

Registered Number: 5272533

**WITAN INVESTMENT SERVICES LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2019



# **WITAN INVESTMENT SERVICES LIMITED**

## **Report and Financial Statements for the year ended 31 December 2019**

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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 had two savings schemes, Witan Wisdom and Jump Savings, both of which were launched in November 2006. However, as noted within the Strategic Report, after careful consideration and review of the current service available to Savings Scheme account holders, it was decided that, in light of the increasing variety, capability and cost effectiveness of investment platforms in the wider savings market (and the increased costs of running the Schemes), the interests of account holders would be best served by a transfer of their investments to a specialist investment platform. Hargreaves Lansdown, a FTSE 100 Company, was identified as being the preferred supplier of replacement services.

During January 2019 the process of communicating this decision to clients, and the options available to them began with the project largely complete by the end of June 2019.

Witan Investment Services Limited had two principal activities during the year:

- 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 provision of savings scheme administration to investment trusts was ended during the year.

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 £67,000 (2018: loss of £361,000). The directors do not intend to declare a dividend in respect of the year (2018: none).

## **WITAN INVESTMENT SERVICES LIMITED**

### **STRATEGIC REPORT (continued)**

#### **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, 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. 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 results of the Company.

#### **Key Performance Indicators**

The Company has historically had 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. 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 were the costs of providing the AIFM and Executive Management services to its corporate clients and the fees payable to DST Financial Services International Ltd, the administrator of Witan Wisdom and Jump Savings. As noted previously, the savings plan business was closed during 2019 and therefore the associated revenue and costs will similarly end going forward.

#### **Future developments in the business**

The Directors expect the principal activities of marketing services for investment trusts and the provision of executive management services to investment trusts, to continue during 2020. This remains under regular review

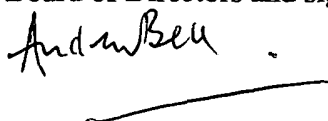
#### **Going Concern**

The financial position of the Company as at 31 December 2019 is shown in the balance sheet on page 11. 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 2019 and the revised document was approved formally by the Board in July 2019. 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:

A L C Bell  
Director

11 March 2020



## **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 2019.

#### **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 G N Hunnisett  
Ms S E G A Neubert  
Mr R J Oldfield  
Mr J S Perry  
Mr A J S Ross (appointed 6 August 2019)  
Mr A Watson  
Mr P T Yates

#### **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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

## **WITAN INVESTMENT SERVICES LIMITED**

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

#### **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, and is attached to these accounts.

#### **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. Grant Thornton UK LLP were appointed as auditors of both Witan Investment Trust plc and the Company with effect from the accounts for the year ended 31 December 2016 and are deemed to continue in office as the auditor.

By order of the Board



Frostrow Capital LLP

Secretary

11 March 2020

## **WITAN INVESTMENT SERVICES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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**

#### **Opinion**

We have audited the financial statements of Witan Investment Services Limited (the 'company') for the year ended 31 December 2019, which comprise Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **WITAN INVESTMENT SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WITAN INVESTMENT SERVICES LIMITED (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which 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.

## **WITAN INVESTMENT SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WITAN INVESTMENT SERVICES LIMITED (continued)**

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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.



Marcus Swales

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

11 March 2020

**WITAN INVESTMENT SERVICES LIMITED****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u> Continuing Operations £'000	<u>2019</u> Discontinued Operations £'000	<u>2019</u> Total £'000	<u>2018</u> Continuing Operations £'000	<u>2018</u> Discontinued Operations £'000	<u>2018</u> Total £'000
Turnover	2	803	1,168	1,971	873	680	1,553
Administrative expenses	3	(671)	(1,237)	(1,908)	(809)	(1,110)	(1,919)
<b>Operating profit/(loss)</b>		132	(69)	63	64	(430)	(366)
Bank interest		4	-	4	5	-	5
<b>Profit/(loss) before taxation</b>		136	(69)	67	69	(430)	(361)
Taxation	5	-	-	-	-	-	-
<b>Profit/(loss) after taxation for the year</b>	9	136	(69)	67	69	(430)	(361)

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 13 to 18 form part of these financial statements.

**WITAN INVESTMENT SERVICES LIMITED****BALANCE SHEET AS AT 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u> £'000	<u>2018</u> £'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	472	700
Cash at bank		1,156	2,012
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	7	(570)	(1,721)
Net assets		<u>1,058</u>	<u>991</u>
<b>Capital and reserves</b>			
Ordinary share capital	8	900	900
Profit and loss reserve	9	158	91
Equity shareholder's funds		<u>1,058</u>	<u>991</u>

The financial statements of Witan Investment Services Limited (registered number 5272533) were approved by the directors and authorised for issue on 11 March 2020 and were signed on their behalf by



**A L C Bell**  
Director

The notes on pages 13 to 18 form part of these financial statements.

**WITAN INVESTMENT SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019**

	Issued Share Capital £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2018	900	91	991
Profit for year	-	67	67
Balance at 31 December 2019	<b>900</b>	<b>158</b>	<b>1,058</b>

	Issued Share Capital £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2017	900	452	1,352
Loss for year	-	(361)	(361)
Balance at 31 December 2018	<b>900</b>	<b>91</b>	<b>991</b>

The notes on pages 13 to 18 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.

## **2. Turnover**

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

	<u>2019</u> £'000	<u>2018</u> £'000
<b><u>Discontinued Operations</u></b>		
Transaction fees and annual management charge	1,168	680
<b><u>Continuing Operations</u></b>		
Executive management and marketing fees	803	873
	<u>1,971</u>	<u>1,553</u>

## **WITAN INVESTMENT SERVICES LIMITED**

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

#### **3. Administrative expenses**

	<u>2019</u> £'000	<u>2018</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	10
• other services required pursuant to legislation	38	30
	<hr/>	<hr/>

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 relating to discontinued operations being the savings plan administrator, DST, amounting to £1,237,000 (2018: £1,110,000) One-off regulatory development project costs included within the fees paid to DST amounted to £550,000 (2018: £301,000).

