ANNUAL REPORT 2016

Capital and income growth from active global equity investment

Witan investment trust plc

WITAN'S OBJECTIVE

Long–term growth in income and capital through active multi–manager investment in global equities

Witan is an investment trust which is listed on the London Stock Exchange and was founded in 1909.

Witan offers diversified exposure to global markets (principally equities) using a multi–manager approach. The portfolio is diversified by geographical region, industrial sector and at the individual stock level.

Witan typically uses between 10 and 15 investment managers. The blend of different active approaches and styles aims to deliver added value for shareholders while smoothing out the volatility normally associated with a single manager.

To view the report online

If you would like to view video updates about the Company, please visit:

www.witan.com

CONTENTS

+18.4%
Shareholder total return

+22.9%
NAV total return

+11.8%
Dividends per share

FINANCIAL HIGHLIGHTS

Corporate key performance indicators

	2016	2015	% change
Share price	**902.0p**	780.0p	↑ 15.6
NAV per ordinary share (debt at par value)	**952.8p**	788.4p	↑ 20.9
NAV per ordinary share (debt at fair value)	**939.2p**	781.2p	↑ 20.2
Discount (NAV including income, debt at fair value)(A)	**4.0%**	0.2%	

(A) The average discount on this basis in 2016 was 5.8% (2015: average premium 0.1%), (Source: Morningstar).

Total return performance

	1yr % Return	3yrs % Return	5yrs % Return
Total shareholder return(B)	18.4	44.0	125.8
Net asset value total return(C)	22.9	39.4	108.4
Witan Benchmark(D)	23.0	34.3	83.3
FTSE All-Share Index(E)	16.8	19.3	61.8
FTSE World Index(E)	30.4	53.4	110.7
UK CPI return	1.6	2.3	7.2

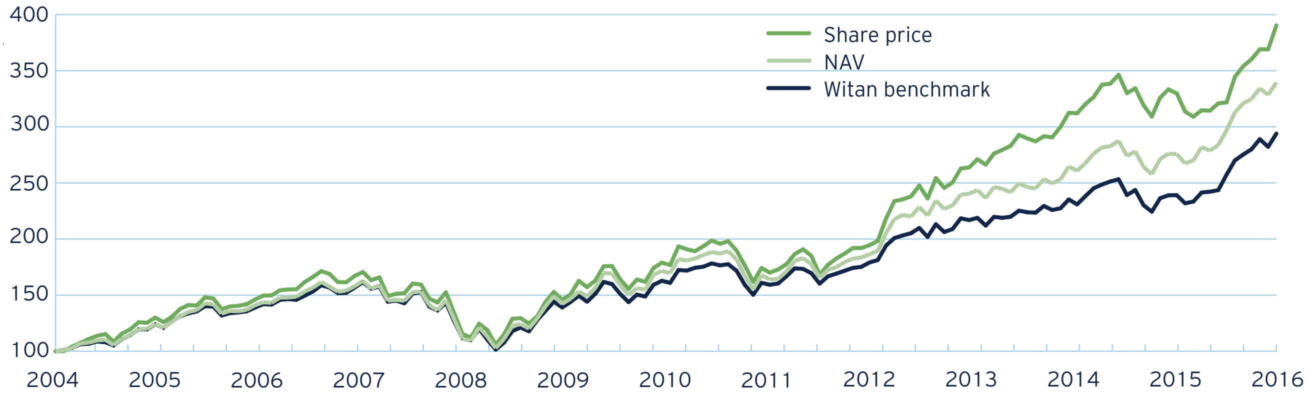
(B) Source: Morningstar. The movement in ordinary share price adjusted to include the reinvestment of each dividend paid during the respective period's calculation.

(C) Source: Morningstar/Witan. The movement in the net asset value per share (debt at fair value) adjusted to include the reinvestment of each dividend paid during the respective period's calculation.

(D) Source: Morningstar/Witan. The benchmark was a composite of four indices: the FTSE All-Share Index 40%, the FTSE All-World North America Index 20%, the FTSE All-World Europe (ex UK) Index 20% and the FTSE All-World Asia Pacific Index 20%.

(E) Source: Morningstar. See also FTSE International for conditions of use (www.ftse.com).

Total returns since the introduction of the multi-manager structure (30.09.04)



Source: Morningstar.

Note:

The financial statements (on pages 62 to 88) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on this and the following page and explained in greater detail in the Strategic Report on page 8. A reconciliation of the NAV per ordinary share (debt at par value) to the NAV per ordinary share (debt at fair value) is shown in note 18 on page 86.

Dividend information

	2016	2015	% change
Revenue per share	**22.1p**	18.5p	↑ 19.5
Dividend per share	**19.0p**	17.0p	↑ 11.8

2017 dividend schedule*

Ex–Dividend Date	Pay date	Dividend type	Dividend payable per share
2 March 2017	31 March 2017	Fourth Interim (2016)	6.25p
18 May 2017	16 June 2017	First Interim	4.75p
24 August 2017	18 September 2017	Second Interim	4.75p
16 November 2017	18 December 2017	Third Interim	4.75p

*Please note that the dates and amounts for the first, second and third interim dividends could be subject to change.

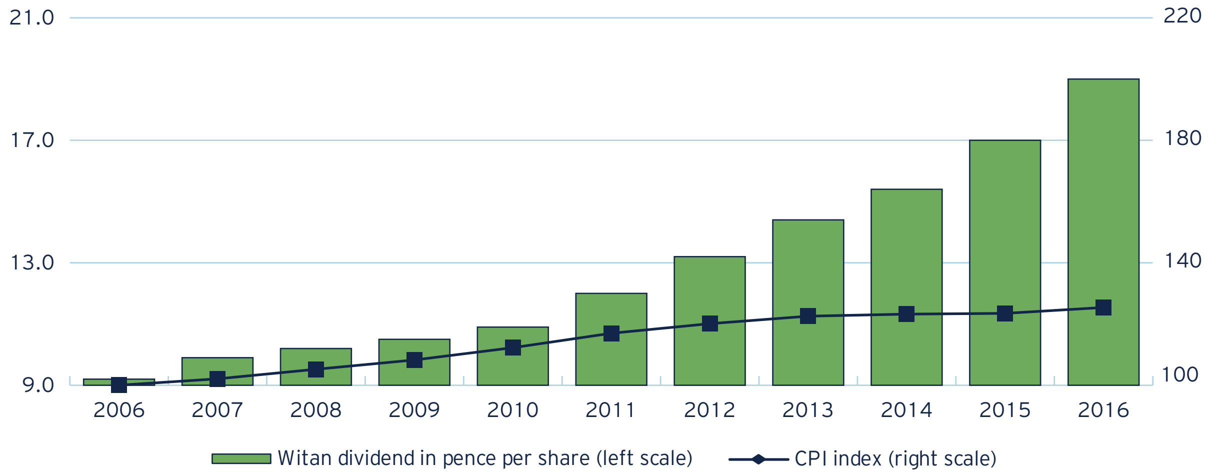
Other financial information

	2016	2015	% change
Net assets	**£1,726,637,000**	£1,577,330,000	↑ 9.5
Number of ordinary shares in issue(A)	**200,071,000**	200,071,000	–
Gearing(B)	**10.3%**	10.7%	
Ongoing charge excluding performance fee	**0.75%**	0.76%	
Ongoing charge including performance fee(C)	**0.65%**	1.04%	

(A) Of which 18,860,261 are held in treasury (2015: nil).
(B) The difference between shareholders' funds and the total market value of the investments (including the face value of futures positions) expressed as a percentage of shareholders' funds (see note 14, page 83).
(C) Includes reversal of performance fees over–accrued at 31 December 2015 (see page 16).

Since 2006, Witan's dividend per share has risen 107%, compared with 25% for the UK consumer price index

Witan's dividend per share compared with the UK Consumer Price Index



Source: Datastream

CHAIRMAN'S REPORT

HARRY HENDERSON
Chairman

Highlights

- NAV total return of 22.9% in line with the benchmark's return of 23.0%
- 5 year NAV total return of 108%, 25% ahead of the benchmark
- Share price discount to NAV of 4.0% at year end (2015: discount of 0.2%)
- 8.5% Debenture repaid, reducing borrowing costs
- 18.9m shares bought back, adding £9.2m to net assets
- Dividend increased by 11.8% to 19.0p, well ahead of the 1.6% rate of inflation and more than double the level paid ten years ago

Summary

Witan has now been operating a multi–manager approach for over twelve years, with the aim of providing superior results for its shareholders. Over this period, decisions by our in–house Executive team and our chosen external managers have enabled Witan to beat the returns on our equity benchmark and raise the dividend significantly faster than the rate of inflation. Whilst there are many uncertainties in the world, and at the best of times future performance can never be firmly predicted, our objective remains to extend this successful record.

2016 proved an unusually testing year for many equity managers. A volatile start to the year saw sizeable falls in equities during January, but the year ended with most equity markets in positive territory, delivering outsize returns for sterling investors as a result of the fall in the pound following the unexpected Brexit referendum result. The other major political surprise of the year was Donald Trump's victory in the US Presidential election. Although the longer–term implications of these events are unknown, the markets believe they will lead to easier fiscal policies, reflected in a divergence between rising equity markets and falling bond markets in the closing months of the year. Further details of the year's events are discussed in the Chief Executive's Report on page 6.

After several years of significant outperformance, during 2016 our third party managers slightly underperformed their benchmarks overall, with just three of our ten third party managers, together with the direct holdings portfolio, outperforming their benchmarks. There were significant positive contributions from the use of gearing and from share buybacks.

As a result, Witan shareholders enjoyed a profitable year, though the net asset value (NAV) total return of 22.9% was very slightly behind our benchmark's total return of 23.0%. The NAV total return using the par value of our debt was 23.5%, a modest outperformance of the benchmark. The share price total return was 18.4%, as the share price moved from a 0.2% discount at the end of 2015 to a 4.0% discount at the end of 2016. The dividend for the year has been increased by 11.8% to 19.0 pence per share (2015: 17.0 pence). This dividend is more than double the level paid in 2006, and is fully covered by revenue earnings, while we also added £6.5m to our revenue reserves. A fourth interim dividend of 6.25 pence was declared in February 2017, payable on 31 March 2017. This marks the 42nd consecutive year of rising dividends at Witan.

Taking a longer perspective, over the past 5 years Witan has achieved a NAV total return of 108%, compared with the + 83% return from our benchmark over this period. Over the 10 years to the end of 2016, shareholders have enjoyed a NAV total return of 130%, compared with the benchmark's return of 102%.

Witan's shares in the market

Although our shares ended 2016 on an all–time high, as reported earlier they did not fully match the rise in NAV during the year. In 2015, Witan's shares had traded at a premium to NAV for much of the year but 2016 saw the reappearance of a discount. In response, Witan has bought back shares persistently and purposefully during the year, in accordance with our objective for Witan's shares to trade at a sustainable low discount (or a premium) to NAV, subject to market conditions. This activity was accretive to NAV and helped reduce the discount, which was 4% at the year end.

It remains a long–term objective to create sustainable liquidity in Witan's shares at or near to asset value. We will continue to work to establish this. As I said in last year's report, the challenge is to achieve this objective through the full range of investment conditions.

Benchmark for measuring performance

As announced in December, Witan has reviewed the equity performance benchmark which had been in place since 2007, with the following changes taking effect from 1 January 2017:

	2017	Previously
UK	30%	40%
North America	25%	20%
Asia Pacific	20%	20%
Europe ex–UK	20%	20%
Emerging Markets	5%	-

Further details of the reasons for the change are set out in the Strategic Report on page 9. Our managers select stocks on the basis of their potential to deliver above–average returns and to outperform market indices and this will continue to be the case.

Repayment of debt

In October 2016, the Company repaid its 8.5% Debenture, originally issued in 1986. This redemption, together with the low cost debt issued in 2015, significantly reduced the average cost of the Company's fixed borrowings from 7% prior to the 2015 issue to 4.6%. Further details are set out in the Strategic Report on page 14.

AGM

Our Annual General Meeting will be held at Merchant Taylors' Hall on Thursday 27 April 2017 at 2.30 pm. Formal notice of the meeting will be sent to shareholders when the Annual Report is published. We look forward to the opportunity to meet you then for the Company's 109th AGM.

I am delighted to welcome two new directors who have joined the Board since the last AGM. Ben Rogoff joined in October 2016 and Jack Perry in January 2017. Each brings valuable skills and experience to Witan's Board and both will be standing for election at this, their first, AGM.

I should like to thank the Chief Executive and the rest of our team for their hard work and achievements this year.

Harry Henderson
Chairman

9 March 2017

CHIEF EXECUTIVE'S REPORT

ANDREW BELL
Chief Executive

The investment markets in 2016

Equity markets delivered strongly positive returns for UK investors during 2016, although the numbers were flattered by the impact of the weaker pound on overseas market returns and the overseas-exposed companies concentrated in the FTSE 100 index. There was a marked contrast between the hesitant performance seen in the first half of the year and the more sizable gains seen in the period between the Brexit referendum and the end of the year. Although the referendum result and the outcome of the US election were not widely expected, the resolution of these known uncertainties was followed by equity market rallies. Investors appeared to respond to the hope of more stimulative economic policies, putting to one side doubts over the incoming Trump administration's trade policy and the UK government's approach to negotiating an exit from the EU. There was a notable gap between the total return on the UK market and the sterling returns seen from overseas markets. The relative strength of overseas returns for UK investors was attributable to the weakness of the pound, which fell sharply following the Brexit vote.

No account of 2016 would be complete without mention of the extraordinary valuations reached in global government bond markets. Concerns in January over weak growth in the US and China, which led to sharp falls in global equity markets, ushered in further easing moves from the Bank of Japan and the European Central Bank, both of which ended 2016 with negative official interest rates. In the aftermath of the Brexit vote, the view took hold that the resulting economic uncertainty would keep central banks focused on monetary easing and indeed the Bank of England did ease policy further in August.

After several years when government bond yields had been steered lower as a means of stimulating economic growth, the process went into overdrive in 2016, with over a quarter of government bonds at one stage offering negative yields to investors. Paying for the privilege of lending money to governments is a curiosity – akin to paying rent to the tenants of a house you own. Some began to question whether such abnormal rates were more a sign of low confidence than a means of improving it. The most extreme level of bond overvaluation began to reverse from August onwards, with the sell-off in bonds intensifying in the aftermath of the US election, owing to the looser fiscal policies promised by the new President.

There had been fears during 2015 that weakness and instability in commodity-dependent sectors and economies would spread to create a more general global recession. Economic growth was indeed weaker than expected early in 2016 but expectations stabilised by the summer, reflected in a recovery in the price of oil and other commodities from the lows reached in January and improved expectations for corporate earnings, which had been weak since early 2015.

Given the influence of politics on market moves during 2016, active managers, who tend to concentrate on company-specific factors, in general found the going difficult and the majority of our third party managers underperformed during the year, in contrast to 2015. Witan remained fully and actively invested during the year, using periods of market weakness (such as January and June) to add to our market exposure and reducing gearing into subsequent market strength. We also turned the widening in our discount to shareholders' advantage by buying back our shares, boosting the NAV per share as well as mitigating the level of the discount.

A number of our historically strongly performing managers lagged the strong rises in markets, offsetting good performances from value-oriented managers and the direct holdings. However, our active use of gearing and share buybacks meant that, even with a relative performance shortfall from our portfolio we were able to end the year with performance very close to the 23.0% rise in our benchmark, after all costs. The Strategic Report on pages 8 to 21 sets out details of our third party managers' performance during the year as well as decisions made in the areas of gearing, the use of index futures and changes in the portfolio of directly held fund investments.

Outlook

The strength of equity markets during 2016 reflects increased hopes for faster, or more balanced, economic growth in 2017. A significant fiscal stimulus is expected from the new Trump administration in the US, in the form of tax cuts and infrastructure spending. There is a risk of disappointment if this takes longer than expected to implement, or is significantly diluted. Similarly, although some of the more exaggerated fears for UK growth in the aftermath of the referendum have been reset, the fall in sterling is likely to lead to a squeeze on real incomes in 2017. Although the implications for the UK economy remain uncertain, UK quoted companies in the portfolio derive the majority of their earnings from overseas, thus benefiting from the lower value of sterling.

The Company recognises that the UK's eventual departure from EU membership may have both good and bad consequences for the UK's economic performance in coming years, some of which are not currently predictable and will differ from sector to sector. Our assessment is that this is primarily a UK economic and political issue. Given our flexible global investment remit, it represents one of many factors that both Witan and its external managers take into account in making decisions about where to invest our shareholders' funds.

European politics pose additional threats to the outlook for economic growth, as well as complicating the process of negotiating EU exit terms with the UK – election campaigns are not conducive to making trade deals which may be unpopular with your own electorate. With the Netherlands, France and Germany all facing national elections in 2017 the air may not be clear until September, leaving aside the risk of an upset result in one or another country undermining confidence in the Eurozone's cohesion.

On a more positive note, the bottoming out of commodity prices has removed a destabilising factor from a number of emerging economies. This, allied with improved economic governance, could allow them to build on their strong 2016 performance, which broke a 4 year run of underperformance. Although a strong dollar is often seen as a threat to emerging economies, raising the cost of servicing their dollar debts, the US also tends to have limited tolerance for a strong dollar if it impinges on US economic growth (or the new administration's ambition to bring manufacturing jobs back home).

Whilst a strong dollar might offset the benefits to other countries from a growing US economy it seems unlikely to occur in the absence of robust growth in the US. So the balance of risks and opportunities for emerging markets may be more mixed than in past periods of dollar strength.

The shift in the emphasis of economic policy, from stimulating private sector growth via low interest rates towards governments borrowing at low rates to boost demand via tax cuts and investment spending is a potentially significant turning point. Inflation risks are rising, albeit from a very low base. Government bond issuance is set to rise, at a time when central bank buying is slowing down or stopping. These are factors against which the level of bond yields offers very limited protection – yields remain generally lower than at the start of 2016, despite rising since the summer.

Although equities are capable of making progress even if bond yields are rising, this depends on the extent of any change in yields and its cause. If a rise is driven by higher inflation expectations (reflecting better economic growth and improved corporate pricing power) it would potentially be viewed as positive for equities. If it reflected higher post–inflation yields it would represent a rise in the real cost of capital, which would be a headwind. Either way, a major further rise in yields could undermine equities, even if underlying economic growth improved. With index levels offering few windfalls, 2017 seems likely to require a more selective approach to equities after the landmark returns enjoyed in 2016.

Andrew Bell
Chief Executive

9 March 2017

STRATEGIC REPORT

Strategy and business model

Companies are required to publish a Strategic Report, which should provide a description of the objectives which its strategy is designed to deliver for shareholders, the business model and the outlook for the year ahead. It should also include analysis of the Company's performance during the year, relative to the key elements of its business strategy. 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.

This report falls into four main sections:

1. Strategy
2. Business model
3. Performance and principal developments in 2016
4. Corporate and operational structure

Witan is an Investment Trust, which was founded in 1909 and has been listed on the London Stock Exchange since 1924. It is managed by the Executive team of Witan Investment Services Limited (WIS), its Alternative Investment Fund Manager (AIFM), under the control and supervision of the Company's Board of directors.

1. Strategy

The Company's strategy is to create value for shareholders by addressing its investment objective and to communicate effectively with existing and potential shareholders.

The Company invests its shareholders' funds primarily in individual companies across a broad spread of global equity markets. The objective is to profit from opportunities created by global economic growth and to outperform a representative equity benchmark, thereby generating long–term capital growth for shareholders, together with an income that rises faster than the rate of inflation.

The Company employs an active multi–manager approach, allocating funds for investment by selected managers with differing styles and specialisations. The aim is to access the best available managers, including those not accessible on the same terms (or at all) to UK investors.

Witan's multi–manager approach was adopted in 2004, in the belief that no single manager was likely to excel in all markets and at all points in the economic cycle. Employing managers to invest in their areas of greatest competence has the potential to improve returns and to reduce risk relative to using a single manager across the investment waterfront.

Our approach is to blend different factors (such as quality, value or growth approaches and differing geographical exposures), aiming to profit from asset allocation and from our managers' combined ability to outperform over time. We seek managers who can capture the longer–term growth rewards from equity investment by focusing on fundamental share values rather than chasing short–term momentum.

2. Business model

The Company has appointed Witan Investment Services Limited as its Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive ('AIFMD'). As AIFM, WIS has responsibility for operating the Company's portfolio and risk management processes. WIS delegates certain portfolio management responsibilities to third party portfolio managers. In addition, the Company uses an outsourced model for other corporate functions, such as fund accounting, custody and specialist professional services. These activities are overseen by the WIS and Witan Executive team, covering Investment, Operations and Marketing, headed by the Chief Executive Officer, who is a director of the Company.

Whilst the third party managers appointed are responsible for stock selection in their individual portfolios, WIS and the Company's Board are responsible for the overall delivery of performance to shareholders, through the following means:

- ➜ Setting the overall investment objective;
- ➜ Selecting competent managers, who are expected to outperform a suitable benchmark relating to the investment remit set by the Company;
- ➜ Operating appropriate portfolio, corporate governance and risk management arrangements for effective corporate management and to meet the requirements of the AIFMD;
- ➜ Adjusting asset allocation according to opportunities that arise;
- ➜ The judicious use of borrowings with the aim of adding to performance;

- Direct investment in funds exposed to specialist asset categories;
- Controlled and selective use of exchange-traded derivatives to adjust asset allocation; and
- Clear communication of Witan's objective and its results to shareholders and potential investors.

The Board's and the Executive's role in investment management

As noted above, the Company has appointed its wholly-owned subsidiary WIS as its AIFM. WIS has responsibility for ensuring that portfolio and risk management are properly carried out, with appropriate safeguards to ensure the functional and hierarchical independence of those with portfolio and risk management responsibilities. The Board remains responsible for setting the investment strategy, policy and guidelines of the Company and the AIFM operates within these.

The selection of individual investments is largely delegated to third party managers, subject to investment limits and guidelines which reflect the particular mandate (e.g. UK or global equities) and the specific investment approach which the Company and its AIFM have selected (e.g. value, higher dividend yield, special situations). The managers are chosen by the Witan and WIS Boards after a disciplined selection process focused on the managers' scope to add value and their fit with the overall portfolio.

The overwhelming majority of the portfolio is managed in segregated accounts, held by the Company's depositary (via the custodian to whom it delegates safekeeping responsibilities). This enables the Company to analyse the risks and opportunities of the portfolio as a whole as well as of each manager's portfolio. The operations of the custodian and the safeguarding of the Company's assets are supervised by the depositary, appointed by Witan and its AIFM, in accordance with the AIFMD's requirements.

At the end of 2016, the Company had 10 third party investment managers, covering a range of investment remits. Information regarding the proportion of Witan's assets managed by each and of their performance during the year is set out on page 13. Following an extensive search during 2016, since the year end an additional manager, Global Quality Growth LLC, has been appointed to manage an Emerging Markets portfolio.

Up to 10% of the portfolio (at the time of investment) may be invested in collective funds selected by the Executive team, with the objective of outperforming Witan's equity benchmark. This portfolio is managed subject to limits set by the Board, and in accordance with portfolio and risk management processes established by Witan and the Company's AIFM. These investments may represent asset categories that are temporarily undervalued or funds which are viewed as attractive longer-term generators of superior returns.

The WIS Executive seeks to add to the third party managers' performance by adjusting the level of gearing employed, by the selective use of exchange-traded derivatives to alter the asset allocation and by the use of specialist funds to gain exposure to areas viewed as offering attractive returns. These activities are overseen by the Board, with the Executive operating within delegated parameters that are periodically reviewed to take account of prevailing investment conditions. In essence, the Company seeks to have sufficient levers to pull to take advantage of investment opportunities that may arise, in addition to the total returns arising from the investment managers' portfolios, which are expected to be the driver of performance.

Our selected benchmark

The Company's benchmark is used as a reference point for comparing performance and is a combination of global equity markets, which reflect the investment universe from which most of the portfolio holdings are chosen. The benchmark was reviewed during the year, with the resulting new weights, as set out in the Chairman's Report on page 5, taking effect from 1 January 2017. The UK weighting has reduced from 40% to 30%, with the North American component rising from 20% to 25% and a 5% Emerging Markets weighting introduced. The weightings in Asia Pacific and Europe ex-UK remain at 20% each.

The benchmark provides a transparent way of measuring the results of an investment policy that is designed to access a comprehensive range of investment opportunities in the global economy. The introduction of emerging markets to the benchmark recognises their increased importance in the investment universe available to investors. An increased weighting in North America (albeit well below that in leading global indices) reflects the enduring leadership of the US economy in a number of influential growth sectors (such as information technology and pharmaceuticals). The benchmark weighting in the UK has been reduced from 40% to 30%. Although still high relative to the significance of the UK in the world's economy, the UK stock market derives a significant majority of its earnings from overseas and is the listing domicile for many globally-significant companies.

The component weightings reflect the Board's belief that opportunities are related to the importance of economic regions as they evolve over time, more than the market capitalisation of regional equity markets. It should be emphasised that the portfolio is actively managed and not designed to track any index or combination of market indices. Performance can be expected to vary, sometimes considerably, from that of the benchmark, while aiming for outperformance in the longer term.

Performance information for other commonly used indices is also given in the key performance indicators summary section on page 10.

STRATEGIC REPORT continued

3. Performance and principal developments in 2016

The financial statements (on pages 62 to 88) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts.

Success in implementing the Company's strategy is monitored against a range of Key Performance Indicators ('KPIs') which are viewed as significant measures of success over the longer term. Although performance relative to the KPIs is also monitored over shorter periods, success over the long term is viewed as more important, given the inherent volatility of short-term investment returns.

Aside from the statutory accounting measures, the principal financial KPIs are set out below, with a report (*in italics*) of Witan's performance against them during 2016. With respect to non-financial measures, details of the Company's policies and performance in relation to its obligations under the UK Corporate Governance Code are set out in the Corporate Governance Statement on pages 33 to 42.

Key Performance Indicators

A. Investment performance	**Outperformance compared with Witan's equity benchmark**. The Company seeks to achieve at least 2% p.a. outperformance in NAV total return and shareholder total return terms over the long term. *In 2016, Witan achieved a NAV total return of 22.9%, slightly below that of its combined global equity benchmark (see page 9), with a shareholder total return of 18.4% which lagged the benchmark by 4.6% owing to the wider discount. Returns over the longer term are set out on page 2 and indicate that outperformance has been achieved over the 3 year (1.7% p.a.) and 5 year (4.6% p.a.) periods to the end of 2016.* **A positive long-term total return, after inflation, for shareholders.** *In 2016, the NAV total return and shareholder total returns enjoyed by Witan shareholders were well ahead of inflation of 1.6% for the year to December 2016. Returns over the longer term are set out on page 2 and indicate that this objective has also been met over the past 3 and 5 year periods.* **Long-term investment outperformance by the individual managers relative to the relevant benchmark.** *In 2016, three of the ten third party managers, together with the internally-managed direct holdings portfolio outperformed their benchmarks, with seven underperforming. The managers' returns since appointment are set out in the table on page 13. Further details are set out on pages 11 and 12.*
B. Annual growth in the dividend per share ahead of the rate of inflation	*In 2016, the dividend increased by 11.8%, compared with an inflation rate of 1.6% in the year to December 2016. Further details are set out on pages 12 and 13.*
C. A positive contribution to investment returns from the use of borrowings	*The Company employed average gearing of 10.7% during the year, which directly contributed 2.3% to returns. After allowing for the (mostly fixed) costs of borrowing there was a contribution, after interest, of 1.7%. Further details are set out on pages 13 and 14.*
D. A share price trading at a sustainable low discount (or a premium) to NAV (including income, with debt at fair value), taking account of prevailing investment conditions	*The shares traded at an average discount of 5.8% in 2016, compared with an average 0.1% premium in 2015. The discount at the year end was 4.0% (2015: 0.2% discount). Further details of market conditions and actions taken during the year are set out on page 15.*
E. A competitive level of ongoing charges, below the costs of other multi-manager funds, balancing the need to pay for high quality investment management with the aim of keeping the costs of managing the business as low as possible	*In 2016, the ongoing charges figure ('OCF') was 0.75% excluding performance fees (2015: 0.76%) and 0.65% including performance fees (2015: 1.04%). This compares with the average OCF of 1.52% in the Investment Association Global equity funds sector and 0.71% (0.74% including performance fees) for the AIC Global sector. Further details are set out on page 16.*

Performance summary and attribution

The high equity market returns in 2016 were in contrast to the previous two years in which returns were little changed for much of the year and, in the end, only modestly positive. The US was the strongest of the major markets, with a 12% return in dollar terms boosted to 33% in sterling terms. Local currency returns for the Asia–Pacific (+11%) and Emerging Markets (+13%) indices translated into strong returns of 32% and 34% respectively for sterling investors. Japan (0%) and Europe ex–UK (+3%) were little changed in local terms but rose 23% and 20% in sterling terms. The UK's performance was competitive with other markets in local terms (+17%) but not after currency effects. Within the UK market, the mid–cap index delivered much lower returns of 7% owing to its greater exposure to the domestic economy where investors have become less optimistic following the Brexit vote.

