Collective Wisdom

Witan Investment Trust plc
Annual Report 2019

Witan investment trust

Our purpose, objective and approach to investment are aligned to promote the long-term success of the Company.

Our purpose

is to achieve significant growth in our investors' wealth by investing in global equity markets, using a multi-manager approach.

Our objective

is to achieve an investment total return exceeding that of the Company's benchmark over the long term, together with growth in the dividend ahead of inflation.

Our approach

Long term

Our approach is fundamentally focused on achieving long-term returns from global equity investment.

See page 2

Active

We invest in companies whose business and valuation mark them out as having above-average prospects.

See page 3

Opportunistic

Within our long-term approach, we also seek to take advantage of shorter-term opportunities.

See page 3

Heritage

Founded in 1909, we have survived boom and bust cycles, wars and political crises, helping put contemporary events into perspective.

See page 4

Globally diversified

Our global approach seeks out the best opportunities across a broad range of economies, diluting risks from reliance on a single region.

See page 5

Where to find us

Our website has a full range of information about Witan and regular commentary about investment markets.

Find us online @ www.witan.com

Company overview

As at 31 December 2019

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KEY DATA

	2019	2018	% change
Share price[1]	**231.5p**	194.2p	19.2
NAV per ordinary share (debt at par value)[1][4]	**236.9p**	199.0p	19.0
NAV per ordinary share (debt at fair value)[1][4]	**233.1p**	196.7p	18.5
Discount (NAV including income, debt at fair value)[4]	**0.7%**	1.3%	–

TOTAL RETURN PERFORMANCE

	1 yr % return	3 yrs % return	5 yrs % return
Share price total return[2][4]	22.1	37.0	71.4
NAV total return[2][4]	21.3	32.3	73.0
Witan benchmark[2]	20.3	29.5	64.9
FTSE All-Share Index[3]	19.2	22.0	43.8
FTSE All-World Index[3]	22.3	34.4	81.2

DIVIDEND INFORMATION

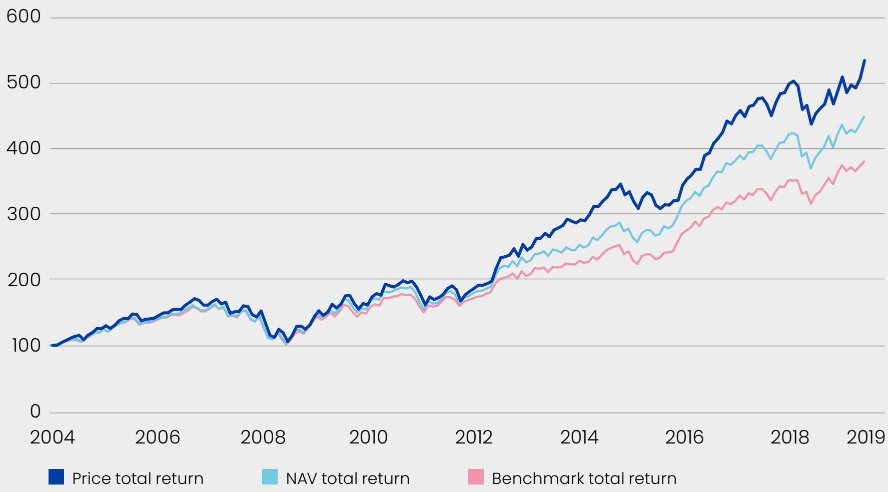
	2019	2018	% change
Revenue earnings per share[1]	**6.01p**	5.18p	16.0
Dividend per share[1]	**5.35p**	4.70p	13.8

OTHER FINANCIAL INFORMATION

	2019	2018
Gearing[4]	**11.0%**	11.6%
Ongoing charges excluding performance fees[4]	**0.79%**	0.75%
Ongoing charges including performance fees[4]	**0.87%**	0.83%

(1) Comparative figures for the year ended 31 December 2018 have been restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.
(2) Source: Morningstar.
(3) Source: Morningstar. See also FTSE International for conditions of use (www.ftse.com).
(4) Alternative performance measure (see page 101).

WITAN COMPARED WITH BENCHMARK FROM 30.09.2004 TO 31.12.2019[2]



Our approach

Long term

Why we take a long-term view

There is an adage in investing that in the short run markets are a voting machine but in the long run they are a weighing machine.

Investor sentiment, politics, liquidity, corporate news and many other factors have an influence on prices over days and weeks, sometimes over years, but ultimately companies that grow their cash flows and dividends will see their share prices follow suit. Long-term compounding in value helps generate wealth for investors and Witan and its managers are focused on finding opportunities to buy investments with long-term growth prospects, that the market misunderstands or wants to sell too cheaply. We also seek to avoid being shaken out of a good investment by temporary setbacks, while being willing to change our minds where necessary and open-minded about indications that investments may be heading for a difficult period.

Andrew Bell
CEO,
Witan Investment Trust

James Hart
Investment Director,
Witan Investment Trust

Active

Why active share matters

Our investment approach is selective, aiming to deliver higher returns than our equity benchmark. We are not passive (or indexed) investors.

Witan allocates around 90% of its portfolio to third-party managers, whose remit is to beat a particular equity benchmark by selecting shares in companies they expect to deliver superior returns. Up to 12.5% is invested directly by the Executive team and both this and the externally-managed portfolios are subject to regular review and scrutiny by the Board.

Achieving outperformance requires the individual and combined portfolios to differ from the benchmark. Our managers typically run concentrated, high-conviction portfolios, of between 15 and 70 stocks. It is important that manager diversification does not suppress the benefits sought when selecting active managers.

One measure of active management, while by no means a complete picture, is known as 'active share'. A portfolio identical to the benchmark has an active share of 0% while one with no holdings in common with its benchmark has an active share of 100%. The active share of our individual managers ranges from 75%-98%. The active share of our combined portfolio was circa 77% at the end of 2019 (2018: 76%). Put another way, less than one quarter of our combined portfolio by value overlaps with the weightings in our equity benchmark. This indicates that Witan's portfolio differs markedly from the relevant indices.

77%

ACTIVE SHARE AT END 2019

Opportunistic

Responsive to tactical and specialist opportunities

In addition to the ability of its external managers to adapt their portfolios in response to events, Witan uses its portfolio of direct holdings to invest in collective funds offering exposure to specialist asset classes (e.g. listed private equity, biotechnology) and those offering particular value.

Witan also varies its use of borrowings (which can amplify both gains and losses) in response to whether valuations are seen as attractive and makes use of exchange-traded index futures to make tactical adjustments to equity and regional exposure, when events are perceived to have created opportunities.

Our approach continued

Heritage

Track record of driving outperformance

Witan is an investment trust, founded in 1909 by Sir Alexander Henderson (later the first Lord Faringdon), who was a leading financier in the South American railways boom during the late 19th century.

Witan has been listed on the London Stock Exchange since 1924. Having been set up as a vehicle to manage the interests of one family, Witan has evolved into an investment trust which now serves the interests of the many thousands of shareholders who own the Company today.

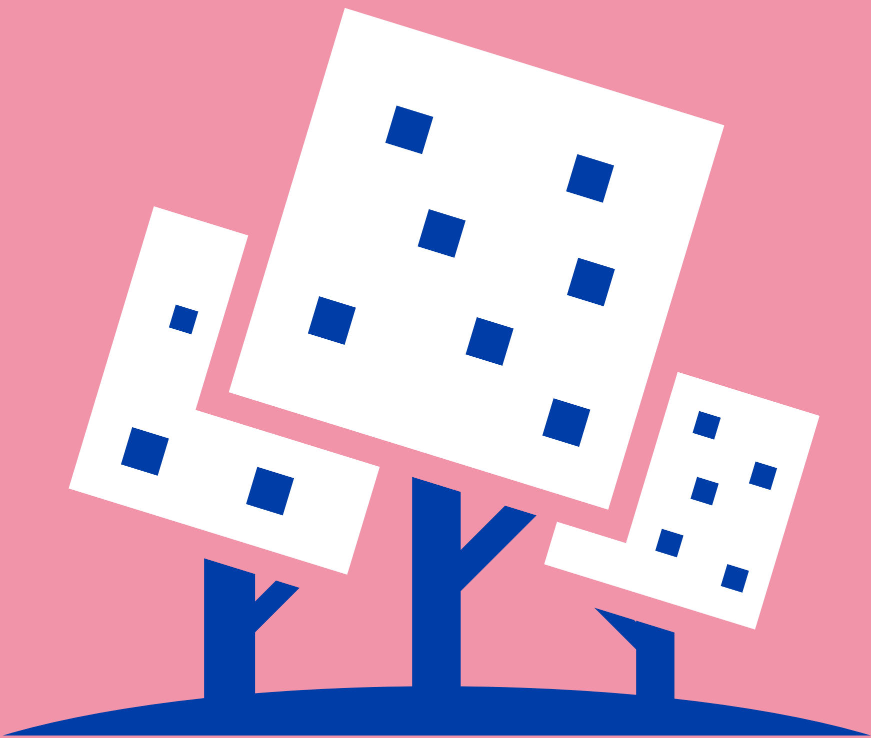
Since its foundation, Witan has survived 111 years punctuated by world wars, recessions and other political and economic events, which helps us all to put contemporary developments in proper perspective. It is managed by the Executive team of its subsidiary Witan Investment Services Limited ('WIS'), which acts as its Alternative Investment Fund Manager ('AIFM'), under the control and supervision of the Company's Board of directors.

45

YEARS OF DIVIDEND GROWTH SINCE 1974

7/10

YEARS OF OUTPERFORMANCE SINCE 2010

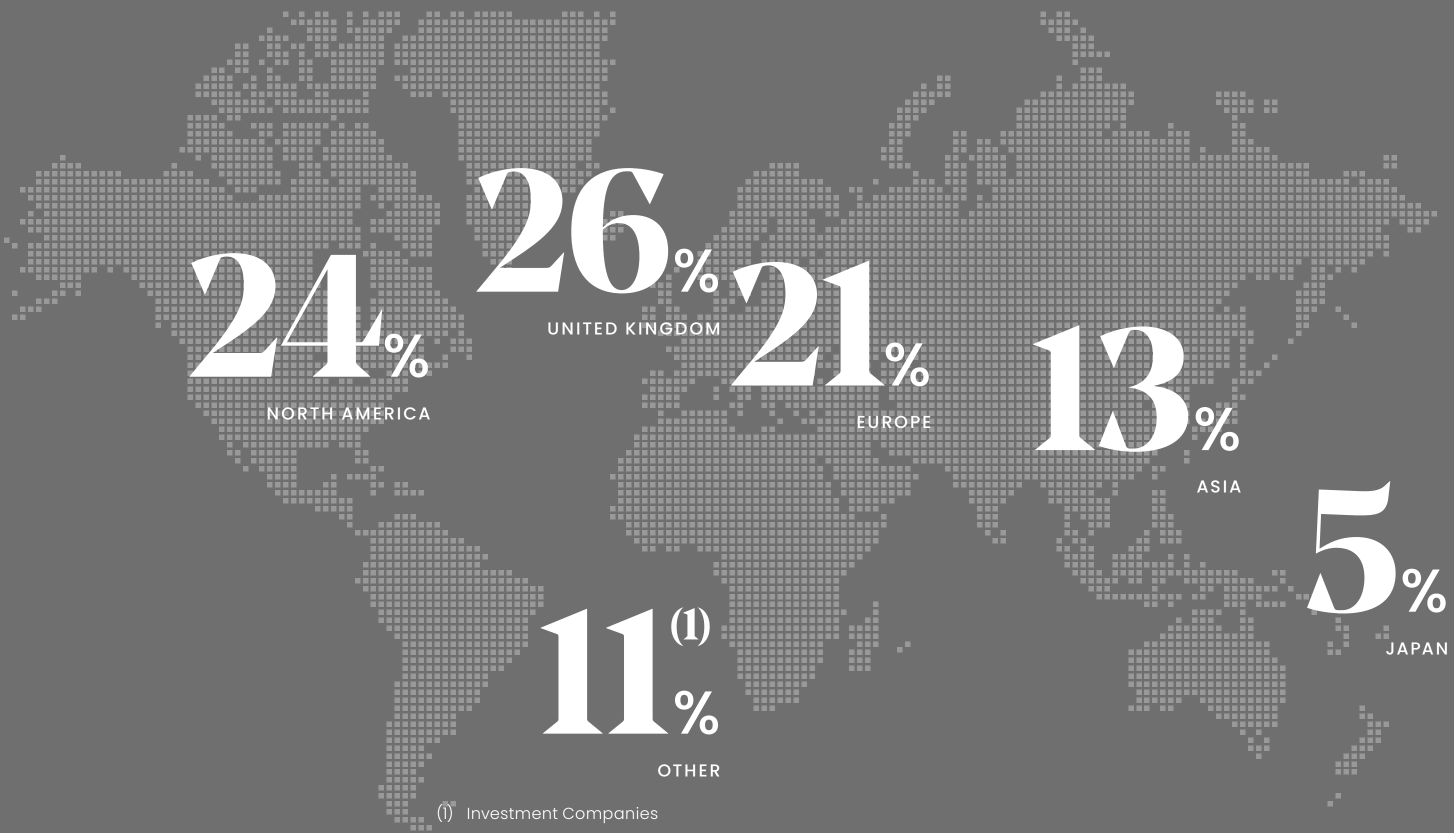


Note that information about past performance should not be viewed as a guarantee of, or guide to, future performance.

Globally diversified

Why and how we diversify

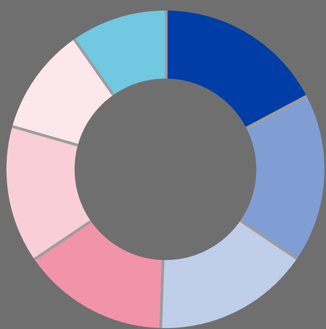
PERCENTAGE OF TOTAL FUNDS



(1) Investment Companies

Witan has a portfolio that offers shareholders a wide range of opportunities, giving exposure to the fruits of global economic growth.

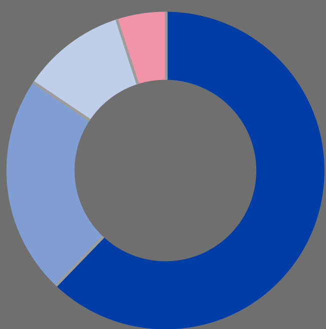
Owing to our worldwide investment remit and the use of different managers, the portfolio is widely diversified by region, investment sector and at the individual company level. This avoids undue concentration of risks arising from individual companies, sector influences or local economic and political risks. However, the principal driver of our investment decisions is the potential for returns. The country, sector and individual stock weightings arise from decisions about which companies are judged to offer the best prospects, not from a pre-ordained template for the portfolio's structure. The resulting asset mix is, of course, monitored and can be adjusted when considered appropriate.



SECTOR BREAKDOWN OF THE PORTFOLIO

- 17.4% Industrials
- 17.1% Consumer Services
- 16.3% Financials
- 15.0% Other
- 13.8% Consumer Goods
- 10.7% Investment Companies
- 9.7% Technology

Source: BNP Paribas as at 31 December 2019.



COMPANY SIZE BREAKDOWN OF THE PORTFOLIO(2)

- 62.3% Large Cap
- 22.2% Mid Cap
- 10.7% Investment Companies
- 4.8% Small Cap

(2) Numbers are rounded

The top 50 holdings are set out on page 32. They represented 42.7% of Witan's portfolio at 31 December 2019 (2018: 44%).

Key performance indicators

Aside from the statutory accounting measures, the financial key performance indicators ('KPIs') below are monitored as significant measures of longer-term success. With respect to non-financial measures, details of the Company's policies and compliance in relation to the UK Corporate Governance Code are set out in the Corporate Governance Statement on pages 41 to 48.

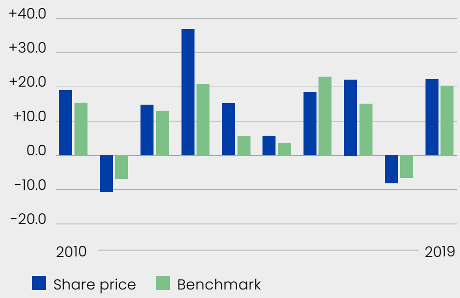
KPI → PERFORMANCE →

Share price total return vs. benchmark[1]

Definition

The Company seeks at least 2% p.a. long-term outperformance in the share price total return

TOTAL RETURN PERFORMANCE (%)



The share price total return was 22.1%, 1.8% ahead of the benchmark's 20.3%.

Over five years, the share price total return was 11.4% p.a. compared with 10.5% p.a. for the benchmark.

+1.8%

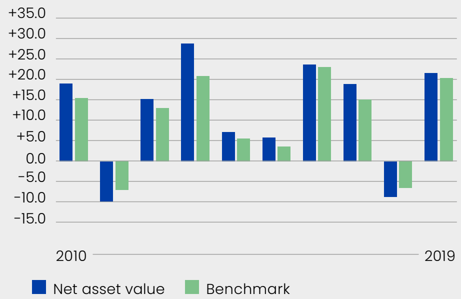
IN 2019

NAV total return vs. benchmark[1]

Definition

The Company seeks at least 2% p.a. long-term outperformance in NAV total return, debt at fair value

TOTAL RETURN PERFORMANCE (%)



The NAV total return in 2019 was +21.3%, 1.0% ahead of the benchmark's +20.3%.

Over five years, the NAV total return was 11.6% p.a. compared with 10.5% p.a. for the benchmark.

+1.0%

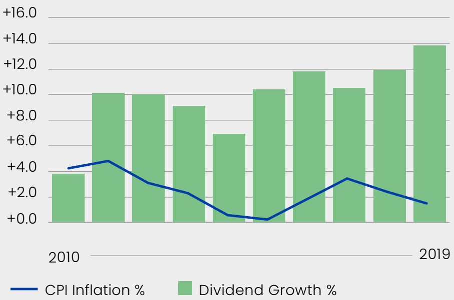
IN 2019

Dividend growth[1]

Definition

The Company seeks to grow its dividend ahead of the rate of inflation

DIVIDEND PER SHARE GROWTH (%)



The dividend increased by 13.8% in 2019 to 5.35 pence. The increase was 12.5% ahead of the year-end inflation rate. This was Witan's 45th successive year of dividend increases. Over the past five years, Witan's dividend has grown by a total of 74%, compared with an 8.4% rise in the UK Consumer Price Index.

+13.8%

IN 2019

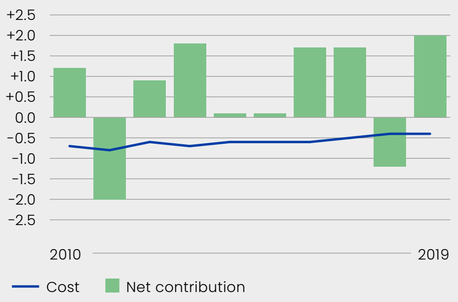
KPI → **PERFORMANCE** →

Net contribution from borrowings[1]

CONTRIBUTION FROM BORROWINGS (% OF NAV)

Definition

Gearing to contribute to returns, after interest costs



In 2019, the contribution was +2.5% before interest costs and +2.0% including interest costs.

Gearing materially contributed to returns, as gearing averaged 11% during a year when the Company's portfolio rose significantly. Over the longer term, gearing has also contributed significantly to Witan's returns.

+2.0%

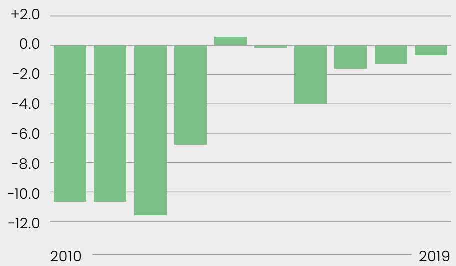
IN 2019

Discount/premium to NAV[1]

DISCOUNT/PREMIUM TO NAV PER SHARE

Definition

Achieve a sustainable low discount or a premium to NAV, taking account of market conditions



In 2019, the year-end discount was 0.7%, compared with 1.3% at the end of 2018.

2019's average discount of 2.8% was higher than in 2018 (1.6%). This was due to some investors selling, particularly during the period of maximum uncertainty over Brexit. In response, the Company bought 2.8% of the shares into treasury, at an average discount of 3.2%.

-0.7%

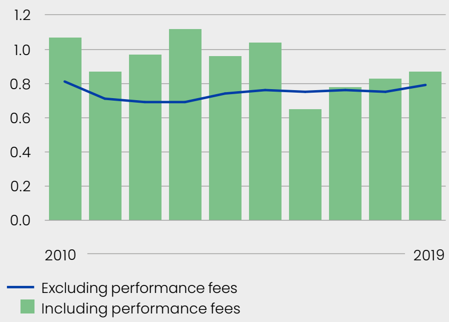
AT YEAR END

Ongoing Charges[1] Figure ('OCF')

ONGOING CHARGES AS % OF NET AVERAGE ASSETS

Definition

Achieve an OCF as low as possible, consistent with choosing the best available managers



In 2019, the OCF was 0.79% excluding performance fees and 0.87% including them.

Further details of costs are set out on page 21.

0.79%

(0.87% INCLUSIVE OF PERFORMANCE FEES)

(1) Alternative Performance Measures
The financial statements (on pages 73 to 97) 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 in the key performance indicators on pages 6 to 7. Definitions of the terms used are set out on page 101. 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 95.

Business model

Our purpose
Our purpose is to achieve significant growth in our investors' wealth by investing in global equity markets, using a multi-manager approach.

Our approach
We select exceptional third-party managers who are expected to outperform their assigned benchmarks. Most of the managers are not open for investment by UK individuals, or not on the same terms. They manage approximately 90% of Witan's assets. The remaining assets are invested directly by Witan's Executive team, which is also responsible for the management of gearing, under delegated guidelines from the Board.

London listing

Witan is an investment trust with a Premium Listing on the London Stock Exchange and is a member of the FTSE 350 Index. The Company has an independent Board of directors and employs a small executive team, who are focused on the Company and aligned with the interests of shareholders.

Witan

THE BOARD'S RESPONSIBILITIES SUPPORTED BY THE EXECUTIVE

Governance

The Company is directed by the Board, which consists primarily of non-executive directors, selected to bring the balance of skills required to manage an investment company. Witan Investment Services ('WIS'), a subsidiary of Witan, acts as the Alternative Investment Fund Manager (under the AIFM Regulations which regulate the management of investment companies).

Manager selection

Third-party managers are chosen after a formal selection process, making use of the Board's substantial experience in investment management. The process entails using a variety of networks and databases to identify a list of organisations with evidence of success in the relevant investment area. Further due diligence is conducted on an initial long list, with the Board interviewing a final shortlist and making the decision to appoint.

Investment managers in 2019

Global	**Lansdowne Partners, Pzena, Veritas**
UK	**Artemis, Heronbridge, Lindsell Train[1]**
Europe	**CRUX, S.W. Mitchell**
Asia/Emerging	**Matthews, GQG Partners**

(1) From January 2020, Lindsell Train's UK portfolio was changed to a global equity mandate. See page 17.

Shareholders

The majority of our shareholders are personal investors, investing directly or via portfolios managed on their behalf by discretionary managers. We welcome all shareholders but believe that our one-stop active equity management is well attuned to the needs of individual investors.

Risk management

As AIFM, WIS is responsible for operating the Company's portfolio and risk management processes and delegates certain portfolio management responsibilities to third-party portfolio managers. The Company outsources other corporate functions.

Assessing performance

The Company's benchmark offers an appropriate reference point for comparing overall performance. The benchmark from 2020 is a combination of two equity indices, 15% UK equity, 85% global equity (including the UK). All managers are also expected to outperform a benchmark appropriate to their specific mandate.

Advantages of our business model

- Selecting managers in their areas of greatest competence should benefit returns
- The use of multiple managers helps to smooth returns
- A focus on high-conviction managers avoids over-diversification
- Private investors can gain access to high-conviction managers not generally available
- The Executive team has flexibility in adjusting manager allocations and portfolio exposure
- Exposure to specialist asset classes offering higher-growth or value opportunities via the Direct Holdings portfolio

Investment portfolio

Each manager has a different approach, whether based on geographical specialism, investment style or sector expertise. A common factor is focusing on company fundamentals, with returns being driven by the growth of corporate cash flows. A tangible sign of this is the growth in portfolio dividends and, in turn, Witan's own dividends to shareholders.

Attributes we seek

- Talented and accountable leadership
- High standards of corporate governance
- Long-term outlook, generally low turnover
- Concentrated portfolios
- Adherence to ESG principles
- Clear and simple processes applied with discipline
- Stock picking independent of index considerations
- Potential for material outperformance
- Reasonable fees

Our strategy

Active global multi-manager investment

THE MANAGEMENT OF WITAN

The Company's activities are directed by the Board, which delegates the full range of day-to-day activity to the Executive team, 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, the Company's Board and Executive team are responsible for the overall delivery of performance to shareholders, through the following means:

- Setting the investment objective and selecting a suitable benchmark for performance comparison;
- Selecting good managers, who are expected to outperform a relevant benchmark over the long term;
- Ensuring investment management and other services are contracted on competitive terms;
- Monitoring managers' evaluation of the impact of good management and of environmental and other social factors on the sustainability of investment returns;
- Clear communication of Witan's objective and results to shareholders and potential investors;
- Operating appropriate portfolio, corporate governance and operational risk controls;
- Adjusting asset allocation according to opportunity;
- The judicious use of borrowings with the aim of adding to performance;
- Direct investment in specialist funds; and
- Selective use of exchange-traded derivatives for efficient portfolio management.

WITAN'S BENCHMARK

The Company's equity benchmark from 2017-2019 consisted of 30% UK, 25% North America, 20% Europe ex-UK, 20% Asia Pacific and 5% Emerging Markets. As announced in September 2019, the benchmark from 2020 onwards will be

15% UK, 85% World (including the UK), continuing a long-run trend of reducing the UK weighting (from 60% in 2003) in favour of other global markets. This reflects changes in the location of investment opportunities worldwide and a greater focus on cross-border stock selection rather than geographically based investment.

The portfolio is actively managed and does not aim to track or be constrained by the benchmark or any other combination of indices. Performance is likely to vary, sometimes considerably, from benchmark returns, while aiming for long-term outperformance.

