

Registered Number: 5272533

**WITAN INVESTMENT SERVICES LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2009

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# **WITAN INVESTMENT SERVICES LIMITED**

## **Report and Financial Statements for the year ended 31 December 2009**

### **Contents**

2	Directors' Report
5	Statement of Directors' Responsibilities
6 - 7	Independent Auditors' Report
8	Profit and Loss Account
9	Balance Sheet
10 - 14	Notes to the Financial Statements
<i>Appendix</i>	<i>Pillar III Disclosures</i>

## **WITAN INVESTMENT SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors present the Report and the Financial Statements of the Company for the year ended 31 December 2009

#### **Business Review**

##### **Business**

Witan Investment Services Limited (the "Company") is a wholly-owned subsidiary of Witan Investment Trust plc. In April 2006 the Company was authorised by the Financial Services Authority to undertake the regulated activities necessary to manage savings schemes for investors. The Company's platform, entitled Witan Wealthbuilder, became operational in November 2006.

Witan Investment Services Limited has two principal activities

- the provision of marketing services and saving scheme administration to investment trusts, and
- the provision of executive management services to investment trusts, including manager selection and the monitoring and management of outsourced partners, including custodian, fund accountants, and company secretarial services

The Company currently has two corporate clients. Witan Investment Trust plc and Witan Pacific Investment Trust plc

##### **Risks**

There are a small number of specific commercial and economic risks to which the Company has exposure. These include reliance on its third party, outsourced administrators for its savings scheme platforms, complying with FSA rules and regulations and decreased annual management fee revenues in the event of a decline in the share prices of the investment trust companies that participate in the savings scheme platforms. In respect of executive management clients, any failure of a client to sustain or renew a contract for the provision of the services provided would affect the financial health of the Company.

##### **Key Performance Indicators**

The Company has two discernible channels of income by which it may judge its performance and profitability. These are (1) revenues from transaction fees and annual management charges relating to its savings plan business and (2) executive management and marketing fees paid by its corporate clients. The platforms which provide savings plans to the Company's clients (Witan Wealthbuilder, Jump and the Jump Child Trust Fund) currently have about 30,000 customers, with assets of some £192 million invested as at 31 December 2009. Ongoing success will be indicated by growth in these figures. Appropriate costs are apportioned to the Company by its parent, Witan Investment Trust plc, and relate to premises, personnel, and insurances. The most significant costs incurred by the Company are the fees payable to Equiniti Limited, the administrators of Witan Wealthbuilder and Jump, and BNP Paribas Securities Services SA, the administrator of the Jump Child Trust Fund (which was launched in May 2008). The Company is intended to be a profit centre in its own right.

## **WITAN INVESTMENT SERVICES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Going Concern**

The financial position of the Company as at 31 December 2009 is shown in the balance sheet on page 9. The Company has no borrowings or borrowing facilities and has no intention of borrowing funds in the future. The Company is authorised and regulated by the Financial Services Authority and, accordingly, it is required to maintain sufficient regulatory capital. The Board has developed and maintained an Internal Capital Adequacy Assessment Process ('ICAAP') which is designed to demonstrate that the Company has adequate capital to meet the risks facing its business. The Company's ICAAP was updated in February 2010. In June 2010 it will be reviewed formally and approved by the Board. The directors, who have reviewed carefully the Company's budget and forecast for the coming year, consider that the Company has more than adequate financial resources to enable it to continue in operational existence for the foreseeable future, despite the continuing uncertain economic outlook. Accordingly, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's accounts.

The loss after taxation for the year amounted to £25,000 (2008: profit of £55,000). The directors do not intend to declare a dividend in respect of the year (2008: none).

The directors expect the principal activities to continue during 2010.

#### **Directors**

The directors of the Company who served during the year were:

Mr H M Henderson (Chairman)  
Mr R E Clarke  
Mr J O Frost (Managing Director)  
Mr R H McGrath

Mr A L C Bell was appointed a director with effect from 8 February 2010.

