

Company Registration No. 03311531 (England and Wales)

WINTON CAPITAL MANAGEMENT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016



WINTON CAPITAL MANAGEMENT LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The purpose of this Strategic Report is to inform shareholders and help them assess how the directors have performed their duties to promote the success of Winton Capital Management Limited (the "Company").

Throughout 2016, the Company has continued to act as the main operating entity within the Winton group of companies (the "Winton Group" or "Winton"). It employs all the UK based staff, is the contractual counterparty to the majority of the Group's service providers in the UK, and acts as the portfolio manager or investment adviser to most of the Group's clients. This Strategic Report should therefore be read in conjunction with the Group Strategic Report included in the Annual Report of the parent entity, Winton Group Limited ("WGL").

Business description and model

Winton is a global investment management and data science company. Founded in 1997, Winton is built on the belief that it is possible to deliver superior long-term returns to its clients by applying the scientific method to investing. Using advanced pattern recognition techniques and large volumes of data, Winton develops intelligent investment systems which strive to construct profitable long-term investment portfolios.

Winton's products range from highly diversified multi-asset strategies to long-only equities, but all are underpinned by the same philosophy: the belief that financial markets are not efficient and that an empirical, scientific approach to investing can provide a long term advantage.

Winton's distinct approach draws on a continuous and collaborative research project, bringing together leading scientists and software engineers in an effort to create investment systems that evolve in line with financial markets. Winton's approach to investment management consists of treating the investment universe as a large body of data within which Winton can search for patterns and structures that give rise to a degree of predictability.

Winton currently runs three main investment programs, the Winton Diversified Program, the Winton Futures Program and the Winton Long-Only Equity Program (the "Investment Programs"). There are also a number of sub-programs that are derived from these Investment Programs, which may be subject to different risk, return and liquidity profiles. At the core of each program is at least one system. These automated computer based systems are the product of nearly two decades of applying science, technology and statistical research to investment management and are designed to take data as an input and turn it into signals from which Winton can trade.

Winton uses these Investment Programs to provide investment advisory services to sponsored funds ("Funds") and third-party funds or customisable accounts ("Managed Accounts"). The investors in the Funds and Managed Accounts include many of the world's largest pension funds, endowments, banks, and sovereign wealth funds, as well as with financial advisors and fund platforms, family offices and high net worth individuals.

The Winton Group comprises a number of entities, including the Company, which carries on the portfolio management activities of the Group and Winton Fund Management Limited ("WFM"), which is the authorised Alternative Investment Fund Manager ("AIFM") of the Winton-sponsored Alternative Investment Funds ("AIFs"). The Company also acts as the distributor of these AIFs.

The Company is incorporated in England and Wales. It is authorised and regulated by the UK Financial Conduct Authority as a BIPRU investment firm, is registered with the US Commodity Futures Trading Commission as a commodity pool operator and commodity trading advisor and with the US Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940. The Company is also a Member of the US National Futures Association.

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STRATEGIC REPORT

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Review of business in 2016

Key financial highlights

The directors are pleased with the results for the year and the financial position at the year-end.

The key financial highlights, as set out in the audited financial statements, are as follows:

	2016 £'000	2015 £'000
Revenue	229,289	381,277
Operating profit	85,824	214,320
Taxation	14,724	43,645
Profit after tax	61,839	175,755
Total dividends paid	169,292	384,975
Shareholders' funds at year end	92,898	191,015
Average number of employees	385	361

The directors do not believe that Key Performance Indicators are meaningful at the Company level. Key Performance Indicators for the Winton Group as a whole are shown in the Group Strategic Report included in the Annual Report of WGL.

During 2016, the Company's Assets under Advisement ("AuA") decreased by \$2.1bn to \$31.1bn at the 31 December 2016, reflecting both net investor redemptions and the performance of Winton's Investment Programs. Despite this decrease in AuA, management fee revenues increased year on year due to the Company's average AuA in 2016 being higher and favourable USD/GBP exchange rates. However performance fees decreased reflecting the performance from the Investment Programs.

Operating costs decreased from £161m to £139m in the year, largely reflecting a decrease in employment costs (see note 20), itself a result of the relatively high proportion of variable compensation.