THIRD-PARTY MANDATES

The selection of individual investments is largely delegated to third-party managers, who are chosen by the Witan and WIS Board, after a selection process focused on the managers' areas of expertise and scope to add value as part of the overall portfolio. The number of managers is not fixed, but in recent years has been around ten.

The intention is to retain appointed managers for the long term, rather than to make changes to reflect short-term performance or transient factors. However, performance as well as the consistency and coherence of the investment process are monitored regularly to ensure that the assumptions and hopes underlying the appointments remain valid. Attention is also paid to structural changes in the investment world that may call for changes in the managers used.

The proportion of Witan's assets managed by the managers and their performance during the year are set out on page 17.

THE EXECUTIVE TEAM'S ROLE IN INVESTMENT MANAGEMENT

Since the Company delegates the management of the majority of its assets (typically over 85%) to its selected third-party investment managers, the returns from those portfolios are expected to be the principal driver of performance.

The overall asset allocation and portfolio risk are managed by the Executive team, who seek to add to performance by adjusting the level of gearing, by the selective use of exchange-traded derivatives to adjust the asset allocation, and by the use of specialist funds to gain exposure to areas viewed as offering attractive returns not being exploited by the third-party managers. In essence, the Company seeks to have sufficient levers to pull to adapt to different conditions and take advantage of a wide range of investment opportunities.

The Executive team operates within delegated parameters that are periodically reviewed by the Board and its AIFM.

DIRECTLY HELD INVESTMENTS

Up to 12.5% of the portfolio may be invested by the Executive team, with the objective of outperforming Witan's equity benchmark. Of this, up to 10% (at the time of investment) may be invested in specialist collective investments, which may represent undervalued asset categories or funds viewed as longer-term generators of superior returns. Up to 2.5% may be allocated in smaller mandates to third-party managers with strong potential to add value, which are newly established or in specialised investment areas.

The Direct Holdings portfolio is actively managed with no fixed allocation. More capital is invested when opportunities arise and the allocation falls when sales occur and there is a shortage of attractive new ideas.

GEARING

The result of using borrowings (or 'gearing/leverage') is to amplify the effect of portfolio gains or losses on shareholders' returns. Accordingly, the Company seeks to set gearing at levels appropriate for market conditions, borrowing more when markets are attractively valued and less when returns are expected to be poorer. The calculation of gearing takes account of cash balances and the full nominal value of any derivatives held.

A blend of long-term and short-term borrowings is used, to balance the certainty of cost from locking in fixed rates for longer periods with the flexibility of short-term facilities which can be readily repaid.

DERIVATIVES

Witan uses derivatives as transparent, cost-effective tools for efficient portfolio management and to help control risk. In recent years, exchange-traded index futures have been the only instruments used. These are readily tradeable, low cost, give exposure to a specified market index, and depend upon the creditworthiness of the exchange, not an individual firm.

The use of index futures enables Witan to adjust its investment exposure or asset allocation quickly and flexibly without interfering with our investment managers' objective of picking stocks that will grow in value and outperform their benchmarks. The operation of this investment area is the responsibility of the CEO, acting under guidelines set and supervised by the Board. The Company's third-party managers are not permitted to use derivatives and may not gear their portfolios.

Investment Policy

- The Company invests primarily in listed companies across global equity markets, using a multi-manager approach. The Company's actively managed portfolio covers a broad range of markets and sectors, offering a distinctive way for investors to access the opportunities created by global economic growth.
- Under its Articles of Association, the Company may borrow up to 100% of the adjusted total of shareholders' funds. However, the Board's longstanding policy is not to allow gearing (as defined on page 101) to rise to more than 20%, other than temporarily in exceptional circumstances. Where appropriate, the Company may hold a net cash position.
- Selective and controlled use of specialist financial instruments (derivatives) will be considered, to assist with efficient portfolio management.

Chairman's Statement

Highlights

- NAV total return of 21.3%, outperforming the benchmark's return of 20.3% by 1.0%
- Five-year NAV total return of 73.0%, compared with 64.9% for the benchmark
- Share price discount to NAV 0.7% at year end (2018: 1.3%)
- Dividend increased by 13.8% to 5.35 pence, more than double that paid in 2009 and an unbroken run of increases since 1974
- Benchmark simplified and made more global from 2020
- Increased emphasis on sustainability; Witan is a signatory to the UN-supported Principles for Responsible Investment

Strong returns despite global challenges

STRONG GAINS FROM EQUITIES AND A DEGREE OF RELIEF

Witan has invested with a multi-manager approach since 2004. Over this period, we have beaten the returns on our equity benchmark and raised the dividend significantly faster than the rate of inflation.

In 2019 US growth was resilient and at a higher level than other developed markets, where expectations continued to be downgraded. With evidence of weakening corporate confidence, there were concerns mid-year that the US trade dispute with China would spin out of control and precipitate a more pronounced slowdown, or even a recession. In Europe and the UK, sentiment was held back by the unpredictability of the Brexit process and by Germany's exposure to a weakening Chinese economy and a stalling car sector. The global slowdown was ultimately arrested by policy changes (renewed monetary easing by the US Federal Reserve and other central banks and a shift towards looser fiscal policy) and positive political developments (a tentative US trade deal with China and an unexpectedly clear-cut resolution of the UK's domestic political impasse).

Despite the various crosswinds, equity markets delivered strong gains in 2019. One reason was the weak starting point. 2018 ended with a sharp equity correction, which discounted some of the risks that became more evident in 2019. This fall was quickly reversed in the early months of 2019, followed by a period of consolidation during the middle of the year, when fears of a possible recession took hold. Markets gained further towards the year end due to reduced political risks and improving hopes for growth in 2020.

Witan shareholders enjoyed exceptionally strong returns in 2019, which were ahead of our benchmark, although patience was required. For much of the year, Witan's gains were behind those of our benchmark, owing to relatively high weightings in the UK and exposure to more lowly-valued but out of favour stocks. However, both these factors proved beneficial towards the end of the year, resulting in a net asset value ('NAV') total return of 21.3%, 1.0% ahead of our benchmark's total return of 20.3%. The share price total return was 22.1%.

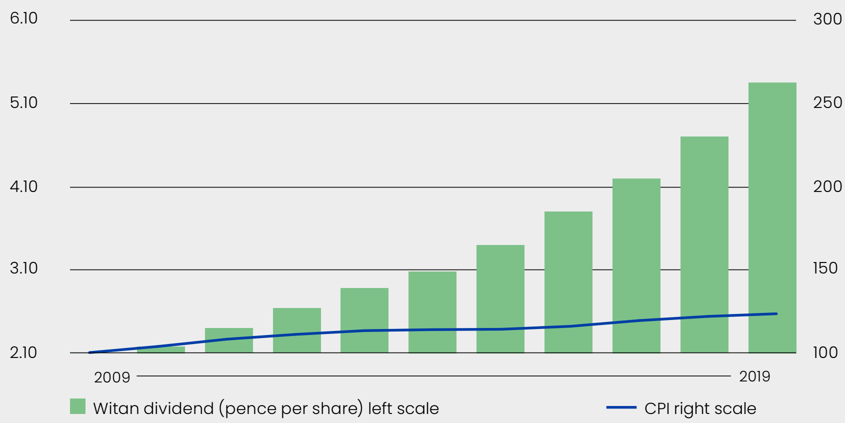
Taking a longer perspective, over the past five years Witan has achieved a NAV total return of 73.0%, compared with the benchmark's 64.9% return over this period.

During the ten years to the end of 2019, shareholders have had a NAV total return of 192.0%, compared with the benchmark's return of 154.7%.

2019 DIVIDEND

A fourth interim dividend of 1.825 pence was declared in February 2020, payable on 3 April 2020. As a result, the dividend for the year increased by 13.8% to 5.35 pence per share (2018: 4.7 pence), well ahead of the 1.3% rate of UK inflation at the year end. The dividend is fully covered by revenue earnings, with £6.1m added to revenue reserves. We have increased the dividend every year for the last 45 years, with the latest dividend being two and a half times that paid in 2009. The chart to the right shows the dividend's growth over the past ten years, compared with inflation.

WITAN'S DIVIDEND PER SHARE COMPARED WITH THE UK CONSUMER PRICE INDEX



SUSTAINABILITY

Good governance has long been recognised as a key part of successful investing – badly-managed companies, even without actual wrongdoing, are rarely sound investments. In order to prosper, businesses also need to operate with the acceptance of society, which goes beyond simply operating within the law. The increasing focus on environmental sustainability is a particularly acute example of how a changing political and regulatory backdrop can have profound effects on the prospects for individual businesses and industrial sectors. From a risk management viewpoint, as well as in weighing the investment case for individual holdings, managing these issues is a hard-headed necessity, as well as good citizenship. For this reason, Witan has intensified its commitments in this area by becoming a signatory to the UN-supported Principles for Responsible Investment ('PRI'), seen as a code of best practice on Environmental, Social and Governance ('ESG') issues, and by increasing the scrutiny of our managers' policies in these areas. Further details of our approach are set out on pages 24 and 25.

SAVINGS SCHEMES

As announced in January 2019, Witan closed its Witan Wisdom and Jump Savings Plans in May 2019, with investors mostly transferring their holdings to the Hargreaves Lansdown platform or to a different destination if they preferred. Witan waived all transfer charges in relation to the change. I should like to thank all parties involved for their hard work in implementing the changes as efficiently as possible and for account holders' patience at the time.

The investment management of the Witan shares transferred is, of course, unchanged by this move, which simply changed the place where the shares are held.

BOARD CHANGES

Andrew Ross was appointed as a director and Chairman-designate in May 2019, following a review of the required skills and a formal externally-facilitated search process. Following a further search process, we welcomed Gabrielle Boyle to the Board in August, adding further fund management experience to the range of skills represented on the Board. There are short interviews with both Gabrielle and Andrew later in this report.

Richard Oldfield will be standing down at this AGM, after nine years on the Board, serving as Chairman of the Remuneration and Nomination Committee since 2018. His investment and managerial experience and advice have been of great value to the Company and will be sorely missed. As part of the Company's succession plans, our Senior Independent Director Tony Watson is expected to stand down at the AGM in 2021.

A search for a further director was initiated early in 2020, taking account of the need to replace the skills of the retiring directors and of diversity considerations. An announcement will be made when this search has been completed.

I shall be standing down as a director of the Company at the AGM in April after over 30 years on the Board including 17 as Chairman. It has been a pleasure and an honour to have served shareholders' interests during a period when the investment world has experienced such unimaginable change. I should like to thank most sincerely all those, whether they be directors, employees or service providers for their work on behalf of shareholders over this exciting and sometimes challenging time. I am pleased to be handing over the Chairmanship to Andrew Ross. As a shareholder I shall be cheering from the sidelines.

AGM

Our Annual General Meeting will be held at Merchant Taylors' Hall on Wednesday 29 April 2020 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 112th AGM.

Harry Henderson
Chairman
11 March 2020

CEO's review of the year

Delayed recovery

> **We believe that 2020 has the potential to deliver positive equity returns, despite the significant disruption from the coronavirus outbreak."**

MARKETS ROSE, HOPING FOR BETTER ECONOMIC GROWTH IN 2020

Equity markets delivered strong returns during 2019, led by the US with a total return of 26% in sterling terms. The UK lagged with a return of 19% but outperformed towards the year end, as the political uncertainty associated with Brexit reduced, particularly following the general election. Europe rose by 21%, while lesser returns in Japan 15%, Asia 15% and Emerging Markets 16% were nonetheless strongly positive.

Although the equity return outcome was a positive contrast with the latter part of 2018, it proved similarly trying for much of the year for active managers, as performance was dominated for most of the year by a narrow range of technology stocks and companies seen as offering predictable results immune to the economic cycle. In the fourth quarter, a combination of relative cheapness and a more reassuring cyclical outlook led to a better performance by 'value' stocks as the market recovery broadened out. Gearing provided a boost to returns, adding to modest outperformance by our portfolio managers. As a result, our net asset value total return of 21.3% was ahead of our benchmark by 1.0% in 2019.

Although markets were in positive territory all year, investors were troubled by fears that central banks were expected to tighten monetary policy, despite signs of a slowdown in many industrial sectors. This fuelled a 'policy error, recession in 2020' narrative and a plunge in bond yields during the summer which only decisively turned after the US Federal Reserve changed tack and cut interest rates three times, having been expected at the start of the year to raise them twice.

THE ECONOMIC BACKDROP

With a general shift to easier policy, hopes rebuilt in late 2019 for a resumption of the low-octane growth seen since 2009. Taken together with the steps taken to defuse the US-Chinese trade dispute, investors were encouraged to view their glass as half full rather than half empty.

A further potential boost to confidence is the resolution of the UK's parliamentary impasse over Brexit and a general election result that dispels the risk of an anti-enterprise government taking power. Difficult matters of detail remain to be negotiated but putting the first

There are signs of a more discriminating investor attitude towards new technology listings – a unicorn without a horn could turn out to be a donkey."

stage of Brexit to bed and restoring the Government's ability to function are steps towards improving the prospects for the UK's economy and the investment case for its equity market.

Corporate earnings growth in many markets has been weak and, in some sectors, earnings have fallen, so valuations ended 2019 higher than a year ago. Although valuations (outside the US) were not unduly stretched given the low level of interest rates, a key assumption is that investors expected corporate earnings to be sustained, since equities would be likely to attract a lower rating in an environment where investors expect earnings to fall, such as during a recession.

The US market has been exceptional, both for the outsize 28% return delivered over 2018-19 and because it is more highly rated. The US market's leadership, in terms of returns since the financial crisis in 2008, has partly been driven by its early success in restoring stability to its financial sector and partly by the economy's strength in pioneering areas of healthcare and technology, with added boosts from fiscal policy and the energy independence created by shale oil.

Although these reasons retain validity, they may be less tactically significant than before. The possibility of regulation may curtail the growth of technology companies and there are signs of a more discriminating investor attitude towards new technology listings – a unicorn without a horn could turn out to be a donkey. The shift towards more reflationary fiscal policies (in the UK and Europe) could benefit growth outside the US prompting a search for more cheaply-rated ways to gain exposure to more evenly spread economic growth. The growth of shale oil is likely to moderate, while a world becoming more sceptical of the sustainability of fossil fuel use may introduce policy changes that encourage producers to pump more oil before it becomes a stranded asset, keeping oil prices low relative to history.

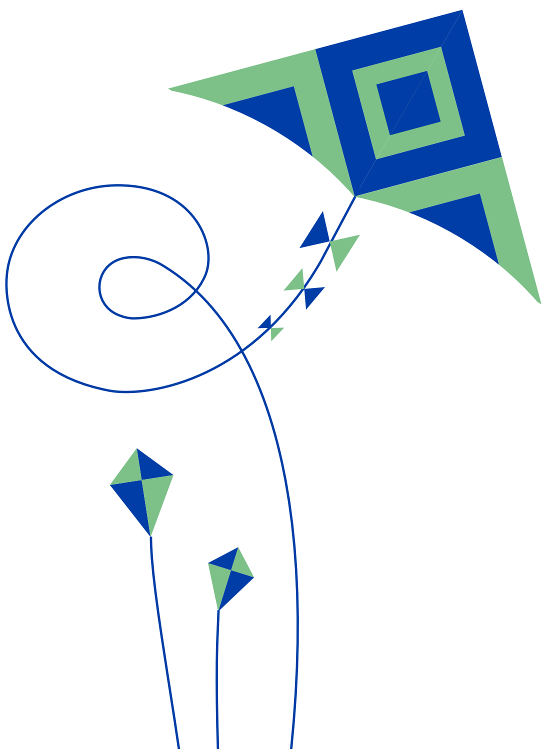
Our revised benchmark has a larger weighting in the US and less in the UK and Europe, the change marking a further confirmation of our position as a global, rather than a UK-centric, investment trust. We do not expect, either in our own Executive and Board decisions or in the decisions made by the managers whom we select, to be imitating exactly the benchmark weightings: the purpose of the benchmark is to act as a reference point for the measurement of performance. Recently, those of our managers with the freedom to pick stocks across borders have tended to find more ideas outside the US and it is principally managers' stock decisions that will shape our portfolio.

RECENT DEVELOPMENTS

The tentative signs of economic improvement at the end of 2019 have been overshadowed by the emergence of a highly infectious coronavirus from Wuhan in China. The initially rapid spread of the disease within China created fears of a global epidemic with major humanitarian and economic consequences. The resulting disruption to economic activity has heightened equity market sensitivity to news of the epidemic's rate of infection, with a rally during February on signs that the outbreak was peaking in China followed by a sharp setback when there were outbreaks in a number of other countries.

Volatility is likely to persist until the disease has been brought under control worldwide. Faced with a public health issue for which there was no reliable forecasting model, allied to the ensuing substantial disruption to economic activity, equity investors felt unable to quantify risks. This resulted in substantial falls in equity indices, in case the inevitable short-term impact on growth precipitated a more enduring recession.

In contrast to the positive mood at the year end, which proved vulnerable to the shock of the coronavirus epidemic, markets had substantially lower hopes by early March. Given that investment is a forward-looking activity, driven by new developments rather than what can be seen in a rear-view mirror, for contrarians the signals may be shifting from red to green. Assuming the coronavirus epidemic is contained in coming months, a bounce back in activity is a reasonable expectation by the second half of the year, given the significant amount of stimulus already introduced (from fiscal policy as well as lower interest rates and oil prices).



CEO's review of the year continued

2019 PERFORMANCE SUMMARY AND ATTRIBUTION

The financial statements on pages 73 to 97 set out the required statutory reporting measures of the Company's financial performance.

As referred to in the Chairman's Statement, Witan's NAV total return (with debt at fair value and after all costs) was +21.3%, 1.0% ahead of the return of 20.3% from the Company's benchmark. Stripping out the impact of lower gilt yields on the valuation of the Company's debt, the NAV total return was 21.8%, 1.5% ahead of the benchmark.

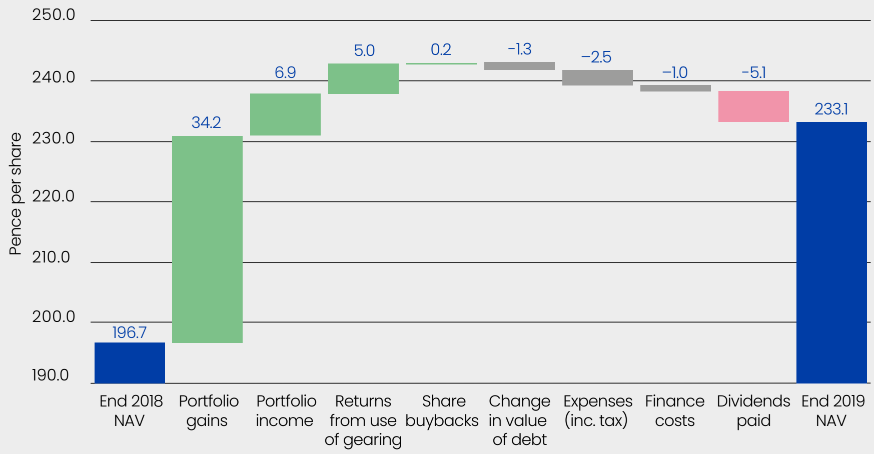
PERFORMANCE DRIVERS OF WITAN'S GROWTH IN NET ASSET VALUE DURING 2019

The chart to the right shows the contributions (in pence per share) attributable to the various components of investment performance and costs, which together add up to the rise from the starting NAV for the year of 196.7 pence to the year-end NAV of 233.1 pence, after the payment of dividends to shareholders.

The third-party managers, in aggregate, performed ahead of their benchmarks (before costs). Gearing was a significantly positive contributor, as gearing averaged 11% during a year of strong absolute portfolio gains.

A breakdown of the performance attribution in 2019 (based on the Company's financial statements) is shown in the table to the right.

NAV PER SHARE RECONCILIATION



A BREAKDOWN OF THE PERFORMANCE ATTRIBUTION IN 2019

Net asset value total return	**+21.3%**	Portfolio total return (gross)	**+21.0%**	
Benchmark total return	**+20.3%**	Benchmark total return	**+20.3%**	
		Relative investment performance	**+0.7%**	
		Investment management costs	**-0.6%**	
		Investment contribution		**+0.1%**
		Gearing impact	**+2.5%**	
		Borrowing costs	**-0.5%**	
		Gearing contribution		**+2.0%**
		Effect of changed fair value of debt	**-0.6%**	
		Share buybacks	**+0.1%**	
		Other contributors		**-0.5%**
		Other operating costs and tax	**-0.6%**	
				-0.6%
Relative performance[1]	**+1.0%**			**+1.0%**

(1) N.B. Figures may not sum due to rounding.

INVESTMENT MANAGERS' PERFORMANCE

Investment manager	Witan assets managed as at 31.12.19 £m	%[1]	Performance in 2019 % Manager	Benchmark	Performance since appointment[2] % Manager	Benchmark
Lansdowne Partners	408.5	17.6	16.6	22.3	17.4	13.5
Pzena	313.4	13.5	18.4	22.3	10.4	12.4
Veritas	364.1	15.7	23.8	22.3	13.9	11.5
Artemis	165.2	7.1	30.2	19.2	9.4	6.3
Heronbridge	143.5	6.2	28.0	19.2	10.0	7.4
Lindsell Train	176.4	7.6	23.5	19.2	15.6	8.7
CRUX	98.8	4.3	21.1	20.4	2.7	3.4
S.W. Mitchell	99.6	4.3	30.0	20.4	1.3	3.4
Matthews	207.9	9.0	6.6	15.1	8.9	8.6
GQG Partners	118.1	5.1	18.5	14.3	8.4	6.8
Witan Direct Holdings	281.0	12.1	11.7	20.3	11.2	9.2

(1) The 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.

PORTFOLIO STRUCTURE AND PERFORMANCE

During 2019, there were no changes to Witan's core list of third-party managers, although allocations were varied during the year to reflect investment opportunities and to implement changes in gearing. At the end of the year, the UK portfolio managed by Lindsell Train was changed to a global equity mandate. The UK portfolio was outstandingly successful for Witan's shareholders over the period since appointment in 2010, delivering returns of 15% p.a. compared with 9% p.a. from the UK stock market. The Board is confident that retaining Lindsell Train with a broader remit will continue to benefit Witan shareholders as our portfolio takes on an increasingly global character (signalled by the change of benchmark that took effect from the start of 2020).

The third-party managers follow mandates set by the Company. The mandate, benchmark, investment style and the date of appointment for each manager are shown on pages 26 to 31. The returns since each manager's appointment are set out in the above table showing that, since inception, the majority have outperformed their benchmarks.

Although Witan's overall performance is the primary focus, monitoring individual managers' performance is an important check. In 2019, seven of the ten principal third-party managers in place for the full year outperformed their benchmarks. These accounted for 50% of Witan's assets.

Positive relative performances were achieved by all three UK specialist managers, both Europe ex-UK managers, Veritas amongst the global managers and GQG Partners, our emerging markets manager. A number of these had experienced weak performance in 2018 so it was encouraging to see better results in 2019's more positive conditions. Although the UK market underperformed, all three UK managers outperformed the UK market by a sufficient margin to beat the world index return.

On the downside, two of our global managers (Lansdowne Partners and Pzena) underperformed despite delivering strong absolute returns of +17% and +18% respectively. Both portfolios were positioned in out of favour 'value' parts of the market, which recovered significantly in the final months of the year, though not by enough to catch up with their benchmark return of +22%. Matthews in Asia underperformed with a return of +7%, compared with the Pacific regional benchmark's +15%.

DIRECTLY HELD INVESTMENTS

The portfolio of direct holdings (+12%) was well behind Witan's benchmark return of 20%, the lack of correlation with markets counting against it after three years of strong relative performance. With a number of holdings having exposure to the economic cycle, performance improved materially towards the year's end, though not by enough to overcome earlier relative weakness.

The main direct fund investments are listed in the UK, but the underlying exposure is principally global. A new investment of 8% of the Direct Holdings portfolio was made in Schroder UK Real Estate Limited as a way to gain exposure to UK commercial property, an asset with recovery potential that had derated during the extended Brexit process. 42% is in listed private equity funds with mostly international investments. 24% is in life sciences and biotechnology. Within this, Syncona has had significant success backing new companies based in the UK, in highly-specialised areas of cell and gene therapy where the markets are international. Despite the successful realisation of two major investments in 2019, the shares experienced a share price derating from a near 40% premium to NAV at the end of 2018 to a 10% premium at the end of 2019, as investors awaited news on other portfolio holdings, most of which are held at cost. 14% is invested in the international mining sector via a holding in the BlackRock World Mining Trust, with the remaining holdings being 8% in an emerging markets smaller companies fund and 4% in a distressed debt fund.

CEO's review of the year continued

In 2019, seven of the ten principal third-party managers in place for the full year outperformed their benchmarks."

The portfolio held 9.3% of assets at the start of the year and was 9.2% of the investment portfolio at the end of 2019. In addition, in June £20m was invested in a specialist Climate Change fund managed by GMO Partners LLC, as part of a programme seeking to identify smaller or specialist managers with the potential to contribute positively to Witan's future returns. This fund returned 13% during the balance of the year, 2% ahead of the global equity benchmark. In 2018, 0.7% of assets (£14m) was allocated to Latitude Investment Management Limited for investment in global equities. Following a review after the first 18 months, the allocation was increased by £23m from November. After a strong first year, Latitude's performance in 2019 (+16%) was behind the benchmark's +22%, due to weaker performance in the fourth quarter of 2019. The total in the Direct Holdings, including the two new manager allocations, was 11.8% of assets.

GEARING ACTIVITY DURING 2019

Following a review of the Company's long-term gearing requirements and a decline in market borrowing costs, a further £50m of long-term debt (maturing in 2051) was issued in October 2019, at a rate of 2.39%. This is the lowest sterling borrowing rate achieved for such a long maturity by any investment trust and the Board believes that fixing such a low rate for the long term will be of benefit to shareholders.

Gearing varied between 9% and 13%, averaging round 11% for the year. Gearing was higher in the second half, as the prospects for markets improved in response to progress on US trade and UK political issues, together with a global easing of macroeconomic conditions. This proved helpful to returns, as the portfolio's gains were substantially higher than the costs of borrowing.

Gearing proved helpful to returns, as the portfolio's gains were substantially higher than the costs of borrowing."

