreements is given on page 16 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:

	2012 £'000	2011 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	48	48
Fees payable to the Company's auditor and its associates for other services to the Group:		
– The audit of the Company's subsidiary	3	4
Total audit fees	51	52
Tax services (advice, preparation and submission within local jurisdictions of withholding tax claims)*	65	–
Other services	4	2
Total non-audit fees	69	2
Total fees paid	120	54

*The fees for this work were specifically approved by the Audit Committee (see page 36).

Financial Statements
Notes to the Financial Statements *continued*
for the year ended 31 December 2012

5 Other expenses *continued*

	2012 Revenue £'000	2011 Revenue £'000
Auditor's remuneration (see page 51)	120	54
Tax advisory services	12	13
Directors' fees (see the Directors' Remuneration Report on pages 37 to 40)	246	226
Employers' national insurance contributions on the directors' fees	32	29
Employee costs (including executive director's remuneration):		
– salaries and bonuses	647	717
– employers' national insurance contributions	88	95
– pension contributions (or payments in lieu thereof)	56	49
Advisory, consultancy and legal fees	201	263
Investment accounting fees	229	204
Company secretarial fees	110	127
Insurances	60	67
Occupancy costs	114	119
Bank charges and overseas safe custody fees	264	311
Marketing expenses*	1,099	1,387
Savings scheme expenses (Witan Wisdom and Jump Savings)	606	673
Other expenses	673	586
Irrecoverable VAT	207	270
	4,764†	5,190†

*Includes £50,000 sponsorship paid to the Royal Horticultural Society.

†The total includes costs of £1,294,000 (2011: £1,282,000) 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 6 (2011: 5).

6 Finance costs

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on overdrafts and loans repayable within one year	85	255	340	144	431	575
Interest payable on the secured bonds and debenture stock repayable between 1 and 5 years	949	2,844	3,793	946	2,839	3,785
Interest payable on the secured bonds and debenture stock repayable in more than 5 years	998	2,993	3,991	990	2,969	3,959
Preference share dividends	83	–	83	83	–	83
	2,115	6,092	8,207	2,163	6,239	8,402

7 Taxation

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of the charge for the year						
UK corporation tax at 24.5% (2011: 26.5%)	–	–	–	–	–	–
	–	–	–	–	–	–
Foreign tax suffered	2,042	–	2,042	2,261	–	2,261
Foreign tax recoverable	(439)	–	(439)	(589)	–	(589)
Write-off of overseas tax reclaimable	–	–	–	1	–	1
Indian capital gains tax	–	–	–	2	–	2
Total current tax for the year (see note 7(b))	1,603	–	1,603	1,675	–	1,675

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

The tax assessed for the year is lower (2011: higher) than that resulting from applying the effective standard rate of corporation tax in the UK for a large company of 24.5% (2011: 26.5%). The difference is explained below.

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit/(loss) on ordinary activities before taxation	29,326	118,555	147,881	27,354	(134,974)	(107,620)
Corporation tax at 24.5% (2011: 26.5%)	7,185	29,046	36,231	7,249	(35,768)	(28,519)
Effects of:						
Non-taxable UK dividends	(3,953)	–	(3,953)	(3,753)	–	(3,753)
Non-taxable overseas dividends	(4,407)	–	(4,407)	(4,953)	–	(4,953)
Withholding tax written off	1,603	–	1,603	1,672	–	1,672
Write-off of overseas tax reclaimable	–	–	–	1	–	1
Non taxable gains on investments held at fair value through profit or loss	–	(31,902)	(31,902)	–	32,898	32,898
Excess management expenses not utilised in year	2,313	–	2,313	2,374	–	2,374
Unused loan relationship deficits for the year	1,677	–	1,677	1,877	–	1,877
Preference dividends not deductible in determining taxable profit	21	–	21	22	–	22
Capitalised expenses	(2,856)	2,856	–	(2,818)	2,870	52
Indian capital gains tax	–	–	–	2	–	2
Disallowable expenses	20	–	20	2	–	2
Current tax charge	1,603	–	1,603	1,675	–	1,675

(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 (2011: £nil).

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £27,727,000 (2011: £26,362,000) 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 2012

8 Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the year:		
Second interim dividend for the year ended 31 December 2011 of 6.55p (2010: 6.50p) per ordinary share	12,589	12,654
First interim dividend for the year ended 31 December 2012 of 6.0p (2011: 5.45p) per ordinary share*	11,414	10,487
	24,003	23,141

*includes a write-back of £17,000 (2011: £31,000) of dividends unclaimed for 12 years or more

	2012 £'000	2011 £'000
Second interim dividend for the year ended 31 December 2012 of 7.2p (2011: 6.55p) per ordinary share	13,665	12,589

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.

