Report & Accounts
for the year ended 31 December 2013

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

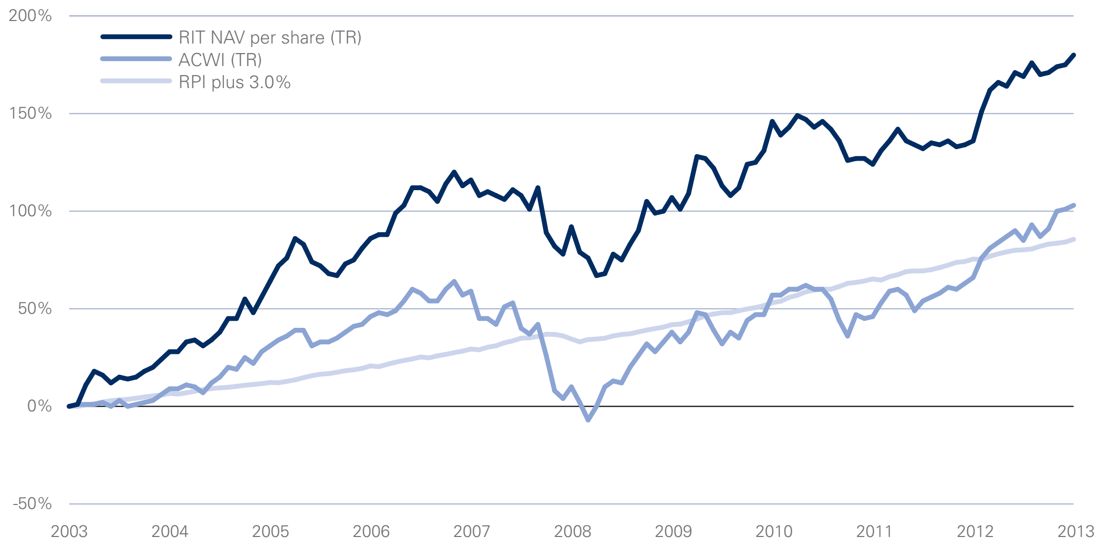
To invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

Financial Summary

	31 December 2013	31 December 2012	Change
Net Assets	£2,146m	£1,847m	£299m
NAV per share	1,384p	1,191p	193p
Share price	1,260p	1,131p	129p
Discount	-9.0%	-5.0%	-4.0%
Dividends paid	28p	28p	–
Gearing	5.2%	0.0%	5.2%
Ongoing Charges %	0.83%	0.77%	0.06%
NAV per share total return			**18.6%**
Share price total return			**14.0%**
RPI plus 3.0%[1]			5.7%
MSCI All Country World Index[2]			23.0%

Performance History	1 Year	5 Years	10 Years
NAV per share total return	18.6%	45.8%	180.1%
RPI plus 3.0%[1]	5.7%	38.0%	85.6%
MSCI All Country World Index[2]	23.0%	85.3%	103.2%

10 Year Performance



[1] We have adopted RPI plus 3.0% as a key performance indicator as described on page 7.

[2] 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.

Strategic Report

RIT Capital Partners plc

Chairman's Statement

Lord Rothschild, OM GBE

Our shareholders expect a clear and consistent approach. At the heart of this approach, rests its commitment to the preservation of shareholders' capital, which remains our highest priority. We did not forsake our focus on long-term growth and for this our shareholders have rewarded us with their loyalty.

As market conditions have become more volatile, I am increasingly satisfied with the progress which your Company made during the year under review. The net asset value per share (NAV) increased from 1,191 pence to 1,384 pence, representing a total return of 18.6%. Total net assets increased by £343 million (before dividends and buy-backs of £44 million) to £2,146 million, a new all-time high.

Our shareholders expect a clear and consistent approach. At the heart of this approach, rests its commitment to the preservation of shareholders' capital, which remains our highest priority taking precedence over tactical manoeuvres based on short-term returns. Our 2013 performance combined appropriate levels of caution with a significant participation in stock market increases. We did not forsake our focus on long-term growth and for this our shareholders have rewarded us with their loyalty.

In 2013 we identified a number of key themes which helped to produce a strong performance in our quoted equity book. Our continued focus on the US and increased allocation to Japan were rewarded as these were the two strongest of the major stock markets in 2013. Investment in technology also proved to be a fertile area through direct stock selections as well as specialist money managers.

External funds performed strongly as we consolidated our relationships into a reduced number of money managers, whose skills we believe will deliver strong performance in the years ahead. For many years now, RIT has sought to identify and support emerging talent. We have seeded four different managers in the past 18 months, specialising in technology, financials, distressed debt and most recently Japanese equities. In addition to being good performers in their own right, these relationships typically come with enhanced economics, as well as enriching our market insights.

Total net assets increased by £343 million (before dividends and buy-backs of £44 million) to £2,146 million, a new all-time high.

We have been active in managing our currency exposure, initially capitalising on Sterling's weakness by bringing our exposure to minimal levels, only to increase these levels materially when we saw early signs of a UK revival. We concentrated the vast majority of our non-Sterling exposure into the US Dollar, and therefore avoided the fallout that 'tapering' induced on many of the emerging market currencies.

Our direct private investment portfolio and the externally managed private funds gave modest financial returns during the year. As I have drawn attention to in the past, such investments should be assessed over a long time frame. A good example of this is Paypoint, where we sold our remaining shares for a 30% return during 2013. However the full story dates back to our initial £3 million investment in 1999 into what was then a private and problematic company. The company obtained a stock market listing in 2004 and, over its full life, has produced a return of 15 times our investment with an IRR of almost 29% per annum.

We have made two sizeable private investments in the past year. The first was in Metron, a promising Norwegian oil and gas services business. The second was our widely reported investment in Williams and Glyn's, the new 'challenger' bank created from the Royal Bank of Scotland. Last year I drew shareholders' attention to the potential of the global relationships which your Company has built. The investment in Williams and Glyn's emerged directly from one of these relationships, as the transaction was led by Corsair Capital, where we are investors in their General Partnership.

The main detractor from our performance during the year was our allocation to gold and gold miners, where the decline in the commodity price resulted in a negative return for our real asset investments. In the current year there has been an improvement in this sector.

Chairman's Statement

As the significant amount of capital invested in low or zero yielding assets looks for alternative homes, the demand for equities has not surprisingly been strong, stimulated by central banks who remain concerned and cautious about removing the 'punchbowl'.

Inevitably higher valuations imply lower margins of safety and consequently the market's vulnerability to shocks is greater. With the world recovery still fragile and reliant to a large extent on policy support, it is not hard to envisage markets having to deal with such shocks in the coming year and indeed they were felt during January. Early in 2014 investors have become increasingly concerned on a number of fronts: these include signs of a slow-down in the Chinese economy, emerging market turmoil in response to the timing of the Federal Reserve's tapering, doubts as to whether 'Abenomics' in Japan will succeed, disappointing recent US economic data and the risk of deflation and economic stagnation in Europe. Lastly it is difficult to forecast with conviction the consequences of the massive money printing experiment of the past few years.

The new year has already displayed further volatility. Our latest reported NAV at the end of January was 1,371 pence. This represents a decline of 0.9% against broader market falls of 3% to 4%, reflecting our somewhat cautious approach. In February however, markets have improved.

Against this backdrop we cannot rely on the upward trajectory of markets to deliver performance. We therefore put even more emphasis on 'high conviction' stock-picking. We take advantage of volatility to create attractive entry levels on our favoured themes, relying on research and our network to identify investment opportunities. We are continuing to manage our currency exposure as a potential source of outperformance.

With interest rates held artificially low, we have also expanded our credit and absolute return strategies to ensure we are both enhancing and diversifying our sources of returns. This initiative is of particular interest at a time when we negotiated £400 million of new borrowing facilities at favourable rates, which we intend to deploy into such strategies. We consider the risk-adjusted returns to be favourable in enabling us to earn a reasonable margin of profit, both in supporting our portfolio returns and helping to offset our costs.

Dividend

We are intending to pay a dividend of 29.4 pence per share in 2014, in two equal payments in April and October. This represents a 5.0% increase over 2013, and we expect to maintain or increase this level in the years ahead, as long as this does not come into conflict with your Company's primary objective of capital preservation and growth.

Board and Management

We continue to strengthen your Board and I am grateful to Directors for the considerable time which they devote to the governance of the Company.

My daughter Hannah joined the Board in August. Her appointment serves to reinforce my family's ties to your Company. In October the Board was further strengthened by the appointment of Mike Wilson, a joint-founder together with myself of St James's Place plc where he served with distinction and success as their CEO.

As we have recently announced, Mike Power has now joined the Board as a non-executive Director. He is a Professor of Accounting at the London School of Economics and Political Science, an honorary fellow of the Institute of Risk Management and was until recently on the board of St James's Place plc.

We are delighted to have the benefit of these three non-executive Directors and on shareholders' behalf I would like to extend a warm welcome.

We said farewell to James Leigh-Pemberton during the year following his appointment to run UK Financial Investments. James joined the Board in 2004 and we were privileged to have the benefit of his experience and sage advice throughout this time. On behalf of shareholders, the Board and our entire Company, I would like to thank him for his significant contribution.

The executive management of your Company is entrusted to J Rothschild Capital Management (JRCM). We now have a young and well settled team to manage your Company's investments in the years ahead. My colleague Francesco Goedhuis has recently been appointed as Chairman of the Executive Committee. Ron Tabbouche, previously an executive of Global Asset Management (GAM), the company which I co-founded in 1983, is our Investment Director. Finance is managed by Andrew Jones our CFO and Operations by Jonathan Kestenbaum our COO.

Chairman's Statement

This strong and motivated team, with support from our experienced non-executive Directors, permanent capital and global relationships, should stand shareholders in good stead.

Rothschild

Rothschild
5 March 2014

Our Strategy & Business Model

Introduction

This section forms part of the new Strategic Report, which follows further developments in the reporting framework for UK listed companies. Our aim is 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 risk management

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 aim. However we consider a degree of clarification may assist shareholders in understanding what we are trying to achieve for them over time - in particular because we differ from many other trusts who aim to be fully invested in equities.

The most important aspect of our objective is long-term capital growth while preserving shareholders' capital. We believe that investors entrusting us with their hard-earned capital should consider us as a core feature of a multi-generational wealth creation approach. The essence of our investing DNA is about protecting and enhancing families' 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 recognise that such 'market timing' is unlikely to be sustainable in the long term.

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 and produce a high quality return.

Since inception, we have participated in 70% of the market upside but only 38% of the market declines. This has resulted in our NAV per share compounding at 11.7% per annum; a meaningful outperformance of global equity markets.

We believe that our approach of active management of equity exposure, combined with early identification of opportunities and themes across asset classes is more likely to lead to an asymmetric return profile. 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 and produce a high quality return.

It is also exactly what we have achieved in the past. Since inception, we have participated in 70% of the market upside but only 38% of the market declines. This has resulted in our NAV per share compounding at 11.7% per annum; a meaningful outperformance of global equity markets.

Investment Approach

These 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 remain at our core an equity house, we nonetheless have the freedom and the agility to invest your portfolio across multiple asset classes, geographies, industries and currencies. This has been the basis of our successful 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 individual stocks, private investments, equity funds, currency positioning and a strong macro-economic overlay.

Our Strategy & Business Model

We believe the extent of our global reach and network of contacts allows us to maximise our ability to deploy capital wisely. We seek to achieve an optimum blend of the skills of an in-house team focusing on the broad macro-economic outlook, stocks and private investments with the best external managers.

The long-term nature of our aims and approach allows us to be patient. 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 the long term and choose to exit at the optimum time. In addition, we aim to avoid being forced sellers of stocks if we are comfortable with their underlying fundamentals.

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. We therefore have established the following targets or Key Performance Indicators (KPIs):

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. Share price total 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 beat markets. This year we made two small changes following a careful review. Consistent with many investment companies, we decided to adopt the ACWI rather than the MSCI World Index. The former includes Emerging Markets with an approximate 13% weighting and we believe is a more accurate comparator for our global, unconstrained approach.

> The long-term nature of our aims and approach allows us to be patient.

The second change we made is to the underlying currency assumptions for the index. The MSCI World Index had a natural Sterling weighting of around 9%. As a Sterling-denominated company we consider this provides too low a natural starting point and are therefore using a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies.

Management are tasked with investing the portfolio to deliver a high quality NAV return over time. Ultimately however the return to our shareholders is through share price growth and dividends. We therefore also consider the TSR as our third KPI.

Incentive Structure

Following a careful review during 2013, our Remuneration Committee has made a small number of revisions to our incentive structure to ensure we can attract, motivate and retain the high quality individuals we need to deliver on our long-term strategic aims. The revised remuneration policy is now structured to ensure it is better aligned with and reinforces these strategic aims.

Executives and key staff will continue to participate in two plans:

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

The AIS is designed to incentivise executives and key staff through a share in the total NAV outperformance against the Absolute Outperformance hurdle and the Relative Outperformance hurdle. This is measured annually and includes longer term features such as a three year high watermark and as well as significant deferral into RIT shares. In addition the Remuneration Committee retains the ability to make discretionary awards for individual performance, as well as the ability to clawback elements of previous awards if necessary. Payments under this scheme are capped at 0.75% of NAV or 0.25% if the NAV has declined.

The Company also retains an LTIP which provides a longer term incentive of up to 10 years using Share Appreciation Rights, which vest if RIT's TSR is above the hurdle of RPI plus 3.0% over three years.

Our Strategy & Business Model

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

Further details are provided in the Directors' Remuneration Report on pages 32 to 42.

Our Governance Structure

Our Chairman, Lord Rothschild, is responsible for the executive leadership of the Board and the Company. During the year Mike Wilson and Hannah Rothschild joined the board, with James Leigh-Pemberton leaving to take up the role of chairman of UK Financial Investments. In January 2014, Mike Power also joined the Board.

RIT is a self-managed investment company. The management of the investment portfolio and the business has been delegated to JRCM, a 100% owned subsidiary which acts as the Company's manager.

JRCM is also chaired by Lord Rothschild, with an Executive Committee responsible for managing the day-to-day running of the business. As part of a restructuring of the private investments business, Graham Thomas left the company. His role as Chairman of the Executive Committee was assumed by Francesco Goedhuis, who also now leads the private investments business.

In order to enhance our governance the JRCM Board was restructured, with a number of its members stepping down to join a new International Advisory Board.

