

Registered Number: 5272533

WITAN INVESTMENT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016



WITAN INVESTMENT SERVICES LIMITED

Report and Financial Statements for the year ended 31 December 2016

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WITAN INVESTMENT SERVICES LIMITED

STRATEGIC REPORT

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed. The Strategic Report contains certain forward looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business review

Witan Investment Services Limited ("the Company") is a wholly-owned subsidiary of Witan Investment Trust plc. The Company is authorised by the Financial Conduct Authority ("FCA") to undertake the regulated activities necessary to manage savings schemes for investors. The Company has two savings schemes, Witan Wisdom and Jump Savings, both of which were launched 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. In connection with this, since July 2014 the Company has been authorised by the FCA to act as an Alternative Investment Fund Manager ("AIFM") to an Alternative Investment Fund ("AIF"), in order to enable an AIF to fulfil the requirements of the AIFM Directive.

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

Results for the year

The profit after taxation for the year amounted to £202,000 (2015: profit of £314,000). The directors do not intend to declare a dividend in respect of the year (2015: none).

Principal risks and uncertainties

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 FCA rules and regulations and decreased annual management fee revenues in the event of decreased fee revenues owing to a fall in executive management clients' assets or the number of accounts and transaction activity in the savings plans. 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.

WITAN INVESTMENT SERVICES LIMITED

STRATEGIC REPORT continued

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 its savings plan business and (2) AIFM, executive management and marketing fees paid by its corporate clients. The two savings plans, Witan Wisdom and Jump Savings, currently have over 22,000 accounts (2015: 23,000), with assets of some £401 million invested as at 31 December 2016 (2015: £345 million). 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 costs of providing the AIFM and Executive Management services to its corporate clients and the fees payable to IFDS, the administrator of Witan Wisdom and Jump Savings, which form part of the charges paid by savings plan account holders. The Company is intended to be a profit centre in its own right.

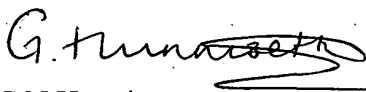
Future developments in the business

The directors expect the principal activities to continue during 2017.

Going Concern

The financial position of the Company as at 31 December 2016 is shown in the balance sheet on page 10. 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 Conduct 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 2016 and the revised document was approved formally by the Board in July 2016. The directors, who have reviewed carefully the Company's budget and forecast for the coming and following years, consider that the Company has more than 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 accounts.

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



G N Hunnisett
Director

24 April 2017

WITAN INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT

The directors present the annual report and the financial statements of Witan Investment Services Limited (the "Company") for the year ended 31 December 2016.

Directors

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

Mr H M Henderson (Chairman)
Mr A L C Bell (Chief Executive Officer)
Mr R W Boyle
Mrs M C Claydon
Mr G N Hunnisett
Ms S E G A Neubert
Mr R J Oldfield (appointed 11 November 2016)
Mr A Watson

Mr J S Perry was appointed on 5 January 2017.

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.

Directors' statement as to the disclosure of information to the auditor

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

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

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

WITAN INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT

Pillar III Disclosure and Remuneration Code Disclosure

A copy of the company's most recent Pillar 3 and Remuneration Code disclosures, which are not audited, is available upon request from the Company's registered office at 14 Queen Anne's Gate, London SW1H 9AA.

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 were deemed to continue in office as the auditor until they resigned with effect from 22 August 2016 following the decision to appoint Grant Thornton UK LLP as auditors as described below.

During 2016, the Audit Committee of Witan Investment Trust plc carried out a tender for the audit and appointed Grant Thornton UK LLP as auditors of both Witan Investment Trust plc and the Company with effect from the accounts for the year ended 31 December 2016.

By order of the Board

Frostrow Capital LLP

Frostrow Capital LLP
Secretary

24 April 2017

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, including FRS 102 '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 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 accounting 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 AUDITOR'S 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 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes. 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), 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 page 6, 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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

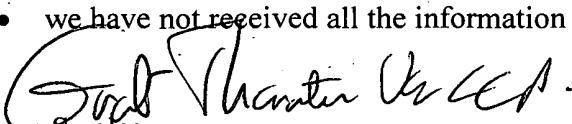
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following 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.