Developments in the business

Winton's success over time has led to its considerable growth and development. As a data-driven firm, Winton is well positioned to help its clients benefit from the strong trends shaping the investment world: advances in computing power and storage capacity, rising savings worldwide and globalisation of the market for its services and of the talent pool from which it is able to draw.

In 2016, to help realise the opportunities presented by these trends and to stay at the forefront of this competitive business, Winton made a series of changes to how the Winton Group is organised. The most substantive change has been to organise Winton into divisions, centred on its Investment Management business, and complemented by distinct technical divisions: Winton Data, Winton Research and Winton Technology. This framework is designed to enable dedicated teams to work on large-scale, collaborative projects over extended timeframes.

The technical divisions sit alongside firm-wide corporate functions, including Risk, Compliance, Legal, Human Capital, Finance, the Executive Office and Corporate Services. Winton's ability to invest heavily in the evolution of its investment management programs is at the heart of its business model and a key source of competitive advantage; this divisional structure helps to clarify the human capital committed to its long-term mission.

The Company employs all the Winton Group's UK based staff and average employees by Division are shown in note 20. The Company has maintained its long-term strategy of investing for growth and has continued to hire staff and invest in research to seek to improve the results of its Investment Programs and to develop new funds and products.

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In March 2016, the ownership of the Company's subsidiary, Winton Capital Switzerland AG ("WCS"), was transferred from the Company to its parent company, Winton Group Limited

Year-end resources

The Company entered 2017 with shareholders' funds of £92.9m, cash reserves of £46.8m and a loan facility of £60m with a major banking group, making it well positioned to continue its expansion plans, as described below.

Strategy and future developments

As the major operating entity within the Winton Group, the Company's strategy is to continue to implement the strategy of the Winton Group in so far as it applies to Winton's operations in the UK, including acting as the portfolio manager of the Winton-sponsored AIFs and the investment adviser to other clients of Winton. Further information about the strategy of the Winton Group is given in the Group Strategic Report included in the Annual Report of WGL.

Social and environmental responsibility

The approach of the Group, including the Company, to Corporate Social Responsibility is described in the Group Strategic Report included in the Annual Report of WGL.

Winton is committed to engaging with the communities it is a part of and with wider society through charitable and sponsorship activities by the Group and its employees. Employees are able to make their own personal contributions to charities of their choice through the Group's charity policy which matches individual contributions generally up to £10,000 per employee per year. During the year, the Company made total charitable donations of £738k (2015: £771k).

Principal risks and uncertainties, including use of financial instruments

The Group has identified the key business risks set out below, each of which, if not appropriately mitigated, could lead to a substantial decline in AuA due to significant redemptions or sustained poor performance, which in turn would lead to a decline in fee income for the Group, or could result in a direct risk to the assets and liabilities on the Group's balance sheet. The business risks facing the Group are considered to apply equally to the Company.

Investment risk

The most significant risk facing the Group is investment risk. This comprises both market event risk, which is the possibility that an unforeseen event such as a terrorist strike or natural disaster could cause sudden and extreme trading losses; and systemic risk, the risk of overcrowding in particular markets or trades which could lead to temporary market distortions which prove unprofitable for our investment portfolios.

Key strategies to mitigate these risks include operating our investment portfolios with low levels of leverage, diversifying our holdings across many liquid markets, and designing our investment systems such that they do not require rapid portfolio rebalancing in extreme market conditions.

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Non-investment risks

Mis-selling and misrepresentation risk

This is the risk of Winton's employees mis-selling to, or misleading, an investor about the characteristics of a product or service, and also includes the risk of being misrepresented by a third-party distributor. Winton's vulnerability is centred on the material Winton provides for the promotion of the funds it advises. Winton is not liable for the way in which third-party funds have been promoted beyond its provision of such materials. Mitigants include controls over the production, review and dissemination of marketing materials; clear policies on client interactions and meetings; and regular communication with investors.

Regulatory and conduct risk

This is the risk that a change in laws and regulations will directly affect Winton's trading, or that the retrospective reinterpretation of existing regulations or inappropriate employee behaviour leads to regulatory fines. Examples of regulatory interventions that could have a negative impact on Winton's business include transaction taxes, short sale restrictions, restrictions on commodity futures trading, and foreign exchange controls.