	2012 £'000	2011 £'000
Revenue profits available for distribution	27,723	25,679
First interim dividend for the year ended 31 December 2012 of 6.0p (2011: 5.45p) per ordinary share	(11,414)	(10,487)
Second interim dividend for the year ended 31 December 2012 of 7.2p (2011: 6.55p) per ordinary share	(13,665)	(12,589)
Revenue retained for the year	2,644	2,603

9 Earnings/(loss) per ordinary share

The earnings/(loss) per ordinary share figure is based on the net profit for the year of £146,278,000 (2011: loss of £109,295,000) and on 191,174,313 ordinary shares (2011: 193,509,347), being the weighted average number of ordinary shares in issue during the year.

The earnings/(loss) 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.

	2012 £'000	2011 £'000
Net revenue profit	27,723	25,679
Net capital profit/(loss)	118,555	(134,974)
Net total profit/(loss)	146,278	(109,295)
Weighted average number of ordinary shares in issue during the year	191,174,313	193,509,347

	2012 Pence	2011 Pence
Revenue earnings per ordinary share	14.50	13.27
Capital earnings/(loss) per ordinary share	62.02	(69.75)
Total earnings/(loss) per ordinary share	76.52	(56.48)

10 Investments held at fair value through profit or loss

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

	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Listed in the United Kingdom	560,328	560,328	495,317	495,317
Listed abroad	640,788	640,788	587,236	587,236
Unquoted at directors' valuation (see note 10(v))	960	960	840	840
Investment in subsidiary undertaking	–	926	–	863
	1,202,076	1,203,002	1,083,393	1,084,256

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

	Valuation 31 December 2011 £'000	Purchases £'000	Sales £'000	Movement in investment holding gains/(losses) £'000	Valuation 31 December 2012 £'000	Cost 31 December 2012 £'000
United Kingdom	496,517	122,895	133,997	75,873	561,288	479,576
North America	217,403	82,478	75,850	9,921	233,952	208,258
Continental Europe	181,196	42,469	56,459	31,212	198,418	177,427
Japan	16,200	8,811	7,991	(3,534)	13,486	15,582
Asia Pacific (Ex-Japan)	126,132	36,477	36,388	10,125	136,346	127,940
Latin America	25,173	2,801	3,527	3,507	27,954	35,343
Other	20,772	9,402	1,023	1,481	30,632	33,364
	1,083,393	305,333	315,235	128,585	1,202,076	1,077,490

Included in the above figures are purchase costs of £865,000 (2011: £1,276,000) and sales costs of £411,000 (2011: £573,000). These comprise mainly stamp duty and commission.

(iii) Gains/(losses) on investments held at fair value though profit or loss

	2012 £'000	2011 £'000
Realised gains on sales of investments	23,435	40,019
Movement in investment holding gains	107,976	(163,475)
Net movement on foreign exchange on cash and cash equivalents	(1,198)	(688)
	130,213	(124,144)

(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 2012

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

(v) Unquoted investments
The value of the unquoted investments as at 31 December 2012 was £960,000 (2011: £840,000) and the portfolio comprised the following holding:

Investments	Valuation £'000
Cazenove Capital Holdings Limited	960
	960

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 2012 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 2012.

11 Other receivables

	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Sales for future settlement	695	695	73	73
Taxation recoverable	918	918	870	870
Intercompany account	–	483	–	229
Prepayments and accrued income	2,337	2,337	3,016	3,016
Other debtors	599	28	387	71
	4,549	4,461	4,346	4,259

12 Other payables

	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Purchases for future settlement	1,389	1,389	892	892
Unrealised loss on derivatives designated as held at fair value through profit or loss	76	76	444	444
Share buy-backs awaiting settlement	180	180	302	302
Preference dividends	38	38	38	38
Accruals	4,199	3,926	3,601	3,481
	5,882	5,609	5,277	5,157

13 Non current liabilities

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Financial instruments redeemable other than in instalments are as follows:				
8½ per cent. Debenture Stock 2016	44,587	44,587	44,585	44,585
6.125 per cent. Secured Bonds due 2025	63,174	63,174	63,123	63,123
2,055,000 3.4 per cent. cumulative preference shares of £1 each (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 each (see note 17 on page 65)	500	500	500	500
	110,316	110,316	110,263	110,263

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 2012) 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 2011. 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.

