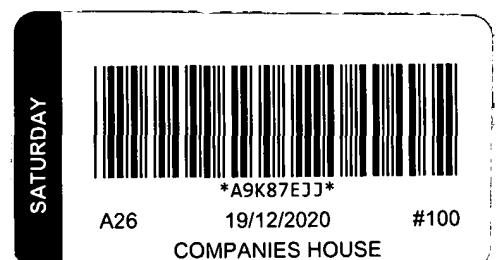


Company Registration No. 03311531 (England and Wales)

WINTON CAPITAL MANAGEMENT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019



WINTON CAPITAL MANAGEMENT LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

	Page
Strategic report	1 – 5
Directors' report	6 – 8
Independent auditor's report	9 – 10
Profit and loss account	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14 – 24

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The purpose of this Strategic Report is to inform shareholders and help them assess how the directors have performed their duties to promote the success of Winton Capital Management Limited (the "Company").

Throughout 2019, the Company has continued to act as the main operating entity within the Winton group of companies (the "Winton Group" or "Winton"). It employs all the UK based staff, is the contractual counterparty to the majority of the Group's service providers in the UK, and acts as the portfolio manager or investment adviser to most of the Group's clients. This Strategic Report should therefore be read in conjunction with the Group Strategic Report included in the Annual Report of the parent entity, Winton Group Limited ("WGL").

Business description and model

Winton is a research-led investment management company with a singular focus on statistical and mathematical inference in financial markets. Founded in 1997 by CEO David Harding, the firm manages billions of dollars of assets for many of the world's largest pension funds, sovereign wealth funds, banks and fund platforms.

Winton uses technology and mathematics to uncover abstract patterns and order in global financial markets. It then develops and implements algorithms to profit from this order, to help invest and grow the money people are saving for their future.

The Winton Group comprises a number of entities, including the Company which carries on the portfolio management activities of the Group and is the Alternative Investment Fund Manager ("AIFM") for several funds that launched in 2018 as well as for Winton-titled Alternative Investment Funds ("AIFs") that transferred from Winton Fund Management Limited ("WFM") in 2019.

The Company is incorporated in England and Wales. It is authorised and regulated by the UK Financial Conduct Authority as an AIFM, is registered with the US Commodity Futures Trading Commission as a commodity pool operator and commodity trading adviser and with the US Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940. The Company is also a Member of the US National Futures Association.

Review of business in 2019

Key financial highlights

The key financial highlights, as set out in the audited financial statements, are as follows:

	2019	2018
	£'000	£'000
Revenue	141,009	172,314
Operating profit	39,739	59,456*
Taxation	6,457	11,644
Profit after tax	32,218	49,901*
Total dividends paid	69,363	61,010
Shareholders' funds at year end	101,641	137,583*
Average number of employees	230	296

*Restated. The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

During 2019, the Company's average Assets under Advisement ("AuA") decreased which resulted in lower levels of management fees in 2019. Performance fees were also lower in 2019 reflecting the relatively modest performance by Winton's range of systematic strategies.

Administrative expenses decreased from £112m to £100m in the year. This was driven by a reduction in both staff and non-staff costs.

Developments in the business

The Company employs all the Winton Group's UK based staff and the average number of employees is shown in note 21. The Company has maintained its long-term strategy of investing for growth and is continuing to invest in its research, data and technology capabilities to improve the results of its investment strategies and to develop new products.

Year-end resources

The Company entered 2020 with shareholders' funds of £101.6m and cash reserves of £61.7m.

Strategy and future developments

As the major operating entity within the Winton Group, the Company's strategy is to continue to implement the strategy of the Winton Group in so far as it applies to Winton's operations in the UK, including acting as the portfolio manager of the Winton-titled AIFs and the investment adviser to other clients of Winton.

In December 2017, the Company varied its regulatory permissions to be approved to manage AIFs. During 2019, the remaining funds to which WFM acted as AIFM were transferred to the Company.