While it is not possible to mitigate all such risks, Winton's Compliance function monitors proposed and actual regulatory changes. Winton continues to diversify its business, and a strong governance culture exists throughout the Group with the highest priority placed on understanding new regulations to assess their applicability to Winton's business and act accordingly rather than treating regulation as a "box-ticking exercise".

Conduct risk is mitigated by a rigorous employee vetting process; a culture of ethical and thoughtful behaviours throughout all of Winton's activities; ongoing compliance training and appropriate regulatory registrations; and compliance policies applicable to all employees.

Technology and cyber security risk

This is the risk relating to the unauthorised use of Winton's IT systems, either maliciously or accidentally, by internal or external parties. This might result in the loss of Winton's ability to access markets, funds or information from third parties; personal customer or employee information; intellectual property; and ultimately a disruption of Winton's ability to operate. Risk mitigants include a dedicated information security team; user access controls; ongoing cyber security training for all staff; and information security and acceptable use policies.

It also includes the risks relating to the failure or loss of corporate or public IT infrastructure, such as the destruction of a data centre or communication links; destruction or inaccessibility of premises; or a cyber-attack. Risk mitigants include offices in multiple locations with ability to switch IT operations between them; and a disaster recovery plan which lays out the governance procedure to be pursued in the event of a serious threat to physical or virtual security.

Fraud risk

In a financial services business involving large sums of money, the risk of a fraud costing a few basis points of AuA but accounting to millions of pounds must be borne in mind. It is reduced in Winton's case by the fact that Winton does not, and is not permitted to, hold money for its clients. Nevertheless Winton advises on and initiates billions of dollars of transactions which must introduce risk. Another type of fraud risk relates to external counterparties; for example fraud committed by a third-party service provider or counterparty in relation to assets held that belong to Winton or Winton's investors (e.g. custodians, clearing brokers).

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Fraud risk is mitigated by a robust control framework including daily reconciliations of holdings and valuations between Winton's records and those of the institutions holding the accounts; strict signatory controls and regular reconciliation procedures over Winton's own cash resources; appropriate segregation of duties; thorough review of contractual agreements by Winton's vendor management and legal teams; and ongoing third-party oversight processes including regular due diligence visits.

The Company also makes limited use of financial instruments to mitigate some of the specific risks to the assets and liabilities in the balance sheet – see note 5.

On behalf of the Board



B Rentoul
Director
26 April 2017

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors of the Company present their annual report and financial statements for the year ended 31 December 2016.

Directors

The following directors have held office since 1 January 2016 unless otherwise stated:

Executive:

D W Harding

M D Beddall

B Rentoul

R Patel (resigned 31 December 2016)

A Moss (appointed 05 August 2016)

Review of business and future developments

A review of the business is covered in the Strategic Report.

Results and dividends

The profit and loss account for the year is set out on page 10. During the year the Company paid interim dividends as set out in note 8.

Post balance sheet events

Dividends of £14m were paid in March 2017.

Employee engagement

Equal opportunities

Winton is committed to providing equal opportunities in employment and to avoiding unlawful discrimination. Winton's policy is to treat everyone fairly regardless of their age, gender, race, sexual orientation, disability, educational background, religion or beliefs.

Winton gives full and fair consideration to all applications for employment, including applications from disabled persons, having regard to particular aptitudes and abilities. If employees become disabled, appropriate support is provided and employment continues wherever possible, with retraining given if necessary. For the purposes of training, career development and progression, all employees are treated equally.

Employee involvement

Employees receive regular updates on developments in Winton's business via company meetings, which are attended by all employees globally, either in person or via video-link, and via regular postings on Winton's intranet. Each employee also has a formal annual review during which they discuss their own personal performance, and that of their team as well as developments in the business that affect them.

Where local regulations permit, all employees are eligible to participate in the Group's share purchase scheme, whereby employees and shareholders can apply to purchase or sell shares in the Group on a quarterly basis at a market price determined by an independent valuer. All shares rank for receipt of dividends when, taking into account regulatory and Group investment statutory requirements, the directors decide that profits are available for distribution.

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Employee training, health and safety

Education and training is provided to employees to seek to ensure regulatory requirements are met and encourages employees to recognise and value its corporate social responsibilities. High standards of health and safety at work are promoted and there is a health and safety policy incorporated into the staff handbook that highlights the commitment to ensuring employees are provided with a safe and healthy working environment.