Financial Statements
Notes to the Financial Statements *continued*
for the year ended 31 December 2012

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:

	2012 £'000	2011 £'000
Investments held at fair value through profit or loss	1,202,076	1,083,393

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.

	2012		2011	
	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	180,311	(180,311)	162,509	(162,509)
Change to the profit after tax for the year and shareholders' funds	180,311	(180,311)	162,509	(162,509)

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 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*

2012	US$ £'000	Euro £'000	Yen £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	276	704	23	796
Cash at bank and on deposit	2,214	1,991	1,077	73
Payables (due to brokers, accruals and other creditors)	(12)	(397)	–	(891)
Total foreign currency exposure on net monetary items	2,478	2,298	1,100	(22)
Investments at fair value through profit or loss that are equities	250,723	133,054	13,486	181,028
Total net foreign currency exposure	253,201	135,352	14,586	181,006

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

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% (2011: 15%)
£/Euro +/- 15% (2011: 15%)
£/Japanese yen +/- 15% (2011: 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 any 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:

			2012			2011
	US$ £'000	Euro £'000	Yen £'000	US$ £'000	Euro £'000	Yen £'000
Income statement – profit after tax						
Revenue return	1,175	828	61	583	1,050	131
Capital return	44,245	23,480	2,380	38,603	22,708	2,544
Change to the profit after tax	45,420	24,308	2,441	39,186	23,758	2,675
Change to the shareholders' funds	45,420	24,308	2,441	39,186	23,758	2,675

Financial Statements
Notes to the Financial Statements *continued*
for the year ended 31 December 2012

14 Financial instruments *continued*

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

	2012			2011		
	US$ £'000	Euro £'000	Yen £'000	US$ £'000	Euro £'000	Yen £'000
Income statement – profit after tax						
Revenue return	(868)	(612)	(45)	(431)	(776)	(97)
Capital return	(32,703)	(17,355)	(1,759)	(28,533)	(16,784)	(1,881)
Change to the profit after tax	(33,571)	(17,967)	(1,804)	(28,964)	(17,560)	(1,978)
Change to the shareholders' funds	(33,571)	(17,967)	(1,804)	(28,964)	(17,560)	(1,978)

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 2012 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 be repaid.

The Group's exposure to floating interest rates on assets is £15,420,000 (2011: £22,150,000). This represents cash holdings minus variable rate borrowing.

The Group's exposure to fixed interest rates on assets is £28,704,000 (2011: £26,879,000). This represents investments in bonds.

The Group's exposure to fixed interest rates on liabilities is £110,316,000 (2011: £110,263,000). This represents fixed rate borrowing.

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 under/over LIBOR or its foreign currency equivalent (2011: same);

– the finance charge on the preference shares is at a weighted average interest rate of 3.3% (2011: 3.3%);

– the finance charge on the debenture stock is at a weighted average interest rate of 8.5% (2011: 8.5%); and

– the finance charge on the secured bonds is at a weighted average interest rate of 6.125% (2011: 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 £623,000 (2011: £668,000), capital return after tax by £315,000 (2011: £225,000), and total profit after tax and shareholders' funds by £308,000 (2011: £443,000).

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 £44,587,000 by its issue in 1986 of 8½ per cent Debenture Stock 2016 and £63,174,000 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 in December 2013). £21,000,000 was drawn down under the facility at 31 December 2012 (2011: £15,000,000).

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 2012, based on the earliest date on which payment can be required, were as follows:

	2012			2011		
	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	55,012	–	3,790	58,802	–
Secured bonds*	3,938	15,751	95,619	3,938	15,751	99,557
Preference shares†	83	332	2,555	83	332	2,555
Other creditors and accruals	5,882	–	–	5,277	–	–
Bank loan	21,000	–	–	15,000	–	–
	34,693	71,095	98,174	28,088	74,885	102,112

*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.

Financial Statements
Notes to the Financial Statements *continued*
for the year ended 31 December 2012

14 Financial instruments *continued*

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

	2012 £'000	2011 £'000
Fixed interest securities	28,704	26,879
Cash	36,420	37,150
Receivables:		
Sales for future settlement	695	73
Taxation recoverable	918	870
Accrued income	2,337	3,016
Other debtors	599	387
	69,673	68,375

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).