The United Kingdom has ceased to be a member of the European Union ('Brexit'). Although there remains considerable uncertainty with a range of possible outcomes and timeframes for many aspects of the UK's exit from the EU, Winton believes that its revenues and operations would not be materially impacted by Brexit. Winton Group Limited is monitoring the potential impact of Brexit on relevant subsidiary companies and their businesses.

Further information about the strategy of the Winton Group is given in the Group Strategic Report included in the Annual Report of WGL.

Social and environmental responsibility

Winton is committed to engaging with the communities it is a part of and with wider society through charitable and sponsorship activities by the Group and its employees. Employees are able to make their own personal contributions to charities of their choice through the Group's charity policy which matches individual contributions generally up to £10,000 per employee per year. During the year, the Company made total charitable donations of £107k (2018: £126k).

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Corporate Governance and s172 Statement

Winton's corporate governance structure includes the WGL Board, the WGL Board committees and Winton's other decision-making committees. The WGL Board is responsible for the governance of Winton and its subsidiaries, and for setting the purpose and values of the Group. It includes both executive and non-executive directors, including the Group's majority shareholder as well as other shareholders.

The WGL Board appointed Martin Hunt as Chair of the WGL Board in July 2019. Mr Hunt co-founded Winton in 1997 and spent 13 years at the Group before stepping back from an executive role in 2010. Prior to his role as Chair, he was Chair of The Winton Fund and a director on several other Winton-titled fund boards.

The WGL Board is responsible for the long-term success of the Group and considers specifically the interests of the Group's key stakeholders in its decision-making. These stakeholders include the Group's clients, regulators, third-party suppliers, shareholders and employees.

Through written reports and presentations, the WGL Board receives, reviews and discusses information from across the Group on topics including the Group's strategy, financial performance, operational matters, key risks, and legal and regulatory compliance.

The WGL Board's relevant responsibilities to the Group's stakeholders include:

- transparent reporting to, and active engagement with, clients and shareholders;
- supporting a high-level of employee engagement and interaction between managers and their teams;
- setting an appropriate quarterly remuneration strategy that both incentivises employees and promotes high standards of professional and ethical conduct; and
- ensuring compliance by the Group with its articles of association and relevant legal, regulatory and governance requirements, including the shareholders' agreement.

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties, including use of financial instruments

The Group has identified the key business risks set out below, each of which, if not appropriately mitigated, could lead to a substantial decline in AuA due to significant redemptions or sustained poor performance, which in turn would lead to a decline in fee income for the Group, or could result in a direct risk to the assets and liabilities on the Group's balance sheet. The business risks facing the Group are considered to apply equally to the Company.

Investment risk

The overriding objective of the Group's investment risk management is to avoid a permanent impairment of investor capital. This objective informs both the design and operation of Winton's investment strategies.

The Group considers investment risk to comprise both market event risk, which is the possibility that an unforeseen event such as a terrorist strike or natural disaster, including pandemics or any other serious public health concern, could cause sudden and extreme trading losses; and systemic risk, the risk of overcrowding in particular markets or trades which could lead to temporary market distortions that prove unprofitable for the investment portfolios.

Key strategies to mitigate these risks include operating the investment portfolios with low levels of leverage, diversifying holdings across many liquid markets, and designing the investment systems such that they do not require rapid portfolio rebalancing in extreme market conditions.

Non-investment risks

Mis-selling and misrepresentation risk

This is the risk of Winton's employees mis-selling to, or misleading, an investor about the characteristics of a product or service, and also includes the risk of being misrepresented by a third-party distributor. Winton's vulnerability is centred on the material Winton provides for the promotion of the funds it advises. Winton is not liable for the way in which third-party funds have been promoted beyond its provision of such materials. Mitigants include controls over the production, review and dissemination of marketing materials; clear policies on client interactions and meetings; and regular communication with investors.