During the year the Company invested its assets with a view to spreading investment risk and in accordance with the investment policy. It maintained a diversified portfolio in terms of stocks, sectors and geography. The portfolio has been actively managed by the investment managers, in accordance with their individual mandates, with overall asset allocation and risk being managed by the Executive team, within delegated limits from the Board and the Company's AIFM.

Witan's NAV total return (after all costs) was +22.9%, slightly behind the 23.0% return from the composite equity benchmark. Excluding the effect of the rise in the fair value of Witan's debt securities, the NAV total return was 23.5%, 0.5% ahead of the benchmark. The shareholder total return was 18.4%, as the shares closed the year on a 4.0% discount (2015: 0.2% discount).

In a year when market returns were substantially driven by political and economic events, returns for stock pickers were more elusive than in recent years. Witan's gross underlying portfolio return was 22.1%, 0.9% behind the benchmark. Only three out of our ten third party managers outperformed their benchmarks (in contrast to 2015, when eight had outperformed). The Direct Holdings portfolio also significantly outperformed Witan's composite benchmark during the year. However, the outperformers were not sufficient to offset weaker performances from other managers, particularly during the first half of the year.

Significant value was added by Witan's use of gearing during the year, which averaged 10.7% but was adjusted in response to market conditions, with additions to exposure being made following the market falls in January and June. The contribution from gearing (2.3%) was 1.7% after taking account of the Company's mostly fixed borrowing costs of 0.6%. Share buybacks contributed 0.6% to NAV returns, as the Company actively responded to the widening of the discount. Further details of the portfolio's performance attribution are shown in the table below.

Combined portfolio composition

The sector breakdown and regional exposure for the aggregated portfolio are shown on page 26. The top 50 holdings across the combined Witan portfolio are set out on page 25. They represented 44% of Witan's portfolio at 31 December 2016 (2015: 42%). These analyses highlight the substantial diversification provided by our range of managers and the portfolio's broad geographical exposure.

It is important that diversification does not unduly dilute returns, since the purpose of using active managers is to outperform, which requires the portfolio to differ from the benchmark. One measure of active management in a portfolio is known as "active share". This indicates the degree to which a portfolio differs from its benchmark, with a portfolio identical to the benchmark having an active share of 0% while one with no holdings in common with its benchmark would have an active share of 100%. Although looking at active share at a particular date is an incomplete measure of the degree to which a portfolio is managed actively (let alone successfully), the active share of our combined portfolio was circa 70% at the end of 2016 (2015: 66%). This level of active share indicates that, even with the diversifying effects of the multi–manager structure, Witan's portfolio retains an active approach, while relative performance in recent years also demonstrates that Witan's aggregated portfolio retains an individual character distinct from the relevant indices.

A breakdown of the performance attribution in 2016 (based on the Company's financial statements) is shown in the table below.

Net asset value total return	+22.9%
Benchmark total return	+23.0%
Relative performance	−0.1%

Portfolio total return (gross)		+22.1%
Benchmark total return		+23.0%
Relative investment performance		−0.9%
Gearing impact	+2.3%	
Effect of changed fair value of debt	−0.6%	
Share buybacks	+0.6%	
		+2.3%
		+1.4%
Borrowing costs	−0.6%	
Operating costs and tax	−0.9%	
		−1.5%
		−0.1%

STRATEGIC REPORT continued

Investment managers' mandates, benchmarks and investment style

Equity mandate	Investment manager	Benchmark	Investment style
UK	Artemis Investment Management LLP	FTSE All-Share	Recovery/special situations
UK	Heronbridge Investment Management LLP	FTSE All-Share	Intrinsic value growth
UK	Lindsell Train Limited	FTSE All-Share	Long-term growth from undervalued brands
Global	Lansdowne Partners (UK) LLP	DJ Global Titans	Concentrated, benchmark-independent investment in developed markets
Global	MFS International (UK) Limited	FTSE All-World	Growth at an attractive price
Global	Pzena Investment Management LLC	FTSE All-World	Systematic value
Global	Tweedy, Browne Company LLC	FTSE All-World	Fundamental value
Global	Veritas Asset Management LLP	FTSE All-World	Fundamental value, real return objective
Pan-European	Marathon Asset Management LLP	FTSE All-World Developed Europe	Capital cycles
Asia Pacific	Matthews International Capital Management LLC	MSCI Asia Pacific Free	Quality companies with dividend growth
Directly-held investments	Witan's AIFM and Executive team	Witan's combined equity benchmark	Collective funds invested in mispriced or specialist assets, recovery situations

Manager structure and performance

The Company's third party managers have a range of investment approaches and follow differing mandates set by the Company. Details of each manager's mandate, benchmark and investment style are shown above. Further details, including the date of appointment are shown in the manager summaries on pages 22 to 24.

All of the third party delegated managers at the end of 2016 were in place throughout the year. Pzena and Tweedy, Browne had the strongest performance of our five global managers, benefiting from a broadening of investor interest to areas favoured by value managers. Pzena's return of 32.7% outperformed its global equity benchmark by 3.1%, with Tweedy, Browne outperforming by 0.4% with a return of 30.0%. Lansdowne (with a return of 14.4%) had a relatively weak year, underperforming significantly during the first half of the year although performance was in line with the global equity index in the second half of the year. In the UK, Heronbridge outperformed the UK market by 0.7% with a return of 17.5%. However, Artemis and Lindsell Train materially lagged the UK market, after four years of significant outperformance. Similarly, our European manager, Marathon, underperformed its European benchmark, which was itself weak relative to other global equity regions. We are always attentive to performance but note that the longer-term performance of all the managers who lagged in 2016 remains ahead of their benchmarks while those who had lagged in 2015 outperformed in 2016.

Directly held investments

In 2016, the Direct Holdings portfolio was 11.5% ahead of Witan's composite benchmark with a return of 34.4%. This portfolio held 8.7% of assets at the previous year end and represented 10.2% of the investment portfolio at the end of 2016. The largest holding, in SVG Capital, was sold following the bid for the Company in September. The holding in BlackRock World Mining delivered a total return of close to 100% during 2016, moving our position from loss to a significant profit. We added to the holding in Aberforth Geared Income Trust following post-referendum weakness in UK small and midcap companies. We also made a new investment in the Somerset Emerging Markets Small Cap fund when emerging market sentiment was depressed in January 2016 and late in the year, we made an investment in Syncona (formerly called BACIT Limited) following the change in its investment objective to specialist life sciences investment.

The main investments are in listed private equity and related funds, a UK smaller companies fund and specialist regional and sector funds.

Dividend policy and performance in 2016

The Company's policy (subject to circumstances) is to increase its dividend per share in real terms, ahead of the increase in the UK Consumer Price Index ('CPI').

The Company's revenue earnings increased by 19.5% to 22.1 pence per share in 2016. This was driven by an increase in portfolio dividends and by strength in the US dollar and other overseas currencies relative to sterling.

For 2016, the Board has declared a fourth interim dividend of 6.25 pence per share, to be paid to shareholders on 31 March 2017, making a total distribution for the year of 19.0 pence (2015: 17.0 pence). This represents an increase of 11.8%, well ahead of the 1.6% rate of CPI inflation in the year to December 2016. This is the 42nd consecutive year that Witan has increased its dividend.

Investment managers' performance

Investment manager	Value of Witan assets managed at 31.12.16 £m	% of Witan's assets under management at 31.12.16 (Note 1)	Performance in 2016 (%)	Benchmark performance in 2016 (%)	Performance since appointment (%) (Note 2)	Benchmark performance since appointment (%)
Artemis	181.7	9.4	9.1	16.8	10.4	6.1
Heronbridge	118.7	6.2	17.5	16.8	11.0	7.9
Lindsell Train	170.4	8.9	10.3	16.8	16.0	9.6
Lansdowne Partners	229.1	11.9	14.4	32.7	23.6	17.3
MFS	148.8	7.7	28.6	29.6	13.1	10.5
Pzena	202.1	10.5	32.7	29.6	13.8	14.4
Tweedy, Browne	66.3	3.4	30.0	29.6	12.2	14.4
Veritas	231.3	12.0	24.8	29.6	14.1	11.9
Marathon	139.5	7.3	13.7	19.7	11.0	9.1
Matthews	240.4	12.5	23.7	25.5	10.5	8.6
Witan Direct Holdings	195.5	10.2	34.4	22.9	10.9	9.2

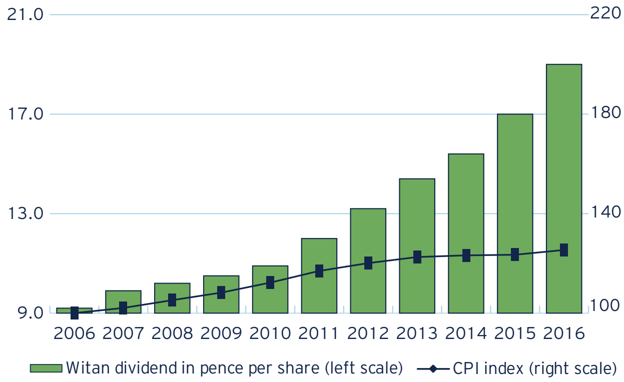
Notes:
1. Percentage of Witan's investments managed and cash balances held centrally by Witan.
2. The percentages are annualised where the date of appointment was more than one year ago.

Since 2006, Witan's dividend per share has more than doubled, rising 107% compared with 25% for the UK CPI.

In addition to increasing the dividend, the Company has added £6.5m to its revenue reserves. At £54.7m after allowing for 2016's fourth interim dividend payment, the reserves are equivalent to approximately 30 pence per share, over one and a half times the annual dividend. The availability of these reserves enables the Company to maintain or grow its dividends in years when revenue from the portfolio is less buoyant, or falls.

The chart below shows the growth in dividends over the past 10 years, which has been ahead of the rise in the UK CPI in each year.

Witan's dividend per share compared with the UK Consumer Price Index



Source: Datastream

The Company pays dividends quarterly. The first three payments for 2017 (in June, September and December) will, in the absence of unforeseen circumstances, be paid at a rate of 4.75 pence per share (2016: 4.25 pence), being one quarter of the full year payment for 2016. The fourth payment (in March 2018) will be a balancing amount, reflecting the difference between the three quarterly dividends already paid and the payment decided for the full year.

Policy on gearing and the use of derivatives

Employment of gearing

Purpose

The purpose of using borrowings is to improve (or "gear/leverage") returns for shareholders, by achieving investment returns higher than the interest cost of the borrowings. Accordingly, attention is paid to using a level of gearing appropriate for market conditions (having more borrowings when markets are attractively valued and borrowing less at times when returns are expected to be poorer). In addition, a blend of long-term and short-term borrowings is used, to balance the certainty of cost associated with locking in fixed rates for longer periods with the flexibility of using short-term facilities which can be readily repaid when they are not required.

Limits

Although the Company has the legal power under its Articles of Association to borrow up to 100% of the adjusted total of shareholders' funds (which is also the maximum level of leverage set by its AIFM), this is subject to practical constraints including a test of prudence. The

STRATEGIC REPORT continued

Board's longstanding policy is not to allow gearing (as defined on page 3) to rise to more than 20%, other than temporarily in exceptional circumstances. Over the past five years it has generally varied between 5% and 15% and where appropriate the Company may hold a small net cash position.

Structure

Following the repayment of the Debenture in 2016, the Company's fixed–rate borrowings reduced from £185m to £140m, principally consisting of £63m 2025 6.125% Secured Bonds, £21m 2035 3.29% Private Placement Notes and £54m 2045 3.47% Private Placement Notes. The average interest rate paid on the Company's fixed–rate borrowings is 4.6%. At the year end, the Company also had a £75m one–year facility, providing additional flexibility over the level of gearing, as well as enabling the Company to borrow in currencies other than sterling, if deemed appropriate. Witan may either invest its borrowings fully, or neutralise their effect with cash balances (or the sale of equity index futures) according to its assessment of the markets. The Company's third party managers are not permitted to borrow within their portfolios but may hold cash if deemed appropriate.

Action taken in 2016

The Company repaid the 8.5% Debenture stock at the end of its 30 year life, in October 2016. This scheduled event had been taken into account in 2015 when the Company issued £75m in 20 and 30 year Private Placement Notes, at an average yield of 3.4%.

The size of the Company's short–term facility was increased to £75m in October 2016. At the end of December, the drawn balance on this facility was £71m (2015: £3m). Since the year end, this facility has been increased to £125m.

Gearing was adjusted periodically during the year. It was increased in January, when markets had fallen, reduced in March following a recovery in market levels before being increased into the market weakness surrounding the Brexit referendum, as market setbacks created opportunities. Gearing was 10.7% at the end of 2015, 12.2% mid–year and 10.3% at the end of 2016. The calculation of gearing takes account of cash balances and the full nominal value of any derivatives held, since this represents the size of the asset or liability to which the derivative provides exposure.

Gearing benefited performance during the year. The estimated contribution of 2.3% of shareholders' funds was particularly important during a year when our third party managers performed less well and was greater than the interest costs borne (0.6%), although the majority of the finance cost is fixed and would have been incurred irrespective of whether the funds were invested.

Following the repayment of the Debenture, greater use was made of the short–term facility, to fund investments and share buybacks.

At the end of 2015, gross gearing (adding together the value of all positions (less cash), irrespective of whether they were an asset or a liability) was 10.7%. This included £37m in index futures (FTSE 100 £23m and MSCI Emerging Markets £14m) equivalent to 2.4% of net assets. Gearing excluding this was 8.3%.

At the end of 2016, gross gearing (on the same basis) was 10.3%. This included £21m in MSCI Emerging Markets index futures equivalent to 1.2% of net assets. Gearing excluding this was 9.1%. Further details of the accounting treatment for these positions are given in note 1 on page 68.

Use of derivatives

Policy

Witan's policy on the use of derivatives emphasises simplicity, transparency, cost effectiveness and the minimisation of counterparty risk. Where financial instruments are available that help the Company to implement its investment policy (whether for the purpose of increasing exposure to a particular asset or for portfolio hedging) their use will be considered. In recent years, exchange–traded index futures have been the only instruments used. These give exposure to a particular market index, are relatively liquid to trade and depend upon the creditworthiness of the particular exchange, not an individual firm. The value of the investments (which are traded on official exchanges) is fully marked to market every day.

The use of index futures enables Witan to adjust its gearing rapidly, helping investment flexibility. It also provides a means of changing asset allocation (by directing investment to particular markets). In both cases index futures enable the adjustments to be made without interfering with the assigned objectives for our investment managers, which are to pick stocks that will grow in value over the medium to long term and outperform their respective benchmarks. The operation of this investment area is the responsibility of the AIFM, acting under guidelines set by the Board. Transactions are reported to the Board promptly, with the CEO and AIFM being accountable for the financial results. The Company's third party managers are not generally permitted to use derivatives and may not gear their portfolios.

Activity during 2016

In February and March, the holding in FTSE 100 index futures was sold, reducing our UK exposure by 1.5% of assets in favour of allocations to overseas markets.

Approximately 2% of assets was invested into Japanese equity index futures in the spring, following a weak period of performance by the Tokyo market, when sentiment was depressed by strength in the yen. This position was sold down and closed towards the end of 2016, following a recovery in the market, catalysed by weakness in the yen following the US election.

In March 3% of assets was invested in MSCI Emerging Markets Index futures, in order to maintain exposure following the sale of the Trilogy Emerging Markets fund investment. This position was reduced into periods of emerging market strength later in the year.

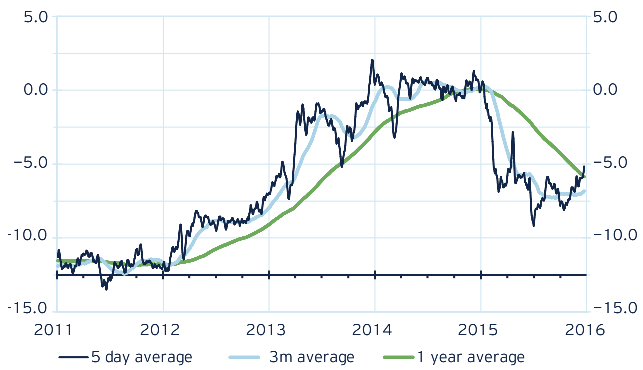
The realised gain on index futures during the year is shown in the cash flow statement on page 65.

Witan's shares in the market – liquidity and discounts

Witan is a member of the FTSE 250 index, with a market capitalisation of over £1.7 billion. The Board places great importance on the encouragement of a liquid market in Witan's shares on the London Stock Exchange. Considerable effort is devoted to communicating Witan's objective and performance clearly to shareholders and potential investors. There is a wide range of firms and online investment platforms through which the Company's shares may be held and the Company's subsidiary Witan Investment Services Limited also operates a savings plan for investing in Witan shares, details of which are described on page 93.

Whilst delivery of sound investment performance remains the principal focus of the Board, it also pays attention to discount-related issues. The Company has, over many years, made significant use of share buybacks, purchasing shares when they have stood at an unduly wide discount (to the NAV taking debt at fair value). In addition to being accretive to NAV, this had the objective of reducing the discount. Over 49% of our shares were repurchased between 1998 and 2013.

Witan Investment Trust discount trend



Source: Datastream

The discount trend since 2012 is illustrated in the chart above. Although Witan's shares ended 2016 on an all-time high, they did not fully match the rise in NAV during the year. After trading at a premium for much of 2015, the Company's shares moved to a discount during 2016, ending the year on a discount of 4.0%. The discount was initially prompted by the market's realisation that a subsidiary of Aviva (which had taken over management of an insurance business which held a number of investment trust stakes) was seeking to sell its investment trust holdings, including a 16% holding in Witan. This selling helped push Witan's and other discounts in the sector to wider levels than seen in recent years. Witan proposed to buy back the entire Aviva stake at a 6.5% discount and, having obtained shareholders' permission to do so, purchased approximately 7% of the shares outstanding in late May, the balance having been placed with other investors. Shortly thereafter, the UK Brexit vote ushered in a period of investor uncertainty when investment trust discounts widened further.

Witan bought back shares regularly during the year, starting when a low discount first became persistent in February and at wider discounts throughout the summer and autumn, in accordance with our objective for Witan's shares (subject to market conditions) to trade at a sustainable low discount (or a premium) to NAV. In total, 18.9m shares were bought into treasury at a cost of £143m, resulting in an uplift of £9.2m to net assets, equivalent to a boost of 0.6% in the NAV per share. Our principal objective is to grow the NAV and dividend per share rather than assets under management. We have no conflict in buying back shares when there is a persistent discount, as the process is accretive for shareholder value.

Discounts are affected by many factors outside the Company's control but where it is in shareholders' interests, (taking account of market conditions) the Company remains prepared to buy back shares at a discount to NAV or to issue shares at a premium.

It remains a long-term objective to create sustainable liquidity in Witan's shares at or near to asset value subject to general market conditions. We believe that our proactive steps during 2016 are evidence of our commitment in this area.

Marketing

For an investment trust the purpose of marketing is to communicate the Company's strategy and new developments effectively to existing and potential shareholders, to ensure they are properly informed of our performance as stewards of their capital/savings and to help sustain a liquid market in our shares. Clear communication of the Company's investment objective and its success in executing its strategy makes it easier for investors to decide how Witan fits in with their own investment objectives. Other things being equal, this

STRATEGIC REPORT continued

should help the shares to trade closer to NAV, from which all shareholders benefit. If the shares trade on a premium, this creates the possibility of increasing the size of the Company to meet market demand by issuing new shares, with benefits in terms of greater liquidity as well as spreading costs. When the shares are on a discount, there is an opportunity to create shareholder value by buying back shares.

In view of these potential benefits, the Company has for many years operated a marketing programme in order to disseminate information about our investment strategy and performance more widely. We communicate with private and professional investors, financial advisers and intermediaries using a range of media (including direct meetings, press interviews and advertising through traditional media and the internet). The Company also provides an informative and easy to use website (www.witan.com), to enable investors to make informed decisions about including Witan shares in their investment portfolios. The website, which was redesigned in 2016, is regularly refreshed with new information and includes a section focused on the requirements of financial advisers as well as an investor disclosure document required by the AIFMD and information about the Witan Wisdom and Jump savings schemes operated by the Company's subsidiary, Witan Investment Services Limited.

Costs

Investment management fees

Each of the third party managers is entitled to a base management fee rate, levied on the assets under management. In some cases, a performance fee may be payable, calculated according to investment performance relative to an appropriate benchmark. Four managers, covering 33% of Witan's portfolio, have performance–related fees. They have lower base fees than the managers without performance–related fees.

The agreements can be terminated on one month's notice (except one, for which three months' notice applies). The base management fee rates for managers in place at the end of 2016 ranged from 0.2% to 0.8% per annum. The average base management fee, weighted according to the value of the funds under management, was 0.49% as at 31 December 2016 (2015: 0.49%). Across the third party managers the average performance fee (with performance fees ranging from nil to 20% of the relevant outperformance) is 5% of the outperformance of the relevant benchmark (2015: 6%), subject to capping of payments for any particular year.

As an illustration, if our managers uniformly outperformed their benchmarks by 3% after base management fees, this would generate a performance fee of 0.15% of net assets, giving total investment management fees of 0.64% (including a 0.49% base fee). The comparable estimate in 2015 was 0.66%. The actual fees payable will of course vary according to the level of performance and the variation in performance between managers with higher or lower fees.

Witan takes care to ensure the competitiveness of the fee rates it pays and that where higher fees are incurred they are linked to good performance, from which shareholders benefit. A majority of the managers have base fees alone (without performance fees) and a majority of the fee structures incorporate a "taper" whereby the average fee rate reduces as the portfolio grows.

The Company's investment managers may use certain services which are paid for, or provided by, various brokers. In return, they may place business, including transactions relating to the Company, with those brokers.

Ongoing charges and costs

The ongoing charges figure ('OCF') (which is the recurring operating and investment management costs of the Company, expressed as a percentage of average net assets) was 0.75% in 2016 (2015: 0.76%). Increased investment management costs (arising from the growth on net assets) were offset by a rise in the average level of net assets, while other expenses were little changed. When performance fees due to the relevant third party managers are included, the OCF was 0.65% in 2016 (2015: 1.04%). The lower figure including performance fees for 2016 arises because accruals for performance fee liabilities at the end of 2015 were reduced owing to some external managers' underperformance in 2016.

For comparison, the average OCF for 2016 was 1.52% in the Investment Association Global equity funds sector (source: IA, Morningstar) and 0.71% (0.74% including performance fees) for the AIC Global sector (source: Morningstar).

Category of cost	**2016 £m**	**2016 % of average net assets**	**2015 £m**	**2015 % of average net assets***
Other expenses (excluding investment management expenses)	**5.21**	**0.33**	5.41	0.36
Less expenses relating to the subsidiary (whose expenses do not relate to the operation of the investment company).	**(0.89)**	**(0.06)**	(0.84)	(0.06)
Investment management base fees (note 4, page 70)	**7.62**	**0.48**	6.99	0.46
Ongoing Charges Figure (including investment management base fees)	**11.94**	**0.75**	11.56	0.76
Investment management performance fees (note 4, page 70)	**(1.46)**	**(0.10)**	4.30	0.28
Ongoing charges (including performance fees)	**10.48**	**0.65**	15.86	1.04
Portfolio transaction costs	**2.00**	**0.12**	1.75	0.12
Relative performance during the year (valuing debt at fair value)		**–0.1%**		+2.9%

* 2015 OCF % figures have been restated to reflect a revised number for average net assets during 2015. The cash numbers remain the same as in the 2015 Annual Report.

The Company exercises strict scrutiny and control over costs. This will not always result in the lowest absolute costs, since the Board believes that it is in shareholders' interests to pay for managers who add value. The Board believes that the OCF during the year represented good value for money for shareholders, taking account of recent and longer–term performance.

There is continuing debate over the most appropriate measure of investment company costs, to enable investors to assess value for money and to make comparisons between funds. Consensus on how best to present a single figure for costs remains elusive, partly because of concerns that oversimplification might distort comparisons rather than facilitating them.

In the meantime, the Company will continue to focus on the OCF (which is prepared in accordance with the AIC's recommended methodology) as a readily–understood measure of the underlying expenses of running the business. As in previous years, the information on costs is presented in a single table above. This indicates the main cost headings in money terms and as a percentage of net assets. The figures for relative NAV total return performance are also included, for comparison purposes.

Priorities for the year ahead

In 2017, the key priorities for Witan include:

- **Investment.** Seek to build on the good returns achieved for shareholders in recent years, setting an appropriate strategic asset allocation to reflect changing opportunities in the world economy. Make use of a range of active managers to deliver our strategic objectives through a multi–manager structure. Continue to deliver dividend growth ahead of inflation;
- **Communication.** Communicate Witan's distinct and active investment approach and achievements effectively to existing and potential shareholders. Continue to increase the focus on improving information for personal investors and financial advisers, where direct meetings are less practicable;
- **Regulatory change.** Continue to operate risk and investment management processes in compliance with the AIFMD, liaising closely with the Company's AIFM, Witan Investment Services Limited. Ensure compliance with other regulatory changes;
- **Client service.** Provide good service to the corporate and individual clients of Witan Investment Services Limited.

STRATEGIC REPORT continued

4. Corporate and operational structure

As described earlier (page 8) Witan is an Investment Trust with a Premium Listing on the London Stock Exchange. It has a single, wholly–owned subsidiary, Witan Investment Services Limited ('WIS') which acts as the Company's AIFM.

Operational management arrangements

In addition to the appointment of delegated investment managers, Witan and WIS contract with third parties for the supporting services required, including:

- BNP Paribas Securities Services London Branch for global depositary services, custody, investment accounting and administration;
- Frostrow Capital LLP for company secretarial services;
- International Financial Data Services Ltd. ('IFDS') as the WIS savings plan administrators of Witan Wisdom and Jump Savings;
- Specialist advisers used for investment manager research;
- The Company also takes specialist advice on regulatory compliance issues and, as required, procures legal, investment consulting, financial and tax advice.

As with investment management, the contracts governing the provision of these services are formulated with legal advice and stipulate clear objectives and guidelines for the level of service required.

Premises and staffing

Since November 2005 the Company has had a lease on office premises at 14 Queen Anne's Gate, London SW1H 9AA, which is also the Company's registered office. The current lease has a 5 year term, commencing in October 2015.

The Company's policy towards its employees is to attract and retain staff with the particular skills and expertise required to manage the affairs of an investment trust company. Details of the Company's remuneration policies and required disclosures are set out in the Directors' Remuneration Report on pages 45 to 55. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin. The Company has seven direct employees, four men and three women. The Board currently consists of eight non–executive directors (six men and two women) and the Chief Executive Officer, Andrew Bell, who is an employee. Given its outsourced model and small number of direct employees, the Group has no specific policies in respect of environmental or social and community affairs.

Witan Investment Services Limited ('WIS')

WIS is a wholly–owned subsidiary of Witan Investment Trust plc ('Witan'). It is authorised and regulated by the Financial Conduct Authority ('FCA').

It was established in March 2005 to provide investment savings accounts and marketing services and to give investment advice to professional investors. Since July 2014 WIS has acted as the Company's AIFM to fulfil the requirements of the AIFMD.

In addition to its responsibilities as Witan's AIFM, WIS's principal activities are to provide executive management services to the Boards of Witan and Witan Pacific Investment Trust plc ('Witan Pacific'), to communicate information about the companies to the market to increase investor interest in their shares and to operate cost–effective savings plans for investors to hold the shares.

WIS's operational objectives for 2017 are:

- to fulfil its investment and risk management responsibilities as Witan's AIFM;
- to provide a reliable and efficient investment savings platform for Witan and Witan Pacific investors;
- to provide suitable advice to the Boards of its corporate clients;
- to reduce the net operating costs for Witan; and
- to seek appropriate business opportunities that can add value for shareholders.

WIS has two principal sources of income. These are savings plan revenues and the fees (as AIFM or Executive Manager and for marketing services) paid by its corporate clients, Witan and Witan Pacific. The main costs incurred by WIS are fees to the savings schemes administrator (IFDS), staff costs to provide the services described above and professional advice to ensure that its regulatory and accounting obligations are properly satisfied.

The savings plans provided for WIS clients are marketed under the Witan Wisdom and Jump Savings brands. They currently have over 22,000 accounts with assets of some £401 million invested.

Principal risks and uncertainties

The directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. These risks, and the actions taken to mitigate them, are set out on pages 19 and 20.

Risks are inherent in investment and corporate management but it is important that their nature and magnitude are understood, in order that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. In accordance with the provisions of the AIFMD, WIS has a Risk Committee in order to comply with its risk management and reporting obligations as Witan's AIFM. The Company has established a detailed framework of the key risks impinging on the business as set out below, with associated policies and processes devised to mitigate or manage those risks. This risk map is reviewed regularly by the Audit Committee along with the WIS Risk Committee, which report on issues arising to their respective boards, for action as necessary. The guiding principles remain watchfulness, proper analysis, prudence and a clear system of risk management.

Where appropriate, the Witan and WIS Boards meet jointly to cover matters of common interest. The WIS Board consists of seven non–executives and one executive director who are also directors of Witan, and one executive director who is a Company employee.