	2012		2011	
	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	1,379	2,555	1,404	2,555
Debenture stock	53,136	44,587	53,953	44,585
Secured bonds	80,232	63,174	80,233	63,123
	134,747	110,316	135,590	110,263

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 profit of £120,000 (2011: loss of £122,000).

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 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,140,648	–	960	1,141,608
Investments in other funds	–	60,468	–	60,468
Derivatives	–	(76)	–	(76)
Total	1,140,648	60,392	960	1,202,000

14 Financial instruments *continued*

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	1,032,111	49,998	840	1,082,949

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 (2011: Trilogy Emerging Markets Fund and Polar Capital Insurance Fund).

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

At 31 December 2012	£'000
Opening fair value	840
Purchases at cost	–
Sales proceeds	–
Total gains included in gains on investments in the Statement of Comprehensive Income:	
– on sold assets	–
– on assets held at the end of the year	120
Closing fair value	960

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 2012 was £1,237,163,000 (2011: £1,119,612,000) comprising £131,316,000 of debt (2011: £125,263,000) and £1,105,847,000 of equity share capital and other reserves (2011: £994,349,000).

The Group's policy is to manage the effective gearing in the portfolio to not normally exceed +20%. Effective gearing is defined as the difference between shareholders' funds and the total market value of the investments (including the face value of futures positions) expressed as a percentage of shareholders' funds. At 31 December 2012 effective gearing was 6.1% (2011: 10.6%).

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.

Financial Statements
Notes to the Financial Statements *continued*
for the year ended 31 December 2012

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 2012 £'000	Group and Company 2011 £'000
Called up, issued and fully paid:		
190,079,500 ordinary shares of 25p each (2011: 192,367,000)	47,520	48,092

During the year, 2,287,500 ordinary shares were bought back for cancellation at a cost of £10,777,000 (2011: 3,008,220 ordinary shares at a cost of £14,980,000).

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 2012	16,237	45,734	814,396	16,534	53,356
Net movement on investments	–	–	23,435	107,976	–
Net movement on foreign exchange	–	–	(1,198)	–	–
Expenses and interest payable charged to capital net of tax relief	–	–	(11,658)	–	–
Buy-backs of ordinary shares	–	572	(10,777)	–	–
Profit for the year	–	–	–	–	27,723
Ordinary dividends paid	–	–	–	–	(24,003)
At 31 December 2012	16,237	46,306	814,198	124,510	57,076
Company					
At 1 January 2012	16,237	45,734	814,396	16,497	53,393
Net movement on investments	–	–	23,435	108,039	–
Net movement on foreign exchange	–	–	(1,198)	–	–
Expenses and interest payable charged to capital net of tax relief	–	–	(11,658)	–	–
Buy-backs of ordinary shares	–	572	(10,777)	–	–
Profit for the year	–	–	–	–	27,660
Ordinary dividends paid	–	–	–	–	(24,003)
At 31 December 2012	16,237	46,306	814,198	124,536	57,050

17 Preference shares

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

	Group and Company 2012 £'000	Group and Company 2011 £'000
2,055,000 3.4 per cent. cumulative preference shares of £1 each	2,055	2,055
500,000 2.7 per cent. cumulative preference shares of £1 each	500	500
	2,555	2,555

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 581.8p (2011: 516.9p) is based on the net assets attributable to the ordinary shares of £1,105,847,000 (2011: £994,349,000) and on the 190,079,500 ordinary shares in issue at 31 December 2012 (2011: 192,367,000).

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

	£'000
Total net assets at 1 January 2012	994,349
Total profit for the year	146,278
Dividends paid in the year on the ordinary shares (see note 8)	(24,003)
Buy-backs of ordinary shares	(10,777)
Net assets attributable to the ordinary shares at 31 December 2012	1,105,847

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 2012 calculated on this basis is 568.9p (2011: 503.7p).

Financial Statements
Notes to the Financial Statements *continued*
for the year ended 31 December 2012

19 Note to the cash flow statements
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 2012 £'000	Group and Company 2011 £'000
Proceeds on disposal of fair value through profit or loss investments	315,749	393,958
Purchases of fair value through profit or loss investments	(304,836)	(396,612)
	10,913	(2,654)

20 Capital commitments and contingent liabilities
At 31 December 2012 there were capital commitments in respect of securities not fully paid up of £nil (2011: £nil) and underwriting liabilities of £nil (2011: £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

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised for the year	49	49

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:

	2012 £'000	2011 £'000
Within one year	49	49
In the second to fifth years inclusive	100	149
	149	198

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, amounting to £242,000 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 40.