Regulatory and conduct risk

This is the risk that a change in laws and regulations will directly affect Winton's trading, or that the retrospective reinterpretation of existing regulations or inappropriate employee behaviour leads to regulatory fines. Examples of regulatory interventions that could have a negative impact on Winton's business include transaction taxes, short sale restrictions, restrictions on commodity futures trading, and foreign exchange controls.

While it is not possible to mitigate all such risks, Winton's Compliance function monitors proposed and actual regulatory changes. A strong governance culture exists throughout the Group with the highest priority placed on understanding new regulations to assess their applicability and act accordingly rather than treating regulation as a "box-ticking exercise".

Conduct risk is mitigated by a rigorous employee vetting process; a culture of ethical and thoughtful behaviours throughout all of Winton's activities; ongoing compliance training and appropriate regulatory registrations; and compliance policies applicable to all employees.

Key person risk

This is the risk of key individuals relevant to Winton's business becoming incapacitated, poor incentive structures or ineffective management. This risk is mitigated by a strong senior management team with identified alternates in the event of incapacity, oversight by the Remuneration Committee of incentive structures and compensation of senior managers and periodic training.

WINTON CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Technology and cyber security risk

This is the risk relating to the unauthorised use of Winton's IT systems, either maliciously or accidentally, by internal or external parties. This might result in the loss of Winton's ability to access markets, funds or information from third parties; personal customer or employee information; intellectual property; and ultimately a disruption of Winton's ability to operate. Risk mitigants include a dedicated information security team; user access controls; ongoing cyber security training for all staff; and the enforcement of information security and acceptable use policies. It also includes the risks relating to the failure or loss of corporate or public IT infrastructure, such as the destruction of a data centre or communication links; destruction or inaccessibility of premises; or a cyber-attack. Risk mitigants include multiple data centres with ability to switch IT operations between them; and a business continuity and disaster recovery plan.

Fraud risk

In a financial services business involving large sums of money, the risk of a fraud costing a few basis points of AuA but amounting to millions of pounds must be borne in mind. It is reduced in Winton's case by the fact that Winton does not, and is not permitted to, hold money for its clients. Nevertheless, Winton advises on and initiates billions of dollars of transactions which must introduce risk. Another type of fraud risk relates to external counterparties, for example fraud committed by a third party service provider or counterparty in relation to assets held that belong to Winton or Winton's investors (e.g. custodians, clearing brokers). Fraud risk is mitigated by a robust control framework including daily reconciliations of holdings and valuations between Winton's records and those of the institutions holding the accounts; strict signatory controls and regular reconciliation procedures over Winton's own cash resources; appropriate segregation of duties; thorough review of contractual agreements; and ongoing third-party oversight processes including regular due diligence visits.

COVID-19

In response to the impact of the coronavirus (COVID-19) outbreak, Winton has successfully tested and implemented business continuity procedures that have included the majority of Winton's staff working from home, pausing all international travel, asking staff to avoid public transport and introducing other social distancing measures in accordance with relevant government guidance. Winton is also monitoring the BCP effectiveness of key service providers. The pandemic is causing significant financial market and social dislocation and the ultimate extent of the effect of this on the Company is uncertain, but the Directors remain confident as to the Company's continued viability.

On behalf of the Board



B Rentoul
Director

29 May 2020

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors of the Company present their annual report and financial statements for the year ended 31 December 2019.

Directors

The following directors have held office since 1 January 2019 unless otherwise stated:

Executive:

D W Harding

B Rentoul

A Moss (resigned on 23 April 2019)

Review of business and future developments

A review of the business is covered in the Strategic Report.

Results and dividends

The profit and loss account for the year is set out on page 11. During the year the Company paid interim dividends as set out in note 9.

Post balance sheet events

Post balance sheet events are set out in note 23.

Employee engagement

Equal opportunities

Winton is committed to providing equal opportunities in employment and to avoiding unlawful discrimination. Winton's policy is to treat everyone fairly regardless of their age, gender, race, sexual orientation, disability, educational background, religion or beliefs.