Pillar III disclosure

The qualitative disclosures to comply with Pillar III of the FCA Capital Requirements Directive can be found on the Company's web site at www.winton.com

Research and development

This is covered in the Strategic Report.

Principal risks and uncertainties, including use of financial instruments

This is covered in the Strategic Report.

Auditor

The Company's auditor, KPMG LLP, has indicated its willingness to continue in office.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, including 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 have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 assets, liabilities, financial position and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board



B Rentoul
Director

26 April 2017

Registered address:
16 Old Bailey
London
EC4M 7EG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WINTON CAPITAL MANAGEMENT LIMITED

We have audited the financial statements of Winton Capital Management Limited for the year ended 31 December 2016 set out on pages 10 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 9 to 10, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

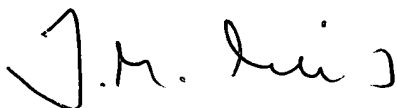
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square, London, E14 5GL
26 April 2017

WINTON CAPITAL MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	229,289	381,277
Distribution costs		<u>(4,917)</u>	<u>(6,176)</u>
Net revenue		224,372	375,101
Administrative expenses		<u>(138,548)</u>	<u>(160,781)</u>
Operating profit	3	85,824	214,320
Interest receivable and similar income	4	186	763
Investment and foreign exchange gains and losses	5	(8,313)	4,501
Interest payable and similar expenses	6	<u>(1,134)</u>	<u>(184)</u>
Profit on ordinary activities before taxation		76,563	219,400
Tax on profit on ordinary activities	7	<u>(14,724)</u>	<u>(43,645)</u>
Profit on ordinary activities after taxation		<u>61,839</u>	<u>175,755</u>

No other comprehensive income was recognised during the year.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 - 23 are an integral part of the financial statements.

WINTON CAPITAL MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

		Company	
	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	4,592	7,346
Investments	10	<u>303</u>	<u>374</u>
		4,895	7,720
Current assets			
Debtors	11	83,964	63,149
Investments	13	42,386	38,166
Cash at bank and in hand		<u>46,820</u>	<u>135,861</u>
		173,170	237,176
Creditors : amounts falling due within one year	14	<u>(80,780)</u>	<u>(45,319)</u>
Net current assets		<u>92,390</u>	<u>191,857</u>
Total assets less current liabilities		97,285	199,577
Creditors : amounts falling due after more than one year	15	<u>(4,387)</u>	<u>(8,562)</u>
Net assets		<u>92,898</u>	<u>191,015</u>
Share Capital and reserves			
Called up share capital	17	2,391	2,391
Share premium account		9,816	9,816
Other reserves	17	3,479	(5,857)
Profit and loss account		<u>77,212</u>	<u>184,665</u>
Shareholders' funds		<u>92,898</u>	<u>191,015</u>

Approved by the Board of Directors and signed on its behalf by:



B Rentoul

Director

26 April 2017

Company Registration No. 03311531

The notes on pages 13 - 23 are an integral part of the financial statements.

WINTON CAPITAL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £'000	Share Premium account £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2015	2,391	9,816	(12,927)	393,885	393,165
Total comprehensive income for the period					
Profit or loss				175,755	175,755
Total comprehensive income for the period	-	-	-	175,755	175,755
Disposal of own shares			18,628		18,628
Cost of share awards			(16,092)		(16,092)
Share awards expensed			4,534		4,534
Dividends				(384,975)	(384,975)
Total contributions by and distributions to owners	-	-	7,070	(384,975)	(377,905)
Balance at 31 December 2015	2,391	9,816	(5,857)	184,665	191,015
Balance at 1 January 2016	2,391	9,816	(5,857)	184,665	191,015
Total comprehensive income for the period					
Profit or loss				61,839	61,839
Total comprehensive income for the period	-	-	-	61,839	61,839
Disposal of own shares			4,457		4,457
Share awards expensed			4,879		4,879
Dividends				(169,292)	(169,292)
Total contributions by and distributions to owners	-	-	9,336	(169,292)	(159,956)
Balance at 31 December 2016	2,391	9,816	3,479	77,212	92,898

The notes on pages 13 - 23 are an integral part of the financial statements.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

The Company is a private company, limited by shares and incorporated and domiciled in the UK. Set out below is a summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year.