At the end of 2018, gross gearing (the total value of all investment positions less cash) was 11.6%. This included £25m in Emerging Markets equity index futures, equivalent to 1.4% of net assets. Gearing excluding this was 10.2%. At the end of 2019, gross gearing (on the same basis) was 11.0%. There were no derivative positions outstanding. Further details of the accounting treatment for exchange-traded futures positions are given in note 1(n) on page 80.

STRUCTURE OF BORROWINGS

The Company has fixed-rate borrowings of £220.2m, principally consisting of:

Secured Bonds 2025 6.125%	**£64m**
Secured Notes 2035 3.29%	**£21m**
Secured Notes 2045 3.47%	**£54m**
Secured Notes 2051 2.39%	**£50m**
Secured Notes 2054 2.74%	**£30m**

The Company has a £125m one-year borrowing 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. The drawn balance was £50.5m at the end of 2019. The average interest rate on the Company's fixed-rate borrowings is 3.8%, which compares with 7% in 2015, since when the Company has issued low interest rate debt on three occasions and redeemed more expensive older debt. The average interest rate, including short-term borrowings, is currently 3.4%.

Witan will either invest its borrowings fully, or neutralise their effect with cash balances 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.

DERIVATIVES ACTIVITY DURING 2019

Only simple, exchange-traded index derivatives are used for reasons of efficient portfolio management, to take advantage of tactical opportunities presented by market volatility or to manage portfolio risks.

The £25m 2018 holding in Emerging Market equity index futures was sold during the first quarter of 2019, realising a small gain on initial cost but a more substantial uplift on the valuation at the end of 2018. Part of the proceeds were invested in a Japanese equity index futures holding, as the market had lagged behind others and offered value. This was sold for a small gain in the spring. A further investment of 2% of assets was made in Japan equity index futures around mid-year, the market having continued to lag. This was sold for a small percentage gain in September, when gearing was reduced.

The foregoing describes how Witan used derivatives in 2019 to adjust its asset allocation tactically, in response to perceived profit opportunities. During July, Witan also made use of derivatives to reduce the interest rate risk associated with its pending long-dated debt issue.

There were no derivatives positions in place at the end of the year. There was a realised capital gain on index futures during the year of £3.5m, as shown in the cash flow statements on page 76 (2018: £1.3m loss).

DIVIDEND PERFORMANCE IN 2019

Revenue earnings per share increased by 16% to 6.0 pence per share in 2019. Portfolio dividends increased and, for part of the year, there was a favourable foreign exchange impact on overseas currency dividends, due to the weakness of sterling.

The Company pays dividends quarterly. For 2019, the Board has declared a fourth interim dividend of 1.825 pence per share, to be paid to shareholders on 3 April 2020, making a total distribution for the year of 5.35 pence (2018: 4.7 pence). This represents an increase of 13.8%, 12% ahead of the 1.3% rate of CPI inflation in the year to December 2019.

In addition to increasing the dividend, the Company has added £6.1m to its revenue reserves. At £71.1m after allowing for 2019's fourth interim payment, the reserves are equivalent to one and a half times the annual dividend. These reserves enable the Company to maintain or grow its dividends in years when revenue from the portfolio is less buoyant, or falls.

2019's dividend is more than two and a half times the dividend paid for 2009, the dividend per share having risen by 155% compared with 23% for the UK CPI (as shown in the chart on page 13) and 65% dividend growth for the UK market (Source: Refinitiv/Datastream).

2020 DIVIDENDS

The first three quarterly payments for 2020 (in June, September and December) will, in the absence of unforeseen circumstances, be paid at a rate of 1.34 pence per share (2019: 1.175 pence), being approximately one quarter of the 5.35 pence per share full-year payment for 2019.

> **"Revenue earnings per share increased by 16% to 6.0 pence per share in 2019."**

The fourth payment (in March 2021) will be a balancing amount, reflecting the difference between the three quarterly dividends already paid and the payment decided for the full year.

WITAN'S SHARES IN THE MARKET – LIQUIDITY AND DISCOUNTS

Witan is a member of the FTSE 250 Index, with a market capitalisation of over £2.0bn.

The Board has always paid attention to discount-related issues and has, over many years, made significant use of share buybacks, when Witan's shares have stood at a discount as well as being prepared to issue shares at a premium to NAV to meet demand from investors. Both actions are accretive to NAV, provide liquidity in the market and help to moderate discount volatility.

WITAN INVESTMENT TRUST DISCOUNT TREND

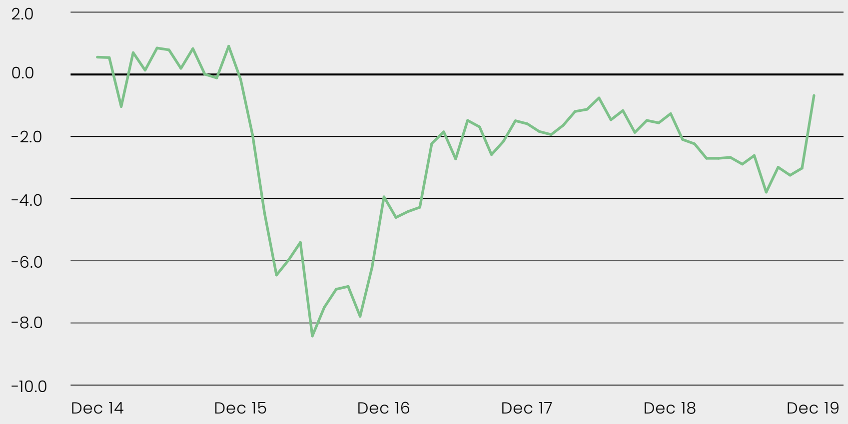
During 2019, Witan bought 25.1m shares into treasury, at an average discount of 3.2%. This directly added £1.5m to the net asset value for remaining shareholders, helping to limit then reduce the discount, which closed the year at 0.7%, down from 1.3% at the end of 2018.

CEO's review of the year continued

The discount trend from 2015 is illustrated in the chart to the right. After staying in a range around 2% in 2017-18, the discount widened during the first half of 2019, trading in a range around 3% for much of the year. The periods of greatest pressure on the discount coincided with the intermittent crises in the parliamentary manoeuvres over Brexit, amid evidence that investors were selling UK equities and investment trusts with significant exposure to the UK equity market. These pressures abated in October, once a political way forward was agreed (the general election) with further discount narrowing following the election result. The average discount during the year was 2.8% (2018: 1.6%).

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 is 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. The actions taken during 2019 are evidence of this continuing commitment.

WITAN DISCOUNT TO NET ASSET VALUE



Source: Refinitiv

COMMUNICATION

The Board believes that it is important to communicate the Company's strategy and operating results to existing and potential shareholders, to ensure they have access to relevant information concerning Witan's record as stewards of shareholders' capital and to help sustain a liquid market in Witan's shares. Clear communication of the Company's investment objective and its success in implementing its strategy can help investors to decide how Witan fits in with their own investment objectives. This should help the shares to trade at a narrow discount or premium to NAV, from which all shareholders benefit.

The Company has for many years operated a marketing programme, communicating information about its investment strategy and performance to private and professional investors, financial advisers and intermediaries using a range of media. Investors can purchase shares on a wide range of investment platforms.

The Company also maintains a website (www.witan.com), to enable investors to make informed decisions when considering Witan shares for their investment portfolios. The website is regularly refreshed with new information and includes Investor Disclosure and Key Information Documents.

Andrew Bell
Chief Executive Officer
11 March 2020

Stay in touch

Any investor who would like to be kept informed by email of developments at Witan (including factsheets and newsletters) can register on the Company's website (www.witan.com) or by sending their details to contact@witan.co.uk.

Costs

INVESTMENT MANAGEMENT FEES

Each of the third-party managers is entitled to a management fee, based on the assets under management. The agreements can be terminated on one to three months' notice. The base fee rates for managers in place at the end of 2019 range from 0.30% to 0.65% per annum. The weighted average base fee was 0.53% as at 31 December 2019 (2018: 0.52%). One manager, of 7% of Witan's portfolio, has a performance-related fee, which is subject to capping in any particular year. It has a lower base fee than the managers without performance fees. One manager, who previously had a performance fee structure, was moved to a purely base fee arrangement from the end of 2019.

As an illustration, if our third-party managers uniformly outperformed their benchmarks by 3% after base management fees, this would generate a total investment management fee rate of 0.55% (consisting of a 0.53% base fee and a performance fee of 0.02%), 3% lower than the comparable estimate in 2018 (0.57%). The actual fees payable will vary according to the actual performance of managers with higher or lower fees.

Witan takes care to ensure the competitiveness of the fees it pays. 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. They may place business, including transactions relating to the Company, with those brokers. Under the requirements of MiFID II, broker-provided services (other than the execution of transactions) must either be minor non-monetary benefits or, for research received by investment managers and charged to the Company, separately accounted for.

ONGOING CHARGES AND COSTS

The Key Information Document ('KID') on the Company's website contains a measure of costs calculated in accordance with EU PRIIPS regulations, which includes average figures over a period. The other principal differences between the Ongoing Charges Figure ('OCF') measure shown below and the KID measure are the inclusion of transaction costs (c. 0.2%), the inclusion of borrowing costs (c. 0.4%) and the inclusion of the underlying costs of holdings in other collective investments (c. 0.2%). In accordance with AIC guidance, Witan continues to calculate the Ongoing Charges Figure ('OCF') (the recurring operating and investment management costs, as a percentage of average net assets) for the Annual Report on a consistent basis with those published in previous years.

It is emphasised that the Company's investment performance is reported after all costs, however measured.

The OCF was 0.79% in 2019 (2018: 0.75%). When performance fees due to the relevant third-party managers are included, the OCF was 0.87% in 2019 (2018: 0.83%). One of the two managers with a performance fee structure significantly outperformed again during 2019.

The main cost headings within the OCF are set out below. As in previous years, the figure for transaction costs is also shown. The figure for borrowing costs is also included in the table, for easy reference.

The Company exercises strict scrutiny and control over costs. The Board believes that the OCF during the year represents good value for money for shareholders, taking account of recent and longer-term performance.

ANALYSIS OF COSTS

Category of cost	2019 £m	2019 % of average net assets	2018 £m	2018 % of average net assets
Investment management base fees (note 4, page 81)	**10.09**	**0.53**	10.14	0.53
Other expenses (excluding loan arrangement and one-off costs)	**6.61**	**0.34**	5.85	0.30
Less expenses relating to the subsidiary (those expenses not relating to the operation of the investment company)	**(1.46)**	**(0.08)**	(1.45)	(0.08)
Ongoing Charges Figure (including investment management base fees)	**15.24**	**0.79**	14.54	0.75
Investment management performance fees (note 4, page 81)	**1.54**	**0.08**	1.56	0.08
Ongoing Charges Figure (including performance fees)	**16.78**	**0.87**	16.10	0.83
Portfolio transaction costs including costs relating to manager changes	**2.75**	**0.14**	2.52	0.13
Interest costs	**8.74**	**0.46**	8.37	0.43
Total costs including transaction costs and borrowing costs	**28.27**	**1.47**	26.99	1.40
Relative performance during the year (after all costs, valuing debt at fair value)		**+1.0%**		(1.9%)

N.B. Figures may not sum due to rounding.

Principal risks and uncertainties

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

Risks are inherent in investment and corporate management. It is important to identify important risks and ways to control or avoid them. Witan Investment Services Limited ('WIS') has a Risk Committee in order to monitor compliance with its risk management and reporting obligations as Witan's Alternative Investment Fund Manager ('AIFM'). The Company maintains a framework of the key risks, with the policies and processes devised to monitor, manage and mitigate them where possible. Its detailed risk map is reviewed regularly by the Audit Committee and the WIS Risk Committee, which report on pertinent issues to their respective Boards.

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-executive directors 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:

— Unchanged ↓ Reduced

Market and investment portfolio

—

Risk	Mitigation
Investment risk. A key risk of investing in Witan is a general fall in equity prices, which could be exacerbated by gearing and the risks associated with the performance of its investment managers and changes in Witan's share price rating. **Other risks are the portfolio's exposure to country, currency, industrial sector and stock-specific factors (including those relating to the sustainability of the business model taking account of environmental, social and governance factors). Macro topics such as Brexit, pandemic outbreaks (e.g. COVID-19), trade wars and regional conflict can all be expected to lead to market volatility.**	The Board seeks to manage these risks through: ■ a broadly diversified equity benchmark; ■ appropriate asset allocation decisions; ■ selecting competent managers and regularly monitoring their performance, awareness of emerging risks and the robustness of their processes for taking account of those risks; ■ paying attention to key economic and political events; ■ engagement with shareholders and other stakeholders; ■ active management of risk, whether to preserve capital or capitalise on opportunities; ■ the application of relevant policies on gearing and liquidity; and ■ 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 determined by the Board and its AIFM, on which the CEO reports at each Board meeting. The Board also regularly reviews investment strategy and performance, supported by comprehensive management information and analysis.

Operational and cyber

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Risk	Mitigation
Many of the Group's financial systems are outsourced to third parties, principally BNP Paribas Securities Services ('BNPSS'). Disruption to their accounting, payment systems or custody records 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. The Board and AIFM monitor the Depositary as well as its other suppliers. Details of the Board's monitoring and control processes are explained further in the Corporate Governance Statement on pages 47 to 48.

Compliance and regulatory change

Risk	Mitigation
The Company breaches compliance/regulatory requirements or fails to assess the impact.	The Board takes its regulatory responsibilities very seriously and compliance issues and potential regulatory changes are regularly reviewed by the Board and its AIFM. Details of the Company's corporate governance policies are set out in the Corporate Governance Statement on pages 41 to 48. The Board conducts an annual assessment of the effectiveness of its governance processes. There is also a three-yearly independent external review, the most recent of which was in late 2016. See page 47 for further details. Following the closure of the Company's savings plans, the risks associated with the holding of and accounting for client assets has been substantially reduced and will be eliminated in future. Operational and regulatory risks are regularly reviewed by Witan's Audit Committee and WIS's Risk Committee. WIS is subject to its own operating rules and regulations and is regulated by the Financial Conduct Authority ('FCA'). The Company has established a modus operandi for the effective coordination of its responsibilities and those of WIS, as its AIFM. 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, the AIFM and the Board provide additional checks and safeguards. Management monitors the activities of all third parties and reports any significant issues to the Board.

Accounting, taxation and legal

Risk	Mitigation
The Company must comply with sections 1158-59 of the Corporation Tax Act 2010 ('CTA'). A breach could result in the Company losing investment trust status and, as a consequence, capital gains realised would be subject to corporation tax. **The Company must comply with the provisions of the Companies Act 2006 ('Companies Act') and with the UK Listing Authority's Listing Rules and Disclosure 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 itself constitute a breach of the provisions of the CTA.**	The accounting requirements are monitored by the CEO and AIFM and the Company carefully monitors compliance with the applicable rules. These 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 administration of savings plans and to provide marketing services and investment advice to professional clients.

Liquidity

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

Responsible investment

Our purpose is to achieve significant growth in our investors' wealth by investing in global equity markets, using a multi-manager approach. Our expectation of our managers is that they will consider all factors including environmental, social, and governance ('ESG') issues when seeking to maximise returns while taking proper account of the associated risks.

Our policy

Incorporating consideration of ESG factors into the investment process assists in understanding and mitigating risks of an investment and potentially identifying future opportunities. We seek to understand our managers' approach to ESG and its integration into their investment process through regular due diligence by Witan's Board and the Company's Executive team.

To support our due diligence and engagement with investment managers, we use the services of specialist consultants to monitor relevant issues relating to our portfolio holdings.

Whilst good governance and stewardship have for many years been an important consideration when making an investment, the importance of environmental and social issues has risen rapidly in recent years. As such, it forms part of our questioning and assessment of our managers, with environmental and social risks ranking alongside other risks, such as technological disruption, as key factors that we expect our managers to factor into their judgements.

In 2019, Witan became a member of the Institutional Investors Group on Climate Change, the European membership body for investor collaboration on climate change. In February 2020, Witan Investment Trust became a signatory to the UN-supported Principles for Responsible Investment which entails the following commitments, developed by an international group of institutional investors:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society.

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the Principles.
- Principle 6: Report on our activities and progress towards implementing the Principles.

Witan's approach to integration of the Principles for Responsible Investment

Our approach

Integration into investment decision-making

Our portfolio is the result of our external investment managers investment decisions. Our expectation is our managers will consider and integrate ESG into their investment analysis and investment decision-making. All our external managers have ESG policies and as at 31 December 2019, nine out of ten were signatories to the PRI.

Responsibility

Both Witan's Board and Executive consider our investment managers' approach to ESG and any stock-specific ESG issues. The Witan Executive is a small team and all members of the investment and operations team are involved in the due diligence and monitoring of our managers.

At the manager level we expect the investment decision makers who manage our portfolio to consider ESG issues.

Monitoring

Witan monitors our managers through annual due diligence and expects investment managers to report on any ESG issues which have arisen in their portfolio. In December 2019, Witan subscribed to RepRisk, a global due diligence database on ESG and business conduct risks which allows the Witan Executive to identify and monitor any ESG risks in the portfolio.

Engagement

The Board encourages the Company's investment managers to engage with companies and to vote shares and in doing so expects ESG issues to be considered.

Collaboration

Given Witan's multi-manager approach we believe we are well-positioned to collaborate with others within the investment management industry to improve both our and others' understanding and approach to the integration of ESG issues into investment decision-making. In 2019 Witan became a member of the Institutional Investors Group on Climate Change, whose purpose is to encourage investor collaboration on climate change.

Signatory of: PRI Principles for Responsible Investment

Meet the managers

Selected for their expertise and experience

We choose managers who are experts in their particular field. We aim to identify individuals or teams who have a high degree of intellectual rigour and sound judgement to enable them to select good companies. This should be supported by a sufficient level of confidence to combine these investments into concentrated portfolios which are differentiated from the benchmark they are aiming to outperform. These characteristics should enable Witan to benefit from each manager's successful investment decisions.

The Board selects managers and adjusts allocations to create a combined portfolio which is expected to deliver long-term outperformance, while the multi-manager structure helps reduce overall risk. Our managers tend to have a long-term outlook with low portfolio turnover and a focus on company fundamentals rather than short-term trends. Whilst there is no 'typical' Witan manager, a common factor tends to be a focus on growth in corporate cash flow over the long term. Performance of each manager since appointment is shown on page 17.

GLOBAL

LANSDOWNE PARTNERS

2019 performance

Lansdowne Partners	16.6%
FTSE All-World	22.3%

17.6%
Witan Assets
2018: 15.0%

Name:	Peter Davies
Style:	Concentrated, benchmark-independent investment in developed markets
Benchmark:	FTSE All-World
Inception date:	14/12/2012
UNPRI signatory:	Yes

LANSDOWNE

Founded in 1998, Lansdowne Partners has evolved to become one of the UK's pre-eminent investment management boutiques. Whilst Lansdowne Partners is perhaps better known among investors as a hedge fund manager, its Long Only Developed Markets Strategy, managed by Peter Davies and Jonathon Regis, has garnered over £5bn in assets since its launch in 2012. The two lead managers benefit from the support provided by a team of experienced and insightful analysts who tend to focus on key sectors of interest to the team.

The high-conviction portfolio, typically consisting of 20-30 stocks, is the result of detailed company-specific research, allied with an appreciation of global thematic developments. The team is willing to make significant adjustments to the portfolio to reflect its view of the changing investment landscape.

GLOBAL

PZENA Investment Management

2019 performance

Pzena	18.4%
FTSE All-World	22.3%

13.5%

Witan Assets

2018: 13.7%

Name:	Caroline Cai
Style:	Systematic value
Benchmark:	FTSE All-World
Inception date:	02/12/2013
UNPRI signatory:	Yes

PZENA

Pzena characterises its investment style as an "unwavering commitment to deep value investing". Its clear and consistent investment approach aims to identify good-quality companies at low valuations, focusing exclusively on companies that are underperforming their demonstrated historical earnings power. This strategy relies on the belief that most investors avoid businesses that are experiencing problems or are otherwise out of favour, for example, due to a misunderstood or insufficiently analysed threat of technological disruption. Value investing entails exposure to companies before the stock price reflects signs of business improvement, sometimes requiring significant amounts of patience. Those who last the course, such as Richard Pzena and his team, have been rewarded by superior long-term returns despite the recent headwinds faced by the value style. The Global Value portfolio contains about 65 stocks in 14 countries across the developed and emerging markets.

GLOBAL

Veritas Asset Management

2019 performance

Veritas	23.8%
FTSE All-World	22.3%

15.7%

Witan Assets

2018: 14.6%

Name:	Andy Headley
Style:	Fundamental value, real return objective
Benchmark:	FTSE All-World
Inception date:	11/11/2010
UNPRI signatory:	Yes

VERITAS

Andy Headley, Head of Global Strategies at Veritas, uses a number of research methods to help identify industries and companies that are well-positioned to benefit from medium-term growth, regardless of where they are located. The aim is to generate excellent real returns and minimise the risk of permanent capital loss. Potential investments are analysed from an absolute basis rather than relative to any benchmark or index. This equity portfolio follows a Global Focus strategy, investing with a disciplined approach to valuation in 'quality' mid to large capitalisation companies. It typically contains fewer than 30 stocks, chosen with a highly selective and rigorous approach, and is focused on a handful of investment themes.

Meet the managers continued

THE UK

ARTEMIS
The Profit Hunter

2019 performance

Artemis	30.2%
FTSE All-Share	19.2%

7.1%
Witan Assets
2018: 7.5%

Name:	Derek Stuart
Style:	Recovery/special situations
Benchmark:	FTSE All-Share
Inception date:	06/05/2008
UNPRI signatory:	Yes

ARTEMIS

Derek Stuart, manager of Artemis's UK Special Situations strategy, aims to achieve superior long-term growth by looking for unrecognised growth potential in companies, often those that are unloved or out of favour. The strategy, which favours smaller and medium-sized companies, identifies hidden value within 'problem investments' which can be companies in need of new management or refinancing or are suffering from investor indifference.

The focus on those companies which can help themselves rather than relying on a change in the business climate aims to avoid 'value traps' and other risks associated with a 'special situations' strategy. The Artemis team places great emphasis on personal knowledge of management teams and meets with them regularly. This helps them understand what can be achieved and how aligned management are with shareholders. The portfolio typically has fewer than 50 holdings.

THE UK

HERONBRIDGE
INVESTMENT MANAGEMENT

2019 performance

Heronbridge	28.0%
FTSE All-Share	19.2%

6.2%
Witan Assets
2018: 6.1%

Name:	Bevis Comer
Style:	Intrinsic value growth
Benchmark:	FTSE All-Share
Inception date:	17/06/2013
UNPRI signatory:	No

HERONBRIDGE

Heronbridge is, by design, a small investment boutique based in south west England investing exclusively in UK equities. Its two lead managers, Benoit Bouchaud and Bevis Comer, describe their process as high-conviction, unconstrained, contrarian stock picking, with a value bias: "Good companies at fair prices, and fair companies at good prices". Their portfolio is constructed with reference to their investment merits, not a stock's size in a particular market index. The concept of 'Owner Earnings Yield' allows the managers to think as owners of businesses and focus on growing the portfolio's underlying earnings power, book value and dividends, in the expectation stock prices will, over time, reflect that growth. This disciplined and repeatable process aims to produce returns which outperform the FTSE All-Share and inflation over the long term.

THE UK[1]

LINDSELL TRAIN

2019 performance

Lindsell Train	23.5%
FTSE All-Share	19.2%

7.6%
Witan Assets
2018: 8.7%

(1) From January 2020 Lindsell Train's UK portfolio has changed to a global equity mandate.

Name:	Nick Train and Michael Lindsell
Style:	Long-term growth from undervalued brands
Benchmark:	FTSE All-Share
Inception date:	01/09/2010
UNPRI signatory:	Yes

LINDSELL TRAIN

Lindsell Train, headed by Nick Train and Michael Lindsell, is guided by four investment beliefs: investors undervalue durable, cash-generative business franchises; concentration can reduce risk; transaction costs are a 'tax' on returns; and dividends matter even more than you think. These tenets have led to the creation of a high-conviction portfolio of 15 to 20 stocks which they describe as "rare and beautiful assets" with a focus on those businesses with truly sustainable business models and/or established resonant brands. In building the portfolio they focus on companies demonstrating long-term durability in cash and profit generation. Lindsell Train Limited is a small company, with 20 staff looking after over £21bn of client assets. This small size allows the two founders and their team the freedom to concentrate on investment issues. The ownership structure allows the partners to focus on long-term performance rather than short-term market 'noise'. This clear sense of purpose and single-minded pursuit of investment excellence is a key distinguishing feature of Lindsell Train's approach.

EUROPE (EX-UK)

CRUX ASSET MANAGEMENT

2019 performance

CRUX	21.1%
FTSE Europe (Ex-UK)	20.4%

4.3%
Witan Assets
2018: 4.6%

Name:	Richard Pease
Style:	Sound businesses with quality management at attractive valuations
Benchmark:	FTSE Europe (ex-UK)
Inception date:	26/10/2017
UNPRI signatory:	Yes

CRUX

CRUX is a UK-based fund management company established in 2014 by Richard Pease, who has been a fund manager investing in European equities for 30 years. Richard and his long-term colleague James Milne specialise in European equities and run a portfolio for Witan, which is a concentrated version of their highly successful European Special Situations fund. The investment philosophy is one of active, bottom-up stock picking centred on the search for companies with four characteristics: high-quality businesses, with proven management, which are sensibly capitalised and trading at a discount to CRUX's assessment of intrinsic value. Whilst the 40–50-stock portfolio contains some large and small-cap businesses, CRUX tends to concentrate on opportunities in the medium-sized range.

Meet the managers continued

EUROPE (EX-UK)

S. W. MITCHELL CAPITAL

2019 performance

S. W. Mitchell Capital	30.0%
FTSE Europe (ex-UK)	20.4%

4.3%
Witan Assets
2018: 4.2%

Name:	Stuart Mitchell
Style:	High-conviction portfolio of companies which offer unrecognised value
Benchmark:	FTSE Europe (ex-UK)
Inception date:	26/10/2017
UNPRI signatory:	Yes

S.W. MITCHELL

Founded in 2005, S.W. Mitchell Capital is a specialist European equities investment boutique based in London. Stuart Mitchell sees himself as a value investor but not in the classic sense, as his definition includes investing in misunderstood and hence undervalued quality growth franchises. The process relies heavily on insights provided by management engagement and the depth of research undertaken by Stuart and his 'intellectually curious' and enthusiastic team. The portfolio is completely unconstrained and benchmark agnostic, being built from the bottom up with high conviction. The 25-stock portfolio is the result of a culture which promotes freedom of thought, detailed research and insulation from the market distractions which can be present in some larger investment firms.