#### **Directors' Indemnity**

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

(a) indemnify every director against all losses or liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings in which judgement is given in his favour or in which he is acquitted, and

(b) purchase and maintain insurance for any director against any loss or liability

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

## **WITAN INVESTMENT SERVICES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Directors' statement as to the disclosure of information to the auditors**

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

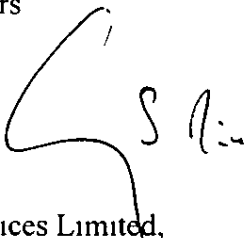
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

#### **Elective resolutions**

The Company has passed elective resolutions in accordance with the Companies Act 2006 to dispense with the annual reappointment of auditors, the holding of annual general meetings and the laying of accounts and reports before general meetings. Deloitte LLP are deemed to continue in office as auditors

By order of the Board

G S Rice  
For and on behalf of  
Henderson Secretarial Services Limited,  
Secretary  
12 March 2010



## **WITAN INVESTMENT SERVICES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **WITAN INVESTMENT SERVICES LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WITAN INVESTMENT SERVICES LIMITED**

We have audited the financial statements of Witan Investment Services Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**WITAN INVESTMENT SERVICES LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WITAN INVESTMENT SERVICES LIMITED (continued)**

**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



Stuart McLaren (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
12 March 2010



**WITAN INVESTMENT SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	<u>Notes</u>	<u>2009</u> £'000	<u>2008</u> £'000
Turnover		1,288	1,784
Administrative expenses	2	(1,314)	(1,792)
<b>Operating loss</b>		<u>(26)</u>	<u>(8)</u>
Bank interest		1	63
<b>(Loss)/profit before taxation</b>		<u>(25)</u>	<u>55</u>
Taxation	4	-	-
<b>(Loss)/profit after taxation for the year</b>	8	<u><b>(25)</b></u>	<u><b>55</b></u>

Turnover derives wholly from continuing operations

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

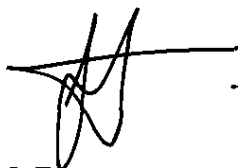
The notes on pages 10 to 14 form part of these financial statements.

**WITAN INVESTMENT SERVICES LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2009**

	<u>Notes</u>	<u>2009</u> £'000	<u>2008</u> £'000
<b>Current assets</b>			
Debtors amounts falling due within one year	5	595	453
Cash at bank		1,554	1,568
<b>Current liabilities</b>			
Creditors amounts falling due within one year	6	(1,133)	(980)
Net current assets		<u>1,016</u>	<u>1,041</u>
<b>Capital and reserves</b>			
Ordinary share capital	7	900	900
Profit and loss reserve	8	116	141
Equity shareholder's funds	9	<u>1,016</u>	<u>1,041</u>

The financial statements of Witan Investment Services Limited (registered number 5272533) were approved by the directors and authorised for issue on 12 March 2010 and were signed on their behalf by



**J O Frost**  
Director

The notes on pages 10 to 14 form part of these financial statements

## **WITAN INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 Accounting policies**

The principal accounting policies adopted by the Company are set out below. These have all been applied consistently throughout the current and prior years.

##### **(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

##### **(b) Going concern**

The directors have considered the risks as set out in the risks paragraph of the Business Review section of the Directors' Report on pages 2 and 3. The directors have also reviewed the adequacy of the Company's capital requirements and consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

##### **(c) Turnover**

Turnover consists of the fees receivable from clients, which are recognised as and when they are earned, and dealing charges and plan management fees from investors in Witan Wealthbuilder, Jump and the Jump Child Trust Fund.

##### **(d) Interest income**

Bank deposit interest is accounted for on an accruals basis.

##### **(e) Expenses**

Expenses are accounted for on an accruals basis.

##### **(f) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis.

## **WITAN INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **2 Administrative expenses**

	<u>2009</u>	<u>2008</u>
	£	£
Administrative expenses include		
Fees payable to the Company's auditors for the audit of the company annual financial statements	<u>£4,000</u>	<u>£4,000</u>

Fees paid to the Company's auditors, Deloitte LLP, and their associates for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated accounts of its parent, Witan Investment Trust plc, are required to disclose non-audit fees on a consolidated basis

#### **3 Directors and staff**

No remuneration was paid or is payable to the directors in respect of the financial year. All the current directors, with the exception of Mr Frost, are also directors of Witan Investment Trust plc, of which the Company is a wholly-owned subsidiary. Mr Frost and Mr Clarke are both employees of Witan Investment Trust plc, as is Mr Bell.