Marcus Swales

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

24 April 2017

WITAN INVESTMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016

| | <u>Notes</u> | <u>2016</u> £'000 | <u>2015</u> £'000 |
|---|--------------|----------------------|----------------------|
| Turnover | 2 | 1,560 | 1,609 |
| Administrative expenses | 3 | (1,361) | (1,299) |
| Operating profit | | <hr/> 199 | <hr/> 310 |
| Bank interest | | 3 | 4 |
| Profit before taxation | | <hr/> 202 | <hr/> 314 |
| Taxation | 5 | - | - |
| Profit after taxation for the year | 9 | <hr/> 202 | <hr/> 314 |

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 comprehensive income has been presented.

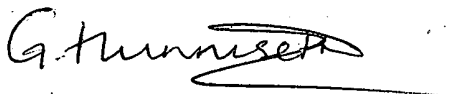
The notes on pages 12 to 17 form part of these financial statements.

WITAN INVESTMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2016

| | <u>Notes</u> | <u>2016</u> £'000 | <u>2015</u> £'000 |
|--|--------------|----------------------|----------------------|
| Current assets | | | |
| Debtors: amounts falling due within one year | 6 | 3,513 | 2,684 |
| Cash at bank | | 1,401 | 1,005 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 7 | (3,204) | (2,181) |
| Net assets | | <u>1,710</u> | <u>1,508</u> |
| Capital and reserves | | | |
| Ordinary share capital | 8 | 900 | 900 |
| Profit and loss reserve | 9 | 810 | 608 |
| Equity shareholder's funds | | <u>1,710</u> | <u>1,508</u> |

The financial statements of Witan Investment Services Limited (registered number 5272533) were approved by the directors and authorised for issue on 24 April 2017 and were signed on their behalf by



G N Hunnisett
Director

The notes on pages 12 to 17 form part of these financial statements.

WITAN INVESTMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2016

| | Issued Share Capital £'000 | Revenue reserve £'000 | Total £'000 |
|-----------------------------|----------------------------------|-----------------------------|----------------|
| Balance at 31 December 2015 | 900 | 608 | 1,508 |
| Profit for year | - | 202 | 202 |
| Balance at 31 December 2016 | 900 | 810 | 1,710 |

| | Issued Share Capital £'000 | Revenue reserve £'000 | Total £'000 |
|-----------------------------|----------------------------------|-----------------------------|----------------|
| Balance at 31 December 2014 | 900 | 294 | 1,194 |
| Profit for year | - | 314 | 314 |
| Balance at 31 December 2015 | 900 | 608 | 1,508 |

The notes on pages 12 to 17 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.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates.

(b) Going concern

The directors have considered the risks as set out in the risks paragraph of the Business Review section of the Strategic 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) Principal activity

The business of the company is the provision of alternative investment fund manager, executive and marketing management services and the management of savings schemes.

(d) Turnover

Turnover consists of the fees receivable from clients and dealing charges and plan management fees from investors in Witan Wisdom and Jump Savings, which are recognised on an accrual basis.

WITAN INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Interest income

Bank deposit interest is accounted for on an accruals basis.

(f) Expenses

Expenses are accounted for on an accruals basis.

(g) 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.

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.

2. Turnover

Turnover comprises the value of services provided in the UK by the Company and is exclusive of value added tax

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| | £'000 | £'000 |
| Transaction fees and annual management charge | 705 | 718 |
| Executive management and marketing fees | 855 | 891 |
| | <u>1,560</u> | <u>1,609</u> |

WITAN INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Administrative expenses

| | <u>2016</u> £'000 | <u>2015</u> £'000 |
|--|----------------------|----------------------|
| Administrative expenses include : | | |
| Fees payable to the Company's auditor in respect of | | |
| • the audit of the Company's annual financial statements | 10 | 4 |
| • other services required pursuant to legislation | 9 | 1 |

Fees paid to the Company's auditor, Grant Thornton UK 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.

The main costs incurred by the Company (which form part of the charges paid by the savings plan account holders) are fees paid to the savings plan administrator, IFDS, amounting to £669,000 (2015: £620,000) and the relevant staff costs recharged to the Company by the parent company amounting to £368,000 (2015: £344,000).