1.1 Basis of preparation

These financial statements have been prepared in accordance with applicable UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Companies Act 2006.

These financial statements are prepared under the going concern basis and under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The financial statements are denominated in pounds sterling as this is the principal currency in which the Company's activities are conducted.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

1.2 Revenue

Revenue represents fees receivable (excluding value added tax) during the period for discretionary investment management and advisory services. Management fees and performance fees are recognised in the period earned. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which the performance is measured or upon early redemption by a client.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

1.5 Deferred discretionary retention awards

Staff costs include amounts in respect of deferred discretionary retention awards which have been granted to certain senior staff. The amounts payable under the awards are recognised in staff costs over the vesting period. Amounts payable under the awards are indexed to the performance of the principal funds to which the Company acts as investment adviser and the accrual is adjusted for changes in the expected amounts payable.

1.6 Pensions

The Company contributes to individual employees' personal pension plans. Contributions payable are charged to the profit and loss account when they fall due.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold land and buildings - improvements	3 years straight line
Plant and machinery	3-5 years straight line
Fixtures, fittings & equipment	3 years straight line

1.8 Operating leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes at the rate expected to be in force at the time of the reversal. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.11 Share based payments

The Company reflects the economic cost of awarding shares and share options to employees by recording an expense in the profit and loss account equal to the fair value of the benefit awarded less consideration payable. The expense is recognised in the profit and loss account over the vesting period of the award.

As part of an incentivisation scheme, certain senior staff received an award of shares in the parent entity, WGL. Under the terms of the award, although the shares rank immediately for dividends, ownership of the shares vests over five years and WGL has the right to require recipients to forfeit any unvested shares should recipients cease to be employees of the Group. The cost of the share awards is recognised in staff costs over the vesting period and dividends paid on unvested shares are recognised in the profit and loss account as a dividend expense. The cost of unvested shares is included in other reserves in the balance sheet.

1.12 Dividends

Dividends are accounted for when declared and legally payable.

1.13 Employee Share Ownership Plans

The Company operates ESOP trusts over which it has de facto control of the assets held by the trusts and bears their benefits and risk. It therefore records the assets and liabilities, the results and the cash flows of the trusts as its own. Any profit or loss realised from the sale and purchase of shares in the Company's holding company, WGL, through the ESOP is recorded as a movement in non-distributable reserves. The cost of the WGL shares held by the trusts is deducted in arriving at shareholders' funds until the shares vest unconditionally with employees.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.14 Basic financial instruments

Trade and other debtors; Trade and other creditors

These items are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in funds

Investments in funds are classified as current asset investments and are held at fair value, being the market price at the reporting date at net asset value per share. Changes to fair value and realised gains and losses on disposal are taken to the profit and loss account.

Other unlisted investments

Fixed and current asset unlisted investments are held at fair value where a reliable measure of fair value is available, otherwise held at cost less impairment. Changes to fair value and realised gains and losses on disposal are taken to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Loan commitments

Loan commitments are held at amortised cost in accordance with paragraph 11.14 of FRS 102.

1.15 Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value which is normally the transaction price. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss. The other financial instruments held by the Company during the year were exchange-traded derivative financial instruments held for hedging purposes (see note 6) and a multicurrency revolving facility agreement (see note 16).

2 Revenue

The total revenue of the Company for the year has been derived from its principal activity undertaken in the United Kingdom, and provided to investors and investment vehicles located primarily outside the UK.

	2016	2015
3 Operating profit	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible assets	4,648	3,857
Research and development (excluding payroll)	3,903	2,308
Operating lease rentals	2,492	3,067
Auditor's remuneration		
Fees payable to the Company's auditor:		
-for the audit of these financial statements	38	37
-for tax advisory services	10	85
-for all other services	155	5
	<hr/> 203	<hr/> 127

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest on bank deposits	183	666
Other interest	3	97
	<u>186</u>	<u>763</u>

5 Investment and foreign exchange gains and losses

	2016 £'000	2015 £'000
Realised gains on financial fixed asset investments measured at fair value through profit and loss	410	3,773
Unrealised gains/(losses) on financial current asset investments measured at fair value through profit and loss	6,836	(3,226)
Other net foreign exchange gains	5,316	8,104
Net foreign exchange hedging loss	(20,875)	(4,150)
	<u>(8,313)</u>	<u>4,501</u>

The Company hedged its exposure to movements in the USD/GBP exchange rate during the year given that a large proportion of revenue is denominated in USD. This was done using exchange-traded futures and call options giving rise to a loss of £20.9m (2015: £4.2m).

