Report & Accounts
for the year ended 31 December 2017

RIT Capital Partners plc

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Company Highlights

Corporate Objective

To deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time.

Investment Policy

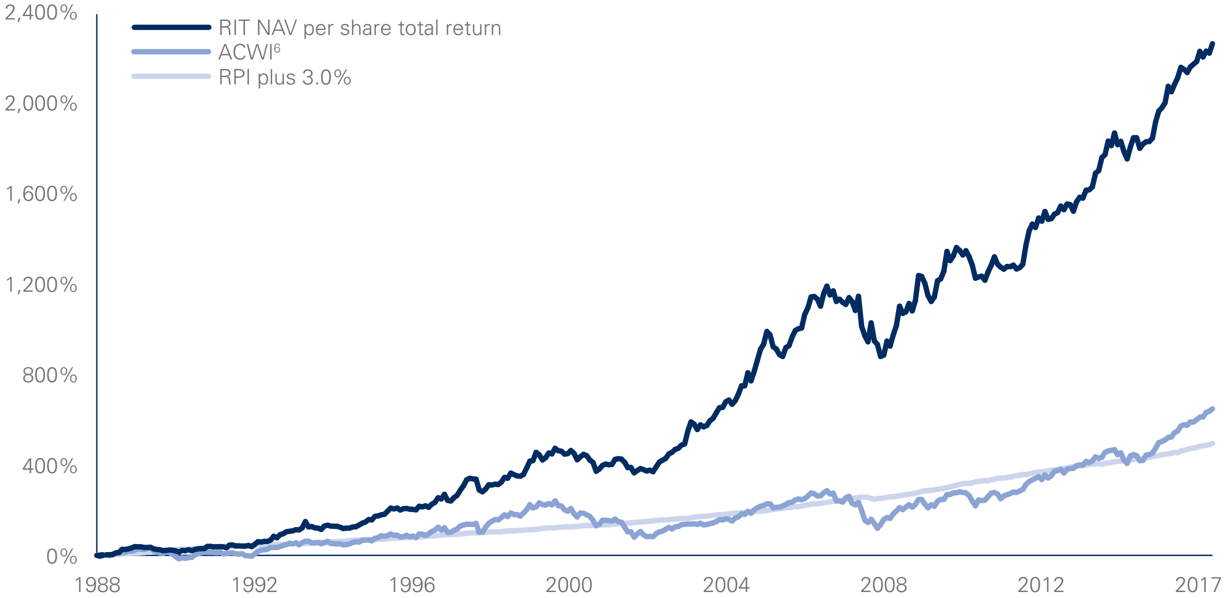
To invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

Financial Summary

	31 December 2017	31 December 2016	Change
Net assets	£2,858m	£2,692m	£166m
NAV per share[1]	1,839p	1,730p	109p
Share price	1,962p	1,885p	77p
Premium/(Discount)	6.7%	9.0%	(2.3%)
Dividends paid	32.0p	31.0p	1.0p
Gearing[2]	13.0%	14.7%	(1.7%)
Ongoing Charges Figure[2,3]	0.66%	0.68%	(0.02%)
NAV per share total return[2]			**8.2%**
Share price total return[2]			**5.8%**
RPI[4] plus 3.0% per annum			7.1%
MSCI All Country World Index[5]			16.5%

Performance History	1 Year	3 Years	5 Years	10 Years
Share price total return	5.8%	48.3%	91.5%	118.6%
NAV per share total return	8.2%	31.2%	70.3%	86.1%
RPI plus 3.0% per annum	7.1%	17.8%	30.2%	75.8%
MSCI All Country World Index	16.5%	41.3%	91.0%	100.4%

Performance Since Inception



1 Diluted net asset value per share with debt held at fair value.

2 Further information on the calculation of alternative performance measures included within this section and the Strategic Report is set out in the Glossary on page 85.

3 RIT's own Ongoing Charges Figure (OCF), excluding costs incurred in externally managed funds.

4 Retail Price Index.

5 The MSCI All Country World Index (ACWI) we have adopted is a total return index and is based on 50% of the ACWI measured in Sterling and 50% measured in local currencies.

6 The ACWI in the chart is based on the capital-only index in Sterling prior to the introduction of total return indices in December 1998. Thereafter we have used the ACWI total return index, 50% measured in Sterling and 50% in local currencies.

Strategic Report

Chairman's Statement

Lord Rothschild, OM GBE

In the year under review global stock markets rose to extraordinarily high levels, stimulated by low interest rates and unprecedented monetary policy initiatives of central banks, at a time when major economies of the world have been enjoying significant growth. In addition, the USA has brought in tax cuts and reduced regulation, unemployment has been lower, inflation has remained subdued and geo-political concerns have been shrugged off by stock markets.

The world has undoubtedly recovered from the global economic crisis of a few years ago. The question is whether such benign conditions are sustainable. Quantitative easing is in the course of being phased out, and interest rates are rising. Debt levels are higher – indeed significantly higher than at the time of the financial crisis of 2008. The World Bank and other luminaries are highlighting the risks to the present growth in the global economy, in particular over the medium term.

In addition, the geo-political situation remains a cause of concern: the risk of war, terrorism and cyber attacks, come at a time when American policies are highly unpredictable. Europe is enjoying a cyclical recovery but political conditions remain unsettled. Rising populist nationalism may well affect future elections. In the UK, we struggle with the problems and complexities of Brexit and a minority government.

Reflecting these concerns, your Company's net quoted equity exposure averaged around 44%, including significant investments in technology in the USA and Asia. This was complemented by approximately 22% in private investments, 25% in absolute return and credit, and 7% in real assets, including gold. Currency holdings ended the year spread between Sterling, the Euro and the US Dollar.

This 'risk averse' approach produced steady progress in your Company's net asset value per share, which increased over the year to 1,839 pence per share, a total return of 8.2%. Over the last three years the NAV total return stands at 31.2%, with shareholder returns of some 48.3%.

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Our performance reflects diversified sources of return, from the quoted equity portfolio through external managers in addition to individual stocks. Over the course of the year, profitable sales, subject to regulatory approval, of two of our direct private investments – Rockefeller Financial and GVQ, the UK investment manager specialising in the 'small company' sector – have been announced. Looking ahead to the current year, subject to market conditions, we are expecting initial public offerings of two of our investments – Helios Towers, the telecoms towers company in Africa, and Dropbox, the cloud storage company in Silicon Valley.

Our investments in absolute return and credit focused on stable returns with little correlation to broad markets. The 'real asset' portfolio has also contributed, helped by a timely increase in our holdings of gold. With regard to currencies, the net asset value of your Company was affected in Sterling terms by the appreciation of Sterling against the Dollar of around 10%. The impact was mitigated by the reduction in our Dollar holdings. In the current year we have benefited from short positions in government bonds taken out at a time when we expected interest rates to rise.

As I write this, stock markets have experienced a resurgence in volatility and we ask ourselves whether current valuations remain excessive, adequately reflecting the risks which lie ahead. Are we in the last chapter of a bull market, and one which is already the second longest in the post-World War II era? We remain an atypical investment trust in that there are times when our exposure to listed equities will be relatively low, reflecting your Company's priority of preserving shareholders' capital. Our belief, however in the merits of holding equities over the long term remains unshaken. We seek to identify – through stock selection, talented external managers and special situations – opportunities at attractive levels with a margin of safety. Over time this cautious policy of diversification has rewarded shareholders who have participated in 75% of up-markets and 39% of down-markets, since your Company's inception in 1988.

Chairman's Statement

Dividend
We are intending to pay a dividend of 33 pence per share in 2018, an increase of 3.1% above the previous year. This will be paid in two equal instalments of 16.5 pence in April and October. We recognise the importance that shareholders ascribe to such income, and intend to maintain or increase the dividend in the years ahead, subject to unforeseen circumstances.

Your Company's Board
I would like to take the opportunity of thanking Jean Laurent-Bellue for his support as a Director of the Company over the last few years. He will be much missed. Earlier in 2017, we regrettably announced that Mike Wilson had to retire from the Board for health reasons. Again, I would like to place on record our gratitude for Mike's significant contribution, both as a Director, as well as a member of the Audit and Risk Committee and Remuneration Committee.

Rothschild

Rothschild
26 February 2018

Our Strategy & Business Model

Introduction
This section aims to provide a clear and succinct overview of our strategy and business model, in particular:

- what we are trying to achieve (Strategic Aims);
- how we go about it (Investment Approach);
- how well we have done (Measuring Performance and KPIs);
- how we structure our remuneration (Incentive Structure); and
- our Governance and Group Structure.

Strategic Aims
Our strategic aims are best illustrated by our Corporate Objective:

"to deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time."

We believe this accurately reflects our long-term aims. However, we have sought to provide further clarification to assist shareholders in understanding what we are trying to achieve for them over time – in particular because we differ from many other large trusts who always aim to be fully invested in quoted equities.

The most important objective is long-term capital growth while preserving shareholders' capital. The essence of our investing DNA is about protecting and enhancing shareholders' wealth.

There may be times when we will deliberately place protection of shareholders' funds ahead of growth – as happened during the latter stages of the dot-com era and also in the run up to the most recent financial crisis. However, we also recognise that such 'market timing' is unlikely to be sustainable in the long term.

Since your Company's listing in 1988, we have participated in 75% of the market upside but only 39% of the market declines. This has resulted in our NAV per share total return compounding at 11.4% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.6% per annum.

Over the last three years … shareholders have benefited from a total return of 48% compared to 41% from the market.

We believe that our active management of equity exposure, combined with early identification of opportunities and themes across multiple asset classes, is more likely to lead to long-term outperformance. We would hope to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles. Indeed, since your Company's listing in 1988, we have participated in 75% of the market upside but only 39% of the market declines. This has resulted in our NAV per share total return compounding at 11.4% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.6% per annum.

Investment Approach
The strategic aims are expressed in more practical terms in our Investment Policy:

"to invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available."

It is this policy which guides us as we manage your portfolio. So, while we retain at our core an equity bias, we nonetheless have the freedom to invest your portfolio across multiple asset classes, geographies, industries and currencies. This has been the basis of our style over many years – combining thematic investing with individual securities, and private investments with public stocks. The long-term success of your Company has been drawn from a distinctive blend of stocks, private investments, equity funds, absolute return and credit, all overlaid with currency positioning and macro exposure management.

We believe the extent of our global reach and unique network allows us to maximise our ability to deploy capital effectively. We seek to capitalise on an in-house investment team working closely with our core external managers, investing in funds which are largely closed to new investors, and cannot be accessed by a retail investor.

Above all, our approach is long term. For example, in relation to private investments, we are not constrained by the typical industry model of a limited life partnership. This means we can hold such investments over an extended period and choose to realise at an optimum time. On quoted investments, we aim to avoid being forced sellers of stocks if we are comfortable with their underlying fundamentals, even if it means incurring short-term losses.

Measuring Performance and KPIs

While we believe our success can only really be measured over the long term, we also recognise that providing shareholders with a comparator against which to measure our performance over shorter periods is important.

The strategic aims highlighted on the previous page, reflect the desire to produce real capital growth and to exceed markets over time. These are reflected in the following targets or Key Performance Indicators (KPIs):

1. Absolute Outperformance: NAV total return in excess of RPI plus 3.0% per annum;
2. Relative Outperformance: NAV total return in excess of the ACWI; and
3. Share price total return or Total Shareholder Return (TSR).

The first of these KPIs reflects the desire to produce strong absolute returns with a meaningful premium above inflation.

The second reflects our unconstrained global investment approach and the desire to outperform markets. Consistent with many investment companies, we use the ACWI which we believe is an appropriate comparator for our global, unconstrained approach. On currency, we use a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies. However, we also retain the flexibility to take an unconstrained approach to our currency positioning; for example, in early 2008 we had no exposure to Sterling ahead of its significant fall in value later that year.

Our wholly-owned subsidiary, J. Rothschild Capital Management Limited (JRCM), is tasked with managing the portfolio to deliver a NAV return. Ultimately however, the return to our shareholders is through share price growth and dividends. We therefore also consider the TSR as our third KPI.

2017 Performance

Overall the portfolio delivered steady performance in 2017, in no small measure reflecting our cautious stance, at a time when developed equity markets marched to historical highs.

We believe the extent of our global reach and network of contacts allows us to maximise our ability to deploy capital effectively. We seek to capitalise on an optimal blend of an in-house investment team working closely with our core external managers, investing in funds which are largely closed to new investors, and cannot be accessed by a retail investor.

While there was a sense of complacency in many areas of the market, we remained resolutely long term, consistent with our target of multi-generational wealth creation. Where we deemed the risks too great, we used our flexibility to tilt the portfolio to emphasise capital preservation over and above the pursuit of short-term growth. Over 2017, one of our key portfolio measures – net quoted equity exposure – averaged 44% of NAV.

Reflecting this approach, our NAV total return for the year was 8.2%. This outperformed our absolute KPI (RPI plus 3.0%) of 7.1%, while our relative KPI (the ACWI), returned 16.5% over the year. Our Chief Investment Officer (CIO), Ron Tabbouche, provides a more detailed analysis of the portfolio returns in the Investment Review.

Our premium averaged 6.7% over the year, compared to 4.5% for 2016, though measured at year ends, it narrowed from 9.0% to 6.7%, with the result that the TSR over the year was 5.8%.

Over the last three years, shareholders have benefited from a TSR of 48.3%, compared to the markets of 41.3%, and over ten years, the figures are 118.6% for our shares and 100.4% for the market.

Incentive Structure

Our approach to remuneration incorporates the Directors' Remuneration Policy as well as company-specific structures designed to attract, motivate and retain the high-quality individuals we need to deliver our long-term strategic aims. The approach is designed to align with, and reinforce, these strategic aims.

The Chairman of RIT Capital Partners plc, as well as JRCM and Spencer House Limited (SHL) employees, participate in two principal plans:

1. The Annual Incentive Scheme (AIS); and
2. Long-Term Incentive Plan (LTIP).

Our Strategy & Business Model

The AIS is designed to incentivise staff through a share in the total NAV outperformance against the Absolute Outperformance hurdle and the Relative Outperformance hurdle. In addition to this formulaic pool, AIS awards are also made for individual performance against qualitative measures.

The second main aspect of the remuneration approach is an LTIP which provides a longer-term incentive of up to 10 years using Share Appreciation Rights (SARs), which vest if RIT's TSR is above the hurdle of RPI plus 3.0% per annum over three years.

Further details of remuneration are provided in the Directors' Remuneration Report on pages 31 to 38.

Governance and Group Structure
Our Chairman, Lord Rothschild, is responsible for the leadership of the Board and the Company. RIT is a self-managed investment company and the management of the investment portfolio has been delegated to JRCM. JRCM is also responsible for the administration of the portfolio as well as acting as corporate company secretary.

JRCM is chaired by Lord Rothschild, with the day-to-day running of the business under the management of an Executive Committee led by myself as Chief Executive Officer (CEO). JRCM executives represent RIT's interests on the SHL board.

Full details of the RIT Board and the JRCM Executive Committee are provided on pages 19 to 22.

In December, we agreed the profitable sale of our third-party investment management subsidiary, GVQ Investment Management Limited (GVQ). The sale is expected to complete in early 2018. While this has a modest impact on our NAV, for 2018, we will no longer be required to include GVQ's revenues and costs in the Consolidated Income Statement, with other income and operating expenses falling accordingly.

At the year end, the RIT Group employed 55 people (excluding GVQ), with 43 working for JRCM, our investment management subsidiary. Our Real Assets portfolio includes Spencer House as well as other properties in St James's, London. These are maintained by SHL which employs 12 people. In addition to premises management, this subsidiary also operates a profitable events business. A breakdown of the gender balance of the Directors of the Company and also the senior managers and employees of the Group is set out on page 40.

As RIT is characterised under accounting standards as an 'investment entity', its consolidated income statement includes the full income and expenses of both JRCM and GVQ. Further information on the results of the respective businesses is set out in note 6 on page 55.

We continue to focus on costs, whether our own direct costs or the fees charged directly or indirectly by external fund managers. In order to provide investors with information on the costs of RIT's own investment business, we calculate an Ongoing Charges Figure (OCF) based on recommendations from the Association of Investment Companies (AIC). These assume no change in the composition or value of the portfolio (therefore it excludes transaction costs and direct performance-related compensation) and excludes finance costs. For 2017, our own OCF amounted to 0.66%, with further information provided on page 85.

In addition to our own costs, our investment policy includes the allocation of part of the portfolio to third-party managers, which have their own fees. These include long-only equity and hedge fund managers, as well as private equity and absolute return and credit funds. The managers' fee structure is a key consideration in our investment diligence, with the decision made on the basis of expected returns, net of all fees. To assist shareholders, we estimate that the average annual management fees for external managers represent an additional 1.23% of average net assets. This excludes performance fees which are typically paid for outperformance against an index or an absolute hurdle. Further information on fees is provided on page 39.

We have built a strong and capable team at JRCM, which efficiently copes with the ever-changing environment – whether in the shape of heightened concerns regarding cyber security or the ongoing developments in the regulatory environment. I would like to record my sincere thanks to all of our people here in St James's Place, both employees as well as those who support our business in other ways.

Francesco Goedhuis
Chief Executive Officer
J. Rothschild Capital Management Limited

Investment Review

Markets and Performance

It has been a remarkable year in many ways. Not only did all major equity markets deliver healthy gains but also, perhaps more surprisingly, this was achieved with record low volatility. After all, this was a year when a new US government was widely expected to be a destabilising force for global trade, tech behemoths and the geo-political environment. It was also the year where the Federal Reserve started to remove the excess liquidity and raise interest rates. In Europe, post the Brexit decision, there was a tangible mood of populist backlash across its capitals. Yet markets never blinked, and driven by the synchronicity of global growth, reached record highs on an almost daily basis.

2017 also saw the differential between US Dollar and Euro interest rates widening, while the currencies moved in opposite directions. Long-term Treasury yields remained more or less unchanged during the year, dismissing the prospect of rising inflation.

We continued to position the portfolio with a defensive slant, utilising a combination of modest net quoted equity exposure (averaging 44%) and our multi-asset approach targeting differentiated sources of return. This resulted in a NAV total return of 8.2%, with key contributors as follows:

- A good year for our long-only and equity hedge funds; in many cases reversing weaker performance in 2016;
- Strong returns from our internally-selected single stocks and listed co-investments alongside managers;
- Uplifts from our direct private investments; and
- Stable returns from our Absolute Return & Credit portfolio.

With Sterling increasing by almost 10% against the US Dollar over the year, currency translation impacted overall returns.

The year-end asset allocation and the contribution by asset category to the NAV total return are shown in the table below.

Asset Allocation and Portfolio Contribution

Asset Category	31 December 2017 % NAV	2017 Contribution %	31 December 2016 % NAV	2016 Contribution %
Quoted Equity	55.6%	9.1%[1]	55.6%	0.4%
Private Investments	21.8%	2.6%	23.9%	1.7%
Absolute Return & Credit	25.0%	1.6%	23.6%	2.4%
Real Assets	3.5%	0.9%	3.0%	0.0%
Government Bonds & Rates	0.2%	(0.2%)	0.3%	0.1%
Currency	1.0%	(4.3%)[2]	(0.2%)	9.6%
Total Investments	107.1%	9.7%	106.2%	14.2%
Liquidity, Borrowings & Other	(7.1%)	(1.5%)[3]	(6.2%)	(2.1%)
Total	**100.0%**	**8.2%**	**100.0%**	**12.1%**
Average Net Quoted Equity Exposure	44%		46%	

[1] The Quoted Equity contribution reflects the average net quoted equity exposure during the year of 44%. This differs from the % NAV as it reflects notional exposure through derivatives as well as adjustments for derivatives and/or liquidity held by managers.

[2] Currency exposure is managed centrally on an overlay basis with the translation impact and the results of the currency hedging and overlay activity included in this category.

[3] This category includes interest, mark-to-market movements on the fixed interest notes and expenses.

Investment Review

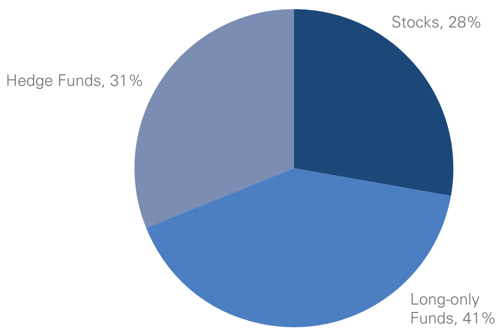
Quoted Equity

The quoted equity portfolio had a good year. This category includes our long-only funds, equity hedge funds, direct stock portfolio, co-investments and our exposure-management hedges.

Our long-only funds and hedge funds both generated absolute returns broadly in line with markets, despite the hedge funds averaging exposure of approximately 60%. There was also strong performance from our individual stock positions, whether internally sourced or co-investments alongside managers.

In order to maintain our cautious equity positioning, this portfolio also included various hedges which we utilised during the year.

Quoted Equity Portfolio



Note: This chart includes the notional exposure from single stocks held via equity swaps and excludes portfolio hedges.

In terms of geographic asset allocation, we increased our exposure to Emerging Markets throughout the year, focused towards Asia, with four new managers including Indian and Chinese local market specialists, as well as more diversified managers.

Our overall allocation to the US was reduced, although we have remained focused on sectors that will benefit from a late-cycle environment and an increase in interest rates, such as cyclicals and financials.

We remain overweight in Europe, respecting our belief that the European economy is likely to have expanded at similar levels to the US in 2017, with greater room for valuation multiples expansion as a result of accommodative policies and a lower starting base.

Japan remains a core allocation for our quoted equity portfolio, where we consider the relatively low valuations, dovish monetary policies and market-friendly corporate reforms, provide a helpful thesis.

Perhaps worth reiterating is our manager allocation policy. We seek to invest with managers who provide a unique set of skills which complement our internal expertise, and who are expected to be additive on a post-fee basis. Part of our approach is to build strong, collaborative relationships with our managers, which can and do result in investment opportunities outside of the conventional mandate.

Private Investments

Our private investment portfolio is divided between third-party funds and directly held investments. As at 31 December 2017, the portfolio represented 22% of net assets with the funds' portfolio accounting for 13% and direct investments 9%.

The direct portfolio had a healthy year, with a number of positive revaluations from the portfolio. These included our investments in Acorn, one of the world's largest coffee businesses, and CSL, a UK-based alarm signalling business. We also saw some profitable exits, with the announced sales of Rockefeller, the US asset manager, and GVQ, our UK small-cap investment manager, both representing uplifts against the previous carrying value. Towards the end of the year, we realised our investment in EDRRIT, which generated a 2.0x gross return and an internal rate of return of 18% over its life. Several of our more 'mature' investments appear closer to liquidity events, with both Helios Towers and Dropbox expecting to IPO during 2018.

The fund's portfolio produced more modest returns over the year, with the majority of the funds valued using the General Partner's (GP's) September valuations. During the year, we established a strong relationship with Social Capital, one of Silicon Valley's leading technology investment firms.

Absolute Return & Credit

Our overall allocation to this category represented 25% of year-end NAV. Over the course of the year, the asset class continued to deliver steady returns, diversified across a range of investment strategies including distressed credit, relative value credit, multi-strategy funds and credit co-investments. Eisler Capital, our macro hedge fund, also yielded positive returns, despite a very difficult year for many macro managers.

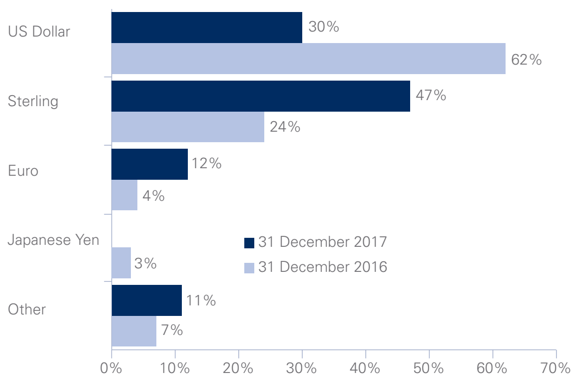
Real Assets

At the year end, we held 12% exposure to Real Assets (including derivatives), of which 9% was from gold-related assets, with the majority of the remainder from our investment properties. We increased our gold exposure in December, benefiting from the strong rally into the year end. Our investment properties, which include Spencer House and other locations around St. James's Place, were revalued in line with the prior year.

Investment Review

Currencies
Currency translation impacted the returns for the year, with Sterling performing particularly well against the US Dollar. As a global investor, our portfolio is naturally tilted towards assets denominated in currencies other than Sterling. Over the course of the year, but more substantially in the first half of 2017, we increased our exposure to Sterling, after it had reached a multi-year low against the US Dollar. Additionally, we added to our Euro exposure to capture the better economic environment developing on the continent. These currency overlays contributed positively, helping to mitigate the translation losses. By the year end, and taking into account estimates of the 'look-through' exposure of our fund investments, Sterling exposure amounted to approximately 47%, while our US Dollar was 30%. We remain constructive on Europe and have allocated 12% to the currency. The remaining exposure is largely distributed across several Asian currencies.

Currency Exposure as % of NAV



Debt and Leverage
We continued to deploy gearing during 2017, through a combination of short-term revolving credit facilities as well as our longer term fixed interest notes. At the year end we held drawn borrowings of £426 million paying an average rate of 2.5%. With cash and cash equivalents of £123 million, this represents gearing of 13.0% calculated in accordance with AIC guidance.

The long-term notes are fair valued using market-derived gilt yields and corporate credit spreads, with the result that over 2017 we experienced a mark-to-market accounting loss as rates moved lower than the fixed interest. At the year end, the fair value was £163 million compared to the par value of £151 million.

We also selectively deploy leverage through the use of derivatives. These are designed to both help hedge the NAV against unwanted exposures, as well as to enhance returns through efficient structuring. For example, during 2017, we utilised currency options to help protect the NAV against Sterling strengthening, as well as deploying a short biotech index future to hedge part of an equity manager's exposure in this sector. Equally, our negative stance on bonds was represented by a mixture of interest rate options and futures.