Administrative expenses include a recharge of an agreed proportion of the fees payable to the non-executive directors of the parent company, Witan Investment Trust plc, who also serve as directors of the Company. The amount recharged in respect of the year ended 31 December 2016 was £36,000 (2015: £32,000).

4. Directors and staff

The current directors, with the exception of Mr Hunnisett, are also directors of Witan Investment Trust plc, of which the Company is a wholly-owned subsidiary. As per note 3, directors' fees are paid and payable by Witan Investment Trust plc and an agreed proportion is recharged to Witan Investment Services via administration expenses.

The Company does not employ any staff. Mr Bell and Mr Hunnisett are employees of Witan Investment Trust plc. An agreed proportion of the relevant staff costs and directors' fees is recharged to the Company by the parent company (see note 3 above).

WITAN INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| (a) <u>Taxation charge on ordinary activities</u> | | |
| <u>Current taxation</u> | | |
| UK corporation taxation charge on profit for the year | - | - |
| <u>Deferred taxation</u> | | |
| Origination and reversal of timing differences | - | - |
| Tax charge on 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 20.0% (2015: 20.25%). The differences are explained below:

| | | |
|---|------|------|
| Profit before taxation | 202 | 314 |
| Corporation tax credit at 20.0% (2015: 20.25%) | 40 | 64 |
| Effects of: | | |
| Excess expenses surrendered by Parent Company | (40) | (64) |
| Losses available to be utilised from prior year | - | - |
| Total tax charge | - | - |

There is no tax charge this year (2015: nil) on the profit of £202,000 (2015: £314,000) due to excess expenses of £202,000 surrendered by the parent company.

Prior year losses available to be utilised amount to £nil (2015: £nil).

No provision for deferred taxation has been made.

WITAN INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Debtors: amounts falling due within one year

| | <u>2016</u> £'000 | <u>2015</u> £'000 |
|--------------------------------|----------------------|----------------------|
| Prepayments and accrued income | 2,700 | 2,201 |
| Other debtors | 813 | 483 |
| | <u>3,513</u> | <u>2,684</u> |

7. Creditors: amounts falling due within one year

| | <u>2016</u> £'000 | <u>2015</u> £'000 |
|----------------------------------|----------------------|----------------------|
| Amount due to the parent company | 2,913 | 1,976 |
| Accruals | 291 | 205 |
| | <u>3,204</u> | <u>2,181</u> |

8. Share capital

| | <u>2016</u> £'000 | <u>2015</u> £'000 |
|---|----------------------|----------------------|
| Called up, issued and fully paid: 900,000 ordinary shares of £1 each | 900 | 900 |

9. Profit and loss reserve

| | <u>2016</u> £'000 | <u>2015</u> £'000 |
|-------------------------|----------------------|----------------------|
| Balance brought forward | 608 | 294 |
| Profit for the year | 202 | 314 |
| Balance carried forward | <u>810</u> | <u>608</u> |

WITAN INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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, Frostrow Capital LLP, at 14 Queen Anne's Gate, London SW1H 9AA.

11. **Cash flow statement**

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

12. **Related party transactions**

The Company is taking the exemption from disclosing related party transactions with the group under s33 of FRS 102.

13. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 14 Queen Anne's Gate, London SW1H 9AA.

The attached Appendix does not form part of the audited statutory accounts for the year ended 31 December 2016.

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'), the precursor to the European Banking Authority ('EBA'), which has subsequently taken over its responsibilities.

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 IFPRU and on Pillar 2 requirements;
- market risk; and
- our remuneration.

Scope of the Disclosure

The disclosures in this document are made in respect of Witan Investment Services Ltd, which is authorised and regulated by the Financial Conduct Authority ("FCA"). 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. Following the implementation of the Alternative Investment Fund Managers Directive Witan Investment Services Ltd was approved by the FCA as an Alternative Investment Fund Manager ("AIFM") on 14 July 2014. Accordingly, in addition to the plan management activities identified above, Witan Investment Services Ltd also provides AIFM management services to its 100% parent, Witan Investment Trust plc, an unauthorised Alternative Investment Fund (AIF). We retain responsibility for both the portfolio and risk management of Witan Investment Trust plc. While retaining control over portfolio and risk management, we employ a multi-manager investment approach (for the diversification benefits it offers its shareholders).