Winton gives full and fair consideration to all applications for employment, including applications from disabled persons, having regard to particular aptitudes and abilities. If employees become disabled, appropriate support is provided and employment continues wherever possible, with retraining given if necessary. For the purposes of training, career development and progression, all employees are treated equally.

Employee involvement

Employees receive regular updates on developments in Winton's business via company meetings, which are attended by all employees globally, either in person or via video-link, and via regular postings on Winton's intranet. Each employee also has a formal annual review during which they discuss their own personal performance, and that of their team as well as developments in the business that affect them.

Where local regulations permit, all employees are eligible to participate in the Group's share purchase scheme, whereby employees and shareholders can apply to purchase or sell shares in the Group on a quarterly basis at a market price determined by an independent valuer. All shares rank for receipt of dividends when, taking into account regulatory and Group investment statutory requirements, the directors decide that profits are available for distribution.

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Employee training, health and safety

Education and training is provided to employees to seek to ensure regulatory requirements are met and encourages employees to recognise and value its corporate social responsibilities. High standards of health and safety at work are promoted and there is a health and safety policy incorporated into the staff handbook that highlights the commitment to ensuring employees are provided with a safe and healthy working environment.

Fostering business relationships with suppliers, customers and others

This is covered in the Strategic Report.

Pillar III disclosure

The qualitative disclosures to comply with Pillar III of the FCA Capital Requirements Directive can be found on the Group's web site at www.winton.com

Research and development

The success of Winton's business is rooted in its singular focus on scientific research and the proficient application of the scientific method. The requires significant and sustained investment in technology, data and personnel.

Principal risks and uncertainties, including use of financial instruments

This is covered in the Strategic Report.

Auditor

The Company's auditor, KPMG LLP, has indicated its willingness to continue in office.

WINTON CAPITAL MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



B Rentoul
Director

29 May 2020

Registered address:
20 Old Bailey
London
EC4M 7AN

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WINTON CAPITAL MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Winton Capital Management Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and loss account, the Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WINTON CAPITAL MANAGEMENT LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

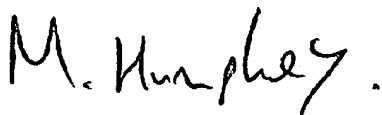
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Matthew Humphrey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 May 2020

WINTON CAPITAL MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019	2018
	Notes	£'000	(Restated*) £'000
Revenue	2	141,009	172,314
Distribution costs		<u>(1,038)</u>	<u>(818)</u>
Net revenue		139,971	171,496
Administrative expenses		<u>(100,232)</u>	<u>(112,040)</u>
Operating profit	3	39,739	59,456
Profit on disposal of fixed assets	4	-	1,115
Interest receivable and similar income	5	606	362
Investment and foreign exchange gains and (losses)	6	(1,408)	813
Interest payable and similar expenses	7	<u>(262)</u>	<u>(201)</u>
Profit on ordinary activities before taxation		38,675	61,545
Tax on profit on ordinary activities	8	<u>(6,457)</u>	<u>(11,644)</u>
Profit on ordinary activities after taxation		<u>32,218</u>	<u>49,901</u>

No other comprehensive income was recognised during the year.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 - 24 are an integral part of the financial statements.

*The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019	2018
	Notes	£'000	(Restated*) £'000
Fixed assets			
Tangible assets	10	3,239	3,742
Investments	11	<u>16,069</u>	<u>11,528</u>
		19,308	15,270
Current assets			
Debtors	12	44,791	98,290
Investments	14	3,725	267
Cash at bank and in hand		<u>61,707</u>	<u>79,032</u>
		110,223	177,589
Creditors : amounts falling due within one year	15	<u>(26,624)</u>	<u>(53,736)</u>
Net current assets		<u>83,599</u>	<u>123,853</u>
Total assets less current liabilities		102,907	139,123
Creditors : amounts falling due after more than one year	16	<u>(1,266)</u>	<u>(1,540)</u>
Net assets		<u>101,641</u>	<u>137,583</u>
Share Capital and reserves			
Called up share capital	18	2,391	2,391
Share premium account		9,816	9,816
Other reserves	18	21,056	19,853
Profit and loss account		<u>68,378</u>	<u>105,523</u>
Shareholders' funds		<u>101,641</u>	<u>137,583</u>

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



B Rentoul
Director

29 May 2020
Company Registration No. 03311531

The notes on pages 14 - 24 are an integral part of the financial statements.