Ron Tabbouche
Chief Investment Officer
J. Rothschild Capital Management Limited

Investment Portfolio

Investment Portfolio as at 31 December 2017

Investment holdings	Country/Region	Industry/Description		Value of Investment £ million	% of NAV
Quoted Equity					
Stocks:					
CSX Corporation[1]	United States	Industrials		86.4	3.0%
Trian Partners Co-Investment[2]	United States	Consumer staples/Industrials		64.3	2.3%
Automatic Data Processing[1]	United States	Information technology		29.7	1.0%
Reckitt Benckiser Swap	United Kingdom	Consumer staples	2.3% notional	1.8	0.1%
Citigroup Swap	United States	Financials	1.4% notional	(1.5)	(0.1%)
Nestle Swap	Switzerland	Consumer staples	1.3% notional	0.0	0.0%
S&P Global Swap	United States	Financials	1.1% notional	(0.2)	0.0%
Alphabet Swap	United States	Information technology	1.0% notional	0.1	0.0%
Allergan Swap	United States	Healthcare	0.6% notional	(0.8)	0.0%
Mitsubishi UFJ Swap	Japan	Financials	0.5% notional	0.0	0.0%
Other Stocks	–	–		13.5	0.5%
Total Stocks				193.3	6.8%
Long-Only Funds:					
HCIF Offshore	United States	All-cap, biotechnology		137.7	4.8%
Morant Wright[3]	Japan	Small/mid-cap, value bias		120.6	4.2%
Lansdowne Developed Markets Strategic	Global	All-cap, diversified		89.9	3.1%
BlackRock Emerging Markets	Emerging Markets	All-cap, value bias		81.7	2.9%
Springs Opportunities	China	All-cap, diversified		54.8	1.9%
Tekne Long-only Fund	United States	All-cap, information technology		51.7	1.8%
Findlay Park Mexico[3]	Latin America	All-cap, diversified		45.5	1.6%
Lansdowne New Energy	Global	All-cap, energy		45.1	1.6%
BGF Asian Growth Leaders	Asia	All-cap, diversified		41.2	1.4%
Emerging India Focus	India	All-cap, diversified		34.0	1.2%
Trian Partners	United States	Large-cap, diversified		31.1	1.1%
Strategic Equity Capital	United Kingdom	Small-cap, diversified		23.4	0.8%
Other Long-only Funds	–	–		43.0	1.6%
Total Long-only Funds:				799.7	28.0%
Hedge Funds:					
Martin Currie Japan	Japan	All-cap, diversified		99.7	3.5%
Blackrock European Hedge	Europe	All-cap, diversified		90.6	3.2%
Gaoling	China	All-cap, diversified		88.5	3.1%
Soroban	Global	All-cap, diversified		86.8	3.0%
Palestra Capital	Global	All-cap, diversified		73.4	2.6%
Three Corner Global	Global	All-cap, financial bias		67.8	2.4%
RIT Discovery[4]	Global	All-cap, diversified		57.1	2.0%
Other Hedge Funds	–	–		30.4	1.0%
Total Hedge Funds:				594.3	20.8%
Exposure Management Derivatives:					
Euro Stoxx 50 Futures	Europe	Long, 2.4% notional		(1.9)	(0.1%)
Euro Stoxx Banks	Europe	Long, 0.7% notional		(0.8)	0.0%
MSCI World £ Index Futures Swap	Global	Short, 6.8% notional		(0.2)	0.0%
S&P 500 Futures	United States	Short, 4.3% notional		(1.0)	(0.1%)
GS Custom Industrials Swap	United States	Short, 2.0% notional		(2.0)	(0.1%)
iShares NASDAQ Biotech ETF Swap	United States	Short, 1.3% notional		(0.5)	0.0%
GS Consumer Basket Swap	Global	Short, 1.0% notional		(0.2)	0.0%
Equity Options	Various	Premium		4.5	0.2%
Other Derivatives	–	–		2.8	0.1%
Total Derivatives:				0.7	0.0%
Total Quoted Equity				**1,588.0**	**55.6%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Private Investments – Direct:				
Acorn	Global	Consumer staples	57.4	2.0%
Rockefeller & Co	United States	Financials	46.4	1.6%
Helios Towers	Africa	Telecommunication services	42.6	1.5%
Dropbox	United States	Information technology	28.5	1.0%
Infinity Data Systems	United Kingdom	Information technology	26.1	0.9%
CSL	United Kingdom	Information technology	25.1	0.9%
Other Private Investments – Direct	–	–	33.7	1.2%
Total Private Investments – Direct			**259.8**	**9.1%**
Private Investments – Funds:				
Thrive Capital Funds	United States	Venture Capital	56.4	2.0%
BDT Capital Funds	United States	Private Equity	35.0	1.2%
Gaoling – Unquoted	China	Private Equity	31.3	1.1%
Augmentum I	United Kingdom	Venture Capital	30.8	1.1%
3G Special Situations	United States	Private Equity	27.4	1.0%
ICQ Holdings 6	United States	Private Equity	16.1	0.5%
Other Private Investments – Funds	–	–	166.7	5.8%
Total Private Investments – Funds			**363.7**	**12.7%**
Absolute Return & Credit:				
Eisler Capital Fund	Global	Macro strategy	131.9	4.6%
Attestor Value Fund	Global	Distressed and special situations	103.0	3.6%
Elliott International	Global	Multi-strategy	90.7	3.2%
ENA Opportunity Offshore Fund	Global	Multi-strategy	52.3	1.8%
Farmstead Fund	United States	Distressed and special situations	49.0	1.7%
Emso Opportunity Strategies Fund	Global	Opportunistic credit	48.8	1.7%
Palm Lane Credit Opportunities Fund	Global	Fixed income, relative value	42.1	1.5%
Sand Grove Tactical	Global	Multi-strategy	41.2	1.4%
BTG Global Derivatives Opportunities	Global	Volatility strategy	36.0	1.3%
Oaktree Strategic Credit	Global	Opportunistic credit	35.4	1.2%
Blue Mountain Credit Alternatives Fund	Global	Fixed income, relative value	31.1	1.1%
Other Absolute Return & Credit	–	–	52.7	1.9%
Total Absolute Return & Credit			**714.2**	**25.0%**
Real Assets:				
Spencer House	United Kingdom	Investment property	39.4	1.4%
Investment Properties	United Kingdom	Investment property	24.3	0.9%
BlackRock World Gold Fund	Global	Gold and precious metal equities	19.2	0.7%
Gold Futures	United States	Long, 3.4% notional	0.8	0.0%
ECX Emissions Futures	Europe	Long, 0.6% notional	4.2	0.1%
Gold Options	United States	Premium	3.1	0.1%
Other Real Assets	–	–	7.4	0.3%
Total Real Assets			**98.4**	**3.5%**
Government Bonds & Rates:				
UK Interest Rate Swaps[5]	United Kingdom	Short, 9.9% notional	(2.2)	(0.1%)
Interest Rate Options	Various	Premium	8.3	0.3%
Total Government Bonds & Rates			**6.1**	**0.2%**
Other Investments:				
Currency Forward Contracts	Global	Forward currency contracts	27.0	0.9%
Currency Options	Various	Premium	3.0	0.1%
Total Other Investments			**30.0**	**1.0%**
Total Investments			**3,060.2**	**107.1%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Liquidity:				
Liquidity	–	Cash at bank/margins	224.0	7.8%
Total Liquidity			**224.0**	**7.8%**
Borrowings:				
Commonwealth Bank of Australia loan	–	Revolving credit facility	(125.0)	(4.4%)
National Australia Bank loan	–	Revolving credit facility	(150.0)	(5.3%)
RIT Senior Notes	–	Long-term notes	(163.2)	(5.7%)
Total Borrowings			**(438.2)**	**(15.4%)**
Other assets/(liabilities)	–	Various	12.3	0.5%
Total Net Asset Value			**2,858.3**	**100.0%**

Where relevant, the positions are ordered by their notional exposure rather than by their market value.

1 This stock is held via a co-investment vehicle.

2 This is a co-investment vehicle with underlying exposure to Sysco, Procter & Gamble and General Electric.

3 These funds are segregated accounts, managed externally on behalf of the Group.

4 This contains investments with four emerging hedge fund managers, the largest of which is Darsana (£24.3 million).

5 In relation to interest rate derivatives, the notional exposure is measured in units of a 10-year equivalent bond.

Principal Risks & Viability

Risk Management and Internal Control
The principal risks facing RIT are both financial and operational. The ongoing process for identifying, evaluating and managing these risks is the ultimate responsibility of the Board and the Audit and Risk Committee. Day-to-day management is undertaken by JRCM within parameters set by the Board.

As an investment company, RIT is exposed to financial risks inherent in its portfolio, which are primarily market-related and common to any portfolio with significant exposure to equities and other assets.

The Board sets the portfolio risk parameters within which JRCM operates. This involves assessment of the nature and level of risk within the portfolio using qualitative and quantitative methods.

Operational risks include those related to the legal environment, regulation, taxation and other areas where internal or external factors could result in financial or reputational loss. These are managed by JRCM with regular reporting to, and review by, the Audit and Risk Committee and the Board.

The Board is responsible for the Group's system of internal controls and it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. Further information is provided in the Audit and Risk Committee Report on page 29.

Principal Risks
The Board has carried out a robust assessment of the principal risks facing the Company as described below:

Financial Risks	Mitigation
Investment Strategy Risk As an investment company, a key risk is that the investment strategy, guided by the Investment Policy: *"To invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available."* does not deliver the Corporate Objective: *"To deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time."*	The Board is responsible for monitoring the investment strategy to ensure it is appropriate to meet the Corporate Objective. The Directors receive a detailed monthly report to enable them to monitor investment performance, attribution and exposure. They also receive a comprehensive report from the CIO in advance of the quarterly Board meetings. The overall risk appetite is set by the Board, with portfolio risk managed by JRCM within prescribed limits. This involves careful assessment of the nature and level of risk within the portfolio using qualitative and quantitative methods. The JRCM Investment Committee meets regularly to review overall investment performance, portfolio exposure and significant new investments.

Principal Risks & Viability

Financial Risks	Mitigation
Market Risk RIT invests in a number of asset categories including stocks, equity funds, private investments, absolute return and credit, real assets, government bonds and derivatives. The portfolio is therefore exposed to the risk that the fair value of these investments will fluctuate because of changes in market prices. Consistent with the Investment Policy, the Group invests globally in assets denominated in currencies other than Sterling as well as adjusting currency exposure to either seek to hedge and/or enhance returns. This exposes the portfolio to currency risk as a result of changes in exchange rates. In addition, the Group is exposed to the direct and indirect impact of changes in interest rates.	The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared daily, and form the basis for the ongoing risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes, as well as assessing the underlying correlations amongst the separate asset classes. Exposure management is undertaken with a variety of techniques including using equity index futures and options to hedge or to increase equity exposure depending on overall macroeconomic and market views. Currency exposure is managed via an overlay strategy using a combination of foreign currency borrowings, forwards and/or options to adjust the natural currency of the investments in order to achieve a desired net exposure.
Liquidity Risk Liquidity risk is the risk that the Group will have difficulty in meeting its obligations in respect of financial liabilities as they fall due. The Group has significant investments in and commitments to direct private investments and funds which are inherently illiquid. In addition, the Group holds investments with other third-party organisations which may require notice periods in order to be realised. Capital commitments could, in theory, be drawn within minimal notice. In addition, the Group may be required to provide additional margin to support derivative financial instruments.	The Group manages its liquid resources to ensure sufficient cash is available to meet its expected commitments. It monitors the level of short-term funding, and balances the need for access to such funding and liquidity, with the long-term funding needs of the Group, and the desire to achieve investment returns. Covenants embedded within the banking facilities and long-term notes are monitored on an ongoing basis for compliance, and form part of the regular stress tests. In addition, existing cash reserves as well as the significant liquidity that could be realised from the sale or redemption of portfolio investments, could be utilised to meet funding requirements if necessary. As Depositary, BNP Paribas Securities Services (BNPSS) has responsibilities in overseeing the Company's cash flow.
Credit Risk Credit risk is the risk that a counterparty to a financial instrument held by the Group will fail to meet an obligation which could result in a loss to the Group. Certain investments held within the Absolute Return & Credit portfolio are exposed to credit risk, including in relation to underlying positions held by funds. Substantially all of the listed portfolio investments capable of being held in safe custody, are held by BNPSS as custodian and depositary. Bankruptcy or insolvency of BNPSS may cause the Group's rights with respect to securities held by BNPSS to be delayed. Unrealised profit on derivative financial instruments held by counterparties is potentially exposed to credit risk in the event of the insolvency of a broker counterparty.	The majority of the exposure to credit risk within the Absolute Return & Credit portfolio is indirect exposure as a result of positions held within funds managed externally. These are typically diversified portfolios monitored by the third-party managers themselves, as well as through JRCM's ongoing portfolio management oversight. Listed transactions are settled on a delivery versus payment basis using a wide pool of brokers. Cash holdings and margin balances are also divided between a number of different financial institutions, whose credit ratings are regularly monitored. All assets held by the custodian are in fully segregated client accounts. Other than where local market regulations do not permit it, these accounts are designated in RIT's name. The custodian's most recent credit rating was A from Standard & Poor's (S&P).

Principal Risks & Viability

Operational Risks	Mitigation
Key Person Dependency In common with other self-managed investment trusts, investment decisions are made by a small number of key individuals. If for any reason the services of these individuals were to become unavailable, there could be a significant impact on our business.	This risk is closely monitored and managed by the Board which has established procedures in place to deal with any related business disruption. The potential impact is reduced by the combination of an experienced Board of Directors with distinguished backgrounds in business or finance, and experienced senior management within JRCM.
Legal & Regulatory Risk As an investment trust, RIT's operations are subject to wide ranging laws and regulations including in relation to the UK Listing Authority's (UKLA) Listing Rules and associated Disclosure, Guidance and Transparency Rules, the Companies Act 2006, as well as continued compliance with relevant tax legislation. JRCM is authorised and regulated by the Financial Conduct Authority (FCA). The financial services sector continues to experience regulatory change at national and international levels. Failure to act in accordance with these laws and regulations could result in fines, censure or other losses including taxation or reputational loss. As a result of the close relationship and regular co-investment with entities associated with the Chairman, conflicts of interest may arise.	The Operational Risk Committee of JRCM provides oversight of all legal, regulatory and other operational risks. This Committee reports key findings to the JRCM Executive Committee and the Audit and Risk Committee. JRCM employs a legal counsel and a compliance manager as well as other personnel with experience of legal, regulatory and taxation matters. In addition, specialist external advisers are engaged in relation to complex or sensitive matters. Co-investments with related entities are made on the same terms. Where necessary, co-investments and other transactions are subject to review by the Conflicts Committee and/or the UKLA.
Operational Risk Risks arising from inadequate or failed processes, people and systems or external factors. Key operational risks include reliance on third-party suppliers, dealing errors, processing failures, pricing errors, fraud, reliability of core systems and IT security issues.	Systems and control procedures are the subject of continued development and regular review. Further detail can be found in the Internal Control section of the Audit and Risk Committee Report on page 29. Processes are in place to ensure the recruitment and ongoing training of appropriately skilled staff within key operational functions. Suitable remuneration policies are in place to encourage staff retention. Independent pricing sources are used where available and performance is subject to regular monitoring. In relation to more subjective areas such as private investments and property, the valuations are estimated by experienced staff and specialist external valuers using industry standard approaches, with the final decisions taken by the independent Valuation Committee, and subject to audit. A business continuity and disaster recovery plan is maintained, and includes the ability to utilise an offsite facility in the event of any business disruption. This was satisfactorily tested during the year. Cyber security continues to receive an enhanced focus, with increased levels of protection implemented during 2017 as a result of the risk developments in this area.

Principal Risks & Viability

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code (Code), and as part of an ongoing programme of risk assessment, the Directors have assessed the prospects of the Group, to the extent that they are able, over a five-year period. As the Company is a long-term investor, the Directors have chosen a five-year period as this is viewed as sufficiently long term to provide shareholders with a meaningful view, without extending the period so far into the future as to undermine the exercise.

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the next five years.

In making this assessment, the Directors have taken into consideration the principal risks and mitigants set out on the preceding pages and the impact these might have on the business model, future performance, solvency and liquidity. In addition, the Directors considered the Group's current financial position and prospects, the composition of the investment portfolio (including the significant holdings of liquidity and readily realisable securities), the level of outstanding capital commitments, the term structure and availability of borrowings and the ongoing costs of the business. As part of the approach, due consideration has been given to the uncertainty inherent in financial forecasts and, where applicable, reasonable sensitivities have been applied to the investment portfolio in stress situations including in relation to equity market declines, currency and interest rate movements, and the level of capital calls in respect of existing commitments.

Going Concern

Having assessed the principal risks and the other matters considered in connection with the Viability Statement, and in particular the Group's liquidity balances of £224 million, readily realisable securities of £43 million, and the amounts that could be realised from the remainder of the portfolio, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Strategic Report on pages 3 to 17 was approved by a duly authorised Committee of the Board and signed on its behalf by:

A. W.

Andrew Jones
Chief Financial Officer
J. Rothschild Capital Management Limited

Governance

Board of Directors

Chairman

Lord Rothschild OM GBE

Jacob Rothschild has chaired RIT since its flotation in 1988. He is also Chairman of the Nominations Committee, as well as Chairman of J. Rothschild Capital Management Limited and of its Investment Committee.

Having left NM Rothschild & Sons in 1980, Jacob developed RIT's predecessor companies, co-founding companies in money management, insurance and investment, including Global Asset Management and St James's Place Capital plc. He served as Deputy Chairman of BSkyB Plc for five years, to 2008. He is Chairman of Windmill Hill Asset Management Limited (WHAM), which manages the philanthropic foundations connected with his family, as well as chairing his own family's office and the Rothschild Foundation.

In addition to his career in finance he has been involved in public service including the arts, heritage and philanthropy having chaired The National Gallery, The National Heritage Memorial Fund and The Heritage Lottery Fund.

Senior Independent Director

Michael Marks CBE

Michael Marks joined the Board of the Company as a non-executive Director in September 2004 and became its Senior Independent Director in July 2010. He is a member of the Conflicts, Nominations and Remuneration Committees.

He is Chairman of MR Capital Consultants Limited and was Chairman of NewSmith Capital Partners LLP, which he founded in 2003. He was formerly Co-Head of the Global Equities business of Merrill Lynch, which he joined in 1995 and where he subsequently held positions as Chief Operating Officer of Merrill Lynch Europe, Middle East and Africa. He was subsequently named Executive Chairman. He was also Executive Vice President of Merrill Lynch & Co., Inc.

Michael began his career at Smith Bros. in 1958, where he became a director in 1975 and Chief Executive of Smith New Court in 1987. He was a non-executive director of Old Mutual plc from February 2004 to May 2007 and a non-executive director of London Stock Exchange plc until 2004.

Non-Executive Directors (Independent)

John Cornish

John Cornish joined the Board of the Company as a non-executive Director in January 2008. He is Chairman of the Audit and Risk Committee and the Valuation Committee and a member of both the Remuneration and Conflicts Committees. John is also Chairman of the Trustees of the RITCP Pension and Life Assurance Scheme.

He is a chartered accountant and was formerly a partner at Deloitte LLP where he led the firm's services to the investment trust industry. Subsequently, John served as Chairman of Framlington Innovative Growth Trust plc and as a director of a number of other investment trust companies.

Philippe Costeletos

Philippe Costeletos joined the Board as a non-executive Director in July 2017 and is a member of the Valuation Committee.

He has over 25 years' of private investing experience spanning several investment cycles, investment types (including start-ups, growth capital, and buyouts) and geographies, including emerging markets.

Philippe was formerly Chairman of International for Colony Northstar, a leading global real estate and investment management firm. Previously, he was Head of TPG Capital in Europe and served as a member of TPG's Global Management and Investment Committees, being responsible for investment strategy during a period which included investments in TIM Hellas, where he was Chairman, and Debenhams plc, where he was a member of the Board.

Board of Directors

Non-Executive Directors (Independent)

Mike Power

Mike Power joined the Board of the Company as a non-executive Director in January 2014 and is a member of the Audit and Risk Committee and the Valuation Committee.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and Professor of Accounting at the London School of Economics and Political Science, where he is a Governor and has written extensively on risk and corporate governance issues. He was a non-executive director of St. James's Place plc from 2005 to 2013 where he chaired the Risk Committee and was a member of the Audit Committee. He remains on the board of St James's Place International plc, which he joined in September 2012 and was appointed as its Chairman in 2014.

Mike has held a number of other advisory positions, including the Financial Reporting Lab Advisory Committee at the Financial Reporting Council, and the Technical Development Committee of the Institute of Risk Management. In 2016 he was elected as a Fellow of the British Academy.

The Duke of Wellington

The Duke of Wellington (formerly Lord Douro) joined the Board of the Company as a non-executive Director in July 2010. He is Chairman of the Conflicts and Remuneration Committees and a member of the Nominations Committee.

He has broad experience in banking and finance, having served as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He was a director of Compagnie Financière Richemont from 1999 to 2017 and is now a Senior Adviser. He served on the Board of Sanofi for 12 years until 2014 and was a director of Pernod Ricard for eight years until 2011.

The Duke of Wellington is Chairman of Richemont Holdings (UK) Limited. He is a member of the House of Lords and was a member of the European Parliament from 1979 to 1989.

From 2007 to 2016 he was Chairman of King's College London and since 2014 he has been a governor of Wellington College.

Amy Stirling

Amy Stirling joined the Board of the Company as a non-executive Director in February 2015 and is a member of the Audit and Risk Committee and Valuation Committee.

She is a chartered accountant and is Chief Financial Officer of the Virgin Group. In December 2017, she was appointed as a non-executive Director of Virgin Money Holdings (UK) plc.

Until July 2017, Amy served as a Director and Chair of the Audit Committee of Pets at Home Group plc. She also served as the Chief Financial Officer of TalkTalk Telecom Group Plc until 2013, having been with the business since its start up as part of the Carphone Warehouse Group, which she joined in 2000.

Board of Directors

Non-Executive Directors (Non-Independent)

Hannah Rothschild

Hannah Rothschild joined the Board of the Company as a non-executive Director in August 2013.

In 2015 she became chair of the Trustees of the National Gallery.

In addition, she is a non-executive director of WHAM, a director of Five Arrows Limited and serves as a Trustee of the Rothschild Foundation.

Hannah is also a writer and filmmaker with a long standing career in the media. Her first novel, The Improbability of Love was published in 2015 in the UK, US and ten other countries.

Honorary Vice Chair

Baroness Ariane de Rothschild

Ariane de Rothschild was appointed as Honorary Vice Chair of RIT in March 2012.

She is the Chairwoman of the Executive Committee of the Edmond de Rothschild Group. She holds other various board positions across the group, including Edmond de Rothschild (Suisse), Edmond de Rothschild (France) and Barons & Baronnes Associés.

Ariane started her career as a trader in foreign exchange and metals with Société Générale in Australia and in New York. She then joined US insurance corporation AIG and successfully developed the group's trading operations in Europe.

The Honorary Vice Chair is not a Director of the Company.

J. Rothschild Capital Management

JRCM is a wholly-owned subsidiary of RIT and acts as RIT's Manager. Directors of JRCM are listed below:

Chairman
Lord Rothschild

Chief Executive Officer
Francesco Goedhuis

Executive Directors
Andrew Jones (Chief Financial Officer)
Jonathan Kestenbaum (Chief Operating Officer)
Ron Tabbouche (Chief Investment Officer)

Day-to-day management of the business is delegated to an Executive Committee led by Francesco Goedhuis. The biographies of the Executive Committee members can be found below:

Francesco Goedhuis

Francesco Goedhuis is the Chief Executive Officer. He joined JRCM as the Principal in the Chairman's Office in 2010. Previously, he was in New York working for the Economics Nobel Laureate Robert Merton and the former Vice Chairman of J.P. Morgan, Roberto Mendoza at IFL, commercialising financial academic theory on both the buy and sell sides.

Andrew Jones

Andrew Jones is the Chief Financial Officer and Chief Risk Officer. Prior to joining JRCM in 2008, he spent three years in venture capital and four years at Nomura, advising on its private equity investments as well as risk, global corporate development and strategy. He qualified as a chartered accountant with Deloitte LLP where he specialised in valuation advice.

Jonathan Kestenbaum

Jonathan Kestenbaum is the Chief Operating Officer. He joined JRCM in 2011, having previously been Chief Executive of Five Arrows Limited. He is also an adviser to philanthropic foundations connected to Lord Rothschild and a non-executive director of WHAM. He was previously Chief Executive of the National Endowment for Science, Technology and the Arts. Prior to that he was Chief of Staff to the Chairman of Apax Partners, Sir Ronald Cohen. In January 2011 Jonathan was appointed to The House of Lords.

Ron Tabbouche

Ron Tabbouche is the Chief Investment Officer. He joined JRCM in 2012 having previously been the Head of Investments for Managed Portfolios at GAM. At the age of 26, he joined GAM's Investment Committee, working with Gilbert de Botton, its co-founder. Subsequently, he led the overall investment strategy of multi-billion Dollar funds across a broad range of asset classes.

Corporate Governance Report

Introduction
The Directors present the Company's Corporate Governance Report. This describes its principal governance bodies, their composition, purpose and operation within the context of the Principles of the UK Corporate Governance Code (the Code) of the UK Financial Reporting Council (FRC), which can be viewed at www.frc.org.uk. A new version of the Code was introduced in April 2016, effective for the Company's financial year ending 31 December 2017.

Leadership
The Company is headed by its Board of Directors (the Board) which is collectively responsible for setting the Company's long-term strategic aims, and its ongoing business and investment strategies. The schedule of matters reserved for the Board may be viewed on the website, www.ritcap.com. The day-to-day management of the business is delegated to the Executive Committee of JRCM, the Company's subsidiary and manager, led by its CEO, Francesco Goedhuis.

The Board currently comprises eight Directors, the majority of which are determined by the Board to be independent. The Board comprises six independent non-executives, one non-independent and non-executive Director and one executive Director. This balance is intended to limit the scope for an individual, or a small group of individuals, to dominate the Board's decision making.

Lord Rothschild is both Chairman of the Board and an executive Director. The Company has in place a structure of five permanent committees which are designed to devolve responsibility and control of certain key areas of Board responsibility away from the Chairman. Four of these committees are comprised entirely of independent non-executive Directors. Independent non-executive Directors also comprise a majority of the Nominations Committee, chaired by Lord Rothschild. Furthermore, pursuant to an investment management agreement, day-to-day management of the Company is delegated to JRCM. Lord Rothschild retains chairmanship of the JRCM Investment Committee. This structure of permanent committees, together with the delegation of day-to-day management to the Executive Committee of JRCM, are considered by the Board as appropriate for a self-managed investment trust and its shareholders on an ongoing basis. The Terms of Reference of each of the permanent committees may be viewed at www.ritcap.com.

As Chairman of the Board, Lord Rothschild is responsible for its leadership and its effectiveness in dealing with the matters reserved for its decision with adequate time for consideration. This includes ensuring a culture of openness and debate and that Directors are properly briefed on issues arising at Board meetings. He is also responsible for ensuring effective communication with shareholders, making Directors aware of any concerns raised by shareholders and for facilitating the contribution of the non-executive Directors.

The Audit and Risk Committee
The Audit and Risk Committee Report is shown on pages 28 to 30.

The main features of the Company's internal controls and risk management are described in the Audit and Risk Committee Report on page 29 and in Principal Risks & Viability on pages 14 to 17.