Full details of the Board and the Executive Committee are provided on pages 20 to 23.

Risk Management and Internal Control

The principal risks facing RIT include financial risks and operational risks. 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.

The risk appetite is set by the Board with portfolio risk managed by JRCM. This involves careful assessment

> The long-term success of your Company has been drawn from a distinctive blend of individual stocks, private investments, equity funds, currency positioning and a strong macro-economic overlay.

of the nature and level of risk within the portfolio using qualitative and quantitative methods.

Operational risks include those related to legal, regulatory, 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.

In common with other similar businesses, 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 'key man' risk is monitored and managed by the Board, which has established procedures in place for the mitigation of these risks.

The Board is responsible for the Group's system of internal control although 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.

Corporate Responsibility

The Board is responsible for ensuring that good standards of corporate responsibility are adopted within the Group through appropriate 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, however as an investment trust, the Board considers that the Company's direct SEE impact is low. We consider 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 also implement recycling of materials.

Our Strategy & Business Model

Emissions required to be reported in respect of the year ended 31 December 2013 were calculated using the 2013 fuel conversion factors provided by Defra[1], and were as follows:

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per employee
Scope 1 Gas	42	0.6
Scope 2 Electricity	210	2.8
Total	**252**	**3.4**

[1] Department for Environment, Food & Rural Affairs.

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 nine Directors of whom two were women. Within the wider Group the senior management level included 11 men and two women. The overall employee base is split between 51 men and 20 women.

By Order of the Board

A. W.

J Rothschild Capital Management Limited
Company Secretary, 5 March 2014

Investment & Business Review

Performance

For the year under review, RIT's NAV per share increased by 18.6% on a total return basis to 1,384p. Total net assets increased by £299 million to £2,146 million after dividends and buy-backs totalling £44 million during the year.

The change in net assets over the year is summarised below:

Asset Category[1]	Gain/(loss)[2] £ million	Contribution to Total Return %	Return on Capital %
Quoted Equities:	349.4	19.0%	31.5%
Long-only Equities	298.6	16.2%	34.5%
Hedged Equities	50.8	2.8%	21.0%
Private Investments:	37.8	2.1%	7.8%
Private Investments – Direct	16.4	0.9%	7.6%
Private Investments – Funds	21.4	1.2%	8.0%
Real Assets	(41.1)	(2.2)%	(36.1)%
Absolute Return & Credit	10.3	0.5%	13.6%
Currency	13.4	0.7%	–
Government Bonds/Other	0.5	0.0%	–
Expenses	(26.1)	(1.4)%	–
Tax	(1.6)	(0.1)%	–
Total Return	**342.6**	**18.6%**	**–**
Dividends/Buybacks	(43.8)		
Change in Net Assets	298.8		

[1] The asset categories were renamed during the year in order to conform more closely to the current portfolio management approach.

[2] In this table, category returns exclude the impact of currency translation. Currency exposure is managed centrally on an overlay basis with the translation impact and the profits from the overlay activity included in the Currency category.

The Quoted Equity book performed well during the year with the long-only equities returning almost 35% in local currency with strong contributions from our developed markets exposure and a good performance of our emerging markets book – particularly against the backdrop of a difficult year for emerging markets. This category includes funds managed by external managers such as Findlay Park or Lansdowne as well as stocks managed internally such as Roche or Qualcomm. Our hedged equities category includes those funds where the managers can use short strategies to enhance or protect returns. These investments also performed well, with a 21% return on capital.

The Private Investments portfolio had a modest year, returning just under 8% overall. This was broadly split between our direct investments and external funds.

The Real Assets category was a drag on performance, notably our gold futures and our gold mining funds. This was in part offset by a positive return on our investment properties (including Spencer House) which produced a 15.8% return in the year. Absolute Return & Credit performed well, returning almost 14%.

Currency was a positive contributor to performance. While many of our non-Sterling denominated assets suffered translation losses as a result of Sterling's strength, our overlay activity more than compensated for this resulting in a £13 million net gain.

In terms of core themes, we consider our improved performance was a result of a number of key factors which informed our portfolio management in 2013:

- An increased exposure to quoted equities
- Larger single stock positions
- An elevated Japanese exposure
- Further consolidation of our core quoted equity funds
- Careful changes in our currency positioning

These are discussed further in the following sections.

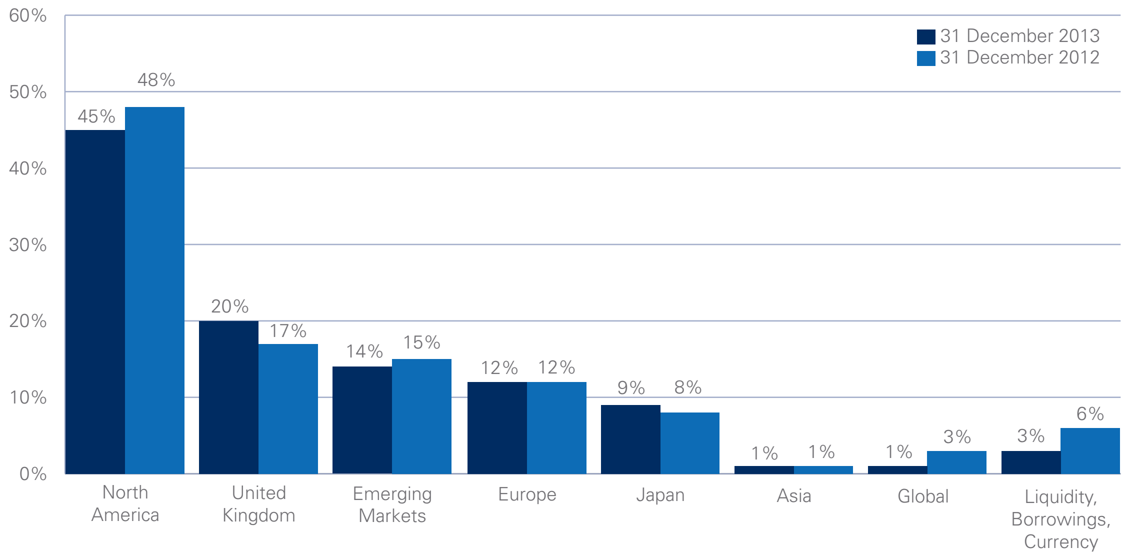
Investment & Business Review

Net Assets and Exposure by Category

Asset Category	31 December 2013 % NAV	31 December 2012 % NAV
Quoted Equities:	63%	62%
Long-only Equities	49%	51%
Hedged Equities	14%	11%
Private Investments:	25%	27%
Private Investments – Direct	12%	12%
Private Investments – Funds	13%	15%
Real Assets	4%	5%
Absolute Return & Credit	7%	3%
Currency/Government Bonds/Other	1%	0%
Total Investments	100%	97%
Net Liquidity/Borrowings/Other Assets	0%	3%
Net Assets	**100%**	**100%**
Average Gross Equity Exposure	71%	65%
Average Net Equity Exposure	59%	53%

Note: Exposure reflects notional exposure through derivatives and adjustments for derivatives/liquidity held by managers.

Net Assets by Geography



Note: Includes long and short exposure via index futures

Investment Portfolio Movements

£ million	Market value 31 December 2012	Additions/ Transfers in	Disposals/ Transfers out	Gains/ (losses)	Market value 31 December 2013
Quoted Equities – Long-only Equities	948.7	762.6	(930.2)	277.0	1,058.1
Quoted Equities – Hedged Equities	209.6	108.1	(67.1)	43.4	294.0
Private Investments – Direct	209.9	98.4	(58.3)	13.1	263.1
Private Investments – Funds	269.0	50.3	(53.2)	18.4	284.5
Real Assets	101.2	30.7	(10.2)	(42.8)	78.9
Absolute Return & Credit	52.0	118.7	(24.2)	5.3	151.8
Other Investments	2.4	28.3	(26.4)	9.4	13.7
Total Investments	**1,792.8**	**1,197.1**	**(1,169.6)**	**323.8**	**2,144.1**

Note: In this table category gains/(losses) include the impact of currency translation and derivatives. This table reflects Management's portfolio classification. It can be reconciled to the consolidated balance sheet as set out on page 108.

Quoted Equity

During 2013, we made important changes across all aspects of the quoted equity book, including asset allocation as well as stock and fund selection.

Exposure management focused on running both a larger gross and a higher net exposure during 2013. The difference between the two is a result of portfolio hedges such as short futures, or liquidity held by us or our managers rather than invested.

The higher net exposure followed an initial increase towards the end of 2012 and was a reflection of our more positive view on markets. The higher gross book reflected our willingness to have increased conviction positions in specific securities or themes, without having to increase our net market risk. During the year the net quoted equity exposure ranged between 55% and 64%, averaging at 59%. The gross exposure averaged 71% over the year.

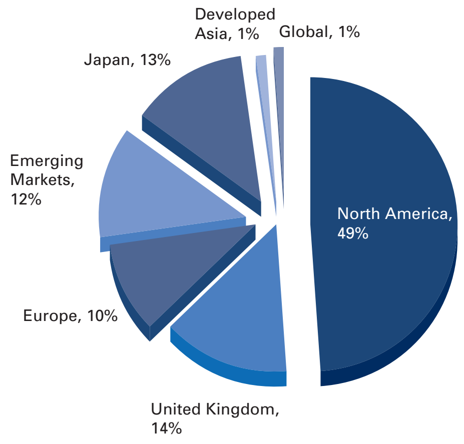
In line with our core focus on capital preservation, we also purchased, portfolio insurance, at different times during the year. This enabled us to retain our conviction holdings at times of macro-economic headwinds.

The regional exposure remained weighted towards the US with around 49% of the quoted book. This reflects our belief that both cyclical and structural factors were supportive and we could still identify bottom-up opportunities in the region – particularly in the technology and financial sectors. In Europe we selectively increased our exposure to 24% through managers such as BlackRock as well as stocks such as Kingfisher.

In relation to emerging markets, we continued to focus on managers that emphasised domestic opportunities exhibiting structural growth as well as frontier markets. This proved beneficial with a return of 9.6% set against the declines in broader emerging market indices.

Japan remains a core theme which worked well during 2013 with around 13% of our quoted portfolio exposure in Japan at the year-end. Approximately 5% of this exposure was through index futures which avoided the currency exposure and maximised the capital available for other uses.

Quoted Equity Regional Exposure



The regional exposure remained weighted towards the US with around 49% of the quoted book. This reflects our belief that both cyclical and structural factors were supportive and we could still identify bottom-up opportunities in the region – particularly in the technology and financial sectors. Japan remains a core theme which worked well during 2013.

Investment & Business Review

We started 2013 with a significant diversified internal account – RIT Global Quality. Early in the year we saw better opportunities outside of its core theme and progressively reduced the size until it was finally closed in August. We replaced the exposure with a more concentrated stock portfolio with a larger average position size including stocks such as H&M, Reckitt Benckiser and AIG. In addition, we invested in a few special situations, backing managers who were taking activist positions in stocks for example Trian Partners who took positions in Pepsi and Mondelez.

We sold our remaining shares in Paypoint during the year at a 30% return over the year. This closed the final chapter on a very successful investment which began in early 1999 with a £3.3 million investment in a private business. Over its life and following a listing in 2004, this investment ultimately made £63 million of profit, a return of 14.6x and an IRR of 28.6%.

We continued to consolidate the part of our portfolio held by external managers, with an increase in the average holding size in our core managers. Many of these investments are in funds we identified very early in the managers' life and indeed a significant proportion of which are closed to outside investors.

Private Investments

The private investments portfolio includes our own direct investments as well as those held by third party managers. In aggregate these accounted for 25% of the year-end NAV and generated a local currency return of 8%.

The direct private investment portfolio totalled £263 million at the end of December and produced a 7.6% return during the year. While there were no high profile exits, a number of our portfolio companies experienced further business development. Our largest investment is in Infinity, a leading UK data centre business. It completed a new funding round as it continues to expand its business. Some of our smaller investments paid dividends or saw modest valuation increases. We completed the sale of UK Specialist Hospitals early in the year at the valuation agreed just before December 2012. This produced an approximate 23% IRR and 2.2x return over its life. Tamar, the anaerobic digestion business we founded along with Sainsburys', the Duchy of Cornwall and Fajr Capital started generating electricity from its first two plants, with more due to come on line in 2014. This represents the seeding of what is effectively a new industry for the UK, aiming to replicate the success seen in certain other countries in Europe.

We continued to consolidate the part of our portfolio held by external managers, with an increase in the average holding size in our core managers. Many of these investments are in funds we identified very early in the managers' life and indeed a significant proportion of which are closed to outside investors.

We made two notable new investments during the year, Metron and Williams & Glyn's. The former is an oil and gas services business based in Norway, which has made a promising start to our investment. The latter was sourced through our strong relationship with Corsair Capital, the specialist financials private equity business. This is an investment in a new 'challenger' bank created from 314 branches of the Royal Bank of Scotland which will be carved out with the intention of an IPO in due course. Our investment is structured as a convertible loan note, currently backed by RBS and with a yield of 8% to 14% depending on the business's return on equity.

Shareholders may have seen the press stories in January 2014 where Dropbox is reported to have raised a new investment round at a $10 billion valuation including new and existing investors. This would represent a significant increase above our $4 billion entry valuation. We have not updated our carrying value, which will be reviewed in June as part of our formal six monthly revaluation of the direct portfolio.

The fund portfolio totalled £285 million at the year-end. As a result of the typical industry lag in receipt of the valuations from the fund managers or 'GPs', these are mainly valued using the 30 September 2013 valuations. Overall the portfolio generated a return of 8.0%. Our largest investment, Augmentum, where we incubated the manager, continues to develop its early stage portfolio. One of its recent investments, Zopa, the peer-to-peer lender, closed a further funding round in January 2014 at a healthy uplift to Augmentum's entry value. The rest of the fund portfolio exhibited modest returns overall.

Real Assets

At the year-end, this category represented around 4% of net assets and 5% in net exposure terms, reductions from 5% and 10% at the start of the year. Overall the category suffered a loss of £41 million during the year, mainly as a result of the fall in gold and gold miners as the commodity price fell 28% to $1,205.

Investment & Business Review

This was partially offset by valuation uplifts totalling 15.8% in our investment properties, with the largest – Spencer House – up 27.7% over the year based on an independent valuation by Jones Lang LaSalle.