*The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2018 (*Restated)	Called up share capital £'000	Share Premium account £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2018	2,391	9,816	18,107	116,642	146,957
Profit for the period	-	-	-	49,901	49,901
Foreign currency translation differences	-	-	-	(10)	(10)
Total comprehensive income for the period	-	-	-	49,891	49,891
Share awards expensed	-	-	1,746	-	1,745
Dividends	-	-	-	(61,010)	(61,010)
Total contributions by and distributions to owners	-	-	1,746	(61,010)	(59,265)
Balance at 31 December 2018	2,391	9,816	19,853	105,523	137,583
2019	Called up share capital £'000	Share Premium account £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2019	2,391	9,816	19,853	105,523	137,583
Profit for the period	-	-	-	32,218	32,218
Total comprehensive income for the period	-	-	-	32,218	32,218
Share awards expensed	-	-	1,203	-	1,203
Dividends	-	-	-	(69,363)	(69,363)
Total contributions by and distributions to owners	-	-	1,203	(69,363)	(68,160)
Balance at 31 December 2019	2,391	9,816	21,056	68,378	101,641

The notes on pages 14 - 24 are an integral part of the financial statements.

*The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

The Company is a private company, limited by shares and incorporated and domiciled in the UK. Set out below is a summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year.

1.1 Basis of preparation

These financial statements have been prepared in accordance with applicable UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Companies Act 2006.

The Company has performed a cash flow forecast to consider specifically the future impact of the recent Covid-19 pandemic on its ability to continue as a going concern. In preparing the forecasts, plausible downside assumptions were considered, of which the following were key: the impact of continued reduction in revenue and AuA for the next twelve month period, settlement of all opening liabilities and no reductions in the level of expenditure. The cash flow forecast under such a scenario demonstrates that the Company will be able to continue to operate for a forecast period of at least twelve months from the approval date of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

These financial statements are prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The financial statements are denominated in pounds sterling as this is the principal currency in which the Company's activities are conducted.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

1.2 Revenue

Revenue represents fees receivable (excluding value added tax) during the period for discretionary investment management and advisory services. Management fees and performance fees are recognised in the period earned. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which the performance is measured or upon early redemption by a client.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1.5 Deferred discretionary retention awards

Staff costs include amounts in respect of deferred discretionary retention awards which have been granted to certain senior staff. The amounts payable under the awards are recognised in staff costs over the vesting period. Amounts payable under the awards are indexed to the performance of the principal fund to which the Company acts as investment adviser and the accrual is adjusted for changes in the expected amounts payable.

During the year, a new arrangement involving the ESOP was introduced under the deferred bonus scheme. Under this new arrangement, which was voluntary to elect, deferred bonus amounts are contributed to the ESOP, matched by the ESOP by a pre-agreed percentage and subsequently invested in The Winton Fund Limited. On vesting after 5 years, award holders may be entitled to units in the underlying fund if certain conditions are satisfied. The amounts payable under this new scheme are recognised in staff costs over the vesting period.