The Conflicts Committee
The Conflicts Committee meets at least once a year on a formal, scheduled basis and on other occasions as and when required. The Committee is chaired by The Duke of Wellington and is comprised of independent Directors. The Committee's principal responsibilities cover the monitoring of arrangements with parties related to Lord Rothschild or any other Director (as described in note 19), to ensure that any conflicts of interest are avoided, or managed appropriately. Such arrangements include co-investments and related party transactions.

The current members of the five permanent Board committees are as follows:

Audit and Risk Committee
John Cornish (Chairman)
Mike Power
Amy Stirling

Conflicts Committee
The Duke of Wellington (Chairman)
John Cornish
Michael Marks

Nominations Committee
Lord Rothschild (Chairman)
Michael Marks
The Duke of Wellington

Remuneration Committee
The Duke of Wellington (Chairman)
John Cornish
Michael Marks

Valuation Committee
John Cornish (Chairman)
Philippe Costeletos
Mike Power
Amy Stirling

Corporate Governance Report

The Nominations Committee

The Nominations Committee comprises three Directors, two of whom are independent non-executives with the third being Lord Rothschild, the Chairman of the Committee. The Committee meets at least twice each year and on additional occasions as required. It is responsible for the process of the appointment of new Directors to the Board, and other matters set out in its Terms of Reference including overall Board composition, succession planning, and the annual performance evaluation of the Board, its committees and the Directors. During the year it considered and recommended the appointment of a Director and changes in the membership of Board Committees.

The Committee is mindful of Board balance and diversity when considering appointments to the Board. Neither open advertising nor external search consultancies have been used for non-executive Director appointments, as the Board and Nominations Committee typically utilise their broad range of business contacts to identify candidates on the basis of their potential contribution to the Company.

In accordance with the Code, the Committee considered the proposed re-elections of John Cornish, Michael Marks and The Duke of Wellington after rigorous reviews, as they have served as Directors for more than six years.

In addition, both Michael Marks and John Cornish have served as Directors for more than nine years and their independence was confirmed after very careful consideration by the full Board and taking into account the following:

- Neither Michael Marks nor John Cornish have been an employee of the Group;
- Michael Marks does not receive any remuneration from the Group other than his fees as a Director;
- John Cornish does not receive any remuneration from the Group other than his fees as a Director/Trustee; and
- There are no relationships or circumstances likely to affect the judgement of either Michael Marks or John Cornish, who both continue to challenge objectively and robustly question management.

The Remuneration Committee

The Directors' Remuneration Report is shown on pages 31 to 38.

The Valuation Committee

The Valuation Committee comprises four Directors, all of whom are independent. Philippe Costeletos was appointed to the Committee on 16 November 2017.

The Committee, chaired by John Cornish, meets at least twice each year and additionally as may be required. Its principal responsibility is to review the Company's direct private and other investments to ensure that they are presented in the annual and half-yearly accounts at fair value.

Board and Committee Attendance

The Board and Committee attendance of the Directors at meetings during the year is shown below. In each case the number of meetings attended is shown first, followed by the number of meetings that the Director was eligible to attend.

	Board	Audit & Risk	Conflicts	Nominations	Remuneration	Valuation
Number of meetings held during the year	5	7	1	2	2	2
Chairman						
Lord Rothschild	5/5	–	–	2/2	–	–
Non-executive Directors						
John Cornish	5/5	7/7	1/1	–	2/2	2/2
Philippe Costeletos[1]	1/1					1/1
Jean Laurent-Bellue[2]	4/5	–	–	–	–	–
Michael Marks	5/5	–	1/1	2/2	2/2	–
Mike Power	5/5	6/7	–	–	–	2/2
Hannah Rothschild	5/5	–	–	–	–	–
Amy Stirling	4/5	7/7	–	–	–	2/2
The Duke of Wellington	5/5	–	1/1	2/2	2/2	–
Mike Wilson[3]	3/5	3/3	–	–	1/1	–

1 Appointed as a Director on 20 July 2017.
2 Retired as a Director on 22 December 2017.
3 Retired as a Director on 19 October 2017.

Corporate Governance Report

Effectiveness

Many of the Directors have held senior positions at prominent investment banks, asset management companies or audit firms specialising in the asset management industry. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations. The biographies of the Directors and executive management on pages 19 to 22 demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims.

As described above, the process for the appointment of new Directors to the Board is the responsibility of the Nominations Committee, as is their induction and ensuring on an ongoing basis that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

JRCM provided relevant and timely information on the financial and regulatory developments during 2017 in the papers provided for Board and Committee meetings, including MiFID II, PRIIPs and the Senior Managers and Certification Regime.

The Board annually undertakes a formal and rigorous evaluation of its performance, its committees and individual Directors. The 2017 annual performance evaluation was led by Michael Marks, the Senior Independent Director. The results were evaluated and considered by the Board and separately by the non-executive Directors in a meeting without the Chairman or executive management present. Following this review, all Directors' performance was considered to be satisfactory.

The next external evaluation is scheduled for 2018.

All Directors (other than those who are retiring) stand for re-election annually, subject of course to continued satisfactory performance. Accordingly, neither the Nominations Committee nor the Board consider that it would be in the best interests of the Company for non-executive Directors to be appointed for specified terms. The re-election of Directors at the forthcoming Annual General Meeting (AGM) is therefore recommended by the Board.

Accountability

The Board, acting where appropriate through the Audit and Risk Committee, is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk management and internal control systems, for setting corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors. These areas are further described in the Audit and Risk Committee Report on pages 28 to 30.

Relations with Shareholders

The Board ensures that an ongoing dialogue with principal shareholders and analysts is maintained, based on a mutual understanding of the Company's objectives. Questions from other shareholders are responded to promptly.

JRCM regularly reports to the Board on its shareholder and analyst meetings to ensure that the members of the Board understand the views of shareholders about the Company.

All shareholders are encouraged to attend the AGM and ask questions of the Directors and management.

Corporate Governance Report

Compliance with the Code
The Company has complied with all relevant provisions of the Code during the year, save as follows:

Code provision	Explanation
Non-executive Directors should be appointed for specified terms.	As all Directors stand for re-election annually, subject to continued satisfactory performance, neither the Nominations Committee nor the Board consider that it would be in the best interests of the Company for non-executive Directors to be appointed for specified terms.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs, and of the profit or loss of the Group and Parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for both the Group and Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent 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 Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position, performance, business model and strategy.

Corporate Governance Report

Each of the Directors, whose names and responsibilities are listed in the Corporate Governance Report confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRSs give a true and fair view of the assets, liabilities, financial position and profit for the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contains a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

Jonathan Kestenbaum
Chief Operating Officer
J. Rothschild Capital Management Limited

Audit and Risk Committee Report

The Audit and Risk Committee

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 December 2017.

The Committee has oversight responsibilities delegated to it by the Board in three principal areas: financial reporting, risk management and the external audit. The responsibilities are set out in more detail in the Committee's Terms of Reference, which may be viewed at www.ritcap.com.

Committee composition

The Committee currently comprises three Directors, each of whom is non-executive and independent of the Company. The Board is satisfied that I have requisite, recent and relevant financial experience to chair the Committee: I am a Fellow of the Institute of Chartered Accountants and a former partner at Deloitte LLP.

Mike Wilson left the Committee when he retired from the Board on 19 October 2017.

The two other members of the Committee at the year end have recent and relevant financial experience and both are also Fellows of the Institute of Chartered Accountants. Their individual biographies are shown on page 20.

Committee meetings and activity during the year

We meet twice each year to review the Group's half-yearly and annual financial statements. The reviews include the assessment and assurance that the reports, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. We also consider the year-end reports from the external auditors and discuss any matters arising with the Manager. The adequacy of the Group's accounting policies and financial reporting procedures are discussed with the external auditor at least annually.

We hold two further meetings each year to review the effectiveness of the Group's risk management and internal controls, by reference to reports prepared by the Manager, its internal audit function and BNPSS as Depositary. During the year three extra meetings occurred in connection with the audit tender process.

We also review the Group's whistleblowing procedures for staff to follow in the event that they might have any concerns about possible improprieties in matters of financial reporting or other matters. The procedures in place provide for staff to have direct recourse to the Committee, through myself as Chairman.

The most significant matters we considered during the year include:

UK Corporate Governance Code 2016

We reviewed the information and analysis provided by the Manager to support the disclosures required to be made to shareholders in the annual report.

The valuation of direct private investments and other assets

Direct private investments comprise approximately 9% of net assets. By their very nature such investments merit individual attention when considering their fair value. The estimation of fair value requires the exercise of considerable judgement and in many instances the use of a range of valuation techniques. This subjectivity means that there is a higher degree of uncertainty in such valuations compared with those of other assets.

We have considered the work of the Valuation Committee and the results of their discussions with both the Manager and the external auditors. We consider the work to be detailed, comprehensive and that the persons preparing the reports have sufficient and appropriate expertise through their experience and qualifications. Furthermore, we believe that the process is planned and managed so as to devote adequate time and resource to preparation and review by both the Manager and the members of the Valuation Committee.

We have also considered the work of the Valuation Committee as it relates to other assets in the portfolio. Here, the combination of detailed processes, rigorous analysis and, where relevant, external advice has provided comfort over the entirety of the portfolio valuations.

Related Party Disclosures

Related party transactions are a common feature of commerce and business. The Group often takes advantage of opportunities offered to it, or services provided to it via many relationships built up over time (including those arising from Board members). Disclosure of such transactions is a legal requirement in order to allow shareholders and other users of the financial statements to assess the risks and opportunities facing the Group. Any failure to properly address this requirement could expose the Group to legal, regulatory or reputational risk.

Audit and Risk Committee Report

We consider the work of the Conflicts Committee in reviewing cost-sharing arrangements, co-investment transactions and any other similar arrangements with parties related to any Director, and have discussed with the Manager the systems and processes in place to identify, review, record and disclose such transactions. We note the importance the Board and the Manager place upon this. We have reviewed the disclosures made in the financial statements regarding such transactions and consider them to be the result of a process designed to ensure that not only are the transactions themselves on appropriate terms but that the necessary disclosures have been made.

Internal Control

The Board of Directors is responsible for the Group's system of internal control although it has delegated the supervision of the system to the Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss.

The Board has delegated to JRCM the implementation of the system of internal control within an established framework acceptable throughout the Group. The system of internal control is reviewed twice each year by the Committee, using a comprehensive report prepared by management. The report outlines principal risks and their management covering all aspects of financial and operational risk. The relative importance of each principal risk is assessed by reference to the possible impact on the Group's net asset value or share price should a loss occur, alongside the likelihood of that loss occurring taking into consideration the current control environment.

The Board considers that the procedures in place are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC in September 2014.

As part of the review of the control environment, an internal audit of selected areas is undertaken. This is performed on an annual basis and follows a rolling programme targeting key areas. The precise scope and depth of the remit is subject to ongoing review. Where required improvements are identified, timetables are agreed for implementing these and progress is monitored against these timescales. Clear and direct reporting lines between those conducting the reviews and the Chairman of the Committee have been established to maximise the independence of the function from JRCM's executive management.

JRCM also monitors the compliance of external managers with the terms of their investment management arrangements, as well as periodically reviewing their control procedures.

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial year, and up to the date of this report, through the Committee. During the course of the reviews conducted, the Committee has not identified or been apprised of any failings or weaknesses representing a significant business risk.

The Group maintains guidelines in relation to the key controls exercised over its financial and operating affairs. Duties are segregated to an extent commensurate with the size of the Group's organisation and business environment.

External Auditors

The external auditors are PricewaterhouseCoopers LLP (PwC).

PwC attended all meetings of the Committee, apart from those concerning the audit tender, and provided reports on their audit approach and work undertaken, the quality and effectiveness of the Group's accounting records and their findings in connection with the Group's annual statutory audit.

The Committee considers PwC's independence, objectivity and the effectiveness of the audit process with the benefit of formal and informal feedback from the Manager.

The level of non-audit services provided to the Group by the auditors is monitored, as is the auditors' objectivity in providing such service, to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by PwC in 2017 totalled £48,016 split between audit-related assurance and permitted taxation services. Their selection for this work was due to their expertise in this area. Further information on fees paid to PwC is set out in note 5 to the financial statements.

Audit and Risk Committee Report

Audit Tender

As disclosed in last year's Report and Accounts, the Board, on the recommendation of the Committee, decided to put the audit contract out to tender in 2017 with a view to appoint a new external auditor at the 2018 AGM.

PwC has been our auditor since listing in 1988 and under new European audit reforms we will be required to replace them as our external auditor no later than 2020. Alison Morris, our current audit partner, comes to the end of her five-year rotation at the 2018 AGM and we had mutually agreed that PwC would not take part in the tender process.

The Committee instigated and led an audit tender process following the 2017 AGM. The process was designed to be fair, transparent and robust, and to give each participating firm an equal opportunity to tender for the audit. The Committee took the principal role in overseeing the work of management, who supported the Committee in developing and implementing the agreed approach which is summarised below:

- Preparation of an internal short list considering:
  - Industry experience;
  - Technical expertise;
  - Audit approach and quality; and
  - Resourcing.
- Shareholder consultation;
- Confirmation of independence from short-listed firms;
- Preparation, Committee review and issuance of a Request for Proposal (RFP); and
- Information exchange via access to a data room as well as Committee members and management.

Following a review of the submitted responses, we invited Deloitte, Ernst & Young and KPMG to present to the Committee as it was judged that these three firms had the capability and experience to meet the required criteria.

Following these presentations, we considered the performance of each firm over the entire process including:

- RFP submissions;
- FRC Audit Quality Review team reports;
- References; and
- Interaction with management.

At the completion of this review we concluded that, while all three firms demonstrated they had the ability to provide an excellent audit service, the commitment shown by Ernst & Young to deliver a high quality, value-added audit as well as their knowledge of the industry in which the Group operates meant that the Committee recommended this firm to the Board. The Board agreed with the recommendation and as a result, Ernst & Young will be proposed to shareholders as new auditors at the 2018 AGM.

John Cornish
Chairman, Audit and Risk Committee

Directors' Remuneration Report

Introduction from Remuneration Committee Chairman

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2017.

The objective of our remuneration policy is to retain and incentivise talented individuals in order to deliver sustained superior returns for our shareholders over the long term.

The current Directors' Remuneration Policy, which was unchanged from the Policy initially endorsed by shareholders in 2014, was submitted to a triennial binding vote at last year's AGM and approved by 94% of shareholders' votes. The policy is available on our website, www.ritcap.com.

The Committee is responsible for the remuneration of RIT Directors, as well as oversight of remuneration policies associated with our operating subsidiaries – JRCM and SHL. In each case, incentive schemes are in place, tailored to the respective businesses.

As shareholders are aware, JRCM and SHL operate an Annual Incentive Scheme (AIS) and a Share Appreciation Rights Plan (SAR Plan) tailored to each business. These are designed to measure our achievements and reward Directors and senior management accordingly. We are always cognisant of shareholder expectations and rigorously measure Company performance. Above all, our remuneration policy must align executive reward with shareholder value creation.

The AIS rewards investment outperformance as measured against dual hurdles. It also rewards wider firm achievements not directly linked to the portfolio. Individual allocations from the bonus pool are made following rigorous performance appraisals.

The cap for total payments under the AIS is 0.75% of NAV, reducing to 0.25% in circumstances where the Group's NAV has declined. This reinforces the capital preservation aspect of our Corporate Objective. In relation to individual payments, 60% of any excess above £100,000 is deferred into shares of the Company, which vest in equal portions over a three-year period, subject to continued employment.

The Company continues to view long-term incentives as an important way of aligning individual rewards with RIT's longer term performance. The 10-year renewal of the SAR Plan was approved by shareholders in a binding vote at the AGM in 2017. The SAR Plan in summary operates as follows: at the end of a three-year vesting period (and subject to a performance hurdle) recipients are entitled to exercise their SARs and receive a payment in shares equal to the growth in value over their holding period.

Overall, we are satisfied with performance in 2017. Your Company's net assets increased in the past twelve months by more than £200 million (before dividends) to £2.9 billion, an all-time high.

As you know we measure performance using three KPIs – an absolute hurdle, an equity index and the TSR. When assessing this year's awards, the Committee has taken into account shareholders' expectations and in particular that during uncertain times such as these, the preservation of capital takes precedence over the pursuit of short-term growth. We are ever mindful that for a large number of shareholders, RIT is a long-term holding and therefore the avoidance of permanent capital losses remains a key consideration.

The NAV total return ended the year at 8.2%, outperforming the absolute benchmark (RPI plus 3.0%) which reached 7.1% for the year. As shareholders might expect, taking into consideration the levels of caution applied to the portfolio, performance in 2017 did not keep pace with the ACWI which returned 16.5%. Our third KPI (TSR) was 5.8%.

We are confident that rewards are linked to your Company's achievements in 2017. Decisions made by the Committee have followed careful appraisal of Company performance and at all times aim to align executive reward with shareholder value creation.

Wellington

The Duke of Wellington
Chairman, Remuneration Committee

Directors' Remuneration Report

Committee structure and responsibilities
The Committee is chaired by The Duke of Wellington and as at 31 December 2017, included two further independent non-executive Directors: John Cornish and Michael Marks. Mike Wilson was a member of the Committee until his retirement as a Director on 19 October 2017. The Committee meets at least twice a year on a formal basis and additionally as may be required. Its primary responsibility is the creation and maintenance of appropriate remuneration policies designed to attract, retain and motivate Directors and executive management.

The Committee reviews the total remuneration packages, including pension arrangements of the Chairman and executive management, ensuring an appropriate balance between fixed and performance-related elements. This exercise is conducted in part by reference to other companies of similar size and business objectives. The Committee seeks information and advice, as required, from members of the management team. Individuals are not present when their own remuneration is considered.

The principles of the Code were all adhered to as follows: that Executive Director remuneration is designed to promote the long-term success of the Company; that performance-related elements should be transparent, stretching and rigorously applied; and that the policy on Executive Director remuneration is formal and transparent.

The Remuneration Committee appointed New Bridge Street, the remuneration consultancy, to provide the Committee with advice. During the year, fees of approximately £18,000 were paid to New Bridge Street in respect of that advice. New Bridge Street abides by the Remuneration Consultant's Code of Conduct which requires it to provide objective and impartial advice. It has no other relationships with the Group and is therefore independent.

The Committee is also responsible for monitoring the fees paid to the non-executive Directors, by reference to the roles and time commitment of each individual concerned. The final determination of the fees payable to non-executive Directors is a matter for the Board of Directors as a whole.

Incentive structure
The Remuneration Committee has sought to ensure that there is an appropriate incentive structure to attract, motivate and retain the high-quality individuals we need to deliver our long-term strategic aims. The remuneration policy is designed to align with and reinforce these strategic aims.

The Chairman of RIT, as well as JRCM and SHL employees, participate in two principal plans:

1. AIS; and

2. Long-Term Incentive Plan (LTIP).

The AIS is designed to incentivise through a share in the total NAV outperformance of the Absolute Outperformance hurdle and the Relative Outperformance hurdle. This is measured annually and includes longer term features such as a three-year 'high water mark' as well as significant deferral into RIT shares.

In addition to this formulaic pool, AIS awards are also made for individual achievements against qualitative measures not directly linked to investment performance. The Remuneration Committee retains the ability to clawback elements of previous awards if necessary. Total payments under the scheme are capped at 0.75% of NAV or 0.25% if the NAV has declined.

There is also an LTIP that provides longer term incentives of up to 10 years using SARs, which vest if RIT's annualised TSR is above the hurdle of RPI plus 3.0% per annum over three years. Annual awards of SARs are typically capped at 4x basic salary.

In reviewing the overall incentive structure and practice, the Remuneration Committee determines the appropriate balance between short-term and long-term aims, as well as the need for robust risk management.

As we set out in our Strategic Report, we have established three KPIs which accurately reflect our Corporate Objective:

1. Absolute Outperformance: NAV total return in excess of RPI plus 3% per annum;

2. Relative Outperformance: NAV total return in excess of the ACWI; and

3. TSR.

Directors' Remuneration Report

These KPIs are incorporated into our incentive structure in the following way:

Our first KPI is designed to measure the effectiveness of our aim to produce strong absolute returns with a meaningful premium above inflation, while preserving capital.

Payments under this component of the AIS will be made only on the portion of NAV growth (measured on a total return basis), above a hurdle of RPI plus a 3.0% premium per annum and subject to a rolling three-year high water mark. The latter condition means that the NAV at the relevant year end (adjusted for dividends) needs to have increased above the NAV three years earlier before any payment is possible.

As shareholders are aware, RIT does not invest with reference to a formal benchmark. Nonetheless, in common with many investment companies, we use an equity index (the ACWI) as our second performance measure within the AIS. The ACWI has a broad geographical remit which reflects our unconstrained investment policy. In addition, we use a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies.

The third KPI, our TSR, is explicitly reflected in the performance condition for the SARs. It is further reinforced through the use of deferred shares (which vest over three years) as part of the AIS payments.

Consulting with shareholders
The Committee engages pro-actively with major shareholders and shareholder representatives. In 2017, the Committee Chairman consulted with major shareholders and appropriate representatives, on the renewal of the Directors' Remuneration Policy and the LTIP. This was then put to a binding triennial vote at last year's AGM and was approved by 94% of shareholders' votes.

Compliance with the FCA Remuneration Code
The Remuneration Committee regularly reviews the Directors' Remuneration Policy to ensure compliance with the principles of the FCA Remuneration Code, as applicable to the Group. The Directors' Remuneration Policy is designed to be consistent with the prudent management of risk and the sustained, long-term performance of the Group.

Executive shareholdings
Executive Directors are expected to build and retain a substantial personal shareholding in the Company's shares. As at 31 December 2017, beneficial holdings represented a very significant multiple of base salary for Lord Rothschild.

External non-executive directorships
Where a directorship is accepted in furtherance of the Group's business, any fees received are remitted to the Group. If the appointment is not connected to the Group's business, the Director is permitted to retain any fees received. No other fees are paid to the Chairman in respect of external non-executive directorships. Fees are received by the Chairman for advisory and other roles.

Executive Director's service contract and loss of office
Lord Rothschild has a service agreement with JRCM, dated 29 April 1996. This can be terminated on not less than 12 months' written notice. It provides for benefits-in-kind in line with normal company practice, including pension provision, private health insurance and a company car. The agreement does not specify compensation payable in the event of early termination. Contracts are available for inspection at the Company's registered office shown on page 88.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service, age and the performance of the relevant executive, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, such as illness.

In circumstances where an Executive Director was considered by the Committee to be a 'good leaver' they would be entitled to receive as soon as practicable all deferred shares allocated to them under the AIS. Any vested SARs would become exercisable at the holder's discretion within a year of leaving. The number of unvested SARs awards would be reduced to represent the portion of the relevant vesting period served. Vesting on the scheduled vesting date would remain subject to the performance condition, following which the vested SARs would be exercisable at the holder's discretion within a year.

Directors' Remuneration Report

Non-executive Directors' remuneration
The remuneration of non-executive Directors is determined by the Board as a whole. Non-executive fees are reviewed periodically by the Board with reference to market levels in comparably sized listed companies. Furthermore, the Company's Articles of Association currently limit the total base fees payable to non-executive Directors to £400,000 per annum. No additional benefits are provided to non-executive Directors other than to cover the cost of travel. The Board applied the following structure for the determination of the annual fees of the non-executive Directors for the year ended 31 December 2017:

Base fee	£30,000
Senior Independent Director fee	£7,500
Committee membership fees:	
Audit and Risk Committee	£6,000
Conflicts Committee	£3,000
Nominations Committee	£4,000
Remuneration Committee	£4,000
Valuation Committee	£6,000
Audit and Risk Committee Chairmanship	£10,000
All other Committees' Chairmanship fee (per committee)	£7,500

The non-executive Directors each have letters of appointment that are subject to termination upon one month's written notice on either side.

Annual Report on Remuneration
This part of the report has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and relevant sections of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2018 AGM. The information on pages 31 to 38 has been audited where required under the regulations and is indicated as audited information where applicable.

Directors' Remuneration – Audited

			Year ended 31 December 2017			
Director	Salary £	Bonus £	Taxable benefits[2] £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Lord Rothschild[1]	250,000	417,949[1]	44,339	603,000	50,000	1,365,288
Non-Executive Directors						
John Cornish[3]	66,500	–	–	–	–	66,500
Philippe Costeletos[4]	16,108	–	–	–	–	16,108
Jean Laurent-Bellue[5]	30,000	–	–	–	–	30,000
Michael Marks	48,500	–	–	–	–	48,500
Mike Power	42,000	–	–	–	–	42,000
Hannah Rothschild	30,000	–	–	–	–	30,000
Amy Stirling	42,000	–	–	–	–	42,000
The Duke of Wellington	56,000	–	–	–	–	56,000
Mike Wilson[6]	32,154	–	–	–	–	32,154

1 The Chairman was the highest paid Director during the year. His bonus of £417,949 was deferred 100% into shares of RIT which vest in equal portions over a three-year period. The long-term incentive reflects the value of SAR awards that vested during the year.
2 Taxable benefits include provision of a company car, health insurance and an annual health assessment.
3 John Cornish also received fees of £9,968 as a Trustee of the RITCP Pension and Life Assurance Scheme.
4 Phillipe Costeletos was appointed as a Director of the Company on 20 July 2017.
5 Jean Laurent Bellue retired as a Director on 22 December 2017.
6 Mike Wilson retired as a Director on 19 October 2017.
7 John Makinson, a previous Director, received US$112,500 as chairman of a subsidiary.

Directors' Remuneration Report

Director	Salary £	Bonus £	Year ended 31 December 2016 Taxable benefits[2] £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Lord Rothschild[1]	250,000	1,000,000[1]	38,991	361,000	50,000	1,699,991
Non-Executive Directors						
John Cornish[3]	64,625	–	–	–	–	64,625
Jean Laurent-Bellue	28,750	–	–	–	–	28,750
Michael Marks	47,250	–	–	–	–	47,250
Lord Myners[4]	9,827	–	–	–	–	9,827
Mike Power	40,750	–	–	–	–	40,750
Hannah Rothschild	28,750	–	–	–	–	28,750
Amy Stirling	40,750	–	–	–	–	40,750
The Duke of Wellington	54,750	–	–	–	–	54,750
Mike Wilson	38,750	–	–	–	–	38,750

1 The Chairman was the highest paid Director during the year. His bonus of £1 million was deferred 100% into shares of RIT which vest in equal portions over a three-year period. The long-term incentive reflects the value of SAR awards that vested during the year.
2 Taxable benefits include provision of a company car, health insurance and an annual health assessment.
3 John Cornish also received fees of £9,628 as a Trustee of the RITCP Pension and Life Assurance Scheme.
4 Lord Myners retired as a Director of the Company on 21 April 2016.
5 John Makinson, a previous Director received US$150,000 as chairman of a subsidiary.