Absolute Return & Credit
Our positions in this category include credit investments and absolute return funds. While still a relatively small proportion of the overall net assets, we increased our exposure in this area during the year to around 7% of net assets. The portfolio generated a healthy return of almost 14%, and we expect to deploy more assets in this area over the coming year where we believe we can generate a reasonable spread over our borrowing costs without taking on equity-style risk.

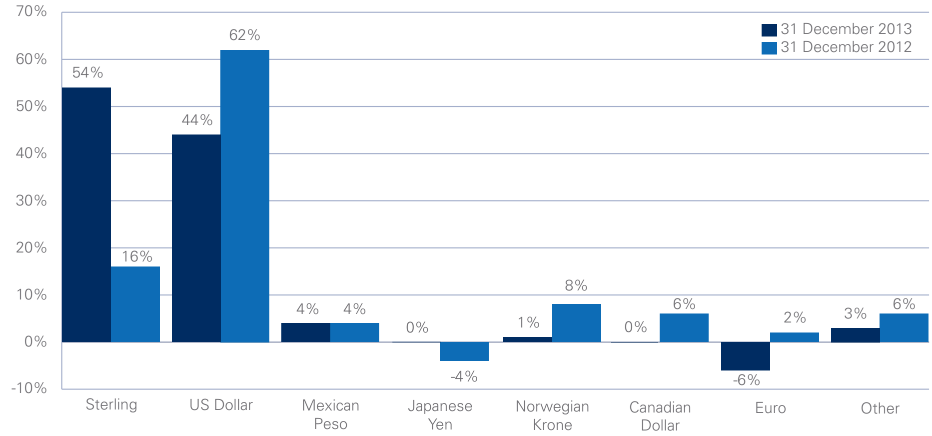
Currency
We manage our currency exposure centrally through an overlay approach. This takes into account the natural or 'naive' exposure as a result of the currency denomination of the investments. This 'gross' exposure is then adjusted mainly through the use of currency forwards and borrowing in order to achieve the desired net exposure to the underlying currencies. The £13 million gain in 2013 reflects gains from the currency overlay activity, in excess of the translation losses from the natural positioning.

We were active in shifting our net exposure to reflect our view of the likely impact of the changes in central bank policies in the UK and the US. Having begun the year with 16% Sterling exposure we profited from reducing this to minimal levels in advance of the currency depreciation during the first half of the year. We then increased the exposure significantly as the economy recovered and the currency followed suit, to end the year with 54% exposure. In addition, we consolidated a number of our non-core currencies into the US Dollar, which proved beneficial as they underperformed following the Federal Reserve's tapering announcement.

Valuation uplifts totalled 15.8% in our investment properties, with the largest – Spencer House – up 27.7%

Investment & Business Review

Currency Exposure of Net Assets



Debt and Leverage

We increased our debt facilities from £245 million to £400 million at the end of December 2013, signing two new £200 million revolving credit facilities with three year and five year durations. These can be drawn in all major currencies and pay floating interest at three month LIBOR plus a margin of 1.20% and 1.80% respectively. We drew the first facility in full in December 2013 in US Dollars. The rate was fixed for the duration of the loan through an interest rate swap, at a total cost of 1.98% per annum.

At the year-end we held drawn borrowings of £197 million and liquidity balances of £114 million. This represents gearing or leverage through bank debt of 5.2% (calculated net of liquidity in accordance with the AIC guidance).

We also deploy leverage through the careful use of derivatives, typically currency forwards, index futures and options. The Alternative Investment Fund Manager Directive from the European Union (AIFMD) will introduce later in 2014 a requirement to disclose a leverage figure that includes both bank debt and derivatives. We will adopt this approach in our next year-end financial statements.

Ongoing Charges

As shareholders are aware, the AIC published recommended guidance in 2012 for investment companies to replace TERs with an Ongoing Charges % (OC%). Set out below is our OC% for 2013 alongside an estimate for 2012 (based on the nine month reporting period to December):

	2013	2012
Ongoing Charges %[1]	0.83%	0.77%

[1] We have slightly revised the way we present our OC% in order to treat external manager costs consistently. The OC% reflects the costs incurred directly by RIT which are associated with the management of a static investment portfolio. Consistent with the AIC guidance, the OC% excludes non-recurring items; costs associated with our profitable events subsidiary; LTIPs and performance fees. In addition to our own costs, the NAV performance also includes the costs incurred directly or indirectly by external fund managers. Many of these managers include these costs within their valuations and it is not practical to calculate an OC% from the information they provide. However to assist shareholders, we have estimated that such external management costs amount to approximately 0.95% of the Company's average net assets. Further information on fee levels is provided on page 43.

Shareholder Return and Dividend

Management is tasked with investing shareholders funds to produce a high quality NAV return over time. While the total shareholder return will typically track the NAV total return performance, there are fluctuations as a result of changes in the premium and discount. During 2013 RIT's discount increased from 5.0% to 9.0%. The Company bought back 30,810 shares in August 2013 at a cost of £0.4 million.

As the Chairman has highlighted, the Board has approved a dividend to be paid in 2014 of 29.4 pence per share. This will be paid in two tranches in April and October and represents a 5.0% increase over 2013. We intend to maintain or increase this level in the years ahead, as long as this does not come into conflict with your Company's primary objective of capital preservation and growth.

By Order of the Board

J Rothschild Capital Management Limited
Company Secretary, 5 March 2014

Investment Portfolio

Investment Portfolio as at 31 December 2013

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Quoted Equity – Long-only Equities				
Stocks:				
RIT TMT Basket [1]	United States	Technology, media and telecoms	63.2	2.9%
Roche Holdings	Switzerland	Pharmaceuticals	43.7	2.0%
Trian Partners SPV (Pepsi & Mondelez)	United States	Consumer staples	39.1	1.8%
Reckitt Benckiser	United Kingdom	Household products	37.4	1.7%
Qualcomm	United States	Communications equipment	35.4	1.7%
Ebay Inc	United States	Internet software and services	28.4	1.3%
PS V International Fund (Air Products)	United States	Industrial gases	28.1	1.3%
Kingfisher Plc	United Kingdom	Home improvement retail	24.3	1.2%
McGraw Hill Financial Inc	United States	Specialised financial	22.3	1.1%
American International Group	United States	Multi-line insurance	21.9	1.0%
Other Stocks			14.9	0.7%
Total Stocks			*358.7*	*16.7%*
Funds:				
Findlay Park [2]	United States	All-cap, value bias	71.9	3.4%
BBLS Fund	United States	Biotechnology	71.7	3.3%
Lansdowne Developed Markets Strategic	Developed Markets	All-cap, diversified	71.4	3.3%
Morant Wright [2]	Japan	Small/mid-cap, value bias	66.6	3.1%
Cedar Rock Capital Fund	Developed Markets	Large/mid-cap, diversified	56.4	2.6%
Viking Long Fund III	Global	All-cap, diversified	48.4	2.3%
Titan Partners	United States	Large-cap, growth bias	48.1	2.3%
BlackRock Frontiers [2]	Emerging Markets	All-cap, value bias	45.7	2.1%
Independent Franchise Partners – Global	Developed Markets	Large-cap, diversified	42.3	2.0%
Findlay Park Mexico [2]	Mexico	All-cap, diversified	31.5	1.5%
Horizon Capital [2]	Asia	All-cap, diversified	30.1	1.4%
Independent Franchise Partners – US	United States	Large-cap, diversified	23.8	1.1%
Other funds			86.3	4.0%
Total Funds			*694.2*	*32.4%*
Derivatives:				
Topix Index Futures	Japan	Long, 2.9% notional	2.9	0.1%
Nikkei Index Futures	Japan	Long, 2.0% notional	1.9	0.1%
GS Custom Financials Basket [3]	United States	Long equities, 1.9% notional	2.0	0.1%
Other Derivatives			(1.6)	(0.1%)
Total Derivatives			*5.2*	*0.2%*
Total Quoted Equity – Long-only Equities			**1,058.1**	**49.3%**
Quoted Equities – Hedged Equities				
Blackrock European Hedge Fund	Europe	All-cap, diversified	51.7	2.4%
Tekne Offshore	Global	All-cap, technology bias	49.4	2.3%
Gaoling	Asia	All-cap, China bias	43.2	2.0%
Three Corner	Global	All-cap, financial bias	40.3	1.9%
Brant Point	United States	Small/mid-cap, growth bias	31.7	1.5%
GLG Technology Fund	Global	All-cap, technology bias	29.9	1.4%
Egerton Capital	Developed Markets	All-cap, diversified	23.7	1.1%
Other Quoted Equity – Hedged Equities			24.1	1.1%
Total Quoted Equity – Hedged Equities			**294.0**	**13.7%**

[1] This is a basket of 6 stocks managed internally, with the largest investment, SanDisk Corporation, valued at £15.0 million.

[2] These funds are operated as segregated accounts, managed externally on behalf of the Group.

[3] This is a total return swap over a basket of nine stocks managed internally, with the largest investment, Bank of America, having a notional exposure of 0.5%.

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Private Investments – Direct				
Infinity Data Systems	United Kingdom	Data centres	43.7	2.0%
Rockefeller & Co, Inc	United States	Financial services	30.2	1.4%
Williams & Glyn's	United Kingdom	Financial services	25.0	1.2%
Metron	Norway	Oil and gas services	22.4	1.0%
Helios Towers	Africa	Cellular communication infrastructure	16.1	0.8%
Dropbox	United States	Cloud technology	15.1	0.7%
EDRRIT	United Kingdom	Financial services	14.0	0.7%
Tamar Energy	United Kingdom	Renewable energy	13.2	0.6%
Genagro	Brazil	Agricultural real estate	11.6	0.5%
Other Private Investments – Direct			71.8	3.4%
Total Private Investments – Direct			**263.1**	**12.3%**
Private Investments – Funds				
Augmentum I	United Kingdom	International growth capital	39.9	1.9%
Darwin Private Equity I	United Kingdom	UK mid-market private equity	30.0	1.4%
Xander Funds	India	Indian real estate private equity	27.2	1.3%
Hony Capital Funds	China	Chinese private equity	22.0	1.0%
Summit Water Development	United States	Water rights	17.6	0.8%
Crestview Partners Funds	United States	US private equity	11.7	0.5%
Pomona Capital Funds	United States	Secondary private equity	10.6	0.5%
Tinicum Capital Partners II	United States	US private equity	8.2	0.4%
Bessemer VII	United States	US private equity	7.7	0.4%
Gobi Fund II	China	Chinese private equity	7.3	0.3%
Other Private Investments – Funds			102.3	4.8%
Total Private Investments – Funds			**284.5**	**13.3%**
Real Assets				
Spencer House	United Kingdom	Investment property	30.5	1.4%
Other Investment Property	United Kingdom	Investment property	22.9	1.1%
BlackRock Gold & General Fund	Global	Gold and precious metal equities	17.8	0.8%
Baker Steel [2]	Global	Gold and precious metal equities	8.5	0.4%
Other Real Assets			(0.8)	0.0%
Total Real Assets			**78.9**	**3.7%**
Absolute Return & Credit				
Pine River Fixed Income Fund	Global	Fixed income relative value	32.8	1.5%
Farmstead Fund	Global	Distressed and special situations	30.9	1.4%
JPS Credit Opportunities	United States	Fixed income, relative volume	21.9	1.1%
TSE Capital	Global	Macro strategy	20.0	0.9%
Virgin America Senior Notes	United States	Credit co-investment	12.7	0.6%
Fortress Credit Opportunities	United States	Distressed and special situations	11.3	0.5%
Other Absolute Return & Credit			22.2	1.0%
Total Absolute Return & Credit			**151.8**	**7.0%**
Other Investments				
US 10 Year Treasury Note Futures	United States	Short, 2.7% notional	1.3	0.1%
Currency contracts	Global	Forward currency contracts	12.4	0.5%
Total Other Investments			**13.7**	**0.6%**
Total Investments			**2,144.1**	**99.9%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Liquidity				
US Treasury Bill	United States	Government bond	48.6	2.3%
Other Liquidity			65.1	3.0%
Total Liquidity			**113.7**	**5.3%**
Borrowings				
National Australia Bank loan	United States	Multi-currency credit facility	(197.4)	(9.2%)
US Dollar interest rate swap	United States	Floating to fixed	0.3	–
Total Borrowings			**(197.1)**	**(9.2%)**
Other assets/(liabilities)			85.3	4.0%
Total Net Asset Value			**2,146.0**	**100.0%**

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.

Having left NM Rothschild & Sons in 1980, Jacob developed the business of RIT's predecessor companies, co-founding companies in money management, insurance and investment, including Global Asset Management and St James's Place plc. He served as Deputy Chairman of BSkyB Plc for five years, to 2008. He serves on a number of family office advisory boards as well as chairing his own Family Office and the Rothschild Foundation. He is also the Honorary Vice Chairman of La Compagnie Financière Saint-Honoré, the holding company of the Edmond de Rothschild Group.

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 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 the 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 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.

He is a chartered accountant and was a partner at Deloitte LLP where he led the firm's services to the investment trust industry. He served as Chairman of Framlington Innovative Growth Trust plc for four years until 2010 and currently he is a director of Henderson EuroTrust plc, RCM Technology Trust plc and Strategic Equity Capital plc.

Lord Douro

Lord Douro joined the Board of the Company as non-executive Director in July 2010. He is Chairman of the Conflicts and Remuneration Committees and a member of the Audit and Risk Committee and 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 is currently a director of Compagnie Financière Richemont, Sanofi, and was until 2011 a director of Pernod Ricard and Abengoa Bio-Energia. He is currently a member of the International Advisory Board of Abengoa SA. He is Chairman of Richemont Holdings (UK) Limited. He is also Chairman of the Council of King's College, London. He was a member of the European Parliament from 1979 to 1989.

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 and Valuation Committees.

He was a non-executive director at St. James's place plc from 2005 to 2013 where he was chair of the Risk Committee and 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 chairs the Compliance and Risk Committee. Mike has a number of other advisory positions, including the Financial Reporting Lab of the Financial Reporting Council, and has written extensively on risk and governance issues. He is an FCA, an associate member of the UK Chartered Institute of Taxation and an honorary fellow of the Institute of Risk Management. He also holds honorary doctorates from the Universities of Uppsala, Sweden and St Gallen, Switzerland.

Mike Wilson CBE

Mike Wilson joined the Board of the Company as a non-executive Director in October 2013 and is a member of the Remuneration Committee.