1.6 Pensions

The Company contributes to individual employees' personal pension plans. Contributions payable are charged to the profit and loss account when they fall due.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold land and buildings - improvements	3 years straight line
Plant and machinery	3-5 years straight line
Fixtures, fittings & equipment	3 years straight line

1.8 Operating leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes at the rate expected to be in force at the time of the reversal. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.11 Dividends

Dividends are accounted for when declared and legally payable.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1.12 Employee Share Ownership Plans

The Company operates ESOP trusts over which it has de facto control of the assets held by the trusts and bears their benefits and risk. It therefore records the assets and liabilities, the results and the cash flows of the trusts as its own. Any profit or loss realised from the sale and purchase of shares in the Company's holding company, WGL, through the ESOP is recorded as a movement in the income statement. The cost of the WGL shares held by the trusts is shown as an investment on the balance sheet.

1.13 Basic financial instruments

Trade and other debtors; Trade and other creditors

These items are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in funds

Investments in funds are classified as current asset investments and are held at fair value, being the market price at the reporting date at net asset value per share. Changes to fair value and realised gains and losses on disposal are taken to the profit and loss account.

Other unlisted investments

Fixed asset unlisted investments are held at fair value where a reliable measure of fair value is available, otherwise held at cost less impairment. Changes to fair value and realised gains and losses on disposal are taken to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.14 Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value which is normally the transaction price. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

2 Revenue

The total revenue of the Company for the year has been derived from its principal activity undertaken in the United Kingdom, and provided to investors and investment vehicles located primarily outside the UK.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3	Operating profit	2019	2018
		£'000	£'000
	Operating profit is stated after charging:		
	Depreciation of tangible assets	1,794	2,800
	Research and development	3,672	4,009
	Operating lease rentals	2,446	2,866
	Auditor's remuneration		
	Fees payable to the Company's auditor:		
	-for the audit of these financial statements	35	37
	-for other assurance services	105	125
		<u>140</u>	<u>162</u>
4	Profit on disposal of fixed assets	2019	2018
		£'000	£'000
	Profit on disposal of tangible fixed assets	<u>-</u>	<u>1,115</u>
5	Interest receivable and similar income	2019	2018
		£'000	£'000
	Interest on bank deposits	<u>606</u>	<u>362</u>
		<u>606</u>	<u>362</u>
6	Investment and foreign exchange gains and losses	2019	2018
		£'000	£'000
	Realised (losses)/gains on investments measured at fair value through profit and loss	(34)	3,464
	Unrealised losses on investments measured at fair value through profit and loss	(113)	(1,090)
	Other net foreign exchange losses	(1,261)	(4,715)
	Net foreign exchange hedging gains	-	3,154
		<u>(1,408)</u>	<u>813</u>

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7 Interest payable and similar expenses

	2019 £'000	2018 £'000
Other interest	(262)	(31)
Interest payable on financial instruments held at amortised cost	-	(170)
	<u>(262)</u>	<u>(201)</u>

8 Taxation

	2019 £'000	2018 £'000
Domestic current year tax		
UK corporation tax	6,786	11,959
Adjustment for prior years	<u>(135)</u>	<u>(27)</u>
	6,651	11,932
Foreign current year tax		
Foreign corporation tax	<u>-</u>	<u>-</u>
	-	-
Current tax charge for the year	6,651	11,932
Deferred tax		
Deferred tax charge current year	(194)	(288)
Adjustment for prior years	<u>-</u>	<u>-</u>
	-	-
Total tax charge for the year	<u>6,457</u>	<u>11,644</u>

The effective tax rate for the year differs from the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The reasons for the difference are explained below:

Factors affecting the tax charge for the year

Profit on ordinary activities before taxation	<u>38,675</u>	<u>61,545*</u>
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2018 – 19.00%)	<u>7,348</u>	<u>11,694</u>
Effects of:		
Prior year adjustments	(135)	(27)
Non-deductible expenses	14	(5)
Tax credits	(532)	(17)
Other permanent differences	(227)	(1)
Deferred tax rate differences	<u>(11)</u>	<u>-</u>
	<u>(891)</u>	<u>(50)</u>
Total tax charge for the year	<u>6,457</u>	<u>11,644</u>