Salaries and fees

The Company's non-executive Directors' fees totalled £363,262 for the year (compared to £354,202 in the year ended 31 December 2016).

The Chairman's salary for 2018 remains at £250,000.

Bonus award for 2017 performance

The bonus granted to the Chairman from the AIS is shown on page 34. Aggregate payments made under the scheme for the year were significantly below the 0.75% cap. In determining the Chairman's bonus, the Committee took careful account of the outperformance of the absolute hurdle by 1.1% at a time where the Company has placed particularly strong emphasis on capital preservation. The Committee awarded the entire bonus in the form of shares in RIT which vest over three years.

The following table shows the percentage change in the base salary, benefits and annual bonus of the Chairman between the current and previous financial year, compared to the average for all employees of JRCM.

Remuneration Category	Chairman % change	Average for JRCM employees[1] % change
Base salary	–	2.5%
Benefits	13.7%	8.9%
Annual bonus	(58.2%)	(7.5%)

1 Includes staff employed for both years; excludes the Chairman.

Directors' Remuneration Report

Long-Term Incentive Plan – Audited

The following SARs granted to the Chairman were outstanding at 31 December 2017:

Outstanding at 31 December 2017	Grant price (pence)	Face value of grant (£)	Grant date	Vesting date	Expiry date
201,792	796	1,606,264	13 March 2009	13 March 2012	12 March 2019
125,000	1,243	1,553,750	2 July 2012	2 July 2015	1 July 2022
100,000	1,246	1,246,000	8 March 2013	8 March 2016	7 March 2023
100,000	1,303	1,303,000	7 March 2014	7 March 2017	6 March 2024
78,843	1,522	1,199,990	2 March 2015	2 March 2018	1 March 2025

On exercise, the above SARs will be settled in ordinary shares of the Company. The face value at the date of grant is the number of SARs granted, multiplied by the strike price. The strike price is the closing price for the Company's shares on the dealing day immediately prior to the grant date. The performance period for each award is the three-year period from the grant date. The SARs vest if RIT's annualised TSR is above the hurdle of RPI plus 3.0% over the three-year performance period. Once vested, the SARs are exercisable for a further seven years. During the year, there were no exercises of SARs held by the Chairman.

Statement of Directors' shareholdings – Audited

The interests of the Directors holding office at 31 December 2017 in the ordinary shares of the Company are shown below:

	31 December 2017		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild[1]	9,904,096	18,462,036	18.26
Philippe Costeletos	–	–	–
John Cornish	8,281	–	0.01
Michael Marks	10,000	–	0.01
Mike Power	691	–	–
Hannah Rothschild[1]	14,263,695	14,081,001	18.24
Amy Stirling	2,058	–	–
The Duke of Wellington	25,000	89,000	0.07

[1] The majority of total interests in the table above for Lord Rothschild and Hannah Rothschild are in respect of the same shares, in cases where they are held in family charitable foundations, companies or trusts. These include 6,932,301 shares held beneficially and 14,081,001 shares held non-beneficially in which both Lord Rothschild and Hannah Rothschild are interested.

Between the end of the year and the date of this Report, there were no changes in the Directors' interests.

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Senior Independent Director. Requests from other Directors and employees of the Group are referred to the Chairman or Senior Independent Director, except in the case of small volume transactions requested by those other than Directors and JRCM executive management, which are considered by the Compliance Officer.

Except as stated in note 19 to the financial statements no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the FCA Listing Rules.

Directors’ Remuneration Report

Statement of shareholder voting
Votes in respect of the resolution to approve the Directors’ Remuneration Report at the Company’s AGM in April 2017 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	58,094,692	98.4
Votes cast against	916,184	1.6
Total votes cast	59,010,876	100.0
Votes withheld	87,672	–

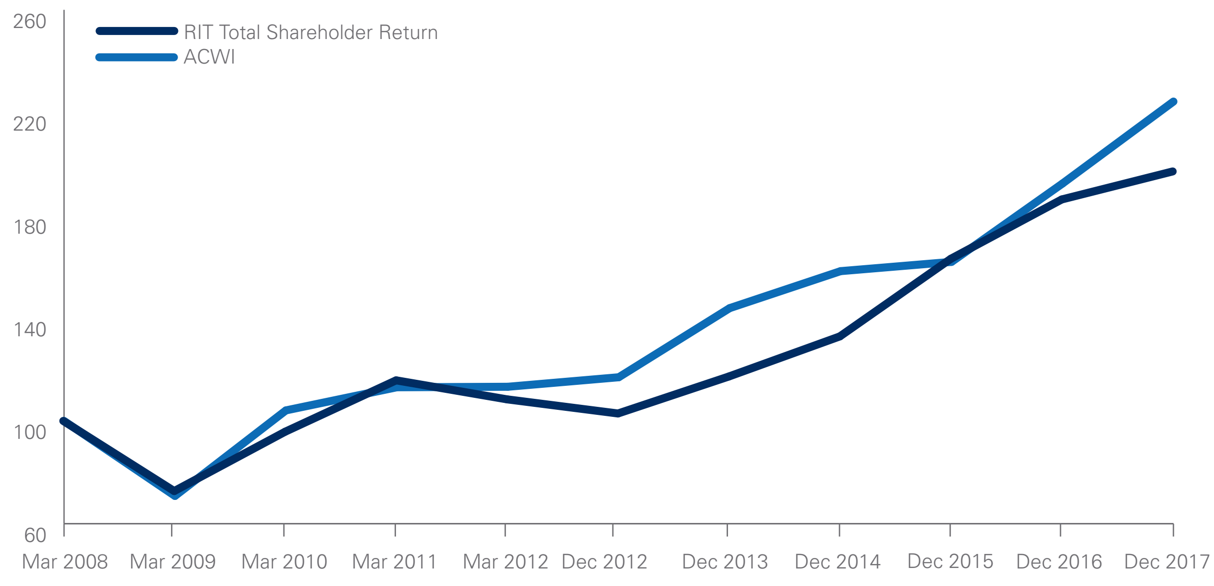
Votes in respect of the resolution to approve the Directors’ Remuneration Policy at the Company’s AGM in April 2017 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	55,330,043	93.7
Votes cast against	3,678,080	6.3
Total votes cast	59,008,123	100.0
Votes withheld	89,878	–

Votes in respect of the resolution to approve the renewal of the SAR Plan at the Company’s AGM in April 2017 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	55,250,163	94.5
Votes cast against	3,229,925	5.5
Total votes cast	58,480,088	100.0
Votes withheld	618,462	–

Performance Graph
In accordance with the Directors’ Remuneration Report regulations; a performance graph which measures the Company’s total shareholder return over the period from 31 March 2008, against that of a broad equity market index is shown below. This is calculated by reference to the Company’s share price, including dividend reinvestment. The Committee considers the ACWI to be the most suitable index for this purpose. Further information can be found in the Company’s Strategic Report.



Directors' Remuneration Report

Total remuneration of the Chairman

The total remuneration of the Chairman for each of the financial years in the preceding performance graph, is set out in the following table. In accordance with regulatory requirements, the total remuneration figure includes the value of SAR awards which vested in each period even if these were not exercised. This figure does not therefore represent cash payments made to the Chairman in the periods. As the Company applies a cap to the overall level of AIS awards, rather than on an individual basis, disclosure showing each payment as a percentage of the maximum payment has not been shown.

£000	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Nine months ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017
Total remuneration	796	780	695	1,456[1]	429	1,082	1,030	2,020[2]	1,700[3]	1,365[4]

[1] Includes £896k in respect of SAR awards that vested during the year.
[2] Includes £421k in respect of SAR awards that vested during the year.
[3] Includes £361k in respect of SAR awards that vested during the year.
[4] Includes £603k in respect of SAR awards that vested during the year.

Relative importance of spend on pay

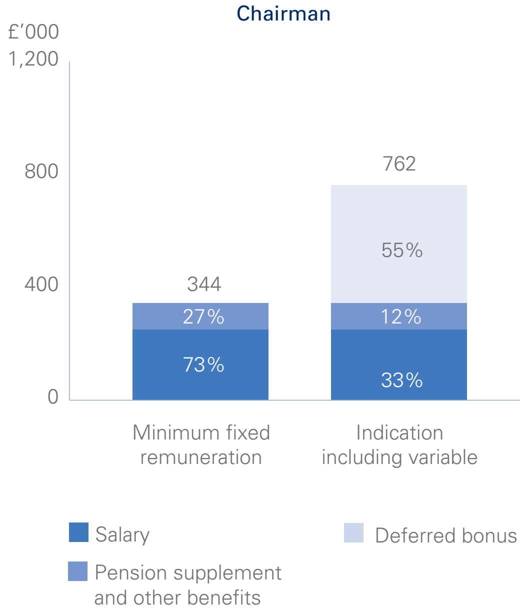
The following table shows the year-on-year movement in total remuneration of all employees, compared to the dividends paid.

£ million	Year ended 31 December 2016	Year ended 31 December 2017	Change
Total staff costs	21.2	20.1	(1.1)
Dividends	47.9	49.4	1.5

Reward scenarios

The Directors' Remuneration Policy means a significant portion of the remuneration received by an Executive Director is dependent on Group performance measured against its KPIs.

The adjacent chart illustrates the minimum fixed remuneration, and provides an indication of the total remuneration for a year of satisfactory performance using the base salary effective 1 January 2018 as well as the annual bonus figure for the year ended 31 December 2017. It also shows the weighting of the main remuneration components. As the Group's policy is not to cap individual variable pay, a maximum total remuneration figure is not shown in the chart. The cap for total payments under the AIS is 0.75% of net assets, falling to 0.25% in circumstances where the Group's net assets have reduced.



On behalf of the Board of Directors

The Duke of Wellington
Chairman, Remuneration Committee

Directors' Report

Directors' Report: Statutory and Other Disclosures

The Directors present their report and audited financial statements for the year ended 31 December 2017.

The section above identifies where certain information required to be disclosed in the Directors' Report, is shown within other sections of the Report and Accounts, starting on the page indicated. Additional statutory disclosures are set out below.

Status of Company

The Company is registered as a public company and is incorporated in the UK and registered in England and Wales (Company Registration Number 2129188). It conducts its affairs so as to qualify for approval as an investment trust for tax purposes, and has been accepted as an approved investment trust by HM Revenue & Customs, subject to continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 1158 of the Corporation Tax Act 2010.

The Company's subsidiaries are mainly engaged in investment activities and the activities of the Group are principally undertaken in the UK.

Directors

The Directors at the date of this report are listed on pages 19 to 21.

During the year ended 31 December 2017:

Directorate changes

- Philippe Costeletos was appointed as a Director on 20 July 2017 and will stand for election by shareholders at the AGM;
- Mike Wilson retired as a Director on 19 October 2017; and
- Jean Laurent-Bellue retired as a Director on 22 December 2017.

Committee Composition

- Philippe Costeletos was appointed as a member of the Valuation Committee on 16 November 2017.

Investment Policy

The Company's Corporate Objective is: "*to deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time.*"

The Company's Investment Policy is: "*to invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.*"

Asset Allocation and Risk Diversification

The Group's assets continue to be allocated across a diversified range of asset classes, geographies, industries and currencies. There are no external restrictions on the allocation of assets. The portfolio is further diversified through the use of external managers with different mandates. Exposures are monitored and managed by JRCM under the supervision of the Board.

Gearing

The Company maintains structural gearing principally through fixed-rate private placement notes and revolving credit facilities. At 31 December 2017, the Sterling equivalent of the drawn indebtedness was £438 million with debt held at fair value, or £426 million with debt held at par value. This represented net gearing calculated in accordance with AIC guidance of 13.0%.

The maximum indebtedness that the Company is empowered to incur under its Articles of Association is five times its adjusted capital and reserves.

Further information is shown under Debt and Leverage on page 10.

Direct and Indirect Investment Management Fees

Consistent with the Investment Policy, the Company invests a significant proportion of the portfolio with external managers. The majority of the management and performance fees charged by such managers are incurred indirectly by the Company as they are included within the fund investment valuations and therefore form part of the investment return. A small number of fund investments are structured as segregated accounts. Here, the fees are incurred directly by the Company (see note 3) on page 54.

Fees within the long-only equity funds, whether structured as segregated accounts or otherwise, typically involve a 1% per annum management fee and in some cases a performance fee for outperformance relative to a benchmark. The hedge funds and absolute return or credit funds are slightly higher – typically a 1% to 2% management fee and a 15% to 20% performance fee.

Directors' Report

Private equity fees are structured differently and will usually have a 1% to 2% annual charge (often based on commitments in early years and declining over time with realisations), as well as a 20% carried interest above an 8% hurdle.

Share Capital

At 31 December 2017, the issued share capital comprised 155,351,431 £1 ordinary shares. Further details are shown in note 23 on page 68.

During the year ended 31 December 2017, no ordinary shares were issued or repurchased and the shareholders' authority to repurchase up to 23,287,179 shares granted at the AGM on 27 April 2017 remained valid at the end of the year under review. The existing authority for the repurchase of shares expires at the Company's AGM on 26 April 2018. A replacement authority is to be proposed at the upcoming AGM, as explained in the separate Notice of the meeting.

Major Holders of Voting Rights

As at 31 December 2017, the following notifications had been received from the holders of 3% or more of the voting rights conferred through the direct or indirect holding of the Company's ordinary shares of £1 each.

	31 December 2017			
	No. of voting rights		% of voting rights	
Major holders of voting rights[1]	Direct	Indirect	Direct	Indirect
Five Arrows Limited[2]	6,757,835	–	4.35	–
Lord Rothschild[2]	<3%	18,462,036	<3%	11.88
Hannah Rothschild[2]	<3%	14,081,001	<3%	9.06
The Rothschild Foundation[2]	14,081,001	–	9.06	–

1 The total Rothschild family interest (including shares in which Lord Rothschild and Hannah Rothschild do not have a direct or indirect interest) is 21.16%.

2 Some or all of these holdings form part of Lord Rothschild's and Hannah Rothschild's interests disclosed on page 36 under Directors' shareholdings.

As at 26 February 2018, the voting rights in the above table remained unchanged.

There are no restrictions or significant agreements that may restrict, on a change of control, transfer of securities in the Company or the voting rights attaching to those securities.

The shares of the Company qualify for inclusion within an Individual Savings Account.

Corporate Responsibility

The Board is responsible for ensuring that appropriate standards of corporate responsibility are adopted within the Group through suitable Social, Environmental and Ethical (SEE) policies. Day-to-day responsibility resides with JRCM.

The Company's Corporate Objective and Investment Policy do not incorporate specific SEE requirements or restrictions, and as an investment trust, the Board considers that the Company's direct SEE impact is low. The Company considers the largest environmental impact is the emissions resulting from business travel and from our premises. Where possible, executives will only travel where alternatives such as video conference facilities are not practical. In relation to its premises, the Company monitors and has taken steps to reduce its emissions and maximise the recycling of materials.

Emissions required to be reported in respect of the years ended 31 December 2017 and 2016 were calculated using fuel conversion factors provided by Defra[1], as follows:

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per FTO[2]
31 December 2017:		
Scope 1 Gas	48	0.7
Scope 2 Electricity	144	2.0
Total	192	2.7

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per FTO[2]
31 December 2016:		
Scope 1 Gas	51	0.7
Scope 2 Electricity	157	2.0
Total	208	2.7

1 Department for Environment, Food & Rural Affairs.
2 Full-time occupant.

The Group operates an ethics policy which applies to all staff, including in relation to social and human rights issues. The Board is also supportive of moves towards greater diversity. At the year end, the RIT Board consisted of eight Directors, two of whom were women. Within the wider Group the senior management level included four men. The overall employee base is divided between 40 men and 15 women.

Directors' Report

Diversity
As part of the Group's diversity policy, recruitment systems are in place to allow us to monitor the diversity of job applicants, ensuring we are attracting potential candidates from a variety of backgrounds. Further initiatives that we have in place to support diversity include a flexible working policy, enhanced maternity leave as well as adoption and shared parental leave.

Stewardship Code
The Company supports the applicable principles of the Stewardship Code published by the FRC. The Company's Stewardship Policy may be viewed on its website.

Save for voting rights on the Company's investments held in segregated accounts by external managers who have control on the voting of those shares, the investment department determines voting on resolutions of directly-held investee companies and funds.

Monitoring of directly held investments is also carried out by JRCM's investment department which is responsible for elevating any matters of concern to the JRCM Investment Committee. Active intervention appropriate for the circumstances will be considered where it is in the Company's best interests.

The Company does not publish its voting record as it invests as principal rather than agent and due to the diversity of its securities held.

Cross Holdings
The UKLA Listing Rules also require closed-ended investment companies to disclose quarterly all of their investments in "*other listed closed-ended investment funds ... which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.*"

The Group discloses such investments when necessary, but does not restrict its own investment policies in this manner.

Annual General Meeting
The Company's AGM will be held on 26 April 2018 at 11:00 a.m. at Spencer House, 27 St James's Place, London, SW1A 1NR.

The AGM Notice is set out in a separate document circulated to shareholders, which may be viewed on the Company's website: www.ritcap.com.

Auditor
Following a competitive tender process, the Board (having received a recommendation from the Audit and Risk Committee) has recommended that Ernst & Young be appointed as the Group's auditor with effect from the 2018 AGM, at which resolutions concerning Ernst & Young's appointment and authorising the Directors to set their remuneration will be proposed. Further information on the tender process can be found in the Audit and Risk Report on page 30.

Other
The Company seeks to agree the best possible terms on which business will take place with its suppliers. It is the Company's policy to abide by such terms. The Company had no trade payables at the year end (2016: nil).

The Company maintained a qualifying third-party liability insurance for its Directors and Officers throughout the year and up to the date of approval of the financial report and accounts.

Disclosure of Information to Auditors
With regard to the preparation of the Report and Accounts of the Company for the year ended 31 December 2017, the Directors have confirmed to the auditors that:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware; and
- they have taken the steps appropriate as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Directors' Report

UKLA Listing Rules disclosures
The following disclosures are in accordance with UKLA Listing Rule 9.8.4:

- Details of the long-term incentive scheme are provided on pages 32 and 36;
- The J. Rothschild Capital Management Limited Employee Benefit Trust (EBT) has waived its rights to dividends paid on the ordinary shares of the Company in 2016 and in future years. In 2017, the net dividends waived amounted to £186,325 on the first interim dividend paid on 28 April 2017 and £169,741 on the second interim dividend paid on 31 October 2017; and
- The shareholders' authority for the purchase of the Company's own shares is still valid at the end of the period under review and is disclosed on page 40.

There are no further disclosures required under Listing Rule 9.8.4.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015
Information on subsidiaries that is required to be disclosed under the above regulations is disclosed in note 32.

Disclosable information in respect of other investments is contained in notes 13 and 35.

Statement under the UKLA Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on pages 19 to 21 confirm that, to the best of their knowledge:

- the Group and the Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' Report contained in the Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

The Directors' Report on pages 39 to 42 was approved by a duly authorised Committee of the Board and signed on its behalf by:

Jonathan Kestenbaum.

Jonathan Kestenbaum
Chief Operating Officer
J. Rothschild Capital Management Limited

Financial Statements
for the year ended 31 December 2017

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

Year ended 31 December £ million	Notes	Revenue	Capital	2017 Total	Revenue	Capital	2016 Total
Income and gains							
Investment income	2	19.0	–	19.0	23.1	–	23.1
Other income		11.9	–	11.9	7.2	–	7.2
Gains/(losses) on fair value investments	3	–	244.7	244.7	–	351.0	351.0
Gains/(losses) on monetary items and borrowings		–	(13.9)	(13.9)	–	(38.1)	(38.1)
		30.9	230.8	261.7	30.3	312.9	343.2
Expenses							
Operating expenses	4, 5	(23.7)	(4.9)	(28.6)	(21.7)	(7.2)	(28.9)
Profit/(loss) before finance costs and tax	6	7.2	225.9	233.1	8.6	305.7	314.3
Finance costs	7	(12.8)	–	(12.8)	(13.3)	–	(13.3)
Profit/(loss) before tax		(5.6)	225.9	220.3	(4.7)	305.7	301.0
Taxation	8	(0.1)	0.3	0.2	1.1	–	1.1
Profit/(loss) for the year		**(5.7)**	**226.2**	**220.5**	**(3.6)**	**305.7**	**302.1**
Earnings per ordinary share – basic	9	(3.7p)	146.6p	142.9p	(2.3p)	198.0p	195.7p
Earnings per ordinary share – diluted	9	(3.7p)	146.1p	142.4p	(2.3p)	197.3p	195.0p

The total column of this statement represents the Group's Consolidated Income Statement, prepared in accordance with IFRSs as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the AIC. All items in the above statement derive from continuing operations.

Consolidated Statement of Comprehensive Income

Year ended 31 December £ million	Notes	Revenue	Capital	2017 Total	Revenue	Capital	2016 Total
Profit/(loss) for the year		**(5.7)**	**226.2**	**220.5**	**(3.6)**	**305.7**	**302.1**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:							
Revaluation gain/(loss) on property, plant and equipment	10	–	(0.4)	(0.4)	–	(0.4)	(0.4)
Actuarial gain/(loss) in defined benefit pension plan	11	2.8	–	2.8	(3.4)	–	(3.4)
Deferred tax (charge)/credit allocated to actuarial loss/(gain)	12	(0.9)	–	(0.9)	0.5	–	0.5
Movement in other reserves	30	–	(0.3)	(0.3)	–	–	–
Total comprehensive income/(expense) for the year		**(3.8)**	**225.5**	**221.7**	**(6.5)**	**305.3**	**298.8**

The amounts included above are net of tax where applicable; the effect of tax balances are disclosed in note 8.

The notes on pages 50 to 72 form part of these financial statements.

Consolidated Balance Sheet

At 31 December £ million	Notes	2017	2016
Non-current assets			
Investments held at fair value	13, 14, 15	2,995.5	2,938.8
Investment property	16	36.1	35.5
Property, plant and equipment	10	27.9	28.8
Deferred tax asset	12	3.1	3.7
Retirement benefit asset	11	1.8	–
Derivative financial instruments	14, 17	6.4	6.1
		3,070.8	3,012.9
Current assets			
Derivative financial instruments	14, 17	49.2	35.0
Other receivables	18	123.3	178.6
Amounts owed by group undertakings		0.1	0.9
Tax receivable		–	0.1
Cash at bank		122.9	131.2
		295.5	345.8
Total assets		3,366.3	3,358.7
Current liabilities			
Borrowings	20	(275.0)	(275.0)
Derivative financial instruments	14, 17	(9.8)	(35.6)
Provisions	21	–	(0.9)
Other payables	22	(42.9)	(61.2)
Amounts owed to group undertakings		(11.7)	(128.5)
		(339.4)	(501.2)
Net current assets/(liabilities)		(43.9)	(155.4)
Total assets less current liabilities		3,026.9	2,857.5
Non-current liabilities			
Borrowings	20	(163.2)	(156.4)
Derivative financial instruments	14, 17	(2.4)	(4.0)
Provisions	21	(2.5)	(2.7)
Finance lease liability		(0.5)	(0.5)
Retirement benefit liability	11	–	(1.8)
		(168.6)	(165.4)
Net assets		**2,858.3**	**2,692.1**
Equity attributable to owners of the Company			
Share capital	23	155.4	155.4
Share premium	23	17.3	17.3
Capital redemption reserve	24	36.3	36.3
Own shares reserve	25	(17.6)	(14.4)
Share-based payment reserve	26	4.6	7.5
Capital reserve	27	2,648.4	2,471.6
Revenue reserve	28	(2.7)	1.1
Revaluation reserve	29	16.6	17.0
Other reserves	30	–	0.3
Total equity		**2,858.3**	**2,692.1**
Net asset value per ordinary share – basic	31	1,847p	1,739p
Net asset value per ordinary share – diluted	31	1,839p	1,730p

The financial statements on pages 44 to 49 were approved by the Board of Directors and authorised for issue on 26 February 2018.

Rothschild
Chairman

The notes on pages 50 to 72 form part of these financial statements.

Parent Company Balance Sheet

At 31 December £ million	Notes	2017	2016
Non-current assets			
Investments held at fair value	13, 14, 15	2,977.0	2,798.1
Investment property	16	36.1	35.5
Property, plant and equipment	10	27.6	28.4
Investments in subsidiary undertakings	32	9.5	165.6
Derivative financial instruments	14, 17	6.4	6.1
		3,056.6	3,033.7
Current assets			
Derivative financial instruments	14, 17	49.2	35.0
Other receivables	18	122.9	176.8
Amounts owed by group undertakings	19	0.1	1.0
Tax receivable		–	0.1
Cash at bank		118.4	125.0
		290.6	337.9
Total assets		3,347.2	3,371.6
Current liabilities			
Borrowings	20	(275.0)	(275.0)
Derivative financial instruments	14, 17	(9.8)	(35.6)
Provisions	21	–	(0.9)
Other payables	22	(37.8)	(51.2)
Amounts owed to group undertakings	19	(73.3)	(221.7)
		(395.9)	(584.4)
Net current assets/(liabilities)		(105.3)	(246.5)
Total assets less current liabilities		2,951.3	2,787.2
Non-current liabilities			
Borrowings	20	(163.2)	(156.4)
Derivative financial instruments	14, 17	(2.4)	(4.0)
Provisions	21	(2.5)	(2.7)
Finance lease liability		(0.5)	(0.5)
		(168.6)	(163.6)
Net assets		**2,782.7**	**2,623.6**
Equity attributable to owners of the Company			
Share capital	23	155.4	155.4
Share premium reserve	23	17.3	17.3
Capital redemption reserve	24	36.3	36.3
Capital reserve:			
At 1 January		2,461.1	2,200.3
Profit for the year		227.7	308.7
Dividends paid	33	(49.4)	(47.9)
Capital reserve at 31 December	27	2,639.4	2,461.1
Revenue reserve:			
At 1 January		(63.5)	(46.6)
Loss for the year		(18.8)	(16.9)
Revenue reserve at 31 December	28	(82.3)	(63.5)
Revaluation reserve at 31 December	29	16.6	17.0
Total equity		**2,782.7**	**2,623.6**

The financial statements on pages 44 to 49 were approved by the Board of Directors and authorised for issue on 26 February 2018.

Rothschild

Rothschild
Chairman

The notes on pages 50 to 72 form part of these financial statements.