The Group's key risks fall broadly under the following categories:

Market and investment portfolio risks

Witan is set up to invest in UK and overseas equity markets on behalf of its shareholders. Equity exposure is unlikely to drop below 80% of net assets, in normal conditions. Therefore a key risk of investing in Witan is a general fall in equity prices, which could be exacerbated by gearing. Other risks, as with any international equity portfolio, are the investment portfolio's exposure to country, currency, industrial sector and stock specific factors. There are also risks associated with changes in Witan's share price discount or premium to NAV and the performance of its investment managers.

The Board seeks to manage these risks through:

- appropriate asset allocation decisions, with a broadly diversified equity benchmark;
- manager diversification and regular reviews of the managers' competence;
- attention to key economic and political events affecting the global stock market outlook;
- active management of risk, whether to preserve capital or capitalise on opportunities;
- the application of relevant policies on gearing and liquidity; and
- the use of share buybacks and issuance to respond to market supply and demand.

During the year, Andrew Bell (the Chief Executive Officer ('CEO') managed the overall business and the investment portfolio in accordance with limits and restrictions determined by the Board and its AIFM. The Board regularly reviews the matters delegated to Executive management, on which the CEO reports at each Board meeting. The Board also regularly reviews investment strategy and performance, supported by comprehensive management information including investment performance data and financial reports.

Operational

Many of the Group's financial systems are outsourced to third parties, principally BNP Paribas Securities Services ('BNPSS'). Disruption to the accounting, payment systems or custody records operated by BNPSS could prevent the accurate reporting and monitoring of the Company's financial position. BNPSS as the Company's depositary has a key responsibility for monitoring such issues on behalf of the Company and WIS, its AIFM. IFDS acts as the Administrator for the Witan Wisdom and Jump Savings Plans so the effectiveness of their systems and controls is key for the efficient operation of those plans. Details of how the Board monitors the services provided by its suppliers, and the key elements designed to provide effective internal control, are explained further in the Corporate Governance Statement on pages 41 to 42.

Corporate governance

The Board takes its own regulatory responsibilities very seriously and regularly reviews the main points of compliance against requirements.

Details of the Company's compliance with corporate governance best practice are set out in the Corporate Governance Statement on pages 33 to 42. The Board conducts an annual internal assessment of the effectiveness of its governance processes in managing the Company and enabling it to evolve in response to future challenges. There is also a three–yearly independent external review, the most recent of which was conducted in late 2016. See page 37 for further details.

Operational and regulatory risks are regularly and extensively reviewed by Witan's Audit Committee, in conjunction with WIS's Risk Committee. WIS is subject to its own operating rules and regulations and is authorised and regulated by the FCA. Since becoming the AIFM for Witan, WIS has become more closely involved in a wide range of Witan's operations. The Company has established a modus operandi for the effective coordination of these responsibilities, which has been adapted to ensure full compliance with the AIFMD's requirements without duplication of effort and will continue to be adapted in the light of experience.

STRATEGIC REPORT continued

Operationally the multi–manager structure is robust, as the investment managers, the custodian and the fund accountants keep their own records which are regularly reconciled. The depositary, AIFM and the Board provide additional checks and risk management safeguards. Management monitors the activities of all third parties and reports any significant issues to the Board.

Accounting, legal and regulatory

In order to qualify as an investment trust the Company must comply with sections 1158–59 of the Corporation Tax Act 2010 ('CTA'). A breach of these sections could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to Corporation Tax. The criteria are monitored by the CEO and AIFM and reviewed at each Board meeting. The Company also carefully and regularly monitors compliance with the accounting rules affecting investment trusts.

The Company is required to comply with the provisions of the Companies Act 2006 ('Companies Act'), and also with the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules ('UKLA Rules'). A breach of the Companies Act could result in the Company and/or the directors being fined or becoming the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of the provisions of the CTA.

These legal and regulatory requirements offer significant protection for shareholders. The Board relies on the CEO, the AIFM, the Company Secretary and the Group's professional advisers to ensure compliance with all applicable rules. WIS is authorised and regulated by the FCA to act as the AIFM for Witan, for the marketing and administration of savings plans and the provision of investment advice to professional clients.

Liquidity

The Company's portfolio consists mainly of securities that are readily realisable. The Company and its AIFM regularly review possible liquidity needs (for example to cover operational costs, loan servicing and repayment, shareholder dividends and share buybacks) relative to the Company's portfolio income and the significance of possible liquidity calls relative to the value and tradability of the Company's assets. Given that most of the likely liquidity requirements are readily foreseeable (for example, loan payments and dividends are timetabled), while others (such as share buybacks) are subject to the Company's discretion, the Board is satisfied that unexpected liquidity needs are not significant relative to the size of the Company's portfolio and that they could be readily met without compromising normal portfolio management practice.

Viability statement

In accordance with the 2014 UK Corporate Governance Code, the Board has assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The provisions require the Board to explain, taking account of the Company's current position and principal risks, how they have assessed its prospects and over what period and why they consider that period to be appropriate. The directors must state whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The Company's current position and prospects are set out in the Chairman's and Chief Executive's Report and the Strategic Report. The principal risks are set out on pages 18 to 20. The Board has considered the Company's financial position and its ability to liquidate its portfolio and meet its expenses as they fall due and notes the following:

- ➜ The portfolio consists of investments traded on major international stock exchanges and there is a spread of investments by size of company. In normal conditions, the current portfolio could be liquidated to the extent of more than 85% within 5 trading days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- ➜ The closed–ended nature of the Company means that, unlike an open–ended fund, it does not need to realise investments when shareholders wish to sell their shares;
- ➜ The Board has considered the viability of the Company under various scenarios and concluded that it would usually be able to take appropriate action to protect the value of the Company's assets. As set out in note 14 to the accounts, the Board has considered price risk sensitivity (the sensitivity of the profit after taxation for the year and the value of the shareholders' funds to changes in the fair value of the Group's investments) and foreign currency sensitivity (the sensitivity to changes in the exchange rates for the £/US dollar, £/Euro and £/Japanese yen;
- ➜ In addition to its cash balances, which were £50.6m at 31 December 2016 (2015: £57.6m), the Company has a short–term bank facility which can be used to meet its liabilities, and fixed–rate financing in the form of Secured Bonds, Secured Notes and cumulative preference shares. With the exception of the short–term facility, this financing will remain in place until at least 2025. Details of the Company's non–current liabilities are set out in note 13 to the accounts;

- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position.

As well as considering the principal risks on pages 18 to 20 and the financial position of the Company, the Board has taken account of the following assumptions in considering the Company's longer–term viability:

- The Company's remit of investing in the securities of global listed companies will continue to be an activity to which investors will wish to have exposure;
- Investors will continue to want to invest in closed–ended investment trusts;
- The performance of the Company will continue to be satisfactory. The Board is able to replace any of the current investment managers when it considers it appropriate to do so;
- The Company will continue to have access to adequate capital when required;
- The Company will continue to be able to fund share buybacks when required. The Company bought back 18.9m ordinary shares in 2016 at a cost of £143m and experienced no difficulty with having sufficient liquidity to do so. It had shareholders' funds in excess of £1.7bn at the end of 2016.

Based on the results of its review, and taking into account the long–term nature of the Company and its financing, the Board has a reasonable expectation that the Company will be able to continue its operations and meet its expenses and liabilities as they fall due for the foreseeable future, taken to mean at least the next five years. The Board has chosen this figure in view of the fact that whilst it has no information to suggest this judgement will need to change in the coming five years, forecasting over longer periods is imprecise. The Board's long–term view of viability will of course be reviewed each year in the Annual Report.

Going concern

In light of the conclusions drawn in the foregoing Liquidity and Viability Statements, the Company has adequate financial resources to continue in operational existence for at least the next 12 months. Therefore, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council.

Approval

This report was approved by the Board of Directors on 9 March 2017 and is signed on its behalf by:

H M Henderson
Chairman

A L C Bell
Chief Executive

9 March 2017

INVESTMENT MANAGERS

The investment managers' summaries of their businesses are set out below.

Artemis Investment Management – UK

Established in 1997, Artemis Investment Management Limited manages over £24.5bn (as at 31.12.16) on behalf of a range of retail and institutional clients. Witan's portfolio is a segregated mirror of Derek Stuart's £1.8bn UK Special Situations Strategy launched in 2001 – a contrarian strategy that aims to outperform the FTSE All-Share Index by 3% per annum. This approach seeks to exploit market inefficiencies, with an absolute return mindset, in order to generate maximum returns. It is a stock picking strategy that aims to achieve long term capital growth by focusing on stocks that are out of favour and have turnaround potential.

Equity Mandate	Benchmark	Investment style	Inception date
UK	FTSE All-Share	Recovery/special situations	06.05.08

Heronbridge Investment Management LLP

Heronbridge is a long-only, value-biased equity investment management boutique. Founded in November 2005, it is a small, focused, independent firm, controlled by its working partners who were previously with Merrill Lynch Investment Managers and Silchester International Investors. Heronbridge currently manages £1.6bn (as at 31.12.16) for institutional and charity clients in the UK, the US and elsewhere. In order to maximise the alignment of interests, the firm's partners have capped the size of the investment programme and have a considerable proportion of their own assets co-invested alongside those of clients.

Equity Mandate	Benchmark	Investment style	Inception date
UK	FTSE All-Share	Intrinsic value growth	17.06.13

Lindsell Train – UK

Lindsell Train was established in 2000 by Michael Lindsell and Nick Train and focuses on the management of UK, Global and Japanese equity mandates for institutional clients. The business was founded on the shared investment philosophy that developed while Michael and Nick worked together during the early 1990s and which underlies the business today. The "purpose" of Lindsell Train is to provide a professional working environment that enables the firm to achieve strong investment results for their clients. Lindsell Train thinks it important to maintain a small and simple organisational structure that avoids the bureaucracy and distractions experienced within some larger, more complex investment management businesses. The structure is designed to allow the investment professionals to concentrate on investment issues and to give them the freedom to invest in line with their investment principles, which they believe will maximise returns to their investors over the longer term. The business has grown steadily and assets under management total £8.87bn (as at 31.12.16). Lindsell Train continues to be majority owned by the two founders. This is important because it ensures they maintain the integrity of the business principles on which the firm was founded.

Equity Mandate	Benchmark	Investment style	Inception date
UK	FTSE All–Share	Long–term growth from undervalued brands	01.09.10

Lansdowne Partners (UK) LLP

Lansdowne Partners (founded in 1998) manages assets for a diversified client base that includes some of the world's largest and most sophisticated investors. Assets under management are £14.8bn (as at 31.12.16) across multiple equity investment strategies; European, Developed Markets, Global Financials and Global Energy, each with its own dedicated team of portfolio managers and analysts. Lansdowne Partners employs over 100 people in its London office. The investment philosophy is predicated on generating consistent, absolute risk-adjusted returns, through the use of exceptional investment talent within a leading-edge operational infrastructure. Central to Lansdowne Partners' investment philosophy is a rigorous process of fundamental bottom–up research. The Developed Markets Strategy is managed by Peter Davies and Jonathan Regis, who have been with Lansdowne Partners since 2001 and 2003 respectively and who have worked together for over 20 years. The Developed Markets Long-Only Strategy leverages the fundamental stock analysis of the team, investing predominantly in mega-cap companies (+$10bn market cap) in developed markets.

Equity Mandate	Benchmark	Investment style	Inception date
Global	DJ Global Titans	Concentrated, benchmark-independent investment in developed markets	14.12.12

MFS Investment Management

MFS Investment Management is a global investment manager with capabilities spanning all major asset classes. MFS actively manages £345.3bn for clients in 30 countries (as at 31.12.16). As an active, global investment manager MFS has investment professionals developing on–the–ground perspectives of local companies from its offices in Boston, Hong Kong, London, Mexico City, São Paulo, Singapore, Sydney, Tokyo, and Toronto. MFS' investment teams use both fundamental and quantitative research techniques to construct portfolios designed to meet client expectations. MFS employs a disciplined, consistent approach across a global investment platform, which is guided by three core principles: integrated research, global collaboration, and active risk management; MFS integrates fundamental equity, quantitative, and credit disciplines in each of its eight global sector teams as it looks at investment opportunities around the globe for its clients; the MFS team philosophy and incentive structure promote strong collaboration across the firm; and MFS takes a holistic approach to actively managing risk, with multiple reviews in place at the security, portfolio, and enterprise levels. MFS is a majority–owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., which in turn is an indirect majority–owned subsidiary of Sun Life Financial, Inc. (a diversified financial services organization). MFS has been a subsidiary of Sun Life since 1982.

Equity Mandate	Benchmark	Investment style	Inception date
Global	FTSE All-World	Growth at an attractive price	30.09.04

Pzena Investment Management

Pzena Investment Management is a global, institutional investment manager with a strict focus on long-term classic value investing. The firm was founded in late 1995 and began managing assets on 1 January 1996. Pzena manages $30bn (as at 31.12.16) in assets for leading endowments/foundations and pension plans and for individual investors from around the world. Pzena's team has grown to approximately 100 employees. The firm is based at its headquarters in New York City and has offices in Melbourne, Australia and in London, United Kingdom for business development and client service.

Equity Mandate	Benchmark	Investment style	Inception date
Global	FTSE All-World	Systematic value	02.12.13

Tweedy, Browne Company LLC

Tweedy, Browne Company LLC is principally engaged in the management of international, global and global, high-dividend equity portfolios for institutional and individual clients. Since the firm was founded in 1920 as Tweedy & Co., a dealer in closely held and inactively traded securities, they have pursued a value-oriented approach to securities, first as a market maker, and later, as an investor and manager. Their investment principles are based upon the broad concepts of "intrinsic value" and "margin of safety" as conceived and practiced by the late Benjamin Graham. For more than 95 years, through depressions, recessions, and stock market cycles, through a quadrupling of interest rates and the advent of double digit inflation, and through the emergence and disappearance of numerous investment fads, they have adhered to the same value-oriented principles of analysis and investment. The consistency of their results over many decades has confirmed their confidence in this approach. Tweedy Browne has £13.2bn (as at 31.12.16) of assets under management.

Equity Mandate	Benchmark	Investment style	Inception date
Global	FTSE All-World	Fundamental value	02.12.13

Veritas Asset Management

Veritas is an affiliate of AMG Group, managing £13.8bn (as at 31.12.16) of assets, with the key objective of delivering long-term real returns to its clients. Veritas aligns its interest with clients' objectives and is committed to partnership. Veritas manages both segregated portfolios and funds, with either long-only or long–short real return mandates. Their clients include institutions, charities, trusts and private clients. The Real Return Group Limited was set up in 2003 as a boutique focused on real return investing. The Real Return Group Limited and Veritas Asset Management (UK) Limited merged in 2004. In 2013 Veritas Asset Management (UK) Limited completed a corporate reorganisation and Veritas Asset Management LLP was formed as a regulated fund management boutique running Global and Asian Equity mandates. Veritas Asset Management LLP is the UK operating company of the Veritas Asset Partners Limited group, of which Veritas Asset Management (Asia) Limited in Hong Kong is also a subsidiary. In 2014 Veritas Asset Management LLP partnered with AMG Group. AMG has a stake in a number of investment boutiques and is quoted on the NYSE.

Equity Mandate	Benchmark	Investment style	Inception date
Global	FTSE All-World	Fundamental value, real return objective	11.11.10

INVESTMENT MANAGERS continued

MARATHON

Marathon Asset Management

Marathon Asset Management was founded in 1986 and is totally independent, managing some £43.4bn (as at 31.12.16) of institutional client assets. At the heart of Marathon's investment philosophy is the 'capital cycle' approach to investment. This is based on the idea that the prospect of high returns will attract excessive capital (and hence competition), and vice versa. In addition, the assessment of management and how they respond to incentives and the forces of the capital cycle is critical to the investment outcome. The investment philosophy is intrinsically contrarian. Given the long-term nature of the capital cycle, Marathon's investment ideas generally require patience and, by industry standards, long stock holding periods.

Equity Mandate	Benchmark	Investment style	Inception date
Pan- European	FTSE All-World Developed Europe	Capital cycles	23.07.10

GQG PARTNERS

GQG Partners LLC

GQG Partners LLC is an independent, employee–owned investment boutique formed in June of 2016 by Rajiv Jain. As of 31.12.16, the firm managed £615 million for clients across three products: Global, International and Emerging Markets equities. GQG Partners employs a quality growth approach to investing with an investment horizon of 5 years or longer. The portfolios are managed in a concentrated, benchmark agnostic fashion with a long term goal of outperforming the market at lower than market risk levels.

GQG was appointed with effect from 16 February 2017.

Equity Mandate	Benchmark	Investment style	Inception date
Emerging Markets	MSCI Emerging Markets	Investment in high quality companies with attractively priced future growth prospects	16.02.17

Matthews Asia

Matthews International Capital Management (Matthews Asia)

Matthews Asia, an independent, privately owned firm based in San Francisco, is the largest dedicated Asia–only investment specialist in the U.S. Matthews has £19.9bn (as at 31.12.16) in assets under management. Matthews Asia employs a fundamental, bottom–up investment process that seeks to identify companies with sustainable long–term growth prospects, strong business models, quality management teams and reasonable valuations. Matthews Asia will seek to invest its portion of the Trust in companies that are paying high dividends relative to their current share price, or are well–positioned to do so in the future.

Equity Mandate	Benchmark	Investment style	Inception date
Asia Pacific	MSCI Asia Pacific Free	Quality companies with dividend growth	20.02.13

FIFTY LARGEST INVESTMENTS

at 31 December 2016

	Company	Market value of holding £ million	% of portfolio	Country	Sector
1	Comcast	35.9	1.91	USA	Media
2	Princess Private Equity	30.9	1.64	UK	Equity Investment Instruments
3	London Stock Exchange	29.8	1.58	UK	Financial Services
4	BlackRock World Mining	29.4	1.56	UK	Equity Investment Instruments
5	Apax Global Alpha	29.0	1.54	UK	Equity Investment Instruments
6	Diageo	27.0	1.43	UK	Beverages
7	JP Morgan Chase	25.8	1.37	USA	Banks
8	Syncona	25.3	1.34	UK	Equity Investment Instruments
9	Alphabet	24.3	1.29	USA	Software & Computer Services
10	BT	22.7	1.20	UK	Fixed Line Telecommunications
11	Relx	21.3	1.13	UK	Media
12	Unilever	21.2	1.13	UK	Personal Goods
13	Vonovia	21.1	1.12	Germany	Real Estate Investment Services
14	Schroders	19.6	1.04	UK	Financial Services
15	Daily Mail & General	18.0	0.95	UK	Media
16	Sage	17.3	0.92	UK	Software & Computer Services
17	Pearson	17.3	0.92	UK	Media
18	Charter Communications	16.4	0.87	USA	Media
19	Lloyds Banking	16.3	0.87	UK	Banks
20	Delta Air Lines	15.7	0.83	USA	Travel & Leisure
21	Oracle	15.1	0.80	USA	Software & Computer Services
22	Taiwan Semiconductor Manufacturing	15.1	0.80	Taiwan	Technology Hardware & Equipment
23	Barclays Bank	14.9	0.79	UK	Banks
24	Amazon	14.7	0.78	USA	General Retailers
25	Walt Disney	14.6	0.78	USA	Media
	Top 25	**538.7**	**28.59**		
26	Aberforth Geared Income	14.6	0.77	UK	Equity Investment Instruments
27	Somerset Emerging Markets Small Cap	13.9	0.74	UK	Unit Trusts
28	Bank of America	13.8	0.73	USA	Banks
29	Edinburgh Dragon 3.5% Conv. Bond	13.6	0.72	UK	Equity Investment Instruments
30	NB Distressed Debt Inv. Fund	13.1	0.70	USA	Equity Investment Instruments
31	HSBC Holdings	12.2	0.65	UK	Banks
32	Glaxosmithkline	12.1	0.64	UK	Pharmaceuticals & Biotechnology
33	Unitedhealth	12.1	0.64	USA	Health Care Equipment & Services
34	Burberry	12.0	0.64	UK	Personal Goods
35	Samsung Electronics	11.8	0.63	South Korea	Leisure Goods
36	BP	11.7	0.62	UK	Oil & Gas Producers
37	American Express	11.7	0.62	USA	Financial Services
38	Nike	11.3	0.60	USA	Personal Goods
39	Safran	11.0	0.58	France	Aerospace & Defence
40	Hargreaves Lansdown	10.6	0.56	UK	Financial Services
41	iShares Trust MSCI ACWI ETF	10.6	0.56	UK	Exchange−traded Fund
42	Tesco	10.5	0.56	UK	Food & Drug Retailers
43	Airbus	10.2	0.54	Netherlands	Aerospace & Defence
44	Rathbone Brothers	10.1	0.54	UK	Financial Services
45	Sumitomo Mitsui Financial	9.9	0.53	Japan	Banks
46	Microsoft	9.8	0.52	USA	Software & Computer Services
47	Roche Holdings	9.7	0.52	Switzerland	Pharmaceuticals & Biotechnology
48	Allergan	9.6	0.51	USA	Pharmaceuticals & Biotechnology
49	Minth	9.4	0.50	China	Automobiles & Parts
50	Citigroup	9.2	0.49	USA	Banks
	Top 50	**823.2**	**43.70**		

The top ten holdings represent 14.9% of the total portfolio (2015: 13.8%).

The full portfolio is not listed because it contains over 400 companies.

CLASSIFICATION OF INVESTMENTS

at 31 December 2016

	Notes	United Kingdom %	Continental Europe %	North America %	Asia Pacific (ex Japan) %	Japan %	Latin America %	Other %	Total 2016 %
Basic Materials	Chemicals	0.5	0.7	0.1	0.3	–	–	–	1.6
	Industrial Metals & Mining	–	0.1	–	0.1	–	–	–	0.2
	Mining	0.4	0.2	–	0.1	–	–	–	0.7
		0.9	1.0	0.1	0.5	–	–	–	2.5
Consumer Goods	Automobiles & Parts	0.1	0.4	–	0.2	0.3	0.6	–	1.6
	Beverages	1.5	0.5	–	0.2	0.2	–	–	2.4
	Food Producers	–	0.5	0.2	0.5	0.1	–	–	1.3
	Household Goods & Home Construction	0.5	–	0.1	0.2	0.2	–	–	1.0
	Leisure Goods	–	–	0.1	0.6	0.1	–	–	0.8
	Personal Goods	1.7	0.6	0.8	0.5	0.4	–	–	4.0
	Tobacco	0.5	0.3	0.2	0.4	–	–	–	1.4
		4.3	2.3	1.4	2.6	1.3	0.6	–	12.5
Consumer Services	Food & Drug Retailers	0.9	0.1	0.4	0.3		–	–	1.7
	General Retailers	0.4	0.2	1.8	–	0.2	–	–	2.6
	Media	4.5	0.4	4.3	0.3	–	–	–	9.5
	Travel & Leisure	1.6	0.2	1.2	0.2	0.5	–	0.3	4.0
		7.4	0.9	7.7	0.8	0.7	–	0.3	17.8
Financials	Banks	2.2	1.3	2.9	1.2	1.2	–	–	8.8
	Equity Investment Instruments	7.0	1.5	0.7	–	–	–	–	9.2
	Financial Services	4.5	0.1	1.6	0.1	–	–	0.1	6.4
	Life Insurance	0.3	0.1	–	0.2	–	–	–	0.6
	Non–life Insurance	0.5	0.7	0.2	0.2	–	–	–	1.6
	Real Estate Investment Services	0.1	1.4	–	0.2	–	–	–	1.7
	Real Estate Investment Trusts	0.3	–	–	0.1	–	–	–	0.4
		14.9	5.1	5.4	2.0	1.2	–	0.1	28.7
Health Care	Health Care Equipment & Services	0.2	0.7	3.5	0.5	–	–	–	4.9
	Pharmaceuticals & Biotechnology	0.9	0.4	1.4	–	–	–	–	2.7
		1.1	1.1	4.9	0.5	–	–	–	7.6
Industrials	Aerospace & Defence	0.8	1.6	0.1	0.2	–	–	–	2.7
	Construction & Materials	0.4	0.3	–	–	–	–	–	0.7
	Electronic & Electrical Equipment	0.6	0.4	0.3	0.1	0.4	–	–	1.8
	General Industrials	0.4	0.1	0.6	–	–	–	–	1.1
	Industrial Engineering	0.6	0.4	0.1	0.4	–	–	0.4	1.9
	Industrial Transportation	0.2	0.3	0.3	0.4	0.2	–	0.1	1.5
	Support Services	3.0	0.2	0.3	0.4	–	–	–	3.9
		6.0	3.3	1.7	1.5	0.6	–	0.5	13.6
Oil & Gas	Alternative Energy	–	0.1	–	–	–	–	–	0.1
	Oil & Gas Producers	0.7	1.1	0.1	–	0.1	–	–	2.0
	Oil Equipment Services & Distribution	0.2	0.1	0.5	0.2	–	–	–	1.0
		0.9	1.3	0.6	0.2	0.1	–	–	3.1
Technology	Software & Computer Services	2.1	0.5	2.9	0.9	–	–	0.3	6.7
	Technology Hardware & Equipment	0.2	0.1	0.9	0.8	0.5	–	–	2.5
		2.3	0.6	3.8	1.7	0.5	–	0.3	9.2
Telecommunications	Fixed Line Telecommunications	1.2	0.2	0.1	0.2	–	–	–	1.7
	Mobile Telecommunications	0.3	0.1	–	0.4	0.2	–	0.3	1.3
		1.5	0.3	0.1	0.6	0.2	–	0.3	3.0
Utilities	Electricity	–	0.2	–	0.1	–	–	–	0.3
	Gas, Water & Mulit–utilities	0.4	–	–	–	–	–	–	0.4
		0.4	0.2	–	0.1	–	–	–	0.7
Open–ended Funds (see note 3)		0.1	0.2	0.3	0.3	–	–	0.4	1.3
Total 2016		**39.8**	**16.3**	**26.0**	**10.8**	**4.6**	**0.6**	**1.9**	**100.0**
Total 2015		42.9	15.3	25.9	10.2	4.4	0.5	0.8	100.0

1. The holding of £20.9 million equity futures (1.2% of net assets) is not included in this classification (see page 14).
2. Included in the above are fixed interest holdings (including convertibles) of £29,056,000 (2015: £25,312,000).
3. Open–ended Funds relates to an Emerging Markets fund and a global exchange traded equity fund.

BOARD OF DIRECTORS

H M Henderson
Chairman (A), (C), (D)
Appointed a director in 1988, Harry Henderson became Chairman in March 2003. He was formerly a partner of Cazenove & Co. and subsequently a senior executive at Cazenove Group plc, retiring in 2002. Mr Henderson is Chairman of Witan Investment Services Limited. He is also a director of Cadogan Settled Estates Limited.

A L C Bell MA
Chief Executive Officer (D)
Andrew Bell was appointed a director and Chief Executive Officer from February 2010. He is responsible for the overall management of Witan. Previously he worked at Rensburg Sheppards Investment Management Limited as Head of Research and as an equity strategist and Co–Head of the Investment Trusts team at BZW and Credit Suisse First Boston. Prior to the City, he worked for Shell in Oman, leaving to take a Sloan Fellowship at the London Business School. He is a non–executive director of Henderson High Income Trust plc, Chairman of Gabelli Value Plus+ Trust plc and is a former Chairman of the Association of Investment Companies.

R W Boyle MA, FCA
Chairman of the Audit Committee (A), (B), (D)
Robert Boyle was appointed a director in 2007. He is a Chartered Accountant and was a partner of PricewaterhouseCoopers LLP, where he was responsible for multi–national client accounts, specialising in the telecoms and media sectors: he was chairman of the PWC European Entertainment and Media Practice for twelve years, retiring in 2006. He is a non–executive director and chairman of the audit committee of Centaur Media plc.

M C Claydon BA, MBA
Chairman of the Remuneration and Nomination Committee (A), (B), (C), (D)
Catherine Claydon joined the Board in 2009. Previously she was a Managing Director in the Pension Advisory Group at Goldman Sachs (1992–2007) and Lehman Brothers (2007– 2008). She is a non–executive director of the Dunedin Income Growth Investment Trust. She is a director of the Barclays UK Pension Fund and an independent member of Unilever UK Pension Fund's Investment Committee and was previously Deputy Chairman of the BT Pension Scheme and a director of Hermes Fund Managers Limited.

S E G A Neubert LLM
Director (A), (D)
Suzy Neubert joined the Board in 2012. She is Sales & Marketing Director at J O Hambro Capital Management, which she joined in March 2006. She was previously Managing Director of Equity Markets within the Global Markets and Investment Banking Group at Merrill Lynch Securities in London. She is a qualified barrister.

R J Oldfield BA
Director (A), (C), (D)
Richard Oldfield joined the Board in 2011. He is chairman of Oldfield Partners, an investment management firm. He was chairman of the Oxford University investment committee from 2007 to 2014 and of Keystone Investment Trust plc from 2001 to 2010. He is a trustee of Royal Marsden Cancer Charity, Canterbury Cathedral Trust and Clore Duffield Foundation, and a director of Shepherd Neame Limited.

BOARD OF DIRECTORS continued

J S Perry CBE, BSc, CA
Director [(A), (B), (D)]

Jack Perry was appointed as a director in January 2017. He is chairman of European Assets Trust NV and ICG–Longbow Senior Secured UK Property Debt Investments Limited. He was Chief Executive of Scottish Enterprise and a former Managing Partner and Regional Industry Leader of Ernst and Young LLP. He has served on the Boards of FTSE 250 and other public and private companies and is a member of the Institute of Chartered Accountants of Scotland.