He is Joint Founder and Life President of St. James's Place plc and Chairman of the St James's Place Foundation. He has worked in the financial services industry over many years and was a director of Allied Dunbar and BAT Industries before jointly founding J. Rothschild Assurance (now St James's Place) in 1991. Following 13 years as Chief Executive of St James's Place he was appointed Chairman, a role he held until the end of 2011.

Mike was a non-executive Director of Vendôme Luxury Group plc and Chairman of the Mental Health Association for many years. In 2010 he became a director of the newly formed research charity MQ: Transforming Mental Health.

Lord Myners CBE

Paul Myners joined the Board of the Company as non-executive Director in August 2010 and is a member of the Audit and Risk and Valuation Committees.

He is Chairman and partner of Autonomous Research and Cevian Capital UK. He is also a non-executive director of Ecofin Water & Power Opportunities, OJSC MegaFon and The Co-operative Group. Paul is a former Chairman of Marks & Spencer and Land Securities. He previously served as a member of the Court of the Bank of England and a member of the Investment Committee of Singapore's sovereign wealth fund. He was a Treasury minister in the last British government.

Sandra Robertson

Sandra Robertson joined the Board of the Company as non-executive Director in July 2008 and is a member of the Valuation Committee.

She is Chief Investment Officer of Oxford University Endowment Management. Before her appointment at Oxford in 2007, she spent the previous 14 years at Wellcome Trust, where she became Co-Head of Portfolio Management.

Board of Directors

Non-Executive Directors (Non-Independent)

Jean Laurent-Bellue

Jean Laurent-Bellue joined the Board of the Company as non-executive Director in March 2012.

He is Group Secretary General of Edmond de Rothschild Holdings in Geneva and Board member of the Banque Privée Edmond de Rothschild. He joined LCF Edmond de Rothschild Group in 2004 as a member of the Executive Board of La Compagnie Financière Edmond de Rothschild Banque. He was Chairman of the Executive Board of Edmond de Rothschild Corporate Finance from 2004 until 2009 when he became General Secretary at Compagnie Financière Saint Honoré.

Previously, he was a member of the Executive Board of Clinvest (the Investment Banking arm of the Crédit Lyonnais).

The Board has determined that he is not independent due to his senior role with the Edmond de Rothschild Group, with which the Company has a joint venture.

Hannah Rothschild

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

Hannah has been involved with media for the past twenty years and her productions have won numerous awards at international film festivals. In addition, she is a non-executive Director of Windmill Hill Asset Management Limited, a Director of Five Arrows Limited, and serves as a Trustee of the Rothschild Foundation.

As well as her career in media, she has been involved in public service, in particular the arts, where she serves as a Trustee of the National Gallery and the Tate.

Honorary Vice Chairman

Baroness Ariane de Rothschild

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

She holds various board positions across the Edmond de Rothschild Group, including Edmond de Rothschild Group Holding, Banque Privée Edmond de Rothschild, Holding Banque Edmond de Rothschild, Siaci Saint-Honoré, Banque Privée Edmond de Rothschild Europe and Barons & Baronne 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 Chairman 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

Executive Directors
Francesco Goedhuis (Chairman, Executive Committee & Head of Special Situations)
Andrew Jones (Chief Financial Officer)
Jonathan Kestenbaum (Chief Operating Officer)
Roberto Ruhman
Ron Tabbouche (Investment Director)

Non-Executive Director
Rick Sopher

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

Francesco Goedhuis

Francesco Goedhuis is Chairman of the Executive Committee and is Head of Special Situations. He joined RIT 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 RIT 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 where he specialised in valuation advice.

Jonathan Kestenbaum

Jonathan Kestenbaum is the Chief Operating Officer. Until 2011 he was Chief Executive of Five Arrows Limited. He is also an adviser to philanthropic foundations connected to Lord Rothschild. He was previously Chief Executive of NESTA (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 and became Lord Kestenbaum of Foxcote.

Ron Tabbouche

Ron Tabbouche is the Investment Director. He was previously 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. More recently, he led the overall investment strategy of multi-billion dollar funds across a broad range of asset classes. He is also the principal investment adviser to philanthropic foundations connected to Lord Rothschild.

Corporate Governance Report

Introduction

The Directors present the Company's Corporate Governance Report. The biographies of the Directors and executive management on the pages immediately preceding this Report demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims. Many of the Directors hold or have held senior director 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.

This report describes the Company's principal governance bodies, their composition, purpose and operation. It also covers the other aspects of the Company's governance prescribed under the UK Corporate Governance Code 2012 (the Code) to which the Company is subject and which may be viewed at www.frc.org.uk. The Directors believe that the Company has complied with the provisions of the Code throughout the year, except as described on page 26.

The Board of Directors

The Company is an investment trust managed by its Board of Directors (the Board) comprising ten Directors currently. The Chairman is executive, Jean Laurent-Bellue and Hannah Rothschild are non-independent and non-executive and the remaining seven are independent non-executive Directors.

The Board has a formal Schedule of Reserved Matters, which may be viewed on the Company's website www.ritcap.com. This is designed to prescribe the responsibilities of the Board in managing the Company's business within a framework of prudent and effective controls to facilitate assessment and management of risk.

The Board is responsible for setting the Company's strategic aims for its long-term success and ensuring that the necessary resources are in place to these ends, delegating as appropriate to the executive management of JRCM. In general terms, they are responsible for the implementation and execution of the Board's strategic directives relating to investment management, governance and administration.

The Board met formally five times in the year ended 31 December 2013. The attendance of the Directors was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Rothschild	5	5
Michael Marks	5	5
John Cornish	5	5
Lord Douro	5	5
Jean Laurent-Bellue	5	4
James Leigh-Pemberton[1]	4	4
Lord Myners	5	5
Sandra Robertson	5	4
Hannah Rothschild[2]	1	1
Mike Wilson[3]	0	0

[1] Retired 1 October 2013
[2] Appointed 15 August 2013
[3] Appointed 1 October 2013

The non-executive Directors also meet once a year without executive management present to consider the conclusions of the annual Board evaluation exercise and the performance of the Chairman.

In addition, there are five permanent Board committees a majority of whose membership is comprised of independent non-executive Directors. The composition of these committees is set out below. Each committee has its own Terms of Reference which may be viewed on the Company's website.

Corporate Governance Report

Committee Membership as at 5 March 2014

Audit and Risk Committee
John Cornish (Chairman)
Lord Douro
Lord Myners
Mike Power

Conflicts Committee
Lord Douro (Chairman)
John Cornish
Michael Marks

Nominations Committee
Lord Rothschild (Chairman)
Lord Douro
Michael Marks

Valuation Committee
John Cornish (Chairman)
Lord Myners
Mike Power
Sandra Robertson

Remuneration Committee
Lord Douro (Chairman)
John Cornish
Michael Marks
Mike Wilson

The Audit and Risk Committee

The Audit and Risk Committee Report may be found on pages 30 and 31.

The Committee met formally on four occasions in the year ended 31 December 2013 with attendance as follows:

Member	No. of meetings invited to attend	No. of meetings attended
John Cornish	4	4
Michael Marks[1]	1	1
James Leigh-Pemberton[2]	3	2
Lord Douro[1]	1	1
Lord Myners	4	4

[1] Appointed 5 December 2013
[2] Retired 1 October 2013

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 Lord Douro and comprised of independent directors. The Committee's principal responsibilities cover proposed co-investment or related party transactions and the approval of cost sharing arrangements with parties related to Lord Rothschild or any other Director (as described in note 30). The Committee is responsible for monitoring and pre-approving any arrangements entered into between the Group and any of its Directors, or their connected interests, to ensure that any conflicts of interest are avoided or pre-approved and managed appropriately.

The attendance record of the members in the year to 31 December 2013 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Douro	1	1
John Cornish	1	1
James Leigh-Pemberton[1]	0	0
Michael Marks	1	1

[1] Retired 1 October 2013

The Nominations Committee

The Nominations Committee comprises three Directors, two of whom are independent non-executive and the third is Lord Rothschild, the Chairman of the Committee. The Committee meets at least once a year on a formal basis, and additional occasions as required. It is responsible for the process of the appointment of new Directors to the Board.

During the year, the Committee discharged its responsibilities as set out in its Terms of Reference. These included the consideration and recommendation of the two Director appointments made and changes in the membership of Board Committees.

The Committee is mindful of succession planning and board balance and diversity, including on grounds of gender, when recommending 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 utilise their broad range of business contacts to identify candidates on the basis of their potential contribution to the Company.

The attendance record of the members of the Committee in the year to 31 December 2013 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Rothschild	1	1
Lord Douro	1	1
James Leigh-Pemberton[1]	0	0
Michael Marks	1	1

[1] Retired 1 October 2013

The Valuation Committee

The Valuation Committee comprises four Directors, all of whom are independent. Mike Power was appointed to the Committee subsequent to the year-end. The Committee, which is chaired by John Cornish, meets at least twice each year and additionally as may be required.

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Its principal responsibility is to review the Company's direct private investments to ensure they are presented in the annual and half-yearly accounts at fair value.

The Committee met formally on two occasions in the year ended 31 December 2013 with attendance as follows:

Member	No. of meetings invited to attend	No. of meetings attended
John Cornish	2	2
Sandra Robertson	2	2
Lord Myners	2	2

The Remuneration Committee

The Remuneration Committee comprises four non-executive Directors, all of whom are independent. The Committee, which is chaired by Lord Douro, meets at least once each year on a formal basis and additionally as may be required. Its primary responsibility is the creation and maintenance of remuneration policies designed to attract, retain and motivate Directors and executive management appropriately.

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. Executive management provides information to the Committee, although individuals are not present when their own remuneration is considered. The Remuneration Committee receives the advice of New Bridge Street (NBS), the remuneration consultancy. The Group has no other relationships with NBS, which 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, although the final determination of the fees payable to non-executive Directors is a matter for the Board of Directors as a whole.

The attendance of the members at the meetings of the Committee held in the year to 31 December 2013 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Douro	3	3
John Cornish	3	3
James Leigh-Pemberton[1]	2	2
Michael Marks	3	2
Mike Wilson[2]	1	1

[1] Retired 1 October 2013
[2] Appointed 1 October 2013

The Chairman of the Remuneration Committee presents the Directors' Remuneration Report on pages 32 to 42.

UK Corporate Governance Code

The Company has not complied with the following provisions of the UK Corporate Governance Code 2012, as explained below.

A.2.1 – Chairman has executive responsibilities

B.2.3 – Non-executive directors are not appointed for specified terms

Chairman with Executive Responsibilities

Lord Rothschild is both Chairman of the Board and an Executive Director. The Board recognises that this is at variance with the recommendations of the Code, which are concerned with the potential problems of combining the running of the Board with the executive responsibility for the running of the Company. The Board believes that the current arrangements are appropriate for a self-managed investment trust and are in the best interests of the Company and its shareholders on an ongoing basis. The Company has in place a structure of permanent committees, described on the preceding pages, which are designed to devolve responsibility and control of certain key areas of Board responsibility away from the Chairman.

The Audit and Risk Committee, the Conflicts Committee, the Remuneration Committee and the Valuation Committee are comprised entirely of independent non-executive Directors. Whilst the Nominations Committee is chaired by Lord Rothschild, independent non-executive Directors represent a majority of its members. The Board is therefore of the view that the Company is not at risk from a concentration of power caused by the Chairman having executive responsibilities and believes that Lord Rothschild is well qualified for both roles.

As Chairman, Lord Rothschild is responsible for the leadership of the Board and its effectiveness in dealing with the matters reserved for its decision with adequate time for discussion. 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 full and effective contribution of the non-executive Directors.

Board Balance and Independence

The Board is comprised of 10 Directors of whom one is executive, two are non-independent and non-executive and seven are non-executive and independent. This balance is intended to limit the

Corporate Governance Report

scope for an individual, or a small group of individuals, to dominate the Board's decision making. More than half of the Board, excluding the Chairman, therefore comprises non-executive Directors determined by the Board to be independent.

The size and composition of the Board is considered to be suitable for the Company's size and business, whilst not being so large as to be unwieldy.

Information and Professional Development
Appropriate training on listed company governance and on the Company is provided to new Directors on their initial appointment.

JRCM provides information on financial and regulatory developments in the papers provided for Board and Committee meetings.

All Directors are entitled to take independent professional advice, including legal advice, at the Company's expense where they judge it necessary to discharge their responsibilities as Directors, up to a maximum of £25,000 per annum.

The Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are complied with and for advising the Board, through the Chairman, on corporate governance matters.

Performance Evaluation
The Code requires the Company to report on the means by which performance evaluation of the Board, its committees and its individual Directors has been conducted. Following the external review by Armstrong Bonham Carter in 2012, the annual performance evaluation was carried out between December 2013 and January 2014 by means of an internally prepared questionnaire. The summarised responses were evaluated and considered by the Board and separately by the non-executive Directors in a meeting without the Chairman or executive management present.

Re-Election of Directors
Non-executive Directors are not appointed for specified terms. As all Directors stand for re-election annually, neither the Nominations Committee nor the Board consider that such contractual limitations would be in the best interests of the Company.

The UK Corporate Governance Code incorporates a requirement that all directors of FTSE 350 companies should be put forward for re-election every year. All Directors will stand for election or re-election at the Company's 2014 AGM. The Notice of AGM is contained in a separate document circulated to registered shareholders, which may be viewed on the Company's website: www.ritcap.com.

In accordance with the Code, the Board considered the proposed re-election of Mr Marks after a particularly rigorous review, as he has served as a Director beyond six years. He remains independent and eligible for re-election for the following reasons:

- He is a senior, full-time executive at a financial services organisation unconnected to RIT
- He does not receive any other remuneration from the Group other than his Director's fees
- There are no relationships or circumstances likely to affect his judgement
- He continues to challenge objectively and robustly question management

Following the performance evaluation of the Board described above, it is confirmed that the performance of each Director standing for re-election continues to be satisfactory. The re-election of each of the Directors standing at the forthcoming AGM is therefore recommended by the Board.

Relations with Shareholders
The Board and JRCM's executive management maintain a dialogue with both institutional shareholders and analysts and also respond promptly to other shareholders' enquiries. Shareholders are invited to ask questions at the AGM and, as far as is practicable, the Chairmen of the Board's committees and the other Directors will be available to answer any questions from shareholders.