ASIA

Matthews Asia

2019 performance

Matthews Asia	6.6%
MSCI Asia Pacific Free	15.1%

9.0%
Witan Assets
2018: 11.8%

Name:	Yu Zhang
Style:	Quality companies with dividend growth
Benchmark:	MSCI Asia Pacific Free
Inception date:	20/02/2013
UNPRI signatory:	Yes

MATTHEWS

Matthews is the largest Asia-only investment specialist in the USA. Its 46-person investment team, based in San Francisco, travels extensively across Asia to unearth investment opportunities in markets as diverse as Japan, China, Vietnam and India. Matthews' long-term investment philosophy is based on the view that only active management can identify companies whose potential is yet to be fully recognised and that bottom-up, stock-specific research is required to build a portfolio of companies with strong business models and quality management at reasonable valuations. The Asia Dividend strategy relies on the principle that the payment of dividends can be an important signal regarding a company's capital allocation, business quality and corporate governance. This disciplined investment process focuses on a company's ability and willingness to pay and, more importantly, grow dividends over time.

EMERGING MARKETS

GQG PARTNERS

2019 performance

GQG Partners	18.5%
MSCI Emerging Markets	14.3%

5.1%
Witan Assets
2018: 4.8%

Name:	Rajiv Jain
Style:	High-quality companies with attractively priced growth prospects
Benchmark:	MSCI Emerging Markets
Inception date:	16/02/2017
UNPRI signatory:	Yes

GQG

GQG Partners' Emerging Markets Equity strategy seeks to invest in high-quality companies with attractively priced future growth prospects. Portfolio manager Rajiv Jain focuses primarily on high-quality, large-cap companies in emerging market economies and employs a fundamental investment process to evaluate each business. The resulting portfolio, which is constructed without reference to benchmark country weights, seeks to limit downside risk while providing attractive returns to long-term investors over a full market cycle. The current portfolio of 60 stocks is diversified across 13 markets and four continents. GQG Partners' portfolio aims to participate in the growth that emerging economies promise to deliver over the long term, while avoiding some of the risks that are often associated with individual countries and stocks within their investment universe.

Fifty largest investments

at 31 December 2019

	Company	Market value of holding £m	% of portfolio	Country[1]	Sector
1	Apax Global Alpha	51.8	2.3	Other	Investment Company
2	Syncona	44.0	1.9	Other	Investment Company
3	Tesco	43.6	1.9	UK	Food & Drug Retailers
4	Vonovia	41.1	1.8	Germany	Real Estate Investment Services
5	BlackRock World Mining	31.4	1.4	Other	Investment Company
6	Unilever	27.7	1.2	UK	Personal Goods
7	Taiwan Semiconductor Manufacturing	27.6	1.2	Taiwan	Technology Hardware & Equipment
8	BT	27.1	1.2	UK	Fixed Line Telecommunications
9	International Consolidated Airlines	27.1	1.2	UK	Travel & Leisure
10	Alphabet	26.8	1.2	USA	Software & Computer Services
11	Lloyds Banking	24.7	1.1	UK	Banks
12	Delta Air Lines	24.5	1.1	USA	Travel & Leisure
13	Charter Communications	24.3	1.1	USA	Media
14	GMO Climate Change Fund	22.7	1.0	Other	OEIC
15	BAE Systems	22.4	1.0	UK	Aerospace & Defence
16	Electra Private Equity	21.9	1.0	Other	Investment Company
17	Rio Tinto	21.2	0.9	UK	Mining
18	Flutter Entertainment	20.8	0.9	Ireland	Travel & Leisure
19	Deutsche Lufthansa	19.7	0.9	Germany	Travel & Leisure
20	Princess Private Equity	19.2	0.8	Other	Investment Company
21	Royal Bank of Scotland	19.0	0.8	UK	Banks
22	Somerset Emerging Markets Small Cap Fund	16.4	0.7	Other	OEIC
23	Schroder Real Estate	16.4	0.7	Other	Investment Company
24	United Continental	16.1	0.7	USA	Travel & Leisure
25	Facebook	16.0	0.7	USA	Software & Computer Services
	Top 25	**653.5**	**28.7**		
26	ArcelorMittal	16.0	0.7	Luxembourg	Industrial Metals & Mining
27	Airbus	15.9	0.7	France	Aerospace & Defence
28	Smurfit Kappa	15.2	0.7	Ireland	General Industrials
29	Thermo Fisher Scientific	14.5	0.6	USA	Health Care Equipment & Services
30	Reckitt Benckiser	14.5	0.6	UK	Household Goods & Home Construction
31	Diageo	14.4	0.6	UK	Beverages
32	LEG Immobilien	14.3	0.6	Germany	Real Estate Investment Services
33	Canadian Pacific Railway	14.3	0.6	Canada	Industrial Transportation
34	Travis Perkins	13.0	0.6	UK	Support Services
35	Svenska Handelsbanken	12.9	0.6	Sweden	Banks
36	AP Moller-Maersk	12.8	0.6	Denmark	Industrial Transportation
37	Kao	12.5	0.6	Japan	Personal Goods
38	UPM-Kymmene	12.3	0.5	Finland	Forestry & Paper
39	Vivendi	11.7	0.5	France	Media
40	Volkswagen	11.7	0.5	Germany	Automobiles & Parts
41	UnitedHealth	11.6	0.5	USA	Health Care Equipment & Services
42	London Stock Exchange	11.4	0.5	UK	Financial Services
43	British American Tobacco	11.4	0.5	UK	Tobacco
44	Shiseido	11.4	0.5	Japan	Personal Goods
45	Imperial Brands	11.4	0.5	UK	Tobacco
46	Capita	11.2	0.5	UK	Support Services
47	Relx	10.9	0.5	UK	Media
48	Cigna	10.6	0.5	USA	Health Care Equipment & Services
49	Nestlé	10.6	0.5	Switzerland	Food Producers
50	Microsoft	10.5	0.5	USA	Software & Computer Services
	Top 50	**970.5**	**42.7**		

The top ten holdings represent 15.3% of the total portfolio (2018: 15.9%).
The full portfolio is not listed because it contains over 300 companies.
(1) Investment companies are included under the heading of Other because the underlying geographic exposure is not readily identifiable.

Classification of investments

at 31 December 2019

		United Kingdom %	Continental Europe %	North America %	Asia Pacific (ex Japan) %	Japan %	Latin America %	Other %	Total 2019 %
Basic Materials	Chemicals	–	0.5	–	0.2	–	–	–	0.7
	Forestry & Paper	–	0.5	–	–	–	–	–	0.5
	Industrial Metals & Mining	–	0.8	–	0.2	–	0.1	–	1.1
	Mining	–	0.1	–	0.9	–	–	–	1.0
		–	**1.9**	**–**	**1.3**	**–**	**0.1**	**–**	**3.3**
Consumer Goods	Automobiles & Parts	–	0.6	0.2	0.9	0.5	–	0.2	2.4
	Beverages	0.8	0.4	0.4	0.8	–	–	–	2.4
	Food Producers	–	0.5	0.4	0.4	–	–	–	1.3
	Household Goods & Home Construction	0.9	0.1	0.3	0.4	0.2	–	–	1.9
	Leisure Goods	–	–	–	0.3	0.7	–	–	1.0
	Personal Goods	1.5	–	0.4	0.3	1.2	–	–	3.4
	Tobacco	1.0	–	0.4	–	–	–	–	1.4
		4.2	**1.6**	**2.1**	**3.1**	**2.6**	**–**	**0.2**	**13.8**
Consumer Services	Food & Drug Retailers	2.4	–	0.8	0.3	–	–	–	3.5
	General Retailers	0.2	0.7	0.8	0.9	–	–	–	2.6
	Media	1.5	0.7	2.2	–	–	–	–	4.4
	Travel & Leisure	1.8	1.8	2.8	0.2	–	–	–	6.6
		5.9	**3.2**	**6.6**	**1.4**	**–**	**–**	**–**	**17.1**
Financials	Banks	2.7	1.8	1.1	1.0	0.1	0.1	0.3	7.1
	Equity Investment Instruments	–	–	–	0.1	–	–	–	0.1
	Financial Services	1.8	0.3	0.9	–	0.2	–	0.4	3.6
	Life Insurance	0.6	–	0.1	0.8	–	–	–	1.5
	Non-life Insurance	0.1	–	0.3	–	–	–	–	0.4
	Real Estate Investment Services	0.3	2.6	–	0.2	–	–	–	3.1
	Real Estate Investment Trusts	–	–	–	0.5	–	–	–	0.5
		5.5	**4.7**	**2.4**	**2.6**	**0.3**	**0.1**	**0.7**	**16.3**
Health Care	Health Care Equipment & Services	0.1	0.8	2.6	0.5	0.2	–	–	4.2
	Pharmaceuticals & Biotechnology	0.4	0.8	0.5	0.2	0.1	–	–	2.0
		0.5	**1.6**	**3.1**	**0.7**	**0.3**	**–**	**–**	**6.2**
Industrials	Aerospace & Defence	1.7	1.1	–	–	–	–	–	2.8
	Construction & Materials	1.3	0.2	–	0.2	0.1	–	–	1.8
	Electronic & Electrical Equipment	0.7	0.5	0.3	0.2	0.3	–	–	2.0
	General Industrials	0.3	0.7	0.4	–	–	–	–	1.4
	Industrial Engineering	0.5	0.4	0.4	0.1	0.3	–	–	1.7
	Industrial Transportation	0.3	1.3	0.6	0.3	–	0.1	–	2.6
	Support Services	3.1	1.3	0.6	–	0.1	–	–	5.1
		7.9	**5.5**	**2.3**	**0.8**	**0.8**	**0.1**	**–**	**17.4**
Oil & Gas	Oil & Gas Producers	0.3	0.4	0.1	0.1	0.4	–	0.2	1.5
	Oil Equipment Services & Distribution	–	0.1	0.8	–	–	–	–	0.9
		0.3	**0.5**	**0.9**	**0.1**	**0.4**	**–**	**0.2**	**2.4**
Technology	Software & Computer Services	0.5	0.5	3.6	0.4	–	–	0.3	5.3
	Technology Hardware & Equipment	0.1	0.6	1.8	1.4	0.5	–	–	4.4
		0.6	**1.1**	**5.4**	**1.8**	**0.5**	**–**	**0.3**	**9.7**
Telecommunications	Fixed Line Telecommunications	1.2	0.2	–	–	–	–	–	1.4
	Mobile Telecommunications	0.2	–	–	0.3	0.2	–	–	0.7
		1.4	**0.2**	**–**	**0.3**	**0.2**	**–**	**–**	**2.1**
Utilities	Electricity	–	0.2	0.3	0.2	–	–	–	0.7
	Gas, Water & Multi-utilities	–	0.2	–	0.1	–	–	–	0.3
		–	**0.4**	**0.3**	**0.3**	**–**	**–**	**–**	**1.0**
Collective Investment Schemes	Investment Companies(1)	–	–	–	–	–	–	8.9	8.9
	Open-ended Funds(2)	–	0.4	0.4	0.1	0.1	0.1	0.7	1.8
		–	**0.4**	**0.4**	**0.1**	**0.1**	**0.1**	**9.6**	**10.7**
Total 2019		**26.3**	**21.1**	**23.5**	**12.5**	**5.2**	**0.4**	**11.0**	**100.0**
Total 2018		28.7	18.2	21.9	14.6	5.2	0.5	10.9	100.0

(1) Investment Companies are included under the heading of Other because the underlying geographic exposure is not readily identifiable.
(2) Open-ended Funds relates to three holdings as disclosed in note 14.7.

Engaging with our stakeholders

The following 'Section 172' disclosure, which is required by the Companies Act 2006 and the AIC Code, as explained on page 43, describes how the directors have had regard to the views of the Company's stakeholders in their decision-making.

Who? STAKEHOLDER GROUP	Why? THE BENEFITS OF ENGAGEMENT WITH OUR STAKEHOLDERS	How? HOW THE BOARD AND WIS EXECUTIVE ENGAGED WITH OUR STAKEHOLDERS
Investors	Clear communication of our strategy and the Company's performance against our objective can help the share price trade at a narrower discount or a wider premium to its net asset value which benefits shareholders. New shares may be issued to meet demand without dilution to existing shareholders. Increasing the size of the Company can benefit liquidity as well as spread costs.	WIS on behalf of the Board completes a programme of investor relations throughout the year. **Key mechanisms of engagement included:** ■ AGM ■ The Company's website which hosts reports, monthly factsheets, video interviews with the external managers, CEO, Investment Director and regular market commentary ■ Online newsletters ■ One-on-one investor meetings with either the CEO, Investment Director or Chairman ■ Group investor meetings with our external managers
External managers	As Witan has a multi-manager approach, engagement with our managers is necessary to evaluate their performance against their stated strategy and benchmark and to understand any risks or opportunities this may present to the Company. This also helps ensure that investment management costs are closely monitored and remain competitive. Witan ensures that all managers are paid in accordance with their terms of trade.	The WIS Executive meet with the Company's external managers throughout the year and receive monthly performance and compliance reporting. This provides the opportunity for both the manager and WIS Executive to explore and understand how and why the relationship has performed and what may be expected in the future. Each manager also presents annually to the Board of directors, providing the opportunity for the Manager and Board to further reinforce their mutual understanding of what is expected from all parties.
Service providers	Witan and WIS contract with third parties for other services including: custodian, depositary, investment accounting & administration, company secretary. To ensure the third parties to whom we have outsourced services complete their roles diligently and correctly is necessary for the Company's success. Witan ensures all service providers are paid in accordance with their terms of business and is a signatory to the Prompt Payments Code.	The WIS Operations team engage regularly with all service providers both in one-to-one meetings and via regular written reporting. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately. The Audit Committee reviews annually a summary of the contracts of all service providers to further reinforce the overview of the Company's service providers at the corporate level.
Employees	Attract and retain talent to ensure the Company has the resources to successfully implement its strategy and manage third-party relationships.	All seven employees of the Company sit in one open-plan office with the CEO, facilitating interaction and engagement. As well as the CEO, the Investment Director, Director of Operations and Director of Marketing report to the Board at each meeting. Given the small number of employees, engagement is at an individual level rather than as a group.
Debt holders	To communicate and demonstrate a strong financial position that supports the financing arrangements.	The WIS Executive provides regular financial covenant compliance validation and financial reports to the stakeholders.

What?

WHAT WERE THE KEY TOPICS OF ENGAGEMENT?

Outcomes and actions

WHAT ACTIONS WERE TAKEN, INCLUDING PRINCIPAL DECISIONS?

Key topics of engagement with investors on an ongoing basis are the strategy of the Company, performance versus our KPIs and objective, and the selection and monitoring of our external managers.

What?	Outcomes and actions
Board composition and succession following the announcement of the Chairman's retirement at the AGM in 2020.	Two new directors were appointed in May and August 2019. See the Chairman's Statement on page 13 and Q&A on page 40.
The potential benefits of a share split for increasing liquidity of the shares and ease of regular saving and dividend reinvestment for private investors.	The Company undertook a five-for-one share split in May 2019.
The composition of the Company's benchmark versus that of global indices.	After consideration the Board announced in September 2019 that the Company's benchmark would change in January 2020. See page 10 in 'Our Strategy'.

Key topics of engagement with the external managers on an ongoing basis are portfolio composition, performance, outlook and business updates.

What?	Outcomes and actions
The impact of Brexit upon their business and the portfolio.	No specific action required.
The integration of environmental, social and governance ('ESG') into each manager's investment processes.	The managers to report regularly any ESG issues in their portfolios to the WIS executive. See pages 24 and 25 on Responsible Investment.
Manager fees were reviewed by the Board for the Company's costs to remain competitive.	Changes were made to two managers' fees. See page 21 in Costs.
Engagement with Lindsell Train on their UK and global strategies.	Lindsell Train's mandate was changed from the UK to Global on 01/01/2020. See page 17 of the CEO's review.

What?	Outcomes and actions
The impact of Brexit upon their own business and any expected impact on Witan.	No specific action required.
The efficient closure of the Witan Savings Scheme to provide a smooth transition for Savings Scheme members.	The WIS executive worked closely with the Savings Scheme administrator to facilitate the process.

What?	Outcomes and actions
Performance and compensation of employees is decided by the Remuneration Committee with the CEO.	See the Remuneration Report on pages 51 to 61.
Change in regulatory requirements in response to Senior Manager and Certification Regime.	Training was provided to all affected employees and directors.

What?	Outcomes and actions
In order to take advantage of low interest rates, the Company decided to issue new debt. In doing so the Company engaged with the relevant stakeholders to ensure an efficient process.	New debt was issued in October. See page 18 in the CEO's review.

Corporate and operational structure

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 Alternative Investment Fund Manager ('AIFM').

The overwhelming majority of the portfolio is in segregated accounts, held in custody by the Company's depositary. The operations of the custodian and the safeguarding of the Company's assets are supervised by the depositary.

OPERATIONAL MANAGEMENT ARRANGEMENTS

In addition to the appointment of third-party investment managers, Witan and WIS contract with third parties for other services, including:

- BNP Paribas Securities Services London Branch for depositary services, custody, investment accounting and administration;
- Frostrow Capital LLP for company secretarial services;
- RepRisk for ESG monitoring of its investment holdings; and
- Specialist advice on regulatory compliance issues and, as required, procure legal, investment consulting, financial and tax advice.

The service quality and value received from major service providers are reviewed regularly by the Board.

The contracts governing the provision of all services are formulated with legal advice and stipulate clear objectives and guidelines for the service required.

STAFFING

The Company's policy towards its employees is to attract and retain staff with the 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 51 to 61. Employees and those who seek to work at Witan are treated equally regardless of gender, marital status, colour, race, religion or ethnic origin. The Company has seven direct employees, four men and three women. The Board currently consists of nine non-executive directors (seven men and two women) and the Chief Executive Officer, Andrew Bell, who is an employee. Following the AGM, the number of non-executive directors will be seven (five men and two women). Given its outsourced model and the small number of direct employees, the Group has no employment-related specific policies in respect of environmental or social and community affairs. However, as described elsewhere, an increased focus on environmental, social and governance issues has been formalised by the Company's membership of the Institutional Investors Group on Climate Change since July 2019 and its decision to become a signatory to the UN-supported Principles for Responsible Investment from February 2020.

WITAN INVESTMENT SERVICES

WIS is authorised and regulated by the Financial Conduct Authority. It is authorised to act as Witan's AIFM, to provide marketing services and to give investment advice to professional investors.

WIS's principal activities are acting as Witan's AIFM, providing executive management services to the Boards of Witan and Witan Pacific Investment Trust plc ('Witan Pacific') and communicating information about the companies to the market.

WIS's operational objectives for 2019 were:

- to fulfil its responsibilities as Witan's AIFM;
- to provide suitable advice to the Boards of its corporate clients;
- to facilitate the implementation of new arrangements for members of the Witan Wisdom and Jump Savings Schemes, which closed in May 2019; and
- to reduce the net operating costs for Witan.

In 2019, WIS's principal sources of income were savings plan revenues (account holder charges for part of the year and a payment received from Hargreaves Lansdown relating to accounts transferred to them) and the fees (as AIFM or Executive Manager and for marketing services) paid by Witan and Witan Pacific. The main costs incurred were fees to the savings schemes administrator, staff costs and professional advice to ensure compliance with regulatory and accounting obligations.

Viability statement

In accordance with the UK Corporate Governance Code, the Board has assessed the prospects of the Company over a longer period than the twelve months required by the 'going concern' provision.

The Company's current position and prospects are set out in the Chairman's and Chief Executive Officer's reports and the Strategic Report. The principal risks are set out on pages 22 and 23. 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. In normal conditions, the current portfolio could be liquidated to the extent of more than 88% within five trading days and there is no expectation that the nature of the investments held 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 £42m at 31 December 2019 (2018: £72m), 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 current and 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 22 and 23 and the financial position of the Company, the Board has made 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 25.1m ordinary shares in 2019 at a cost of £53.6m and experienced no problem with liquidity in doing so. It had shareholders' funds in excess of £2.0bn at the end of 2019.

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 period because, 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 updated 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 twelve 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.

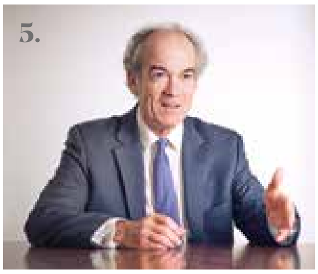
APPROVAL

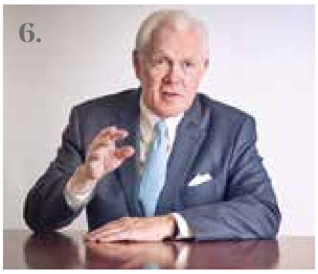
This report was approved by the Board of directors on 11 March 2020 and is signed on its behalf by:

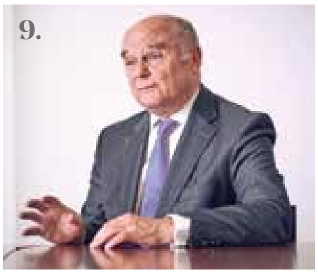
H M Henderson
Chairman
11 March 2020

A L C Bell
Chief Executive Officer

Board of directors







Key to membership Board committee

- ❖ Chairman of the Board or Committee.
- ◆ Members of the Audit Committee which is chaired by Mr Perry.
- ✱ Members of the Remuneration and Nomination Committee which is chaired by Mr Oldfield.
- ✣ Director of Witan Investment Services Limited.

1. Harry Henderson

CHAIRMAN

❖ ✱ ✣

Date of appointment

January 1988; Chairman March 2003, retiring in 2020.

Career & background

Formerly a partner of Cazenove & Co and subsequently a senior executive at Cazenove Group plc.

Skills & expertise

At Cazenove, Harry managed two investment trusts before setting up and managing their unit trust business. As Managing Director of Cazenove Fund Management he created a new wealth management business. These combined experiences of managing money and running a fund management business have been important in his role as Chairman.

External appointments

Director of Cadogan Settled Estates Limited.

6. Jack Perry

NON-EXECUTIVE DIRECTOR

❖ ◆ ✣

Date of appointment

January 2017.

Career & background

Previously Chief Executive of Scottish Enterprise and a former Managing Partner and Regional Industry Leader of Ernst & Young LLP. 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.

Skills & expertise

Jack is Chairman of two other listed investment companies and has developed an understanding of the needs of all stakeholders. His experience as a senior audit partner and subsequently in service on numerous audit committees has enabled him to be an effective Audit Committee Chairman.

External appointments

Chairman of European Assets Trust PLC and ICG-Longbow Senior Secured UK Property Debt Investments Limited.

2. Andrew Bell
CEO

✣

Date of appointment

February 2010.

Career & background

Previously Head of Research at Rensburg Sheppards and an equity strategist and Co-Head of the Investment Trusts team at BZW and CSFB. Prior to the City, he worked for Shell in Oman leaving to take a Sloan Fellowship at the London Business School.

Skills & expertise

Andrew's roles prior to joining Witan have given him valuable experience of economic and geopolitical events and how they influence equity markets, along with considerable knowledge and experience of the investment trust sector.

External appointments

Non-executive director of The Diverse Income Trust plc.

3. Gabrielle Boyle
NON-EXECUTIVE DIRECTOR

Date of appointment

August 2019.

Career & background

Senior Fund Manager and Head of Research at Troy Asset Management since 2011. She is the Senior Fund Manager for the Trojan Global Equity Fund and the Electric & General Investment Fund.

Skills & expertise

Gabrielle has over 30 years' experience in fund management and has managed global equity portfolios since 2001 and European portfolios since 1998. With this background she brings knowledge of investing through market cycles and understanding of the skills required of fund managers.

External appointments

Senior Fund Manager and Head of Research at Troy Asset Management.

4. Suzy Neubert
NON-EXECUTIVE DIRECTOR

✣

Date of appointment

April 2012.

Career & background

Sales and Marketing Director at JO Hambro Capital Management. Previously Managing Director of Equity Markets at Merrill Lynch Securities in London following roles in equity research and sales. She is a qualified barrister.

Skills & expertise

Suzy's time on the sell-side in equity research and sales gave her a thorough understanding of equity markets. Her current role provides her with insight into the distribution of funds to institutions and private wealth managers.

External appointments

Sales and Marketing Director at JO Hambro Capital Management.

5. Richard Oldfield
NON-EXECUTIVE DIRECTOR

❖ ✱ ✣

Date of appointment

May 2011.

Career & background

Chairman and portfolio manager at Oldfield Partners, an investment management firm. Extensive experience as a fund manager at Alta Advisers and Mercury Asset Management.

Skills & expertise

Richard has over 40 years of experience in investment management and manages a global ex-US equities portfolio strategy. He applies his understanding of creating portfolios of listed equities as well as experience in selecting fund managers to his role at Witan.

External appointments

Chairman of Oldfield Partners, non-executive director of Shepherd Neame Limited.

7. Ben Rogoff
NON-EXECUTIVE DIRECTOR

Date of appointment

October 2016.

Career & background

Lead manager of Polar Capital Technology Trust plc since 2006 and a fund manager of Polar Capital Global Technology Fund and Polar Capital Automation and Artificial Intelligence Fund. He has been a technology specialist for 23 years.

Skills & expertise

As a highly experienced listed equities fund manager, Ben has deep understanding of the analysis process required for investing in public companies. His knowledge of the technology sector particularly enables him to identify the risks from disruption not just to the sector but in general. Ben applies this knowledge to his questioning and monitoring of Witan's external managers.

External appointments

Director, Technology at Polar Capital.

8. Andrew Ross
CHAIRMAN ELECT
NON-EXECUTIVE DIRECTOR

✣

Date of appointment

May 2019.