Consolidated Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Own shares reserve	Share-based payment reserve	Capital reserve	Revenue reserve	Revaluation reserve	Other reserves	Total equity
Balance at 1 January 2016	155.4	17.3	36.3	(13.0)	6.2	2,213.8	7.6	17.4	0.3	2,441.3
Profit/(loss) for the year	–	–	–	–	–	305.7	(3.6)	–	–	302.1
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(0.4)	–	(0.4)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	(3.4)	–	–	(3.4)
Deferred tax (charge)/credit allocated to actuarial loss	–	–	–	–	–	–	0.5	–	–	0.5
Other reserves	–	–	–	–	–	–	–	–	–	–
Total comprehensive income/(expense) for the year	–	–	–	–	–	305.7	(6.5)	(0.4)	–	298.8
Dividends paid	–	–	–	–	–	(47.9)	–	–	–	(47.9)
Movement in Own shares reserve	–	–	–	(1.4)	–	–	–	–	–	(1.4)
Movement in Share-based payment reserve	–	–	–	–	1.3	–	–	–	–	1.3
Balance at 31 December 2016	**155.4**	**17.3**	**36.3**	**(14.4)**	**7.5**	**2,471.6**	**1.1**	**17.0**	**0.3**	**2,692.1**
Balance at 1 January 2017	155.4	17.3	36.3	(14.4)	7.5	2,471.6	1.1	17.0	0.3	2,692.1
Profit/(loss) for the year	–	–	–	–	–	226.2	(5.7)	–	–	220.5
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(0.4)	–	(0.4)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	2.8	–	–	2.8
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	–	(0.9)	–	–	(0.9)
Other reserves	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Total comprehensive income/(expense) for the year	–	–	–	–	–	226.2	(3.8)	(0.4)	(0.3)	221.7
Dividends paid	–	–	–	–	–	(49.4)	–	–	–	(49.4)
Movement in Own shares reserve	–	–	–	(3.2)	–	–	–	–	–	(3.2)
Movement in Share-based payment reserve	–	–	–	–	(2.9)	–	–	–	–	(2.9)
Balance at 31 December 2017	**155.4**	**17.3**	**36.3**	**(17.6)**	**4.6**	**2,648.4**	**(2.7)**	**16.6**	**–**	**2,858.3**

The notes on pages 50 to 72 form part of these financial statements.

Parent Company Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2016	155.4	17.3	36.3	2,200.3	(46.6)	17.4	2,380.1
Profit/(loss) for the year	–	–	–	308.7	(16.9)	–	291.8
Revaluation loss on property, plant and equipment	–	–	–	–	–	(0.4)	(0.4)
Total comprehensive income/ (expense) for the year	–	–	–	308.7	(16.9)	(0.4)	291.4
Dividends paid	–	–	–	(47.9)	–	–	(47.9)
Balance at 31 December 2016	**155.4**	**17.3**	**36.3**	**2,461.1**	**(63.5)**	**17.0**	**2,623.6**
Balance at 1 January 2017	155.4	17.3	36.3	2,461.1	(63.5)	17.0	2,623.6
Profit/(loss) for the year	–	–	–	227.7	(18.8)	–	208.9
Revaluation loss on property, plant and equipment	–	–	–	–	–	(0.4)	(0.4)
Total comprehensive income/ (expense) for the year	–	–	–	227.7	(18.8)	(0.4)	208.5
Dividends paid	–	–	–	(49.4)	–	–	(49.4)
Balance at 31 December 2017	**155.4**	**17.3**	**36.3**	**2,639.4**	**(82.3)**	**16.6**	**2,782.7**

The notes on pages 50 to 72 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statement

Year ended 31 December £ million	Notes	Consolidated Cash Flow 2017	2016	Parent Company Cash Flow 2017	2016
Cash flows from operating activities:					
Cash inflow/(outflow) before taxation and interest		34.8	97.0	20.3	92.6
Interest paid		(12.8)	(13.3)	(12.8)	(13.3)
Net cash inflow/(outflow) from operating activities	34	22.0	83.7	7.5	79.3
Cash flows from investing activities:					
Sale/(purchase) of property, plant and equipment		(0.1)	0.1	(0.1)	–
Disposal of subsidiary		(4.4)	–	–	–
Net cash inflow/(outflow) from investing activities		(4.5)	0.1	(0.1)	–
Cash flows from financing activities:					
Purchase of ordinary shares by EBT[1]		(11.8)	(5.6)	–	–
Proceeds from borrowings		–	25.0	–	25.0
Repayments of borrowings		–	(53.7)	–	(53.7)
Equity dividend paid	33	(49.4)	(47.9)	(49.4)	(47.9)
Net cash inflow/(outflow) from financing activities		(61.2)	(82.2)	(49.4)	(76.6)
Increase/(decrease) in cash and cash equivalents in the year		(43.7)	1.6	(42.0)	2.7
Cash and cash equivalents at the start of the year		170.5	134.8	164.3	127.5
Effect of foreign exchange rate changes on cash and cash equivalents		(3.9)	34.1	(3.9)	34.1
Cash and cash equivalents at the year end		**122.9**	**170.5**	**118.4**	**164.3**
Reconciliation:					
Cash at bank		122.9	131.2	118.4	125.0
Money market funds (included in portfolio investments)		–	39.3	–	39.3
Cash and cash equivalents at the year end		**122.9**	**170.5**	**118.4**	**164.3**

[1] Shares are disclosed in 'Own shares reserve' on the consolidated balance sheet.

The notes on pages 50 to 72 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

The consolidated financial statements of the Group and Company have been prepared in accordance with IFRSs as adopted by the European Union, IFRS Interpretations Committee interpretations, and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The Company is domiciled in the United Kingdom.

Accounting policies have been consistently applied.

The following standards are mandatory for the Group's accounting periods beginning on 1 January 2018:

- *IFRS 9 Financial Instruments*; and
- *IFRS 15 Revenue from Contracts with Customers.*

The Directors have carefully considered the potential impact of these new standards on the Group's accounts and financial position. None of the standards are expected to have a material impact in the period of initial application for the following reasons.

IFRS 9 Financial Instruments
No material impact is expected as:

- the Group already classifies as, and accounts for, all of its financial assets and financial liabilities (and almost all of its other assets and liabilities) at fair value through profit or loss (FVPL) which is an approach allowed by IFRS 9; and
- The Group does not apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers
No material impact is expected as:

- the Group's business is that of investing in financial and other assets and such financial instruments are outside the scope of IFRS 15; and
- Following the agreed sale of GVQ in December 2017, no consolidated subsidiary has material contracts with external customers.

IFRS 16 Leases will be applicable to the financial year ended December 2019.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of financial instruments (including derivatives), investment properties and property, plant and equipment held at FVPL. The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice (SORP) Financial Statements of Investment Trust Companies issued by the AIC in November 2014 (and updated in January 2017), is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis which complies with the recommendations of the SORP.

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The 'Investment Entity' amendment to IFRS 10 Consolidated Financial Statements requires that certain subsidiaries are accounted for as investments held at FVPL.

Investments in subsidiaries in the financial statements of the Parent are carried at cost less any provision for impairment made in accordance with IAS 36 Impairment of assets. Impairment tests are carried out twice each year concurrent with the Group's principal reporting dates.

The financial statements of the subsidiaries are prepared at the same reporting date using consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities as well as the commercial intent to exercise that control.

Investments in associates and joint ventures are held at fair value as allowed by IAS 28 Investments in Associates and Joint Ventures.

Presentation of Income Statement
In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the consolidated income statement between items of a revenue and capital nature has been presented within the consolidated income statement and the consolidated statement of comprehensive income (SOCI). Additionally, the net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

Income
Dividend income from investments is recognised when the right to receive payment has been established and this is normally the ex-dividend date.

Where the Group has elected to receive dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as income. The excess, if any, in the value of shares received over the amount of the cash dividend foregone is recognised as a capital gain in the income statement.

UK dividend income is recorded at the amount receivable without any attributable tax credit. Overseas dividend income is shown net of withholding tax under investment income.

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's fair value.

Income from investment properties is accounted for on an accruals basis as it falls due.

Notes to the Financial Statements

Allocation between Capital and Revenue
In respect of the analysis between capital and revenue items presented within the consolidated income statement, the SOCI and the statement of changes in equity, all expenses and finance costs, which are accounted for on an accruals basis, have been presented as revenue items except those items listed below:

- expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are allocated to revenue where there is an indirect connection;
- all segregated account fees are considered to be a cost of achieving a capital return for those external managers operating segregated accounts. This ensures consistency with the treatment of all other investment management fees within our fund investments, which are allocated to capital and reflected in the investment gain/loss;
- the Group has in place certain incentive arrangements whereby individuals receive payments based on investment performance and/ or share price growth. The cost of these arrangements derives principally from the capital performance and therefore the Directors consider it appropriate to allocate such costs to capital;
- expenses which are incidental to the purchase or disposal of an investment are deducted from the initial fair value or disposal proceeds of the investment; and
- costs incurred in connection with aborted portfolio investment transactions are also allocated to capital.

The following are presented as capital items:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- realised and unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature;
- realised and unrealised exchange differences of a capital nature;
- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies; and
- the cost of purchasing ordinary shares for cancellation.

Finance Costs
Finance costs on borrowings are accounted for on an accruals basis and are settled at the end of each relevant period. Since these costs are considered to be an indirect cost of maintaining the value of the investments they are allocated in full to revenue.

Foreign Currencies
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates, i.e. its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling which is the functional currency of the Company, and the presentational currency of the Group. Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year in respect of those investments which are classified as FVPL. All foreign exchange gains and losses, except those arising from the retranslation of foreign subsidiaries, are recognised in the consolidated income statement.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not subject to tax or are not deductible for tax purposes. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not subject to tax on capital gains. In view of the Company's status as an investment trust, and its intention to continue meeting the conditions required to maintain approval for the foreseeable future, the Company has not provided current or deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

The carrying amount of the deferred tax asset 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 to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investments
Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

All of the Group's investments are defined by IFRSs as investments designated at FVPL but are also described in these financial statements as investments held at fair value.

Notes to the Financial Statements

All investments are designated upon initial recognition as held at fair value and, except as noted below, are measured at subsequent reporting dates at fair value. Fair value 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 externally managed funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant fund administrator or investment manager.

Changes in the fair value of all investments held at fair value are recognised in the consolidated income statement as a capital item. On disposal, realised gains and losses are also recognised in the consolidated income statement. Transaction costs are included within gains or losses on investments held at fair value.

In respect of direct private investments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties; the current fair value of another instrument that is substantially the same; and discounted cash flow analysis. 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 may also be utilised.

Direct private investments are valued at management's best estimate of fair value in accordance with IFRSs having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Private Equity and Venture Capital Association. The inputs into the valuation methodologies adopted include observable historical data such as earnings or cash flow as well as more subjective data such as earnings forecasts or discount rates. As a result of this, the determination of fair value requires significant management judgement.

For the private fund investments, fair value is deemed to be the capital statement account balance as reported by the GP of the investee fund, and which represents RIT's pro-rata proportion of the fund's net asset value. Where such statements are dated prior to the year end, the valuation is adjusted for subsequent investments or distributions.

The gains and losses on financial assets designated at FVPL exclude any related interest income, dividend income and finance cost. These items are disclosed separately in the financial statements.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on the professional valuation made as of each reporting date. Valuation surpluses and deficits arising in the year are included in the consolidated income statement. The gain or loss arising on the disposal of a property is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the year and is recognised in the income statement.

Cash at Bank
Cash at bank in the balance sheet comprises cash balances and deposits held at call and short notice with banks. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Cash Equivalents
Short-term highly liquid investments with original maturities of three months or less are also included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Provisions
A provision is recognised in the balance sheet when the Group or Parent company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share-based Payment
In accordance with IFRS 2 Share-based Payment, the Group is required to reflect in its income statement and balance sheet the effects of share-based payment transactions. The Group has two principal share-settled incentive schemes: the AIS and the SAR Plan, which are described in the Directors' Remuneration Report.

AIS awards are structured such that at least 60% of individual amounts in excess of £100,000 are paid in deferred shares of the Company which vest equally over the three years following the award. The expense is recognised over the year the award relates to and the following three years.

The SAR Plan is an equity-settled scheme accounted for in accordance with IFRS 2. All awards are measured at the fair value at grant date using a trinomial option valuation model. The cost is then recognised through the capital column of the income statement over the service period.

Shares required to settle the estimated future liabilities from grants or exercises under all schemes, are purchased by an EBT, which is consolidated by the Group. The cost of own shares held at the end of the year by the EBT are reflected in the Group's Own Shares Reserve on the consolidated balance sheet.

Property, Plant And Equipment
Property, plant and equipment is shown at cost less accumulated depreciation, save as detailed below. Depreciation is calculated by the Group on a straight line basis by reference to original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between three and four years for the majority of assets except for the Company's leasehold interest in 27 St James's Place for which the estimated useful life is 66 years. The proportion of this asset occupied by the Group is

Notes to the Financial Statements

accounted for at fair value under the revaluation model allowed by IAS 16 Property, Plant and Equipment, which is intended to ensure that the carrying value of the asset is never substantially different to its fair value. Determination of fair value requires significant judgement and external advisers are used.

Pensions
JRCM is a participating employer in the Group's non-contributory funded, defined benefit retirement scheme which is closed to new members and the assets of which are held in a trustee-administered fund.

The Group accounts for its defined benefit retirement scheme by reference to IAS 19 Employee Benefits. The cost of benefits accruing during the year in respect of current and past service is charged to the income statement and allocated to revenue. The expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time are also recognised in the income statement. Actuarial gains and losses are recognised in the SOCI. An actuarial valuation of the defined benefit retirement scheme is undertaken every three years as at 1 January and is updated as at each principal reporting date. The valuation is carried out using the projected unit credit method of funding basis. The income statement also includes costs incurred in respect of defined contribution schemes, comprising the contributions payable in the year.

Other Receivables/Other Payables
Other receivables/other payables do not carry any interest, are short-term in nature and are stated at fair value.

Bank Borrowings
Interest-bearing bank loans and overdrafts are recorded initially at the proceeds received and subsequently at fair value.

Loan Notes
Loan notes are recorded at fair value upon initial recognition and then classified as a financial liability at FVPL. The fair value is calculated using a discounted cash flow model using the fixed interest and redemption payments based on the underlying contractual cash flows. The discount rate adopted reflects the prevailing market rate for similar instruments. As a result, the determination of fair value requires considerable management judgement. Further details of the loan notes are provided on page 67.

Derivative Financial Instruments
Derivative financial instruments, including futures, options and other derivative instruments, are stated in the balance sheet at fair value. For derivatives that are capital in nature, the associated change in value is presented as a capital item in the income statement. The Group has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Group enters into the relevant contract, and are derecognised on the date on which it commits to their sale or they expire.

Dividends
Interim and final dividends are recognised in the year in which they are paid.

Share Capital
Share capital is classified as equity.

Critical Accounting Estimates and Judgements
The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the consolidated financial statements, are in relation to:

- the valuation of private investments (see page 52 and note 14); and
- the valuation of property (see pages 52 and 53, and note 16).

Notes to the Financial Statements

2. Investment Income

£ million	2017	2016
Income from listed investments:		
Dividends	7.3	8.5
Interest	0.1	0.1
Income from unlisted investments:		
Dividends	6.4	7.3
Interest	2.9	5.0
Income from investment properties	2.3	2.2
Total investment income	**19.0**	**23.1**

3. Gains/(Losses) on Fair Value Investments

£ million	2017	2016
Gains/(losses) on fair value investments excluding segregated accounts	220.9	296.1
Gross gains/(losses) on segregated accounts	27.3	58.0
Segregated account fees - annual	(2.7)	(2.7)
Segregated account fees - performance	(0.8)	(0.4)
Gains/(losses) on fair value investments held in segregated accounts	23.8	54.9
Gains/(losses) on fair value investments	**244.7**	**351.0**

RIT's investment policy involves the allocation of part of the portfolio to external fund managers. The vast majority of these managers operate funds where the fees are charged to the fund. These 'indirect' investment management and performance fees are therefore automatically reflected within the valuations received from the administrators or managers, and form part of the investment gains/losses. At 31 December 2017, two funds (2016: three funds) were structured as 'segregated accounts' (disclosed within the Investment Portfolio on pages 11 to 13), where the managers separately invoice RIT for investment management. In order to provide a consistent presentation for all external fees, these are included within the gains/(losses) as shown above. Further details on the typical fee structures for the external funds are set out in the Directors' Report on page 39.

4. Operating Expenses

£ million	2017	2016
Staff costs:		
Wages and salaries	12.2	14.3
Social security costs	1.7	1.9
Share-based payment costs (note 26)	5.2	4.0
Pension costs (note 11)	1.0	1.0
Total staff costs	20.1	21.2
Auditors' remuneration – audit fees	0.2	0.2
Auditors' remuneration – other	–	0.1
Depreciation	0.5	0.5
Lease payments	0.5	0.4
Other operating expenses	7.3	6.5
Total operating expenses	**28.6**	**28.9**

Operating expenses include costs incurred by JRCM in managing RIT's assets, as well as costs which are recharged to third parties. It also includes GVQ's cost incurred in managing other pools of capital. Further information is provided in note 6.

The figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 31 to 38.

The average monthly number of employees during the year was 67 of which 54 were employed in consolidated subsidiaries (2016: 72, of which 58 were employed in consolidated subsidiaries).

5. Other Disclosable Expenses

Services provided by the Company's auditors and its associates

During the year the Group obtained the following services from the Company's auditors and its associates:

£	2017	2016
Fees payable to the Company's auditors and its associates for the audit of the Parent Company and consolidated financial statements	110,000	109,300
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries	99,950	109,710
Audit-related assurance services	31,900	41,650
Tax compliance services	16,116	14,649
Tax advisory services	–	8,000
Total	**257,967**	**283,309**

£	2017	2016
Fees payable to the Company's auditors in respect of the RITCP Pension and Life Assurance Scheme Audit	9,675	10,640
Total	**9,675**	**10,640**

Transaction costs

The following transaction costs represent commissions paid on the purchase and sale of listed investments and are included within gains/(losses) on investments held at fair value:

£ million	2017	2016
Purchases	0.8	0.7
Sales	0.6	0.8
Total	**1.4**	**1.5**

Furthermore £0.1 million of professional fees (2016: £nil) incurred on purchases of investments are included within gains/(losses) on investments held at fair value.

Notes to the Financial Statements

6. Business and Geographical Segments

For 2016, and up until the sale of GVQ in December 2017, the Group had operating segments as follows:

Segment	Business	AUM £ million	Employees[1]
RIT Capital Partners plc	Investment trust	–	–
JRCM	Asset manager/ administration	2,858	43
SHL	Events/premises management	–	12
GVQ[2]	Asset manager	705	10

[1] At 31 December 2017.
[2] Sale agreed 17 December 2017.

Key financial information for 2017 is as follows:

£ million	Income/ Gains[1]	Operating Expenses[1]	Profit[2]
RIT	249.1	(35.7)	213.4
JRCM	35.8	(19.1)	16.7
GVQ	7.1	(4.6)	2.5
SHL	3.7	(3.2)	0.5
Adjustments[3]	(34.0)	34.0	–
Total	**261.7**	**(28.6)**	**233.1**

Key financial information for 2016 is as follows:

£ million	Income/ Gains[1]	Operating Expenses[1]	Profit[2]
RIT	337.7	(36.4)	301.3
JRCM	32.3	(20.4)	11.9
GVQ	4.6	(4.0)	0.6
SHL	3.7	(3.2)	0.5
Adjustments[3]	(35.1)	35.1	–
Total	**343.2**	**(28.9)**	**314.3**

[1] Includes intra-group income and expenses.
[2] Profit before finance costs and tax.
[3] Consolidation adjustments in accordance with IFRS 10 'Consolidated Financial Statements'.

The Group's operations are all based in the UK.

7. Finance Costs

£ million	2017	2016
Interest on borrowings	10.3	10.3
Interest on swaps	1.9	2.1
Other finance costs	0.6	0.9
Finance costs	**12.8**	**13.3**

8. Taxation

£ million	Year ended 31 December 2017 Revenue	Capital	Total
UK corporation tax charge/(credit)	0.1	–	0.1
Current tax charge/(credit)	0.1	–	0.1
Deferred tax charge/(credit)	–	(0.3)	(0.3)
Effect of tax rate changes	–	–	–
Taxation charge/(credit)	**0.1**	**(0.3)**	**(0.2)**

£ million	Year ended 31 December 2016 Revenue	Capital	Total
UK corporation tax charge/(credit)	–	–	–
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	(1.3)	–	(1.3)
Effect of tax rate changes	0.2	–	0.2
Taxation charge/(credit)	**(1.1)**	**–**	**(1.1)**

The deferred tax movement relates to the origination and reversal of timing differences.

The standard rate of corporation tax in the UK reduced to 19% from 20% with effect from 1 April 2017. Accordingly, the Company's profits for 2017 are taxed at an effective rate of 19.25%.

The tax charge for the year differs from the effective rate of corporation tax in the UK for 2017 of 19.25% (2016: 20%). The differences are explained below:

£ million	Year ended 31 December 2017 Revenue	Capital	Total
Profit/(loss) before tax	(5.6)	225.9	220.3
Tax at the standard UK corporation tax rate of 19.25%	(1.1)	43.5	42.4
Effect of:			
Capital items exempt from corporation tax	–	(45.7)	(45.7)
Dividend income not taxable	(2.6)	–	(2.6)
Change in tax rates	–	–	–
Expenses not deductible for tax purposes	0.1	1.1	1.2
Tax losses not recognised	3.6	1.1	4.7
Other items	0.1	(0.3)	(0.2)
Total tax charge/(credit)	**0.1**	**(0.3)**	**(0.2)**

£ million	Year ended 31 December 2016 Revenue	Capital	Total
Profit/(loss) before tax	(4.7)	305.7	301.0
Tax at the standard UK corporation tax rate of 20%	(0.9)	61.1	60.2
Effect of:			
Capital items exempt from corporation tax	–	(77.2)	(77.2)
Dividend income not taxable	(2.9)	–	(2.9)
Change in tax rates	0.2	–	0.2
Expenses not deductible for tax purposes	0.2	–	0.2
Tax losses not recognised	2.5	16.1	18.6
Other items	(0.2)	–	(0.2)
Total tax charge/(credit)	**(1.1)**	**–**	**(1.1)**

Notes to the Financial Statements

9. Earnings/(Loss) Per Ordinary Share – Basic and Diluted

The basic earnings per ordinary share for 2017 is based on the profit of £220.5 million (2016: £302.1 million) and the weighted average number of ordinary shares in issue during the year of 154.3 million (2016: 154.4 million). The weighted average number of shares is adjusted for shares held in the EBT in accordance with IAS 33.

£ million	2017	2016
Net revenue profit/(loss)	(5.7)	(3.6)
Net capital profit/(loss)	226.2	305.7
Total profit/(loss) for the year	**220.5**	**302.1**

pence	2017	2016
Revenue earnings/(loss) per ordinary share – basic	(3.7)	(2.3)
Capital earnings/(loss) per ordinary share – basic	146.6	198.0
Total earnings per share – basic	**142.9**	**195.7**

The diluted earnings per ordinary share for the year is based on the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average dilutive effect of share-based awards at the average market price for the year.

million	2017	2016
Weighted average number of shares in issue	154.3	154.4
Weighted average effect of dilutive share-based awards	0.6	0.5
Total diluted shares	**154.9**	**154.9**

pence	2017	2016
Revenue earnings/(loss) per ordinary share – diluted	(3.7)	(2.3)
Capital earnings/(loss) per ordinary share – diluted	146.1	197.3
Total earnings per share – diluted	**142.4**	**195.0**

10. Property, Plant and Equipment

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2017	15.3	(3.5)	17.0	28.8
Additions	–	–	–	–
Charge for depreciation	–	(0.5)	–	(0.5)
Revaluation gain/(loss)	–	–	(0.4)	(0.4)
Fair value at 31 December 2017	**15.3**	**(4.0)**	**16.6**	**27.9**

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2016	15.2	(3.0)	17.4	29.6
Additions	0.1	–	–	0.1
Charge for depreciation	–	(0.5)	–	(0.5)
Revaluation gain/(loss)	–	–	(0.4)	(0.4)
Fair value at 31 December 2016	**15.3**	**(3.5)**	**17.0**	**28.8**

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2017	13.6	(2.2)	17.0	28.4
Additions	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(0.4)	(0.4)
Fair value at 31 December 2017	**13.6**	**(2.6)**	**16.6**	**27.6**

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2016	13.6	(1.8)	17.4	29.2
Additions	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(0.4)	(0.4)
Fair value at 31 December 2016	**13.6**	**(2.2)**	**17.0**	**28.4**

The entire fair value at both year ends relates to land and buildings. The valuations are based on JLL's valuations at the respective year ends. Further information is provided in note 13.

11. Pension Commitments

JRCM has pension commitments in respect of its participation in the RITCP Pension and Life Assurance Scheme (the Scheme). The Scheme consists of a defined benefit section which is closed to new members. The assets of the Scheme are held in a separate Trustee-administered fund.

Under IAS 19 Employee Benefits, actuarial gains and losses are recognised in full in the SOCI in the year in which they occur. The retirement benefit liability recognised in the balance sheet represents the fair value of the Scheme's assets as reduced by the present value of the defined benefit obligation (DBO). The cost of providing benefits is determined using the projected unit credit method.

The Scheme is administered under a Trust Deed and Rules. The Trustees are responsible for agreeing a funding plan with JRCM such that any deficit in the scheme is expected to be eliminated, and for agreeing a Statement of Investment Principles that the Scheme adopts in order to achieve its aim of providing retirement benefits. The Trustees have delegated the day-to-day investment management responsibility to GAM and administration of the Scheme to JRCM. Three of the five Trustees are independent of the Group at the year end.

Notes to the Financial Statements

11. Pension Commitments (continued)

Description of Scheme characteristics and associated risks

The Scheme operates as a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 January 2017 by a qualified independent actuary, and this was updated to 31 December 2017 for the purposes of these disclosures.

This is a closed Scheme (though open to future accrual) and so the age profile of the active membership is rising. Therefore, under the projected unit credit method the current service cost will increase as a percentage of salary, as the members of the Scheme age. Key risks associated with the Scheme are set out below:

- Asset volatility: The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields. If the Scheme's assets underperform this yield, this may lead to a worsening of the funding position of the Scheme. The Scheme holds a significant proportion of equities which are expected to outperform corporate bonds in the long term but give exposure to volatility and risk in the short term;
- Changes in bond yields: A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings; and
- Life expectancy and concentration risk: The majority of the Scheme's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the Scheme's liabilities, and furthermore, inflationary increases result in higher sensitivity to changes in life expectancy. There is the risk that the members live longer than implied by current assumptions used. In particular, the majority of the Scheme's liabilities are held by a small number of members, and if these members live longer than assumed this could put pressure on the funding of the Scheme.

