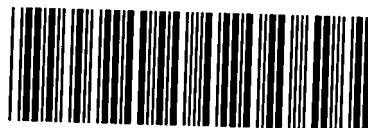


Company Registration No. 03311531 (England and Wales)

WINTON CAPITAL MANAGEMENT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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WINTON CAPITAL MANAGEMENT LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, 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 high-performing quantitative investment and data science firm. Winton applies the scientific method to investing and has a strong investment track record established over 20 years of using statistics and advanced computational techniques to identify subtle patterns in financial markets.

Winton believes more reliable investment decisions can be made by using statistical inference from empirical evidence rather than deductive reasoning from economic axioms. Winton pursues ambitious investment in research, data and technology to develop strategies that can profit from predictable market behaviour. Winton's products range from long-only equities to diversified multi-asset offerings, but all are underpinned by the same investment philosophy.

Winton manages assets for a broad range of investors including some of the world's largest pension funds, endowments, banks, and sovereign wealth funds, as well as financial advisors and fund platforms, family offices and high net worth individuals.

In 2017, the Winton Group comprised a number of entities, including the Company which carried on the portfolio management activities of the Group, and Winton Fund Management Limited ("WFM") which was the authorised Alternative Investment Fund Manager ("AIFM") of the Winton-titled Alternative Investment Funds ("AIFs"). The Company also acted 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, 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.

Review of business in 2017

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:

	2017 £'000	2016 £'000
Revenue	240,308	229,289
Operating profit	101,123	85,824
Taxation	20,342	14,724
Profit after tax	87,486	61,839
Total dividends paid	48,398	169,292
Shareholders' funds at year end	136,000	92,898
Average number of employees	375	385

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, the Company's average Assets under Advisement ("AuA") decreased which, combined with reduced management fee rates introduced in the year, resulted in lower levels of management fees in 2017. Performance fees, however, increased in 2017 as Winton's range of systematic strategies delivered absolute returns for its clients, particularly in the final quarter of the year, despite a cut in performance fee rates introduced to benefit clients.

Administrative expenses decreased from £139m to £136m 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.

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 continues to hire staff and invest in research to seek to improve the results of its investment strategies and to develop new products.

Year-end resources

The Company entered 2018 with shareholders' funds of £136.0m and cash reserves of £63.5m.

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-titled AIFs and the investment adviser to other clients of Winton. It is also expected to replace WFM as the AIFM of certain Winton-titled AIFs.

The United Kingdom is expected to cease to be a member of the European Union on 29 March 2019 ('Brexit'). Winton is monitoring the potential impact of Brexit on relevant subsidiary companies and their businesses. 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 £700k (2016: £738k).

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 the investment portfolios.

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

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.

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 multiple data centres 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 amounting 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).

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.

During the year, the Company also made 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

25 April 2018

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors of the Company present their annual report and financial statements for the year ended 31 December 2017.

Directors

The following directors have held office since 1 January 2017 unless otherwise stated:

Executive:

D W Harding

B Rentoul

A Moss

M D Beddall (resigned 24 August 2017)

Review of business and future developments

This is covered in the Strategic Report which should be read in conjunction with the Group Strategic Report included in the Annual Report of WGL.

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

Post balance sheet events are set out in note 22.

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 WGL shares rank for receipt of dividends when, taking into account regulatory and Group investment statutory requirements, the directors of WGL decide that profits are available for distribution.

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Employee training, health and safety

Education and training is provided to employees to seek to ensure regulatory requirements are met and encourage employees to recognise and value the Group's corporate social responsibilities. High standards of health and safety at work are promoted and there is a health and safety policy incorporated into the Winton 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 Group's web site at www.winton.com

Research and development

This is covered in the Group Strategic Report included in the Annual Report of WGL.

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.

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they 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 state of affairs of the company 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

25 April 2018

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 2017 which comprise the Profit and loss account, the Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WINTON CAPITAL MANAGEMENT LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

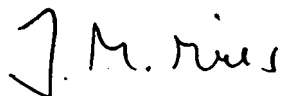
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

Chartered Accountants

15 Canada Square

London

E14 5GL

25 April 2018

WINTON CAPITAL MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Revenue	2	240,308	229,289
Distribution costs		<u>(3,345)</u>	<u>(4,917)</u>
Net revenue		236,963	224,372
Administrative expenses		<u>(135,840)</u>	<u>(138,548)</u>
Operating profit	3	101,123	85,824
Interest receivable and similar income	4	106	186
Investment and foreign exchange gains /(losses)	5	7,912	(8,313)
Interest payable and similar expenses	6	<u>(1,313)</u>	<u>(1,134)</u>
Profit on ordinary activities before taxation		107,828	76,563
Tax on profit on ordinary activities	7	<u>(20,342)</u>	<u>(14,724)</u>
Profit on ordinary activities after taxation		<u>87,486</u>	<u>61,839</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 2017