The relevant staff costs recharged to the Company by the parent company amounting to £419,000 (2018: £406,000). 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 2019 was £49,000 (2018: £47,000).

#### **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>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
(a) <u>Taxation charge on ordinary activities</u>		
<u>Current taxation</u>		
UK corporation taxation charge for the year	-	-
	<u>-</u>	<u>-</u>

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

The UK corporation tax rate in 2019 was 19% (2018: 19%). The tax assessed for the year is lower than the effective corporation tax rate. The differences are explained below:

Profit/(Loss) before taxation	<u>67</u>	<u>(361)</u>
Corporation tax credit at 19% (2018: 19%)	13	(69)
Effects of:		
Excess expenses surrendered by parent company	(13)	-
Losses not recognised	-	69
Total tax charge	<u>-</u>	<u>-</u>

There is no tax charge this year on the profit of £67,000 due to excess expenses of £85,000 surrendered by the parent company.

There is no tax charge in the prior year due to losses of £361,000.

Carry forward losses available to be utilised amount to £652,000 (2018: £719,000).

No recognition has been made of a deferred taxation asset of £111,000 (2018: £122,000).

# **WITAN INVESTMENT SERVICES LIMITED**

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

### **6. Debtors: amounts falling due within one year**

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Prepayments and accrued income	225	400
Other debtors	247	300
	<u>472</u>	<u>700</u>

### **7. Creditors: amounts falling due within one year**

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Amount due to the parent company	146	1,166
Accruals	424	555
	<u>570</u>	<u>1,721</u>

### **8. Share capital**

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Called up, issued and fully paid: 900,000 ordinary shares of £1 each	900	900

### **9. Profit and loss reserve**

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Balance brought forward	91	452
Profit/(loss) for the year	67	(361)
Balance carried forward	<u>158</u>	<u>91</u>

## **WITAN INVESTMENT SERVICES LIMITED**

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

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**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 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 section 33 of FRS 102.

**13. Company status**

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.

## **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 Regulation ('CRR') and the Capital Requirements Directive ('CRD') together referred to as CRD IV, and further developed in the Pillar 2 guidance issued by the Committee of European Banking Supervisors ('CEBS') and its successor, the European Banking Authority ('EBA').

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 ("WIS") 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. However, during the second half of 2017, after careful consideration, WIS reached the view that it would cease to undertake savings plan management. This was on the basis that this does not represent its core activity and the increasing administrative burden of even operating an outsourced model and the incumbent regulatory risk was too high. It was also considered that dedicated investment platforms could offer WIS's savings scheme investors broader services and enhanced up to date online capabilities, as evidenced by their growing share of the savings market. Accordingly, following careful and detailed examination of proposals from a range of organisations which specialise in the operation of investment savings accounts, the Board selected Hargreaves Lansdown. The transfer of the savings schemes has reduced significantly the Firm's operations and regulatory risk. The bulk transfer of the Savings Schemes to Hargreaves Lansdown took place on 11 May 2019. WIS is currently dealing with a rump of savings scheme clients, which is largely made up of deceased accounts. Following the successful transfer of the business to Hargreaves Lansdown, WIS's regulatory risk exposure is significantly diminished. It has ceased to have directly contracted retail clients and has ceased to undertake MiFID activities, the most impactful of which is the safeguarding and administration of assets.

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 CRD IV, 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 the closure of the Savings Schemes (as referred to above) this risk has now significantly diminished. Going forward our credit risk is primarily based upon our exposure to the banks with whom we deposit money. We only deposit money with approved counterparties and regularly review their credit worthiness.

**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. This is mitigated to an extent by virtue of the fact that the annual fees for the services provided to WIT and Witan Pacific are levied at a fixed rate rather than on an ad valorem basis. 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 £1,058,000 at 31st December 2019. 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 £133,000 for 2019, our Fixed Overhead Requirement (plus professional negligence capital requirement) of £709,000 and our Funds under Management Capital Requirement (plus professional negligence capital requirement) of £760,000 calculated in accordance with the requirements of the AIFMD as at 31 December 2019. Our Pillar 1 Capital Resources Requirement, based on our Funds under Management Capital Requirement (plus professional negligence capital requirement), has been calculated as being £760,000 for 2019.

### **Credit and Market risk**

Our credit risk and market risk capital requirements have been calculated as £49,000 and zero respectively as at 31 December 2019. 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 Overhead 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 the Firm's capital resource requirement should be its Funds under Management Capital Requirement by virtue of the fact that this figure exceeds the Funds under Management Capital requirement. We hold net liquid assets of £1.16m, which is held as cash at bank, which comfortably meets our calculation of the Funds under Management Capital Requirement of £760,000 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. In its application of the rules to its Remuneration policy, the Firm has taken account of the FCA's BIPRU remuneration principles proportionality rule, which permits the application of the total remuneration policies for Remuneration Code Staff, in a way and to the extent that is appropriate to the Group's size, internal organisation and the nature, the scope and the complexity of its activities..

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 2019:

**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)**

<b>(i) Business Area</b>		<b>Total Remuneration</b>
Investment and Savings Plan Management		1,528,194£
<b>(ii) Senior Management</b>	<b>(ii) Other Staff (material impact)</b>	<b>Total</b>
£1,310,512£	£217,682£	£1,528,194£