Status of Company
The Company is registered as a public company and is incorporated in England and Wales, (Company Registration Number 2129188).

The Company conducts its affairs so as to qualify for approval as an investment trust for tax purposes.

The Company 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 is not a close company within the meaning of Section 439 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.

Corporate Governance Report

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 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 Company's performance, business model and strategy.

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' 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.

Principal Risks and their Management

The principal risks facing RIT include both financial risks and operational risks. 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 predominantly invested in equities. These financial risks include market risk (price risk, interest rate risk and currency risk), credit risk and liquidity risk. These are monitored and managed by the Investment Committee and the Investment Risk Committee of JRCM.

In relation to the financial risk management, detailed portfolio valuations are prepared each week which form the basis for the ongoing risk control decisions regarding asset allocation and exposure to market risk, credit risk and liquidity risk. Detailed scenario modelling is undertaken to assess likely downside risks as well as assessing the underlying correlations amongst the separate asset classes.

In addition, the Board is responsible for monitoring the Company's strategy to ensure it is appropriate to meet the Company's Corporate Objective by following the Company's Investment Policy.

Operational risks include those related to legal, regulatory, taxation and other areas where internal or external factors could result in financial or reputational loss. These are monitored and managed by the Operational Risk Committee of JRCM.

In common with other similar businesses, 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 'key man' risk is monitored and managed by the Board, which has

Corporate Governance Report

established procedures in place for the mitigation of these risks. As an investment trust, RIT's operations are subject to wide ranging regulations including listed company rules, specific and general tax legislation and statute. The Report and Accounts are prepared in accordance with IFRS and, where consistent, the Statement of Recommended Practice of the Association of Investment Companies. RIT, or its relevant subsidiaries, are subject to both domestic and international regulation, including by the Financial Conduct Authority and the European Union. Failure to act in accordance with these regulations could cause fines, censure or otherwise losses. The executive management of JRCM, under the supervision of the Board and the Audit and Risk Committee, is responsible for the day-to-day compliance with the relevant rules. It is also tasked with identifying emerging risks in this area and ensuring an appropriate response is in place.

The Group has established procedures to ensure its ability to continue operating following a disruption caused by an event such as a fire, act of terrorism or similar at its St James's Place offices. The Group's Business Continuity Plan ensures that all data is stored at remote locations and also provides alternative accommodation to key staff to minimise any disruption to the business.

The Audit and Risk Committee, working with the Chief Risk Officer, is responsible for ensuring that an appropriate system of risk management and internal controls is in place. As part of this approach, an internal audit of selected areas is undertaken on an annual basis. Further information is set out below.

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 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. The Board has delegated to JRCM's executive management the implementation of the system of internal control within an established framework applicable throughout the Group. The system of internal control is reviewed twice each year. The Board considers that the necessary procedures have been implemented to satisfy the requirements of the Financial Conduct Authority with respect to the Turnbull guidance 'Internal Control: Guidance for Directors on the Combined Code' last revised in 2005.

The Executive Committee of JRCM allocates defined levels of authority and reporting responsibility in respect of the operational, compliance, financial and taxation affairs of the Group.

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 program targeting key areas. The precise scope and depth of the remit will continue to be reviewed and, as appropriate, expanded. Where required improvements are identified, timetables are agreed for implementing these and progress is monitored against these timetables. Clear and direct reporting lines between those conducting the reviews and the Chairman of the Audit and Risk Committee have been established to maximise the independence of the function from JRCM's executive management.

The Group also monitors the compliance of external managers with the terms of their investment management agreements as well as reviewing their internal 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 Audit and Risk Committee. During the course of its two reviews of the system of internal controls during the year, the Audit and Risk Committee has not identified or been appraised of any failings or weaknesses which it has determined to be significant.

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.

Statement on Going Concern

The Directors have assessed the ability of the Company and the Group to continue as a going concern with reference to guidance issued by the Financial Reporting Council in October 2009. The Company and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Strategic Report.

As at the year-end the Group had cash at bank of £51.6 million, money market funds of £35.4 million and government bonds of £48.6 million. In addition to these liquidity balances the Group held quoted equities of £1,352.1 million. The Group's borrowings totalled £197.4 million under a facility that expires in December 2016.

The Directors confirm that they are satisfied that the Company and the Group have adequate resources, an appropriate financial structure and suitable management arrangements in place to continue to adopt the going concern basis in preparing the financial statements.

Audit and Risk Committee Report

The Audit and Risk Committee
On behalf of the Board, I am pleased to present the Audit and Risk Committee Report for the year ended 31 December 2013.

The Audit and Risk Committee comprises four non-executive Directors, all of whom are independent of the Company with myself as Committee Chairman. I am an Fellow of the Institute of Chartered Accountants, and was a partner at Deloitte LLP. I am chairman of the audit committees of three other public companies, and am considered by the Board to have appropriate financial experience. Lord Myners is a member of the Committee. James Leigh-Pemberton retired on 1 October 2013. Lord Douro and Michael Marks were appointed on 5 December 2013. Michael Marks stepped down as a member of the Committee on 14 February 2014 following the appointment of Mike Power on 23 January 2014. The biographies of the Committee members are set out on pages 20 and 21.

The remit of the Audit and Risk Committee incorporates its focus on the identification and management of risk covering principally financial, operational, reputational and regulatory matters across the Group.

As part of this role the Committee monitors the risk profile and tolerance acceptable to the Company and set by the Board in delivering the business strategy, and ensures this is communicated appropriately within the Company. Members of the Committee receive monthly reports detailing investment exposure as well as currency and liquidity positioning compared to the Board approved limits.

The Committee also meets on two separate and dedicated occasions to review the effectiveness of the Group's system of internal controls by reference to reports prepared and compiled by management and the Group's internal audit function. The remaining matters in the Audit and Risk Committee's Terms of Reference are considered as and when necessary.

The Committee monitors the adequacy of the Group's (and Parent Company's) accounting policies and financial reporting, which are discussed with the external auditors, PricewaterhouseCoopers LLP, at least twice yearly.

The Committee meets twice each year to review the Group's interim and annual financial statements, to consider reports thereon from the external auditor and to review any issues arising with JRCM's executive management.

The Committee considers that the most significant issues faced by the Group with respect to its Financial Statements are:

- Valuation of Direct Private Investments
- Related Party Disclosures

These issues have been addressed by the Committee as detailed below.

Valuation of Direct Private Investments
Direct Private Investments make up over 12% of net assets. By their very nature such investments merit individual attention when considering their fair value. The estimation of their fair value requires the exercise of considerable judgement and most likely the use of a range of valuation techniques. This subjectivity means that there is a higher degree of uncertainty in such valuations compared with other assets.

The Audit and Risk Committee has considered the work overseen by the Valuation Committee and the results of the discussions of that Committee with both executive management and the external auditors. We consider the work to be detailed, comprehensive and also consider 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 executive management and members of the Valuation Committee.

Related Party Disclosures
Related party transactions are a common feature of commerce and business. The Company often takes advantage of opportunities offered to it, or services provided to it via the many relationships it and its Board of Directors has built up over time. 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 Company. Any failure to properly address this requirement could expose the Company to reputational damage.

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 executive management the systems and processes in place to identify, record and disclose such transactions. We note the importance the

Audit and Risk Committee Report

Chairman and executive management 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 transaction's themselves on appropriate terms but that the necessary disclosures have been made.

The Committee is also responsible for monitoring 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 Audit and Risk Committee, through its Chairman.

Independent Auditors

The Committee considers the external auditors' independence, objectivity and the cost effectiveness of the audit process through a process of formal and informal feedback from executive management. The level of non-audit services provided to the Group by the auditors is monitored as is the auditors' objectivity in providing such services, to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by PricewaterhouseCoopers LLP in the year ended 31 December 2013 totalled £0.2 million and were primarily in relation to corporate advisory and taxation services. That they were selected for this work was due to their expertise in the specific industry required.

PricewaterhouseCoopers LLP (or its antecedent firms) have been the Group's auditors since inception and there has not been an audit tender process. Recent regulatory developments mean that it is likely the Company will be required to put its audit out to tender within at least the next ten years and perhaps within the next six years. Until this situation is resolved, the Committee believes that should periodic rotation of the Lead Audit Partner fail to provide sufficient objectivity, or should the audit no longer prove cost effective, a tender process would be considered. Further information on fees paid to PricewaterhouseCoopers LLP is contained in note 4 of the Financial Statements.

The Company's external auditors attended the meeting of the Audit and Risk Committee at which the Report and Accounts was reviewed and reported on their audit approach and work undertaken, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit.

The Audit and Risk Committee reviewed the performance of the auditors at this meeting and recommended their re-appointment to the Board.

Going Concern

The Audit and Risk Committee is also responsible for considering those matters that have informed the Board's assessment of whether the Company is a going concern and which are referred to in the statement on going concern on page 29.

John Cornish
5 March 2014
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 2013.

The objective of our remuneration policy is to retain and incentivise talented individuals to deliver sustained superior returns for our shareholders. The Committee is responsible for the operation of an Annual Incentive Scheme (AIS) and a Share Appreciation Rights (SAR) Plan. These are designed to measure our achievements and reward Directors accordingly. We rigorously measure performance and are always mindful of shareholder expectation. Above all, our remuneration policy must align executive reward with shareholder value creation.

With that objective in mind, the Committee initiated a review of the effectiveness of the AIS at the start of the year. We asked our remuneration consultants, New Bridge Street, to work with the Committee to evaluate the components of the scheme. In advance of a binding shareholder vote on remuneration policy, the Committee wanted to ensure the scheme was fully aligned with the Company's Corporate Objective, shareholders' expectations and the Company's portfolio management approach.

In consultation with shareholders and as described in more detail below, we are recommending a small number of revisions to the AIS. These comprise:

- An element of capital growth alongside the measure of relative performance;
- An appropriate equity index that accurately reflects our international portfolio for the measure of relative performance; and
- A reduction of the cap on the aggregate bonus pool.

These revisions, together with the closure of our private equity carry scheme to new investments, provide a remuneration structure which more clearly reflects our corporate objectives.

The Company continues to view long-term incentives as a critical way of aligning individual rewards with RIT's longer term performance. Hence, the SAR Plan remains an important part of our overall remuneration policy.

This remuneration report, in accordance with the new regulations governing disclosure and approval of remuneration, is in two parts:

(1) a policy on Directors' remuneration, subject to a binding shareholder resolution at the forthcoming AGM;

(2) an annual report on remuneration which provides information on how the policy has been applied during the year; subject to an advisory vote at the AGM.

We believe that this remuneration report provides a clear explanation of the Committee's policies and their alignment with shareholders' interests. As a result, we do hope that you will feel able to support the resolution submitted for the approval of the Directors' Remuneration Policy at the AGM.

Douro
5 March 2014
Chairman, Remuneration Committee

Directors' Remuneration Report

Directors' Remuneration Policy

This part of the report sets out the remuneration policy for the Directors of the Company. It has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders. It has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy will be put to a binding vote at the April 2014 AGM, and, if approved, will take effect from the date of the AGM for a maximum of three years.

The Committee determines, on behalf of the Board, the Group's policy on the remuneration of the Chairman and other senior executives. The Committee's terms of reference are available on the Group's website.

In setting the remuneration policy the Committee takes into account:

- the need to attract, retain and motivate talented individuals;
- the alignment of remuneration policy with our Corporate Objective and the interests of our shareholders;
- best practice within the marketplace.

The remuneration of Executive Directors comprises the following:

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Fixed Pay: Basic salary Reflects market value of the individual, their skills, experience and performance.	Basic salary is reviewed annually with any changes effective on 1 January. When making their determination, the Committee is guided by changes to the cost of living, internal and external benchmarking, base pay inflation for other employees, changes in individual roles and responsibilities as well as regulatory requirements.	There is no prescribed maximum salary or rate of salary change. Any changes to Directors' salaries are subject to rigorous review by the Committee in line with the factors described.
Fixed Pay: Pension and other benefits Competitive pension and benefits.	No Directors participate in the Group's defined benefit pension scheme which closed to new members in 1997. Executive Directors receive a defined contribution pension or a cash allowance. Executive Directors are also entitled to the use of a company car, private medical and other insurances.	Company pension contribution of up to 20% of base salary, or equivalent cash allowance in lieu. Other benefits are not subject to a specific cap, but represent only a small element of total remuneration.

Directors' Remuneration Report

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Variable Pay: Annual Incentive Scheme (AIS) Rewards superior investment performance relative to a dual benchmark.	Annual bonuses are paid from a pool. The size of the pool is based on: • 3% of the annual NAV total return outperformance against the ACWI. • 3% of the portion of annual growth in NAV on a total return basis above a hurdle of RPI plus three percentage points, subject to a three-year rolling high water mark. The Committee will also reward strong contributions to wider firm objectives. This may include efficient cost management, prudent risk controls, sourcing of investment opportunities and strong operational disciplines. Any qualitative rewards must be measured against rigorous performance metrics. For awards granted after 1 April 2011, all annual incentive and long-term incentive payments are subject to clawback provisions. These provisions provide scope for the Company to recover value from awards in the event of a material mis-statement of the Group's results or in the event of dismissal for gross misconduct.	Instead of applying a cap to individual awards, the Committee has applied a cap on the overall cost of annual incentive scheme payments. The cap for payments under the annual incentive scheme is 0.75% of NAV, reducing to 0.25% in circumstances where the Group's NAV has reduced. This provides clarity for our shareholders of the maximum cost the Group could incur in any one period, in addition to reinforcing the capital preservation aspect of our Corporate Objective. The Committee proposes to limit the cap to 0.5% of NAV and to retain discretion to increase it to the maximum of 0.75% of NAV if required to meet exceptional business needs. 60% of the excess of any payments above £100k will be deferred into the shares of the Company which will vest in equal portions over a three-year period.