As a result of the most recent actuarial valuation performed as at 1 January 2017, the sponsoring employer, JRCM, agreed to pay contributions to the Scheme of £500,000 per annum for five years from 1 September 2017 (previously £1,095,000 per annum). The next actuarial valuation will be as at 1 January 2020.

Benefits paid to members of the defined benefit scheme upon retirement will depend upon that member's final salary upon retirement or date of leaving the Scheme, if earlier, and the length of service. Pensions in retirement increase at 4% per annum (for the element earned before 6 April 1997) and between 4% and 5% per annum for elements earned after 6 April 1997, depending upon the annual increase in the RPI.

The costs associated with the Scheme, their recognition in the financial statements, the assumptions underlying the calculation of those costs and their disclosure in the Consolidated Income Statement or SOCI are set out below.

Defined benefit cost £'000	2017	2016
Current service cost	98	81
Net interest on net defined benefit liability/(asset)	35	(37)
Remeasurement effects recognised in the SOCI	(2,812)	3,354
Total (credit)/expense	**(2,679)**	**3,398**

Recognised in the Consolidated Income Statement £'000	2017	2016
Defined contribution schemes	901	922
Defined benefit scheme:		
Current service cost	98	81
Net interest on net defined benefit asset/(liability)	35	(37)
Total pension cost recognised in the Consolidated Income Statement	**1,034**	**966**

Recognised in the SOCI £'000	2017	2016
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	95	(31)
Actuarial (gain)/loss due to liability assumption changes	(1,622)	5,101
Return on Scheme assets (greater)/less than discount rate	(1,285)	(1,716)
Remeasurement effects recognised in the SOCI	**(2,812)**	**3,354**
Total (credit)/expense	**(1,778)**	**4,320**

The assumptions used to determine the defined benefit cost over the reporting periods are shown below:

	2017	2016
Discount rate	2.55%	3.75%
Price inflation (RPI)	3.50%	3.30%
Rate of salary increase	2.00%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.30%
Pension increases for deferred benefits	3.50%	3.30%

Similarly to the calculation of the costs shown above, the Scheme's assets and liabilities are shown below together with the actuarial assumptions used.

Changes in the DBO £'000	2017	2016
DBO at end of prior year	24,735	19,800
Current service cost	98	81
Interest cost on the DBO	624	727
Actuarial (gain)/loss – experience	95	(31)
Actuarial (gain)/loss – demographic assumptions	(1,187)	–
Actuarial (gain)/loss – financial assumptions	(435)	5,101
Benefits paid from scheme assets	(576)	(943)
Total DBO	**23,354**	**24,735**

Changes in Scheme assets £'000	2017	2016
Opening fair value of the Scheme assets	22,922	20,290
Expected return on assets	589	764
Return on Scheme assets (greater)/less than discount rate	1,285	1,716
Employer contributions	897	1,095
Benefits paid	(576)	(943)
Total Scheme assets	**25,117**	**22,922**

11. Pension Commitments (continued)

The Company has unrestricted rights to any surplus in the Scheme upon wind-up. As such there is no irrecoverable surplus for either the current year or prior year.

Development of the net balance sheet position £'000	2017	2016
Net defined benefit asset/(liability) at end of prior year	(1,813)	490
Service cost	(98)	(81)
Net interest on defined benefit asset/(liability) at end of prior year	(35)	37
Remeasurement effects recognised in the SOCI	2,812	(3,354)
Employer contributions	897	1,095
Net defined benefit asset/(liability)	**1,763**	**(1,813)**

The assumptions used to determine the measurements at the reporting dates are shown below:

	2017	2016
Discount rate	2.65%	2.55%
Price inflation (RPI)	3.45%	3.50%
Rate of salary increase	3.00%	2.00%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.35%
Pension increases for deferred benefits (non GMP)	3.45%	3.50%
Scheme participant census date	31 Dec 2017	31 Dec 2016
Post retirement mortality assumption	SAPS[1]	SAPS[1]

[1] SAPS light series year of birth tables allowing for CMI projections and a 1.5% per annum long-term trend.

Sensitivity analysis

In accordance with IAS 19 (revised), the sensitivity of the DBO to the relevant actuarial assumptions is shown below. In each case the changed assumption has been considered in isolation i.e. all other factors remain constant.

£'000	2017
Defined benefit obligation	23,354

Significant actuarial assumptions at 31 December 2017

£'000	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity
Discount rate	2.15% pa	0.5% pa decrease	25,609
Price inflation (RPI)	3.95% pa	0.5% pa increase	23,624
Life expectancy	–	Increase of 1 year	24,211

The weighted average duration of the DBO is 20 years. Further Scheme analysis is shown below.

Analysis of DBO by participant category £'000	2017
Active participants	1,409
Deferred participants	4,576
Pensioners	17,369
Defined benefit obligation	**23,354**

Fair value of Scheme assets	**25,117**

Scheme asset breakdown	Quoted securities[1]	Other	Total 2017
Equity securities	42%	9%	51%
Fixed income and credit	33%	6%	39%
Alternative investments	2%	3%	5%
Cash and liquidity/other	5%	0%	5%
Total	**82%**	**18%**	**100%**

[1] Classed as Level 2 assets under IFRS 13 Fair Value Measurement.

12. Deferred Tax Asset

The gross movement on deferred tax during the year is shown below:

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Balance at start of year	3.7	–	2.1	–
(Debit)/credit to Consolidated Income Statement	0.3	–	1.1	–
(Debit)/credit to SOCI	(0.9)	–	0.5	–
Balance at end of year	**3.1**	**–**	**3.7**	**–**

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Analysis of deferred tax asset:				
LTIP	3.6	–	3.3	–
Accelerated capital allowances	0.1	–	0.1	–
Deferred tax on retirement benefit liability/(asset)	(0.6)	–	0.3	–
Balance at end of year	**3.1**	**–**	**3.7**	**–**

The Company had carried forward tax losses of £245 million at 31 December 2017 (2016: £214 million) that have not been recognised as a deferred tax asset, as it is unlikely that the unrecognised asset will be utilised in the foreseeable future.

Notes to the Financial Statements

13. Investments Held at Fair Value

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Listed investments at fair value:				
Listed in UK[1]	237.2	237.2	207.4	207.4
Listed overseas[1]	1,353.5	1,353.5	1,225.1	1,225.1
Government securities and other liquidity	–	–	39.3	39.3
	1,590.7	1,590.7	1,471.8	1,471.8
Unlisted investments[2]	1,440.9	1,422.4	1,502.5	1,361.8
Fair value of investments	**3,031.6**	**3,013.1**	**2,974.3**	**2,833.6**
Investments held at fair value	2,995.5	2,977.0	2,938.8	2,798.1
Investment property	36.1	36.1	35.5	35.5
Fair value of investments	**3,031.6**	**3,013.1**	**2,974.3**	**2,833.6**

[1] Includes investments in funds where the underlying securities are listed.

[2] Unlisted investments comprise direct private investments, private funds, investment property, credit and real asset funds and subsidiary companies.

The movement in investment property during the year was a gain of £0.6 million (2016: gain of £1.8 million) as a result of the revaluation. There were no purchases or sales of investment property during the year.

14. Financial Instruments

As an investment company, financial instruments make up the vast majority of the Group's assets and liabilities and generate its performance.

Financial instruments comprise securities, derivatives and other investments, cash, short-term receivables and payables, and short and long-term borrowings.

The nature and extent of the financial instruments outstanding can be seen on the face of the balance sheet and the risk management policies employed by the Group and Company are set out below.

The Group's policy for determining the fair value of investments (including private investments) is set out on pages 51 to 53. In relation to receivables, payables and short-term borrowings, the carrying amount is a reasonable approximation of fair value.

14.1 Financial risk management

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The identification, mitigation and monitoring of these risks is undertaken by JRCM's executive management under the authority of the Board and the Audit and Risk Committee, and is described in more detail below.

The objectives, policies and processes for managing risks have not changed since the previous accounting year. The risk management processes of the Company are aligned with those of the Group as a whole and it is at the Group level that the majority of the risk management procedures are performed. Where relevant and materially different from the Group position, Company-specific risk exposures are explained alongside those of the Group.

a. Market risk

The fair value or future cash flows of a financial instrument or investment property held by the Group may fluctuate as a result of changes in market prices. Market risk can be summarised as comprising three types of risk:

- Price risk
  The risk that the fair value or future cash flows of financial instruments and investment properties will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).
- Interest rate risk
  The risk that the fair value or future cash flows of financial instruments and investment properties will fluctuate because of changes in market interest rates.
- Currency risk
  The risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Group's exposure to, sensitivity to and management of each of these risks is described in further detail below.

Management of market risk is fundamental to the Group's investment objective. The investment portfolio is continually monitored to ensure an appropriate balance of risk and reward.

The Group may seek to reduce or increase its exposure to stock markets and currencies by utilising derivatives such as index futures, options and currency forward contracts. These instruments are used for the purpose of hedging some or all of the existing exposure within the Group's investment portfolio to those currencies or particular markets as well as to enable increased exposure when deemed appropriate. Within this note, the notional exposures arising from derivatives is calculated on a delta-adjusted basis.

a(i). Price risk

Price risk (other than caused by interest rate or currency risk) may affect the value of the quoted and private investments held by the Group.

The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk. The performance of third-party investment managers is regularly reviewed and assessed to ensure compliance with their mandates and that their performance is compatible with the Group's investment objective.

The Group's exposure to price risk is monitored and managed by analysing the levels of direct exposure from quoted equity price risk and the exposure from other price risk.

The Group's exposure to quoted equity price risk (net quoted equity exposure) can be assumed to be equivalent to the quoted equity investments in the investment portfolio adjusted for:

- Notional exposure from quoted equity derivatives;
- Estimated cash balances held by external managers; and
- Net equity exposure from hedge fund managers.

Notes to the Financial Statements

14. Financial Instruments (continued)

Other price risk exposure relates to investments in Private Investments, Absolute Return & Credit and Real Assets, adjusted for the notional exposure from commodity derivatives.

£ million	31 December 2017	31 December 2016
Exposure to quoted equity price risk[1]	1,396.9	1,248.0
Exposure to other price risk	1,646.5	1,532.2
Total exposure to price risk	**3,043.4**	**2,780.2**

[1] Quoted equity price risk, our measure of net quoted equity exposure, represented 49% of year-end net assets (2016: 46%).

Price risk sensitivity analysis

The sensitivity of the Group's net assets and profit with regards to changes in market prices is illustrated below. This is based on an assumed 10% increase in general market prices with all other variables held constant. A 10% decrease is assumed to produce an equal and opposite effect.

The sensitivity analysis takes account of the relevant derivative transactions the Group has entered into including those designed to provide a hedge against such movements.

£ million	2017 Impact on profit & net assets	2016 Impact on profit & net assets
Quoted Equity	144.0	121.9
Other	168.1	150.2
Total	**312.1**	**272.1**

The Group is exposed to market risk in respect to the fair value of the investment properties. The investment properties are valued by JLL using a market valuation approach and as such, the valuation will be influenced by trends experienced in the property market and also the wider economic environment. In particular, the valuation will be dependent on rental income yields, demand and supply for office space in London and comparable transactions completed in the marketplace. Fluctuations in any of the inputs used by the valuers to value the investment properties may increase or decrease the fair value of the properties.

a(ii). Interest rate risk

The Group finances its operations mainly through its share capital and reserves, including realised gains on investments. In addition, financing has been obtained through bank borrowings and fixed rate loan notes. Changes in interest rates have a direct impact on the fair value or future cash flows of the following financial assets and liabilities:

- Gilts and other government securities;
- Money market funds;
- Credit funds;
- Cash and cash equivalents;
- Group borrowings; and
- Certain derivative contracts.

Changes in interest rates indirectly affect the fair value of the Group's other investments including those in quoted equity securities, private investments or property.

Interest rate risk is managed by taking into account the possible effects on fair value and cash flows that could arise as a result of changes in interest rates when making decisions on investments and borrowings.

Exposure of the Group's financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are reset) and fixed interest rates (giving fair value risk), is shown below.

	31 December 2017		
£ million	Floating rate	Fixed rate	Total
Portfolio investments – (debt securities)[1]	–	15.6	15.6
Cash	122.9	–	122.9
Borrowings	(275.0)	(163.2)	(438.2)
Subtotal	**(152.1)**	**(147.6)**	**(299.7)**
Derivative financial instruments (notional)	–	(1,843.9)	(1,843.9)
Total exposure	**(152.1)**	**(1,991.5)**	**(2,143.6)**

	31 December 2016		
£ million	Floating rate	Fixed rate	Total
Portfolio investments – (debt securities)[1]	69.9	–	69.9
Cash	131.2	–	131.2
Borrowings	(275.0)	(156.4)	(431.4)
Subtotal	**(73.9)**	**(156.4)**	**(230.3)**
Derivative financial instruments (notional)	73.2	(1,051.3)	(978.1)
Total exposure	**(0.7)**	**(1,207.7)**	**(1,208.4)**

[1] In addition, the Group holds £241.6 million (31 December 2016: £232.9 million) in funds which predominantly invest in credit instruments. These provide indirect exposure to interest rate risk.

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Group arising out of investment, borrowing and risk management processes.

Portfolio investments include direct and indirect (via externally managed funds) investments in government securities, money markets, quoted and unquoted debt securities issued by companies.

Interest received on cash and cash equivalents is at prevailing market rates.

The Group has total borrowings with a fair value of £438.2 million outstanding at the year end (31 December 2016: £431.4 million). The credit facility comprising £275.0 million of this total incurs floating interest payments. The loan notes of £163.2 million (par value of £151.0 million) have fixed interest payments. Further details are provided in note 20.

Interest rate risk sensitivity analysis

The approximate sensitivity of the Group's net assets and profit in regard to changes in interest rates is illustrated below. This is based on an assumed 50 basis point annualised increase in prevailing interest rates at the balance sheet date applied to the floating rate and fixed rate assets and liabilities and the following assumptions:

- the fair values of all other assets and liabilities are not affected by a change in interest rates;
- funds will be reinvested in similar interest bearing securities on maturity; and
- all other variables are held constant.

Notes to the Financial Statements

14. Financial Instruments (continued)

A 50 basis point decrease is assumed to produce an equal and opposite impact.

	2017 Impact on profit & net assets	2016 Impact on profit & net assets
Total	**26.2**	**35.5**

The Group has direct exposure to the effect of interest rate changes on the valuation and cash flows of its interest-bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Group invests, and the impact on valuations that use interest rates as an input, such as valuation models for private investments. Therefore, the sensitivity analysis may not reflect the full effect on the Group's net assets.

a(iii). Currency risk

Consistent with its investment objective, the Group invests in financial instruments and transactions denominated in currencies other than Sterling. As such, the Group's profit and net assets could be significantly affected by currency movements.

Currency risk is managed by the Group by entering into currency options or forward currency contracts as a means of limiting or increasing its exposure to particular currencies. These contracts are used for the purpose of hedging part of the existing currency exposure of the Group's portfolio (as a means of reducing risk) or to enable increased exposure when this is deemed appropriate.

Foreign currency exposure

Currency	2017 Net exposure % of NAV	2016 Net exposure % of NAV
US Dollar	43.4	62.0
Euro	13.1	3.7
Swiss Franc	1.9	2.0
Japanese Yen	0.2	2.8
Swedish Krona	–	1.9
Other non-Sterling	0.6	3.6
Total[1]	**59.2**	**76.0**

[1] Amounts in the above table are based on the carrying value of all foreign currency denominated assets and liabilities and the underlying notional amounts of forward currency contracts. It does not take into account any estimates of 'look-through' exposure from our fund investments.

Currency Risk Sensitivity Analysis

The sensitivity of the Group's net assets and profit in regard to changes in key currencies is illustrated below. This is based on an assumed 10% strengthening of Sterling relative to the foreign currencies as at 31 December 2017, and assumes all other variables are held constant. A 10% weakening is assumed to produce an equal and opposite effect.

The sensitivity analysis is based on the net foreign currency assets held at the balance sheet dates and takes account of currency forwards and options that offset the effects of changes in currency exchange rates.

£ million	2017 Impact on profit & net assets	2016 Impact on profit & net assets
US Dollar	(87.5)	(149.6)
Euro	(20.7)	(9.0)
Swiss Franc	(5.0)	(4.8)
Japanese Yen	(0.4)	(6.9)
Swedish Krona	–	(4.6)
Other non-Sterling	(1.7)	(9.2)
Total	**(115.3)**	**(184.1)**

b. Credit risk

Credit risk is the risk that a counterparty to a financial instrument held by the Group will fail to discharge an obligation or commitment that it has entered into with the Group, which could result in a loss to the Group.

This risk is not considered significant and is managed as follows:

- the vast majority of the Group's transactions are settled on a delivery versus payment basis;
- use of a large number of brokers;
- liquid investments (cash and cash equivalents) are divided between a number of different financial institutions; and
- careful selection of a diversified portfolio of credit managers.

A credit exposure could arise in respect of derivative contracts entered into by the Group if a counterparty was unable to fulfil its contractual obligations.

The Group has exposure to certain debt instruments acquired as part of its private equity transactions. The credit risk associated with these instruments is managed as part of the overall investment risk in the relevant portfolio companies and is not considered separately.

Credit risk exposure

£ million	2017	2016
Portfolio investments (debt securities)	15.6	69.9
Derivative financial instruments	55.6	41.1
Cash margin	105.7	89.0
Other receivables	17.6	89.6
Cash at bank	122.9	131.2
Exposure to credit risk	**317.4**	**420.8**

The credit quality of certain financial assets that are neither past due nor impaired, where the risk of loss is primarily that a counterparty fails to meet an obligation, can be assessed by reference to external credit ratings.

Management has a review process in place that included an evaluation of a potential counterparty's ability to service and repay its debt. This is considered on a regular basis. With the exception of other receivables (where short-term credit ratings are not available) and Huntco Inc. (included within Portfolio Investments, with a long-term credit rating of BB- by S&P), the counterparties are investment grade financial institutions with a short-term credit rating of A-3 or higher by S&P (2016: A-3).

14. Financial Instruments (continued)

BNPSS is the custodian and depositary to the Company. As depositary under the Alternative Investment Fund Managers Directive (AIFMD), BNPSS provides cash monitoring, asset safekeeping and general oversight services to the Company.

Substantially all of the listed portfolio investments and cash at bank are held by BNPSS as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was A in the most recent rating prior to 31 December 2017 (year ended 31 December 2016: A).

c. Liquidity risk

Liquidity risk is the risk that the Group will have difficulty in meeting its obligations in respect of financial liabilities as they fall due.

The Group has significant investments in and commitments to direct private investments and private funds, which are inherently illiquid. In addition, the Group holds investments with other third-party organisations which may require notice periods in order to be realised.

The Group manages its liquid resources to ensure sufficient cash is available to meet its expected contractual commitments. It monitors the level of short-term funding, and balances the need for access to short-term funding, with the long-term funding needs of the Group. A proportion of the Group's net assets are in liquidity or realisable assets, which could be utilised to meet funding requirements if necessary. The Company has the power, under its Articles of Association, to take out both short and long-term borrowings.

The Group has two revolving credit facilities totalling £275 million and £151 million of long-term loan notes (details of which are disclosed in note 20).

The remaining contractual maturities of the Group's financial liabilities at the year end, based on the earliest date on which payment could be required are as follows:

	31 December 2017			
£ million	3 months or less	3-12 months	>1 year	Total
Current liabilities:				
Bank loan/overdraft	275.0	–	–	275.0
Derivative financial instruments	9.8	–	–	9.8
Purchases for future settlement	0.5	–	–	0.5
Amounts owed to group undertakings	11.6	–	–	11.6
Non-current liabilities:				
Derivative financial instruments	–	–	2.4	2.4
Borrowings	–	–	163.2	163.2
Financial liabilities	**296.9**	**–**	**165.6**	**462.5**
Other non-financial liabilities	42.4	–	3.0	45.4
Total	**339.3**	**–**	**168.6**	**507.9**
Commitments	171.9	–	–	171.9
Total	**511.2**	**–**	**168.6**	**679.8**

	31 December 2016			
£ million	3 months or less	3-12 months	>1 year	Total
Current liabilities:				
Bank loan/overdraft	275.0	–	–	275.0
Derivative financial instruments	35.6	–	–	35.6
Purchases for future settlement	12.6	–	–	12.6
Amounts owed to group undertakings	128.5	–	–	128.5
Non-current liabilities:				
Derivative financial instruments	–	–	4.0	4.0
Borrowings	–	–	156.4	156.4
Financial liabilities	**451.7**	**–**	**160.4**	**612.1**
Other non-financial liabilities	54.5	–	–	54.5
Total	**506.2**	**–**	**160.4**	**666.6**
Commitments	251.3	–	–	251.3
Total	**757.5**	**–**	**160.4**	**917.9**

14.2 Collateral

Collateral in the form of cash margin is posted by the Group in relation to certain derivative transactions. These are transacted under the auspices of the International Swaps and Derivatives Association and may require collateral to be posted from time to time. The Group does not hold collateral from other counterparties.

Set out below is the amount of financial assets pledged as collateral.

£ million	2017	2016
Cash margin accounts	**105.7**	**89.0**

14.3 Derivative financial instruments

The Group typically uses the following types of derivative instruments in the portfolio:

- futures and forward contracts relating to market indices, foreign currencies and government bonds;
- options relating to foreign currencies, market indices, equities and interest rates; and
- swaps relating to interest rates, credit spreads, equity indices and stocks.

As explained above, the Group uses derivatives to hedge various exposures and also selectively to increase or decrease exposure where desired. The notional amount of certain types of derivatives provides a basis for comparison with instruments recognised on the balance sheet, but does not necessarily indicate the amount of future cash flows involved or the current fair value of the derivatives.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, security prices or foreign exchange rates relevant to the terms of the derivative instrument. The aggregate contractual or notional amount of derivative financial instruments held, the extent to which instruments are favourable or unfavourable and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Notes to the Financial Statements

14. Financial Instruments (continued)

Details of the Group and Company's unsettled derivatives at 31 December 2017 and 31 December 2016 are:

As at 31 December 2017 £ million	Notional[1] Amount	Group and Company Assets (Positive Fair Value)	Liabilities (Negative Fair Value)	Total Fair Value
Commodity derivatives	267.5	9.0	–	9.0
Currency derivatives	1,727.7	30.2	(0.3)	29.9
Equity derivatives	59.4	7.9	(9.5)	(1.6)
Fixed income derivatives	136.5	0.6	–	0.6
Interest rate derivatives	1,980.4	7.9	(2.4)	5.5
Total		**55.6**	**(12.2)**	**43.4**

As at 31 December 2016 £ million	Notional[1] Amount	Group and Company Assets (Positive Fair Value)	Liabilities (Negative Fair Value)	Total Fair Value
Commodity derivatives	218.6	1.6	(6.8)	(5.2)
Currency derivatives	1,239.8	18.0	(23.2)	(5.2)
Equity derivatives	119.5	9.0	(3.9)	5.1
Fixed income derivatives	612.1	0.5	(1.0)	(0.5)
Interest rate derivatives	1,736.6	12.0	(4.7)	7.3
Total		**41.1**	**(39.6)**	**1.5**

[1] Long and short notional exposure has been netted above.

Further information is shown in note 17.

14.4 IFRS 13 Fair value measurement classification

IFRS 13 requires the Group to classify its financial instruments held at fair value using a hierarchy that reflects the significance of the inputs used in the valuation methodologies. These are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The vast majority of the Group's financial assets and liabilities and the investment properties are measured at fair value on a recurring basis.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting year when they are deemed to occur.

A description of the valuation techniques used by the Group with regards to investments categorised in each level of the fair value hierarchy is detailed below. Where the Group invests in a fund or a partnership, which is not itself listed on an active market, the categorisation of such investments between levels 2 and 3 is determined by reference to the nature of the underlying investments. If such investments are categorised across different levels, the lowest level that forms a significant proportion of the fund or partnership exposure is used to determine the reporting disclosure.

If the proportion of the underlying investments categorised between levels changes during the period, these will be reclassified to the most appropriate level.

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Where a market price is available but the market is not considered active, the Group has classified these investments as level 2.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data where it is available. Specific valuation techniques used to value OTC derivatives include quoted market prices for similar instruments, counterparty quotes and the use of forward exchange rates to estimate the fair value of forward foreign exchange contracts at the balance sheet date. Investments in externally managed funds which themselves invest primarily in listed securities are valued at the price or net asset value released by the investment manager/fund administrator as at the balance sheet date.

Level 3

The Group considers all Private Investments, whether direct or funds, (as described on page 12 of the Investment Review) as level 3 assets, as the valuations of these assets are not based on observable market data. Where other funds invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

For the private fund investments, fair value is deemed to be the capital statement account balance as reported by the GP of the investee fund, and which represents RIT's pro-rata proportion of the fund's net asset value. Where such statements are dated prior to the year end, the valuation is adjusted for subsequent investments or distributions. A review is conducted annually in respect of the valuation basis of the investee funds to confirm these are valued in accordance with fair value methodologies.

The directly held private investments are valued on a semi-annual basis using techniques including a market approach, income approach and/or cost approach. The valuation process involves the finance and investment functions, with the final valuations being reviewed by the Valuation Committee. The specific techniques used will typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry rules of thumb. The valuations will often reflect a synthesis of a number of distinct approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the company's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Borrowings at 31 December 2017 comprise bank loans and senior loan notes. The bank loans are revolving credit facilities, and are typically drawn in tranches with a duration of three months. The loans are therefore short-term in nature, and their fair value approximates their nominal value. The loan notes were issued with tenors of between 10 and 20 years with a weighted average of 16 years. They are valued on a monthly basis using a discounted cash flow model where the discount rate is derived from the yield of similar tenor UK Government bonds, adjusted for any significant changes in either credit spreads or the perceived credit risk of the Company.

14. Financial Instruments (continued)

The fair value of investments in non-consolidated subsidiaries is considered to be the net asset value of the individual subsidiary as at the balance sheet date. The net asset value comprises various assets and liabilities which are fair valued on a recurring basis and is considered to be level 3.

On a semi-annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties and property, plant and equipment held at fair value. Further information is shown in note 16.

The following table analyses within the fair value hierarchy the Group's assets and liabilities at 31 December 2017:

As at 31 December 2017 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	218.9	1,863.8	899.7	2,982.4
Non-consolidated subsidiaries	–	–	13.1	13.1
Investments held at fair value	218.9	1,863.8	912.8	2,995.5
Derivative financial instruments	7.5	48.1	–	55.6
Total financial assets at FVPL	**226.4**	**1,911.9**	**912.8**	**3,051.1**
Non-financial assets measured at fair value:				
Investment property	–	–	36.1	36.1
Financial liabilities at FVPL:				
Borrowings	–	–	(438.2)	(438.2)
Derivative financial instruments	(3.6)	(8.6)	–	(12.2)
Total financial liabilities at FVPL	**(3.6)**	**(8.6)**	**(438.2)**	**(450.4)**
Total net assets measured at fair value	**222.8**	**1,903.3**	**510.7**	**2,636.8**

The realised and unrealised gains and losses shown in the table below for level 3 assets are included in gains/(losses) on portfolio investments held at fair value in the Consolidated Income Statement.