*Restated. The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9 Dividends

	2019 £'000	2018 £'000
Ordinary interim dividends paid	69,363	61,010

10 Tangible fixed assets

	Leasehold land & buildings - improvements £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 January 2019	6,751	17,944	3,861	28,556
Additions	533	-	758	1,291
Disposals	(1,018)	(5,190)	(2,009)	(8,217)
At 31 December 2019	6,266	12,754	2,610	21,630
Depreciation				
At 1 January 2019	6,712	14,663	3,439	24,814
Charge for the year	111	1,482	201	1,794
Accumulated depreciation on disposals	(1,018)	(5,190)	(2,009)	(8,217)
At 31 December 2019	5,805	10,955	1,631	18,391
Net book value				
At 31 December 2019	461	1,799	979	3,239
At 31 December 2018	39	3,281	422	3,742

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11 Fixed asset investments

	2019			2018 (*Restated)		
	Shares in group undertakings £'000	Other unlisted investments £'000	Total £'000	Shares in group undertakings £'000	Other unlisted investments £'000	Total £'000
At 1 January	11,113	415	11,528	10,895	455	11,350
Additions in the year	13,789	-	13,789	6,117	-	6,117
Disposals in the year	(9,173)	-	(9,173)	(5,899)	-	(5,899)
Change in fair value	-	(75)	(75)	-	(40)	(40)
At 31 December	15,729	340	16,069	11,113	415	11,528

The shares in group undertakings are measured at cost less impairment. As at 31 December 2019, the valuation of the shares in group undertakings was reviewed to determine whether there was any indication of impairment. The valuation was assessed using a combination of a price-to-earnings ratio and a dividend yield model. The results of this exercise indicated that no impairment was necessary and that any impairment to the value of the shares would require a 26% drop in earnings.

*In 2019, the Directors reconsidered the accounting for the shares that are held by the ESOP trust in WGL. This led to a reclassification of the shares, previously recognised as own shares to fixed asset investments. This resulted in a £11,113k increase to fixed asset investments and £51k increase to 'Other assets held by ESOP trusts' within Debtors (note 12) with a corresponding credit of £11,164k to 'Own shares held by ESOP' (note 18) within other reserves as at 31 December 2018. The effect on opening retained earnings and other reserves as at 1 January 2018 and the corresponding effect on fixed assets investments and 'Other assets held by ESOP trusts' was £10,957k. Realised gains on WGL shares and other administrative expenses previously recognised in 'Reserves in ESOP' (note 18) within other reserves have also been reclassified with a credit of £83k to 'Investment and foreign exchange gains and (losses)' and a debit of £15k to 'Administrative expenses' for the year ended 31 December 2018. There was no tax impact on these reclassifications.

12 Debtors

	2019 £'000	2018 (*Restated) £'000
Trade debtors	1,787	5,227
Other assets held by ESOP trusts	3,903	10,426
Other debtors	913	1,970
Amounts owed by group undertakings	20,522	68,498
Prepayments and accrued income	15,973	10,670
Deferred tax asset (note 13)	1,693	1,499
	<u>44,791</u>	<u>98,290</u>

*The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13 Deferred tax

The deferred tax asset (included in debtors, note 12) is made up as follows:

	2019 £'000
Balance at 1 January 2019	1,499
Profit and loss account – current year charge	143
Profit and loss account – prior year adjustments	51
Balance at 31 December 2019	1,693

Comprising of:	2019 £'000	2018 £'000
Timing differences – capital allowances	1,312	1,145
Employee benefits	361	354
Other timing differences	20	-
	1,693	1,499

An analysis of the deferred tax balances is provided below:

	Assets		Liabilities		Net	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accelerated capital allowances	1,312	1,145	-	-	1,312	1,145
Employee benefits	361	354	-	-	361	354
Other timing differences	20	-	-	-	20	-
Net tax assets	1,693	1,499	-	-	1,693	1,499

14 Current asset investments

	2019 £'000	2018 £'000
Investment in funds	3,725	267

Current asset investments consist of amounts invested in funds to which members of the Winton Group act as investment adviser.