The Company does not employ any staff.

## **WITAN INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **4 Taxation**

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
(a) <u>Taxation charge on ordinary activities</u>		
<u>Current taxation</u>		
UK corporation taxation charge on (loss)/profit for the year	-	-
<u>Deferred taxation</u>		
Origination and reversal of timing differences	-	-
Tax charge on (loss)/profit for the year	-	-

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

The tax assessed for the period is lower than the current standard rate of corporation tax in the UK of 28% (average rate in the year ended 31 December 2008 28.5%). The differences are explained below

(Loss)/profit before taxation	(25)	55
Corporation tax credit at 28% (2008 28.5%)	(7)	16
Effects of		
Losses not recognised	7	-
Surrender of excess expenses by parent company	-	(16)
Current tax charge	-	-

There is no tax charge this year due to losses of £25,000

The tax charge in the prior year has been extinguished by excess expenses of £55,000 surrendered by the parent company

No provision for deferred taxation has been made

**WITAN INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****5 Debtors: amounts falling due within one year**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Prepayments and accrued income	594	452
Other debtors	1	1
	<u>595</u>	<u>453</u>

**6 Creditors: amounts falling due within one year**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Amount due to the parent company	869	752
Accruals	264	228
	<u>1,133</u>	<u>980</u>

**7 Share capital**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, issued and fully paid 900,000 ordinary shares of £1 each	<u>900</u>	<u>900</u>

**8 Profit and loss reserve**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Balance brought forward	141	86
Loss for the year	(25)	55
Balance carried forward	<u>116</u>	<u>141</u>

## **WITAN INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **9 Reconciliation of movements in the equity shareholder's funds**

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Opening equity shareholder's funds	1,041	986
(Loss)/profit for the year	(25)	55
Closing equity shareholder's funds	<u>1,016</u>	<u>1,041</u>

#### **10 Parent undertaking**

The Company is a wholly-owned subsidiary undertaking of its ultimate holding company and controlling party, Witan Investment Trust plc, a company registered in England and Wales. Copies of the parent undertaking's report and financial statements may be obtained from the Secretary, Henderson Secretarial Services Limited, at 201 Bishopsgate, London EC2M 3AE.

#### **11 Cash flow statement**

The Company is a wholly-owned subsidiary of Witan Investment Trust plc and the cash flows of the Company are included in the group cash flow statement of Witan Investment Trust plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 (revised 1996) *Cash Flow Statements* from publishing a cash flow statement.

#### **12 Related party transactions**

As the Company is a wholly-owned subsidiary of Witan Investment Trust plc, the financial statements of which are publicly available, it has taken advantage of the exemption under Financial Reporting Standard 8 *Related Party Disclosures* from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

**Pillar 3 Disclosure****Background**

There are three supervisory pillars set out in the revised Basel Accord, which have been written into European Law through the Capital Requirements Directive ('CRD'), and further developed in the Pillar 2 guidance issued by the Committee of European Banking Supervisors ('CEBS')

Collectively Pillars 1, 2 and 3 form an overall framework for prudential supervision of banks, credit institutions and investment firms. The first pillar revises existing minimum regulatory capital standards for three major components of risk that firms face: credit, market and operational risk. The second pillar requires firms to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or likely to be, exposed. The third pillar requires firms to publish certain details of their risks, capital and risk management process.

The Pillar 3 disclosure must be done in accordance with a formal disclosure policy which sets out our policies for assessing the appropriateness of our disclosures, including their verification and frequency. The rules provide that firms may omit one or more of the required disclosures if we believe that the information is immaterial. Where we have considered a disclosure to be immaterial, we have stated this in the relevant section.

We are also permitted to omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential, which if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers and counterparties. Where we have omitted information for either of these two reasons we have stated this in the relevant section and the reasons for this.