Movements in level 3 assets

Year 31 December 2017 £ million	Investments held at fair value	Investment Property	Total
Opening Balance	977.7	35.5	1,013.2
Purchases	71.9	–	71.9
Sales	(158.5)	–	(158.5)
Realised gains/(losses) through profit or loss	9.5	–	9.5
Unrealised gains/(losses) through profit or loss	(93.6)	0.6	(93.0)
Reclassifications	105.8	–	105.8
Closing Balance	**912.8**	**36.1**	**948.9**

During the year, investments in funds with a fair value of £105.8 million were reclassified from level 2 to level 3. The reclassification was a result of new financial information received during the year in respect of the underlying investments of the funds. There were no reclassifications into or out of level 1.

Level 3 Assets – Direct Private Investments and Investment Property

Further information in relation to the directly held private investments and investment property is set out in the following table. This summarises the portfolio by the primary method used in valuing the asset at fair value. As we seek to employ a range of valuation methods and inputs in the valuation process, selection of a primary method is subjective, and designed primarily to assist the subsequent sensitivity analysis.

Primary valuation method £ million	2017	2016
Earnings multiple	131.5	103.9
Third-party valuations[1]	108.8	97.7
Agreed sale	48.6	43.7
Discounted cash flow (DCF)	8.3	9.1
Other industry metrics	34.1	84.8
Total	**331.3**	**339.2**

[1] Included within third-party valuations is the investment property with a fair value of £36.1 million, valued by JLL.

For companies with positive earnings, we seek to utilise an earnings multiple approach, typically using EBITDA or similar. The earnings multiple is assessed by reference to similar listed companies or transactions involving similar companies. When an asset is undergoing a sale and the price has been agreed but not yet completed, we use the agreed price, often with a final discount to reflect the risks associated with the transaction completing or any price adjustments. Other methods employed include DCF analysis and industry metrics such as multiples of assets under management or revenue, where market participants use these approaches in pricing assets. Where we have co-invested alongside a GP, we typically utilise the GP's valuation in a similar vein to the private funds.

In addition to the above assets, the non-consolidated subsidiaries are held at their fair value of £18.5 million (2016: £140.7 million) representing £5.4 million of portfolio investments (2016: £10.8 million) and £13.1 million of remaining assets and liabilities (2016: £129.9 million).

Primary valuation method	Sensitivity analysis
Earnings multiple	If the multiple used for valuation purposes is increased or decreased by 5% then the NAV would increase/decrease by £6.6 million (2016: £5.2 million) or 0.23% (2016: 0.19%).
Third-party valuations	A 5% change in the value of assets categorised as 'third-party valuations' would result in a £5.4 million (2016: £4.8 million) or 0.19% (2016: 0.18%) change in NAV.
Agreed sale	A 5% change in the value of assets categorised as 'agreed sale' would impact the NAV by £2.4 million (2016: £2.2 million) or 0.08% (2016: 0.08%).
DCF	A 1% increase/decrease in the underlying discount rate would result in a decrease/increase in the NAV of £0.3 million (2016: £0.3 million) or 0.01% (2016: 0.01%)
Other industry metrics	A 5% change in the value of these assets would result in a £1.7 million (2016: £4.2 million) or a 0.06% (2016: 0.16%) change in NAV.

Notes to the Financial Statements

14. Financial Instruments (continued)

The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2016:

As at 31 December 2016 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	399.6	1,561.5	847.8	2,808.9
Non-consolidated subsidiaries	–	–	129.9	129.9
Investments held at fair value	399.6	1,561.5	977.7	2,938.8
Derivative financial instruments	1.8	39.3	–	41.1
Total financial assets at FVPL	**401.4**	**1,600.8**	**977.7**	**2,979.9**
Non-financial assets measured at fair value:				
Investment property	–	–	35.5	35.5
Financial liabilities at FVPL:				
Borrowings	–	–	(431.4)	(431.4)
Derivative financial instruments	(7.8)	(31.8)	–	(39.6)
Total financial liabilities at FVPL	**(7.8)**	**(31.8)**	**(431.4)**	**(471.0)**
Total net assets measured at fair value	**393.6**	**1,569.0**	**581.8**	**2,544.4**

Movements in level 3 assets

Year ended 31 December 2016 £ million	Investments held at fair value	Investment Property	Total
Opening Balance	782.0	33.7	815.7
Purchases	181.8	–	181.8
Sales	(204.1)	–	(204.1)
Realised gains/(losses) through profit or loss	23.4	–	23.4
Unrealised gains/(losses) through profit or loss	134.7	1.8	136.5
Reclassifications	59.9	–	59.9
Closing Balance	**977.7**	**35.5**	**1,013.2**

14.5 Capital management

The Group's primary objectives in relation to the management of capital are:

- to ensure its ability to continue as a going concern; and
- to maximise the long-term capital growth for its shareholders through an appropriate balance of equity capital and gearing.

The Company is subject to externally imposed capital requirements:

- the Company's Articles of Association restrict borrowings to a maximum of five times share capital and reserves; and
- the Company's borrowings are subject to covenants limiting the total exposure based on a minimum net assets and a cap of borrowings as a percentage of adjusted net assets.

All these conditions were met during this year and the previous financial year.

In addition, JRCM and GVQ (pre-sale) are subject to capital requirements imposed by the FCA and these subsidiaries must ensure that they have sufficient capital to meet the requirements as set out by the FCA. JRCM and GVQ were in compliance with those capital requirements throughout the year.

The Group's capital at 31 December 2017 and 31 December 2016 comprised:

£ million	2017	2016
Equity share capital	155.4	155.4
Retained earnings and other reserves	2,702.9	2,536.7
Net asset value	2,858.3	2,692.1
Borrowings	438.2	431.4
Total capital	3,296.5	3,123.5
Debt as a percentage of total capital	**13.3%**	**13.8%**

There have been no significant changes to the Group's capital management objectives, policies and processes in the year, nor has there been any change in what the Group considers to be its capital.

15. Financial Commitments

Financial commitments to provide additional funds which have not been provided for are as follows:

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Commitments[1]	**171.9**	**171.9**	**251.3**	**251.3**

[1] Principally uncalled commitments to private funds.

16. Investment Property

£ million	2017	2016
Rental income from investment properties	2.3	2.2
Direct operating expenses arising from investment properties that generated rental income during the year	(1.6)	(1.5)

The Group and Company is committed to making the following payments under non-cancellable operating leases over the periods described.

Period £ million	2017	2016
Within one year	0.4	0.4
Between one and five years	1.0	1.3
Over five years	7.5	8.2

Notes to the Financial Statements

16. Investment Property (continued)

Under non-cancellable operating leases the Group and Company will receive the following:

Period £ million	2017	2016
Within one year	1.0	1.0
Between one and five years	0.7	4.1
Over five years	–	2.0

All investment properties held by the Group during the year generated rental income.

RIT leases Spencer House from the Spencer Trustees (the Trustees). The terms of this lease include provisions such that: any assignment or sale of the lease can occur only with the consent of the Trustees, limits on event frequency and that the Trustees retain certain (de minimis) usage rights over the 'fine rooms'. RIT is required to externally redecorate every three years and to internally redecorate every seven years. The property is open to the public for viewing every Sunday, except during August. The investment property portfolio is valued by JLL on a six-monthly basis in accordance with Valuation – Professional Standards issued by the Royal Institution of Chartered Surveyors (RICS) on the basis of open market value. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2017.

17. Derivative Financial Instruments

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Non-current assets	6.4	6.4	6.1	6.1
Current assets	49.2	49.2	35.0	35.0
Current liabilities	(9.8)	(9.8)	(35.6)	(35.6)
Non-current liabilities	(2.4)	(2.4)	(4.0)	(4.0)
Total	**43.4**	**43.4**	**1.5**	**1.5**

Derivative financial instruments are stated at fair value.

18. Other Receivables

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Cash margin	105.7	105.7	89.0	89.0
Amounts receivable	2.7	2.6	26.7	26.5
Prepayments and accrued income	3.1	2.8	4.3	2.7
Sales for future settlement	11.8	11.8	58.6	58.6
Total	**123.3**	**122.9**	**178.6**	**176.8**

The carrying amount of other receivables approximates their fair value, due to their short-term nature. At 31 December 2017, none of the above related to unsettled investment subscriptions (31 December 2016: £26.5 million).

19. Related Party Transactions

In the normal course of its business, the Group has entered into a number of transactions with related parties. All arrangements with related parties are monitored by the Conflicts Committee, which is comprised solely of independent non-executive Directors.

Transactions with Lord Rothschild, Hannah Rothschild, or parties related to them

During the year, the Group transacted with 14 entities classified as related to Lord Rothschild and/or Hannah Rothschild as a result of their having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24 Related Party Disclosures.

The Group has arrangements with these related parties covering the provision and receipt of investment advisory, administrative and curatorial services. Under these arrangements the Group received £603,345 (2016: £660,287) and paid £288,220 (2016: £277,972).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services earned by the Group for 2017 amounted to £326,235 (2016: £274,794).

During the year, the cost to the Group in respect of rent, rates and services for the Chairman's office (which is located in a property owned by a related party) was £70,460 (2016: £90,628).

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group in 2017 for rent was £59,750 (2016: £58,201).

The balance due by the Group to the parties related to Lord Rothschild and/or Hannah Rothschild at 31 December 2017 was £760 (year ended 31 December 2016: £59,191) and the balance due to the Group from the related parties was £25,706 (31 December 2016: £9,147).

Over the year the Group earned £5,161 from Lord Rothschild for property maintenance services.

The Company does not hold any security in respect of the above balances due from related parties.

Other

For the year ended 31 December 2017 the Group received £90,888 in director's fees from investee companies for the services of senior management (2016: £80,941), as well as £3.5 million dividend income from EDRRIT, an associate sold in the year (2016: £4.3 million).

Group undertakings

JRCM acts as the Company's manager, administrator and corporate secretary. During 2017, the charge for these services amounted to £33.2 million (2016: £31.0 million). During the year SHL earned revenues of £0.1 million from JRCM (2016: £0.1 million) and revenues of £1.5 million from the Company (2016: £1.6 million) for the provision of office and property management services.

Amounts due from subsidiaries and to subsidiaries are disclosed on the face of the Company's balance sheet. The balances outstanding between the Company and its subsidiaries at the year ends are shown below:

Notes to the Financial Statements

19. Related Party Transactions (continued)

£ million	Amounts owed by Group Undertakings 2017	2016
J. Rothschild Capital Management US, Inc	–	0.4
Other	0.1	0.6
Total	**0.1**	**1.0**

£ million	Amounts owed to Group Undertakings 2017	2016
RIT Capital Partners Securities Limited[1]	–	(111.2)
Atlantic and General Investment Trust Limited[1]	–	(25.0)
JRCM	(61.8)	(57.9)
RIT Capital Partners Associates Limited	(8.0)	(9.8)
J. Rothschild Capital Management US, Inc	(3.3)	–
RIT Investments LP	–	(17.0)
Other	(0.2)	(0.8)
Total	**(73.3)**	**(221.7)**

[1] Dissolved during 2017.

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in note 11. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2017 (31 December 2016: £nil).

Directors and key management personnel

Details of the remuneration and benefits attributable to Directors and key management personnel are set out below.

£ million	2017	2016
Short-term employee benefits	4.2	4.7
Other long-term employee benefits	2.0	3.8
Post-employment benefits	–	0.1
Share-based payment	3.6	3.0
Total	**9.8**	**11.6**

Post-employment benefits relate to defined contribution pension scheme payments.

The JRCM Chief Operating Officer also receives fees for his roles as non-executive director of WHAM, the investment manager of philanthropic foundations connected to Lord Rothschild and Hannah Rothschild, and consultant to said foundations.

20. Borrowings

£ million	Group and Company 2017	2016
Unsecured loans payable within one year:		
Revolving credit facilities	275.0	275.0
Unsecured loans payable in more than one year:		
Fixed rate loan notes	163.2	156.4
Total borrowings	**438.2**	**431.4**

At 31 December 2017 the Company had two fully-drawn revolving credit facilities of £150 million with National Australia Bank (expires 20 December 2019) and £125 million with Commonwealth Bank of Australia (expires 19 December 2018). The fair value and par value of these borrowings is £275 million (2016: £275 million). These are both flexible as to currency, duration and number of drawdowns, and bear interest linked to the three-month LIBOR rate (or equivalent) relevant to the drawn currency. As they are drawn in tranches with tenors less than one year they are classified within current liabilities. No bank loans are held within subsidiaries. The overall effective interest rate on these borrowings is 1.94% (2016: 1.78%).

On 1 June 2015 the Company issued £151 million of fixed rate loan notes with tenors between 10 and 20 years and coupons from 3.00% to 3.56%. These notes are held at fair value and pay interest on a semi-annual basis. The fair value of this debt is £163.2 million (2016: £156.4 million) with a par value of £151.0 million (2016: £151.0 million). The weighted average interest rate payable on these notes is 3.45% and their remaining weighted average tenor is 13.2 years.

Overall, the weighted average interest rate at the end of the year was 2.48% (2016: 2.38%).

21. Provisions

Group and Company £ million	Nature of provision Indemnity	Investments	Total
1 January 2017	1.3	2.3	3.6
Additional provision	–	–	–
Amounts utilised	(0.2)	(0.9)	(1.1)
31 December 2017	**1.1**	**1.4**	**2.5**

Group and Company £ million	Nature of provision Indemnity	Investments	Total
1 January 2016	1.1	1.9	3.0
Additional provision	0.4	0.4	0.8
Amounts utilised	(0.2)	–	(0.2)
31 December 2016	**1.3**	**2.3**	**3.6**

No provisions for liabilities and charges have been made in subsidiary entities in the current year (2016: £nil). As at 31 December 2017 there are no provisions in respect of investments which are expected to settle within the next 12 months (2016: £0.9 million). It is anticipated that all of the other provisions noted above will be settled more than 12 months after the balance sheet date.

Indemnity provision

In 1991 the Company acquired an investment in Newmont Mining and at the same time effected a disposal of its indirect interest in Cavenham Forest Industries (CFI). As part of these arrangements, the Company indemnified the purchaser of CFI against certain ongoing costs being incurred by that company. The relevant indemnified costs are expected to be incurred before 2027 and the indemnity provision has been based on the Company's share of the projected costs.

Investment provision

The Company owns an investment where part of the profit eventually realised on its disposal would be paid to a third party. The provision has been calculated by reference to the carrying value of the underlying investment.

Notes to the Financial Statements

22. Other Payables

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Accruals and deferred income	6.5	1.9	12.3	2.5
Other creditors	35.9	35.4	36.3	36.1
Purchases for future settlement	0.5	0.5	12.6	12.6
Total	**42.9**	**37.8**	**61.2**	**51.2**

The carrying value of the Group's other payables approximates their fair value, due to their short-term nature.

23. Share Capital and Share Premium

£ million	2017	2016
Allotted, issued and fully paid:		
155,351,431 Ordinary Shares of £1 each (31 December 2016: 155,351,431)	155.4	155.4

The Company has one class of ordinary shares which carry no right to fixed income.

In July 2012 the Company issued 1,516,179 shares for consideration of 1,239 pence per share resulting in share premium of £17.3 million. The share capital and share premium are not distributable.

24. Capital Redemption Reserve

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Balance at start of year	36.3	36.3	36.3	36.3
Movement during the year	–	–	–	–
Balance at end of year	**36.3**	**36.3**	**36.3**	**36.3**

The capital redemption reserve is not distributable and represents the cumulative nominal value of shares acquired for cancellation.

25. Own Shares Reserve

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Balance at start of year – cost	(14.4)	–	(13.0)	–
Own shares acquired	(11.8)	–	(5.6)	–
Own shares transferred	8.6	–	4.2	–
Balance at end of year – cost	**(17.6)**	**–**	**(14.4)**	**–**

The Group's share-based payment plans are equity-settled schemes under IFRS 2. In addition, certain awards under the AIS are partially made in deferred shares. During 2017 the Group, via an EBT, acquired shares of the Company at a cost of £11.8 million (2016: £5.6 million) to hedge future SAR exercises and the vesting of deferred share and similar awards. During 2017, £8.6 million of such shares were used to settle employee exercises (2016: £4.2 million). At 31 December 2017 the EBT held 1,052,679 shares in the Company (31 December 2016: 969,226) with a market value of £20.7 million (31 December 2016: £18.3 million). The Own Shares Reserve is not distributable.

26. Share-based Payment Reserve

£ million	31 December 2017 Group	31 December 2017 Company	31 December 2016 Group	31 December 2016 Company
Balance at start of year	7.5	–	6.2	–
Share-based payment expense	5.2	–	4.0	–
Transfer to retained reserves	(8.1)	–	(2.7)	–
Balance at end of year	**4.6**	**–**	**7.5**	**–**

Details of outstanding SAR awards are disclosed below:

Date of grant £ million	2017	2016
13 March 2009	2.4	2.2
24 June 2009	0.1	0.1
30 March 2011	–	0.1
8 June 2012	0.1	0.1
2 July 2012	0.9	0.8
8 March 2013	1.0	1.2
7 March 2014	1.2	4.3
31 August 2014	–	1.3
2 March 2015	3.9	3.3
2 March 2016	2.9	2.4
1 March 2017	0.6	–
31 March 2017	0.2	–
Intrinsic value of all SARs	13.3	15.8
Intrinsic value of all SARs vested as at 31 December	**5.7**	**4.5**

The Company has used a trinomial option valuation model to estimate the fair value of the SARs awarded in the year. The inputs to the model included the following: expected volatility of 15.0% (31 December 2016: 15.7%), dividend yield of 1.6% (31 December 2016: 1.6%) per annum, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historical data in respect of RIT's share price. The vesting requirements for this LTIP are set out in the Directors' Remuneration Report on page 32. To allow for the effects of early exercise and staff turnover, it was assumed that the majority of the SARs, in terms of value, would be exercised four and a half years after the relevant grant dates.

	Notional no. of RIT shares	Weighted average exercise price (pence)	Weighted average share price at exercise (pence)
Outstanding at 1 January 2017	3,247,165	1,398	–
Granted	1,033,357	1,891	–
Exercised	(856,663)	1,314	1,918
Lapsed/forfeited	(82,937)	1,725	–
Outstanding at 31 December 2017	**3,340,922**	**1,563.2**	**–**

Notes to the Financial Statements

26. Share-based Payment Reserve (continued)

	Notional no. of RIT shares	Weighted average exercise price (pence)	Weighted average share price at exercise (pence)
Outstanding at 1 January 2016	3,058,530	1,305	–
Granted	812,600	1,583	–
Exercised	(577,516)	1,157	1,707
Lapsed/forfeited	(46,449)	1,482	–
Outstanding at 31 December 2016	**3,247,165**	**1,398**	**–**

The outstanding SARs at 31 December 2017 had exercise prices ranging between 796 pence and 1,891 pence (31 December 2016: 796 pence to 1,583 pence) with a weighted average of 1,563 pence (31 December 2016: 1,398 pence). The weighted average remaining contractual life of these SARs was 7.4 years (31 December 2016: 7.5 years). Included in the outstanding amount at year end were SARs representing a notional number of 685,559 shares (2016: 556,571), which had vested and were capable of being exercised. These had exercise prices ranging between 796 pence and 1,314 pence with a weighted average of 1,076 pence (31 December 2016: 796 pence to 1,314 pence: weighted average 1,076 pence).

During the year the Company granted 1,033,357 SARs (2016: 812,600) and the weighted average fair value of each of those SARs was 142 pence (2016: 127 pence). The Company recognised an expense of £1.8 million (2016: £1.1 million) arising from awards made under the SAR plan and an expense of £3.4 million (2016: £2.9 million) for deferred share and similar awards. The Share-based Payment Reserve is not distributable.

27. Capital Reserve

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Balance at start of year	2,471.6	2,461.1	2,213.8	2,200.3
Gains/(losses) for the year	230.8	232.6	312.9	315.9
Dividend paid	(49.4)	(49.4)	(47.9)	(47.9)
Other capital items	(4.9)	(4.9)	(7.2)	(7.2)
Taxation	0.3	–	–	–
Total capital return	176.8	178.3	257.8	260.8
Balance at end of year	**2,648.4**	**2,639.4**	**2,471.6**	**2,461.1**

The Company's Articles of Association allow distribution by dividends of realised capital reserves.

£ million	2017	2016
Capital Reserve:		
In respect of investments realised	1,812.7	1,656.8
In respect of investments held	826.7	804.3
Balance at end of year	**2,639.4**	**2,461.1**

Reserves arising in respect of investments held have not been analysed between those amounts that are distributable and those that are not distributable.

28. Revenue Reserve

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Balance at start of year	1.1	(63.5)	7.6	(46.6)
Profit/(loss) for the year	(5.7)	(18.8)	(3.6)	(16.9)
Actuarial gain/(loss)	2.8	–	(3.4)	–
Deferred tax (charge)/credit	(0.9)	–	0.5	–
Balance at end of year	**(2.7)**	**(82.3)**	**1.1**	**(63.5)**

As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate income statement or statement of comprehensive income. The Company's revenue loss after tax amounted to £18.8 million (2016: revenue loss £16.9 million). The Company's total profit for the year was £208.9 million (2016: £291.8 million profit).

29. Revaluation Reserve

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Balance at start of year	17.0	17.0	17.4	17.4
Revaluation gain/(loss) on property, plant and equipment	(0.4)	(0.4)	(0.4)	(0.4)
Balance at end of year	**16.6**	**16.6**	**17.0**	**17.0**

The Revaluation Reserve is not distributable.

30. Other Reserves

	31 December 2017		31 December 2016	
£ million	Group	Company	Group	Company
Balance at start of year	0.3	–	0.3	–
Movement during the year	(0.3)	–	–	–
Balance at end of year	**–**	**–**	**0.3**	**–**

Other reserves comprise historical exchange differences arising from the translation of the net investments in foreign subsidiaries and other consolidation adjustments, other reserves and are not distributable.

31. Net Asset Value Per Ordinary Share – Basic and Diluted

Net asset value per ordinary share is based on the following data:

31 December	2017	2016
Net assets (£ million)	2,858.3	2,692.1
Number of shares in issue (million)	155.4	155.4
Own shares (million)	(0.6)	(0.6)
Subtotal (million)	154.8	154.8
Effect of dilutive potential ordinary shares in respect of share-based payments (million)	0.6	0.8
Diluted shares (million)	**155.4**	**155.6**

Notes to the Financial Statements

31. Net Asset Value Per Ordinary Share – Basic and Diluted (continued)

31 December	2017 pence	2016 pence
Net asset value per ordinary share – basic	1,847	1,739
Net asset value per ordinary share – diluted	1,839	1,730

It is the intention of the Group to settle all SAR exercises using ordinary shares of the Company.

32. Investments in Subsidiary Undertakings

£ million	Shares	Loans	Total
Carrying value at 1 January 2017	124.2	41.4	165.6
Additions	2.1	–	2.1
Disposals	(116.7)	(41.4)	(158.1)
Exchange movement in year	(0.1)	–	(0.1)
Carrying value at 31 December 2017	**9.5**	**–**	**9.5**

£ million	Shares	Loans	Total
Carrying value at 1 January 2016	124.2	40.6	164.8
Additions	–	–	–
Disposals	–	–	–
Exchange movement in year	–	0.8	0.8
Carrying value at 31 December 2016	**124.2**	**41.4**	**165.6**

At 31 December 2017 the Company held investments in the following subsidiary undertakings which, unless otherwise stated, are wholly-owned, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless stated, is held directly by the Company.

In accordance with IFRS 10 the Group consolidates the following subsidiary below:

Name	Issued share capital
JRCM[1]	£6,250,001 divided into 6,250,000 ordinary shares of £1 each and one special share of £1 held by The J. Rothschild Name Company Limited

[1] Registered office and principal place of business: 27 St James's Place, London SW1A 1NR.

In accordance with IFRS 10 the Group holds the following subsidiaries at fair value at 31 December 2017:

Name	Principal place of business	Ownership interest
Augmentum 1 LP[1]	England	98.0%
RIT Capital Partners Associates Limited[1]	England	100.0%
RIT Capital Partners Trading Limited[1]	England	100.0%
SHL[1]	England	100.0%
Hornwood Investments NV[2]	Curaçao	100.0%
RIT Carry LP[3]	Scotland	100.0%
RIT Investments GP Limited[3,4]	Scotland	100.0%
RIT Investments LP[3]	Scotland	100.0%
J. Rothschild Capital Management US Inc[5]	United States	100.0%
RIT Investments US Inc[4,5]	United States	100.0%

[1] Registered office: 27 St James's Place, London SW1A 1NR.

[2] In Liquidation. Registered office: Schottegatweg Oost 44, Willemstad, Curaçao.

[3] Registered office and principal place of business: 50 Lothian Road, Edinburgh EH3 9WJ.

[4] Held indirectly.

[5] Registered office: 251 Little Falls Drive, Wilmington, Delaware 19808, USA

For all the above the proportion of voting rights held is equivalent to the ownership interest.

There are no significant restrictions arising from any contractual arrangements or regulatory requirements that would affect the ability of any of the above entities to transfer funds to or repay loans made by the Company. Most of the above entities are investment holding vehicles, where as is usual in such situations, repayment of loans made by the Company to such a subsidiary typically occurs when the underlying investment is sold.

There are no current commitments, contractual arrangements or intentions to provide financial support to any of the entities above other than in the normal course of business (e.g. funding of investment transactions). The Company has not assisted any of the above entities in obtaining financial support in any way over the year and has no current intentions to do so.

33. Dividend

	2017 Pence per share	2016 Pence per share	2017 £ million	2016 £ million
Dividends paid in year	**32.0**	**31.0**	**49.4**	**47.9**

The above amounts were paid as distributions to equity holders of the Company in the relevant year from capital profits.

On 28 February 2017 the Board declared a first interim dividend of 16.0 pence per share in respect of the year ended 31 December 2017 that was paid on 28 April 2017. A second interim dividend of 16.0 pence per share was declared by the Board on 14 August 2017 and paid on 31 October 2017.

The Board declares the payment of a first interim dividend of 16.5 pence per share in respect of the year ending 31 December 2018. This will be paid on 30 April 2018 to shareholders on the register on 6 April 2018.