B C Rogoff MA
Director [(A)]

Ben Rogoff was appointed a director in October 2016. He has been Portfolio Manager of Polar Capital Technology Trust plc since 2006 and is also joint Manager of Polar Capital Global Technology Fund. He has been a technology specialist for 20 years having begun his career in fund management at CMI, as a Global Technology Analyst. He moved to Aberdeen Fund Managers in 1998 where he spent four years as a Senior Technology Manager prior to joining Polar Capital in May 2003.

A Watson CBE, BSc (Econ), ASIP, Barrister–at–Law, FCISI (Hons), D.Sc. (Hons) Senior Independent Director [(A), (B), (D)]

Tony Watson was appointed a director in 2006. He was appointed Senior Independent Director in February 2008. He is the Senior Independent Director of Lloyds Banking Group plc. He was formerly chairman of the Trustees of the Marks & Spencer Pension Scheme, chairman of the Strategic Investment Board Limited (Northern Ireland), a member of the Financial Reporting Council, the Senior Independent Director of Hammerson plc and a non–executive director of Vodafone Group Plc, the Shareholder Executive and the Investment Management Association (now the Investment Association).
Mr Watson retired in 2006 from an executive career in the investment management industry, most recently as Chief Executive of Hermes Fund Managers Limited.

(A) Independent non–executive directors.

(B) Members of the Audit Committee which is chaired by Mr Boyle.

(C) Members of the Remuneration and Nomination Committee which is chaired by Mrs Claydon.

(D) Director of Witan Investment Services Limited.

DIRECTORS' REPORT

Statutory Information

The directors present the Annual Report of the Group for the year ended 31 December 2016.

Activities and business review

A review of the business is given in the Chairman's and Chief Executive's reports on pages 4 to 7 and in the Strategic Report on pages 8 to 21. The directors are required by the Companies Act to prepare a Strategic Report for each financial year, which contains a fair review of the business of the Group during the financial year ended 31 December 2016 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group. This information can be found within the Strategic Report on pages 18 to 20.

Investment policy

The Company's investment policy is set out on the inside front cover.

Status

Witan Investment Trust plc ('the Company') is incorporated in the United Kingdom and registered in England and Wales and domiciled in the United Kingdom. It is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. The Company has received confirmation from HM Revenue and Customs that it has been accepted as an approved investment trust with effect from 1 January 2012, provided it continues to meet the eligibility conditions of section 1158 and of the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Subsidiary company

The Company has one subsidiary company, Witan Investment Services Limited, which provides marketing services and investment products to the Company and executive management and marketing services to third party investment trust clients. Witan Investment Services Limited is authorised and regulated by the Financial Conduct Authority to manage savings schemes for investors and provide investment advice to professional investors and also acts as the Company's AIFM.

ISAs

The Company intends to continue to manage its affairs so that its shares fully qualify for the stocks and shares component of an ISA and Junior ISA.

Substantial share interests

As at 31 December 2016, the Company had not been notified of any substantial interests in the Company's voting rights.

There have not been any new holdings notified between the year end and the date of this Report.

Assets

At 31 December 2016 the total net assets of the Group were £1,726.6m (2015: £1,577.3m). At this date the net asset value per ordinary share was 952.8p (2015: 788.4p).

Revenue and dividend

The total profit for the year was £327m (2015: £83m). A profit of £42 million is attributable to revenue (2015: £36.0m). The profit for the year attributable to revenue has been applied as follows:

	£'000
Distributed as dividends:	
First interim of 4.25p per ordinary share (paid on 17 June 2016)	**8,490**
Second interim of 4.25p per ordinary share (paid on 16 September 2016)	**7,817**
Third interim of 4.25p per ordinary share (paid on 16 December 2016)	**7,739**
Fourth interim of 6.25p per ordinary share (payable on 31 March 2017)	**11,246**
Added to the Company's revenue reserve	**6,537**
	41,829

The directors have declared a fourth interim dividend instead of a final dividend in order to ensure that, as in previous years, the distribution is made to shareholders before 5 April. The Company intends to grow the dividend in real terms, ahead of inflation.

Company revenue account

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement. The profit on the revenue return of the Company dealt with in the accounts of the Group amounted to £41,829,000 (2015: £35,645,000).

Directors

The current directors of the Company are shown on pages 27 and 28.

All the directors held office throughout the year under review with the exceptions of Mr Rogoff and Mr Perry who were appointed on 1 October 2016 and 1 January 2017 respectively. They will seek election by shareholders at the Annual General Meeting on 27 April 2017. In addition Mr Oldfield will retire in accordance with the Company's Articles of Association and, being eligible, will seek re-election by shareholders. Mr Boyle, Mr Henderson and Mr Watson will also retire and stand for re-election, as each of them has served as a director for more than nine years and is eligible to stand for re-election.

DIRECTORS' REPORT continued

The Board considers them to be independent despite their length of service. This is explained in more detail in sections 1 and 2 of the Corporate Governance Statement on page 34. The Board has reviewed the performance and commitment of the directors standing for re–election and considers that each of them should continue to serve on the Board as they bring wide, current and relevant experience that allows them to contribute effectively to the leadership of the Company.

The Board's policy on the frequency of the re–election of directors is set out on page 35 in the Corporate Governance Statement.

During the year the membership of the Audit Committee comprised Mr Boyle (Chairman), Mr Watson and Mrs Claydon. Mr Perry was appointed as a member of the Audit Committee with effect from 22 February 2017. During the year the membership of the Remuneration Committee comprised Mrs Claydon (Chairman), Mr Henderson and Mr Oldfield.

No director was a party to, or had an interest in, any contract or arrangement with the Company at any time during the year or to the date of this report. With the exception of Mr Bell, no director has or had a service contract with the Company.

Directors' interests

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 47.

Directors' conflicts of interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 ('the Act') has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the Articles of Association contain a provision to this effect. The Act also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two circumstances in which a potential conflict of interest can be permitted: either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's Articles of Association, which were adopted by shareholders on 27 April 2010, give the directors the relevant authority required to deal with conflicts of interest.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. The directors have also undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that need to be approved by the Board and added to the register, which is reviewed annually by the Board. It has also been agreed that directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only directors who have no interest in the matter being considered would be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board believes that its arrangements for the authorisation of conflicts have operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors.

Directors' indemnity

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

(a) indemnify any person who is or was a director, or a director of any associated company, directly or indirectly against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or her, or otherwise, in relation to the Company or any associated company; and

(b) purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure he or she may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or her, or otherwise, in relation to the Company or any associated company.

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

Directors' fees

The report on the directors' remuneration is set out on pages 45 to 55.

Financial instruments and the management of risk

By its nature as an investment trust, the Company is exposed to market risk, price risk, currency risk, interest rate risk, liquidity risk and credit risk. The Company's policies for managing these risks are outlined in note 14 to the accounts on pages 77 to 84.

Investment managers

It is the opinion of the directors that the continuing appointment of the investment managers listed on page 12 is in the interests of the Company's shareholders as a whole and that the terms of engagement negotiated with them are competitive and appropriate to the investment mandates.

The Board and the Company's AIFM review the appointments of the investment managers on a regular basis and make changes as appropriate.

Share capital

The Company's share capital comprises:

(a) ordinary shares of 25p nominal value each ('shares')

The voting rights of the shares on a poll are one vote for every four shares held (one vote per £1 of nominal value). At 31 December 2015 there were 200,071,000 shares in issue. During the year, 18,860,261 shares were bought back and are held in treasury. At 31 December 2016 there were 200,071,000 shares in issue of which 18,860,261 were held in treasury. These shares do not carry voting rights or the right to receive dividends and thus the number of voting rights was 45,302,684 on a poll. Since the year end, 1,409,821 shares have been bought back and at the date of this report there were 200,071,000 shares in issue of which 20,270,082 were held in treasury.

The Company's Articles of Association permit the Company to purchase its own shares and to fund such purchases from its accumulated realised capital profits. At the AGM in April 2016 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2017, to make market purchases to be held in treasury of the Company's ordinary shares up to a maximum of 29,953,520 shares (being 14.99% of the issued ordinary share capital as at 28 April 2016). A further special resolution was passed at a General Meeting held on 26 May 2016 giving the Company specific authority to buy back up to 31,636,753 shares held by Aviva, as explained on page 15. The Company has bought back 19,960,674 shares since the date of the last AGM.

The Board is seeking to renew its powers at the forthcoming Annual General Meeting to buy shares into treasury, for possible reissuance when the shares trade at a premium. The Company makes use of share buybacks, purchasing shares to be held in treasury with the objective of achieving a sustainable low discount (or a premium) to net asset value. Shares are not bought back unless the result is an increase in the net asset value per ordinary share. Shares will only be re–sold from treasury at, or at a premium to, the net asset value per ordinary share.

The Company is also seeking to renew shareholder approval to issue shares, up to 10% of the starting total, provided that such shares are issued at or at a premium to net asset value.

(b) 2.7% preference shares of £1 nominal value each ('2.7% preference shares')

The 2.7% preference shareholders have no rights to attend and vote at general meetings. At 31 December 2016 there were 500,000 2.7% preference shares in issue. Further details on the preference shares are given in note 17 on page 85.

(c) 3.4% preference shares of £1 nominal value each ('3.4% preference shares')

The 3.4% preference shareholders have no rights to attend and vote at general meetings. At 31 December 2016 there were 2,055,000 3.4% preference shares in issue. Further details on the preference shares are given in note 17 on page 85.

At the AGM in April 2016 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2017, to make market purchases for cancellation of the Company's own 2.7% preference shares and 3.4% preference shares up to a maximum of all those in issue. This authority has not been used. Accordingly, as at 31 December 2016 the Company had valid authority, outstanding until the conclusion of the AGM in 2016, to make market purchases for cancellation of 500,000 2.7% preference shares and 2,055,000 3.4% preference shares. No preference shares were bought back between the year end and the date of this report. Accordingly, the Company has valid authority to make market purchases for cancellation of 500,000 2.7% preference shares and 2,055,000 3.4% preference shares. The directors intend to seek a fresh authority at the AGM in April 2017. There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company.

Independent auditor

Following a tender of the audit in 2016, Grant Thornton UK LLP were appointed as the Company's auditor and Deloitte LLP resigned. Resolutions to reappoint Grant Thornton UK LLP as the Company's auditor and

DIRECTORS' REPORT continued

to authorise the Audit Committee to determine their remuneration will be proposed at the forthcoming AGM. Further details are included in the Report of the Audit Committee on pages 43 and 44.

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 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.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report. Details of Mr Bell's Long-term Bonus are included in the Directors' Remuneration Report on pages 52 and 53. The directors confirm that there are no other disclosures to be made in respect of Rule 9.8.4.

Modern Slavery Act 2015

As an investment vehicle, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Securities Financing Transactions

As the Company undertakes securities lending, it is required to report on Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending as at 31 December 2016 are detailed on pages 89 and 90.

Greenhouse gas emissions

The Company has a staff of seven employees, operating from small serviced office premises. Accordingly it does not have any significant greenhouse gas emissions to report from its own operations, nor does it have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio.

Annual General Meeting

The next AGM will be held at 2.30 pm on Thursday 27 April 2017 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB. The formal notice of the AGM is set out in the accompanying circular to shareholders, together with explanations of the resolutions.

By order of the Board

Frostrow Capital LLP
Secretary

9 March 2017

CORPORATE GOVERNANCE STATEMENT

Background

The UK Listing Authority's Disclosure Guidance and Transparency Rules (the 'Disclosure Rules') require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code ('Corporate Governance Code'), as issued by the Financial Reporting Council ('FRC'). The provisions of the Corporate Governance Code, which was issued by the FRC in September 2014, were applicable in the year under review. The Corporate Governance Code can be viewed at www.frc.org.uk.

The related Code of Corporate Governance ('the AIC Code'), issued by the Association of Investment Companies ('AIC'), provides specific corporate governance guidelines to investment companies. The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies (the 'AIC Guide') will be meeting their obligations in relation to the Corporate Governance Code and the associated disclosure requirements of the Disclosure Rules. The AIC Code issued in February 2015 was applicable in the year under review. The AIC Code can be viewed at www.theaic.co.uk.

The FRC published a revised version of the Corporate Governance Code in April 2016 and the AIC published a revised version of the AIC Code in July 2016. The Company is not required to comply with the new Codes until the year ending 31 December 2017 but the Board considers that the Company already complies with the provisions of the new Codes.

Compliance

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the Corporate Governance Code) will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the best practice provisions of the Corporate Governance Code throughout the year ended 31 December 2016 except as set out below:

- The Corporate Governance Code (C.3.6) includes provisions relating to the need for an internal audit function. As explained on page 42, the Company does not have an internal audit function.
- The Corporate Governance Code (B.7.1) includes provisions relating to the annual re-election of all directors. As explained on page 35, the Company considers that this provision is inappropriate to the Company.

The principles of the AIC Code

The AIC Code is made up of twenty one principles. Its three sections cover the Board; Board meetings and relations with the investment managers; and shareholder communications.

CORPORATE GOVERNANCE STATEMENT continued

Principles of the AIC Code	Application of the principles
The Board	
1. The chairman should be independent.	Mr H M Henderson has been Chairman of the Company since the Annual General Meeting in March 2003; he joined the Board in 1988. The Board considers that Mr Henderson is, and has been since his appointment, an independent non–executive director. Independence stems from the ability to make those objective decisions that may be in conflict with the interests of management; this in turn is a function of confidence, integrity and judgement. Mr Henderson has served on the Board for more than nine years. Accordingly, he stands for re–election by the shareholders each year and will do so for as long as he continues to serve on the Board. The Board is firmly of the view, however, that length of service does not of itself impair a director's ability to act independently; rather, a director's longer perspective adds value to the deliberations of a well–balanced investment trust company board. The other independent non–executive directors, under the chairmanship of the Senior Independent Director, review and evaluate annually the performance and continuing independence of the Chairman. Mr A Watson was appointed as the Senior Independent Director in February 2008. As noted above, he takes the lead in the annual evaluation of the Chairman. He is also able to act as a sounding board for the Chairman and serve as an intermediary for the other directors, should this prove necessary, and to act as a channel of communication for shareholders in the event that contact through the Chairman has failed to resolve concerns or is inappropriate.
2. A majority of the board should be independent of the manager.	At 31 December 2016 the Board was composed of seven independent non–executive directors and one executive director (the Chief Executive Officer). The Board is therefore independent of the Company's executive management. All the directors are wholly independent of the Company's various investment managers. In the opinion of the Board, each of the directors is independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement (see also section 1 above).

Principles of the AIC Code	Application of the principles
The Board	
3. Directors should be submitted for re–election at regular intervals. Nomination for re–election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	New directors stand for election by the shareholders at the annual general meeting of the Company that follows their appointment. Thereafter all directors stand for re–election at least every three years, as required by the Company's Articles of Association. Directors who have served for more than nine years stand for re–election annually. There are currently three directors with service of more than nine years: Mr H M Henderson, the Chairman, Mr Boyle and Mr Watson. The Board has reviewed Provision B.7.1 of the Corporate Governance Code, which states that all directors of FTSE 350 companies should be subject to annual election by shareholders. The Board considers that the annual re–election of all the directors is inappropriate to the Company. There are two main reasons for this view: (a) it appears to place excessive emphasis on the short term and insufficient emphasis on the need for an effective board to work together and to refresh its composition over time; and (b) there is some danger, because many small and nominee shareholders choose not to exercise their voting rights, that if all the directors seek re–election at once a minority of the shareholders could engineer the removal of the whole Board for reasons injurious to the interests of the Company's investors as a whole. Therefore the Board considers it appropriate to continue to apply Provision B.7.1 as if the Company were not a constituent of the FTSE 350 Index, a view which a number of prominent institutional investors have shared. Every year the Board reviews its composition and the composition of its two Committees. The Board's Remuneration and Nomination Committee oversees this process. Further details are given under section 7 on page 37.

CORPORATE GOVERNANCE STATEMENT continued

Principles of the AIC Code	Application of the principles
The Board	
4. The board should have a policy on tenure, which is disclosed in the annual report.	New directors are appointed for an initial term ending three years from the date of their first annual general meeting after appointment and with the expectation that they will serve a minimum of two three-year terms, but there is no absolute limit to the period for which a director may serve. The continuation of directors' appointments is contingent on satisfactory performance evaluation and re-election at annual general meetings. Directors' appointments are reviewed formally every three years by the Board as a whole. None of the non-executive directors has a contract of service and a non-executive director may resign by notice in writing to the Board at any time; there are no set notice periods. The Board's tenure and succession policy seeks to ensure that the Board is well-balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment to the Company, including in terms of time. The Board seeks to encompass past and current experience of various areas that is relevant to the Company's objective and operations, the most important skill-sets being investment management, finance, marketing, financial services, risk management, custody and settlement, and investment banking. Specialist agents are usually used to assist with recruitment. While the roles and contributions of longer serving directors are subject to rigorous review, the Board is strongly of the view that length of service is only one factor and that the shareholders benefit from having directors with a longer perspective of the Company's history and its place in the savings market.
5. There should be full disclosure of information about the board.	Details of the directors are set out on pages 27 and 28. They demonstrate a broad range of investment, professional and commercial expertise and experience, gained overseas as well as in the United Kingdom.
6. The board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	The Board considers that it has achieved this aim. Brief biographical details of each director are set out on pages 27 and 28. **Board Diversity** The Company welcomes the objectives of the Davies Report to improve the performance of corporate boards by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Company recognises the benefits of diversity on the Board, including gender, and takes this into account in its Board appointments. The Company is committed to ensuring that its director search processes actively seek both men and women with the right qualifications so that appointments can be made, on the basis of merit, against objective criteria from a diverse selection of candidates. To this end the Board will continue to dedicate time to consider diversity during the director search process.

Principles of the AIC Code	Application of the principles
The Board	
7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The Board has established a process to evaluate its performance on an annual basis. This process is based on open discussion and seeks to assess the strengths and weaknesses of the Board and its Committees. The Chairman leads on applying the conclusions of the evaluation. The Chairman reviews with each director his or her individual performance, contribution and commitment to the Company. The Senior Independent Director leads the annual evaluation of the Chairman and reviews the conclusions with him. The Board's Remuneration and Nomination Committee oversees this process. In addition, in consideration of Provision B.6.2 of the Corporate Governance Code, which states that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years, the Board concluded that, regardless of the size of the company, periodic external evaluation should add value to the process. Accordingly, in 2016, the Board appointed BoardAlpha Limited to carry out an evaluation programme. The Board reviewed the report from the BoardAlpha in March 2017 and the Chairman will lead on implementing those changes recommended by the report that the Board considered should be made. The report did not identify any material weaknesses or concerns. BoardAlpha Limited does not have any other connection with the Company. The Board intends to appoint an external organisation to facilitate its evaluation in 2019.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Directors' Remuneration Report on pages 45 to 55 details the process for determining the directors' remuneration and sets out the amounts payable.
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Board's Remuneration and Nomination Committee oversees the recruitment process, which includes the use of a firm of non–executive director recruitment consultants. However, all the independent non–executive directors are asked to contribute and to consider serving on the sub–committee appointed to draw up the shortlist of candidates. Notwithstanding this, the Chairman would not expect to lead the process of selecting his successor.
10. Directors should be offered relevant training and induction.	Directors newly appointed to the Board are provided with an introductory programme covering the Company's strategy, policies and operations, including those outsourced to third parties. Thereafter, directors are given, on a regular and ongoing basis, key information on the Company's investment portfolios, financial position, internal controls and details of the Company's regulatory and statutory obligations (and changes thereto). The directors are encouraged to attend industry and other seminars, conferences and courses, if necessary at the Company's expense, and to participate generally in industry events. A log of directors' training is maintained and reviewed each year by the Audit Committee. The directors have access to the advice and services of the Company's Executive team and AIFM and of the Company Secretary, through its appointed representative, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.
11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	This principle does not apply to the Company, which is a long established investment trust company.

CORPORATE GOVERNANCE STATEMENT continued

Principles of the AIC Code	Application of the principles
Board meetings and the relationship with the manager	
12. Boards and managers should operate in a supportive, co-operative and open environment.	Typically, the Board meets approximately ten times each year. The Chief Executive Officer (who is himself a director), other representatives of the Company's Executive team and the AIFM and a representative of the Company Secretary expect to be present at all meetings. The Board devotes two full days each year to meetings with the Company's investment managers and each investment manager sends representatives at least once a year. The Chairman seeks to encourage open debate within the Board and a supportive and co-operative relationship with the Executive team and with the Company's investment managers, advisors and support staff.
13. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Chief Executive Officer and the AIFM monitor investment performance and all associated matters. The Chief Executive Officer reports to each Board meeting, at which investment performance, asset allocation, gearing, marketing and investor relations are usually key agenda items.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for determining the strategic direction of the Company and for promoting its success. At least one of its meetings each year is devoted entirely to reviewing overall strategy and progress is monitored throughout the year.
15. The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).	The Board's Remuneration and Nomination Committee reviews the performance of and the contractual arrangements with the Chief Executive Officer. The Chief Executive Officer is responsible to the Board for reviewing the performance and the contractual arrangements of his staff. The Board's Remuneration and Nomination Committee oversees this process. The Chief Executive Officer leads on the selection and monitoring of the investment managers and their terms of reference, which are approved by the Board and the AIFM.
16. The board should agree policies with the manager covering key operational issues.	The Company manages its own operations through the Board and that of its AIFM, as set out on page 40. Each investment manager runs a discrete investment portfolio within the terms of the mandate given to them in an investment management contract. Further details are given on page 40. Shares are held by the Company's custodian/depositary.
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Chief Executive Officer and his team monitor the share price and the discount/premium to net asset value on a daily basis and he reports to every Board meeting. The Board makes use where appropriate of share buybacks (at a discount) and issuance (at a premium) in order to add to the net asset value per share and achieve a sustainable low discount (or a premium) to net asset value.
18. The board should monitor and evaluate other service providers.	The Chief Executive Officer and the AIFM are responsible for monitoring and evaluating the performance of the Company's various service providers. The Board's Audit Committee oversees this process together with the WIS Risk Committee.

Principles of the AIC Code	Application of the principles
Shareholder communications	
19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	The Chairman is responsible for ensuring that there is effective communication with the Company's shareholders. He works closely with the Chief Executive Officer and there is regular liaison with the Company's stockbroker. There is a process in place for analysing and monitoring the shareholder register and a programme for meeting or speaking with the institutional investors and with private client stockbrokers and advisors. In addition to the Chief Executive Officer, the Chairman, or the Senior Independent Director, expects to be available to meet the larger shareholders and the Chairman of the Remuneration and Nomination Committee is available to discuss remuneration matters. The Company encourages attendance at its Annual General Meeting as a forum for communication with the individual shareholders. The Notice of Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. The Chairman, the Chief Executive Officer, the Chairman of the Audit Committee and the Chairman of the Remuneration and Nomination Committee all expect to be present at the Annual General Meeting and able to answer questions from shareholders as appropriate. Details of the proxy votes received in respect of each resolution are made available to shareholders. The Chief Executive Officer makes a presentation to the meeting. The directors may be contacted through the Company Secretary at the address shown on page 94.
20. The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	While the Chief Executive Officer and his team together with the AIFM expect to lead on preparing and effecting communications with investors, all major corporate issues are put to the Board or, if time is of the essence, to a Committee thereof.
21. The board should ensure that shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding the shares.	The Board places importance on effective communication with investors and approves a marketing programme and budget each year to enable this to be achieved. Copies of the Annual Report and the Half Year Report are circulated to shareholders, to those who hold shares through the subsidiary company's products and, where possible, to investors through other providers' products and nominee companies (or written notification is sent when they are published online). In addition, the Company publishes a factsheet monthly and its net asset value per share daily. All this information is readily accessible on the Company's website (www.witan.com). The Company belongs to the Association of Investment Companies which publishes information to increase investors' understanding.

CORPORATE GOVERNANCE STATEMENT continued

The Board

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board sets the Company's strategic aims (subject to the Company's Articles of Association and to such approval of the shareholders in general meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board has typically met approximately ten times a year and deals with the most important aspects of the Company's affairs, including the setting of parameters for and the monitoring of investment strategy, the review of investment performance and the extent to which borrowings may be used.

The Chief Executive Officer is responsible to the Board and the AIFM for the overall management of the Company including investment performance, business development, shareholder relations, marketing, investment trust industry matters, administration and unquoted investments. The duties of the Chief Executive Officer include leading on investment strategy and asset allocation, on the selection and monitoring of the investment managers and their terms of reference and on the use of derivatives. The Board, in conjunction with the AIFM, sets limits on matters such as asset allocation, gearing and investment in derivatives, within which the Chief Executive Officer may operate at his discretion.

The Chief Executive Officer reports to each meeting of the Board. His report includes confirmation that the Board's investment limits and restrictions and those which govern the Company's tax status as an investment trust, have been adhered to.

The individual investment managers are each appointed to manage a discrete portfolio in accordance with guidelines which limit, for example, the markets in which they can invest, the size of each investment and the amount of cash that may be held in their portfolio in normal circumstances. They are not allowed to invest in unquoted securities, to borrow against the security of the portfolio, to sell stocks short or to use derivatives. The investment managers take decisions as to the purchase and sale of individual investments and are responsible for effecting those decisions on the best available terms. The Company and the AIFM receive monthly confirmation from each of the investment managers that they have carried out their duties in accordance with the terms of their investment mandates.

In addition to his responsibilities for the overall management of the Company, the Chief Executive Officer manages the Direct Holdings portfolio. A maximum of 10% of the Company's gross assets (at the time of purchase) may be invested in this portfolio and there are restrictions on the number, size and type of investments that may be made.

The Chairman is responsible for ensuring that the directors are provided, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant, whether from the Chief Executive Officer or otherwise.

Matters specifically reserved for decision by the full Board have been defined. There is an agreed procedure for directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

Board Committees

The Board has established an Audit Committee and a Remuneration and Nomination Committee. The membership of the Audit Committee and the Remuneration and Nomination Committee is set out on pages 27 and 28. The roles and responsibilities of the Committees are described in the Report of the Audit Committee on pages 43 and 44 and in the Directors' Remuneration Report on pages 45 to 55.

Meetings of the Board and its Committees

The number of formal meetings during the year of the Board and its Committees, and the attendance of the individual directors at those meetings, is shown in the table that follows.

	Board	Audit Committee	Remuneration and Nomination Committee
Number of meetings	12	5	3
H M Henderson	12	4*	3
A L C Bell	12	5*	3*
J E B Bevan	4/5	-	-
R W Boyle	11	5	-
M C Claydon	11	5	3
S E G A Neubert	11	-	-
R J Oldfield	11	-	3
B C Rogoff	3/3	-	-
A Watson	12	4	-

* Not a member of the Committee but in attendance by invitation for all or part of the meetings.

All the then directors attended the Annual General Meeting in April 2016 and the Board's 'Away Day' in May 2016.

Directors' remuneration

The directors' remuneration is detailed in the Directors' Remuneration Report on pages 45 to 55.

Accountability and audit

The directors' statement of responsibilities in respect of the accounts is set out on page 56.

The report of the independent auditor is set out on pages 57 to 61.

The Board has delegated contractually to external agents, including the various investment managers, the management of the investment portfolio, global custody (which includes the safeguarding of the assets), the investment administration, management and financial accounting, company secretarial and certain other administrative requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the investment managers and ad hoc reports and information are supplied to the Board from its other contractors as required.

Internal control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the Corporate Governance Code guidance, is subject to regular review by the Audit Committee and was fully in place during the year under review and up to the date of this Annual Report. The Board remains responsible for the Company's system of internal control and has conducted its annual review of the effectiveness of the system, covering all the controls, including financial, operational and compliance controls and risk management systems. This review took into account points raised during the year in the regular appraisal of specific areas of risk. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In accordance with provisions C2 and C3 of the Corporate Governance Code the Board reviews the Company's business risks at least once a year. These are analysed and recorded in a risk map. The Company receives from its main contractors formal reports which detail the steps taken to monitor the areas of risk and which report the details of any known internal control failures.

As described elsewhere, the management of Witan's portfolio is outsourced to a number of third party investment managers around the world. There are currently 11 such investment managers as well as the Direct Holdings portfolio which is managed by the Chief Executive Officer.

The Chief Executive Officer has responsibility (under delegation from the Board and the AIFM) for a number of aspects of the management of the portfolio, including asset allocation, gearing and investment in derivatives. The Board has set guidelines in respect of each of these aspects within which he may operate. The Chief Executive Officer reports to the Board regularly on each of these areas, as well as on the overall performance of the Company and other matters of significance.

The in–house Executive management team of Witan and WIS is responsible for managing and controlling the relationships with the third party managers. The management team receives monthly reports on investment and compliance matters from each manager. During 2016, the investment managers were asked to provide detailed information on their operational structures and systems. The Board also receives each year from its investment managers reports on their internal controls; in most cases these include a report from the relevant company's auditors on the control policies and procedures in operation.

The Chief Executive Officer makes regular reports to the Board on the performance of and activity within the Direct Holdings portfolio. In addition, the portfolio's performance is independently measured, along with those of the third party managers.