Directors' Remuneration Report

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Variable Pay: Long-Term Incentive Plan (LTIP)		
Rewards sustained share price appreciation.	The plan was last approved by the shareholders of the Company on 17 July 2008. It provides Share Appreciation Rights (SARs), or phantom options, over a notional number of shares in RIT Capital Partners plc to participants. Following the expiry of a three-year vesting period, participants in the SAR Plan are entitled to exercise their SARs and receive a payment in shares equal to the growth in value of the notional shares over the vesting period. However, the exercise of a SAR is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied. The Committee determines the metric for the SAR performance condition. The current metric applied to the awards requires that the increase in the Company's total shareholder return (TSR) exceeds the growth in the Retail Price Index plus three percentage points per annum over the three-year performance period. In the event that the performance condition is met the award vests in full. The performance condition was chosen as a good measure of above-inflation returns to shareholders and is subject to ongoing review by the Committee. The SAR Plan uses ordinary shares of the Company to settle the share appreciation amount for existing and future awards granted under the SAR Plan. The Group seeks to hedge its exposure under the SAR Plan by using an Employee Benefit Trust to acquire shares to meet the estimated future liability. As noted on page 34, LTIP awards are subject to clawback.	Annual awards are capped at 4x salary (measured as the value at grant of the shares notionally under option).

While the binding vote on remuneration policy only applies to remuneration awarded to Directors, we normally apply the same principles to the remuneration of employees. Eligibility for annual incentive payments based on investment performance, along with access to long term incentive components, is focused on the Executive Committee and those senior employees of JRCM who are able to influence the long-term performance and strategy of the Group. The Remuneration Committee receives regular feedback on the Group's remuneration policy from staff.

Key Performance Indicators (KPIs)

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. Total Shareholder Return (TSR).

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. This will assess performance based on the growth in NAV above a hurdle and a high watermark.

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 percentage point premium per annum and subject to a rolling three-year high watermark. The latter means that the NAV at the relevant year-end 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 index. Nonetheless, in common with many investment companies, we will apply the ACWI as our second performance measure within the AIS. The ACWI has a broad geographical remit which accurately reflects our unconstrained investment policy. In addition, we will use a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies; this is intended to ensure that currency movements do not unduly distort the performance outcome.

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 will vest over three years) as part of the AIS payments.

Consulting with shareholders

The Committee engages pro-actively with major shareholders and shareholder representatives. The Committee Chairman consulted with major shareholders and appropriate industry bodies on the proposed amendments to the AIS. It has anticipated that any future changes to remuneration policy would involve a similar level of shareholder consultation.

Executive Shareholdings

Executive Directors are expected to build and retain a substantial personal shareholding in the Company's shares. As at 31 December 2013, these 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 Directors' Service Contracts and loss of office

Lord Rothschild has a service agreement with JRCM, dated 29 April 1996. This can be terminated on not less than twelve 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 110.

In appointing a new Executive Director, the Company would seek to impose a contract which required the Director to provide 12 month's written notice.

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.

Approach to remuneration in the event of new Executive Director appointments

In the event that the Company wished to appoint a new Executive Director, the remuneration package would be set in accordance with the terms of the Group's approved remuneration policy. The variable remuneration for a new Executive Director would be determined following the same principles used to determine variable remuneration for existing Executive Directors.

The Committee may also offer additional cash and/or share-based elements (if it considers these to be in the best interests of the Company and shareholders), to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Company. The Company may also consider meeting certain relocation expenses as appropriate.

Directors' Remuneration Report

Non-executive Directors' remuneration

The remuneration of the non-executive Directors is determined by the Board as a whole. Non-executive remuneration for the year was in accordance with the provisions of the Articles of Association, which currently limit the total fees payable to non-executive Directors to £400,000 per annum. The Board applied the following structure for the determination of the annual fees of the non-executive Directors throughout the year ended 31 December 2013:

Basic fee	£25,000
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
Committee 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.

The policy of the Committee is to maintain the structure of non-executive Directors' fees in line with those of comparable organisations, subject to the aggregate cap approved by shareholders.

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 2014 AGM. The information on pages 37 to 42 has been audited where required under the regulations and is indicated as audited information where applicable.

Directors' Remuneration – Audited

			Year ended 31 December 2013			
Director	Salary £	Bonus £	Taxable benefits £	Long-term incentive £	Pension £	Total remuneration £
Chairman						
Lord Rothschild[1]	448,640	500,000[2]	43,254	–	89,728	1,081,622
Non-Executive Directors						
John Cornish[3]	70,250	–	–	–	–	70,250
Lord Douro	51,634	–	–	–	–	51,634
Jean Laurent-Bellue	25,000	–	–	–	–	25,000
James Leigh-Pemberton[4]	31,662	–	–	–	–	31,662
Michael Marks	44,106	–	–	–	–	44,106
Lord Myners	37,000	–	–	–	–	37,000
Sandra Robertson	31,000	–	–	–	–	31,000
Hannah Rothschild[5]	20,737	–	–	–	–	20,737
Mike Wilson[6]	7,250	–	–	–	–	7,250

[1] The Chairman was the highest paid Director during the year.
[2] Deferred into RIT shares vesting in equal tranches over a two year period.
[3] Fees include £11,250 paid by JRCM in respect of his directorship of that company until 30 September 2013.
[4] Retired as a Director on 1 October 2013.
[5] Appointed as a Director of the Company on 15 August 2013. Fees include £11,250 paid by JRCM in respect of her directorship of that company until 30 September 2013.
[6] Appointed as a Director on 1 October 2013.

Director	Salary £	Bonus £	Nine months ended 31 December 2012 Taxable benefits £	Long-term incentive £	Pension £	Total remuneration £
Chairman						
Lord Rothschild	329,076	1,000	33,100	–	65,815	428,991
Executive Director						
Mikael Breuer-Weil[1]	177,225	–	4,347	–	38,675	220,247
Non-Executive Directors						
John Cornish[2]	42,750	–	–	–	–	42,750
Lord Douro	33,000	–	–	–	–	33,000
Jean Laurent-Bellue	18,750	–	–	–	–	18,750
James Leigh-Pemberton	29,250	–	–	–	–	29,250
Michael Marks	29,250	–	–	–	–	29,250
Lord Myners	27,000	–	–	–	–	27,000
Sandra Robertson	23,250	–	–	–	–	23,250
Rick Sopher[3]	14,493	–	–	–	–	14,493
Bill Winters[3]	14,493	–	–	–	–	14,493

[1] Mikael Breuer-Weil retired as a Director on 26 July 2012 and as an employee of the Group on 11 October 2012, he received payment in lieu of notice of £110,800.

[2] Fees include £3,750 paid by JRCM following his appointment in October 2012.

[3] Retired as Directors of the Company on 26 July 2012. Fees include £3,750 paid by JRCM, following their appointment as directors in October 2012.

Salaries and fees

The Company's non-executive Directors' fees totalled £296,139 for the year (compared to £220,986 in the nine month financial period ended 31 December 2012).

Following the Committee's review for the year ended 31 December 2013, the base salary of the Chairman has been set at £350,000 per annum (period ended 31 December 2012: £448,640 per annum) as discussed on page 42.

Bonus payments

As described in more detail elsewhere in the annual report, RIT has performed well in 2013. The Company's net assets are at an all-time high and total shareholder return has been pleasing. This performance is reflected in the remuneration received by the Chairman in respect of 2013.

Annual bonus awards for the Chairman were determined by the Committee based on rigorous evaluation of Group and individual performance. Following two consecutive periods in which no performance bonus was paid to the Chairman and recognising the planned changes to the AIS, the Committee carefully evaluated performance indicators and made discretionary awards proportionate to achievement in 2013. The performance indicators for the year included: investment total return, leadership of the business and management of our relationship with shareholders.

The performance indicators are kept under constant review and appraisals are conducted annually to evaluate performance against appropriate metrics. Over 2013, the following metrics were taken into account when determining payment: total return of 18.6%; approximately £300 million added to net assets; establishment and leadership of a settled senior management team and an enhancement of our relationship with shareholders.

The Chairman chose to waive any bonuses in cash and in the interests of alignment with RIT's share price, the Chairman's bonus payment is deferred into shares of the Company vesting in equal tranches over a two year period.

Directors' Remuneration Report

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 the Group.

Remuneration Category	Chairman[1]	Average for all employees
Base salary	2.3%	3.3%
Benefits	-2.0%	6.7%
Annual Bonus	N/A	33.0%

[1] No performance related bonus was paid to the Chairman in prior year.

Long-Term Incentive Plan – Audited

The characteristics and operation of the Group's SAR scheme are set out on page 35. The following SARs granted to the Chairman were outstanding on 31 December 2013:

Outstanding at 31 December 2013	Grant price	Face value of grant	Grant date	Vesting date	Expiry date
115,016	939p	£1,080,000	15 March 2007	15 March 2010	14 March 2017
201,792	796p	£1,606,264	13 March 2009	13 March 2012	12 March 2019
100,000	1,314p	£1,314,000	31 March 2011	31 March 2014	30 March 2021
125,000	1,243p	£1,553,750	2 July 2012	2 July 2015	1 July 2022
100,000[1]	1,246p	£1,246,000	8 March 2013	8 March 2016	7 March 2023

[1] Granted during the year.

The above SARs will be settled in ordinary shares of the Company. The face value at the date of grant is the number of SAR's granted, multiplied by the strike price. The performance period for each award is the three year period from the grant date. The performance metric applied is described on page 35.

The following SARs held by the Chairman lapsed unexercised during the year due to the performance condition not being met:

Director	Date of grant	Notional no. of RIT shares	Grant price	Date lapsed
Lord Rothschild	26 March 2010	150,400	1,068p	26 March 2013

No SARs held by the Chairman were exercised or vested during the year under review.

Statement of shareholder voting

Votes in respect of the resolution to approve the Directors' Remuneration Report at the Company's AGM in April 2013 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	60.7 million	99.2
Votes cast against	0.5 million	0.8
Total votes cast	61.2 million	100.0
Votes withheld	0.4 million	–

Directors' Remuneration Report

Statement of Directors' shareholdings – Audited

The interests of the Directors holding office at 31 December 2013 in the ordinary shares of the Company are shown below:

	31 December 2013		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild	11,515,181	16,680,909	18.15
John Cornish	8,281	–	0.01
Lord Douro	25,000	85,000	0.07
Jean Laurent-Bellue	–	–	–
Michael Marks	–	–	–
Lord Myners	15,000	–	0.01
Sandra Robertson	–	–	–
Hannah Rothschild	14,231,250	12,293,839	17.07
Mike Wilson	10,000	–	0.01

The interests above comprise direct and indirect holdings. Indirect beneficial interests may include shares held by trusts or settlements where more than one Director, or person(s) connected to such Directors, may be members of a class of beneficiaries. In such instances, all shares held by the trust or settlement concerned are included in the total beneficial interests of the relevant Directors and will therefore be disclosed more than once. Non-beneficial interests similarly may include shares held by entities where more than one Director has significant influence, for example as a Trustee. In such instances all of the shares held by the entity concerned will be included in the non-beneficial interests of each of the relevant Directors and therefore will also be disclosed more than once. The above disclosures include 6,910,666 shares held beneficially and 12,293,839 shares held non-beneficially in which both Lord Rothschild and Hannah Rothschild are interested either as trustees or beneficiaries of trusts or settlements.

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

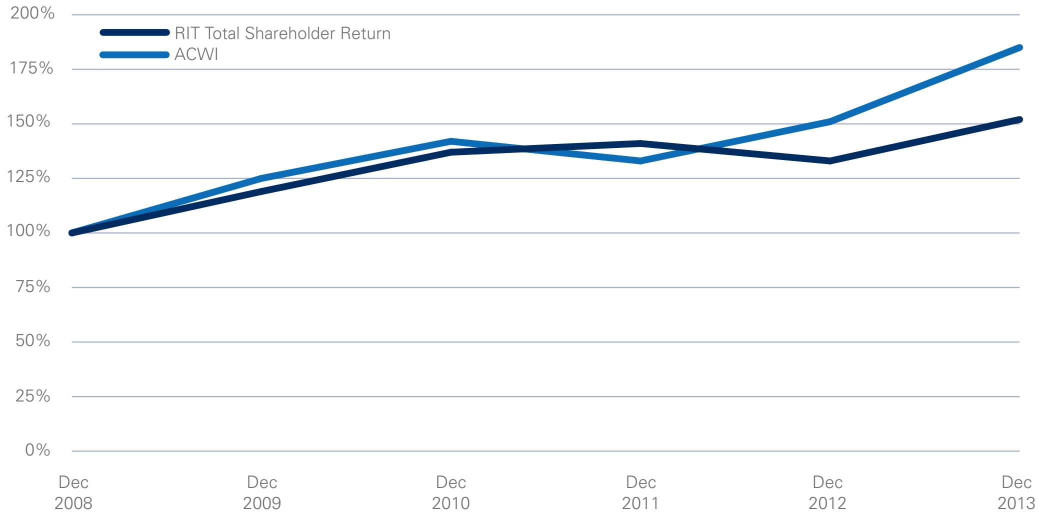
Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors. Requests from other Directors and employees of the Group are referred to the Chairman or Senior Independent Director, except in the case of small volume transactions requested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

Except as stated in note 30 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 Listing Rules of the FCA.

Directors' Remuneration Report

Performance Graph

In accordance with the Directors' remuneration report regulations a performance graph which measures the Company's total shareholder return over the last five years 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 Review.



Total remuneration of the Chairman

In accordance with the new regulations, the total remuneration of the Chairman for each of the financial years shown above, is set out in the following table. As required by the legislation the total remuneration figure now 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 and will differ from previous disclosures. As the Company applies a cap to the overall cost of incentives to the Group, rather than on an individual basis, disclosure showing each payment as a percentage of the maximum payment has not been shown.

	Year ended 31 March 2010 £000	Year ended 31 March 2011 £000	Year ended 31 March 2012 £000	Nine months ended 31 December 2012 £000	Year ended 31 December 2013 £000
Total remuneration	780[1]	695	1,456[2]	429	1,082

[1] Includes £171k in respect of SAR awards that vested during the year.
[2] Includes £896k 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 together with share buy-backs.