**Information covered under this Disclosure**

In this document we disclose information, unless it has been determined as immaterial or of a proprietary or confidential nature, on

- our risk management objectives and policies,
- the scope of application of directive requirements,
- our capital resources,
- our compliance with the rules in BIPRU and on Pillar 2 requirements, and
- market risk

**Scope of the Disclosure**

The disclosures in this document are made in respect of Witan Investment Services Limited, which is



authorised and regulated by the Financial Services Authority Witan Investment Services Ltd is a wholly owned subsidiary of Witan Investment Trust Plc and was originally established to market, administer and service the product plans of clients investing directly into its parent's investment trust but also other investment trusts

For the purposes of the Capital Requirements Directive, Witan Investment Services Ltd is not consolidated with its parent, Witan Investment Trust PLC, providing its own unconsolidated financial returns to the FSA There are no known current or foreseen practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities between the parent and subsidiary undertaking

### **Risk Management objectives and policies**

Our risk management policy reflects the FSA requirement that we must manage a number of different categories of risk These include credit, market, business, operational, insurance, liquidity and group risk In respect of this disclosure it is the first four of these risks that are relevant and further information is provided on these risks below

### **Credit risk**

The extent to which we provide credit to clients and, therefore, the extent to which we are subject to credit risk and how we mitigate this is governed by the terms and conditions of individual agreements with those clients

With regard to bank deposits, we only deposit money with approved counterparties on agreed terms For sales debtors in investment plans, the risk of not receiving sums due to us is mitigated as we have the right to sell shares to pay for the annual management fees The risk is further reduced by the sheer size and depth of our investor base, which comfortably exceeds 25,000 individual accounts

### **Market Risk**

Under Pillar 1, we do not have any exposure to either foreign exchange risk or position risk, which together make up market risk

### **Business Risk**

Our Pillar 2 business risk assessment principally takes the form of a fall in assets under management following a market downturn that leads to lower management fees Different economic scenarios are modelled as part of the Internal Capital Adequacy Assessment Process (ICAAP) to establish the impact of economic downturns on our financial position

### **Operational Risk**

Most of our risk management efforts are focused on operational risk This includes everything, from risk to

our high-level strategy to risk of administrative errors, fraud and theft. Our policy is to operate a robust and effective risk management process, embedded within the governance and management structures of our business.

Our risk management framework defines what operational risk means to us and this is approved by our Board. The main initiative is the establishment of a 'Risk Map' which includes analysis of the key risk areas identified by the senior management. These areas cover specific risk items within the following areas: Financial, Strategy, Customer Service, Third Party Outsourcing, Operational, and Legal and Regulatory.

We seek to identify the impact and probability of each risk item and rank it as high, medium or low. We also identify and implement measures to mitigate the risk and monitor any residual risk on an ongoing basis. The Risk Map is appended to the ICAAP which is formally approved by the Board.

#### **Capital resources**

The value of share capital and audited reserves is £1,041,000 at 31st December 2008. Our capital resources are comprised of core Tier 1 capital only and therefore there are no other items or deductions. In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for a BIPRU firm), our capital requirement has been determined as being our fixed overhead requirement and not the sum of our credit risk capital requirement and our market risk capital requirement. Our Pillar 1 fixed overhead requirement, based on our 2008 expenses, has been calculated as being £448,000 for 2009.

#### **Credit and Market risk**

Our credit risk and market risk capital requirements have been calculated as £55,000 and zero respectively as at 31 December 2009. Disclosures in relation to these have been considered immaterial under BIPRU 11.3.5R (Exemption from disclosure: Materiality), as our capital requirement under GENPRU 2.1.45R (Calculation of the variable capital requirement for a BIPRU firm), is our fixed overheads requirement rather than the sum of our credit risk capital requirement and our market risk capital requirement.

#### **Compliance with rules in BIPRU and Pillar 2 rule requirements**

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis. The level of capital required to cover risks is a function of impact and probability. We assess impact by modelling the changes in our income and expenses caused by various potential risks over a 1-year time horizon. Probability is assessed subjectively.

Following the risk and capital requirement analysis undertaken by the senior management team, we have concluded that no additional capital is required under our Pillar 2 calculation. We hold in excess of £1,000,000 as cash in the bank, which comfortably meets the fixed overhead requirement. In addition, the Witan Group's PII policy provides cover up to £10million on any one claim which, in our opinion, mitigates the need to apportion capital in Pillar 2. Therefore, our Pillar 1 requirement is the minimum regulatory capital requirement that we will hold.