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 FCA. 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 FCA 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. We do not provide credit, however as we invest cheques on the day of receipt we could be exposed if the cheque failed to clear which could leave us with the difference between what was paid for the shares and sale value.

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 22,000 individual accounts.

There remains inherent counter party risk present with cash balances held with our custodian on an intraday

basis due to the potential failure, for whatever reason, of the custodian bank to honour its contractual settlement arrangements in respect of share plan dealing. WIS's assessment of this risk is that it is not significant.

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 and the number of accounts following a market downturn that leads to lower management fees. This is mitigated to an extent by virtue of the fact that the annual charges on savings plan accounts are levied at a fixed rate per account rather than on an ad valorem basis. Since becoming an AIFM to Witan Investment Trust plc we also receive a fixed fee for our AIFM management services. 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 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 on an annual basis.

Capital resources

The value of share capital and audited reserves is £1,710,000 at 31st December 2016. Our capital resources are comprised of core Tier 1 capital only and therefore there are no other items or deductions. Our capital requirement has been determined as being the higher of our winding up costs of £824,000 for 2017 and our Funds under Management Capital Requirement of £653,000 calculated in accordance with the requirements

of the AIFMD as at 31 December 2016. Our Pillar 1 Capital Resources Requirement, based on our winding up costs, has been calculated as being £824,000 for 2017.

Credit and Market risk

Our credit risk and market risk capital requirements have been calculated as £272,535 and zero respectively as at 31 December 2016. 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 winding up costs 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 the Firm's capital resource requirement should be its estimate of winding up costs by virtue of the fact that this figure exceeds the Funds under Management Capital requirement. We hold net liquid assets of £1,006,000, which is held as cash at bank, which comfortably meets our calculation of winding up costs of £696,000 and, in addition, the Witan Group's PII policy provides cover up to £20 million.

Remuneration Policy

Since 1 January 2011 we have been required by the FCA to provide information on our remuneration arrangements. Witan Investment Services Ltd has been categorised by the FCA as a 'Tier 3 Firm' and is therefore subject to the minimum prescribed levels of disclosure.

Our parent company, Witan Investment Trust plc, has an established Remuneration Committee (the 'Committee'), which meets regularly to consider human resource issues relating to terms and conditions of employment, head count and remuneration for both non-Executive Directors as well as Executive employees. The Committee comprises non-executive directors and meetings are attended by a representative from Compliance or, on occasions when this is not appropriate, the Committee receives Compliance advice on the issues under discussion. The Committee is responsible for the implementation of the remuneration policy which is approved by the Board.

Our remuneration arrangements for Executives represent a combination of salary and incentive schemes that are designed to ensure that rewards are linked to the attainment of assigned operational (primarily non-

financial) targets to align the interest of the Firm and its employees with those of its clients. Non-salary remuneration is variable, based on Firm and individual performance. We do not pay any compensation tied solely to business development. In certain cases, remuneration is directly linked to the attainment of targets linked to the returns enjoyed by shareholders, where this is appropriate to the individual's role.

We do not use a pre-set formulaic matrix to determine Executives' basic remuneration or, except for the parent Company's Chief Executive Officer where a publicly disclosed formulaic approach (approved by shareholders) forms part of the process, to determine variable remuneration. The determination of remuneration for more senior investment staff is a discretionary process informed by various performance metrics including individual performance measured against tasks set in the performance appraisal process, standard competencies and qualitative annual goal attainment, industry peer group remuneration levels and affordability. We ensure that the variable remuneration bonus pool is set as a conservative percentage of the Firm's net income. This means that staff remuneration is dependent upon the Firm's objectives being achieved and it allows it to manage its capital prudently.

Breakdown of Remuneration for the financial year ended 31 Dec 2016:

Breakdown of aggregate remuneration of staff in respect of whom disclosure is required by Business Area (i) and by Senior Management and Other Staff whose actions have a material impact on the Firm's risk profile (ii)

| <i>(i) Business Area</i> | | <i>Total Remuneration</i> |
|--|---|---------------------------|
| Investment and Savings Plan Management | | £1,281,848 |
| <i>(ii) Senior Management</i> | <i>(ii) Other Staff (material impact)</i> | <i>Total</i> |
| £1,077,059 | £204,789 | £1,281,848 |