	Year ended 31 December 2012[1] £ million	Year ended 31 December 2013 £ million	Change £ million
Total staff costs	14.0	15.1	1.1
Dividends and share buy-backs	43.0	43.8	0.8

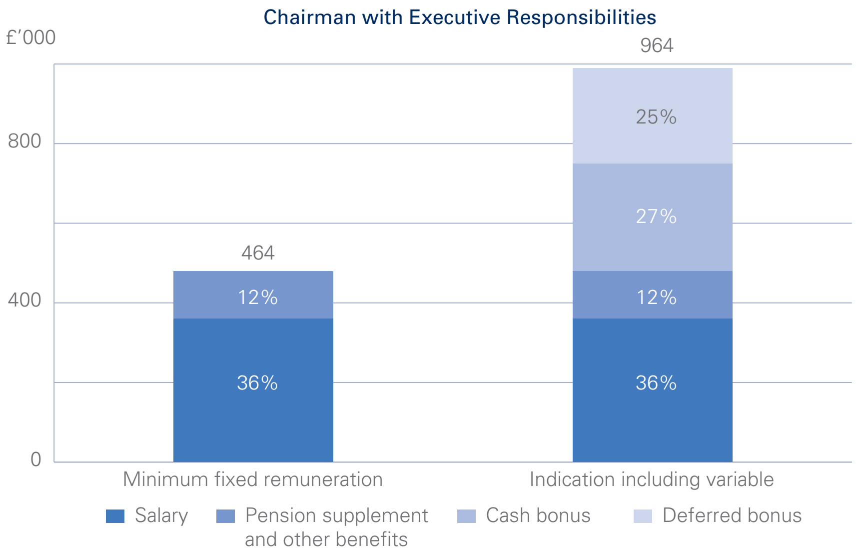
[1] This amount is the annualised value of the cost disclosed in the accounts for the nine months to 31 December 2012.

Directors' Remuneration Report

Reward scenarios

The Group's policy means a significant portion of the remuneration received by Executive Directors is dependent on Group performance.

The chart below illustrates the minimum fixed remuneration, and provides an indication of the total remuneration for a year of good performance using the base salary effective 1 January 2014 as well as the annual bonus figure for the year ending 31 December 2013. 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 overall cap for payments under the annual incentive scheme is 0.75% of net assets, reducing to 0.25% in circumstances where the Group's net assets have reduced.



Implementation of remuneration policy in the year commencing 1 January 2014

Subject to shareholder approval, the Committee intends to apply the key performance metrics as set out in the Directors' Remuneration Policy to assess performance for the forthcoming year. At his own suggestion, the Chairman's salary has been amended. This is to reflect his continued leadership of the Investment Committee and involvement in key investment decisions whilst, at the same time being less involved in the day-to-day administration of the Company.

Committee Composition and Advisers

The members of the Committee are set out on page 25. The Committee was advised during the year by New Bridge Street. New Bridge Street abides by the Remuneration Code of Conduct which requires it to apply objective and impartial advice.

On behalf of the Board of Directors

Douro
5 March 2014
Chairman, Remuneration Committee

Directors' Report

Directors' Report: Statutory and Other Disclosures

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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.

Directors

The Directors at the date of this report are listed on pages 20 to 22.

During the year ended 31 December 2013:

- Hannah Rothschild was appointed as a Director on 15 August 2013; and
- Mike Wilson was appointed and James Leigh-Pemberton resigned as Directors on 1 October 2013.

Subsequent to the year-end Mike Power was appointed to the Board on 23 January 2014.

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 Board continues to allocate the Group's assets 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 credit facilities. At 31 December 2013, the Sterling equivalent of the drawn indebtedness was £197 million, representing net gearing calculated in accordance with AIC guidance of 5.2%.

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 15.

Investment Managers Fees

Fee structures within the long-only equity funds, whether structured as segregated accounts or otherwise typically involve a 1% per annum management fee with a 0% to 10% performance fee. The hedged equity funds are slightly higher – typically a 1% to 2% management fee and a 15% to 20% performance fee. 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.

Directors' Report

Share Capital

At 31 December 2013, the issue share capital comprised 155,351,431 £1 ordinary shares. Further details are shown in note 20 on page 73.

During the year ended 31 December 2013, 30,810 ordinary shares were repurchased for cancellation. No ordinary shares were issued. The existing authority for the repurchase of shares expires at the Company's AGM on 30 April 2014. A replacement authority is to be proposed at the forthcoming AGM, as explained in the separate Notice of the meeting.

Major Holders of Voting Rights

As at 31 December 2013, 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 2013			
	No. of voting rights		% of voting rights	
Major holders of voting rights	Direct	Indirect	Direct	Indirect
Five Arrows Limited[1,2]	6,757,835	–	4.35	–
Investec Wealth & Investment Limited	–	6,211,196	–	3.99
Lord Rothschild[1]	<3%	7,111,053	<3%	4.58
Hannah Rothschild[1]	<3%	14,125,908	<3%	9.09
The Rothschild Foundation[1]	12,293,839	–	7.91	–

1 Some or all of these holdings form part of Lord Rothschild and Hannah Rothschild's interests disclosed on page 40 under Directors' shareholdings. Due to certain of their interests being held through trusts, some of the above interests are in respect of the same shares where more than one Major Holder of Voting Rights listed is a trustee and/or beneficiary of the trust concerned.

2 Includes shares held by a subsidiary.

As at 26 February 2014, the above table remained unchanged save for the interest of Investec Wealth & Investment Limited, which had decreased the number of its voting rights held to 6,060,678 (3.90%).

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 (ISA).

Stewardship Code

The Company supports the applicable principles of the Stewardship Code published by The Financial Reporting Council. 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 Company's investment department determines voting on resolutions of directly-held investee companies and funds, as described in the Company's Stewardship Policy.

Monitoring of directly held investments is also carried out by the investment department which is responsible for elevating any matters of concern to the Investment Committee of JRCM. 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.

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.

Directors' Report

Annual General Meeting
The Company's AGM will be held on Wednesday 30 April 2014 at 11:00 am at Spencer House, 27 St James's Place, London SW1A 1NR.

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

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 (period ended 31 December 2012: 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 2013, 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.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Statement under the UKLA Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on pages 20 to 22 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 loss 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.

By Order of the Board

J Rothschild Capital Management Limited
Company Secretary

5 March 2014

Financial Statements
for the year ended 31 December 2013

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

For the year ended 31 December 2013	Notes	Revenue £ million	Capital £ million	Total £ million
Income				
Investment income	1	17.2	–	17.2
Other income		3.0	–	3.0
Gains/(losses) on dealing investments held at fair value		–	–	–
		20.2	–	20.2
Gains/(losses) on portfolio investments held at fair value		–	344.3	344.3
Exchange gains/(losses) on monetary items and borrowings		–	7.1	7.1
		20.2	351.4	371.6
Expenses				
Administrative expenses	3, 4	(21.2)	(1.3)	(22.5)
Investment management fees	3, 5	(3.3)	(0.3)	(3.6)
Profit/(loss) before finance costs and tax		(4.3)	349.8	345.5
Finance costs	6	(4.0)	–	(4.0)
Profit/(loss) before tax		(8.3)	349.8	341.5
Taxation	7	(0.7)	(0.9)	(1.6)
Profit/(loss) for the year		**(9.0)**	**348.9**	**339.9**
Earnings per ordinary share – basic	9	**(5.8p)**	**225.2p**	**219.4p**
Earnings per ordinary share – diluted	9	**(5.8p)**	**225.0p**	**219.2p**

The total column of this statement represents the Group's Consolidated Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013	Notes	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) for the year		(9.0)	348.9	339.9
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:				
Actuarial gain in defined benefit pension plan	29	1.5	–	1.5
Total comprehensive income/(expense) for the year		**(7.5)**	**348.9**	**341.4**

The amounts included above are net of tax where applicable; the effect of tax balances are disclosed in note 7.

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

For the nine month period ended 31 December 2012	Notes	Revenue £ million	Capital £ million	Total £ million
Income				
Investment income	1	11.2	–	11.2
Other income		2.9	–	2.9
Gains/(losses) on dealing investments held at fair value		(10.5)	–	(10.5)
		3.6	–	3.6
Gains/(losses) on portfolio investments held at fair value		–	(23.9)	(23.9)
Exchange gains/(losses) on monetary items and borrowings		–	(0.1)	(0.1)
		3.6	(24.0)	(20.4)
Expenses				
Administrative expenses	3,4	(14.8)	(1.7)	(16.5)
Investment management fees	3,5	(2.6)	(1.1)	(3.7)
Profit/(loss) before finance costs and tax		(13.8)	(26.8)	(40.6)
Finance costs	6	(4.7)	–	(4.7)
Profit/(loss) before tax		(18.5)	(26.8)	(45.3)
Taxation	7	(0.7)	0.4	(0.3)
Profit/(loss) for the period		**(19.2)**	**(26.4)**	**(45.6)**
Earnings per ordinary share – basic	9	**(12.4p)**	**(17.2p)**	**(29.6p)**
Earnings per ordinary share – diluted	9	**(12.4p)**	**(17.2p)**	**(29.6p)**

The total column of this statement represents the Group's Consolidated Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

Consolidated Statement of Comprehensive Income

For the nine month period ended 31 December 2012	Notes	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) for the period		(19.2)	(26.4)	(45.6)
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:				
Actuarial loss in defined benefit pension plan	29	(1.4)	–	(1.4)
Total comprehensive income/(expense) for the period		**(20.6)**	**(26.4)**	**(47.0)**

The amounts included above are net of tax where applicable; the effect of tax balances are disclosed in note 7.

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Consolidated Balance Sheet

	Notes	31 December 2013 £ million	31 December 2012 £ million
Non-current assets			
Investments held at fair value	11	2,112.5	1,801.4
Investment property	11	53.4	46.1
Property, plant and equipment	13	0.4	0.2
Deferred tax asset	15	1.2	2.7
Retirement benefit asset	29	0.5	–
Derivative financial instruments	16, 28	0.4	–
		2,168.4	1,850.4
Current assets			
Derivative financial instruments	16, 28	27.2	25.0
Sales for future settlement		0.7	66.9
Other receivables	14	111.4	25.6
Tax receivable		0.2	0.5
Cash at bank		51.6	66.4
		191.1	184.4
Total assets		2,359.5	2,034.8
Current liabilities			
Borrowings	18	(197.4)	(147.8)
Purchases for future settlement		(0.8)	(4.5)
Derivative financial instruments	16, 28	(5.8)	(20.2)
Provisions	19	(0.2)	(1.2)
Tax payable		(0.2)	(0.2)
Other payables	17	(6.2)	(5.9)
		(210.6)	(179.8)
Net current assets/(liabilities)		(19.5)	4.6
Total assets less current liabilities		2,148.9	1,855.0
Non-current liabilities			
Provisions	19	(2.4)	(5.4)
Finance lease liability		(0.5)	(0.5)
Retirement benefit liability	29	–	(1.9)
		(2.9)	(7.8)
Net assets		**2,146.0**	**1,847.2**
Equity attributable to owners of the Company			
Share capital	20	155.4	155.4
Share premium	20	17.3	17.3
Capital redemption reserve	21	36.3	36.3
Own shares reserve	25	(5.5)	(6.4)
Share-based payment reserve	26	5.0	4.7
Foreign currency translation reserve	24	0.2	0.2
Capital reserve	22	1,914.5	1,609.4
Revenue reserve	23	22.8	30.3
Total equity		**2,146.0**	**1,847.2**
Net asset value per ordinary share – basic	10	**1,385p**	**1,192p**
Net asset value per ordinary share – diluted	10	**1,384p**	**1,191p**

The financial statements on pages 48 to 100 were approved by the Board of Directors and authorised for issue on 5 March 2014. They were signed on the Board's behalf by:

Rothschild
Chairman

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Parent Company Balance Sheet

	Notes	31 December 2013 £ million	31 December 2012 £ million
Non-current assets			
Investments held at fair value	11	2,067.6	1,787.2
Investment property	11	53.4	46.1
Investments in subsidiary undertakings	12	162.6	132.4
Deferred tax asset	15	0.2	1.4
Derivative financial instruments	16, 28	0.4	–
		2,284.2	1,967.1
Current assets			
Derivative financial instruments	16, 28	27.2	25.0
Sales for future settlement		0.7	66.9
Other receivables	14	110.4	24.8
Amounts owed by group undertakings	30	0.4	2.1
Tax receivable		0.2	0.5
Cash at bank		49.3	62.2
		188.2	181.5
Total assets		2,472.4	2,148.6
Current liabilities			
Borrowings	18	(197.4)	(147.8)
Purchases for future settlement		(0.8)	(4.5)
Derivative financial instruments	16, 28	(5.8)	(20.2)
Provisions	19	(0.2)	(1.2)
Other payables	17	(1.5)	(2.0)
Amounts owed to group undertakings	30	(180.0)	(172.9)
		(385.7)	(348.6)
Net current assets/(liabilities)		(197.5)	(167.1)
Total assets less current liabilities		2,086.7	1,800.0
Non-current liabilities			
Provisions	19	(2.4)	(5.4)
Finance lease liability		(0.5)	(0.5)
		(2.9)	(5.9)
Net assets		**2,083.8**	**1,794.1**
Equity attributable to owners of the Company			
Share capital	20	155.4	155.4
Share premium	20	17.3	17.3
Capital redemption reserve	21	36.3	36.3
Capital reserve	22	1,887.5	1,583.9
Revenue reserve	23	(12.7)	1.2
Total equity		**2,083.8**	**1,794.1**

The financial statements on pages 48 to 100 were approved by the Board of Directors and authorised for issue on 5 March 2014. They were signed on the Board's behalf by:

Rothschild
Chairman

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital £ million	Capital redemption reserve £ million	Own shares reserve £ million	Share based payment reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Share premium £ million	Total equity £ million
Balance at 1 April 2012	153.9	36.3	(5.8)	5.7	0.2	1,666.8	62.9	–	1,920.0
Profit/(loss) for the period	–	–	–	–	–	(26.4)	(19.2)	–	(45.6)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	(1.4)	–	(1.4)
Total Comprehensive income/(expense) for the period	–	–	–	–	–	(26.4)	(20.6)	–	(47.0)
Dividends paid	–	–	–	–	–	(31.0)	(12.0)	–	(43.0)
Movement in Own shares reserve	–	–	(0.6)	–	–	–	–	–	(0.6)
Movement in Share-based payment reserve	–	–	–	(1.0)	–	–	–	–	(1.0)
Shares issued	1.5	–	–	–	–	–	–	17.3	18.8
Balance at 31 December 2012	**155.4**	**36.3**	**(6.4)**	**4.7**	**0.2**	**1,609.4**	**30.3**	**17.3**	**1,847.2**
Balance at 1 January 2013	155.4	36.3	(6.4)	4.7	0.2	1,609.4	30.3	17.3	1,847.2
Profit/(loss) for the year	–	–	–	–	–	348.9	(9.0)	–	339.9
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	1.5	–	1.5
Total Comprehensive income/(expense) for the year	–	–	–	–	–	348.9	(7.5)	–	341.4
Dividends paid	–	–	–	–	–	(43.4)	–	–	(43.4)
Movement in Own shares reserve	–	–	0.9	–	–	–	–	–	0.9
Movement in Share-based payment reserve	–	–	–	0.3	–	–	–	–	0.3
Shares issued	–	–	–	–	–	–	–	–	–
Share buy-back	–	–	–	–	–	(0.4)	–	–	(0.4)
Balance at 31 December 2013	**155.4**	**36.3**	**(5.5)**	**5.0**	**0.2**	**1,914.5**	**22.8**	**17.3**	**2,146.0**