6 Interest payable and similar expenses

	2016 £'000	2015 £'000
Other interest	(50)	(184)
Interest payable on financial instruments held at amortised cost	<u>(1,084)</u>	<u>-</u>
	<u>(1,134)</u>	<u>(184)</u>

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7 Taxation

	2016 £'000	2015 £'000
Domestic current year tax		
UK corporation tax	14,590	39,134
Adjustment for prior years	3,561	545
	18,151	39,679
Foreign current year tax		
Foreign corporation tax	31	393
	31	393
Current tax charge for the year	18,182	40,072
Deferred tax		
Deferred tax charge current year	331	3,573
Adjustment for prior years	(3,789)	-
Total tax charge for the year	14,724	43,645

The effective tax rate for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The reasons for the difference are explained below:

Factors affecting the tax charge for the year

Profit on ordinary activities before taxation	76,563	219,400
Profit on ordinary activities before taxation multiplied by the weighted average standard rate of UK corporation tax of 20.00% (2015 – 20.25%)	15,312	44,421
Effects of:		
Prior year adjustments	(228)	-
Non deductible expenses	100	408
Other permanent differences	(460)	(1,163)
Different tax rates charged in overseas branches	-	(21)
	(588)	(776)
Total tax charge for the year	14,724	43,645

8 Dividends

	2016 £'000	2015 £'000
Ordinary interim dividends paid	169,292	384,975

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9 Tangible fixed assets

	Leasehold land & buildings - improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 January 2016	6,310	15,550	2,998	24,858
Additions	441	1,273	180	1,894
Disposals	-	-	-	-
At 31 December 2016	6,751	16,823	3,178	26,752
Depreciation				
At 1 January 2016	4,594	11,109	1,809	17,512
Charge for the year	1,515	2,426	707	4,648
Accumulated depreciation on disposals	-	-	-	-
At 31 December 2016	6,109	13,535	2,516	22,160
Net book value				
At 31 December 2016	642	3,288	662	4,592
At 31 December 2015	1,716	4,441	1,189	7,346

10 Fixed asset investments

	2016 £'000	2015 £'000
Unlisted investments	303	237
Investment in subsidiary entities	-	137
	303	374
		£'000
At 1 January 2016		374
Disposals		(137)
Change in fair value		66
At 31 December 2016		303

In October 2015, WCS was converted from a branch to a wholly owned subsidiary entity of the Company. WCS was subsequently acquired by WGL in February 2016.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11 Debtors

	2016 £'000	2015 £'000
Trade debtors	18,800	22,239
Other assets held by ESOP trusts	10,157	5,700
Other debtors	1,326	6,299
Amounts owed by group undertakings	41,017	12,368
Prepayments and accrued income	11,717	16,543
Deferred tax asset (note 12)	947	-
	<u>83,964</u>	<u>63,149</u>

12 Deferred tax

The deferred tax asset (included in debtors, note 11) is made up as follows:

	2016 £'000
Balance at 1 January 2016 (liability)	(2,006)
Profit and loss account	<u>2,953</u>
Balance at 31 December 2016 (see note 11) (asset)	<u>947</u>

Comprising of:

	2016 £'000	2015 £'000
Timing differences – capital allowances	1,274	818
Employee benefits	731	(2,797)
Other timing differences	<u>(1,058)</u>	<u>(27)</u>
	<u>947</u>	<u>(2,006)</u>

A deferred tax liability amount of £348k is expected to reverse in the next reporting period. An analysis of the deferred tax balances is provided below:

	Assets		Liabilities		Net	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Accelerated capital allowances	1,274	818	-	-	1,274	818
Employee benefits	731	-	-	(2,797)	731	(2,797)
Other timing differences	-	-	(1,058)	(27)	(1,058)	(27)
Net tax assets / (liabilities)	<u>2,005</u>	<u>818</u>	<u>(1,058)</u>	<u>(2,824)</u>	<u>947</u>	<u>(2,006)</u>

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13 Current asset investments

	2016 £'000	2015 £'000
Investment in funds	42,386	38,166
	42,386	38,166

Current asset investments consist of amounts invested in funds to which members of the Winton Group act as investment adviser.