		Company	
	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	9	5,619	4,592
Investments	10	455	303
		<u>6,074</u>	<u>4,895</u>
Current assets			
Debtors	11	134,042	83,964
Investments	13	19,040	42,386
Cash at bank and in hand		<u>63,515</u>	<u>46,820</u>
		216,597	173,170
Creditors : amounts falling due within one year	14	<u>(84,700)</u>	<u>(80,780)</u>
Net current assets		<u>131,897</u>	<u>92,390</u>
Total assets less current liabilities		137,971	97,285
Creditors : amounts falling due after more than one year	15	<u>(1,971)</u>	<u>(4,387)</u>
Net assets		<u>136,000</u>	<u>92,898</u>
Share Capital and reserves			
Called up share capital	17	2,391	2,391
Share premium account		9,816	9,816
Other reserves	17	7,493	3,479
Profit and loss account		<u>116,300</u>	<u>77,212</u>
Shareholders' funds		<u>136,000</u>	<u>92,898</u>

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



B Rentoul

Director

25 April 2018

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 2017

	Called up share capital £'000	Share Premium account £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	2,391	9,816	(5,857)	184,665	191,015
Profit for the period	-	-	-	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
Balance at 1 January 2017	2,391	9,816	3,479	77,212	92,898
Profit for the period	-	-	-	87,486	87,486
Total comprehensive income for the period	-	-	-	87,486	87,486
Disposal of own shares	-	-	356	-	356
Share awards expensed	-	-	3,658	-	3,658
Dividends	-	-	-	(48,398)	(48,398)
Total contributions by and distributions to owners	-	-	4,014	(48,398)	(44,384)
Balance at 31 December 2017	2,391	9,816	7,493	116,300	136,000

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 2017

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:

- 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 fund 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 2017

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 2017

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 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 5).

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.

3 Operating profit

	2017	2016
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible assets	2,965	4,648
Research and development (excluding payroll)	3,943	3,903
Operating lease rentals	2,635	2,492
Auditor's remuneration		
Fees payable to the Company's auditor:		
-for the audit of these financial statements	39	38
-for tax advisory services	68	10
-for other assurance services	113	155
	<hr/>	<hr/>
	220	203
	<hr/>	<hr/>

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest on bank deposits	102	183
Other interest	4	3
	<u>106</u>	<u>186</u>

5 Investment and foreign exchange gains and losses

	2017 £'000	2016 £'000
Realised gains on investments measured at fair value through profit and loss	4,455	410
Unrealised (losses)/gains on investments measured at fair value through profit and loss	(3,143)	6,836
Other net foreign exchange (losses)/gains	(1,291)	5,316
Net foreign exchange hedging gains/(losses)	7,891	(20,875)
	<u>7,912</u>	<u>(8,313)</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 giving rise to a gain of £7.9m (2016: loss of £20.9m).

6 Interest payable and similar expenses

	2017 £'000	2016 £'000
Other interest	-	(50)
Interest payable on financial instruments held at amortised cost	<u>(1,313)</u>	<u>(1,084)</u>
	<u>(1,313)</u>	<u>(1,134)</u>

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7 Taxation

	2017 £'000	2016 £'000
Domestic current year tax		
UK corporation tax	21,306	14,590
Adjustment for prior years	(712)	3,561
	20,594	18,151
Foreign current year tax		
Foreign corporation tax	12	31
	12	31
Current tax charge for the year	20,606	18,182
Deferred tax		
Deferred tax charge current year	(205)	331
Adjustment for prior years	(59)	(3,789)
Total tax charge for the year	20,342	14,724

The effective tax rate for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The reasons for the difference are explained below:

Factors affecting the tax charge for the year

Profit on ordinary activities before taxation	107,828	76,563
Profit on ordinary activities before taxation multiplied by the weighted average standard rate of UK corporation tax of 19.25% (2016– 20.00%)	20,757	15,312
Effects of:		
Prior year adjustments	(771)	(228)
Non-deductible expenses	44	100
Tax credits	86	-
Other permanent differences	226	(460)
	(415)	(588)
Total tax charge for the year	20,342	14,724

8 Dividends

	2017 £'000	2016 £'000
Ordinary interim dividends paid	48,398	169,292

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9 Tangible fixed assets

	Leasehold land & buildings - improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 January 2017	6,751	16,823	3,178	26,752
Additions	-	3,330	662	3,992
Disposals	-	-	-	-
At 31 December 2017	6,751	20,153	3,840	30,744
Depreciation				
At 1 January 2017	6,109	13,535	2,516	22,160
Charge for the year	391	2,045	529	2,965
Accumulated depreciation on disposals	-	-	-	-
At 31 December 2017	6,500	15,580	3,045	25,125
Net book value				
At 31 December 2017	251	4,573	795	5,619
At 31 December 2016	642	3,288	662	4,592

10 Fixed asset investments

	2017 £'000	2016 £'000
Unlisted investments	455	303
	455	303
	£'000	
At 1 January 2017	303	
Disposals	-	
Change in fair value	152	
At 31 December 2017	455	