Career & background

Previously Chief Executive of Cazenove Capital Management which was acquired by Schroders in 2013. Prior to this, Chief Executive of HSBC Asset Management (Europe) Limited and Managing Director of James Capel Investment Management.

Skills & expertise

Andrew has substantial experience both as a fund manager himself and in senior leadership roles as CEO and Chairman in investment management and wealth management businesses. He has overseen three different multi-manager businesses and under his tenure the businesses he led significantly grew and prospered.

External appointments

Vice Chairman of Wealth Management at Schroders.

9. Tony Watson
SENIOR INDEPENDENT DIRECTOR

◆ ✣

Date of appointment

February 2006; Senior Independent Director February 2008.

Career & background

Executive career in the investment management industry, most recently as Chief Executive of Hermes Fund Managers Limited.

Skills & expertise

Tony's previous roles as Chief Investment Officer and Chief Executive Officer of large asset managers including Hermes give him valuable insight into strategy and asset allocation. He is also an experienced non-executive director having served on the boards of some of the UK's largest companies including Vodafone and Lloyds.

10. Paul Yates
NON-EXECUTIVE DIRECTOR

◆ ✱ ✣

Date of appointment

May 2018.

Career & background

Previously CEO of UBS Global Asset Management (UK) Limited and held a number of global roles at UBS prior to retiring in 2007.

Skills & expertise

Paul's prior roles give him wide experience of the fund management business including equity management, marketing, people and business management. Paul also offers investment trust experience having sat on four other trust boards.

External appointments

Chairman of the Advisory Board of 33 St James's Limited, non-executive director of Fidelity European Values PLC, The Merchants Trust PLC and Capital Gearing Trust plc.

Corporate Governance

Q&A

Introducing our new directors Andrew Ross & Gabrielle Boyle

Q: How do you think your experience will help Witan?

A: Andrew
I have spent over 20 years in CEO and Chairman roles at investment and wealth management firms. During this time, I have built businesses, managed and worked with great fund managers and overseen three different multi-manager businesses. Given my experience at Cazenove and Schroders with ultimate responsibility for our clients' wealth, I understand the importance of integrity, trust and long-term thinking to investors.

A: Gabrielle
With 30 years' investment experience managing both global and European equity portfolios, I have lived through many different market cycles, global economic change and invested in companies and industries all over the world. This experience has taught me the importance of patient, long-term thinking, integrity and alignment of interest. These are all characteristics integral to Witan in its drive to deliver excellent performance for our investors.

Q: What do you view as the Company's key strengths and the main opportunities and challenges it faces?

A: Andrew
From its beginnings in 1909 to its strategy today Witan has shown a history of evolution to suit the objectives of its shareholders. Witan was ahead of its time in adopting our business model of selecting the best third-party managers. This remains an attractive approach for shareholders today to avoid the concentration risk of a single manager and to have tried and tested professionals picking your equity managers for you. Our strong Executive team and Board, including many experienced investors, are integral to this.

A: Gabrielle
With a history of long-term relationships Witan has a wonderful opportunity to partner with talented managers, sometimes early in their development, as the Company broadens the investment opportunity set internationally to seek strong capital appreciation combined with a growing dividend. As experienced custodians of capital, corporate governance and capital discipline are key tenets of the Trust's philosophy. Consideration of ESG factors is increasingly integrated within our investment process and will continue to gain greater prominence. More and more of our investors now hold their shares through nominee accounts on online platforms. Our challenge is to make sure they have the relevant information they require to stay abreast of the Company's developments and encourage shareholder engagement.

Q: What is your message to Witan's stakeholders?

A: Andrew
Our independence means we are single minded in our focus on delivering returns for our shareholders and completely aligned with them. Our other stakeholders, be they our employees, our underlying managers or other suppliers, will all share our Board's enthusiasm for this. Under the last Chairman, Witan was innovative and produced excellent returns. Your Board will be striving to do the same in the new decade.

A: Gabrielle
Witan's heritage, purpose and entire focus is to grow our investors' wealth over the long term by investing with excellent custodians of capital. Although performance can not be guaranteed, we are confident that Witan's selected managers will continue to deliver strong returns for the future

This Statement forms part of the Directors' Report on page 62 to 65.

Effective governance

CHAIRMAN'S INTRODUCTION

I am pleased to report below on the Board's approach to corporate governance. The Board is responsible for effective governance of the Company and we take our responsibilities under the UK Corporate Governance Code very seriously.

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 FRC issued a new UK Code in July 2018, the provisions of which were applicable to the Company 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 will be meeting their obligations in relation to the Corporate Governance Code and the associated disclosure requirements of the Disclosure Rules. The AIC issued a new AIC Code in February 2019 and this was applicable to the Company in the year under review. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the Corporate Governance Code to make them relevant for investment companies.

H M Henderson
Chairman
11 March 2020

Corporate Governance continued

COMPLIANCE

The Board has considered the Principles and Provisions of the AIC Code. The AIC Code addresses the Principles and Provisions set out in the Corporate Governance Code, as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The Company has complied with the Principles and Provisions of the AIC Code during the year ended 31 December 2019 except as set out below:

- The Corporate Governance Code (Provisions 25 and 26) includes provisions relating to the need for an internal audit function. The Company does not have an internal audit function, for reasons that are explained on page 48;
- The Corporate Governance Code (Provision 18) requires all directors to be subject to annual re-election. As explained on page 46, the Company considers that this provision is inappropriate to the Company. One-third of directors stand for re-election every three years and all directors with more than nine years' service are required to stand for re-election annually.
- The Corporate Governance Code (Provision 21) requires FTSE 350 companies to have an externally-facilitated board evaluation every three years. As explained on page 47, the last externally-facilitated evaluation was carried out in 2016.

1 BOARD LEADERSHIP AND PURPOSE

Role of the Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of 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.

Company's purpose, values and strategy

The Board assesses the basis on which the Company generates and preserves value over the long term. The Strategic Report describes how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. The Company's investment objective and investment policy are set out on the inside front cover and page 11.

Culture

The Board seeks to establish and maintain a corporate culture characterised by fairness in its treatment of employees and service providers, whose efforts are collectively directed towards delivering returns to shareholders in line with the Company's purpose and objectives. It is the Board's belief that this contributes to the greater success of the Company, as well as being an appropriate way to conduct relations between parties engaged in a common purpose.

Shareholder engagement

The Chairman is responsible for ensuring that there is effective communication with the Company's shareholders. He works closely with the CEO 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 advisers. In addition to the CEO, 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 ('AGM')as a forum for communication with individual shareholders. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. The Chairman, the CEO, the Chairman of the Audit Committee and the Chairman of the Remuneration and Nomination Committee all expect to be present at the AGM and to answer questions from shareholders as appropriate. The CEO makes a presentation to the meeting. Details of the proxy votes received in respect of each resolution are made available to shareholders. In the event of a significant (defined as 20% or more) vote against any resolution proposed at the AGM, the Board would consult shareholders in order to understand the reasons for this and consider appropriate action to be taken, reporting to shareholders within six months.

The directors may be contacted through the Company Secretary at the address shown on page 104.

While the CEO and his team 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.

The Board places importance on effective communication with investors and approves a marketing programme each year to enable this to be achieved. Copies of the Annual Report and the Half Year Report are circulated to shareholders 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 monthly factsheet and its net asset value per share is released daily. All this information is readily accessible on the Company's website (www.witan.com). A Key Information Document, prepared in accordance with EU rules, is also published on the Company's website. The Company belongs to the Association of Investment Companies which publishes information to increase investors' understanding of the sector.

Stakeholders

The new AIC Code requires directors to explain their statutory duties as stated in sections 171–177 of the Companies Act 2006. Under section 172, directors have a duty to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to the consequences of any decisions in the long term, as well as having regard to the Company's stakeholders amongst other considerations.

The Board's report on its compliance with Section 172 of the Companies Act 2006 is contained within the Strategic Report on page 34.

The Board is responsible for ensuring that workforce policies and practices are in line with the Company's purpose and values and support its culture. The Remuneration and Nomination Committee advises the Board in respect of policies on remuneration-related matters. Since the Company has only seven employees including the CEO, the Board considers that the CEO, who is also a director, is best-placed to engage with the workforce. In accordance with the Company's whistleblowing policy, members of staff who wish to discuss any matter with someone other than the CEO are able to contact the Audit Committee Chairman, or in his absence another member of the Audit Committee.

Conflicts of interest

The Board's actions taken to identify and manage conflicts of interest are set out in the Directors' Report. The Company has no significant shareholders. A number of nominee companies are the registered holders of significant numbers of shares, but these represent beneficial holdings by a very large number of retail investors who invest through the nominees' platforms.

2 DIVISION OF RESPONSIBILITIES

The Board

The Board normally consists of eight directors, including the CEO, which is considered to be an appropriate number. This ensures that no one individual or small group of individuals dominates the Board's decision-making. Details of the directors are set out on pages 38 and 39. They demonstrate a broad range of skills and experience, gained overseas as well as in the United Kingdom, which are relevant to the strategy of the Company. There are currently ten directors on the Board, although Mr Henderson and Mr Oldfield will stand down at the AGM in April 2020. The Board has typically met c. ten times a year.

The Chairman

Mr Henderson has been Chairman of the Company since March 2003; he joined the Board in 1988. As noted above, he will be standing down as Chairman at the AGM in April 2020. Andrew Ross was appointed to the Board in May 2019, with the intention that he should be appointed as Chairman of the Company with effect from the AGM to be held in April 2020.

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the Company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all directors are involved in discussions and decision-making;
- setting the agenda for Board meetings and ensuring the directors receive accurate, timely and clear information for decision-making;
- taking a leading role in determining the Board's composition and structure;
- overseeing the induction of new directors and the development of the Board as a whole;
- leading the annual Board evaluation process and assessing the contribution of individual directors;
- supporting and also challenging the CEO and other suppliers where necessary;
- ensuring effective communications with shareholders and, where appropriate, other stakeholders;
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views.

Senior Independent Director

Mr Watson was appointed as the Senior Independent Director in February 2008. The Senior Independent Director serves as a sounding board for the Chairman and acts as an intermediary for other directors and shareholders. The SID is responsible for:

- working closely with and supporting the Chairman;
- leading the annual assessment of the performance of the Chairman;
- holding meetings with the other directors without the Chairman being present, on such occasions as necessary;
- carrying out succession planning for the Chairman's role;
- working with the Chairman, other directors and shareholders to resolve major issues; and
- being available to shareholders and other directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the CEO).

Director responsibilities

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.

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.

Matters specifically reserved for decision by the full Board have been defined. These include decisions relating to strategy and management; structure and capital; financial reporting and controls; internal controls; contracts with third parties; communication; Board membership and other appointments; Board and employee remuneration; delegations of authority; corporate governance matters; and Company policies. 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.

Corporate Governance continued

The directors have access to the advice and services of the Company's Executive team, AIFM and 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.

Board Committees

The Board has established an Audit Committee and a Remuneration and Nomination Committee. The Board has chosen to combine the roles of remuneration and nomination in one Committee. The memberships of the Audit Committee and the Remuneration and Nomination Committee are set out on pages 38 and 39. The roles and responsibilities of the Committees are described in the Report of the Audit Committee on pages 49 and 50 and in the Directors' Remuneration Report on pages 51 and 52.

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 on page 47 under Board evaluation.

The Chief Executive Officer ('CEO')

The CEO 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 CEO 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 CEO has discretion.

The CEO reports to each meeting of the Board. His reports include 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 CEO 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. Where appropriate, the Board makes use of share buybacks (at a discount) and issuance (at a premium) to add to the net asset value per share and achieve a sustainable low discount (or a premium) to net asset value.

In addition to his responsibilities for the overall management of the Company, the CEO manages the Direct Holdings portfolio. A maximum of 10% of the Company's gross assets (at the time of purchase) may be invested in specialist funds within this portfolio and there are restrictions on the number, size and type of investments that may be made. Up to a further 2.5% may be allocated to newly-established or smaller third-party managers that are viewed as having potential to add value to the overall portfolio.

The Board's Remuneration and Nomination Committee reviews the performance of and the contractual arrangements with the CEO. The CEO 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.

Board commitments

When considering new appointments, the Board takes into account other demands on directors' time. Prior to appointment, new directors are asked to disclose any existing significant commitments with an indication of the time involved. Additional external appointments require the prior approval of the Remuneration and Nomination Committee on behalf of the Board, with the reasons for permitting significant appointments explained in the Annual Report.

Board meetings

The CEO (who is 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 primary focus at Board meetings is a review of investment performance and associated matters such as gearing, asset allocation, attribution analysis, marketing and investor relations, peer group information and industry issues. The Board devotes two 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, advisers and other service providers.

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	10	4	3
H M Henderson	9	4(1)	2
A L C Bell	9	4(1)	2(1)
G M Boyle	3/3	–	–
S E G A Neubert	9	–	–
R J Oldfield	10	–	3
J S Perry	9	4	–
A J S Ross	3/6	1/1(1)	1/1(1)
B C Rogoff	10	–	–
A Watson	10	4	–
P T Yates	10	4	3

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

All the then directors, apart from Mr Perry, attended the AGM in May 2019 and, apart from Mr Ross, the Board's 'Strategy Day' in May 2019.

Board and director independence

At 31 December 2019 the Board was composed of nine independent non-executive directors and one executive director, the CEO. 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.

Four of the directors have been on the Board for nine years or more: Mr Henderson, Mr Watson, Mr Bell and Mr Oldfield. Mr Henderson and Mr Oldfield intend to retire from the Board at the AGM in 2020. The Board considers that Mr Watson is, and has been since his appointment, an independent non-executive director. Mr Bell, who is the CEO of Witan, is an executive director but is deemed to be independent of the Company's appointed fund managers and other service providers. His long service is beneficial to the Company. Those directors who have served on the Board for more than nine years stand for re-election by the shareholders each year and will do so for as long as they continue to serve on the Board. The Board is firmly of the view 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. Independence stems from the ability to make decisions that conflict with the interests of management; this is a function of confidence, integrity and judgement.

Mr Ross, who will become Chairman of the Company with effect from the AGM in April 2020, is considered to be independent. He does not have any relationships that might create a conflict of interest between the Chairman's interests and those of shareholders.

The non-executive directors, led by the Senior Independent Director, meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

Relationship with the AIFM and fund managers

The Company manages its own operations through the Board and that of its AIFM, as set out on page 10. Each investment manager runs a discrete investment portfolio within the terms of their investment management contract. Shares are held by the Company's custodian/depositary. The CEO leads on the selection and monitoring of the investment managers and their terms of reference, which are approved by the Board and the AIFM.

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 maximum size of each investment and the amount of cash that may be held in normal circumstances. They are not allowed to invest in unquoted securities, to gear the portfolio, to sell stocks short or to use derivatives. The investment managers take decisions on individual investments and are responsible for effecting transactions on the best available terms. The Company and the AIFM receive monthly confirmation from each investment manager that it has carried out its duties in accordance with its investment mandate.

The Board scrutinises the performance of the investment managers at each meeting and discusses their performance with each manager at least once a year. The directors consider it appropriate for the full Board to do this rather than delegating this to a committee as it is considered appropriate for all directors to be aware of the managers' performance. The Audit Committee reviews the contractual relationships with the investment managers at least annually. Further information on the investment managers' fees is contained within the Strategic Report on page 21.

Relationship with other service providers

The Board has delegated a wide range of activities to external agents, in addition to the various investment managers. These services include global custody (which includes the safeguarding of the assets), investment administration, management and financial accounting, Company Secretarial and certain other administrative requirements and 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. Further information on the service providers is contained within the Strategic Report on page 36.

The Board receives and considers reports and information from these contractors as required. The CEO and the AIFM are responsible for monitoring and evaluating the performance of the Company's service providers. The Board's Audit Committee oversees this process together with the WIS Risk Committee: they review the contractual relationships at least annually.

3 COMPOSITION, SUCCESSION AND EVALUATION

Appointments to the Board

The Board's Remuneration and Nomination Committee oversees the recruitment process. The Remuneration and Nomination Committee reviews the length of service of each director each year and makes recommendations to the Board when it considers that a new director should be recruited. All the independent non-executive directors are asked to contribute to the process and to consider serving on the sub-committee appointed to draw up the shortlist of candidates. The process generally includes the use of a firm of non-executive director recruitment consultants or open advertising. The work of the Remuneration and Nomination Committee during the year is set out in the Committee's report on pages 51 to 61.

Corporate Governance continued

New directors are appointed for an initial term ending three years from the date of their first annual general meeting after appointment, with the expectation that they will serve a minimum of two three-year terms. There is no absolute limit to the period for which a director may serve, although the continuation of directors' appointments is contingent on satisfactory performance evaluation and re-election at annual general meetings. Directors' appointments are reviewed formally by the Board ahead of their submission for re-election. 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. 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 areas relevant to the Company's objective and operations, the most important being investment management, finance, marketing, financial services, risk management, custody and settlement, and investment banking. Whilst 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 shareholders benefit from having directors with a longer perspective of the Company's history and its place in the savings market.

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.

Board diversity

The Company supports the objectives of improving 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 (of which gender is one aspect) on the Board and takes this into account in its Board appointments. The Company is committed to ensuring that its director search processes actively seek 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. The Board actively considers diversity during director searches.

Following the AGM, the Board will consist of six men and two women. The Company's employees, including the CEO, are four men and three women. The Company is committed to facilitating equal opportunity and has readily embraced flexible working arrangements for existing staff.

Election and re-election by shareholders

New directors stand for election by the shareholders at the annual general meeting 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. Following the AGM in April 2020, there will be two directors with service of more than nine years: Mr Bell (the CEO), and Mr Watson.

The Board has reviewed Provision 18 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 election of all the directors is inappropriate to the Company. There are two main reasons: (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 do not 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 not to apply Provision 18. A number of prominent institutional investors share this view.

The directors' biographies on pages 38 to 39 and the notes to the notice of AGM set out the specific reasons why each director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Tenure of the Chairman

Following the planned change in Chairmanship, the Board's policy is that the Chairman should not normally remain in post beyond nine years from the date of his/her first appointment to the Board. However, this period may be extended for a limited time to facilitate effective succession planning and the development of a diverse board, particularly in those cases where the Chairman was an existing non-executive director on appointment as Chairman.

The Board considers that the policy provides a balance between the need for Board continuity as well as regular refreshment and diversity.

Board evaluation

The Board has established a process to evaluate its performance annually. 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. The Board is aware of Provision 21 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, and has complied with this provision every three years since it was first introduced. This was last done in 2016 and the Board had previously stated its intention to appoint an external organisation to facilitate its evaluation in 2019. However, in light of the change of Chairman with effect from the forthcoming AGM, the Board considered it more appropriate to defer an externally-facilitated evaluation until Mr Ross has taken over as Chairman and now intends to appoint an external organisation to facilitate its evaluation in 2020.

In 2016, the Board appointed BoardAlpha Limited to carry out an evaluation programme. BoardAlpha Limited did not have any other connection with the Company. The Board reviewed their report in March 2017 and the Chairman has led 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.

4 AUDIT, RISK AND INTERNAL CONTROL

The statement of directors' responsibilities on page 66 describes the directors' responsibility for preparing this Annual Report.

The work of the Audit Committee is set out in the Committee's report on pages 49 to 50.

The principal risks and details of how they are managed are set out on page 22 to 23.

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 charged the Audit Committee with conducting an annual review of the effectiveness of the system, covering all the controls, including financial, operational and compliance controls and risk management systems. This review takes 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 Principle O and provision 28 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, which the Audit Committee reviews at each meeting. It is also reviewed and challenged regularly by the Board. Emerging risks are added to the matrix as soon as identified together with any mitigating actions required. The key risks which pose the greatest potential risks to shareholders are set out on pages 22 and 23. 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. The Committee believes that these processes allow it to identify emerging risks on a timely basis.

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 ten such investment managers as well as the Direct Holdings portfolio which is managed by the CEO.

The CEO 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 CEO 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 2019, the investment managers were asked to provide detailed information on their operational structures and systems. Each year, the Board also receives reports on their internal controls from its investment managers; in most cases these include a report from the relevant company's auditors on the control policies and procedures in operation.

The CEO 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 CEO), who are well known to and have frequent formal and informal contact with the members of the Board.

Corporate Governance continued

The Company does not have an internal audit function. Through WIS, the AIFM, it delegates the management of its investments and most of its other operations to third parties 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. In addition, the Board receives an annual report on the investment administrator's internal controls, including a report from the investment administrator's 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.

5 REMUNERATION

The Directors' Remuneration Report on pages 51 to 61 details the process for determining the directors' remuneration and sets out the amounts payable. It reports on the Company's compliance with the provisions of the AIC Code relating to remuneration and also a number of provisions from the UK Corporate Governance Code that have not been included in the AIC Code, as most investment trusts do not have executive directors.

6 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 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 and 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.

The Company also monitors the ESG policies of its managers, given the likely influence of such factors on the long-term growth prospects of the companies in which they invest on Witan's behalf. 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.

H M Henderson
Chairman
11 March 2020

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 2019.

COMPOSITION AND RESPONSIBILITIES OF THE COMMITTEE

The members of the Committee are appointed by the Board. There are normally three members. I was appointed Chairman of the Committee in May 2018, having been a member of the Committee since February 2017. Mr Watson and Mr Yates, who were appointed to the Committee in 2006 and May 2018 respectively, were members of the Committee throughout the year.

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 at Ernst & Young. The other Committee members have a combination of financial, investment and other relevant experience gained throughout their careers. Details of our qualifications and experience are given on pages 38 and 39.

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, reappointment 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;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
- reporting to the Board on how it has discharged its duties.

MEETINGS OF THE COMMITTEE

The Committee held four meetings during 2019 and also met in February 2020. Meetings are usually attended, by invitation, by the Chairman of the Company, members of management, relevant external advisers and, twice a year, 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 2019 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.
- As part of the Committee's detailed review of the financial statements, particular attention was paid to the key areas of the existence and valuation of assets; recognition of revenue; determination of the fair value of own debt and the appropriateness of the discount rate used to assign a present value to that debt; and the reasonableness of the scenarios envisaged in developing the sensitivity analysis for each significant risk.
- Interim and year-end reporting, in the light of the requirements of the Code of Corporate Governance issued by the AIC and FRC guidance to audit committees on key developments for annual reports and non-financial reporting. The Committee agreed the process, timing and responsibility for compliance. The Committee agreed to recommend to the Board that it should approve the Half-year and Annual Reports.
- A variety of specific matters including whistleblowing, anti-money laundering compliance, data and IT systems security and business continuity. As explained elsewhere in this Report (see page 36), the Company makes extensive use of third-party service providers, who are overseen by the WIS Executive. The Committee approves the programme of oversight and reviews the results. As part of the oversight of BNP Paribas, who are responsible for the Company's investment accounting and administration, I visited their office in Dundee during the year to meet the service team and receive an overview of their systems. The results of that review were considered to be satisfactory.
- In light of the relative simplicity of the operations and the use of independent external consultants, who report directly to the Committee, to advise on regulatory compliance and adherence to internal procedures, it was concluded that no internal audit function was required (see page 48).

Report of the Audit Committee continued

- Monitoring of the closure of the Witan Wisdom and Jump savings schemes and the specific risk register which was created for the project.

Following the appointment of WIS as the Company's AIFM, in 2014, the Committee has worked with the Risk Committee of WIS, the Company's subsidiary, to ensure WIS' compliance with Financial Conduct Authority ('FCA') regulations. Particular topics in 2019 included monitoring the implementation of the regulations contained within the Client Assets Sourcebook ('CASS') of the FCA.

The Committee also monitored the work required to ensure the Company's compliance with new legislation, including the new AIC Code and the Shareholder Rights Directive.

RISK

Management has identified (Strategic Report pages 22 and 23) five main areas of potential risk: market and investment portfolio; operational and cyber; compliance and regulatory change; accounting, taxation and legal; and liquidity, and has set out the actions taken to evaluate and manage these risks. The Committee also monitors newly emerging risks that arise from time to time (e.g. Brexit from 2016, the COVID-19 virus outbreak in 2020) to ensure that the implications for the Company are properly assessed and mitigating controls introduced where necessary.

The auditor has also detailed two key audit matters in its report: valuation and existence of investments; and occurrence and completeness of investment income, 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 the risks associated with these matters 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 emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency, liquidity or reputation and has taken appropriate action to mitigate those risks. There were no significant areas of material judgement or unadjusted errors.

GOING CONCERN AND VIABILITY

The Committee has assessed the information, forecasts and assumptions underlying the Viability and Going Concern Statements on page 37 and recommended to the Board that they are appropriate. This assessment included a review of the scenario analysis set out on page 37.

EXTERNAL AUDIT

Grant Thornton UK LLP was appointed as statutory auditor in 2016. In accordance with the current legislation, the Company will need to re-tender for new auditors at least every ten years and has 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. Accordingly, the Committee considers that the Company has complied with the provisions of the Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year.

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 approves the audit fee.

The Committee has reviewed the FRC's Audit Quality Review report for Grant Thornton and discussed the findings with the audit partner to determine if any of the indicators in that report had particular relevance to this year's audit of the Company. The Committee discussed the audit plan and their final audit findings reports with the auditor and concluded that an effective external audit had been conducted.

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 2020.

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 received from the Remuneration and Nomination Committee.

NON-AUDIT SERVICES

The Committee has adopted the requirements, introduced with effect from January 2017, that non-audit fees cannot be more than 70% of the average audit fees for the last three years. Any new engagement with Grant Thornton for any non-audit service must be approved in advance by the Committee. The Committee assesses each service individually, having considered the cost-effectiveness of the service and the impact on the auditor's independence. Grant Thornton are not providing any non-audit services to the Company other than the CASS report, for which their fees are budgeted at £38,000, and compliance with covenants on the Secured Bonds (£5,000). The ratio of audit to non-audit work in the year was 61:39. The Committee considered that it was in the interests of the Company to appoint Grant Thornton for this work as it would not be cost-effective to appoint another firm.