	£'000
At 1 January 2016	38,166
Additions in the year	3,884
Disposals in the year	(6,433)
Change in fair value	6,769
At 31 December 2016	42,386

14 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	1,367	1,056
Amounts owed to group undertakings	4,736	4,254
Corporation tax	7,925	14,149
Taxes and social security costs	2,297	2,008
Other creditors	3,392	2,439
Accruals and deferred income	18,563	19,407
Bank loans repayable within 5 years	42,500	-
Deferred tax liability (note 12)	-	2,006
	80,780	45,319

Bank loans wholly repayable within five years consist of the amount drawn by the Company against a £60 million multicurrency revolving loan facility held with a major banking group. The loan commenced on 23 March 2016 and is a three year agreement with interest accrued daily on the drawn account at LIBOR plus 2.35% pa, plus 0.94% pa on the undrawn facility. The facility matures and can be rolled over every three months up to its three-year anniversary. During the year, the maximum amount drawn against the facility was £42.5 million.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Accruals and deferred income	4,387	8,562

16 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £000	2015 £000
Assets measured at fair value through profit or loss	89,510	174,399
Assets measured at cost less impairment	71,299	46,606
Liabilities measured at fair value through profit or loss	(3,088)	(1,875)
Liabilities measured at cost less impairment	(39,139)	(50,000)
Liabilities measured at amortised cost	(42,500)	-

17 Share Capital and Reserves

Share Capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
2,391,169 (2015: 2,391,169) Ordinary A shares of £1 each	2,391	2,391
	<u>2,391</u>	<u>2,391</u>

No shares were issued during the year.

Other reserves is comprised of:

	2016 £'000	2015 £'000
Reserves in ESOP (see note 1.13)	20,769	17,227
Own shares held by ESOP (see note 1.13)	(10,611)	(11,526)
Reserve for share-based payments (see note 1.11)	(6,679)	(11,558)
	<u>3,479</u>	<u>(5,857)</u>

The Winton ESOP trust was created on 14 February 2008 and the Winton ESOP No 2 trust on 2 March 2010. The object of the trusts is to facilitate buying and selling of shares of WGL by shareholders and employees. At 31 December 2016 the ESOP trusts held 65,516 (2015: 73,573) ordinary A shares in WGL at an average cost of £162 (2015: £157) per share.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18 Financial commitments

At 31 December 2016 the Company had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	2,787	2,845	3,434	3,100
Later than one year and no later than five years	8,586	9,925	1,364	1,081
Later than five years	3,220	5,366	-	-
	<u>14,592</u>	<u>18,136</u>	<u>4,798</u>	<u>4,181</u>

19 Directors' remuneration

	2016 £'000	2015 £'000
Directors' emoluments	2,956	17,558
Company contributions to directors' personal pension plans	9	21
Compensation for loss of office	1,282	-
	<u>4,247</u>	<u>17,581</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>2,676</u>	<u>9,629</u>
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20 Employees

Number of employees

The average monthly number of employees (including WCM and WGL directors) during the year was:

	2016 Number	2015 Number
WGL Board of Directors	10	11
Research and Data (including SDC)	72	101
Investment Management	94	76
Technology	98	90
Corporate	112	91
	<u>385</u>	<u>361</u>

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Employment costs	2016 £'000	2015 £'000
Wages and salaries	71,386	82,615
Social security costs	9,626	11,182
Other pension costs	2,542	3,553
	<u>83,554</u>	<u>97,350</u>

Personal pension plans

The Company contributes to individual employees' personal pension plans. The assets of the plans are held separately from those of the Company in independently administered funds.

21 Related party transactions

During the year the Company made donations to The Winton Charitable Foundation, in which D W Harding and M J Hunt are Trustees, amounting to £738k (2015: £771k).

22 Post balance sheet events

Dividends of £14m were paid on 29 March 2017.

23 Control

The ultimate parent company is Winton Group Limited, a company registered in England & Wales. The ultimate controlling party is Mr D W Harding.

Winton Group Limited prepares group financial statements and copies can be obtained from 16 Old Bailey, London, EC4M 7EG.