	£'000
At 1 January 2019	267
Additions in the year	3,762
Disposals in the year	(234)
Change in fair value	(70)
At 31 December 2019	3,725

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	457	819
Amounts owed to group undertakings	13,931	31,756
Corporation tax	1,870	8,996
Taxes and social security costs	782	900
Other creditors	1,078	1,085
Accruals and deferred income	8,506	10,180
	<u>26,624</u>	<u>53,736</u>

16 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Accruals and deferred income	1,266	1,540
	<u>1,266</u>	<u>1,540</u>

17 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2019 £000	2018 £000
Assets measured at fair value through profit or loss	4,065	682
Assets measured at cost less impairment	55,555	102,480
Assets measured at amortised cost	61,707	79,032
Liabilities measured at cost less impairment	(23,278)	(43,006)

18 Share Capital and Reserves

Share Capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
2,391,169 Ordinary A shares of £1 each	2,391	2,391
(2018: 2,391,169)		
	<u>2,391</u>	<u>2,391</u>

No shares were issued during the year.

Other reserves is comprised of:

	2019 £'000	2018 (*Restated) £'000
Reserves in ESOP	21,128	21,128
Reserve for share-based payments	(72)	(1,275)
	<u>21,056</u>	<u>19,853</u>

*The restatement is explained in note 11.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19 Financial commitments

At 31 December 2019 the Company had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	2,740	2,567	2,389	3,222
Later than one year and no later than five years	7,085	8,976	1,091	970
	<u>9,825</u>	<u>11,543</u>	<u>3,480</u>	<u>4,192</u>

20 Directors' remuneration

	2019	2018
	£'000	£'000
Directors' emoluments	2,425	2,253
Company contributions to directors' personal pension plans	4	11
Compensation for loss of office	<u>648</u>	<u>-</u>
	<u>3,077</u>	<u>2,264</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>1,480</u>	<u>1,446</u>
--------------------------------------	--------------	--------------

21 Employees

Number of employees

The average monthly number of employees (including WCM and WGL directors) during the year was:

	2019	2018
	Number	Number
Average number of employees	<u>230</u>	<u>296</u>

Employment costs

	2019	2018
	£'000	£'000
Wages and salaries	43,001	50,802
Social security costs	5,566	6,830
Other pension costs	<u>2,330</u>	<u>2,775</u>
	<u>50,897</u>	<u>60,407</u>

Personal pension plans

The Company contributes to individual employees' personal pension plans. The assets of the plans are held separately from those of the Company in independently administered funds.

WINTON CAPITAL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

22 Related party transactions

During the year, Hivemind Technologies Limited, a subsidiary of WGL, invoiced the Company for services provided totalling £250,000 (2018: £187,500). At year-end there was a balance of £62,500 outstanding (2018: nil).

23 Post balance sheet events

Dividends

Dividends of £6.6m were paid in April 2020.

Going Concern and Covid-19

Since the balance sheet date, what was an unknown virus that had been reported to the World Health Organisation has been identified as Covid-19 and is now an ongoing global pandemic. The potential impact of Covid-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. Winton has successfully tested and implemented business continuity procedures, as outlined in the Risk management section of the Strategic Report, that have included the majority of Winton's staff working from home. To date, there has been minimal disruption to business operations.

Whilst estimating the precise financial impact of Covid-19 on the business has challenges and depends on assessments of the future economic environment which is plainly subjective, Winton has performed a cash flow forecast to consider specifically the impact of the pandemic on its ability to continue as a going concern. Further details of the assumptions behind the forecast is detailed in note 1.1.

24 Control

The ultimate parent company is Winton Group Limited, a company registered in England & Wales. The ultimate controlling party is Mr D W Harding.

Winton Group Limited prepares group financial statements and copies can be obtained from 20 Old Bailey, London, EC4M 7AN.