EFFECTIVENESS OF THE COMMITTEE

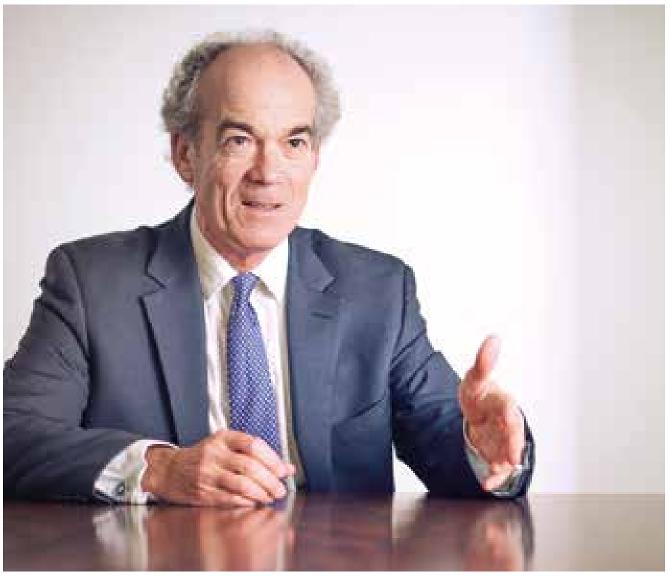
The Committee assessed its own effectiveness during the year. The Committee considered that its approach was comprehensive and appropriate, that it focused on the right issues and was managed well.

APPROVAL

This report was approved by the Committee on 11 March 2020 and is signed on its behalf by:

Jack Perry
Chairman of the Audit Committee
11 March 2020

Directors' Remuneration Report



CHAIRMAN'S STATEMENT

I am pleased to present the report of the Remuneration and Nomination Committee (the 'Committee').

The Committee deals with both nominations and remuneration-related matters. Reports on both aspects of the Committee's work are covered below.

The Committee's roles 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).

NOMINATIONS

The Committee has responsibility for reviewing the effectiveness and composition of the Board and for overseeing the recruitment process for non-executive directors.

During the year, the Committee reviewed the policy for the tenure of the Chairman and developed a succession policy that is designed to ensure that there is a formal, rigorous and transparent procedure for the appointment of new directors. The Board is comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry/company knowledge.

A report on the Board's evaluation of itself and its Committees is set out on page 47.

The Board's policy on diversity is set out on page 46.

Mr Ross was appointed to the Board on 2 May 2019. A Committee of the Board, including members of this Committee and Mr Watson, the SID, undertook a search for a new director who would in due course take over as Chairman, with the assistance of the recruitment consultants Nurole, who have no other connection with the Company. The Board confirmed the Committee's choice of candidate and the appointment was made. Mr Ross will be appointed as Chairman of the Company with effect from the Annual General Meeting ('AGM') on 29 April 2020.

Following a process of selection from a list of independent external candidates, Mrs Boyle was appointed to the Board on 16 August 2019. The Committee reviewed the skill and experience required of the new director and identified the person it considered to be most suitable to fill the vacancy. The Board confirmed the Committee's choice of candidate and the appointment was made.

Directors' Remuneration Report continued

REMUNERATION

The remainder of this report covers the remuneration-related activities of the Committee for the year ended 31 December 2019. 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 of remuneration during the financial year ended 31 December 2019 and other information required by the Regulations. It will be subject to an advisory vote at the AGM on 29 April 2020.

The Company's existing remuneration policy was subject to a binding shareholder vote at the AGM in 2019 and took effect from 1 January 2019. No changes were made to the existing remuneration policy. The Committee is required to submit its remuneration policy to a shareholder vote every three years and accordingly will next be putting a resolution to approve the remuneration policy to shareholders at the AGM to be held in 2022.

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 twofold. First, it has a role in respect of executive remuneration, assisting the directors in determining the remuneration policy for 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. Secondly, the Committee considers the remuneration of the non-executive directors and has delegated responsibility for determining the remuneration of the Chairman. The Committee considers the need to appoint external remuneration consultants when necessary.

The Committee normally consists of three non-executive directors, including its Chairman, who are appointed by the Board. I have been a member of the Committee since 2011 and was appointed as Chairman in May 2018. Mr Henderson has served on the Committee since 2003. Mr Yates was appointed as a member of the Committee in May 2018. Both Mr Henderson and I will be retiring from the Board at the AGM in April 2020, at which time Mr Yates will be appointed as Chairman of the Committee and Mr Ross and Ms Neubert will be appointed as members. The Board is satisfied that Mr Yates has the relevant experience to chair the Committee and a good understanding of the Company.

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

As part of its annual work, the Committee reviewed the non-executive directors' fees in February 2020. The Committee's recommendation, to which the Board agreed, was that non-executive directors' fees should be increased, with effect from 1 April 2020, to the following annual amounts:

	£
Chairman of the Company	68,500
Chairman of the Audit Committee	45,000
Chairman of the Remuneration and Nomination Committee	42,000
Senior Independent Director	42,000
Other non-executive directors	36,000

This is the first increase in directors' fees since April 2017. The Committee's practice to date has been to review and, if thought appropriate, increase directors' fees every three years. With effect from this year, the Committee will review fees each year in order to smooth the effect of any increases.

The aggregate non-executive directors' fees following the increase noted above will amount to £305,500 per annum.

The Company's Articles of Association currently limit the aggregate fees payable to the non-executive directors to £350,000 per annum. The Board has agreed to seek an increase in this limit to £450,000 per annum and a resolution to this effect will be put to shareholders at the AGM in April 2020.

Richard Oldfield
Chairman of the Remuneration and Nomination Committee
11 March 2020

ANNUAL REPORT ON REMUNERATION

An ordinary resolution for the approval of this section of the report (together with the Chairman's Statement on pages 51 and 52) will be put to members at the forthcoming AGM.

The following section sets out the executive director's and the non-executive directors' remuneration for the year ended 31 December 2019. The information provided on pages 53 to 54 of this report (other than the total shareholder return performance graph) 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 2019, together with the comparative figures for 2018:

	31 December 2019 Fees and total remuneration £(1) (2)	31 December 2018 Fees and total remuneration £(1) (2)
H M Henderson	60,000	60,000
G M Boyle (appointed 16 August 2019)	11,800	–
S E G A Neubert	31,500	31,500
R J Oldfield	36,500	35,000
J S Perry	39,000	36,650
B C Rogoff	31,500	31,500
A J S Ross (appointed 2 May 2019)	20,900	–
A Watson	36,500	36,500
P T Yates (appointed 3 May 2018)	31,500	20,900
R W Boyle (retired 2 May 2018)	–	13,300
M C Claydon (retired 2 May 2018)	–	12,450
Total	299,200	277,800

(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 2017. The increases in fees that will be effective from 1 April 2020 are stated on page 52.

CEO

The following table shows a single total figure of remuneration in respect of qualifying services for the financial year ended 31 December 2019 for the CEO, Mr Bell, together with the comparative figures for 2018. Aggregate emoluments are shown in the last column of the table.

	Base pay(1) £		Benefits(2) £		Annual Bonus(3) benefits £		Long-Term Bonus(3) £		Pension related benefits £		Total £	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
A L C Bell	300,900	293,550	27,743	24,709	151,351	117,420	80,891	32,847	30,090	29,355	590,975	497,881

(1) Mr Bell is entitled to hold outside appointments and to retain any fees payable, subject to receiving the Board's permission. During 2019, in addition to the base salary set out above, Mr Bell received £26,690 (2018: nil) in respect of his directorship of The Diverse Income Trust plc to which he was appointed with effect from 1 January 2019.
(2) Taxable benefits include life assurance and health insurance.
(3) Mr Bell's 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 performance against the performance criteria, described on page 59, over the preceding year at its meeting in February 2020 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, (£96,288) in respect of the financial year ended 31 December 2019 (2018: 40%, £117,420).
   (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 outperformed its benchmark in 2019 (net asset value debt at par, excluding the effect of share buybacks) and therefore a bonus of £55,063 will be paid to Mr Bell based on the Company's financial performance for the year ended 31 December 2019 (2018: underperformed, £nil).
   (iii) Long-Term Bonus
   For a description of the terms of the Long-Term Bonus (including the performance measures), please see the policy report. In summary, Mr Bell is eligible to receive up to 90% 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 the performance against the benchmark, where performance 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 2.5% per annum. The Company has outperformed its benchmark over the three financial years to 31 December 2019 by 0.75% (net asset value debt at par, excluding the effect of share buybacks) and therefore a Long-Term Bonus of £80,891 will be paid to Mr Bell (2018: 12.0%, £32,847).

   Mr Bell's total variable remuneration in respect of the year ended 31 December 2019 is £232,242 (2018: £150,267).

Directors' Remuneration Report continued

Payment of the discretionary bonus, One-year Bonus and Long-Term Bonus will be partly deferred in accordance with the current policy, with 60% paid in March 2020 and the remaining 40% paid on a deferred basis in three equal instalments in March 2021, 2022 and 2023, subject to continued employment.

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 2019 (2018: nil).

Payments to past directors

No payments were made to former directors of the Company during the financial year ended 31 December 2019 (2018: £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 2019 (2018: £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 below. 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.

	Ordinary shares of 5 pence each held as at 31 December 2019	Ordinary shares held as at 31 December 2018(1)
A L C Bell	**700,000**	700,000
G M Boyle	**–(2)**	–
H M Henderson	**3,941,160(3)**	3,941,160(3)
S E G A Neubert	**51,542**	50,760
R J Oldfield	**107,500**	107,500
J S Perry	**77,324**	75,545
B C Rogoff	**21,630**	20,860
A J S Ross	**150,000(2)**	–
A Watson	**125,105**	125,110
P T Yates	**25,245**	25,245

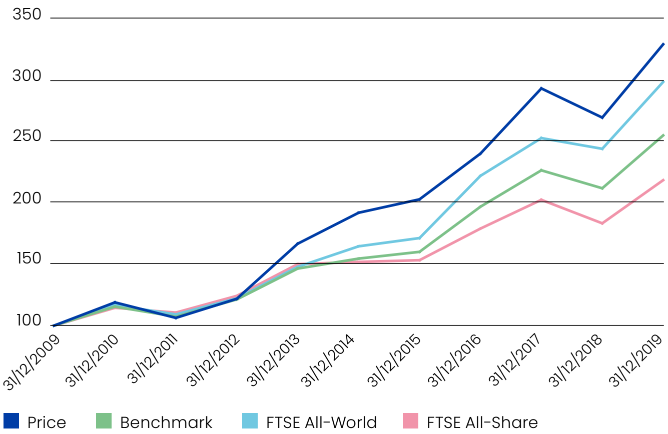
(1) Comparative figures have been restated due to the sub-division of each existing ordinary share of 25 pence each into five ordinary shares of 5 pence each on 28 May 2019.
(2) Mrs Boyle did not own any shares at the date of her appointment, 16 August 2019. Mr Ross owned 50,000 ordinary shares of 5 pence each (restated as per note 1) at the date of his appointment, 2 May 2019.
(3) Mr Henderson is the legal and beneficial owner of 3,613,660 ordinary shares of 5 pence each and 327,500 ordinary shares of 5 pence each are owned by his connected persons (2018: 3,613,660 and 327,500 ordinary shares of 5 pence each, restated as per note 1).

There have not been any changes in the directors' interests since the year end.

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

Total shareholder return performance graph

The Company is required to present a graph comparing 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 also (ii) a global index, namely the FTSE All-World Index, because the Company invests across a broad spread of global equity markets. The performance of the Company's benchmark is also shown.



The line graph above sets out the Company's ten-year total shareholder return performance relative to the FTSE All-Share Index and the FTSE World Index (sterling adjusted). This line graph assumes a notional investment of £100 into the Indices on 31 December 2009 and the reinvestment of all income, excluding dealing expenses.

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 against maximum %
2019 – Mr Bell	590,975	62.9	29.9
2018 – Mr Bell	497,881	50.0	12.4
2017 – Mr Bell	658,906	87.5	89.0
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

(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 2018 and 2019 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 2019 compared with remuneration in 2018	
	CEO %	Employees %
Salary and fees	3	2
All taxable benefits	7	1
Annual bonuses (discretionary and One-year Bonus)	29	3
Long-Term Bonus	146	n/a
Total	19	2

The increase in the CEO's bonuses in 2019 is due to the outperformance of the Company in 2019, which resulted in the One-year Bonus being paid in respect of 2019 (see note 3(ii) on page 53), whereas it was not paid in respect of 2018, and an increase in the performance-determined Long-Term Bonus.

Relative importance of spend on pay

Spend	**2019 £'000**	2018 £'000	Difference £'000
Fees of non-executive directors	**299**	278	21
Remuneration paid to or receivable by all employees of the Group (including the CEO) in respect of the year(1)	**1,312**	940	372
Dividends paid to shareholders in respect of the year ended 31 December 2019	**46,623**	41,835	4,788
Share buybacks(2)	**53,582**	2,518	51,064
Total payments to shareholders	**100,205**	44,353	55,852
NAV per ordinary share (debt at fair value)	**233.1p**	196.7p	18.5%

(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 was at a high level during the year, reflecting the level of the discount during the year (see also comments on page 19).

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 2019 AGM and implemented with effect from 1 January 2019. The fees for non-executive directors were last increased with effect from 1 April 2017. The increases set out on page 52 will take effect from 1 April 2020.

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 external advice or services, during the financial year ending 31 December 2019, 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.

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
H M Henderson	2
R J Oldfield	3
P T Yates	3

Statement of shareholder voting

At the AGM held on 1 May 2019, ordinary resolutions to approve the Directors' Remuneration Report for the year ended 31 December 2018 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				
11,696,871	**298,360**	**40,290**	**45,876**	**12,035,521**
97.2%	**2.5%**	**0.3%**	**–**	**100%**
Approval of remuneration policy				
11,659,989	**299,446**	**39,784**	**49,678**	**11,999,219**
97.2%	**2.5%**	**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 AGMs in 2019 or 2018.

Directors' Remuneration Report continued

REMUNERATION POLICY

The Company reports on its remuneration policy in accordance with the Regulations each year and is required to submit its remuneration policy to a shareholder vote every three years. An ordinary resolution for the approval of the current policy was put to members at the AGM on 1 May 2019 and passed by the members. This policy took effect from 1 January 2019. No changes were made to the policy. The policy will apply for a further three years until the AGM in 2022, when it will next be voted on by shareholders.

The policy is set out below.

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 a minimum of 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.

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). With effect from 1 April 2020, each non-executive director's annual base fee is £36,000. Additional fees are payable as follows: › Chairman of Audit Committee £9,000. › Chairman of Remuneration and Nomination Committee £6,000. › Senior Independent Director £6,000. 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 AGM in April 2014.

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

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. Executive director remuneration is set at market competitive levels, with the majority of any variable pay (bonus amounts) contingent on the attainment of audited outperformance of the Company's benchmark, in accordance with the Company's objective. Any discretionary bonus is dependent on annual appraisal by the Remuneration and Nominations Committee and Board against a range of financial and corporate governance criteria.

	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 2020, by 2.5% to £308,424 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 four 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, which is the same as the pension contribution rate applicable to other staff.	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 59 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 59 for details of the performance measures applicable 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 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 59 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 59 for details of the performance measures applicable 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 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 59 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 59 for details of the performance measures applicable to the CEO's Long-Term Bonus.

Notes:

1. **Performance measures**

Mr Bell's service agreement, as amended, provides that he is eligible to receive a bonus of up to 170% of his basic annual salary, two elements of which, totalling a maximum of 130% of salary, are calculated by reference to the performance of the Company. 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 and based on which it agrees the amount of the discretionary bonus.

(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.

(iii) Long-Term Bonus

Mr Bell is eligible to receive a Long-Term Bonus each year of up to 90% 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.

2. **Deferral, malus and clawback**

2.1 Deferral

All bonuses 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 resulted 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 resulted 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 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 policies for directors and 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.

Directors' Remuneration Report continued

(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 Bell, Mr Perry and Mr Watson are proposed for re-election at the AGM in April 2020. Mrs Boyle and Mr Ross are proposed for election.

CEO's service contract

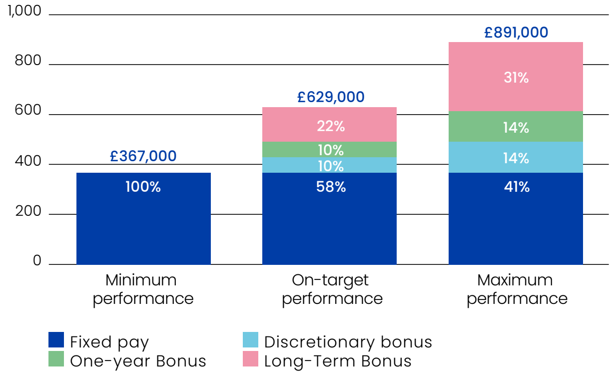
The CEO's service contract with the Company may be inspected at the Company's registered office. The CEO's service agreement dated 3 February 2010, as amended, provided in 2019 for a salary of £300,900 (2018: £293,550) per annum. The salary has been increased to £308,424 with effect from 1 January 2020. 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' below for further details of the CEO's service contract.

Illustration of application of remuneration policy

The chart below 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 2020 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/her 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/her 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/her summary dismissal;
- his/her cessation of employment without the giving or receiving of notice; or
- his/her 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. As it has only seven employees, the Company has not reported the ratio of the CEO's remuneration to that of any other employee, to protect the privacy of individuals.

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 2019 and met with shareholders in general at the AGM held in 2019 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 Committee on 11 March 2020 and is signed on its behalf by:

Richard Oldfield
Chairman of the Remuneration and Nomination Committee
11 March 2020

Directors' Report

STATUTORY INFORMATION

The directors present the Annual Report of the Group for the year ended 31 December 2019.

ACTIVITIES AND BUSINESS REVIEW

A review of the business is given in the Strategic Report on page 1 to 37 including the Chairman's and Chief Executive's reports on pages 12 to 20. 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 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 22 to 23.

The Corporate Governance Statement on page 41 to 48 forms part of this Directors' Report.

INVESTMENT POLICY

The Company's investment policy is set out on page 11.

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 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 act as the Company's AIFM and provide investment advice to professional investors.

As reported in the 2018 Annual Report, the decision was taken to close the Witan Wisdom and Jump Savings Plans in May 2019. The impact of this decision on the Group's results was not considered to be significant.

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 a Junior ISA.

SUBSTANTIAL SHARE INTERESTS

As at 31 December 2019, 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 2019 the total net assets of the Group were £2,051.1m (2018: £1,773.4m). At this date the net asset value per ordinary share was 236.85p (2018: 199.03p, as restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019).

REVENUE AND DIVIDEND

The profit for the year was £376m (2018: loss £164m). A profit of £53m is attributable to revenue (2018: £46m). The profit for the year attributable to revenue has been applied as follows:

	£'000
Distributed as dividends:	
First interim of 1.175p per ordinary share (paid on 24 June 2019)	10,379
Second interim of 1.175p per ordinary share (paid on 18 September 2019)	10,276
Third interim of 1.175p per ordinary share (paid on 18 December 2019)	10,185
Fourth interim of 1.825p per ordinary share (payable on 3 April 2020)	15,783
Added to the Company's revenue reserve	6,102
Company revenue profit available for distribution	52,725

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.

DIRECTORS

The current directors of the Company are shown on page 38 to 39.

All the directors held office throughout the year under review, except Mr Ross and Mrs Boyle, who were appointed as a director on 2 May and 16 August 2019 respectively. They will seek election by shareholders at the forthcoming AGM. Mr Henderson and Mr Oldfield will retire at the AGM and will not seek re-election. Mr Perry will retire in accordance with the Company's Articles of Association and, being eligible, will seek re-election by shareholders. Mr Bell 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. The Board considers them to be independent despite their length of service. This is explained in more detail in the Corporate Governance Statement on page 45.

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. More details are contained within the Notice of AGM.

The Board's policy on the frequency of the re-election of directors is set out on page 46 in the Corporate Governance Statement.

During the year the membership of the Audit Committee comprised Mr Perry (Chairman), Mr Watson and Mr Yates. During the year the membership of the Remuneration and Nomination Committee comprised Mr Oldfield (Chairman), Mr Henderson and Mr Yates.

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 54.

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. The Companies Act 2006 (the 'Act') allows 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 1 May 2019, 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 operate effectively. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors and that there are currently no conflicts of interest.

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 in the Directors' Remuneration Report on page 51 to 61. The Company's Articles of Association currently limit the aggregate fees payable to the non-executive directors to £350,000 per annum. The Board has agreed to seek an increase in this limit to £450,000 and a resolution to this effect will be put to the AGM in April 2020.

INVESTMENT MANAGERS

It is the opinion of the directors that the continuing appointment of the investment managers listed on page 17 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 5p nominal value each ('shares')

At 31 December 2018 there were 200,071,000 shares of 25p each in issue. A resolution was approved by shareholders at the AGM on 1 May 2019 to subdivide each of the existing ordinary shares of 25p each into five new ordinary shares of 5p each on 28 May 2019. This was done in order to improve the liquidity of the Company's shares and to assist monthly savers. The new ordinary shares carry the same rights and are subject to the same restrictions as the previous ordinary shares of 25p each. Following the sub-division, there were 1,000,355,000 ordinary shares of 5p each in issue.

During the year, 25,068,405 shares were bought back and are held in treasury and at 31 December 2019 there were 134,376,565 shares held in treasury. These shares do not carry voting rights or the right to receive dividends and thus the number of voting rights was 865,978,435 on a poll. Since the year end, 1,378,987 shares have been bought back and at the date of this report there were 1,000,355,000 shares in issue of which 135,755,552 were held in treasury. The voting rights of the shares on a poll are one vote for every share held.

Directors' Report continued

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 May 2019 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2020, to make market purchases to be held in treasury of the Company's ordinary shares up to a maximum of 132,533,480 shares (allowing for the five for one share split), being 14.99% of the issued ordinary share capital as at 1 May 2019. The Company has bought back 19,546,537 shares since the date of the last AGM.

The Board is seeking to renew its powers at the forthcoming AGM 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 2019 there were 500,000 2.7% preference shares in issue. Further details on the preference shares are given in note 17 on page 94.

(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 2019 there were 2,055,000 3.4% preference shares in issue. Further details on the preference shares are given in note 17 on page 94.

At the AGM in 2019 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2020, 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 2019 the Company had valid authority, outstanding until the conclusion of the AGM in 2020, 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 2020.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer which are known to the Company; and no agreements to which the Company is party that might affect its control following a successful takeover bid.

INDEPENDENT AUDITOR

Resolutions to reappoint Grant Thornton UK LLP as the Company's auditor and 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 page 49 to 50.

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 page 53. The directors confirm that there are no other disclosures to be made in respect of Rule 9.8.4.

ANTI-BRIBERY AND CORRUPTION POLICY

The Board has a zero-tolerance approach to instances of bribery and corruption. Accordingly, it expressly prohibits any director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private in the UK or abroad to secure any improper benefit for themselves or for the Company. The Board applies the same standards to its service providers in their activities for the Company. A copy of the Company's Anti-Bribery and Corruption Policy can be found on its website at www.witan.com. The policy is reviewed regularly by the Audit Committee.

PREVENTION OF THE FACILITATION OF TAX EVASION

During the year and in response to the implementation of the Criminal Finances Act 2017, the Board has adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.witan.com. The policy is reviewed annually by the Audit Committee.

COMMON REPORTING STANDARD ('CRS')

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Company's registrar, Computershare, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

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 anti-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 2019 are detailed on page 98 to 99.

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 AGM will be held at 2.30 pm on Wednesday 29 April 2020 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.

Approved by the Board and signed on its behalf by

Frostrow Capital LLP
Company Secretary
11 March 2020

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 Group and Company and of the profit or loss of the Group and 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 22 and 23) 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
Chairman
11 March 2020

A L C Bell
Chief Executive Officer
11 March 2020

Note to those who access this document by electronic means:

The Annual Report for the year ended 31 December 2019 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 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

for the year ended 31 December 2019

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Witan Investment Trust plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Individual Statements of Changes in Equity, the Consolidated and Individual Balance Sheets, the Consolidated and Individual Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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.

BASIS FOR OPINION

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 22 that describe the principal risks, procedures to identify emerging risks and explanation of how they are being managed or mitigated;
- the directors' confirmation, set out on page 22 of the Annual Report that they have completed a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 37 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern and the prospects of the Group required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 37 of 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 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.

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £20.5m which represents 1% of the Group's net assets
- Key audit matters were identified as
  - Valuation and existence of investments measured at fair value through profit or loss;
  - Occurrence and completeness of investment income; and
  - Our audit approach was a risk based substantive audit focused on investments at the year end and investment income recognised during the year. There was no change in our approach from prior year.

Independent Auditor's Report to the members of Witan Investment Trust plc continued

for the year ended 31 December 2019

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
Valuation and existence of investments measured at fair value through profit or loss 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 £2.3 billion (2018: £2.0 billion) is a significant material balance in the Consolidated Balance Sheet at year end and the main driver of the Group's performance. Incorrect asset pricing or a failure to maintain proper legal title of the investments held by the Group could have an impact on the portfolio valuation and therefore, the return generated for shareholders. We therefore identified the valuation and existence of investments measured at fair value through profit or loss as a significant risk, which was one of the most significant assessed risks of material misstatement	**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; › independently pricing 100% of the listed equity portfolio by obtaining the relevant 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 of investments through agreeing investments held by the Company as at the year-end as per the Balance Sheet to an independent confirmation that we received directly from the Company's custodian. The Group's accounting policy on investments held at fair value through profit or loss is shown in note 1(h) to the financial statements and related disclosures are included in note 10. **KEY OBSERVATIONS** Our testing did not identify any material misstatements in the valuation of the Group's investment portfolio as at the year-end or any issues with regards to the existence/ Group's ownership of the underlying investments at the year end.

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
Occurrence and completeness of investment income The Group measures performance on a total return basis and investment income is one of the significant components of this performance measure in the Income Statement. The Company is subject to Investment Trust Company (ITC) regulations and as a result is required to allocate returns between revenue and capital. There is a risk that income recognised in the year may be materially misstated through fraudulent transactions or error due to high volume of transactions. This could also impact the level of distribution required under ITC regulations. The investment income reported by the Group for the year is £65.0 million (2018: £58.2 million) is a significant material balance in the Consolidated Statement of Comprehensive Income. We therefore identified occurrence and completeness of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** › policy for recognition of investment income is in accordance with IFRS as adopted by the European Union and the SORP; › obtaining an understanding of the Group's process for recognising such income in accordance with the Group's stated accounting policy; › 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 The Group's accounting policy on income, including investment income, is shown in note 1(e) to the financial statements and related disclosures are included in note 2. **KEY OBSERVATIONS** Our testing did not identify any material misstatements in the amount of revenue recognised during the year.