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11 Debtors

	2017 £'000	2016 £'000
Trade debtors	59,105	18,800
Other assets held by ESOP trusts	10,513	10,157
Other debtors	1,509	1,326
Amounts owed by group undertakings	54,338	41,017
Prepayments and accrued income	7,366	11,717
Deferred tax asset (note 12)	1,211	947
	<u>134,042</u>	<u>83,964</u>

12 Deferred tax

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

	2017 £'000
Balance at 1 January 2017	947
Profit and loss account	<u>264</u>
Balance at 31 December 2017	<u>1,211</u>

-Comprising of:	2017 £'000	2016 £'000
Timing differences – capital allowances	1,313	1,274
Employee benefits	576	731
Other timing differences	<u>(678)</u>	<u>(1,058)</u>
	<u>1,211</u>	<u>947</u>

An analysis of the deferred tax balances is provided below:

	Assets		Liabilities		Net	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Accelerated capital allowances	1,313	1,274	-	-	1,313	1,274
Employee benefits	576	731	-	-	576	731
Other timing differences	-	-	(678)	(1,058)	(678)	(1,058)
	<u>1,889</u>	<u>2,005</u>	<u>(678)</u>	<u>(1,058)</u>	<u>1,211</u>	<u>947</u>
Net tax assets	1,889	2,005	(678)	(1,058)	1,211	947

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13 Current asset investments

	2017 £'000	2016 £'000
Investment in funds	19,040	42,386
	19,040	42,386

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

	£'000
At 1 January 2017	42,386
Additions in the year	1,468
Disposals in the year	(21,520)
Change in fair value	(3,294)
At 31 December 2017	19,040

14 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	838	1,367
Amounts owed to group undertakings	10,429	4,736
Corporation tax	18,245	7,925
Taxes and social security costs	907	2,297
Other creditors	239	3,392
Accruals and deferred income	24,042	18,563
Bank loans repayable within 5 years (see below)	30,000	42,500
	84,700	80,780

Bank loans wholly repayable within five years consist of the amount drawn by the Company against a £40m multicurrency revolving loan facility held with a major banking group. The original loan facility was made available on 21 March 2016 for an aggregate amount of £60 million and was reduced to £40 million during the year. The loan is a three year agreement, rolling every three months, with interest accrued daily on the drawn account at LIBOR plus 2.35% per annum, plus 0.94% per annum on the undrawn facility. During the year the maximum amount drawn against the facility was £55 million.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Accruals and deferred income	1,971	4,387
	<u> </u>	<u> </u>

16 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017 £000	2016 £000
Assets measured at fair value through profit or loss	83,536	89,510
Assets measured at cost less impairment	135,545	71,299
Liabilities measured at fair value through profit or loss	-	(3,088)
Liabilities measured at cost less impairment	(58,699)	(39,139)
Liabilities measured at amortised cost	(30,000)	(42,500)

17 Share Capital and Reserves

Share Capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
2,391,169 Ordinary A shares of £1 each (2016: 2,391,169)	2,391	2,391
	<u> </u>	<u> </u>
	2,391	2,391
	<u> </u>	<u> </u>

No shares were issued during the year.

Other reserves is comprised of:

	2017 £'000	2016 £'000
Reserves in ESOP (see note 1.13)	20,767	20,769
Own shares held by ESOP (see note 1.13)	(10,253)	(10,611)
Reserve for share-based payments (see note 1.11)	(3,021)	(6,679)
	<u> </u>	<u> </u>
	7,493	3,479
	<u> </u>	<u> </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 2017 the ESOP trusts held 66,324 (2016: 67,903) ordinary A shares in WGL at an average cost of £165 (2016: £162) per share.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18 Financial commitments

At 31 December 2017 the Company had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within one year	2,787	2,787	3,713	3,434
Later than one year and no later than five years	8,586	8,586	1,300	1,364
Later than five years	1,073	3,220	-	-
	12,446	14,592	5,013	4,798

19 Directors' remuneration

	2017	2016
	£'000	£'000
Directors' emoluments	1,945	2,956
Company contributions to directors' personal pension plans	5	9
Compensation for loss of office	-	1,282
	1,950	4,247

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

Remuneration for qualifying services	1,008	2,676
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20 Employees

Number of employees

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

	2017	2016
	Number	Number
WGL Board of Directors	8	10
Research and Data (including Hivemind)	88	72
Investment Management	77	94
Technology	88	98
Corporate	114	112
	375	385

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
Employment costs	£'000	£'000
Wages and salaries	63,647	71,386
Social security costs	8,836	9,626
Other pension costs	3,001	2,542
	<u>75,484</u>	<u>83,554</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, of which D W Harding and M J Hunt are Trustees, amounting to £700k (2016: £738k).

During the year, the Company had related party transactions with key management personnel in relation to services amounting to £15k (2016: £14k).

22 Post balance sheet events

Dividends of £12.1m and £10.2m were paid in January 2018 and April 2018 respectively.

The Company repaid the full outstanding loan balance of £30.0m and cancelled the loan facility on 29 March 2018.

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.