The Company's subsidiary, WIS, is authorised and regulated by the Financial Conduct Authority to provide investment products and services and was appointed as the Company's AIFM from July 2014. The compliance structures required for these activities, including a compliance manual and a compliance monitoring programme, have been duly put into place.

The Company has a formal policy for staff to raise in confidence any concerns about possible improprieties, whether in matters of financial reporting or otherwise, for appropriate independent investigation. Its staff comprises only seven people (including the Chief Executive Officer), who are well known to and have frequent formal and informal contact with the members of the Board.

CORPORATE GOVERNANCE STATEMENT continued

The Company does not have an internal audit function. Through WIS, the AIFM, it delegates to third parties the management of its investments and most of its other operations and employs only a small staff. The investment managers and certain other key contractors are subject to external regulation and most have compliance and internal audit functions of their own. The Company's investments are held on its behalf by a global custodian appointed by the depositary. A specialist firm of investment accountants and administrators is responsible for investment administration, for maintaining accounting records and for preparing financial accounts, management accounts and other management information. Their work is reviewed by an independent accountant who also carries out some of the work that an internal audit function would cover. In addition, the Board receives from the investment administrator an annual report on its internal controls, including a report from its auditor on the control policies and procedures in operation. The investment performance of the investment managers, both individually and collectively, is measured for Witan by a company that is independent of all the investment managers. The corporate Company Secretary is a company with well–established experience in servicing investment trusts.

The appointment of these and other professional contractors provides a clear separation of duties and a structure of internal controls that is balanced and robust. The Board and the AIFM will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors will review at least annually whether a function equivalent to an internal audit is needed.

Stewardship and the exercise of voting powers

It is the Board's view that, in order to achieve long–term success, companies need to maintain high standards of corporate governance and corporate responsibility. Therefore Witan expects the companies in which it is invested to comply with best practice in corporate governance matters, or to provide adequate explanation of any areas in which they fail to comply, whilst recognising that a different approach may be justified in special circumstances. In respect of UK companies, current best practice in corporate governance matters is set out in the UK Corporate Governance Code.

The Board encourages the Company's appointed investment managers to engage with companies and to vote shares, in the best long–term interest of Witan shareholders but in accordance with their own investment philosophies. Where applicable, it monitors the policies of the investment managers in respect of the UK Stewardship Code. Elsewhere in the world it can be more difficult to vote shares as each country has its own rules and practices regarding shareholder notification, voting restrictions, registration conditions and share blocking, including, for example, dealing constraints. Therefore, whilst the Company's investment managers are apprised of the Company's approach to the stewardship of its assets and the importance of sound corporate governance, they use their discretion according to their knowledge of the relevant circumstances. The investment managers report their compliance with the UK Stewardship Code, or equivalent legislation, to the Audit Committee each year.

In respect of the direct investments held, the Company's Executive management maintains regular touch with the management of the investee holdings and engages when issues arise that are controversial or potentially prejudicial to the interests of Witan's shareholders. An annual report is provided to the Audit Committee in compliance with the UK Stewardship Code.

Approval

This report was approved by the Board of directors on 9 March 2017 and is signed on its behalf by:

H M Henderson
Chairman

9 March 2017

REPORT OF THE AUDIT COMMITTEE

Statement by the Chairman of the Committee

As Chairman of the Audit Committee ('the Committee'), I am pleased to present the Report of the Committee for the year ended 31 December 2016.

Composition and responsibilities of the Committee

During the year under review, the Committee comprised three non-executive directors, including its Chairman, who are appointed by the Board. I was appointed Chairman of the Committee in 2007. The Board has taken note of the requirements that the Committee as a whole should have competence relevant to the sector in which the Company operates and that at least one member of the Committee should have recent and relevant financial experience. The Committee is satisfied that the Committee is properly constituted in both respects: I am a Chartered Accountant and was previously a partner in PricewaterhouseCoopers LLP and the other Committee members have a combination of financial, investment and other relevant experience gained throughout their careers.

Mr Watson, who was appointed to the Committee in 2006, and Mrs Claydon, who was appointed to the Committee in 2013, were members of the Committee throughout the year. Mr Perry was appointed as a member of the Committee with effect from 22 February 2017. He is also a Chartered Accountant and was previously a partner in Ernst & Young LLP. Details of our qualifications and experience are given on pages 27 and 28.

The role of the Committee is to assist the directors in protecting shareholders' interests through fair, balanced and understandable reporting, ensuring effective internal controls and maintaining an appropriate relationship with the Group's auditor. The Committee's role and responsibilities are set out in its terms of reference, which comply with the UK Corporate Governance Code. The terms of reference are available on request from the Company Secretary and can be seen on the Company's website (www.witan.com). In summary, the Committee is responsible for:

- monitoring the integrity of the Company's financial statements, including consideration of the Company's accounting policies and significant reporting judgements;
- ensuring the application of the Company's internal financial and regulatory compliance controls and risk management systems using external consultants where appropriate;
- the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process; and
- reporting to the Board on how it has discharged its duties.

Meetings of the Committee

The Committee held four meetings during 2016 and also met in February 2017. Meetings are usually attended, by invitation, by the Chairman, members of management, relevant external advisers and the auditors. I report to the Board after each meeting on the main matters discussed at the meeting. In summary, the main matters arising in relation to 2016 were:

- Assessment of the controls to ensure the ownership, valuation and liquidity of investments: this includes assessing management reports on the controls and procedures of external managers and the external custodian/administrator and the review of the audit work performed. No significant issues were identified.
- Consideration of other matters in relation to the financial statements including appropriateness of accounting policies, revenue recognition, portfolio valuation and calculation of management fees.
- Interim and year-end reporting, in the light of the requirements of the Code of Corporate Governance issued by the AIC. The Committee agreed the process, timing and responsibility for compliance.
- A variety of specific matters including whistleblowing, anti-money laundering compliance, data and IT systems security and business continuity.
- In light of the relative simplicity of the operations and the use of independent external consultants to advise on regulatory compliance and adherence to internal procedures, it was concluded that no internal audit function was required (see page 42).

Following the appointment of WIS as the Company's AIFM, the Committee works with the Risk Committee of WIS, the Company's subsidiary, to ensure WIS' compliance with FCA regulations. Particular topics in 2016 included the regulations contained within the Client Assets sourcebook ('CASS') of the Financial Conduct Authority's ('FCA') and the change of depository.

Risk

Management has identified (Strategic Report pages 19 and 20) five main areas of potential risk: market and investment portfolio, operational, corporate governance, accounting, legal and regulatory, and liquidity, and has set out the actions taken to evaluate and manage these risks.

REPORT OF THE AUDIT COMMITTEE continued

The auditor has also detailed three specific areas of risk in its report: valuation and existence of investments; accuracy and completeness of investment income and accuracy and completeness of performance and management fees and has set out the work it has performed to satisfy itself that these have been properly reflected in the financial statements.

The Committee has monitored the controls designed to mitigate all these risks during the year including reviewing management's risk report at each meeting and requiring amendments to both risks and mitigating actions as appropriate. The Committee considers that management has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance solvency or liquidity and has taken appropriate action to mitigate those risks. There were no significant areas of material judgement.

Going concern and viability

The Committee has reviewed the information, forecasts and assumptions underlying the Viability and Going Concern Statements on pages 20 and 21 and recommended to the Board that they are appropriate.

External audit

The Committee carried out a formal competitive tender for the Company's statutory audit during 2016. Four firms were invited to tender, three of which presented to the Committee in May 2016. Following the presentations, the Committee agreed to appoint Grant Thornton and approved their proposed audit fee. In accordance with the current legislation, the Company will need to re–tender for new auditors at least every 10 years and will have to change its auditor after 20 years.

The audit partner is Marcus Swales. The auditor is required to rotate partners every five years and it is proposed that Mr Swales should serve until the AGM in 2021, provided shareholders approve the continued appointment of Grant Thornton.

The Committee reviews the scope and effectiveness of the audit process, including agreeing the auditor's assessments of materiality, and monitors the auditor's independence and objectivity. The Committee will conduct a formal review of the performance of the auditor following the conclusion of the audit.

In addition, Grant Thornton has been appointed to provide an assurance report on client assets in accordance with the FCA's Client Assets Sourcebook (the CASS Report) to the FCA in respect of Witan Investment Services Limited, to be completed by the end of April 2017.

The Committee confirms that the Company has complied this year with the provision of the Statutory Audit Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Financial statements

The Board has requested the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the planning for its preparation, review of the processes to assure the accuracy of factual content, and by assurances from the Remuneration and Nomination Committee.

Non–audit services

The Committee has adopted the new limit on non–audit fees that has been introduced with effect from January 2017, from which time non–audit fees cannot be more than 70% of the average audit fees for the last three years.

Grant Thornton are not providing any non–audit services to the Company other than to provide the CASS report, for which their fees are budgeted at £9,000. As noted in note 5 on page 70, the Committee approved the appointment of Deloitte LLP, while they were auditors to the Company, to provide advice on one–off withholding tax claims. The appointment, which was made on a one–off basis, was awarded on a competitive basis and the Committee satisfied itself that Deloitte's audit teams and tax advisory team were independent of each other. The fees incurred for this work during the year while Deloitte LLP was auditor to the Company amounted to £11,000.

Effectiveness of the Committee

BoardAlpha commented on the effectiveness of the Committee as part of their evaluation of the Board (see page 37).

Approval

This report was approved by the Committee on 9 March 2017 and is signed on its behalf by:

Robert Boyle
Chairman of the Audit Committee

9 March 2017

DIRECTORS' REMUNERATION REPORT

Chairman's statement

Introduction

As Chairman of the Remuneration and Nomination Committee (the 'Committee'), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2016.

This report covers the remuneration-related activities of the Committee for the year ended 31 December 2016. It sets out the remuneration policy and remuneration details for the non-executive and executive directors of the Company. It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') and the requirements of the Association of Investment Companies. The report is split into three main areas: this statement from me as Chairman of the Committee, an annual report on remuneration and a policy report. The annual report on remuneration provides details on remuneration during the financial year ending 31 December 2016 and other information required by the Regulations. It will be subject to an advisory vote at the Annual General Meeting in April 2017.

The Company's existing remuneration policy was subject to a binding shareholder vote at the Annual General Meeting in 2016 and took effect from 1 January 2016.

The Companies Act 2006 requires the auditor to report to shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in the report.

Role of the Committee

The remuneration-related role of the Committee is essentially twofold. First, it has a role in respect of executive remuneration, assisting the directors in determining the remuneration of the Chief Executive Officer ('CEO') and evaluating his performance, as well as assisting the CEO in determining the remuneration arrangements for the Company's staff. Second, the Committee considers the remuneration of the non-executive directors. In addition, the Committee serves as the Board's nomination committee with responsibility for reviewing the effectiveness and composition of the Board and considering the remuneration of the non-executive directors. The Committee's role and responsibilities are set out in its terms of reference, which are available on request from the Company Secretary and can be found on the Company's website (www.witan.com).

The Committee normally consists of three non-executive directors, including its Chairman, who are appointed by the Board. During the year I served as Chairman of the Committee and Mr H M Henderson and Mr R J Oldfield were members of the Committee. I was appointed to the Committee, and to act as its Chairman, in 2009. Mr Henderson and Mr Oldfield were appointed to the Committee in 2003 and 2011 respectively.

The Committee's programme is to meet formally at least twice a year and on such other occasions as required. The Committee held three formal meetings during the year, during which it addressed all the matters under its remit.

Mr Rogoff was appointed to the Board on 1 October 2016 and Mr Perry on 1 January 2017. In each case, the Committee reviewed the skill and experience required of the new directors and identified the person it considered to be most suitable to fill the vacancy. Mr Rogoff was appointed as the Board considered that his knowledge and expertise in technology would be beneficial to directors in their monitoring of the Company's fund managers. In the case of Mr Perry, the Committee was assisted by Trust Associates, a firm of recruitment consultants that has no other connection with the Company. In each case the Board confirmed this choice and the appointment was made.

There were no changes in the fees payable to non-executive directors, during the year. In February 2017, the Committee undertook a review of the non-executive directors' fees. The Committee recommended to the Board, and the Board agreed, that non-executive directors' fees should be increased with effect from 1 April 2017 by £1,500 per annum for the non-executive directors other than the Chairman and by £3,000 per annum for the Chairman. The additional fee payable to the Chairman of the Audit Committee was increased from £6,000 to £7,500 and that of the Chairman of the Remuneration and Nomination Committee and the Senior Independent Director from £4,000 to £5,000. This will be the first increase in these fees since 1 April 2014. Accordingly, with effect from 1 April 2017, the non-executive directors' fees will be paid at the following annual rates:

	£
Chairman of the Company	**60,000**
Chairman of the Audit Committee	**39,000**
Chairman of the Remuneration and Nomination Committee	**36,500**
Senior Independent Director	**36,500**
Other non-executive directors	**31,500**

DIRECTORS' REMUNERATION REPORT continued

The Company's Articles of Association currently limit the aggregate fees payable to the non–executive directors to £350,000 per annum.

The aggregate non–executive directors' fees currently amount to £281,000 per annum. This will increase to £298,000 with effect from 1 April 2017.

During 2015, the Committee reviewed the components of the variable remuneration for the CEO in light of revisions to the UK Corporate Governance Code relating to clawback and malus and compared the terms of the CEO's remuneration with market standards for similar roles. The benchmark information was provided by McLagan.

As a result of the review, the Committee agreed that, while the CEO's salary was in line with those paid to the peer groups, the current bonus arrangements were out of line with payments made elsewhere in the market. The Committee addressed this by making a number of changes to the existing bonus arrangements, which were approved by shareholders at the AGM in April 2016 and implemented with effect from 1 January 2016. The current and prior arrangements are set out in the policy statement on pages 51 and 52.

Catherine Claydon
Chairman of the Remuneration and Nomination Committee.

Annual report on remuneration

An ordinary resolution for the approval of this section of the Report (together with the Chairman's statement on pages 45 to 46) will be put to members at the forthcoming Annual General Meeting.

The following section sets out the executive director's and the non–executive directors' remuneration for the year ended 31 December 2016. The information provided in this part of the Report has been audited by Grant Thornton UK LLP.

Single total figure table for the year (audited)

Non–executive directors

The following table shows the single figure of remuneration of the non–executive directors for the financial year ended 31 December 2016, together with the comparative figures for 2015:

	31 December 2016 Fees and total remuneration £[1][2]	31 December 2015 Fees and total remuneration £[1][2]
J E B Bevan (retired 28 April 2016)	**10,000**	30,000
R W Boyle	**36,000**	36,000
M C Claydon	**34,000**	34,000
H M Henderson	**57,000**	57,000
S E G A Neubert	**30,000**	30,000
R J Oldfield	**30,000**	30,000
B C Rogoff (appointed 1 October 2016)	**7,500**	-
A Watson	**34,000**	34,000
Total	**238,500**	251,000

(1) The non–executive directors are not entitled to any valuable payments or benefits. No taxable benefits were paid in the year, although all reasonably incurred business expenses will be met.
(2) Non–executive directors' fees were last increased with effect from 1 April 2014.

CEO

The following table shows a single total figure of remuneration in respect of qualifying services for the financial year ending 31 December 2016 for the CEO, Mr A L C Bell, together with the comparative figures for 2015. Aggregate emoluments are shown in the last column of the table.

	Base pay(1) £		Benefits(2) £		Annual Bonus(3) £		Long-Term Bonus(3) £		Pension related benefits £		Total £	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Mr A L C Bell	**281,000**	278,000	**18,366**	16,251	**89,920**	132,380	**76,425**	139,000	**28,100**	27,800	**493,811**	593,431

Notes:

(1) Mr Bell is entitled to hold outside appointments and to retain any fees payable, subject to receiving the Board's permission. During 2016, in addition to the base salary set out above, Mr Bell received £57,750 (2015: £52,154) as director of Henderson High Income Trust plc and chairman of Gabelli Value Plus + Trust plc.

(2) Taxable benefits include life assurance and health insurance.

(3) Mr Bell's current service agreement provides that he is eligible to receive a bonus of up to 170% of his basic salary. The cash bonus arrangement consists of three separate elements:

(i) Discretionary bonus
For a description of the terms of the discretionary bonus (including the performance measures), please see the policy report. The Committee reviewed Mr Bell's perfomance against the performance criteria, described on page 53, over the preceding year at its meeting in February 2017 to determine the appropriate level of the discretionary bonus that is payable for that year. Following that review, the Committee recommended, and the Board agreed, that Mr Bell should receive a discretionary bonus equal to 32% (compared with the maximum of 40%) of his basic salary (£89,920) in respect of the financial year ended 31 December 2016 (2015: 20%, £55,600).

(ii) One-year Bonus
For a description of the terms of the One-year Bonus (including the performance measures), please see the policy report. The Company underperformed its benchmark in 2016 (net asset value debt at par, excluding the effect of share buybacks) and therefore Mr Bell will not receive a bonus based on the Company's financial performance for the year ended 31 December 2016 (2015: 2.3%, £76,780).

(iii) Long-Term Bonus
A description of the terms of the Long-Term Bonus (including the performance measures), was included in the policy report approved by Shareholders at the 2014 AGM. In summary, Mr Bell is eligible to receive up to 50% of his basic annual salary by reference to the Company's performance over the previous three financial years. The level of bonus is determined by reference to performance against the benchmark, where performance is in line with benchmark generates a bonus rising on a straight line basis to a full bonus where the benchmark is exceeded by an average of 3% per annum. The Company has outperformed its benchmark over the three financial years to 31 December 2016 by 4.9% (net asset value debt at par, excluding the effect of share buybacks) and therefore a Long-Term Bonus of £76,425 will be paid to Mr Bell (2015: 11.2%, £139,000).

Mr Bell's total variable remuneration in respect of the year ended 31 December 2016 is £166,345 (2015: £271,380).

Payment of the discretionary bonus will be partly deferred in accordance with the current policy, with 60% paid in March 2017 and the remaining 40% paid on a deferred basis in three equal instalments in March 2018, 2019 and 2020, subject to continuing employment. The Long-Term Bonus of £76,425 is payable in March 2017 in accordance with the terms which applied under the previous policy in force when the terms of the Long-Term Bonus were set.

Scheme interests awarded during the financial year

No directors were awarded any interest over shares in the Company during the financial year ended 31 December 2016.

Payments to past directors

No payments were made to former directors of the Company during the financial year ended 31 December 2016 (2015: £nil).

Payments for loss of office

No loss of office payments were made to any person who has previously served as a director of the Company at any time during the financial year ended 31 December 2016 (2015: £nil).

Statement of directors' shareholdings (audited)

The interests of the CEO and the non-executive directors (including connected persons) in the Company's ordinary shares are shown in the table opposite. No share options or other share-based awards, with or without performance measures, were awarded to the CEO or to any non-executive director. There are no requirements or guidelines for the CEO or the non-executive directors to own shares in the Company.

	Shares held as at 31 December 2016	Shares held as at 31 December 2015
A L C Bell	**140,000**	120,000
R W Boyle	**55,092**	52,512
M C Claydon	**49,271**	47,326
H M Henderson	**788,232**(1)	1,153,132(1)
S E G A Neubert	**9,750**	9,537
R J Oldfield	**21,500**	21,500
B C Rogoff(2)	**2,300**	-
A Watson	**25,021**	25,021

Notes:

(1) H M Henderson is the legal and beneficial owner of 722,732 shares in the Company and 65,500 shares in the Company are owned by connected persons (2015: 722,732 and 430,400 shares: the reduction in the non-beneficial holdings is due to his retirement as a trustee of a trust which holds 364,900 shares.

(2) Mr Rogoff did not own any shares at the date of his appointment, 1 October 2016.

(3) Mr Perry owned 14,505 shares at the date of his appointment, 1 January 2017.

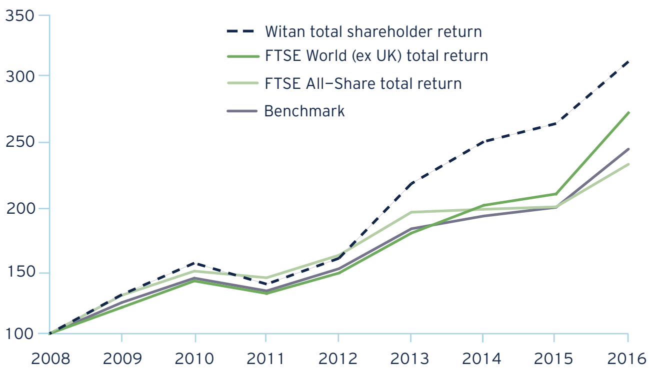
DIRECTORS' REMUNERATION REPORT continued

Since the year end there have not been any other changes in the directors' interests.

None of the directors had an interest in the secured bonds, debenture stock or preference shares of the Company.

Total shareholder return performance graph

The line graph below sets out the Company's eight-year total shareholder return performance relative to the FTSE All-Share Index and the FTSE World (ex UK) Index (sterling adjusted). This line graph assumes a notional investment of £100 into the Indices on 31 December 2008 and the reinvestment of all income, excluding dealing expenses.



Source: Morningstar.

The Company is required to compare the Company's share price with a single broad equity market index. The Company has compared the share price total return against (i) a UK market index, namely the FTSE All-Share Index because the Company's shares are listed on the UK market and the UK forms the largest constituent of the Company's benchmark; and also (ii) a global index, namely the FTSE World (ex UK) Index because more than half of the Company's investments are held in overseas companies. The performance of the Company's benchmark is also shown.

CEO remuneration table

Year ended 31 December	CEO single figure of total remuneration £	Annual discretionary and One-year Bonus pay-out against maximum %	Long-Term Bonus pay-out against maximum %
2016 - Mr Bell	493,811	40.0	54.4
2015 - Mr Bell	593,431	95.2	100.0
2014 - Mr Bell	544,514	76.2	100.0
2013 - Mr Bell	486,802	95.0	64.2
2012 - Mr Bell	400,535	86.5	13.7
2011 - Mr Bell	314,160	40.0	n/a
2010 - Mr Bell	409,495	100.0	n/a
2010 - Mr Clarke(1)	111,318	15.0	n/a
2009 - Mr Clarke(1)	253,273	30.0	n/a

Note:
(1) Mr R E Clarke was the CEO until 8 February 2010, when Mr Bell was appointed.

Percentage change in remuneration of CEO

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2015 and 2016 compares with the percentage increase in each of those components of pay for the Group's employees taken as a whole:

	Percentage increase/(decrease) in remuneration in 2016 compared with remuneration in 2015	
	CEO %	Employees %
Salary and fees	1	(6)
All taxable benefits	5	(25)
Annual bonuses (discretionary and One-year Bonus)	(32)	108
Long-Term Bonus	(45)	n/a
Total	(17)	3

The decrease in the CEO's bonuses in 2016 is primarily due to the slight under-performance of the Company in 2016, which resulted in the One-year Bonus not being paid in respect of 2016 (see note 3(ii) on page 47) and a reduction in the Long-Term Bonus.

The percentage increase for the employees' salary and fees and taxable benefits reflects a change in the number of employees.

Relative importance of spend on pay

Spend	**2016 £000**	2015 £000	Difference £000
Fees of non-executive directors	**239**	251	(12)
Remuneration paid to or receivable by all employees of the Group (including the CEO) in respect of the year(1)	**1,020**	1,103	(83)
Dividends paid to shareholders in respect of the year ended 31 December 2016	**35,292**	33,565	1,727
Share buybacks(2)	**142,918**	-	142,918
Total payments to shareholders	**178,210**	33,565	144,645•

Notes:
(1) Includes any accruals for future payment of the CEO's Long-Term Bonus, subject to performance being sustained and to his continued employment with the Company.
(2) Share buyback activity reflects changes in the discount, which widened during the year (see also comments on page 15).

Statement of implementation of remuneration policy

The revised remuneration policy for the CEO as detailed in the policy section of the report was agreed by shareholders at the 2016 AGM and implemented with effect from 1 January 2016. The proposed fee increases for non-executive directors will be effective from 1 April 2017.

Consideration by the directors of matters relating to directors' remuneration

The Board as a whole sets the fees that are payable to the non-executive directors and it has appointed the Committee to consider matters relating thereto. The Committee also considers the remuneration of the CEO and makes a recommendation on this to the Board for its approval.

The Committee was not provided with any advice or services, during the financial year ending 31 December 2016, in respect of the fees payable to the non-executive directors or the remuneration payable to the CEO.

The Committee assesses the workload and responsibilities of the non-executive directors and reviews, from time to time, the fees paid to non-executive directors of other investment trust companies.

Herbert Smith Freehills LLP provided legal advice to the Company during the year, including in relation to the operation of the Company's incentive arrangements and on the CEO's service agreement. This advice was available to be considered by the Committee.

The table below sets out the members of the Committee who were present during any consideration of the CEO's remuneration, and shows the number of meetings attended by each non-executive director:

Name	Number of meetings attended
M C Claydon	**3/3**
H M Henderson	**3/3**
R J Oldfield	**3/3**

Statement of shareholder voting

At the Annual General Meeting held on 28 April 2016 ordinary resolutions to approve the Directors' Remuneration Report for the year ended 31 December 2015 and to approve the remuneration policy were passed on a show of hands. The proxy votes in each case were as follows:

Votes for	Votes against	Votes at proxies' discretion	Votes withheld	Total votes cast (excluding votes withheld)
Approval of Directors' Remuneration Report				
22,794,025	**134,795**	**44,821**	**50,698**	**22,973,641**
99.2%	**0.6%**	**0.2%**	**-**	**100%**
Approval of remuneration policy				
22,358,405	**399,993**	**48,204**	**217,226**	**22,806,602**
98.0%	**1.7%**	**0.3%**	**-**	**100%**

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to directors' remuneration, the reasons for any such vote will be sought and any actions in response will be detailed in future Directors' Remuneration Reports. There were no substantial shareholder votes against the resolutions at the Annual General Meeting in 2016.

Remuneration policy

A report on the Company's remuneration policy in accordance with the new Regulations was submitted for the first time in the 2013 Annual Report. An ordinary resolution for the approval of a revised policy was put to members at the AGM on 28 April 2016 and passed by the members. This policy took effect from 1 January 2016.

All provisions of the revised policy are expected, in the absence of regulatory or other reasons for change, to remain in effect until the AGM in 2019 when the Company will next be required to submit its remuneration policy to its members.

For ease of reference we have included the full policy as approved by shareholders, updated to reflect application of the policy in 2016, on the following pages. The unamended version of the policy as approved by shareholders may be viewed in the Annual Report for 2015 at www.witan.com

Non-executive directors

All the directors are non-executive, with the exception of the CEO. New directors are appointed for an initial term ending three years from the date of their first annual general meeting after appointment and with the expectation that they will serve two three-year terms. The continuation of directors' appointments is contingent on satisfactory performance evaluation and re-election at annual general meetings. Non-executive directors' appointments are reviewed formally every three years by the Board as a whole. Each of the non-executive directors has a letter of appointment which sets out the terms on which they provide their services. A non-executive director may resign by notice in writing to the Board at any time; there are no set notice periods.

DIRECTORS' REMUNERATION REPORT continued

Remuneration policy for non–executive directors

The following table provides a summary of the key elements of the remuneration of the non–executive directors:

	Purpose	Operation
Fees	Fees payable to the directors should reflect the time committed to the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. There are no performance–related elements and no fees are subject to clawback provisions.	Non–executive directors are to be remunerated in the form of fees, payable monthly in arrears, to the director personally or to a third party specified by him or her. There are no long–term incentive schemes or pension arrangements and the fees are not specifically related to their performance, either individually or collectively. The Committee determines the level of fee at its discretion. The fees are reviewed each year, although such review will not necessarily result in any increase in the fees. Proposed increases in fees are determined in the light of increases in inflation and in the Company's share price, net asset value and dividend payments. The Chairman of the Board, the Chairmen of the Board's Committees and the Senior Independent Director are paid higher fees than the other non–executive directors in recognition of their more onerous roles (see below). The Chairman of the Board receives a fee of £60,000 (previously £57,000) per annum. The Senior Independent Director receives a fee of £5,000 (previously £4,000) in addition to the annual base fee. Each non–executive director's annual base fee is £31,500 (previously £30,000). Additional fees are payable as follows: ➜ Chairman of Audit Committee £7,500 (previously £6,000); ➜ Chairman of Remuneration and Nomination Committee £5,000 (previously £4,000). All of the above fees are effective from 1 April 2017. The maximum amount of fees, in aggregate, that may be paid to non–executive directors in any financial year is £350,000 following approval by shareholders at the Annual General Meeting in April 2014.

Directors' and officers' liability insurance cover is held by the Company in respect of all the directors (including the CEO).

Remuneration policy for the CEO (and any future executive director)

Currently the Company operates with one executive director, the CEO. This policy applies to the CEO, but would also be applied to any other executive director appointed by the Company.

	Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Base salary	Base salary is set at market competitive levels in order to recruit and retain an executive director of a suitably high calibre. The level of pay reflects a number of factors including individual experience, expertise and pay appropriate to the position.	Base salary is reviewed annually and fixed for 12 months.	The Committee has agreed to increase the CEO's salary, with effect from 1 January 2017, by 1.4% to £285,000 per annum. Year-on-year, salary increases for any executive director will not exceed 10% per annum other than in times of abnormal inflation or other exceptional circumstances, in which case the increase will not exceed 20%.	Not applicable.
Benefits-in-kind	Offering market-competitive level of benefits-in-kind to help recruit or retain an executive director of a suitably high calibre.	An executive director may be eligible to receive a range of benefits including some or all of: ➜ private medical insurance for the executive director and their family; ➜ death in service insurance; ➜ business-related expenses. Where benefits are sourced through third party providers, the expense will reflect the cost of the provision of the benefits from time to time but will be kept under review by the Committee.	The maximum benefit that can be offered or paid to an executive director is: ➜ private medical insurance provided on a family basis; ➜ death in service insurance of 4 times base salary; ➜ business-related expenses.	Not applicable.
Pension	Offering market-competitive levels of guaranteed cash earnings to help recruit or retain an executive director of a suitably high calibre.	The CEO currently receives a cash payment, equal to 10% of base salary, in lieu of pension contributions.	The maximum cash payment in lieu of pension contributions is 10% of base salary.	Not applicable.

DIRECTORS' REMUNERATION REPORT continued

	Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Discretionary bonus	The purpose of the bonus arrangements is to incentivise the CEO to maximise the Company's performance and its return to shareholders.	The CEO is eligible to receive a discretionary bonus of up to 40% of basic annual salary. The Committee will review the CEO's performance against the performance criteria to determine the appropriate level of bonus payable in respect of the preceding year. The Committee may change the terms of this bonus or reduce any bonus payment that would otherwise be payable in order to comply with any relevant current or future regulations, including the FCA Remuneration Code. See note 2 on page 53 for the operation of deferral, malus and clawback.	The maximum cash bonus payable to any executive director is 40% of base salary.	Please see Note 1 on page 53 for details of the performance measures subject to the CEO's discretionary bonus.
One-year Bonus	The purpose of the bonus arrangements is to incentivise the CEO to maximise the Company's performance and its return to shareholders.	The CEO is eligible to receive a bonus of up to 40% of base salary by reference to the performance of the Company over the previous financial year. The Committee may change the terms of this bonus or reduce any bonus payment that would otherwise be payable in order to comply with any relevant current or future regulations, including the FCA Remuneration Code. See note 2 on page 53 for the operation of deferral, malus and clawback.	The maximum cash bonus payable to any executive director is 40% of base salary.	Please see Note 1 on page 53 for details of the performance measures subject to the CEO's One-year Bonus.
Long-Term Bonus	The purpose of the bonus arrangements is to incentivise the CEO to maximise the Company's performance and its return to shareholders.	The CEO is eligible (with effect from 1 January 2016) to receive a bonus of up to 90% of base salary by reference to the performance of the Company over the previous three financial years. The Committee may, with shareholder approval as appropriate, change the terms of this bonus or reduce any bonus payment that would otherwise be payable in order to comply with any relevant current or future regulations, including the FCA Remuneration Code. See note 2 on page 53 for the operation of deferral, malus and clawback.	The maximum cash bonus payable to any executive director is 90% of base salary.	Please see Note 1 on page 53 for details of the performance measures subject to the CEO's Long-Term Bonus.

Notes:

1. Performance measures

Mr Bell's service agreement, as amended, provides that with effect from 1 January 2016 he is eligible to receive a bonus of up to 170% of his basic annual salary. The cash bonus arrangement consists of three separate elements as set out below:

(i) Discretionary bonus

Each year Mr Bell is eligible to receive, at the absolute discretion of the Committee, a cash bonus of up to 40% of his basic annual salary. The Committee has determined a number of criteria that it takes into account, including the management and administration of the Company and reporting to the Board, shareholders and other stakeholders, on which to judge his performance.

(ii) One-year Bonus

Each year Mr Bell is eligible to receive an additional cash bonus of up to 40% of his basic annual salary. The bonus will be determined by the Company's net asset value per share total return performance over the previous financial year (debt at par, excluding the effect of share buybacks or issuance) relative to its benchmark. Outperformance of the benchmark by 3.0% or more will generate a bonus of the full 40%. No bonus is payable if performance is in line with or below that of the benchmark. Relative performance of between nil and 3.0% will generate a pro rata bonus. Until 1 January 2017, the benchmark (the 'Benchmark') was a composite of 40% FTSE All-Share Index, 20% FTSE All-World North America Index, 20% FTSE All-World Europe (ex UK) Index and 20% FTSE All-World Asia Pacific Index, all on a total return basis. With effect from 1 January 2017, the benchmark is a composite of 30% FTSE All-Share Index, 25% FTSE All-World North America Index, 20% FTSE All-World Europe (ex UK) Index, 20% FTSE All-World Asia Pacific Index and 5% FTSE All-World Emerging Markets Index.

(iii) Long-Term Bonus

With effect from 1 January 2016 Mr Bell is eligible to receive a Long-Term Bonus each year of up to 90% (previously 50%) of his basic annual salary by reference to the Company's performance over the previous three financial years. The Long-Term Bonus will be determined by reference to the Company's net asset value per share total return (debt at par, excluding the effect of share buybacks or issuance) relative to its benchmark, as set out in the Company's audited annual accounts for the applicable financial years. Compounded average annual outperformance of the Benchmark by 2.5% per annum or more will generate a bonus of the full 90%. No bonus is payable if performance is in line with or below that of the Benchmark. Relative performance of between nil and 2.5% per annum will generate a pro rata bonus.

The Long-Term Bonus will be halved if, despite outperformance of the Benchmark over the relevant three financial years, the Company's net asset value total return per share is negative over that period.

The Long-Term Bonus is payable for the first time on this basis in respect of the three-year period from 1 January 2016 to 31 December 2018. Prior year Long-Term Bonuses are payable in accordance with the policy approved at the 2014 AGM. The discretionary bonus and the One-year Bonus are both payable for the first time on this basis in respect of the one-year period from 1 January 2016 to 31 December 2016.

2. Deferral, malus and clawback

2.1 Deferral

All bonuses (other than Long-Term Bonuses in respect of which terms were set prior to this policy taking effect) are subject to deferral in terms of payment. 60% of any bonus will be paid in March following the performance year end ("First Bonus Payment Date"). 40% of any bonuses will be payable on a deferred basis over the following three years, in equal instalments on each anniversary of the First Bonus Payment Date.

2.2 Malus

Malus (where bonuses that have yet to be paid are forfeited) may be applied by the Remuneration Committee where:

(a) there has been material misstatement or error that causes an award to vest at a higher level than would otherwise have been the case;

(b) there has been a material failure in risk management;

(c) there has been serious misconduct that has or could result in dismissal.

2.3. Clawback

Any bonus will be subject to a clawback period of two years after it has been paid, whereby the CEO will be required to pay back part or all of any bonus already received. Clawback may be applied by the Remuneration Committee where:

(a) there has been material misstatement or error that causes an award to vest at a higher level than would otherwise have been the case;

(b) there has been a material failure in risk management;

(c) there has been serious misconduct that has or could result in dismissal.

3. Legacy plans

The Committee reserves the right to make remuneration payments and payments for loss of office that are not in line with the policy set out above (i) where the terms of such a payment were agreed before the policy came into effect or at a time when the relevant individual was not a director of the Company and (ii) in the opinion of

DIRECTORS' REMUNERATION REPORT continued

the Committee, such a payment is not in consideration of the individual becoming a director of the Company. For these purposes, payments include the Committee making awards of variable remuneration.

4. Differences in the Company's remuneration policy for directors as compared to employees

The remuneration policy for the executive director differs principally from that for employees in that the executive director's remuneration is more heavily weighted towards variable pay so that a greater proportion of his pay is related to the Company's performance and the value created for shareholders.

Principles and approach to recruitment and internal promotion of directors

Non-executive directors

(1) Remuneration of non-executive directors should reflect the specific circumstances of the Company and the duties and responsibilities of the non-executive directors. It should provide appropriate compensation for the experience and time committed to the proper oversight of the affairs of the Company.

(2) Non-executive directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

(3) The total remuneration of the non-executive directors is determined by the provisions of the Company's Articles of Association and by shareholder resolution.

(4) The basic non-executive director's fee will be paid to each non-executive director, with a higher fee per annum for the Chairman of the Company. An additional fee per annum will be paid to the Chairman of each of the Audit and the Remuneration and Nomination Committees and to the Chairman of any other Committees that the Company forms; and to the Senior Independent Director.

Executive directors

(1) When hiring a new executive director, or promoting to the Board from within the Group, the Committee will offer a package that is sufficient to retain and motivate and, if relevant, attract the right talent whilst paying no more than is necessary.

(2) Ordinarily, remuneration for a new executive director will be in line with the policy set out in the table.

(3) The maximum level of variable pay that may be awarded to a new director on recruitment or on promotion to the Board shall be limited to 170% of base salary (calculated at the date of grant, excluding any buy-out awards - see below).

(4) The Committee may, where it considers it to be in the best interests of the Company and shareholders, offer an additional cash payment to an executive director in order to replace awards which would be foregone by the individual on leaving his/her previous employment (i.e. buy-out arrangements) which will be intended to mirror forfeited awards as far as possible by reflecting the value, nature, time horizons and performance measures.

Letters of appointment/service contract

Non-executive directors' letters of appointment

The non-executive directors all have letters of appointment, which may be inspected at the Company's registered office. None of the non-executive directors is subject to any notice period. All continuing non-executive directors are required to stand for re-election by the shareholders at least every three years. The initial period of appointment is two terms of three years. All reasonably incurred expenses will be met.

Mr Henderson, Mr Boyle, Mr Oldfield and Mr Watson are proposed for re-election at the Annual General Meeting in April 2017.

CEO's service contract

The CEO's service contract with the Company may be inspected at the Company's registered office. The CEO's service agreement dated 3 February 2010, as amended, provided in 2016 for a salary of £281,000 (2015: £278,000) per annum. The salary has been increased to £285,000 with effect from 1 January 2017. Mr Bell's appointment may be terminated by either party on the giving or receiving of not less than nine months' written notice.

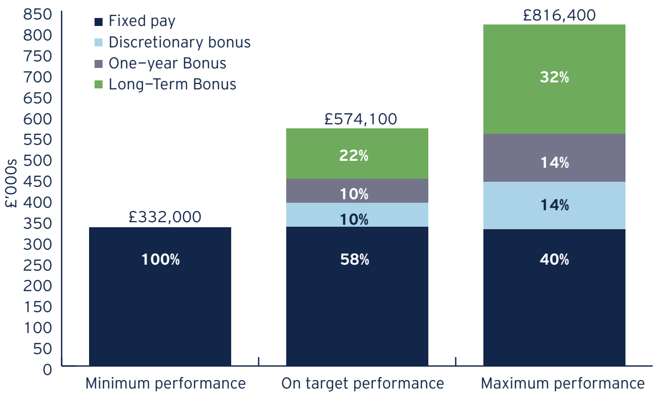
Please see 'Policy on payment for loss of office' (page 55) for further details of the CEO's service contract.

Illustration of application of remuneration policy

The chart on page 55 shows an indication of the values of the CEO's remuneration that would be received by the CEO in accordance with this remuneration policy for the year ending 31 December 2018 at three direct levels of performance:

- minimum performance, i.e. fixed salary, taxable benefits and payment in lieu of pension contributions, with no bonus pay-out;
- on-target performance, fixed pay plus bonus payments assuming a 50% pay-out of each of the discretionary, One-year and Long-Term Bonuses; and

- maximum performance, fixed pay plus bonus payments assuming 100% pay-out of each of the discretionary, One-year and Long-Term Bonuses.



Policy on payment for loss of office

Non-executive directors

None of the non-executive directors is subject to any notice period. It is the Company's policy not to enter into any arrangement with any of the non-executive directors to entitle any of the non-executive directors to compensation for loss of office.

CEO (and any future executive directors)

The Company's policy is to agree a notice period for the CEO which would not exceed nine months.

The Company may, in its absolute discretion and without any obligation to do so, terminate the CEO's employment immediately by giving him written notice together with a payment of such sum as would have been payable by the Company to the CEO as salary (excluding future bonus accrual) in respect of his notice period. The Company may, at its discretion, make the termination payment in instalments over a period of no longer than six months from the termination date and on terms that any payment should be reduced to take account of mitigation by the CEO.

If a new executive director is recruited, the Company's policy regarding payments for loss of office will be the same as for the CEO.

If the CEO ceases employment as a result of a good leaver reason (i.e. death, ill-health, injury, disability, redundancy, retirement or due to any other circumstance that the Committee at its discretion permits), any bonus payment shall be pro-rated for time and performance. The Committee may, however, taking into account such factors as it considers appropriate, increase the proportion of the relevant bonus that becomes payable. If the CEO ceases employment other than as a 'good leaver', or if the CEO gives or receives notice prior to the date that the relevant bonus would otherwise have been paid, the CEO will forfeit any right to receive the relevant bonus for nil consideration unless the Committee, in its absolute discretion, determines otherwise.

A change of control of the Company shall not affect the amount of any bonus or the date on which it becomes payable unless the Committee determines otherwise, in which case the Committee shall determine whether the pro-rated performance targets attached to the applicable bonuses have been satisfied at that time.

If the Committee determines that the pro-rated performance targets have not been satisfied on the change of control, the applicable bonus shall immediately lapse unless the Committee determines otherwise. To the extent that the Committee determines that the pro-rated performance targets have been satisfied on the change of control, if the CEO ceases to be employed by the Company prior to the date that the applicable bonus would otherwise have been paid to the CEO other than as a result of:

- a reason which would have justified his summary dismissal;
- his cessation of employment without the giving or receiving of notice; or
- his resignation

the applicable bonus shall become payable to the extent determined at the time of the change of control on, or as soon as practicable after, the CEO's cessation of employment.

Statement of consideration of conditions elsewhere in the Company

The Committee considers the employment conditions, including salary increases, of employees other than the CEO when setting the CEO's remuneration.

The Company did not consult with employees when drawing up the remuneration policy.

Where possible, the Committee benchmarks the remuneration of the employees and CEO by obtaining details of remuneration paid to employees in comparable roles in other companies.

Statement of consideration of shareholder views

The Company places great importance on communication with its shareholders. The Company had frequent meetings with institutional shareholders and City analysts throughout the year ended 31 December 2016 and met with shareholders in general at the Annual General Meeting held in 2016 and can confirm that it is not aware of negative views being expressed by shareholders in relation to its policy on Directors' Remuneration.

Approval

This report was approved by the Board of directors on 9 March 2017 and is signed on its behalf by:

Catherine Claydon

Chairman of the Remuneration and Nomination Committee
9 March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report, the Directors' Remuneration Report and the financial statements

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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and Article 4 of the EU IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Responsibility statement

We confirm, to the best of our knowledge, that:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description (on pages 18 to 20) of the principal risks and uncertainties that they face.

We also confirm that the financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the Board

H M Henderson	A L C Bell
Chairman	Chief Executive
9 March 2017	9 March 2017

Note to those who access this document by electronic means

The Annual Report for the year ended 31 December 2016 has been approved by the Board of Witan Investment Trust plc. Copies of the Annual Report and the Half Year Report are circulated to shareholders, to those who hold shares through Witan Investment Services Limited's savings schemes and, where possible, to investors through other providers' products and nominee companies (or written notification is sent when they are published online). It is also made available in electronic format for the convenience of readers. Printed copies are available from the Company's Registered Office in London.

INDEPENDENT AUDITOR'S REPORT

to the members of Witan Investment Trust plc

Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Who we are reporting to

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.

What we have audited

Witan Investment Trust plc's financial statements for the year ended 31 December 2016 comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Individual Company Statement of Changes in Equity, the Consolidated and Individual Company Balance Sheets, the Consolidated and Individual Company Cash Flow Statements and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

- Overall Group materiality: £17.2 million, which represents 1% of the Group's net assets;
- We performed full scope audit procedures and Witan Investment Trust plc and Witan Investment Services Limited; and
- Key audit risks were identified as:
  - Valuation and existence of investments;
  - Accuracy and completeness of investment income; and
  - Accuracy and completeness of performance and management fees

INDEPENDENT AUDITOR'S REPORT continued

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Valuation and existence of investments The Group's investment objective is to provide long–term income and capital growth by investing in a diversified portfolio of global equities. The investment portfolio at £1.9 billion (2015: £1.7 billion) is a significant material balance in the Consolidated Balance Sheet at year end and the main driver of the Group's performance. We therefore identified the valuation and existence of investments as risks that require particular audit attention.	Our audit work included, but was not restricted to: ➜ assessing whether the Group's accounting policy for the valuation of investments is in accordance with IFRS as adopted by the European Union and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') and testing whether management have accounted for valuation in accordance with that policy; ➜ on a sample basis, testing purchases and sales transactions to trade instructions and cash movements; ➜ independently pricing 100% of the listed equity portfolio by obtaining the bid prices from independent market sources and recalculating the total valuation based on the Group's investment holdings, which was agreed to the holdings at the balance sheet date as shown in the Group's accounting records; ➜ testing that investments were actively traded by extracting a report of trading volumes in the week before and after the year end from an independent market source for the equity investments held; and ➜ confirming the existence and completeness of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation that we received directly from the Group's custodian; The Group's accounting policy on investments is shown in note 1(h) and related disclosures are included in note 10. The Audit Committee identified portfolio valuation as a significant issue in its report on page 43. Based on our audit work, we found no issues in relation to the valuation and existence of the investments.
Accuracy and completeness of investment income Investment income is the Group's major source of revenue and a significant material balance in the Consolidated Statement of Comprehensive Income. Accordingly, we identified the accuracy and completeness of investment income from the investment portfolio as risks that require particular audit attention.	Our audit work included, but was not restricted to: ➜ assessing whether the Group's accounting policy for revenue recognition is in accordance with IFRS as adopted by the European Union and the SORP; ➜ obtaining an understanding of the Group's process for recognising revenue in accordance with the Company's stated accounting policy;

Audit risk	How we responded to the risk
	➜ testing that income transactions were recognised in accordance with the policy by selecting a sample of quoted investments and agreeing the relevant investment income receivable for those quoted equities to the Group's records. For the selected investments we also obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Group's accounting records that are maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements; ➜ performing, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts; and ➜ on a sample basis, recalculating the interest income using the coupon rates and checked against the amounts recorded in the Group's accounting records that are maintained by the administrator. The Group's accounting policy on income, including revenue recognition is shown in note 1(e) and related disclosures are included in note 2. The Audit Committee identified revenue recognition as a significant issue in its report on page 43.
Accuracy and completeness of performance and management fees Performance and management fees are the Group's main expense and a significant material balance in the Consolidated Statement of Comprehensive Income. Accordingly, we identified the accuracy and completeness of performance and management fees as risks that require particular audit attention.	Our audit work included, but was not restricted to: ➜ assessing whether the Group's policy for performance and management fees is in accordance with IFRS as adopted by the European Union and SORP; ➜ reviewing relevant investment management agreements to ensure that performance and management fees have been calculated according to the benchmarks and the basis provided in the agreement; ➜ recalculating the performance and management fees with reference to the Investment Management Agreements; and ➜ checking that the performance and management fees were properly allocated between revenue and capital. The Group's accounting policy on expenses is shown in note 1(f) and related disclosures are included in note 4.

INDEPENDENT AUDITOR'S REPORT continued

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group financial statements as a whole to be £17.2 million, which is 1% of net assets. This benchmark is considered the most appropriate because net assets are fundamental to the performance and financial position of the Company.

Materiality for the current year is higher than the level that the previous auditor determined for the year ended 31 December 2015 to reflect to reflect the increase in net asset value in the year from £1.5 billion to £1.7 billion.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the Group financial statements. We also determine a lower level of specific materiality for certain areas such as the revenue column of the Consolidated Statement of Comprehensive Income, directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £10,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

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

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Group's business and is risk based. The day–to–day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records is outsourced to third–party service providers. Accordingly, our audit work included:

- obtaining an understanding of, and evaluating, relevant internal controls at both the Group and third–party service providers;
- obtaining and reading the internal control reports on the description, design, and operating effectiveness of internal controls at both the Group and third–party service providers; and
- undertaking substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls and the management specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report under the Companies Act 2006.

In the light of the knowledge and understanding of the Group and the parent 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; or

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules, we are required to review:

- the directors' statements in relation to longer–term viability and going concern, set out on pages 20 and 21; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable; or
- the Annual Report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group or Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 56, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

9 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Year ended 31 December 2016			Year ended 31 December 2015		
	Notes	**Revenue return £'000**	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	**52,452**	**–**	**52,452**	45,818	–	45,818
Other income	3	**1,475**	**–**	**1,475**	1,460	–	1,460
Gains on investments held at fair value through profit or loss	10	**–**	**297,032**	**297,032**	–	64,786	64,786
Foreign exchange losses on cash and cash equivalents		**–**	**(417)**	**(417)**	–	(223)	(223)
Total income		**53,927**	**296,615**	**350,542**	47,278	64,563	111,841
Expenses							
Management and performance fees	4	**(1,905)**	**(4,252)**	**(6,157)**	(1,747)	(9,539)	(11,286)
Other expenses	5	**(5,109)**	**(101)**	**(5,210)**	(5,309)	(101)	(5,410)
Profit before finance costs and taxation		**46,913**	**292,262**	**339,175**	40,222	54,923	95,145
Finance costs	6	**(2,467)**	**(7,148)**	**(9,615)**	(2,484)	(7,199)	(9,683)
Profit before taxation		**44,446**	**285,114**	**329,560**	37,738	47,724	85,462
Taxation	7	**(2,415)**	**–**	**(2,415)**	(1,779)	–	(1,779)
Profit attributable to equity shareholders of the parent company		**42,031**	**285,114**	**327,145**	35,959	47,724	83,683
Earnings per ordinary share	9	**22.11p**	**149.95p**	**172.06p**	18.49p	24.54p	43.03p

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRSs as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The Group does not have any other comprehensive income and hence the total profit, as disclosed above, is the same as the Group's total comprehensive income.

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Witan Investment Trust plc, the parent company. There are no non–controlling interests.

The notes on pages 66 to 88 form part of these financial statements.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Group Year ended 31 December 2016	Notes	**Ordinary share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
Total equity at 31 December 2015		50,018	99,251	46,498	1,321,909	59,654	1,577,330
Total comprehensive income:							
Profit for the year		–	–	–	285,114	42,031	327,145
Transactions with owners, recorded directly to equity:							
Ordinary dividends paid	8	–	–	–	–	(34,920)	(34,920)
Buybacks of ordinary shares (held in treasury)	15,16	–	–	–	(142,918)	–	(142,918)
Total equity at 31 December 2016		**50,018**	**99,251**	**46,498**	**1,464,105**	**66,765**	**1,726,637**

Company Year ended 31 December 2016	Notes	**Ordinary share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
Total equity at 31 December 2015		50,018	99,251	46,498	1,322,517	59,046	1,577,330
Total comprehensive income:							
Profit for the year		–	–	–	285,316	41,829	327,145
Transactions with owners, recorded directly to equity:							
Ordinary dividends paid	8	–	–	–	–	(34,920)	(34,920)
Buybacks of ordinary shares (held in treasury)	15,16	–	–	–	(142,918)	–	(142,918)
Total equity at 31 December 2016		**50,018**	**99,251**	**46,498**	**1,464,915**	**65,955**	**1,726,637**

Group Year ended 31 December 2015	Notes	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
Total equity at 31 December 2014		47,390	18,106	46,498	1,274,185	55,068	1,441,247
Total comprehensive income:							
Profit for the year		–	–	–	47,724	35,959	83,683
Transactions with owners, recorded directly to equity:							
Ordinary dividends paid	8	–	–	–	–	(31,373)	(31,373)
Issue of ordinary shares	15,16	2,628	81,145	–	–	–	83,773
Total equity at 31 December 2015		50,018	99,251	46,498	1,321,909	59,654	1,577,330

Company Year ended 31 December 2015	Notes	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
Total equity at 31 December 2014		47,390	18,106	46,498	1,274,479	54,774	1,441,247
Total comprehensive income:							
Profit for the year		–	–	–	48,038	35,645	83,683
Transactions with owners, recorded directly to equity:							
Ordinary dividends paid	8	–	–	–	–	(31,373)	(31,373)
Issue of ordinary shares	15,16	2,628	81,145	–	–	–	83,773
Total equity at 31 December 2015		50,018	99,251	46,498	1,322,517	59,046	1,577,330

The notes on pages 66 to 88 form part of these financial statements.

CONSOLIDATED AND INDIVIDUAL COMPANY BALANCE SHEETS

as at 31 December 2016

	Notes	**Group 31 December 2016 £'000**	**Company 31 December 2016 £'000**	Group 31 December 2015 £'000	Company 31 December 2015 £'000
Non current assets					
Investments at fair value through profit or loss	10	**1,884,037**	**1,885,747**	1,708,728	1,710,236
Current assets					
Other receivables	11	**11,638**	**11,038**	7,255	6,547
Cash and cash equivalents		**50,556**	**49,155**	57,587	56,582
		62,194	**60,193**	64,842	63,129
Total assets		**1,946,231**	**1,945,940**	1,773,570	1,773,365
Current liabilities					
Other payables	12	**(8,102)**	**(7,811)**	(8,265)	(8,060)
8½ per cent. Debenture Stock 2016	13	**–**	**–**	(44,583)	(44,583)
Bank loans		**(71,000)**	**(71,000)**	(3,000)	(3,000)
		(79,102)	**(78,811)**	(55,848)	(55,643)
Total assets less current liabilities		**1,867,129**	**1,867,129**	1,717,722	1,717,722
Non current liabilities					
At amortised cost:					
6.125 per cent. Secured Bonds due 2025	13	**(63,434)**	**(63,434)**	(63,354)	(63,354)
3.29 per cent. Secured Notes due 2035	13	**(20,864)**	**(20,864)**	(20,491)	(20,491)
3.47 per cent. Secured Notes due 2045	13	**(53,639)**	**(53,639)**	(53,992)	(53,992)
3.4 per cent. cumulative preference shares of £1	13,17	**(2,055)**	**(2,055)**	(2,055)	(2,055)
2.7 per cent. cumulative preference shares of £1	13,17	**(500)**	**(500)**	(500)	(500)
		(140,492)	**(140,492)**	(140,392)	(140,392)
Net assets		**1,726,637**	**1,726,637**	1,577,330	1,577,330
Equity attributable to equity holders					
Ordinary share capital	15	**50,018**	**50,018**	50,018	50,018
Share premium account	16	**99,251**	**99,251**	99,251	99,251
Capital redemption reserve	16	**46,498**	**46,498**	46,498	46,498
Retained earnings:					
Other capital reserves	16	**1,464,105**	**1,464,915**	1,321,909	1,322,517
Revenue reserve	16	**66,765**	**65,955**	59,654	59,046
Total equity		**1,726,637**	**1,726,637**	1,577,330	1,577,330
Net asset value per ordinary share	18	**952.83p**	**952.83p**	788.39p	788.39p

The financial statements of Witan Investment Trust plc (registered number 101625) were approved by directors and authorised for issue on 9 March 2017 and were signed on their behalf by

H M Henderson **A L C Bell**

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement. The profit of the Company dealt with in the accounts of the Group amounted to £327,145,000 (2015: £83,683,000).

The notes on pages 66 to 88 form part of these financial statements.

CONSOLIDATED AND INDIVIDUAL COMPANY CASH FLOW STATEMENTS

for the year ended 31 December 2016

	Notes	**Group 2016 £'000**	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Cash flows from operating activities					
Dividend income received		**49,178**	**49,178**	44,246	44,246
Interest received		**90**	**87**	124	120
Other income received		**1,384**	**291**	1,324	178
Operating expenses paid		**(14,688)**	**(13,988)**	(19,365)	(17,802)
Taxation on overseas income		**(2,883)**	**(2,883)**	(1,745)	(1,745)
Taxation received		**371**	**371**	103	103
Net cash inflow from operating activities	19	**33,452**	**33,056**	24,687	25,100
Cash flows from investing activities					
Purchases of investments		**(525,517)**	**(525,517)**	(545,075)	(545,075)
Sales of investments		**641,967**	**641,967**	453,142	453,142
Realised gain on futures		**7,548**	**7,548**	1,048	1,048
Net cash inflow/(outflow) from investing activities		**123,998**	**123,998**	(90,885)	(90,885)
Cash flow from financing activities					
Equity dividends paid		**(34,920)**	**(34,920)**	(31,373)	(31,373)
Issue of secured notes net of issue expenses		**–**	**–**	74,472	74,472
Buybacks of ordinary shares		**(142,081)**	**(142,081)**	–	–
Issue proceeds of ordinary shares		**–**	**–**	85,702	85,702
Repayment of debenture		**(44,589)**	**(44,589)**	–	–
Interest paid		**(10,474)**	**(10,474)**	(9,347)	(9,347)
Drawdown/(repayment) of bank loans		**68,000**	**68,000**	(42,000)	(42,000)
Net cash (outflow)/inflow from financing activities		**(164,064)**	**(164,064)**	77,454	77,454
(Decrease)/increase in cash and cash equivalents		**(6,614)**	**(7,010)**	11,256	11,669
Cash and cash equivalents at the start of the period		**57,587**	**56,582**	46,554	45,136
Effect of foreign exchange rate changes		**(417)**	**(417)**	(223)	(223)
Cash and cash equivalents at the end of the period		**50,556**	**49,155**	57,587	56,582

In 2016 the direct method of cash flow presentation has been adopted as it is considered to provide a clearer presentation of the gross cash flows. As the Company previously presented the cash flow statement using the indirect method, comparative figures have been restated accordingly.