OUR APPLICATION OF 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.
Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole:	£20.5 million which is 1% of the Group's net assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the Group's investment portfolio, are considered to be the key driver of the Group's total return performance and form a part of the net asset value calculation. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the increase in net asset value in the year from £1.8 billion to £2.1 billion.	£20.4 million which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the Company's investment portfolio, are considered to be the key driver of the Company's total return performance and form a part of the net asset value calculation. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the increase in net asset value in the year from £1.8 billion to £2.1 billion.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.

Independent Auditor's Report to the members of Witan Investment Trust plc continued

for the year ended 31 December 2019

Materiality measure	Group	Parent
Specific materiality	We also determine a lower level of specific materiality for certain areas such as investment income, the management fee, related party transactions and directors' remuneration.	We also determine a lower level of specific materiality for certain areas such as investment income, the management fee, related party transactions and directors' remuneration.
Communication of misstatements to the audit committee	£10,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£10,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- obtaining an understanding of relevant internal controls at both the Group and third-party service providers. This included obtaining and reading internal controls reports prepared by the third-party service providers on the description, design, and operating effectiveness of the internal controls at the investment manager, custodian and administrator;
- performing substantive audit procedures on specific transactions, which included journal entries and individual material balances and disclosures, the extent of which was based on various factors such as our and overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant audit risk.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and parent company and industry in which it operates. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, UK Corporate Governance Code, Statement of Recommended Practice and the relevant provisions of HMRC's regulations applicable to an Investment Trust Company;
- We understood how the Group and parent company are complying with those legal and regulatory frameworks by, making enquiries to the management. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.

We assessed the susceptibility of the Group and parent company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:

- identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- challenging assumptions and judgments made by management in its significant accounting estimates;
- identifying and testing journal entries, in particular any manual journal entries made at the year end for financial statement preparation;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

We did not identify any key audit matters relating to irregularities, including fraud.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 50 – the statement given / the explanation as to why the Annual Report does not include a statement by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 49 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the Annual Report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 42 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 ARE 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of Witan Investment Trust plc continued

for the year ended 31 December 2019

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit Committee, we were appointed by the Audit Committee on August 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement is four years, covering the years ending 31 December 2016 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

London
11 March 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 Revenue return £'000	Year ended 31 December 2019 Capital return £'000	Year ended 31 December 2019 Total £'000	Year ended 31 December 2018 Revenue return £'000	Year ended 31 December 2018 Capital return £'000	Year ended 31 December 2018 Total £'000
Investment income	2	**65,045**	**–**	**65,045**	58,200	–	58,200
Other income	3	**2,223**	**–**	**2,223**	1,576	–	1,576
Gains/(losses) on investments held at fair value through profit or loss	10	**–**	**340,727**	**340,727**	–	(194,105)	(194,105)
Foreign exchange losses on cash and cash equivalents		**–**	**(1,633)**	**(1,633)**	–	(1,083)	(1,083)
Total income		**67,268**	**339,094**	**406,362**	59,776	(195,188)	(135,412)
Expenses							
Management and performance fees	4	**(2,522)**	**(9,108)**	**(11,630)**	(2,535)	(9,163)	(11,698)
Other expenses	5	**(6,673)**	**(101)**	**(6,774)**	(5,909)	(101)	(6,010)
Profit/(loss) before finance costs and taxation		**58,073**	**329,885**	**387,958**	51,332	(204,452)	(153,120)
Finance costs	6	**(2,253)**	**(6,485)**	**(8,738)**	(2,156)	(6,217)	(8,373)
Profit/(loss) before taxation		**55,820**	**323,400**	**379,220**	49,176	(210,669)	(161,493)
Taxation	7	**(3,028)**	**(369)**	**(3,397)**	(2,978)	–	(2,978)
Profit/(loss) attributable to equity shareholders of the parent company		**52,792**	**323,031**	**375,823**	46,198	(210,669)	(164,471)
Earnings per ordinary share[(1)]	9	**6.01p**	**36.77p**	**42.78p**	5.18p	(23.63p)	(18.45p)

(1) Comparative figures for the year ended 31 December 2018 have been restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.

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/(loss), 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 77 to 97 form part of these financial statements.

Consolidated and Individual Statements of Changes in Equity

for the year ended 31 December 2019

Group **Year ended 31 December 2019**	Notes	**Ordinary share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
Total equity at 31 December 2018		50,018	99,251	46,498	1,498,832	78,843	1,773,442
Total comprehensive income: Profit for the year		–	–	–	323,031	52,792	375,823
Transactions with owners, recorded directly to equity: Ordinary dividends paid	8	–	–	–	–	(44,577)	(44,577)
Buybacks of ordinary shares (held in treasury)	15	–	–	–	(53,582)	–	(53,582)
Total equity at 31 December 2019		**50,018**	**99,251**	**46,498**	**1,768,281**	**87,058**	**2,051,106**

Company **Year ended 31 December 2019**	Notes	**Ordinary share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
Total equity at 31 December 2018		50,018	99,251	46,498	1,498,923	78,752	1,773,442
Total comprehensive income: Profit for the year		–	–	–	323,098	52,725	375,823
Transactions with owners, recorded directly to equity: Ordinary dividends paid	8	–	–	–	–	(44,577)	(44,577)
Buybacks of ordinary shares (held in treasury)	15	–	–	–	(53,582)	–	(53,582)
Total equity at 31 December 2019		**50,018**	**99,251**	**46,498**	**1,768,439**	**86,900**	**2,051,106**

Group **Year ended 31 December 2018**	Notes	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 December 2017		50,018	99,251	46,498	1,712,019	72,735	1,980,521
Total comprehensive income: (Loss)/profit for the year		–	–	–	(210,669)	46,198	(164,471)
Transactions with owners, recorded directly to equity: Ordinary dividends paid	8	–	–	–	–	(40,090)	(40,090)
Buybacks of ordinary shares (held in treasury)	15	–	–	–	(2,518)	–	(2,518)
Total equity at 31 December 2018		50,018	99,251	46,498	1,498,832	78,843	1,773,442

Company **Year ended 31 December 2018**	Notes	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 December 2017		50,018	99,251	46,498	1,712,471	72,283	1,980,521
Total comprehensive income: (Loss)/profit for the year		–	–	–	(211,030)	46,559	(164,471)
Transactions with owners, recorded directly to equity: Ordinary dividends paid	8	–	–	–	–	(40,090)	(40,090)
Buybacks of ordinary shares (held in treasury)	15	–	–	–	(2,518)	–	(2,518)
Total equity at 31 December 2018		50,018	99,251	46,498	1,498,923	78,752	1,773,442

The notes on pages 77 to 97 form part of these financial statements.

Consolidated and Individual Balance Sheets

as at 31 December 2019

	Notes	Group 31 December 2019 £'000	Company 31 December 2019 £'000	Group 31 December 2018 £'000	Company 31 December 2018 £'000
Non current assets					
Investments at fair value through profit or loss	10	**2,276,623**	**2,277,681**	1,954,114	1,955,105
Right of use asset: property	21	**490**	**490**	–	–
Total non current assets		**2,277,113**	**2,278,171**	1,954,114	1,955,105
Current assets					
Other receivables	11	**7,260**	**6,933**	8,198	8,664
Cash and cash equivalents		**44,723**	**43,568**	72,246	70,235
Total current assets		**51,983**	**50,501**	80,444	78,899
Total assets		**2,329,096**	**2,328,672**	2,034,558	2,034,004
Current liabilities					
Other payables	12	**(6,641)**	**(6,217)**	(9,660)	(9,106)
Bank loans	13	**(50,500)**	**(50,500)**	(81,000)	(81,000)
Total current liabilities		**(57,141)**	**(56,717)**	(90,660)	(90,106)
Total assets less current liabilities		**2,271,955**	**2,271,955**	1,943,898	1,943,898
Non current liabilities					
Other payables	12	**(653)**	**(653)**	(43)	(43)
Borrowings:					
Secured debt	13	**(217,641)**	**(217,641)**	(167,858)	(167,858)
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)
Total non current liabilities		**(220,849)**	**(220,849)**	(170,456)	(170,456)
Net assets		**2,051,106**	**2,051,106**	1,773,442	1,773,442
Equity attributable to equity holders					
Ordinary share capital	15	**50,018**	**50,018**	50,018	50,018
Share premium account		**99,251**	**99,251**	99,251	99,251
Capital redemption reserve		**46,498**	**46,498**	46,498	46,498
Retained earnings:					
Other capital reserves	16	**1,768,281**	**1,768,439**	1,498,832	1,498,923
Revenue reserve		**87,058**	**86,900**	78,843	78,752
Total equity		**2,051,106**	**2,051,106**	1,773,442	1,773,442
Net asset value per ordinary share(1)	18	**236.85p**	**236.85p**	199.03p	199.03p

(1) Comparative figures for the year ended 31 December 2018 have been restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.

The financial statements of Witan Investment Trust plc (registered number 101625) were approved by directors and authorised for issue on 11 March 2020 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 £375,823,000 (2018: loss of £164,471,000).

The notes on pages 77 to 97 form part of these financial statements.

Consolidated and Individual Cash Flow Statements

for the year ended 31 December 2019

	Notes	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Cash flows from operating activities					
Dividend income received		64,922	64,922	57,202	57,202
Interest received		156	152	203	198
Other income received		2,873	587	1,712	280
Operating expenses paid		(18,051)	(14,905)	(19,292)	(18,102)
Taxation on overseas income		(3,988)	(3,988)	(3,102)	(3,102)
Taxation recovered		494	494	271	271
Net cash inflow from operating activities		46,406	47,262	36,994	36,747
Cash flows from investing activities					
Purchases of investments		(971,055)	(971,055)	(801,410)	(801,410)
Sale of investments		982,575	982,575	806,173	806,173
Settlement of futures contracts		3,543	3,543	(1,258)	(1,258)
Net cash inflow from investing activities		15,063	15,063	3,505	3,505
Cash flow from financing activities					
Equity dividends paid	8	(44,577)	(44,577)	(40,090)	(40,090)
Issue of secured notes net of issue expenses	19	49,685	49,685	–	–
Buybacks of ordinary shares		(53,512)	(53,512)	(2,564)	(2,564)
Interest paid		(8,366)	(8,366)	(8,311)	(8,311)
Repayment of lease liability		(89)	(89)	–	–
Net (repayment)/drawdown of bank loans	19	(30,500)	(30,500)	8,000	8,000
Net cash outflow from financing activities		(87,359)	(87,359)	(42,965)	(42,965)
Decrease in cash and cash equivalents		(25,890)	(25,034)	(2,466)	(2,713)
Cash and cash equivalents at the start of the year		72,246	70,235	75,795	74,031
Effect of foreign exchange rate changes		(1,633)	(1,633)	(1,083)	(1,083)
Cash and cash equivalents at the end of the year		44,723	43,568	72,246	70,235

The notes on pages 77 to 97 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2019

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 October 2019 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 from these estimates.

The directors do not consider that there are any significant estimates or critical judgements in these financial statements.

(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 1 to 37. The financial position of the Group as at 31 December 2019 is shown on the balance sheet on page 75. The cash flows of the Group for the year ended 31 December 2019 are not untypical and are set out on page 76.

(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 IFRS 10 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 is exposed, or has the right, to variable returns from its investment in the subsidiary and has the ability to affect those returns through its power to direct the relevant 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. 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 revenue 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 revenue. 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.

Notes to the Financial Statements continued

for the year ended 31 December 2019

(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 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.

The classification and measurement criteria determine if financial instruments are measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Investment assets are classified based on both the business model, and the contractual cash flow characteristics of the financial instruments. This approach determined that all investments are classified and measured at fair value through profit or loss, 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.

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 on 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 and investment assets 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

IFRS 16 'Leases'

The Company has applied IFRS 16 for the first time from 1 January 2019 under the transitional provisions using the modified retrospective approach where only the current period recognises any changes with no changes to the comparative amounts.

The previous accounting policy, based on IAS 17, classified one lease for an office premise as an operating lease as a lessee. The Company has elected that its office premise lease continues to be classified as a lease under IFRS 16, however, a right-of-use asset and a lease liability has been recognised on transition. Also an election has been made to exclude initial direct costs from the measurement of the right-of-use asset and not to separate non-lease components (i.e. service charges) from lease payments.

The Company has an option to extend the office property lease term for a further five years. The current assessment has determined that it is probable this option will be exercised by the Company at the end of the current lease term, therefore, the lease liability includes this option as part of the lease term.

The interest rate implicit in the lease could not be readily determined, therefore, the incremental borrowing rate of 1.3% has been used as at 1 January 2019.

The transition to IFRS 16 had the following impact as at 1 January 2019:

The Group and Company as a lessee recognised an additional £575,000 as a right-of-use asset, and an additional £575,000 as a lease liability (comprising a current liability of £83,000, and a non current liability of £452,000), with no adjustment required to equity. A new note to the accounts, Note 21, is added as additional disclosure.

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

The following new and revised Standards and Interpretations are applicable in the year. Their application has not had any significant impact on the amounts reported in these financial statements.

Annual Improvements to IFRS 2015-17 cycle; amendments to IAS 12 Income tax consequences of payments on financial instruments classified as equity; IAS 23 Borrowing costs eligible for capitalisation; and IFRIC 23 Uncertainty over Income Tax Treatments.

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 1 and IAS 8 Amendments	Definition of Material
IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14	Amendment to references to the conceptual framework
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform

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.

Notes to the Financial Statements continued

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(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.

(o) Nature and purpose of reserves

Ordinary share capital

The ordinary share capital on the balance sheet relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

Share premium account

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising ordinary shares of 5p.

Capital redemption reserve

The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

Other capital reserves

Gains and losses on disposal of investments and changes in fair values of investments are transferred to the capital reserve. The capital element of the management and performance fees and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve.

Revenue reserve

This reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(p) Leases

A lease is identified at inception of a contract where it conveys rights to control the use of an identified asset for a period of time in exchange for consideration. At commencement, the Company as a lessee recognises a right-of-use asset equal to the lease liability at inception plus any direct costs, and the lease liability is measured at the present value of the unpaid lease payments discounted at the incremental borrowing rate of the Company. Subsequently, the Company as a lessee applies the cost model to the right-of-use asset which is depreciated over the useful life of the right-of-use asset and the lease liability is increased by interest on the outstanding balance and reduced by lease payments paid. A remeasurement of the right-of-use asset and the lease liability occurs when there is a change to the lease contract.

The Company has elected not to separate any non-lease element from the lease payments.

2 INVESTMENT INCOME

	2019 £'000	2018 £'000
UK dividends from listed investments	22,393	18,648
UK special dividends from listed investments	2,085	1,660
Total UK dividends	**24,478**	20,308
Overseas dividends from listed investments	39,089	36,726
Overseas special dividends from listed investments	1,476	1,074
Overseas stock dividends from listed investments	2	–
Fixed interest and convertible bonds	–	92
Total investment income	**65,045**	58,200

	2019 £'000	2018 £'000
Analysis of investment income by geographical segment:		
United Kingdom	24,478	20,308
North America	7,062	7,622
Continental Europe	15,053	11,644
Japan	2,114	2,269
Asia Pacific (ex Japan)	8,598	9,403
Latin America	276	230
Other	7,464	6,724
Total investment income	65,045	58,200

3 OTHER INCOME

	2019 £'000	2018 £'000
Deposit interest	138	214
Stock lending income	557	278
Income from the subsidiary company's third party business	1,528	1,084
	2,223	1,576

At 31 December 2019 the total value of securities on loan by the Company for stock lending purposes was £75,895,000 (2018: £99,424,000). The maximum aggregate value of securities on loan at any time during the year ended 31 December 2019 was £136,105,000 (2018: £102,647,000). 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 is subject to a concentration limit of 10%.

4 MANAGEMENT AND PERFORMANCE FEES

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	2,522	7,567	10,089	2,535	7,605	10,140
Performance fees	–	1,541	1,541	–	1,558	1,558
	2,522	9,108	11,630	2,535	9,163	11,698

A summary of the terms of the management agreements is given on page 21 in the Strategic Report.

5 OTHER EXPENSES

Auditor's remuneration

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

	2019 Revenue £'000	2018 Revenue £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	58	47
Fees payable to the Company's auditor and its associates for other services to the Group:		
– the audit of the Company's subsidiary	10	10
Total audit fees	68	57
Other services[1]:		
– audit-related services	38	30
– other assurance services	5	2
Total non-audit fees	43	32
Total fees paid	111	89

(1) These fees relate to the CASS audit for the year ended 31 December 2019 (£38,000) and loan compliance review fees for the Secured Bonds (£5,000) and expenses incurred in relation to the year ended 31 December 2018. The fees for this work were specifically approved by the Audit Committee (see page 50).

Notes to the Financial Statements continued

for the year ended 31 December 2019

	2019 Revenue £'000	2018 Revenue £'000
Auditor's remuneration (see page 81)	**111**	89
Tax advisory services	**121**	43
Directors' fees (see the Directors' Remuneration Report on pages 51 to 61)	**299**	278
Employers' national insurance contributions on the directors' fees	**32**	29
Employee costs (including executive director's remuneration):		
– salaries and bonuses	**1,312**	940
– employers' national insurance contributions	**178**	138
– pension contributions (or payments in lieu thereof)	**87**	87
Advisory, consultancy and legal fees	**149**	168
Investment accounting fees	**339**	333
Company secretarial fees	**150**	145
Insurances	**59**	57
Occupancy costs: office fees and rates	**88**	91
Rent	**–**	90
Depreciation on right-of-use asset – leases	**85**	–
Bank charges and overseas safe custody fees	**618**	682
Depositary fees	**133**	136
Marketing expenses	**658**	567
Savings scheme expenses (Witan Wisdom and Jump Savings)	**1,237**	1,118
Other expenses	**817**	767
Irrecoverable VAT	**200**	151
Total[1]	**6,673**	5,909

(1) The total includes costs of £1,876,000 (2018: £1,890,000) in respect of the subsidiary company's third party business which are partially offset (2018: partially 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 2019 were £101,000 (2018: £101,000). These related to investment advisory costs.

The average number of employees during the year was seven (2018: seven).

6 FINANCE COSTS

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on overdrafts and loans repayable within one year	**232**	**695**	**927**	228	683	911
Interest payable on secured bonds and notes repayable in more than five years	**1,930**	**5,790**	**7,720**	1,845	5,534	7,379
Preference share dividends	**84**	**–**	**84**	83	–	83
Interest payable on lease liability	**7**	**–**	**7**	–	–	–
	2,253	**6,485**	**8,738**	2,156	6,217	8,373

7 TAXATION

7.1 Analysis of tax charge for the year

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 19% (2018: 19%)	–	–	–	–	–	–
Foreign tax suffered	4,262	369	4,631	3,893	–	3,893
Recovery of prior years' withholding tax	(494)	–	(494)	(283)	–	(283)
Foreign tax recoverable	(740)	–	(740)	(632)	–	(632)
Total current tax for the year (see note 7.2)	3,028	369	3,397	2,978	–	2,978

7.2 Factors affecting the current tax charge for the year

The UK corporation tax rate is 19% for the year (2018: 19%). The tax assessed for the year is lower than that resulting from applying the effective standard rate of corporation tax in the UK. The difference is explained below.

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) before taxation	55,820	323,400	379,220	49,176	(210,669)	(161,493)
Corporation tax at 19% (2018: 19%)	10,606	61,446	72,052	9,343	(40,027)	(30,684)
Effects of:						
Non-taxable UK dividends	(4,651)	–	(4,651)	(3,859)	–	(3,859)
Non-taxable overseas dividends	(7,708)	–	(7,708)	(7,182)	–	(7,182)
Withholding tax suffered	3,522	369	3,891	3,261	–	3,261
Recovery of prior years' withholding tax	(494)	–	(494)	(283)	–	(283)
Non-taxable (gains)/losses on investments held at fair value through profit or loss	–	(64,428)	(64,428)	–	37,086	37,086
Excess management expenses not utilised in year	1,737	2,982	4,719	1,830	2,941	4,771
Preference dividends not deductible in determining taxable profit	16	–	16	16	–	16
Other non-taxable items	–	–	–	(148)	–	(148)
Current tax charge	3,028	369	3,397	2,978	–	2,978

7.3 Deferred tax

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to maintain that status 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 (2018: £nil).

7.4 Factors that may affect future tax charges

At 31 December 2019, the Company has excess expenses of £259,805,000 (2018: £243,368,000) carried forward. This sum has arisen due to cumulative deductible expenses having exceeded income over the life of the Company. It is considered too uncertain that there will be sufficient taxable profits against which these expenses can be offset and, therefore, in accordance with IAS 12, a deferred tax asset of £49,363,000 (2018: £41,372,000) in respect of unrelieved loan relationship deficit and unrelieved management expenses based on a prospective corporation tax rate of 19% (2018: 17%) has not been recognised. The reduction in the standard rate of corporation tax was substantively enacted on 15 September 2016 and was to be effective 1 April 2020. On 11 March 2020, the standard rate was held at 19%. Provided the Company continues to maintain its current investment profile, it is unlikely that the expenses will be utilised and that the Company will obtain any benefit from this contingent asset.

Notes to the Financial Statements continued

for the year ended 31 December 2019

8 DIVIDENDS

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend for the year ended 31 December 2018 of 1.55p(1) (2017: 1.35p(1)) per ordinary share	13,764	12,038
First interim dividend for the year ended 31 December 2019 of 1.175p (2018: 1.05p(1)) per ordinary share	10,379	9,357
Second interim dividend for the year ended 31 December 2019 of 1.175p (2018: 1.05p(1)) per ordinary share	10,276	9,357
Third interim dividend for the year ended 31 December 2019 of 1.175p (2018: 1.05p(1)) per ordinary share	10,185	9,357
Refund of unclaimed dividends	(27)	(19)
	44,577	40,090
Fourth interim dividend for the year ended 31 December 2019 of 1.825p (2018: 1.55p(1)) per ordinary share	15,783	13,764

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 minimum distribution requirements of section 1158 of the Corporation Tax Act 2010 are considered.

	2019 £'000	2018 £'000
Revenue profits available for distribution (Company only)	52,725	46,559
First interim dividend for the year ended 31 December 2019 of 1.175p (2018: 1.05p(1)) per ordinary share	(10,379)	(9,357)
Second interim dividend for the year ended 31 December 2019 of 1.175p (2018: 1.05p(1)) per ordinary share	(10,276)	(9,357)
Third interim dividend for the year ended 31 December 2019 of 1.175p (2018: 1.05p(1)) per ordinary share	(10,185)	(9,357)
Fourth interim dividend for the year ended 31 December 2019 of 1.825p (2018: 1.55p(1)) per ordinary share	(15,783)	(13,764)
Revenue retained for the year (Company only)	6,102	4,724

(1) Figures have been restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.

9 EARNINGS PER ORDINARY SHARE

The earnings per ordinary share figure is based on the net profit for the year of £375,823,000 (2018: loss of £164,471,000) and on 878,509,015 ordinary shares (2018: 891,325,835(1)), 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 securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted earnings per ordinary share are the same.

	2019 £'000	2018 £'000
Net revenue profit	52,792	46,198
Net capital profit/(loss)	323,031	(210,669)
Net total profit/(loss)	375,823	(164,471)
Weighted average number of ordinary shares in issue during the year(1)	878,509,015	891,325,835
	Pence	Pence
Revenue earnings per ordinary share(1)	6.01	5.18
Capital earnings per ordinary share(1)	36.77	(23.63)
Total earnings per ordinary share(1)	42.78	(18.45)

(1) Comparative figures for the year ended 31 December 2018 have been restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.

10 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

10.1 Analysis of investments held at fair value through profit or loss

	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Listed in the United Kingdom	599,575	599,575	560,697	560,697
Listed abroad	1,677,048	1,677,048	1,393,417	1,393,417
Investment in subsidiary undertaking	–	1,058	–	991
	2,276,623	2,277,681	1,954,114	1,955,105

10.2 Group changes in investments held at fair value through profit or loss

	Valuation 31 December 2018 £'000	Purchases £'000	Sales £'000	Investment gains/(losses) £'000	Valuation 31 December 2019 £'000	Cost 31 December 2019 £'000
United Kingdom	560,697	262,726	338,387	114,539	599,575	538,402
North America	429,007	229,369	228,342	97,197	527,231	448,733
Continental Europe	355,843	203,392	146,123	59,312	472,424	424,732
Japan	100,691	55,268	46,509	6,232	115,682	99,640
Asia Pacific (ex Japan)	284,661	142,483	177,121	34,878	284,901	236,867
Latin America	9,478	7,719	8,621	(156)	8,420	7,972
Other	213,737	66,368	36,763	25,048	268,390	217,921
	1,954,114	967,325	981,866	337,050	2,276,623	1,974,267

The above figures do not include the gains/losses on futures positions (see note 10.4).

Included in the above figures are purchase costs of £2,071,000 (2018: £1,868,000) and sales costs of £674,000 (2018: £656,000). These comprise mainly stamp duty and commission and include £Nil in respect of changes in portfolio managers (2018: £Nil).

The Group received £981,866,000 (2018: £808,032,000) from investments sold in the period. The book cost of these investments when they were purchased was £833,126,000 (2018: £794,849,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	2019 £'000	2018 £'000
Gains/(losses) on investments	337,050	(193,182)
Gains/(losses) on derivatives	3,677	(923)
	340,727	(194,105)

10.4 Derivatives

	2019 £'000	2018 £'000
Gains/(losses) on futures	3,677	(923)

Open futures contracts as at year ended 31 December 2019
There were no open contacts at 31 December 2019.

Open futures contracts as at year ended 31 December 2018

Contract	Position long £'000	Settlement value £'000	Nominal exposure £'000	Unrealised loss £'000
MSCI Emerging Markets Future	650	24,805	24,671	(134)

10.5 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. The Company holds 13.86% of the shares is issue of Electra Private Equity PLC, which represents £21,858,000 of investments held at fair value through profit of loss. 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).