Directors' transactions
Dividends totalling £168,000 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 2012		Year ended 31 December 2011	
	Investment trust *£'000*	Management services *£'000*	Investment trust *£'000*	Management services *£'000*
Revenue – see notes 2 and 3	35,893	1,157	34,641	875
Carrying amount of assets	1,104,921	926	993,486	863
Interest expense	8,207	–	8,402	–

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 2011 or 2012. 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 2010 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 391,500 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 2012 of 7.2p per ordinary share (see also page 24 and note 8 on page 54).

Historical Record (unaudited)

Year end	Market price per ordinary share in pence	Debt at fair value Net asset value per ordinary share in pence[b]	Debt at fair value Share price discount %[b]	Debt at par value Net asset value per ordinary share in pence[c]	Debt at par value Share price discount %[c]	Net revenue after taxation in £'000	Earnings per ordinary share in pence	Dividends per ordinary share in pence
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	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
31 December 2012	503.0	568.9	11.6[f]	581.8	13.5	27,723	14.50	13.20

(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 2012 was 10.7% (2011: 10.6%). (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.

Explanation of Share Buy-backs
The impact of the Company buying in its own shares at a discount

Shareholders have in the past questioned the benefit of buying in shares for cancellation.

Below is a hypothetical example of how buying in shares can improve the share price of an investment trust. Typically, this happens in two ways: first, the buy-back, because it takes place at a discount, increases the NAV (net asset value) per share which, all other things being equal, leads to a rise in the share price; and, secondly, because a seller has been removed the discount may narrow, again leading to a rise in the share price.

Take an investment trust (ABC) whose shares are priced at 320p but which has a NAV per share of 400p. There are 100 shares in the company.

NAV per share of ABC Investment Trust	= 400p
Price per share of ABC Investment Trust	= 320p
Discount of ABC Investment Trust	= 20%
Value of ABC Investment Trust assets	100 x 400p = £400
Market value of ABC Investment Trust	100 x 320p = £320

If the company then buys back 15 shares at 320p the following happens:

Value of buy-back	15 x 320p = £48

As these shares are cancelled the value of the Company's total assets falls.

Value of Assets	£400 – £48 = £352

But there are now only 85 shares in issue so the NAV per share is
£352 ÷ 85 = 414p, a rise of 14p (3.5%).

If the discount remains at 20% then the share price will rise to 80% x 414p = 331p, an increase of 11p (3.4%). In practice because a large seller has been removed, the discount may well fall. Therefore, the share price may rise even more, benefiting all the remaining shareholders who will retain exactly the same number of shares.

Marketing Review

2012

James Frost, Marketing Director

Witan's marketing programme aims to stimulate interest in the Trust's shares and thereby improve liquidity, enabling shareholders to buy and sell shares at a price reflecting the net asset growth performance of the Trust. Throughout the year we have used a variety of marketing approaches to communicate with 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.

Despite the gains posted by equities in 2012, the aftermath of the volatile conditions in 2011 led to reduced demand for equity funds during the year from private investors. Figures published by the Investment Management Association reveal that retail sales of equity funds in 2012 were down 24% when compared with retail sales in 2011. Given this environment we were pleased to see that demand for Witan's shares via our own savings schemes was marginally up year-on-year, although there was a reduction in account numbers. This followed a change to the Jump Terms & Conditions which raised account fees, in order to bring the costs and revenues from operating the savings schemes into balance. Demand for Witan from private investors buying via online brokers has remained strong, and in the later stages of the year there was increased demand from discretionary fund managers as markets performed well, and Witan outperformed*.

2013

After what felt like a longer build-up than the Olympics, the Retail Distribution Review ("RDR") came into effect on 31 December 2012. After many miles of column inches devoted to the subject, the RDR brought in changes to the qualification requirements for Financial Advisers as well as ending product provider "trail" commissions on future sales. It is anticipated that the removal of commission will 'level the playing field' between open-ended funds whose managers were previously able to pay commissions to intermediaries and closed-ended investment companies which were not permitted to make such payments. The RDR makes conditions more favourable for private investors to choose freely between investment trusts and other funds which could lead to greater demand for Witan's shares.