The notes on pages 66 to 88 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 Accounting policies

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that they have been adopted by the European Union.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('the SORP') (issued by the Association of Investment Companies ('the AIC') in November 2014 and updated in January 2017 with consequential amendments) is consistent with the requirements of IFRSs as adopted by the European Union, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Judgements and sources of estimation uncertainty

In the application of the Group'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 significantly from these estimates.

(b) Going concern

The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 8 to 21. The financial position of the Group as at 31 December 2016 is shown on the balance sheet on page 64. The cash flows of the Group for the year ended 31 December 2016 are not untypical and are set out on page 65. The Company had fixed debt and preference share capital totalling £140,492,000, as set out in note 13 on page 76; the 8.5% Debenture Stock was repaid in 2016. In 2016, the Group renewed a one–year secured multi–currency borrowing facility for £75 million, of which £71 million was drawn down at 31 December 2016 (2015: £3 million).

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) made up to 31 December each year.

In accordance with IFRS10 the Company has been designated as an investment entity on the basis that:

- It obtains funds from investors and provides those investors with investment management services;
- It commits to its investors that its business purpose is to invest solely for returns from capital appreciation and investment income; and
- It measures and evaluates performance of substantially all of its investments on a fair value basis.

The subsidiary of the Company was established for the sole purpose of operating or supporting the investment operations of the Company, and is not itself an investment entity. Therefore, under the principles of IFRS 10, the Company has consolidated its subsidiary as it is a controlled entity that supports the investment activity of the investment entity.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used by it into line with those used by the Group. All intra–group transactions, balances, income and expenses are eliminated on consolidation.

(d) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

(e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex–dividend basis. Where no ex–dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non–equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities and shares. Interest receivable from cash and short–term deposits is accrued to the end of the period.

Stock lending fees and underwriting commission are recognised as earned. Any special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital. Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the Statement of Comprehensive Income.

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis. Expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fees and finance costs are allocated 25% to revenue and 75% to capital to reflect the Board's expectations of long–term investment returns. Any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance.

(g) Taxation

The tax currently payable is based on the taxable profit for the period.

Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of any deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Investments held at fair value through profit or loss

When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All the Group's investments are defined by IFRSs as adopted by the European Union as investments held at fair value through profit or loss. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in unit trusts or OEICs are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised in profit or loss.

Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by using various valuation techniques. These may include recent arm's length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and reference to similar quoted companies. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such instruments, they are carried at cost, subject to any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

1 Accounting policies continued

The subsidiary company, Witan Investment Services Limited, is held at fair value in the Company balance sheet. This is considered to be the net asset value of the shareholder's funds, as shown in its balance sheet.

(i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(j) Dividends payable

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by the shareholders in general meeting.

(k) Fixed borrowings

All secured bonds and notes are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments over the expected life of the financial liabilities, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(l) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Foreign currency monetary assets and liabilities that are fair valued and denominated in foreign currencies are re-translated into sterling at the rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and allocated to the capital return.

(m) Adoption of new and revised accounting standards

(i) Changes in accounting policy and disclosures

As explained on page 65, the Company has adopted the direct method of presentation of the cash flow statement in the current year. In all other respects the accounting policies adopted are consistent with those of the previous financial year.

(ii) Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IAS 1 Amendment	Disclosure Initiative
IAS 24 Amendment (AI 2010-12)	Key management personnel
IFRS 10, IFRS 12 and IAS 28 Amendment	Investment Entities: Applying the Consolidation Exception

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not effective (and in some cases had not yet been adopted by the European Union).

IAS 7 Amendment	Disclosure Initiative
IAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 9	Financial Instruments
IFRS 16	Leases
IFRS 12 Amendment (AI 2014-16)	Clarification of the scope of the Standard
IFRIC 22 Foreign Currency	Transactions and Advance Consideration

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. Beyond the information above, it is not practical to provide a reasonable estimate of the effect of these Standards until a detailed review has been completed.

(n) Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to manage currency risks arising from the Company's investing activities), quoted options on shares held within the portfolio, or on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings) and futures contracts appropriate to sections of the portfolio (to provide additional market exposure or to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to the investment managers' longer-term expectations for the relevant share prices.

The Group does not use derivative financial instruments for speculative purposes. Hedge accounting is not used.

The use of financial derivatives is governed by the Group's policies as approved by the Board, which has set written principles for the use of financial derivatives.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as they arise. If capital in nature, the associated change in value is presented as a capital item in the Statement of Comprehensive Income.

2 Investment income

	2016 £'000	2015 £'000
Franked:		
UK dividends from listed investments	**20,878**	19,416
UK stock dividends from listed investments	**841**	–
UK special dividends from listed investments	**1,019**	1,124
	22,738	20,540
Unfranked:		
Overseas dividends from listed investments	**26,433**	22,396
Overseas special dividends from listed investments	**1,041**	716
Property income dividends	**186**	47
Stock dividends from listed investments	**888**	1,116
Fixed interest and convertible bonds	**1,166**	1,003
	29,714	25,278
Total investment income	**52,452**	45,818

	2016 £'000	2015 £'000
Analysis of investment income by geographical segment:		
United Kingdom	**22,739**	21,645
North America	**7,464**	6,685
Continental Europe	**13,516**	9,244
Japan	**2,121**	1,666
Asia Pacific (ex Japan)	**5,662**	5,055
Latin America	**108**	207
Other	**842**	1,316
Total investment income	**52,452**	45,818

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

3 Other income

	2016 £'000	2015 £'000
Deposit interest	**91**	127
Underwriting commission	**34**	–
Stock lending income	**242**	186
Income from the subsidiary company's third party business	**1,108**	1,147
	1,475	1,460

At 31 December 2016 the total value of securities on loan by the Company for stock lending purposes was £49,311,000 (2015: £119,797,000). The maximum aggregate value of securities on loan at any time during the year ended 31 December 2016 was £147,849,000 (2015: £132,302,000). Collateral, revalued on a daily basis at a level equivalent to at least 105% (110% for equities) of the market value of the securities lent, was provided against all loans. Collateral in respect of UK securities is usually in the form of Crest DBVs (Delivery by Values); the content of Crest DBVs (Delivery by Values) is subject to a concentration limit of 10%.

4 Management fees

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fees	**1,905**	**5,715**	**7,620**	1,747	5,241	6,988
Performance fees	**–**	**(1,463)**	**(1,463)**	–	4,298	4,298
	1,905	**4,252**	**6,157**	1,747	9,539	11,286

A summary of the terms of the management agreements is given on page 16 in the Strategic Report.

5 Other expenses

Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2016 Revenue £'000	2015 Revenue £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**41**	54
Fees payable to the Company's auditor and its associates for other services to the Group:		
– the audit of the Company's subsidiary	**10**	5
Total audit fees	**51**	59
Tax services (advice, preparation and submission within local jurisdictions of withholding tax claims)*	**–**	61
Other services – current auditors	**11**	–
Other services – previous auditors	**11**	3
Total non–audit fees	**22**	64
Total fees paid	**73**	123

* The fees for this work were specifically approved by the Audit Committee (see page 44).

	2016 Revenue £'000	2015 Revenue £'000
Auditor's remuneration (see page 70)	**73**	123
Tax advisory services	**20**	9
Non–executive directors' fees (see the Directors' Remuneration Report on page 46)	**238**	250
Employers' national insurance contributions on the directors' fees	**26**	27
Employee costs (including executive director's remuneration):		
– salaries and bonuses	**1,020**	1,103
– employer's national insurance contributions	**151**	153
– pension contributions (or payments in lieu thereof)	**80**	81
Advisory, consultancy and legal fees	**165**	149
Investment accounting fees	**284**	269
Company secretarial fees	**135**	130
Insurances	**56**	52
Occupancy costs	**142**	104
Bank charges and overseas safe custody fees	**391**	381
Depositary fees	**124**	118
Marketing expenses*	**688**	766
Savings scheme expenses (Witan Wisdom and Jump Savings)	**597**	616
Other expenses	**749**	780
Irrecoverable VAT	**170**	198
Total **	**5,109**	5,309

* includes £5,000 sponsorship paid to the Royal Horticultural Society (2015: £50,000).

** The total includes costs of £1,417,000 (2015: £1,277,000) in respect of the subsidiary company's third party business which are offset by the subsidiary company's income from that business. The analysis relates to the revenue return column only.

Expenses included in the capital return column for 2016 were £101,000 (2015: £101,000). These related to investment advisory costs.

The average number of employees during the year was 7 (2015: 7). The subsidiary company does not employ any staff.

6 Finance costs

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest payable on overdrafts and loans repayable within one year	**733**	**2,197**	**2,930**	1,025	3,072	4,097
Interest payable on secured bonds and notes repayable in more than 5 years	**1,651**	**4,951**	**6,602**	1,376	4,127	5,503
Preference share dividends	**83**	**–**	**83**	83	–	83
	2,467	**7,148**	**9,615**	2,484	7,199	9,683

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

7 Taxation

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of tax charge for the year						
UK corporation tax at 20.00% (2015: 20.25%)	**–**	**–**	**–**	–	–	–
Foreign tax suffered	**3,161**	**–**	**3,161**	2,454	–	2,454
Recovery of prior years' withholding tax	**(399)**	**–**	**(399)**	(381)	–	(381)
Foreign tax recoverable	**(347)**	**–**	**(347)**	(294)	–	(294)
Total current tax for the year (see note 7 (b))	**2,415**	**–**	**2,415**	1,779	–	1,779

(b) Factors affecting the current tax charge for the year
The tax assessed for the year is lower than that resulting from applying the effective standard rate of corporation tax in the UK for a large company of 20.00% (2015: 20.25%). The difference is explained below.

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	**44,446**	**285,114**	**329,560**	37,738	47,724	85,462
Corporation tax at 20.00% (2015: 20.25%)	**8,889**	**57,023**	**65,912**	7,642	9,664	17,306
Effects of:						
Non–taxable UK dividends	**(4,379)**	**–**	**(4,379)**	(4,159)	–	(4,159)
Non–taxable overseas dividends	**(5,765)**	**–**	**(5,765)**	(4,907)	–	(4,907)
Withholding tax written off	**2,398**	**–**	**2,398**	2,148	–	2,148
Recovery of prior years' withholding tax	**(399)**	**–**	**(399)**	(381)	–	(381)
Non–taxable gains on investments held at fair value through profit or loss	**–**	**(59,323)**	**(59,323)**	–	(13,074)	(13,074)
Realised gains on non–reporting offshore funds	**-**	**297**	**297**	–	–	–
Excess management expenses not utilised in year	**3,244**	**–**	**3,244**	3,089	–	3,089
Unused loan relationship deficits for the year	**379**	**–**	**379**	1,717	–	1,717
Preference dividends not deductible in determining taxable profit	**17**	**–**	**17**	17	–	17
Capitalised expenses	**(2,003)**	**2,003**	**–**	(3,410)	3,410	–
Disallowable expenses	**34**	**–**	**34**	23	–	23
Current tax charge	**2,415**	**–**	**2,415**	1,779	–	1,779

(c) Deferred tax
Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

No provision has been made for deferred tax on income outstanding at the end of the year as this will be covered by unrelieved business charges and eligible unrelieved foreign tax (2015: £nil).

(d) Factors that may affect future tax charges
The Company has not recognised a deferred tax asset of £33,542,000 (2015: £31,033,000) arising as a result of having unrelieved loan relationship deficits and eligible unrelieved foreign tax because it is unlikely that the Company will obtain relief for these in the future.

8 Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend for the year ended 31 December 2015 of 5.45p (2014: 4.6p) per ordinary share	**10,895**	8,727
First interim dividend for the year ended 31 December 2016 of 4.25p (2015: 3.85p) per ordinary share	**8,490**	7,450
Second interim dividend for the year ended 31 December 2016 of 4.25p (2015: 3.85p) per ordinary share	**7,817**	7,550
Third interim dividend for the year ended 31 December 2016 of 4.25p (2015: 3.85p) per ordinary share	**7,739**	7,670
Refund of unclaimed dividends	**(21)**	(24)
	34,920	31,373
Fourth interim dividend for the year ended 31 December 2016 of 6.25p (2015: 5.45p) per ordinary share	**11,246**	10,895

Total in respect of the year:
Set out below is the total dividend to be paid in respect of the year. This is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered.

	2016 £'000	2015 £'000
Revenue profits available for distribution (Company only)	**41,829**	35,645
First interim dividend for the year ended 31 December 2016 of 4.25p (2015: 3.85p) per ordinary share	**(8,490)**	(7,450)
Second interim dividend for the year ended 31 December 2016 of 4.25p (2015: 3.85p) per ordinary share	**(7,817)**	(7,550)
Third interim dividend for the year ended 31 December 2016 of 4.25p (2015: 3.85p) per ordinary share	**(7,739)**	(7,670)
Fourth interim dividend for the year ended 31 December 2016 of 6.25p (2015: 5.45p) per ordinary share	**(11,246)**	(10,895)
Revenue retained for the year (Company only)	**6,537**	2,080

9 Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit for the year of £327,145,000 (2015: £83,683,000) and on 190,131,108 ordinary shares (2015: 194,455,343), being the weighted average number of ordinary shares in issue during the year.

The earnings per ordinary share figure detailed above can be further analysed between revenue and capital, as below. The Company has no securites in issue that could dilute the return per ordinary share. Therefore the basic and diluted earnings per ordinary share are the same.

	2016 £'000	2015 £'000
Net revenue profit	**42,031**	35,959
Net capital profit	**285,114**	47,724
Net total profit	**327,145**	83,683
Weighted average number of ordinary shares in issue during the year	**190,131,108**	194,455,343

	Pence	Pence
Revenue earnings per ordinary share	**22.11**	18.49
Capital earnings per ordinary share	**149.95**	24.54
Total earnings per ordinary share	**172.06**	43.03

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

10 Investments held at fair value through profit or loss

(i) Group changes in investments held at fair value through profit or loss

	2016		2015	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Listed in the United Kingdom	**750,079**	**750,079**	732,292	732,292
Listed abroad	**1,133,958**	**1,133,958**	976,436	976,436
Investment in subsidiary undertaking	**–**	**1,710**	–	1,508
	1,884,037	**1,885,747**	1,708,728	1,710,236

(ii) Group changes in investments held at fair value through profit or loss

	Valuation 31 December 2015 £'000	Purchases £'000	Sales £'000	Investment gains £'000	**Valuation 31 December 2016 £'000**	**Cost 31 December 2016 £'000**
United Kingdom	732,292	229,945	226,224	14,065	**750,078**	**624,993**
North America	443,130	120,868	195,385	121,760	**490,373**	**318,258**
Continental Europe	261,896	51,466	111,160	104,273	**306,475**	**232,221**
Japan	74,881	49,627	41,528	3,414	**86,394**	**72,686**
Asia Pacific (ex Japan)	174,314	63,661	63,492	29,804	**204,287**	**151,634**
Latin America	8,668	53	4,964	6,971	**10,728**	**5,833**
Other	13,547	13,698	1,565	10,022	**35,702**	**30,528**
	1,708,728	529,318	644,318	290,309	**1,884,037**	**1,436,153**

The above figures do not include the gains/losses on futures positions.

Included in the above figures are purchase costs of £1,520,000 (2015: £1,317,000) and sales costs of £475,000 (2015: £436,000). These comprise mainly stamp duty and commission and include £nil in respect of changes in portfolio managers (2015: £nil).

(iii) Gains/(losses) in investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Realised gains on sales of investments	**80,509**	86,781
Realised gain on futures	**7,548**	1,048
Movement in investment holding gains	**209,800**	(23,911)
Movement in unrealised (loss)/gain on futures	**(825)**	868
	297,032	64,786

(iv) Derivatives
Open future contracts as at year ended 31 December 2016

Contract	Position long	Settlement value £'000	Nominal exposure £'000	Unrealised loss £'000
MSCI Index Future	**600**	**21,432**	**20,853**	**(579)**

The realised gain on the closing of futures positions during 2016 was £7,548,000.

Open future contracts as at year ended 31 December 2015

Contract	Position long	Settlement value £'000	Nominal exposure £'000	Unrealised gain/(loss) £'000
FTSE Index Future	380	23,187	23,553	366
MSCI Index Future	500	13,477	13,357	(120)
		36,664	36,910	246

The realised gain on the closing of futures positions during 2015 was £1,048,000.

(v) Substantial share interests
The Company has notified interests in 3% or more of the voting rights of five of the investee companies, all of which are closed–ended investment funds. However, the Board does not consider any of the Company's investments to be individually material in the context of these financial statements.

It is the Company's stated policy to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

11 Other receivables

	2016		2015	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Sales for future settlement	**2,506**	**2,506**	155	155
Unrealised gain on derivatives held at fair value through profit or loss*	**–**	**–**	366	366
Taxation recoverable	**1,042**	**1,042**	945	945
Amount due from subsidiary	**–**	**2,913**	–	1,976
Prepayments and accrued income	**4,533**	**4,533**	3,077	3,077
Other debtors	**3,557**	**44**	2,712	28
	11,638	**11,038**	7,255	6,547

* The unrealised gain on derivatives related to a long position in FTSE 100 Futures, nominal value at 31 December 2015: £23,553,000.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

12 Other payables

	2016		2015	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Purchases for future settlement	**2,610**	**2,610**	538	538
Unrealised loss on derivatives held at fair value through profit or loss*	**579**	**579**	120	120
Preference dividends	**38**	**38**	38	38
Outstanding buybacks of ordinary shares	**837**	**837**	–	–
Accruals	**4,038**	**3,747**	7,569	7,364
	8,102	**7,811**	8,265	8,060

*The unrealised loss on derivatives related to a long position in MSCI Emerging Market Futures, nominal value at 31 December 2016: £20,853,000 (2015: MSCI Emerging Markets Futures, nominal value: £13,357,000)

13 Fixed borrowings

	2016		2015	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Financial instruments redeemable other than in instalments are as follows:				
Amounts falling due within one year:				
8½ per cent. Debenture Stock 2016	**–**	**–**	44,583	44,583
Amounts falling due after more than one year:				
6.125 per cent. Secured Bonds due 2025	**63,434**	**63,434**	63,354	63,354
3.29% Secured Notes due 2035	**20,864**	**20,864**	20,491	20,491
3.47% Secured Notes due 2045	**53,639**	**53,639**	53,992	53,992
2,055,000 3.4 per cent. cumulative preference shares of £1 each (see note 17 on page 85)	**2,055**	**2,055**	2,055	2,055
500,000 2.7 per cent. cumulative preference shares of £1 each (see note 17 on page 85)	**500**	**500**	500	500
	140,492	**140,492**	140,392	140,392

On 15 December 2000 the Company issued £100,000,000 (nominal) 6.125 per cent. Secured Bonds due 2025, net of discount and issue costs totalling approximately £2,000,000. The discount and the issue costs will be written back over the life of the Secured Bonds. The nominal value of the remaining Secured Bonds in issue (£64,290,000 at 31 December 2016) is redeemable on 15 December 2025. The nominal value of the Debenture Stock (£44,589,000) was redeemed on 1 October 2016.

During 2015 the Company issued £21,000,000 (nominal) 3.29% Secured Notes due 2035 and £54,000,000 (nominal) 3.47% Secured Notes due 2045 net of issue costs totalling approximately £528,000. These costs will be written back over the life of the Secured Notes.

The Secured Bonds and the Secured Notes are secured by floating charges over all the undertaking and assets of the Company. The security of the charges applies pari passu to both issues.

14 Financial instruments

Risk management policies and procedures

As an investment company, Witan invests in equities and other investments for the long term so as to secure its investment objective as stated on the inside front cover. In pursuing its investment objective, the Group is exposed to a variety of risks that could result in either a reduction in the Group's net assets or a reduction in the profits available for distribution by way of dividends.

These risks, market risk (comprising price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the directors' approach to the management of them, are set out below.

The objectives, policies and processes for managing the risks and the methods used to manage the risks, as set out below, have not changed from the previous accounting period, although in some instances additional resources have been allocated to some areas.

14.1 Market risk

The fair value of future cash flows of a financial instrument held by the Group may fluctuate due to changes in market prices. This market risk comprises: price risk (see note 14.2), currency risk (see note 14.3) and interest rate risk (see note 14.4). The Board reviews and agrees policies for managing these risks, which policies have remained substantially unchanged from those applying in the year ended 31 December 2015. The investment managers assess the exposure to market risk when making each investment decision and monitor the overall level of market risk on the whole of their investment portfolios on an ongoing basis.

14.2 Price risk

Price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the quoted and the unquoted investments.

Management of the risk

The Board manages the risks inherent in the investment portfolios by regularly reviewing relevant information from the investment managers. The Board meets regularly and at each meeting review investment performance. The Board monitors the managers' compliance with their mandates and also whether each mandate and asset allocation is compatible with the Company's objective.

When appropriate, the Company has the ability to manage its exposure to risk through the controlled use of derivatives.

The Group's exposure to other changes in market prices at 31 December on its quoted equity investments, and on index futures and investments, was as follows:

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	**1,884,037**	1,708,728
Nominal futures exposure (long position)	**20,853**	36,910

Concentration of exposure to price risks

An analysis of the Group's investment portfolio is shown on page 26. This shows that the greater geographical weighting is to UK companies, with significant exposure also to North America, Asia and Continental Europe. Accordingly, there is a concentration of exposure to those regions, although an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the value of the shareholders' funds to an increase or decrease of 15% in the fair values of the Group's equity investments (including exposure through futures contracts). This level of change is considered to be reasonably possible based on observation of market conditions and historical trends. The sensitivity analysis is based on the Group's equities and equity exposure through options and futures at each balance sheet date, with all other variables held constant. The results of these example calculations are significant but not unreasonable, given that most of the Group's assets are equity investments.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

14 Financial instruments continued

	2016		2015	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Changes to the consolidated income statement				
Revenue return	**–**	**–**	–	–
Capital return – investments	**282,606**	**(282,606)**	256,309	(256,309)
Capital return – futures	**3,128**	**(3,128)**	5,537	(5,537)
	285,734	**(285,734)**	261,846	(261,846)

14.3 Currency risk

A proportion of the Group's assets, liabilities and income is denominated in currencies other than sterling (the Group's functional currency in which it reports its results). As a consequence, movements in exchange rates affect the sterling value of those items.

Management of the risk

The investment managers monitor their exposure to currencies as part of their normal investment processes. The Company receives a monthly report on the currency exposures of the entire fund.

Income denominated in foreign currencies is converted into sterling on receipt. The Group does not normally use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The fair values of the Group's monetary items that have foreign currency exposure at 31 December are shown below. Where the Group's equity investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2016	**US$ £'000**	**Euro £'000**	**Yen £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	**2,966**	**1,444**	**274**	**1,311**
Cash at bank and on deposit	**3,985**	**912**	**–**	**167**
Payables (due to brokers, accruals and other creditors)	**(2,822)**	**(309)**	**–**	**–**
Payables (unrealised loss on derivatives held at fair value through profit or loss)	**(579)**	**–**	**–**	**–**
Total foreign currency exposure on net monetary items	**3,550**	**2,047**	**274**	**1,478**
Investments at fair value through profit or loss that are equities	**526,782**	**213,500**	**101,060**	**246,075**
Total net foreign currency exposure	**530,332**	**215,547**	**101,334**	**247,553**

2015	US$ £'000	Euro £'000	Yen £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	581	310	438	875
Cash at bank and on deposit	2,849	1,298	–	147
Payables (due to brokers, accruals and other creditors)	(1,081)	–	–	–
Payables (unrealised loss on derivatives held at fair value through profit or loss)	(120)	–	–	–
Total foreign currency exposure on net monetary items	2,229	1,608	438	1,022
Investments at fair value through profit or loss that are equities	460,610	171,963	76,686	253,128
Total net foreign currency exposure	462,839	173,571	77,124	254,150

The above amounts are not necessarily representative of the exposure to risk during the year as levels of monetary foreign currency exposure change significantly throughout the year.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the Group's equity in regard to the Group's monetary financial assets and financial liabilities and the exchange rates for the £/US dollar, £/Euro and £/Japanese yen. The results of these example calculations are significant but not unreasonable in the context of the majority of the Group's assets being invested overseas.

It assumes the following changes in exchange rates:
£/US dollar +/− 15% (2015: 15%)
£/Euro +/− 15% (2015: 15%)
£/Japanese yen +/− 15% (2015: 15%)

The sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at the balance sheet date and takes account of any forward foreign exchange contracts that offset the effects of changes in currency exchange

If sterling had depreciated against the currencies shown, this would have the following effect:

		2016			2015	
	US$ £'000	**Euro £'000**	**Yen £'000**	US$ £'000	Euro £'000	Yen £'000
Changes to the consolidated income statement						
Revenue return	**1,920**	**972**	**355**	1,649	931	240
Capital return	**91,096**	**37,313**	**17,834**	79,784	31,107	13,533
Change to the profit after tax	**93,016**	**38,285**	**18,189**	81,433	32,038	13,773
Change to the shareholders' funds	**93,016**	**38,285**	**18,189**	81,433	32,038	13,773

If sterling had appreciated against the currencies shown, this would have the following effect:

		2016			2015	
	US$ £'000	**Euro £'000**	**Yen £'000**	US$ £'000	Euro £'000	Yen £'000
Changes to the consolidated income statement						
Revenue return	**(1,419)**	**(718)**	**(262)**	(1,219)	(688)	(178)
Capital return	**(67,332)**	**(27,579)**	**(13,182)**	(58,939)	(22,992)	(10,002)
Change to the profit after tax	**(68,751)**	**(28,297)**	**(13,444)**	(60,158)	(23,680)	(10,180)
Change to the shareholders' funds	**(68,751)**	**(28,297)**	**(13,444)**	(60,158)	(23,680)	(10,180)

14.4 Interest rate risk

Interest rate movements may affect the level of income receivable from fixed interest securities and cash at bank and on deposit.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Group holds cash balances, partly to meet payments as they fall due but also when appropriate to offset the long-term borrowings that it has in place.

The Group finances part of its activities through preference shares that do not have redemption dates and through secured bonds and notes that were issued as part of the Company's planned gearing.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

14 Financial instruments continued

Interest rate exposure

The exposure at 31 December 2016 of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates: when the interest rate is due to be re-set; and
- fixed interest rates: when the financial instrument is due be repaid.

The Group's exposure to floating interest rates on (liabilities)/assets is £(20,444,000) (2015: £54,587,000). This represents cash holdings minus variable rate borrowing.

The Group's exposure to fixed interest rates on assets is £29,056,000 (2015: £25,312,000). This represents investments in bonds.

The Group's exposure to fixed interest rates on liabilities is £140,492,000 (2015: £184,975,000). This represents fixed rate borrowing.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances, or paid on bank overdrafts and loans, is at margin under/over LIBOR or its foreign currency equivalent (2015: same);
- the finance charge on the preference shares is at a weighted average interest rate of 3.3% (2015: 3.3%);
- the finance charge on the secured bonds is at a weighted average interest rate of 6.125% (2015: 6.125%); and
- the finance charge on the secured notes is at a weighted average interest rate of 3.41% for an average period of 25.7 years (2015: 3.41% for an average period of 26.6 years).

The above year-end amounts are not representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made in fixed interest securities, long-term debt is partially redeemed and as the level of cash balances varies during the year. In the context of the Group's balance sheet, the exposure to interest rate risk is not considered to be material.

Interest rate sensitivity

Based on the Group's monetary financial instruments at each balance sheet date, an increase or decrease of 200 basis points in interest rates would decrease or increase revenue after tax by £656,000 (2015: £1,137,000), capital return after tax by £1,065,000 (2015: £45,000), and total profit after tax and shareholders' funds by £409,000 (2015: £1,092,000).

This level of change is considered to be reasonably possible based on observation of current market conditions. This is not representative of the year as a whole, since the exposure changes as investments are made. In the context of the Group's balance sheet, the outcome is not considered to be material.

14.5 Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Group's assets are investments in quoted equities and other quoted securities that are readily realisable. The Group has borrowed £63,174,000 by its issue in 2000 of 6.125 per cent Secured Bonds due 2025. During 2015, the Group issued 3.47% and 3.29% secured notes for £54,000,000 and £21,000,000 respectively. The Group is able to draw short-term borrowings of up to the sterling equivalent of £75m from its secured and committed multi-currency borrowing facility with BNP Paribas, London Branch (expiring 6 December 2017). £71,000,000 was drawn down under the facility at 31 December 2016.

The Board gives guidance to the investment managers as to the maximum amount of the Company's resources that should be invested in any one company. The investment managers may hold cash from time to time but the Group's overall equity exposure is unlikely to fall below 80% in normal conditions.

Liquidity risk exposure

	2016			2015		
	Within 1 year £'000	**Between 1 and 5 years £'000**	**More than 5 years £'000**	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stock*	**–**	**–**	**–**	47,432	–	–
Secured bonds*	**3,938**	**15,751**	**79,868**	3,938	15,751	83,806
Secured notes*	**2,565**	**10,259**	**128,147**	2,565	10,259	130,712
Preference shares †	**83**	**332**	**2,555**	83	332	2,555
Other creditors and accruals	**8,194**	**–**	**–**	8,263	–	–
Bank loan and interest payable	**71,053**	**–**	**–**	3,003	–	–
	85,833	**26,342**	**210,570**	65,284	26,342	217,073

* The above figures show interest payable over the remaining terms of each instrument. The figures also include the capital to be repaid.
† The figures in the 'More than 5 years' columns do not include the ongoing annual finance cost of £83,000.