Notes to the Financial Statements continued

for the year ended 31 December 2019

11 OTHER RECEIVABLES

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Sales for future settlement	1,771	1,771	2,480	2,480
Taxation recoverable	1,559	1,559	1,509	1,509
Amounts due from subsidiary	–	146	–	1,166
Prepayments and accrued income	3,420	3,419	3,509	3,509
Other debtors	510	38	700	–
	7,260	6,933	8,198	8,664

12 OTHER PAYABLES – CURRENT LIABILITIES

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Purchases for future settlement	1,225	1,225	5,195	5,195
Unrealised loss on derivatives held at fair value through profit or loss(1)	–	–	134	134
Preference dividends	39	39	39	39
Outstanding buybacks of ordinary shares	70	70	–	–
Lease liability	83	83	–	–
Accruals	5,224	4,800	4,292	3,738
	6,641	6,217	9,660	9,106

(1) The unrealised loss on derivatives in 2018 related to a long position in MSCI Emerging Markets Futures, nominal value at 31 December 2018: £24,671,000 (see note 10.4).

Other payables – non current liabilities

	Group £'000	Company £'000	Group £'000	Company £'000
Bonuses payable in more than one year	243	243	43	43
Lease liability payable in more than one year	410	410	–	–
	653	653	43	43

13 BORROWINGS

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Financial instruments redeemable other than in instalments are as follows:				
Amounts falling due within one year:				
Bank loans	**50,500**	**50,500**	81,000	81,000
Amounts falling due after more than one year:				
Secured debt:				
6.125 per cent. secured bonds due 2025	**63,663**	**63,663**	63,581	63,581
3.29 per cent. secured notes due 2035	**20,878**	**20,878**	20,873	20,873
3.47 per cent. secured notes due 2045	**53,657**	**53,657**	53,653	53,653
2.39 per cent secured notes due 2051	**49,688**	**49,688**	–	–
2.74 per cent. secured notes due 2054	**29,755**	**29,755**	29,751	29,751
	217,641	**217,641**	167,858	167,858
2,055,000 3.4 per cent. cumulative preference shares of £1 each (see note 17 on page 94)	**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 94)	**500**	**500**	500	500
	270,696	**270,696**	251,413	251,413

At the year end, the Company had a £125,000,000 secured and committed multi-currency borrowing facility with BNP Paribas, London Branch (expiring 4 December 2020). The terms of this loan facility contain covenants that total net borrowings do not exceed 20% of the NAV.

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, is redeemable on 15 December 2025.

During 2015 the Company issued £21,000,000 (nominal) 3.29 per cent. secured notes due 2035 and £54,000,000 (nominal) 3.47 per cent. 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.

During 2017 the Company issued £30,000,000 (nominal) 2.74 per cent. secured notes due 2054 net of issue costs totalling approximately £252,000. These costs will be written back over the life of the Secured notes.

During 2019 the Company issued £50,000,000 (nominal) 2.39 per cent. secured notes due 2051 net of issue costs totalling approximately £315,000. 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 undertakings and assets of the Company. The security of the charges applies pari passu to the issues. The terms of each of the four secured notes contain covenants that the NAV should at no time be less than £575,000,000 and that total net borrowings do not exceed 25% of the NAV at any time.

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.

Notes to the Financial Statements continued

for the year ended 31 December 2019

14 FINANCIAL INSTRUMENTS CONTINUED

14.1 Market risk

The fair value 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 2018. 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 reviews 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:

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	2,276,623	1,954,114
Nominal futures exposure (long position)	–	24,671

Concentration of exposure to price risks

An analysis of the Group's investment portfolio is shown on page 33. 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.

	2019		2018	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Changes to the Consolidated Statement of Comprehensive Income				
Revenue return	–	–	–	–
Capital return – investments	341,493	(341,493)	293,117	(293,117)
Capital return – futures	–	–	3,701	(3,701)
	341,493	(341,493)	296,818	(296,818)

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 Board 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 on page 89. 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.

2019	US$ £'000	Euro £'000	Yen £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	**444**	**700**	**636**	**1,833**
Cash at bank and on deposit	**349**	**105**	**1**	**587**
Payables (due to brokers, accruals and other creditors)	**(1,536)**	**–**	**–**	**(380)**
Total foreign currency exposure on net monetary items	**(743)**	**805**	**637**	**2,040**
Investments at fair value through profit or loss that are equities	**571,126**	**372,561**	**119,108**	**356,247**
Total net foreign currency exposure	**570,383**	**373,366**	**119,745**	**358,287**

2018	US$ £'000	Euro £'000	Yen £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	1,171	743	1,945	1,687
Cash at bank and on deposit	2,435	43	(47)	3,464
Payables (due to brokers, accruals and other creditors)	(2,591)	–	(191)	(2,656)
Payables (unrealised loss on derivatives held at fair value through profit or loss)	(134)	–	–	–
Total foreign currency exposure on net monetary items	881	786	1,707	2,495
Investments at fair value through profit or loss that are equities	481,383	298,295	103,345	336,776
Total net foreign currency exposure	482,264	299,081	105,052	339,271

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

Foreign currency sensitivity
The following table illustrates the sensitivity of the profit/loss 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% (2018: 15%)
£/Euro +/- 15% (2018: 15%)
£/Japanese yen +/- 15% (2018: 15%).

The sensitivity analysis is based on the Group's 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:

	2019			2018		
	US$ £'000	Euro £'000	Yen £'000	US$ £'000	Euro £'000	Yen £'000
Changes to the Consolidated Statement of Comprehensive Income						
Revenue return	**1,879**	**1,628**	**332**	1,880	1,560	337
Capital return	**100,787**	**65,746**	**21,019**	84,950	52,640	18,237
Change to the profit/loss after tax	**102,666**	**67,374**	**21,351**	86,830	54,200	18,574
Change to the shareholders' funds	**102,666**	**67,374**	**21,351**	86,830	54,200	18,574

Notes to the Financial Statements continued

for the year ended 31 December 2019

14 FINANCIAL INSTRUMENTS CONTINUED

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

	2019			2018		
	US$ £'000	Euro £'000	Yen £'000	US$ £'000	Euro £'000	Yen £'000
Changes to the Consolidated Statement of Comprehensive Income						
Revenue return	(1,389)	(1,204)	(245)	(1,389)	(1,153)	(249)
Capital return	(74,495)	(48,595)	(15,536)	(62,789)	(38,908)	(13,480)
Change to the profit/loss after tax	(75,884)	(49,799)	(15,781)	(64,178)	(40,061)	(13,729)
Change to the shareholders' funds	(75,884)	(49,799)	(15,781)	(64,178)	(40,061)	(13,729)

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.

Interest rate exposure

The exposure at 31 December 2019 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 to be repaid.

The Group's exposure to floating interest rates on liabilities is £5,777,000 (2018: £8,754,000). This represents cash holdings minus variable rate borrowing.

The Group's exposure to fixed interest rates on assets is £Nil (2018: £Nil).

The Group's exposure to fixed interest rates on liabilities is £220,196,000 (2018: £170,413,000). 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 (2018: same); the finance charge on the preference shares is at a weighted average interest rate of 3.3% (2018: 3.3%);
- the finance charge on the secured bonds is at a weighted average interest rate of 6.125% (2018: 6.125%); and
- the finance charge on the secured notes is at a weighted average interest rate of 2.96% for an average period of 27.9 years (2018: 3.23% for an average period of 27.1 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 £642,000 (2018: £1,040,000), capital return after tax by £758,000 (2018: £1,215,000), and total profit after tax and shareholders' funds by £116,000 (2018: £175,000).

This level of change is considered to be reasonably possible based on observations 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 £64,290,000 by its issue in 2000 of 6.125 per cent. secured bonds due 2025. During 2015, the Group issued 3.47 per cent. and 3.29 per cent. secured notes for £54,000,000 and £21,000,000 respectively. During 2017, the Group issued 2.74% secured notes for £30,000,000. During 2019, the Group issued 2.39 per cent. secured notes for £50,000,000. The Group is able to draw short-term borrowings of up to the sterling equivalent of £125,000,000 from its secured and committed multi-currency borrowing facility with BNP Paribas, London Branch (expiring 4 December 2020). £50,500,000 was drawn down under the facility at 31 December 2019.

Liquidity risk exposure

	2019			2018		
	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
Secured bonds[(1)]	**3,938**	**15,751**	**68,055**	3,938	15,751	71,993
Secured notes[(1)]	**4,582**	**18,327**	**267,608**	3,387	13,547	178,365
Preference shares[(2)]	**83**	**332**	**2,555**	83	332	2,555
Other creditors and accruals	**6,017**	**653**	**–**	9,005	300	–
Bank loan and interest payable	**50,553**	**–**	**–**	81,093	–	–
	65,173	**35,063**	**338,218**	97,506	29,930	252,913

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

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.

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:

- cash at bank is held only with reputable banks with high quality external credit ratings;
- 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; and
- 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.

None of the Group's financial assets 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.

	2019 £'000	2018 £'000
Cash	**44,723**	72,246
Receivables:		
Sales for future settlement	**1,771**	2,480
Taxation recoverable	**1,559**	1,509
Accrued income	**3,420**	3,509
Other debtors	**510**	700
	51,983	80,444

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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).

	2019		2018	
	Fair value £'000	Balance sheet amount £'000	Fair value £'000	Balance sheet amount £'000
Financial liabilities measured at amortised cost:				
Non current liabilities:				
Preference shares	1,354	2,555	1,354	2,555
Secured bonds	79,888	63,663	79,628	63,581
Secured notes	171,920	153,978	109,420	104,277
	253,162	220,196	190,402	170,413

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 1.10% (2018: 1.20%).

Level 1 Financial liabilities

The Company's preference shares 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 1.10% (2018: 1.20%). 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 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	2,235,351	–	–	2,235,351
Investments in other funds	–	41,272	–	41,272
Total	2,235,351	41,272	–	2,276,623

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,939,347	–	–	1,939,347
Investments in other funds	–	14,767	–	14,767
Derivatives (nominal exposure of £24,671,000)	(135)	–	–	(135)
Total	1,939,212	14,767	–	1,953,979

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 MI Somerset Emerging Markets Small Cap Fund, GMO Climate Change Fund and Vanguard Funds FTSE All-World (2018: MI Somerset Emerging Markets Small Cap Fund).

Level 3 Reconciliation of Level 3 fair value measurement of financial assets

There were no Level 3 investments at 31 December 2019 or 31 December 2018.

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 2019 was £2,321,802,000 (2018: £2,024,855,000) comprising £270,696,000 of debt (2018: £251,413,000) and £2,051,106,000 of equity share capital and other reserves (2018: £1,773,442,000).

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 £Nil at 31 December 2019 (2018: £24,671,000 long)) expressed as a percentage of shareholders' funds. At 31 December 2019 effective gearing was 11.0% (2018: 11.6%) and the calculation is set out below:

	2019 £'000	2018 £'000
Value of investments per the Balance Sheet	2,276,623	1,954,114
Add:		
Nominal exposure of futures	–	24,671
Adjusted gross value of investments (including futures nominal exposure)	2,276,623	1,978,785
Shareholders' funds per the Balance Sheet (A)	2,051,106	1,773,442
Excess of gross value of investments over shareholders' funds (B)	225,517	205,343
Effective gearing (B as a percentage of A)	11.0%	11.6%

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.

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 (see also note 13 on page 87 for details of other covenants);
- 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.

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15 CALLED UP SHARE CAPITAL

	Group and Company 2019 £'000	Group and Company 2018 £'000
Called up and issued:		
865,978,435 ordinary shares of 5p each (2018: 891,046,840[(1)])	43,299	44,552
Held in treasury:		
134,376,565 ordinary shares of 5p each (2018: 109,308,160[(1)])	6,719	5,466
Total 1,000,355,000 shares (2018: 1,000,355,000[(1)])	50,018	50,018

During the year, 25,068,405 ordinary shares were bought back at a cost of £53,582,000 (2018: 1,201,105 [(1)] shares bought back at a cost of £2,518,000). All the shares bought back were placed in treasury. Shares held in treasury do not carry a right to receive a dividend.

In the event of a poll at a general meeting of the Company, an ordinary shareholder who is present in person or by proxy has one vote for every £0.05 nominal value of shares registered in their name. Accordingly, on a poll, each ordinary shareholder has one vote for every share held.

(1) Comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.

16 RESERVES

Other capital reserves of £1,768,281,000 (2018: £1,498,832,000) comprises capital reserve arising on investments sold of £1,465,925,000 (2018: £1,384,924,000) and capital reserve arising on revaluation of investments held of £302,356,000 (2018: £113,908,000).

17 PREFERENCE SHARES

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

	Group and Company 2019 £'000	Group and Company 2018 £'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 any 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 preference shareholder has 20 votes for every one share held.

18 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share of 236.85p (2018: 199.03p[(1)]) is based on the net assets attributable to the ordinary shares of £2,051,106,000 (2018: £1,773,442,000) and on the 865,978,435 ordinary shares in issue at 31 December 2019 (2018: 891,046,840[(1)]).

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

	£'000
Total net assets at 1 January 2019	**1,773,442**
Total profit for the year	**375,823**
Dividends paid in the year on the ordinary shares (see note 8)	**(44,577)**
Share buybacks	**(53,582)**
Net assets attributable to the ordinary shares at 31 December 2019	**2,051,106**

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company, bonuses and leases payable in greater than one year, 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 2019 calculated on this basis is 233.12p (2018: 196.67p[(1)]) as set out below.

	2019		2018	
	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	**2,271,955**	**2,271,955**	1,943,898	1,943,898
Liabilities at Balance Sheet value/fair value	**(220,849)**	**(253,815)**	(170,456)	(191,462)
	2,051,106	**2,018,140**	1,773,442	1,752,436
Ordinary shares in issue at 31 December	**865,978,435**	**865,978,435**	891,046,840	891,046,840
NAV per share	**236.85p**	**233.05p**	199.03p	196.67p

(1) Comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.

19 RECONCILIATION OF GROUP LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2019				2018		
	Long-term debt £'000	**Short-term debt £'000**	**Lease liability £'000**	**Total £'000**	Long-term debt £'000	Short-term debt £'000	Total £'000
Opening liabilities from financing activities	**170,413**	**81,000**	**–**	**251,413**	170,365	73,000	243,365
Adoption of IFRS 16 on a modified retrospective basis	**–**	**–**	**575**	**575**	–	–	–
Cash flows:							
Net (repayment)/drawdown of bank loans	**–**	**(30,500)**	**–**	**(30,500)**	–	8,000	8,000
Issue of secured notes net of expenses	**49,685**	**–**	**–**	**49,685**	–	–	–
Repayment of lease finance	**–**	**–**	**(89)**	**(89)**	–	–	–
Non-cash:							
Effective interest	**98**	**–**	**–**	**98**	48	–	48
Interest on lease liability	**–**	**–**	**7**	**7**			
Closing liabilities from financing activities	**220,196**	**50,500**	**493**	**271,189**	170,413	81,000	251,413

20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2019 and 31 December 2018 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 five years in October 2010. In October 2015 the lease was renewed for a further five years.

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21 LEASE ARRANGEMENTS

21.1 Right-of-use asset: property

	2019 £'000	2018 £'000
Opening balance	–	–
Adoption of IFRS 16 on a modified retrospective basis	575	–
Additions during the period	–	–
Depreciation through profit and loss	(85)	–
Closing balance	490	–

21.2 Lease liabilities

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:

	2019 £'000	2018 £'000
Within one year	89	73
In the second to fifth years inclusive	356	73
After the fifth year	67	–
Total undiscounted lease payments at the end of the period	512	146

At the Balance Sheet date, the Group had a discounted lease liability as follows:	2019 £'000	2018 £'000
Current	83	–
Non current	410	–
Total lease liability	493	–

21.3 Amounts recognised in the profit/(loss) for the year

	2019 £'000	2018 £'000
Depreciation on right-of-use asset	85	–
Interest on lease liability	7	–

21.4 Outflows recognised in the cash flow statement for the year:

Financing	2019 £'000	2018 £'000
Repayment of lease finance	89	–

21.5 Other leasing information

The 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. The lease liability calculated above is based on a working assumption that the lease is renewed for five years, on similar terms.

21.6 Information on transition

The lease commitments of the Group and Company as lessee as at 31 December 2018 discounted at the incremental borrowing rate are different from the lease liability recognised on transition as at 1 January 2019 due to the additional five year lease period and non-separation of the service charge element as follows:

	Previously stated at 31 December 2018 £'000	Lease payments on 5 year lease term extension £'000	Non-lease payments for service charges £'000	At transition date 1 January 2019 £'000
Within one year	73	–	16	89
In the second to fifth years inclusive	73	219	64	356
More than the fifth year	–	128	28	156
Total undiscounted lease payments	146	347	108	601
Total discounted lease payments	144	328	104	576

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 £443,000 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 53 to 55.

Directors' transactions

Dividends totalling £258,000 (2018: £234,000) were paid in the year in respect of ordinary shares held by the Company's directors.

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 80. Analyses of expenses by geographical segment and of profit by geographical segment have not been given as it is not possible to prepare such information in a meaningful way. An analysis of the investments by geographical segment is set out in note 10 on page 85. 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 2019			31 December 2018		
	Investment trust £'000	**Management services £'000**	**Total £'000**	Investment trust £'000	Management services £'000	Total £'000
Revenue(1)	**65,740**	**1,528**	**67,268**	58,691	1,085	59,776
Interest expense	**8,738**	**–**	**8,738**	8,373	–	8,373
Net result	**375,823**	**–**	**375,823**	(164,471)	–	(164,471)
Carrying amount of assets	**2,050,048**	**1,058**	**2,051,106**	1,772,451	991	1,773,442

(1) 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 2019 of 1.825p per ordinary share (see also page 13 and note 8 on page 84).

From 1 January to 9 March 2020, 1,378,987 ordinary shares of 5p were bought back for £3.1m.

Subsequent to the year end, equity markets experienced substantial falls associated with uncertainties linked to the COVID-19 virus epidemic. As at 9 March 2020 the Company's net asset value (debt at par value) total return had declined by 18.4%. See comments in the CEO's review on pages 14-15.

Other Financial Information (unaudited)

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 2019 are detailed below.

GLOBAL DATA

The amount of securities on loan as a proportion of total lendable assets and of the Company's net assets at 31 December 2019 is disclosed below:

Stock lending

Market value of securities on loan	% of lendable assets	% of AUM
£75,895,000	**3.33**	**3.32**

CONCENTRATION DATA

The ten largest collateral issuers across all the securities financing transactions as at 31 December 2019 are disclosed below:

Issuer	Market value of collateral received £'000
France Treasury	**26,921**
Government of Germany	**21,731**
Legrand	**6,369**
Ameriprise Financial	**6,340**
Givaudan	**6,312**
Banco Santander	**4,436**
Volkswagen	**1,989**
Nestlé	**1,649**
UBS	**1,465**
Ericsson	**1,131**
	78,343

The top counterparties of each type of securities financing transactions as at 31 December 2019 are disclosed below:

Counterparty	Market value of securities on loan £'000
BNP Paribas	**48,227**
J P Morgan	**21,073**
Citigroup	**6,246**
HSBC	**349**
	75,895

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 2019:

Stock lending

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	Non Cash	BNP Paribas	368
		Equity	Main Market Listing	EUR	Triparty	BNP Paribas	6,369
		Equity	Main Market Listing	CHF	Triparty	BNP Paribas	3,114
		Government Bond	Investment Grade	EUR	Non Cash	BNP Paribas	4,106
		Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	37,366
Citigroup	US	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	4,396
		Equity	Main Market Listing	USD	Triparty	BNP Paribas	1,241
		Equity	Main Market Listing	SEK	Triparty	BNP Paribas	1,195
		Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	44
HSBC	Hong Kong	Equity	Main Market Listing	EUR	Triparty	BNP Paribas	51
		Equity	Main Market Listing	USD	Triparty	BNP Paribas	1
		Corporate Bond	Investment Grade	EUR	Triparty	BNP Paribas	2
		Government Bond	Investment Grade	JPY	Triparty	BNP Paribas	216
		Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	100
J P Morgan	US	Equity	Main Market Listing	USD	Triparty	BNP Paribas	6,340
		Equity	Main Market Listing	CHF	Triparty	BNP Paribas	6,312
		Equity	Main Market Listing	EUR	Triparty	BNP Paribas	3,180
		Government Bond	Investment Grade	EUR	Triparty	BNP Paribas	7,168
							81,569

All of 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
£743,000	£186,000	25%	£557,000	75%

Additional Shareholder Information

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 October 2019.

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 32;
- 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.

SHAREHOLDER INFORMATION

Points of reference

Shareholders can follow the progress of their 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 BJTRSD3.

Dividend

A fourth interim dividend of 1.825p per share has been declared, payable on 3 April 2020. The record date for the dividend was 28 February 2020 and the ex-dividend date for the dividend was 27 February 2020 (see pages 13 and 84).

Dividend Tax Allowance

From April 2019 individuals have an annual £2,000 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.

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.

Beneficial Owners of Shares – Information Rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 should direct all communications to the registered holder of their shares rather than to the Company's Registrar, Computershare, or to the Company directly.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Benchmark: with effect from 1 January 2020, the Company's equity benchmark is 15% UK, 85% World (including the UK). From 2017-2019 the benchmark was a composite of five indices: the FTSE All-Share Index 30%, the FTSE All-World North America Index 25%, the FTSE All-World Europe (ex UK) Index 20%, the FTSE All-World Asia Pacific Index 20% and the FTSE Emerging Markets Index 5%.

Gearing: 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 page 93.

Net asset value per share (debt at par and debt at fair value): This is the value of total assets less all liabilities of the Company. The Net Asset Value, or NAV, per ordinary share is calculated by dividing this amount by the total number of ordinary shares in issue (excluding those shares held in treasury). Please refer to note 18 on page 95.

Net asset value total return: Total return on net asset value ('NAV'), on a debt at fair value to debt at fair value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Year ended 31 December 2019	Year ended 31 December 2018[1]
Opening cum income NAV per share (p) (A)	**196.7**	219.2
Closing cum income NAV per share (p) (B)	**233.1**	196.7
Total dividend adjustment factor[2] (C)	**1.023620**	1.020824
Adjusted closing cum income NAV per share (B x C = D)	**238.6**	200.8
Net asset value total return (D/A - 1)	**21.3%**	-8.4%

(1) Comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.
(2) The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum income NAV at the ex-dividend date.

Net contribution from borrowing: The estimated percentage contribution to NAV attributable to gearing, net of the cost of gearing, as a percentage of NAV.

Ongoing charge: The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue as a collective fund, excluding the costs of acquisition and disposal, finance costs and gains or losses arising on investments. The calculation is performed in accordance with the guidelines issued by the AIC. Please refer to page 21.

Premium/discount: The amount by which the market price per share is either higher (premium) or lower (discount) than the net asset value per share expressed as a percentage of the net asset value per share.

Share price total return: Share price total return, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Year ended 31 December 2019	Year ended 31 December 2018[1]
Opening share price (p) (A)	**194.2**	215.8
Closing share price (p) (B)	**231.5**	194.2
Total dividend adjustment factor[2] (C)	**1.024300**	1.021141
Adjusted closing share price (B x C = D)	**237.1**	198.3
Share price total return (D/A – 1)	**22.1%**	-8.1%

(1) Comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.
(2) The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Additional Shareholder Information continued

HISTORICAL RECORD

		Debt at fair value		Debt at par value			
	Market price per ordinary share in pence(1)	Net asset value per ordinary share in pence(1),(2)	Share price (discount)/ premium %(2)	Net asset value per ordinary share in pence(1),(3)	Share price discount %(3)	Earnings per ordinary share in pence(1)	Dividends per ordinary share in pence(1)
31 December 2009	88.9	99.4	(10.5)	100.5	11.6	2.10	2.10
31 December 2010	103.3	115.6	(10.7)	116.9	11.6	1.90	2.20
31 December 2011	90.0	100.7	(10.7)	103.4	12.9	2.70	2.40
31 December 2012	100.6	113.8	(11.6)	116.4	13.5	2.90	2.60
31 December 2013	133.8	143.5	(6.8)	145.0	7.7	3.10	2.90
31 December 2014	150.7	149.8	0.6	152.1	0.9	3.20	3.10
31 December 2015	156.0	156.2	(0.2)	157.7	1.1	3.70	3.40
31 December 2016	180.4	187.8	(4.0)	190.6	5.3	4.40	3.60
31 December 2017	215.8	219.2	(1.6)	222.0	2.8	4.80	4.20
31 December 2018	194.2	196.7	(1.3)(4)	199.0	(2.5)	5.20	4.70
31 December 2019	**231.5**	**233.1**	**(0.7)(4)**	**236.9**	**(2.3)**	**6.01**	**5.35**

(1) Comparative figures for the years 2009–2018 have been restated due to the sub-division of each ordinary share of 25p into five ordinary shares of 5p each on 28 May 2019.
(2) 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/premium reflects this calculation.
(3) 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/premium reflects this calculation.
(4) The average discount to the net asset value, including income, with debt at fair value, in 2019 was 2.8% (2018: 1.6%). (source: Datastream)

HOW TO INVEST

There are various ways to invest in Witan Investment Trust plc. Witan's shares can be traded through any UK stockbroker and most share dealing services and platforms that offer investment trusts (including Hargreaves Lansdown, Barclays Smart Investors, Fidelity, Halifax Share Dealing Limited, Interactive Investor and A J Bell), as well as Computershare, the Company's Registrars. Advisers who wish to purchase Witan shares for their clients can do so via a stockbroker or via a growing number of dedicated platforms (including Seven Investment Management, Transact and Fidelity FundsNetwork).

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 pooled investment products because they are shares in a UK-listed investment trust.

Notes

Contacts

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

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Telephone: 020 3008 4910

CUSTODIAN, INVESTMENT ADMINISTRATOR AND DEPOSITARY

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10 Harewood Avenue
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REGISTRAR

Computershare Investor Services PLC
The Pavilions
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Bristol BS99 6ZZ
Telephone: 0370 707 1408[1]

(1) 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.

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The Company is a member of:

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.

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'.

Shareholders who suspect they may have been approached by fraudsters should advise the Financial Conduct Authority ('FCA') using the share fraud report form at www.fca.org.uk/scams or call the FCA Customer Helpline on 0800 111 6768. You may also wish to call either the Company Secretary or the Registrar at the numbers provided above.

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