Who owns Witan? Witan is a fund which is predominantly owned by individual investors or people acting on their behalf. The characteristics which they have sought should also be relevant to those financial advisers who have not invested significantly in investment trusts before. Witan offers an actively-managed portfolio which is diversified by manager, geographic region, business sector and at the individual company level. It has increased its dividend every year since 1974, a 38-year run*. Share buy-backs have also been regularly used to add to the net asset value and help to stabilise the discount, with the objective of achieving a sustainable discount of 10% or narrower. Witan has a simple capital structure and, with a market capitalisation of £956m at the end of 2012, it is one of the more readily tradable investment trusts on the UK stock market. Witan is also the only wholly multi-managed global investment trust. Open ended multi-manager funds have for many years been popular with financial advisers because this approach helps smooth out the volatility which can be associated with a single manager. As well as the inherent benefits of multi-manager, Witan also has a competitive ongoing charges figure (previously known as the Total Expense Ratio) and unlike open-ended funds it has the ability to gear and to build up dividend reserves, which can be used to sustain dividend payments during periods of falling market dividends. One should remember that although gearing will tend to enhance returns in a rising market, because of the Trust's increased exposure to the market, by the same token it will tend to increase losses triggered by a falling market. Further details of our investment policy are set out in the Business Review on pages 7 to 17 of this report.

In 2013 we will be focusing more of our attention on helping to inform financial advisers and their clients about Witan, to enable them to make a considered decision whether to invest in our shares. The overcrowded nature of the financial marketplace means that there is little to be gained through engaging in expensive and for the most part unwanted advertising. What will set Witan apart are the credentials listed above, our investment performance* and a clearly defined investment approach. Our strategy is therefore to engage with financial advisers by providing regular, informative and imaginative website content about Witan and our investment philosophy. We have already launched a dedicated adviser centre on our website, which went live in late December 2012, and we will be adding further content throughout 2013.

Another likely impact of the RDR is that the number of self-directed investors making their own investment decisions is likely to increase. This is a group that is already familiar with Witan, both through our own savings schemes (Witan Wisdom and Jump Savings) and externally from investors buying Witan via online stockbrokers and execution-only platforms. We expect interest from self-directed investors to remain strong in 2013. Discretionary managers and private client brokers, who invest on behalf of their clients, are also set to benefit from the RDR as increasing numbers of financial advisers are likely to outsource investment management to them.

2013 promises to be a very interesting year for the Financial Services Industry, as it tries to meet investors' need for real returns at a time when the yields on traditionally "safe" investments such as deposit accounts and government bonds are less than inflation. RDR is likely to mean increased interest in the Investment Trust Sector, and for Witan this has the potential to lead to increased demand for the Trust's shares.

***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. For a breakdown of Witan's performance please see page 2 of this report.**

How to Invest

There is a variety of ways to invest in Witan Investment Trust plc. Naturally, Witan's shares can be traded through any UK stockbroker. Advisers who wish to purchase Witan for their client can also do so via a growing number of platforms that offer investment trusts including Ascentric, Alliance Trust Savings, Nucleus, Raymond James, Seven IM and Transact. 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 £11,280 for the 2012/13 tax year, rising to £11,520 for the 2013/14 tax year. The minimum lump sum investment with Witan Wisdom ISA is £2,000, with the regular savings minimum being £100 per month. Investors 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 £250 and regular contributions can be made from as little as £50 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 for the 2012/13 tax year, which will increase to £3,720 for the 2013/14 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), which will increase to £3,720 from 6 April 2013. Each child born in the UK from 1 September 2002 and up to and including 2 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.

(n.b. With a flat rate £30 account fee for Jump, the initial cost is high for the minimum subscription but will reduce as a percentage when the account is added to.)

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.

Witan Investment Trust plc is an equity investment. Investors are reminded that past performance is not a guide to future performance and 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. 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 7.2p per share has been declared, payable on 28 March 2013. The record date for the dividend was 1 March 2013 and the ex-dividend date for the dividend was 27 February 2013 (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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*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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Stockbroker
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25 Bank Street
Canary Wharf
London E14 5JP

London Stock Exchange
LISTED
PREMIUM

The Company is a member of:

aic
The Association of Investment Companies

Source: RHS

Witan Investment Trust has enjoyed a fruitful relationship with the Royal Horticultural Society ('RHS') for more than 14 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 any one of the four RHS gardens in the UK.

If you would like to request a ticket then please phone us on 0800 082 8180 or email us at wisdom@ifdsgroup.co.uk.