14.6 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Group suffering a loss.

Management of the risk

The risk is managed as follows:

- interest received on cash balances, or paid on bank overdrafts and loans, is at margin under/over LIBOR or its foreign currency equivalent;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Group of default;
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the investment managers, and limits are set on the amount that may be due from any one broker;
- stock lending transactions are carried out with a number of approved counterparties, the credit ratings of which are reviewed periodically, and limits are set on the amount that may be sent to any one counterparty. Other than stock lending, none of the Company's financial assets or liabilities is secured by collateral or other credit enhancements;
- cash at bank is held only with reputable banks with high quality external credit ratings.

None of the Group's financial liabilities is past its due date or impaired.

Credit risk exposure

The table below summarises the credit risk exposure of the Group as at the year end.

	2016 £'000	2015 £'000
Fixed interest securities	**29,056**	25,312
Cash	**50,556**	57,587
Receivables:		
Sales for future settlement	**2,506**	155
Unrealised gain on derivative held at fair value through profit or loss	**–**	366
Taxation recoverable	**1,042**	945
Accrued income	**4,533**	3,077
Other debtors	**3,557**	2,712
	91,250	90,154

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

14 Financial instruments continued

14.7 Fair values of financial assets and financial liabilities

Except for those financial liabilities measured at amortised cost that are shown below, the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (amounts due from brokers, dividends and interest receivable, amounts due to brokers, accruals, cash at bank and bank overdrafts).

	2016 Fair value £'000	**2016** Balance sheet amount £'000	2015 Fair value £'000	2015 Balance sheet amount £'000
Financial liabilities measured at amortised cost:				
Non current liabilities				
Preference shares	**1,379**	**2,555**	1,399	2,555
Debenture stock	**–**	**–**	46,765	44,583
Secured bonds	**82,840**	**63,434**	78,198	63,354
Secured notes	**80,905**	**74,503**	73,009	74,483
	165,124	**140,492**	199,371	184,975

The fair values shown above are derived from the offer price at which the securities are quoted on the London Stock Exchange or, in the case of the Secured notes, calculating a present value by using a discount rate which reflects the yield on a UK gilt of similar maturity plus a credit spread of 1.15%.

Level 1 Financial liabilities
The Company's preference shares, debenture stock (prior to redemption on 1 October 2016) and secured bonds are actively traded on a recognised stock exchange. Their fair value has therefore been deemed Level 1. The carrying values are disclosed in note 13.

Level 3 Financial liabilities
The Company's secured notes are not traded on a recognised stock exchange and so the fair value is calculated by using a discount rate which reflects the yield on a UK gilt of similar maturity plus a credit spread of 1.15%. Their fair value has therefore been deemed Level 3. The carrying values are disclosed in note 13.

Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

Financial assets and financial liabilities at fair value through profit or loss

At 31 December 2016	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	**1,859,596**	**–**	**–**	**1,859,596**
Investments in other funds	**–**	**24,441**	**–**	**24,441**
Derivatives (nominal exposure of £20,853,000)	**(579)**	**–**	**–**	**(579)**
Total	**1,859,017**	**24,441**	**–**	**1,883,458**

At 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,640,781	–	–	1,640,781
Investments in other funds	–	68,198	–	68,198
Derivatives (nominal exposure of £36,910,000)	246	–	–	246
Total	1,641,027	68,198	-	1,709,225

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in an active market for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Group are explained in the accounting policies in note 1(h). There were no transfers during the year between Level 1 and Level 2.

Level 2 Financial assets
Level 2 Financial assets refer to investments in iShares MSCI Fund and Somerset Emerging Markets Small Cap Fund (2015: Trilogy Emerging Markets Fund and Polar Capital Insurance Fund).

Level 3 Reconciliation of Level 3 fair value measurement of financial assets
There were no Level 3 investments at 31 December 2016 or 31 December 2015.

Capital management
The Group's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Group's total capital employed at 31 December 2016 was £1,938,129,000 (2015: £1,765,305,000) comprising £211,492,000 of debt (2015: £187,975,000) and £1,726,637,000 of equity share capital and other reserves (2015: £1,577,330,000).

Gearing

The Group's policy is to manage the effective gearing in the portfolio to be below 20%, other than temporarily in exceptional circumstances. Effective gearing is defined as the difference between shareholders' funds and the total market value of the investments (including the nominal value (effective underlying exposure) of futures positions which were £20,853,000 long at 31 December 2016 (2015: £36,910,000 long)) expressed as a percentage of shareholders' funds. At 31 December 2016 effective gearing was 10.3% (2015: 10.7%) and the calculation is set out below:

	2016 £'000	2015 £'000
Value of investments per the balance sheet	**1,884,037**	1,708,728
Add:		
Nominal exposure of futures	**20,853**	36,910
Adjusted gross value of investments (including futures nominal exposure)	**1,904,890**	1,745,638
Shareholders' funds per the balance sheet (A)	**1,726,637**	1,577,330
Excess of gross value of investments over shareholders' funds (B)	**178,253**	168,308
Effective gearing (B as a percentage of A)	**10.3%**	10.7%

The Board monitors and reviews the broad structure of the Group's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Chief Executive Officer's view on the market;
- the opportunity to buy back equity shares, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium); and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

14 Financial instruments continued

The Group's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to several externally imposed capital requirements:

- the terms of issue of the Company's secured bonds and notes require the aggregate amount outstanding in respect of borrowings, measured in accordance with the policies used to prepare the annual financial statements, not to exceed a sum equal to the Company's capital and reserves at any time;
- as a public company, the Company has a minimum issued share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

These requirements are unchanged since the previous year end and the Company has complied with them.

15 Called up share capital

	Group and Company 2016 £'000	Group and Company 2015 £'000
Called up and issued:		
181,210,739 ordinary shares of 25p each (2015: 200,071,000)	**45,303**	50,018
Held in treasury		
18,860,261 ordinary shares of 25p each (2015: nil)	**4,715**	–
Total 200,071,000 shares (2015: 200,071,000)	**50,018**	50,018

During the year, 18,860,261 ordinary shares were bought back at a cost of £142,918,000 and are held in treasury (2015: 10,510,000 shares issued for net proceeds of £83,773,000). Shares held in treasury do not carry voting rights or the right to receive dividends.

16 Share premium account and reserves

	Share premium account £'000	**Capital redemption reserve £'000**	**Capital reserve arising on investments sold £'000**	**Capital reserve arising on revaluation of investments held £'000**	**Revenue reserve £'000**
Group					
At 1 January 2016	99,251	46,498	1,083,579	238,330	59,654
Net movement on investments	–	–	88,962	208,070	–
Net movement on foreign exchange	–	–	(417)	–	–
Expenses and interest payable charged to capital net of tax relief	–	–	(11,501)	–	–
Buyback of ordinary shares into treasury	–	–	(142,918)	–	–
Profit for the year	–	–	–	–	42,031
Ordinary dividends paid	–	–	–	–	(34,920)
At 31 December 2016	99,251	46,498	1,017,705	446,400	66,765

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
Company					
At 1 January 2016	99,251	46,498	1,083,579	238,938	59,046
Net movement on investments	–	–	88,962	208,272	–
Net movement on foreign exchange	–	–	(417)	–	–
Expenses and interest payable charged to capital net of tax relief	–	–	(11,501)	–	–
Buyback of ordinary shares into treasury	–	–	(142,918)	–	–
Profit for the year	–	–	–	–	41,829
Ordinary dividends paid	–	–	–	–	(34,920)
At 31 December 2016	99,251	46,498	1,017,705	447,210	65,955

In accordance with the Company's Articles of Association, dividends may only be paid out of current period revenue or revenue reserves.

17 Preference shares

Included in non current liabilities is £2,555,000 in respect of issued preference shares as follows:

	Group and Company 2016 £'000	Group and Company 2015 £'000
2,055,000 3.4 per cent. cumulative preference shares of £1 each	**2,055**	2,055
500,000 2.7 per cent. cumulative preference shares of £1 each	**500**	500
	2,555	2,555

The 3.4 per cent. and 2.7 per cent. cumulative preference shares constitute a single class and confer the right, in priority to any other class of shares:

(i) to receive a fixed cumulative preferential dividend at the respective rates (exclusive of tax credit thereon for payments made prior to 6 April 2016) of 3.4 per cent. and 2.7 per cent. per annum, such dividend being payable half–yearly on 15 January and 15 July in each year, in respect of the 3.4 per cent. cumulative preference shares, and on 1 February and 1 August in each year in respect of the 2.7 per cent. cumulative preference shares; and

(ii) to receive repayment of capital at par in a winding up of the Company (but do not confer and further right to participate in profits or assets).

The preference shareholders are entitled to receive notices of general meetings of the Company but are not entitled to attend or vote thereat (except on a resolution for the voluntary liquidation of the Company or for any alteration to the objects of the Company set out in its Articles of Association).

In the event of a poll at a general meeting of the Company, every member of the Company who is present in person or by proxy and who is entitled to vote thereat, whether an ordinary shareholder or, in the circumstances outlined above, a preference shareholder, has one vote for every £1 nominal value of shares registered in their name. Accordingly, on a poll each ordinary shareholder has one vote for every four shares held.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

18 Net asset value per ordinary share

The net asset value per ordinary share of 952.83p (2015: 788.39p) is based on the net assets attributable to the ordinary shares of £1,726,637,000 (2015: £1,577,330,000) and on the 181,210,879 ordinary shares in issue (excluding those held in treasury) at 31 December 2016 (2015: 200,071,000).

The movements during the year of the net assets attributable to the ordinary shares were as follows:

	£'000
Total net assets at 1 January 2016	**1,577,330**
Total profit for the year	**327,145**
Dividends paid in the year on the ordinary shares (see note 8)	**(34,920)**
Buybacks of ordinary shares	**(142,918)**
Net assets attributable to the ordinary shares at 31 December 2016	**1,726,637**

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the preference shares and the secured bonds and notes at their market (or fair) values rather than at their par (or book) values. Details of the alternative values are set out in note 14.7. The net asset value per ordinary share at 31 December 2016 calculated on this basis is 939.2p (2015: 781.2p) as set out below.

	2016		2015	
	Debt at balance sheet amount £'000	**Debt at fair value £'000**	Debt at balance sheet amount £'000	Debt at fair value £'000
Total assets less current liabilities per balance sheet*	**1,867,129**	**1,867,129**	1,762,305	1,762,305
Liabilities at balance sheet value/fair value	**(140,492)**	**(165,124)**	(184,975)	(199,371)
	1,726,637	**1,702,005**	1,577,330	1,562,934
Ordinary shares in issue at 31 December	**181,210,879**	**181,210,879**	200,071,000	200,071,000
NAV per share	**952.83p**	**939.24p**	788.39p	781.19p

*2015 figures exclude debenture stock which was a current liability at 31 December 2015

19 Reconciliation of income from operations before tax to net cash inflow from operating activities

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Income from operations before tax	**350,542**	**349,431**	111,841	110,690
Gains on investments held at fair value through profit or loss	**(296,615)**	**(296,817)**	(64,563)	(64,877)
Scrip dividends included in investment income	**(1,729)**	**(1,729)**	(1,116)	(1,116)
Investment management fee	**(6,157)**	**(6,157)**	(11,286)	(11,286)
Other operating expenses	**(5,210)**	**(4,301)**	(5,410)	(4,573)
Increase in other receivables	**(2,398)**	**(2,397)**	(2,408)	(1,395)
Decrease in other payables	**(2,566)**	**(2,559)**	(592)	(564)
Taxation	**(2,415)**	**(2,415)**	(1,779)	(1,779)
	33,452	**33,056**	24,687	25,100

20 Capital commitments and contingent liabilities

At 31 December 2016 and 31 December 2015 there were no capital commitments in respect of securities not fully paid up and no underwriting liabilities. In November 2005 the Company took a five year lease on office premises at 14 Queen Anne's Gate, London SW1H 9AA which was renewed for a further five years in October 2010. In October 2015 the lease was renewed for a further five years.

21 Operating lease arrangements

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised for the year	**49**	49

At the balance sheet date, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	**73**	73
In the second to fifth years inclusive	**146**	219

The operating lease payments represent rentals payable by the Group for its office property.

The lease was re-negotiated during 2015 for a further term of five years and to include additional office space.

22 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital of its wholly-owned subsidiary undertaking, Witan Investment Services Limited, which was incorporated on 28 October 2004, is registered in England and Wales and operates in the United Kingdom.

23 Related party transactions disclosures

Balances and transactions between the Company and its subsidiary, which are related parties, amounting to £452,000 have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company for each of the relevant categories specified in IAS 24 Related Party Disclosures is provided in the audited part of the Directors' Remuneration Report on pages 46 and 47.

Directors' transactions

Dividends totalling £262,000 (2015: £229,000) were paid in the year in respect of ordinary shares held by the Company's directors.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

24 Segment reporting

The Group adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed regularly by the Chief Executive Officer and that are used to allocate resources to the segments and to assess their performance. The identification of the Group's reportable segments did not change as a result of the adoption of IFRS 8.

Geographical segments

Geographical segments are considered to be the primary reporting segment. An analysis of investment income by geographical segment is set out in note 2 on page 69. Analyses of expenses by geographical segment and of profit by geographical segment have not been given as it is not possible to prepare such in a meaningful way. An analysis of the investments by geographical segment is set out in note 10 on page 74. Analyses of the remaining assets and liabilities by geographical region have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

Business segments

Business segments are considered to be the secondary reporting segment. The Group has two business segments: (i) its activity as an investment trust, which is the business of the parent company, Witan Investment Trust plc, and recorded in the accounts of that company; and (ii) the provision of alternative investment fund manager, executive and marketing management services and the management of savings schemes, which is the business of the subsidiary company, Witan Investment Services Limited, and recorded in the accounts of that company.

	31 December 2016			31 December 2015		
	Investment trust £'000	**Management services £'000**	**Total £'000**	Investment trust £'000	Management services £'000	Total £'000
Revenue*	**52,816**	**1,111**	**53,927**	46,127	1,151	47,278
Interest expense	**9,615**	**–**	**9,615**	9,683	–	9,683
Net result	**327,145**	**–**	**327,145**	83,683	–	83,683
Carrying amount of assets	**1,724,927**	**1,710**	**1,726,637**	1,575,822	1,508	1,577,330

* The investment and other income of the parent company.

25 Subsequent events

Since the year end, the Board has declared a fourth interim dividend in respect of the year ended 31 December 2016 of 6.25p per ordinary share (see also page 4 and note 8 on page 73).

Between 1 January and 8 March 2017, 1,409,821 ordinary shares of 25p were bought back for £13,077,000.

26 Company information

Company information

Certain information, including details of the Company's registered office and registered number, which is required by the Companies Act 2006 to be included in the Notes to the Financial Statements is shown on page 94.

OTHER INFORMATION

Securities Financing Transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy–sell back transactions or sell–buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending as at 31 December 2016 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets at 31 December are disclosed below:

Stock lending 2016

Market value of securities on loan	% of lendable assets	% of AUM
£49,311,000	**2.62**	**2.60**

Stock lending 2015

Market value of securities on loan	% of lendable assets	% of AUM
£119,797,000	7.01	7.59

Concentration Data

The ten largest collateral issuers across all the securities financing transactions as at 31 December are disclosed below:

	2016 Market value of collateral received £'000	2015 Market value of collateral received £'000
Fannie Mae	**10,731**	–
Sanofi	**5,236**	–
Government of Finland	**4,852**	–
US Treasury	**3,592**	5,042
Syngenta	**3,445**	–
Siemens	**2,537**	–
Red Electrica	**2,443**	–
Vivendi	**2,381**	–
Ulta Salon Cosmetics & Fragrance	**2,133**	–
Electrolux	**1,729**	–
	39,079	5,042

The top ten counterparties of each type of securities financing transactions as at 31 December are disclosed below:

	2016 Market value of collateral received £'000	2015 Market value of collateral received £'000
Deutsche Bank	**18,026**	44,583
BNP Paribas	**16,939**	58,085
Citigroup	**7,717**	7,193
ING Bank	**4,709**	–
HSBC	**1,770**	–
J P Morgan	**147**	8,832
Nomura	**3**	1,056
Commerzbank	**–**	48
	49,311	119,797

OTHER INFORMATION continued

Aggregate transaction data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan as at 31 December:

Stock lending 2016

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
BNP Paribas	France	Equity	Main Market Listing	EUR	Bilateral	BNP Paribas	17,124
	France	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	1,667
Citigroup	US	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	4,650
	US	Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	3,674
Deutsche Bank	Germany	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	8,600
	Germany	Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	10,732
HSBC	Hong Kong	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	1,169
	Hong Kong	Corporate Bond	Investment Grade	EUR	Triparty	BNP Paribas	546
	Hong Kong	Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	198
ING Bank	Netherlands	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	39
	Netherlands	Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	4,922
J P Morgan	US	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	158
Nomura	Japan	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	6
							53,485

Stock lending 2015

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
BNP Paribas	France	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	61,820
Citigroup	US	Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	7,563
Commerzbank	Germany	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	61
Deutsche Bank	Germany	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	34,486
		Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	13,903
J P Morgan	US	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	9,317
Nomura	Japan	Government Bond	Investment Grade	EUR	Bilateral	BNP Paribas	845
HSBC	Hong Kong	Equity	Main Market Listing	EUR	Bilateral	BNP Paribas	368
							128,363

All the collateral is held within segregated accounts. The lending and collateral transactions are on an open basis and can be recalled on demand.

Re–use of collateral

The funds do not engage in any re–use of collateral.

Return and cost

The return and cost of engaging in securities lending by the Company and the securities lending agent in absolute terms and as a percentage of overall returns are disclosed below:

Total gross amount of securities lending income	Direct and indirect costs and fees deducted by securities lending agent	% return of the securities lending agent	Net securities lending income retained by the fund	% return of the fund
£323,000	£81,000	25%	£242,000	75%

2015: The gross amount of lending income was £248,000 with direct and indirect expenses deducted of £62,000.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

Witan Investment Trust plc is an 'alternative investment fund' ('AIF') for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the 'AIFMD') and the Company has appointed its subsidiary, Witan Investment Services Limited ('WIS'), to act as its AIFM. WIS is authorised and regulated by the United Kingdom Financial Conduct Authority as a 'full scope UK AIFM'.

The Company is required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre–investment are included within the Investor Disclosure Document ('IDD') which can be found on the Company's website www.witan.com. There have not been any material changes to the disclosures contained within the IDD since it was last updated in January 2017.

The Company and AIFM also wish to make the following disclosures to investors:

- the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A list of the top 50 portfolio holdings is included on page 25;
- none of the Company's assets is subject to special arrangements arising from their illiquid nature;
- the Strategic Report and note 14 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by the Company;
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code in respect of the AIFM's remuneration. The relevant disclosures required are within the IDD; and
- information in relation to the Company's leverage is contained within the IDD.

HISTORICAL RECORD

		Debt at fair value		Debt at par value			
	Market price per ordinary share in pence	Net asset value per ordinary share in pence[a]	Share price (discount)/ premium %[a]	Net asset value per ordinary share in pence[c]	Share price discount %[b]	Earnings per ordinary share in pence	Dividends per ordinary share in pence
31 December 2006	454.5	508.4	(10.6)	517.1	(12.1)	10.24	9.20
31 December 2007	478.5	537.9	(11.0)	545.7	(12.3)	11.08	9.90
31 December 2008	351.0	400.3	(12.3)	410.1	(14.4)	11.60	10.20
31 December 2009	444.6	497.0	(10.5)	502.7	(11.6)	10.63	10.50
31 December 2010	516.5	578.1	(10.7)	584.4	(11.6)	9.45	10.90
31 December 2011	450.0	503.7	(10.7)	516.9	(12.9)	13.27	12.00
31 December 2012	503.0	568.9	(11.6)	581.8	(13.5)	14.50	13.20
31 December 2013	669.0	717.6	(6.8)	725.2	(7.7)	15.44	14.40
31 December 2014	753.5	749.2	0.6	760.3	(0.9)	15.88	15.40
31 December 2015	780.0	781.2	(0.2)[C]	788.4	(1.1)	18.49	17.00
31 December 2016	**902.0**	**939.2**	**(4.0)[C]**	**952.8**	**(5.3)**	**22.11**	**19.00**

(a) The net asset value per ordinary share is calculated by deducting from the total assets less current liabilities of the Group the fixed borrowings at their fair (or market) values. The share price discount shown reflects this calculation.

(b) The net asset value per ordinary share is calculated by deducting from the total assets less current liabilities of the Group the fixed borrowings at their par (not their market) values. The share price discount shown reflects this calculation.

(c) The average discount to the net asset value, including income, with debt at fair value, in 2016 was 5.8% (2015: average premium was 0.1%). (Source: Datastream).

Unsolicited approaches for shares: warning to shareholders

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based ‘brokers’ who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company’s Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment ‘advice’.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on page 94.

WITAN WISDOM AND JUMP

How to invest

There is a variety of ways to invest in Witan Investment Trust plc. Witan's shares can be traded through any UK stockbroker and most share dealing services, including online platforms that offer investment trusts (including Alliance Trust Savings, Hargreaves Lansdown, Barclays Stockbrokers, Halifax Share Dealing Limited, Interactive Investor and AJ Bell). Witan is available for investment through two savings schemes managed by Witan Investment Services – Witan Wisdom and Jump Savings. Advisers who wish to purchase Witan shares for their clients can do so via a stockbroker, Witan Savings Schemes or via a growing number of dedicated platforms (including Ascentric, Nucleus, Seven Investment Management and Transact).

Witan Wisdom

Shareholders who hold their investment via both the Witan Wisdom Share Plan and ISA are charged a single flat annual fee, which is £30+VAT until 5th April 2017 and £30.68 +VAT thereafter*. There is no further charge other than government stamp duty, for regular savings or dividend reinvestment. Lump sum dealing will be charged at a flat rate of £15 for each transaction.

Witan Wisdom offers two different savings wrappers:

The Witan Wisdom ISA is a stocks and shares ISA that enables investors to buy Witan shares within a tax efficient wrapper. Investors have an annual ISA allowance of up to £15,240 for the 2016/17 tax year and £20,000 for the 2017/18 tax year. The minimum lump sum investment with Witan Wisdom ISA is £2,000, with the regular savings minimum being £100 per month. Investors can also transfer existing ISAs to Witan Wisdom while retaining their tax efficient wrapper during and after transfer.

The Witan Wisdom Share Plan is our straightforward, low–cost savings scheme. The minimum lump sum investment is £500, and the minimum regular contribution is £50 per month or quarter. There is no maximum. Accounts can also be held jointly, or designated to a child.

Jump Savings for children

Jump gives parents, grandparents and other adults the chance to invest in Witan on behalf of a child. This flexible savings plan has a minimum lump sum investment set at £250 and regular contributions can be made from £50 per month or quarter. Jump is available in three different wrappers:

The Junior ISA is a tax efficient wrapper available to children born before 1 September 2002 or after 3 January 2012, or those who did not qualify for a Child Trust Fund ('CTF'). The account can only be opened by a parent though others can add to it. It currently has an annual subscription limit of £4,080 for the 2016/17 tax year and £4,128 for the 2017/18 tax year. You can open a Jump Junior ISA with a minimum lump sum investment of £250 or £50 per month or quarter.

The Jump Child Trust Fund is, like the Junior ISA, a tax efficient savings vehicle with the same annual limits as the Junior ISA (but the annual term is measured by the child's birthday). Each child born in the UK from 1 September 2002 up to and including 2 January 2012 was eligible for a CTF. You can transfer existing CTFs to a Jump CTF or directly into a Jump Junior ISA subject to a minimum transfer value of £1,000.

The Jump Savings Plan offers greater flexibility than the Junior ISA or CTF in terms of the limits, access and control of the investment. It can also be opened by grandparents, relatives and other family friends. You can open a Jump Savings Plan with a lump sum investment of £250 or £50 per month or quarter. Shareholders who hold their investment via Jump are charged a single flat annual fee of £31.60* + VAT.

NB: Given the flat rate annual fees for Wisdom and Jump, the cost is high for the minimum subscription levels to our plans and investors should consider carefully the suitability for them if they do not plan to add to the account.

Brochures and applications for all of our products are available by calling 0800 082 81 80 or online via www.witan.com. If you would prefer to write to request further information, the address details can be found on page 94. To keep up to date on news and commentary from Witan Investment Trust plc please visit www.witan.com/stayintouch to provide us with your email address.

Witan Investment Trust plc is an equity investment. Investors are reminded that past performance is not a guide to future performance and the value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Please note that tax assumptions may change if the law changes, and the value of tax relief (if any) will depend upon your individual circumstances. Investors should consult their own tax advisers in order to understand any applicable tax consequences.

Issued and approved by Witan Investment Services Limited. Witan Investment Services Limited of 14 Queen Anne's Gate, London SW1H 9AA is registered in England and Wales number 5272533. Witan Investment Services Limited provides investment products and services and is authorised and regulated by the Financial Conduct Authority. We may record telephone calls for our mutual protection and to improve customer service.

* Subject to adjustment in line with the UK CPI inflation every 3 years compounded. In accordance with this policy, an adjustment in line with inflation has been applied to the Annual Management Fee ('AMF') for Witan Wisdom shareholders with effect from 6th April 2017. A further adjustment in line with inflation will be due with effect from 6th April 2020. For Jump shareholders, a further adjustment in line with inflation will be due with effect from 6th April 2018. You can select to pay the AMF by direct debit thus avoiding the possibility of selling shares if the AMF cannot be recovered from cash held at the time of dividend reinvestment.

SHAREHOLDER INFORMATION

Points of Contact

For Witan Wisdom and Jump Savings queries:

If you have any questions or need more information concerning Witan, you may contact us in the following ways:

Freephone: 0800 082 8180
From abroad: +44 1268 448646

E–mail:
wisdom@ifdsgroup.co.uk

Post:
Witan Wisdom
PO Box 10550
Chelmsford
CM99 2BA

Points of Reference

You can follow the progress of your investment through the newspapers. Witan's share price appears daily in the national press stock exchange listings under 'Investment Trusts' or 'Investment Companies' and is also included on the Witan website (www.witan.com).

The London Stock Exchange Daily Official List (SEDOL) code is 0974406.

Dividend

A fourth interim dividend of 6.25p per share has been declared, payable on 31 March 2017. The record date for the dividend was 3 March 2017 and the ex–dividend date for the dividend was 2 March 2017 (see pages 4 and 29).

Dividend Tax Allowance

From April 2016 dividend tax credits have been replaced by an annual £5,000 tax–free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends it has paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Capital Gains Tax

The calculation of the tax on chargeable gains will depend on your personal circumstances. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Disability Act

Copies of this Annual Report and other documents issued by Witan Investment Trust plc are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact our Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People), you should dial **18001** followed by the number you wish to dial.

Registered Office of the Company and its subsidiary, Witan Investment Services Limited

14 Queen Anne's Gate
London SW1H 9AA

The Company is a public company limited by shares.

Registered Number

Registered as an investment company in England and Wales, Number 101625.

Company Secretary

Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 020 3008 4910

Custodian, Investment Administrator and Depositary

BNP Paribas Securities Services
10 Harewood Avenue
London NW1 6AA

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1408*

* Calls cost no more than calls to geographic numbers (01 or 02) and must be included in inclusive minutes and discount schemes in the same way. Calls from landlines are typically charged up to 9p per minute; calls from mobiles typically cost between 3p and 55p per minute. Calls from landlines and mobiles are included in free call packages.

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Stockbroker

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Solicitors

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2HS

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

The Company is a member of:

The Association of Investment Companies

The Company conducts its affairs so that its shares can be recommended by independent financial advisers ('IFAs') to retail private investors. The shares are excluded from the Financial Conduct Authority's restrictions which apply to non–mainstream investment products because they are shares in a UK–listed investment trust.

OUR RELATIONSHIP WITH THE RHS

Witan Investment Trust plc has enjoyed a long and fruitful relationship with the Royal Horticultural Society for almost 20 years. Over this time, Witan has helped to redevelop a number of new gardens at Wisley including the Walled Garden West, the Herb Garden and the Bowes–Lyon Rose Garden, and the Global Growth Vegetable Garden at Hyde Hall, which will open to the public this year. In 2016, Witan sponsored a Show Garden (see picture) at the RHS Hampton Court Palace Flower Show, designed by Jane Bailey and which was awarded a Silver–gilt medal by the RHS judges. Witan shareholders who hold their shares through Witan Wisdom or Jump Savings, or on the main register, are eligible to apply for a ballot for a ticket that will allow free entry for two adults to any one of the four RHS gardens in the UK.

If you would like to request a ticket then please phone us on 0800 082 8180 or email wisdom@ifdsgroup.co.uk confirming the full name of the account holder.

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Cocoon 50% Silk and Cocoon 50% Offset paper. The fibres are sourced from well–managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an Elemental Chlorine Free (ECF) process.