Notes to the Financial Statements

34. Reconciliation of Profit/(Loss) Before Finance Costs and Taxation to Net Cash Inflow/(Outflow) from Operating Activities

£ million	Group 2017	Group 2016
Profit/(loss) before dividend and interest income, finance costs and taxation	216.4	293.4
Dividend income	13.7	15.8
Interest income	3.0	5.1
Profit/(loss) before finance costs and taxation	**233.1**	**314.3**
(Increase)/decrease in other receivables	59.7	(88.1)
Increase/(decrease) in other payables	(18.3)	24.5
Other movements	(151.1)	4.6
FX (gains)/losses on repayment and drawing of borrowings	6.8	59.9
Purchase of investments held at fair value	(812.5)	(1,455.6)
Sale of investments held at fair value	776.5	1,677.4
(Gains)/losses on fair value investments	(59.4)	(440.0)
Interest paid	(12.8)	(13.3)
Net cash inflow/(outflow) from operating activities	**22.0**	**83.7**

£ million	Company 2017	Company 2016
Profit/(loss) before dividend and interest income, finance costs and taxation	203.1	284.1
Dividend income	15.7	15.8
Interest income	3.0	5.1
Profit/(loss) before finance costs and taxation	**221.8**	**305.0**
(Increase)/decrease in other receivables	54.9	(88.8)
Increase/(decrease) in other payables	(13.4)	36.9
Other movements	(35.0)	1.2
FX (gains)/losses on repayment and drawing of borrowings	6.8	59.9
Purchase of investments held at fair value	(812.5)	(1,455.7)
Sale of investments held at fair value	776.5	1,677.1
(Gains)/losses on fair value investments	(178.8)	(443.0)
Interest paid	(12.8)	(13.3)
Net cash inflow/(outflow) from operating activities	**7.5**	**79.3**

Reconciliation of liabilities arising from financing activities:

£ million	2017	Non-cash changes in fair value	2016
Borrowings – current	(275.0)	–	(275.0)
Borrowings – non-current	(163.2)	(6.8)	(156.4)
Total	**(438.2)**	**(6.8)**	**(431.4)**

35. Material Investments and Related Undertakings

Further information regarding Investments, in addition to note 13, is shown here.

Disclosed below are the ten largest investments in the portfolio (excluding investments in non-consolidated subsidiaries) shown at fair value:

As at 31 December 2017	£ million
HCIF Offshore	137.7
Eisler Capital Fund	131.9
Attestor Value Fund	103.0
Martin Currie Japan	99.7
Elliott International	90.7
BlackRock European Hedge	90.6
Lansdowne Developed Markets Strategic	89.9
Gaoling	88.5
Soroban	86.8
CSX Corporation	86.4
Total	**1,005.2**

As at 31 December 2016	£ million
Eisler Capital Fund	140.5
HCIF Offshore	131.8
Attestor Value Fund	102.6
Martin Currie Japan	87.8
Viking Long Fund III	82.6
BlackRock European Hedge	81.2
Soroban	77.5
Lansdowne Developed Markets Strategic	76.9
Trian Partners Co-Investment	74.5
Palestra Capital	70.2
Total	**925.6**

Further to the disclosures in note 32 (Investments in Subsidiary Undertakings), the table on the following page shows a list of significant related undertakings of the Group as at 31 December 2017. For the investments shown the principal place of business is considered to be the place of registration and the proportion of voting rights held is equivalent to the ownership interest.

The Directors to do not consider that any of the portfolio investments shown in the table on the following page fall within the definition of an associated company as the Group does not exercise significant influence over their operating and financial policies as it is a passive investor, aside from the two entities noted below the table.

In a number of cases the Group owns more than 50% of a particular class of shares or partnership interest. The Group does not consider these holdings, although greater than 50%, provide control of the investee entities concerned as firstly the Group's position as a passive investor in these entities acts as a substantive barrier to its exercising any power over the investee and secondly the nature of the Group's holding does not give it the ability to direct the relevant activities of the investee.

35. Material Investments and Related Undertakings (continued)

The list of significant related undertakings is pursuant to the requirements of Companies Act 2006, Statutory Instrument 2015 No. 980 The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, IFRSs and the SORP.

Disclosed below for the year end 31 December 2017 are:

- Entities classified as significant holdings (greater than 20% interest in a class of shares or partnership);
- Material investee undertakings in which the Group had an interest of over 3% of the allotted shares of any class; and
- Material investment funds in which the Group had an interest of 10% or more in any class of share or unit.

All the investments in the below table are held at FVPL.

Name	Place of registration	Registered address	Fair value £ million	% interest
1992 Co-Invest (Offshore) LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	4.9	49.7%
BlackRock Emerging Markets Flexible Fund, Class R	Ireland	JP Morgan House, International Financial Services Centre, Dublin 1	81.6	100.0%
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	90.6	28.8%
Blumberg Capital 1 LP	Delaware, USA	580 Howard Street, Suite 401, San Francisco, California 94105	6.7	56.1%
BTG Pactual Global Derivatives Opportunities Fund Founder Series D1	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	36.0	32.2%
Darwin Private Equity I LP	Scotland	50 Lothian Road, Festival Square, Edinburgh EH3 9WJ	12.3	23.9%
Dukes Investment Ltd	Cayman Islands	87 Mary Street, George Town, Grand Cayman KY1-9005	0.0	50.0%
Eisler Capital Fund Ltd, R Shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	131.9	53.9%
Emso EOSF1 Ltd Class A, Series 04/17	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	33.3	45.0%
Emso EOSF1 Ltd Class A 08/17	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	15.5	20.9%
Farmstead Offshore Fund Ltd, Class B	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	49.0	14.3%
Firebird Mongolia Fund (Cayman) Ltd, Class A	Cayman Islands	PO Box 847, George Town, Grand Cayman KY1-1103	0.8	29.5%
Firebird New Russia Fund Ltd, Class A1	Cayman Islands	PO Box 847, George Town, Grand Cayman KY1-1103	5.4	25.4%
FPG International Holdings II LP	Cayman Islands	27 Hospital Road, George Town, Grand Cayman KY1-9008	2.8	52.9%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	88.5	100.0%
Green Park Ventures LP	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	1.0	49.9%
GVQ Opportunities Fund, Class A	Ireland	54-62 Townsend Street, Dublin 2	5.9	48.0%
HCIF Offshore LP	Cayman Islands	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007	137.7	10.5%
ICQ CS Main Fund LP	Cayman Islands	PO Box 2681, Hutchins Drive, Grand Cayman KY1-1111	25.1	44.2%
ICQ Holdings 6 LLC	Delaware, USA	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	16.1	100.0%
Infinity SDC Ltd [1]	England & Wales	500-600 Witan Gate West, Milton Keynes MK9 1SH	26.1	23.9%
Lansdowne NE Fund, Unhedged non-restricted absolute shares	Ireland	2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2	45.1	65.8%
Martin Currie Japan Absolute Return Fund, Class A	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	99.7	63.7%
Media Technology Ventures IV LP	California, USA	185 Berry Street, Suite 3600, San Francisco, California 94107	0.9	38.5%
MR Argent Offshore Fund CB 02 LP	Cayman Islands	27 Hospital Road, George Town, Grand Cayman KY1-9008	86.4	65.0%
MSD European Opportunity Fund Ltd, Class AA1-1	Cayman Islands	PO Box 484, 68 West Bay Road, Grand Cayman KY1-1106	6.1	74.2%
MSD Mortgage Partners Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	15.1	65.3%
Rockefeller Financial Services Inc, Class B non-voting shares	Delaware, USA	10 Rockefeller Plaza, Floor 3, New York NY 10020	46.4	30.8%
RR Capital Partners LP	Delaware, USA	One Maritime Plaza, Suite 2100, San Francisco, California 94111	0.7	20.5%
Sand Grove Tactical Fund LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	41.2	67.6%
Social Capital Public Equity Partners Offshore Fund Ltd	Cayman Islands	4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010	7.7	31.8%
Springs Opportunities Fund LP, Series A	Cayman Islands	4th Floor, Willow House, George Town, Grand Cayman KY1-9010	54.8	53.9%
Tamar Energy Ltd [1]	England & Wales	52 Jermyn Street, London SW1Y 6LX	2.1	22.6%
Tekne Long Only Offshore Fund, Class A-N, Series A1-N	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	29.2	33.7%
Tekne Long Only Offshore Fund, Class A-N, Series A3-N	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	22.5	26.0%
Three Corner Offshore L/S Fund Ltd, Class C	Cayman Islands	PO Box 2681, Hutchins Drive, Grand Cayman KY1-1111	67.8	34.6%
Trian Partners Ltd, Class 5YOER	Cayman Islands	PO Box 31113, Gardenia Court, Grand Cayman KY1-1205	31.1	88.2%
Xander Seleucus LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	2.1	41.9%
Xander Seleucus II LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	1.3	43.3%
Xander Seleucus Retail LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	1.8	48.8%

[1] The Directors consider these entities associated companies as the Group has significant influence over these entities due to circumstances particular to the investments. The Group has chosen to account for associated companies held for investment purposes at FVPL in accordance with IAS 28.

Independent Auditors' Report

Independent Auditors' Report to the Members of RIT Capital Partners plc

Report on the audit of the Financial Statements

Opinion

In our opinion, RIT Capital Partners plc's Group Financial Statements and Parent Company Financial Statements (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 2017 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Parent Company's Financial Statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the Financial Statements, included within the Report & Accounts, which comprise: the Consolidated Balance Sheet; the Parent Company Balance Sheet, the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statement, the Consolidated Statement of Changes in Equity and the Parent Company Statement of Changes in Equity; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 5 to the Financial Statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Context

RIT Capital Partners plc is a FTSE 250 self-managed investment trust, managed by a wholly owned subsidiary J. Rothschild Capital Management Limited. The operations of the Group are located in the UK. Each year we focus our work primarily on the valuation of the investment portfolio, including direct private investments, funds, investment property and derivatives.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Overview

- Overall Group materiality: £50.0 million (2016: £47.1 million), based on 1.75% of Net Assets.
- Overall Parent Company materiality: £48.7 million (2016: £45.9 million), based on 1.75% of Net Assets.

- The Group comprises an Investment Company and its subsidiaries, managing a widely diversified portfolio. The Group Financial Statements are a consolidation of 12 entities including J Rothschild Capital Management Limited (the 'manager') and the Parent Company.
- We audited the Financial Statements of 6 subsidiaries and the Parent Company which together account for 100% of the Group's income, 100% of its profit before tax, and 100% of net assets.
- We tailored the scope of our audit taking into account the types of investments within the Group, the accounting processes and controls, and the industry in which the Group operates.

- Valuation of direct private investments (Group and Parent).
- Valuation of other investments namely investments in funds (level 2 & 3), investment property and derivatives (Group and Parent).
- Gains/losses on fair value investments (Group and Parent).
- Related party transactions (Group and Parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company Financial Statements, including but not limited to, the Companies Act 2006 and section 1158 of the Corporation Tax Act 2010. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries of management, review of minutes of meetings of those charged with governance for the Group and testing the compliance with section 1158 in the current year.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Key audit matter	*How our audit addressed the key audit matter*
Valuation of direct private investments (Group and Parent) Refer to page 28 (Audit and Risk Committee Report), pages 51 to 52 (Accounting Policies) and pages 63 to 65 (notes). We focused on the valuation of direct private investments as the valuations are material, complex and include estimates and significant judgements. The valuation of direct private investments are determined by management and the Directors and are based on the nature of the underlying business which has been invested in. The methods used include: • Applying a multiple to earnings and revenues; • Using a discounted cash flow model; and • Using recent transaction prices and recent offers.	We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used by management in determining the fair value of the investment portfolio. For direct private investments, we have: • compared valuations to recently completed transactions or recent offers where relevant; • assessed the validity of valuation models that applied comparable quoted company earnings and revenues multiples by assessing the adjustments made to reflect the differences between the quoted company and the investee company, and checked earnings and revenues data from audited Financial Statements, unaudited management accounts and/or forecasts for the investee entities; • assessed the valuation models that applied a discounted cash flow analysis by agreeing forecasts input into the model to supporting management accounts and analysing the discount rate applied; • obtained satisfactory explanations when challenging the assumptions made by management in the applicable valuation models; • tested the mathematical accuracy of the valuation models; and • read Valuation Committee papers and meeting minutes where the valuations of these investments were discussed and agreed. This, together with our knowledge of the investee entities and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss with and challenge management as to the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that management's valuations of direct private investments were supported by the available evidence, and in particular that the assumptions used were appropriate based on the investee's circumstances, and actual and expected financial performance.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Key audit matter	*How our audit addressed the key audit matter*
Valuation of other investments namely investments in funds (level 2 & 3), investment property and derivatives (Group and Parent) Refer to page 28 (Audit and Risk Committee Report), pages 51 to 53 (Accounting Policies) and pages 62 to 66 (notes). The valuation of investments in funds (level 2 & 3) are determined by the underlying fund manager. The valuations are provided to the Group and assessed by management. The valuations of level 3 funds are material, complex and include estimates and significant judgements as these funds consist principally of direct private investments. The valuations of level 2 funds are material and are the most significant part of the investment portfolio. We also focused on the valuation of investment property and derivatives as the valuation assumptions used to fair value these investments do not have observable market inputs that reflect quoted prices in active markets, and are more subjective.	For investments in funds (level 2 & 3), we have: • confirmed the latest available fund valuation with underlying fund managers or administrators; and • tested transactions since the date of the latest available fund valuation where the valuation used by management was not coterminous with the Balance Sheet date. For investments in level 3 funds we have also: • assessed prior year valuations which were based on unaudited net asset statements by reference to their respective audited Financial Statements; and • for new fund investments invested in the year, we obtained and assessed the due diligence performed by management. For investment property, we have: • compared the valuation methodology to the best practice set out in the RICS Valuation – Global Standards 2017 and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015); • assessed the explanations for the assumptions made by management in the valuation; and • tested the mathematical accuracy of the valuation models and verify the inputs into the models by agreeing them to third-party sources where applicable. For derivatives, we have: • recalculated the valuation of derivatives using independent pricing sources; and • checked the terms to broker statements. No material misstatements were identified by our testing of investments in funds (levels 2 and 3), investment property and derivatives.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Key audit matter	How our audit addressed the key audit matter
Gainslosses on fair value investments (Group and Parent) Refer to pages 51 to 52 (Accounting Policies) and page 54 (notes). We focused on the accuracy and completeness of gains/losses on fair value investments. Gains/losses on investments represent changes in the fair value of investments over the financial year and gains/losses made on the disposal of investments. Fair value movements that are unrealised are based on the change in investment valuations. Valuations other than listed investments are subjective. This, combined with the size of the gains/losses on fair value investments, made this a key audit matter.	Our testing over the gains/losses on fair value investments included: • obtaining an understanding of, and then testing the valuation process as set out in the earlier key audit matters, to ascertain whether unrealised gains/losses were appropriately calculated; • agreeing purchases and sales of investments during the period to trade tickets, call and distributions notices, and bank statements; • recalculating gains and losses based on the valuation movement in investments over the year; and • assessing journal entries relating to investment gains/losses for any entries not covered in our testing as set out above. No material misstatements were identified by our testing.
Related party transactions (Group and Parent) Refer to pages 28 to 29 (Audit and Risk Committee Report) and pages 66 to 67 (notes). We focused on this matter due to the nature and number of related party transactions. The complexity and extent of these arrangements means that there is a risk that not all related party transactions are identified and disclosed in the Financial Statements.	Our testing over related parties included: • assessing management's process for identifying related parties and related party transactions, which included maintaining up to date records of parties related to the Group and to the Group's Board of Directors; • evaluating management's listing of related parties and related parties transactions for completeness based on our knowledge gained from the audit; • reading minutes of the Conflicts Committee, a committee comprising of independent non-executive Directors who monitor all arrangements with related parties; • testing related party transactions to supporting documentation; • obtaining written confirmation from the Parent Company of the list of all related parties; and • performing scanning analytics for possible additional related party transactions. We found no unidentified related parties or inconsistencies between the reported related party transactions and our testing in this area or the rest of our audit.

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How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

We audited the Financial Statements of 6 subsidiaries and the Parent Company which together account for 100% of the Group's income, 100% of its profit before tax, and 100% of net assets. This, together with procedures performed over the consolidation, has provided the evidence we need for our opinion on the Group Financial Statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	*Parent Company Financial Statements*
Overall materiality	£50.0 million (2016: £47.1 million).	£48.7 million (2016: £45.9 million).
How we determined it	1.75% of Net Assets.	1.75% of Net Assets.
Rationale for benchmark applied	We have assessed materiality based on a percentage of net assets, as this is the primary metric focused on by investors.	

For each component in the scope of our Group audit, we determined a materiality that is less than our overall Group materiality. The range of materiality across components was £2,200 and £1,051,600, and was equal to a local statutory audit materiality that was less than our overall group materiality and that we considered appropriate for our group audit.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £2.5 million (Group audit) (2016: £2.4 million) and £2.4 million (Parent Company audit) (2016: £2.3 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	*Outcome*
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in 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's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Reporting on other information

The other information comprises all of the information in the Report & Accounts other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on pages 14 to 17 of the Report & Accounts that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Report & Accounts that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 17 of the Report & Accounts 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.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. *(Listing Rules)*

Independent Auditors' Report to the Members of RIT Capital Partners plc

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 26, that they consider the Report & Accounts taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Report & Accounts on pages 28 to 30 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the Directors to audit the Financial Statements for the year ended 2 August 1988 and subsequent financial periods. The period of total uninterrupted engagement is 30 years, covering the years ended 2 August 1988 to 31 December 2017.

Alison Morris (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2018

Other Information

31 December 2017

Investment Portfolio Reconciliation

Investment Portfolio Reconciliation

The following table shows a summary reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 11 and 13, and the 31 December 2017 Consolidated Balance Sheet, as shown on page 45:

£ million	Quoted Equity	Private Investments	Absolute Return & Credit	Real Assets	Other Investments	Net Liquidity/ Borrowing/ Other	31 December 2017 Consolidated Balance Sheet
Non-current assets							
Portfolio investments at fair value	1,584.2	658.9	713.4	25.7	–	0.2	2,982.4
Non-consolidated subsidiaries	–	–	–	–	–	13.1	13.1
Investments held at fair value	1,584.2	658.9	713.4	25.7	–	13.3	2,995.5
Investment property	–	–	–	36.1	–	–	36.1
Property, plant and equipment	–	–	–	27.6	–	0.3	27.9
Deferred tax asset	–	–	–	–	–	3.1	3.1
Retirement benefit asset	–	–	–	–	–	1.8	1.8
Derivative financial instruments	0.1	–	–	–	6.3	–	6.4
	1,584.3	**658.9**	**713.4**	**89.4**	**6.3**	**18.5**	**3,070.8**
Current assets							
Derivative financial instruments	6.9	–	0.8	9.0	32.5	–	49.2
Other receivables	0.3	–	–	–	–	123.0	123.3
Amounts owed by group undertakings	–	–	–	–	–	0.1	0.1
Cash at bank	6.0	–	–	–	–	116.9	122.9
	13.2	–	0.8	9.0	32.5	239.9	295.5
Total assets	**1,597.5**	**658.9**	**714.2**	**98.4**	**38.8**	**258.4**	**3,366.3**
Current liabilities							
Borrowings	–	–	–	–	–	(275.0)	(275.0)
Derivative financial instruments	(9.5)	–	–	–	(0.3)	–	(9.8)
Other payables	–	(35.4)	–	–	–	(7.5)	(42.9)
Amounts owed to group undertakings	–	–	–	–	–	(11.6)	(11.7)
	(9.5)	(35.4)	–	–	(0.3)	(294.1)	(339.4)
Net current assets/(liabilities)	**3.7**	**(35.4)**	**0.8**	**9.0**	**32.2**	**(54.2)**	**(43.9)**
Total assets less current liabilities	**1,588.0**	**623.5**	**714.2**	**98.4**	**38.5**	**(35.7)**	**3,026.9**
Non-current liabilities							
Borrowings	–	–	–	–	–	(163.2)	(163.2)
Derivative financial instruments	–	–	–	–	(2.4)	–	(2.4)
Provisions	–	–	–	–	–	(2.5)	(2.5)
Finance lease liability	–	–	–	–	–	(0.5)	(0.5)
	–	–	–	–	(2.4)	(166.2)	(168.6)
Net assets	**1,588.0**	**623.5**	**714.2**	**98.4**	**36.1**	**(201.9)**	**2,858.3**

Glossary

Glossary
Within the Company Highlights and the Strategic Report, we publish certain financial measures common to investment trusts. Where relevant, these are prepared in accordance with guidance from the AIC and this glossary provides additional information in relation to them.

Alternative performance measures (APMs): APMs are numerical measures of the Company's current, historical or future financial performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IFRSs and the AIC SORP.

Gearing: Gearing is a measure of the level of debt deployed within the portfolio. The disclosed ratio is calculated in accordance with AIC guidance as total assets, net of cash, divided by net assets (with debt included at par value).

NAV per share and share price total returns: The total return for a period represents the change in either NAV per share (diluted and with debt at fair value) or the share price, adjusted to reflect dividends paid during the period. The calculation assumes the dividends are notionally reinvested in the month-end NAV or daily closing share price, following the shares going ex-dividend.

Ongoing charges figure: As a self-managed investment trust with operating subsidiaries, the calculation of the Company's OCF requires adjustments to the total operating expenses. In accordance with AIC guidance, the main adjustments are to remove the costs incurred by GVQ (which has its own AUM) and to remove direct performance-related compensation from JRCM, which is analogous to a performance fee for externally managed trusts.

£ million	2017	2016
Operating expenses	28.6	28.9
Less: GVQ's costs	(4.4)	(3.8)
Less: JRCM direct performance-related compensation	(5.0)	(7.2)
Less: other adjustments	(0.8)	(0.7)
Ongoing charges	18.4	17.2
Average net assets	2,780	2,519
OCF	**0.66%**	**0.68%**

In addition to the above, fees are charged by managers within the external funds (and in a few instances directly to RIT in relation to segregated accounts). We have estimated that, based on average NAV across the year and annual management fee rates per fund (excluding performance fees), these represent an additional 1.23% of average net assets (2016: 1.17%).

Historical Information and Financial Calendar

Historical Information

	Diluted net assets £ million	Diluted net assets per share pence	Closing share price pence	Premium/ (discount) %	Earnings per share pence	Dividend per share pence
02 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.7
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.6
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.4
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.1
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.1
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.6
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.7
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.6
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.8
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.0
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.2
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.1
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.1
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.1
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.1
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.1
31 March 2005	1,113.1	712.7	694	(2.6)	90.0	3.1
31 March 2006	1,534.7	982.7	1,020	3.8	270.3	3.1
31 March 2007	1,635.6	1,047.3	1,000	(4.5)	67.0	3.1
31 March 2008	1,690.0	1,091.6	1,147	5.1	50.6	4.0
31 March 2009	1,350.5	874.3	831	(5.0)	(205.2)	7.5
31 March 2010	1,815.7	1,180.1	1,082	(8.3)	306.3	4.0
31 March 2011	1,984.0	1,289.4	1,307	1.4	111.7	4.0
31 March 2012	1,920.0	1,249.3	1,220	(2.3)	(35.7)	4.0
31 December 2012	1,847.2	1,191.4	1,131	(5.1)	(29.6)	28.0
31 December 2013	2,146.0	1,383.6	1,260	(8.9)	215.7	28.0
31 December 2014	2,299.6	1,483.0	1,397	(5.8)	129.8	29.4
31 December 2015	2,441.3	1,572.5	1,681	6.9	121.4	30.0
31 December 2016	2,692.1	1,730	1,885	9.0	195.0	31.0
31 December 2017	**2,858.3**	**1,839**	**1,962**	**6.7**	**142.4**	**32.0**

Notes:

1. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
2. Prior to 31 March 2000, the diluted net assets were measured on the assumption that all convertible stock was converted at the balance sheet date. By 31 March 2000, all convertible stock had been converted or redeemed.
3. Dividends per share represent the amounts paid in the relevant financial year or period.
4. Since 31 March 2005 the closing share price has been displayed to the nearest pence and from 31 December 2016 the diluted net assets per share has been disclosed in this table to the nearest pence.

Financial Calendar

26 April 2018, 11:00 a.m.:	Annual General Meeting.
30 April 2018:	Payment of interim dividend of 16.5 pence per ordinary share to shareholders on the register on 6 April 2018.

Investor Information

Share Price Information

The Company's £1 ordinary shares are listed on the London Stock Exchange and may be identified using the following codes:

TIDM:	RCP LN
SEDOL:	0736639 GB
ISIN:	GB0007366395

The closing price of the shares is published in the Financial Times and The Daily Telegraph. Daily and 15 minute delay share price information is displayed on the Company's website: www.ritcap.com

Registrars and Transfer Office

The Company's registrar may be contacted as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: 0370 703 6307
Overseas: +44 370 703 6307

Shareholders may contact the registrar should they need to notify a change of name or address, or have a query regarding the registration of their holding or the payment of a dividend. Shareholders who wish to have dividends credited directly to their bank account rather than paid by cheque may do so by arrangement with the Company's registrar. Shareholders may also arrange with the Company's registrar to have their dividend payment invested in additional RIT Capital Partners plc ordinary shares purchased in the market.

Electronic Communication

Registered holders of ordinary shares of RIT Capital Partners plc may elect to communicate with the Company electronically as an alternative to receiving hard copy accounts and circulars. This facility is provided by the Company's registrars, Computershare Investor Services PLC, and shareholders should register online at www.investorcentre.co.uk and select the Electronic Shareholder Communications section to participate. To complete the registration process shareholders will need their postcode or country of residence, along with their Shareholder Reference Number, as shown on their share certificates or dividend advices. You will also be asked to agree to the Terms and Conditions for Electronic Communication with Shareholders. Registered shareholders also have the facility to check their shareholding or cast proxy votes at general meetings electronically if they wish.

Directory

MANAGER, ADMINISTRATOR, COMPANY SECRETARY AND REGISTERED OFFICE
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Warning to Shareholders
From time to time investment companies and their shareholders can be the subject of investment scams. The perpetrators obtain lists of shareholders and make unsolicited phone calls or correspondence concerning investment matters, typically from overseas. They may offer to sell worthless or high risk shares or, in the case of your RIT Capital Partners plc stock, may offer to buy your current shareholdings at an unrealistic price. They will often also inform you of untrue scenarios to make you think that you need to sell your shares or to justify an offer that seems too good to be true. To find out more about share fraud or 'boiler room' scams please visit the website of the Financial Conduct Authority.
https://www.fca.org.uk/consumers/share-fraud-boiler-room-scams

Please note we will never contact you by phone unless you have requested us to do so, nor will our registrars, Computershare. In the event that you are contacted we strongly recommend that you review the FCA website above and follow the necessary steps. Please do report any company making unsolicited calls to the FCA using the form that can be found using the above link.

27 St James's Place London SW1A 1NR

RIT Capital Partners plc