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Parent Company Statement of Changes in Equity

	Share capital £ million	Capital redemption reserve £ million	Capital reserve £ million	Revenue reserve £ million	Share premium £ million	Total equity £ million
Balance at 1 April 2012	153.9	36.3	1,640.1	14.0	–	1,844.3
Profit/(loss) for the period	–	–	(25.2)	(0.8)	–	(26.0)
Total Comprehensive income/(expense) for the period	–	–	(25.2)	(0.8)	–	(26.0)
Dividends paid	–	–	(31.0)	(12.0)	–	(43.0)
Shares issued	1.5	–	–	–	17.3	18.8
Balance at 31 December 2012	**155.4**	**36.3**	**1,583.9**	**1.2**	**17.3**	**1,794.1**
Balance at 1 January 2013	155.4	36.3	1,583.9	1.2	17.3	1,794.1
Profit/(loss) for the year	–	–	347.4	(13.9)	–	333.5
Total Comprehensive income/(expense) for the year	–	–	347.4	(13.9)	–	333.5
Dividends paid	–	–	(43.4)	–	–	(43.4)
Shares issued	–	–	–	–	–	–
Share buy-back	–	–	(0.4)	–	–	(0.4)
Balance at 31 December 2013	**155.4**	**36.3**	**1,887.5**	**(12.7)**	**17.3**	**2,083.8**

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Operating activities:			
Cash inflow/(outflow) before taxation and interest		(3.3)	137.8
Taxation received/(paid)		–	0.1
Interest paid		(7.6)	(6.1)
Net cash inflow/(outflow) from operating activities	27	(10.9)	131.8
Investing activities:			
Purchase of property, plant and equipment		(0.3)	(0.1)
Sale of property, plant and equipment		–	0.1
Net cash inflow/(outflow) from investing activities		(0.3)	–
Financing activities:			
Share buy-back		(0.4)	–
Purchase of ordinary shares by Employee Benefit Trust[1]		–	(2.3)
Proceeds/(repayment) of borrowings		51.5	(103.4)
Equity dividend paid	8	(43.4)	(43.0)
Net cash inflow/(outflow) from financing activities		7.7	(148.7)
Increase/(decrease) in cash and cash equivalents in the year/period		(3.5)	(16.9)
Cash and cash equivalents at the start of the year/period		**88.8**	**103.0**
Effect of foreign exchange rate changes on cash and cash equivalents		1.7	2.7
Cash and cash equivalents at the year/period end		**87.0**	**88.8**
Reconciliation:			
Cash at bank		51.6	66.4
Money market funds (included in portfolio investments)		35.4	22.4
Cash and cash equivalents at the year/period end		**87.0**	**88.8**

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

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Operating activities:			
Cash inflow/(outflow) before taxation and interest		(1.4)	131.3
Taxation received/(paid)		–	0.1
Interest paid		(7.6)	(6.1)
Net cash inflow/(outflow) from operating activities	27	(9.0)	125.3
Investing activities:			
Purchase of property, plant and equipment		–	–
Sale of property, plant and equipment		–	–
Net cash inflow/(outflow) from investing activities		–	–
Financing activities:			
Share buy-back		(0.4)	–
Proceeds/(repayment) of borrowings		51.5	(103.4)
Equity dividend paid	8	(43.4)	(43.0)
Net cash inflow/(outflow) from financing activities		7.7	(146.4)
Increase/(decrease) in cash and cash equivalents in the year/period		(1.3)	(21.1)
Cash and cash equivalents at the start of the year/period		**84.6**	**98.5**
Effect of foreign exchange rate changes on cash and cash equivalents		1.4	7.2
Cash and cash equivalents at the year/period end		**84.7**	**84.6**
Reconciliation:			
Cash at bank		49.3	62.2
Money market funds (included in portfolio investments)		35.4	22.4
Cash and cash equivalents at the year/period end		**84.7**	**84.6**

The accounting policies and notes on pages 56 to 100 form part of these financial statements.

Group and Parent Company Accounting Policies

Basis of Accounting

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods. The Group has decided not to early adopt in the current year accounts:

Endorsed:
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

Not yet endorsed:
- IFRS 1 (Amendment) First-time adoption of IFRS
- IFRS 9 Financial instruments – classification and measurement

Accounting policies have been consistently applied other than where new policies have been adopted.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application, except for IFRS 9, Financial instruments: classification and measurement. This is the first part of a new standard on classification and measurement of financial instruments that will replace IAS 39. IFRS 9 has three measurement categories: amortised cost; fair value through profit and loss; and fair value through other comprehensive income. All equity instruments are still required to be measured at fair value, but fair value movements can be taken to profit or loss or other comprehensive income based on an irrevocable one-off, instrument by instrument designation. A debt instrument is valued at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise it is at fair value through profit or loss. Accordingly, investments classified as available for sale in the consolidated balance sheet will have to be classified as financial assets at fair value through profit or loss or for equities only at fair value through other comprehensive income. IFRS 9 has not yet been endorsed by the European Union.

Other future developments include the International Accounting Standards Board (IASB) undertaking a comprehensive review of existing IFRS. The IASB also plans to issue new standards on leasing, the presentation of other comprehensive income and revenue recognition. The Group will consider the financial impact of these new standards as they are finalised.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of certain financial instruments (including derivatives) and investment properties held at fair value through profit and loss. 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 Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis which complies with the recommendations of the SORP. Comparatives are made up for the nine month period to 31 December 2012 and therefore may not be directly comparable.

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.

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. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates are held at fair value as allowed by IAS 28.

Group and Parent Company Accounting Policies

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. 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. Provision is made for any dividends not expected to be received.

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 net carrying amount.

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

Allocation between Capital and Revenue
In respect of the analysis between revenue and capital items presented within the consolidated income statement, the statement of comprehensive income 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;
- Investment management fees are considered to be indirect costs and are therefore allocated to revenue. Performance fees are allocated to capital as they arise as a result of the capital performance of the relevant investment portfolio;
- 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 disposal of an investment are deducted from the 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 are accounted for on a simple accruals basis and are settled at the end of each relevant drawing 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.

Group and Parent Company Accounting Policies

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 Pounds Sterling (Sterling) which is the functional currency of the Company, and the presentation 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 re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on re-translation are included in net profit or loss for the year in respect of those investments which are classified as fair value through profit or loss. All foreign exchange gains and losses, except those arising from the translation of foreign subsidiaries, are recognised in the consolidated income statement. In accordance with IAS 21, a foreign currency translation reserve has been established in respect of the exchange movements arising on consolidation since 31 March 2004.

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 in 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 IFRS as investments designated at fair value through profit or loss (FVPL) but are also described in these financial statements as investments held at fair value.

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 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, including bid-offer spreads, are included within gains or losses on investments held at fair value.

Foreign exchange gains and losses arising on investments held at fair value are included within the changes in their fair values.

Group and Parent Company Accounting Policies

In respect of unquoted instruments (also referred to as 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.

The gains and losses on financial assets designated at fair value through profit or loss 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 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 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 Payments
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 share settled incentive schemes, the AIS and the SAR Plan, details of which are set out on pages 34 and 35 of the Directors' Remuneration Report.

Any bonus payments in excess of £150,000 awarded under the current AIS are deferred into shares, the cost of which is spread over the service period of two years. Under the amendments proposed to the AIS, 60% of the amount by which future bonus payments exceed £100,000 will be deferred into shares, the cost of which will be spread over a three-year period.

The SAR Plan is an equity-settled scheme under 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 both schemes are purchased by an Employee Benefit Trust (EBT) which is consolidated by the Group under SIC 12 Consolidation – Special Purpose Entities. 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. It 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.

Group and Parent Company Accounting Policies

Pensions
JRCM, a wholly-owned subsidiary undertaking, 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. For the defined benefit retirement scheme, 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 statement of comprehensive income. 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, net of direct issue costs and subsequently at fair value. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derivative Financial Instruments
Derivative financial instruments, including futures, options and other derivative instruments, are stated in the balance sheet at fair value. For other 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.

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 Assumptions and Judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions. 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, or areas where assumptions and estimates are significant to the consolidated financial statements, are set out below:

Unquoted Investments
Unquoted investments are valued at management's best estimate of fair value in accordance with IFRS having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association. The principles which the Group applies are set out on page 58. 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.

Group and Parent Company Accounting Policies

Retirement Benefit Obligation

The determination of the pension cost and the defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. Any changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at the end of each year; this is the interest rate that is used to calculate the present value of the estimated future cash outflows expected to be required to settle the pension obligation. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent accounting periods.

Deferred Tax Asset

Management judgement is required in determining the deferred tax assets and liabilities to be recognised in the financial statements. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable profits.

Share-based Payments

The determination of the fair value of SAR grants was calculated using a trinomial option valuation model. The assumptions applied by the model are set out in note 26.

Notes to the Financial Statements

1. Investment Income

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Income from listed investments:		
Dividends	11.1	8.0
Interest	1.2	1.4
Income from unlisted investments:		
Dividends	2.6	0.6
Interest	0.6	–
Income from investment properties	1.7	1.2
Total investment income	**17.2**	**11.2**

2. Business and Geographical Segments

In line with guidance set out by IFRS 8, Operating Segments the Group continues to report its performance under a single operating segment, being that of an investment company managing a widely diversified portfolio to deliver long-term capital growth, whilst preserving shareholder's capital.

The Group operates from the UK and is engaged in investing in equity and debt securities, issued by global companies. As previously stated the entity is engaged in a single business activity and as such operates within a single geographical segment. Accordingly reporting is provided on a single segment basis.

3. Expenses

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Administrative expenses (excluding staff costs)	7.4	6.0
Staff costs (see below)	15.1	10.5
Total administrative expenses	**22.5**	**16.5**
Management fees [1]	3.3	2.6
Performance fees [1]	0.3	1.1
Total investment management fees [1]	**3.6**	**3.7**
Total expenses	**26.1**	**20.2**

[1] For investment managers operating segregated accounts.

The above Group expenses include the costs associated with the Spencer House Limited events subsidiary as well as costs which are recharged to third parties.

Notes to the Financial Statements

Staff Costs

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Wages and salaries	11.5	7.2
Social security costs	1.5	0.9
Share-based payment cost (note 26)	1.1	1.7
Other pension costs (note 29)	1.0	0.7
Staff costs included in administrative expenses	**15.1**	**10.5**

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 32 to 42. They include the cost of the Group's LTIP which is charged to the Share-based payment reserve upon award.

The average monthly number of employees during the year was 74 (31 December 2012: 74), including 17 people employed in the banqueting business of Spencer House and the related security function (31 December 2012: 17). All staff other than banqueting and security staff are involved in investment management related roles.

4. Other Disclosable Expenses

Administrative expenses include the following:

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Auditors' remuneration – audit fees	0.2	0.2
Auditors' remuneration – other	0.2	0.3
Depreciation	0.1	0.1
Lease payments	0.4	0.3

Services provided by the Company's auditor and its associates

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

	Year ended 31 December 2013 £	Period ended 31 December 2012 £
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	93,800	104,425
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	67,200	69,325
Audit-related assurance services	51,270	39,220
Services related to corporate finance transactions	103,892	230,000
Tax compliance services	19,851	21,623
Other assurance services	25,000	–
Tax advisory services	43,010	–
Total	**404,023**	**464,593**

	Year ended 31 December 2013 £	Period ended 31 December 2012 £
Fees payable to the Company's auditor in respect of the RITCP Pension and Life Assurance Scheme Audit	8,712	9,200
Total	**8,712**	**9,200**

Notes to the Financial Statements

4. Other Disclosable Expenses (continued)

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

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Purchases	1.3	0.8
Sales	1.4	0.8
Transaction costs	**2.7**	**1.6**

5. Investment Management Fees

Details of the current investment managers who operate segregated accounts are disclosed in the Investment Portfolio on pages 16 to 18. The associated fee arrangements are described in the Directors' Report on page 43.

6. Finance Costs

	Year ended 31 December 2013 Group £ million	Period ended 31 December 2012 Group £ million
Interest payable on bank borrowings	2.3	5.8
Interest rate swap (income)/expense	(0.1)	(1.2)
Other finance costs	1.8	0.1
Finance costs	**4.0**	**4.7**

7. Taxation

	Year ended 31 December 2013		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge/(credit)	–	–	–
Adjustment in respect of prior years	0.1	–	0.1
Overseas taxation	–	–	–
Current tax charge/(credit)	0.1	–	0.1
Deferred tax charge/(credit)	0.6	0.9	1.5
Taxation charge/(credit)	**0.7**	**0.9**	**1.6**

	Period ended 31 December 2012		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge/(credit)	–	–	–
Adjustment in respect of prior years	0.1	–	0.1
Overseas taxation	0.2	–	0.2
Current tax charge/(credit)	0.3	–	0.3
Deferred tax charge/(credit)	0.4	(0.4)	–
Taxation charge/(credit)	**0.7**	**(0.4)**	**0.3**

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

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for 2013 are taxed at an effective rate of 23.25%.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 23.25% (period ended 31 December 2012: 24%). The differences are explained below:

	Year ended 31 December 2013			Period ended 31 December 2012		
	Revenue £ million	Capital £ million	Total £ million	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) before tax	(8.3)	349.8	341.5	(18.5)	(26.8)	(45.3)
Tax at the standard UK corporation tax rate of 23.25% (period ended 31 December 2012: 24%)	(1.9)	81.3	79.4	(4.4)	(6.4)	(10.8)
Effect of:						
Capital items exempt from corporation tax	–	(81.3)	(81.3)	–	6.0	6.0
Dividend income not taxable	(3.9)	–	(3.9)	(4.5)	–	(4.5)
Change in tax rates	0.2	–	0.2	–	–	–
Expenses not deductible for tax purposes	0.7	–	0.7	0.2	–	0.2
Utilisation of tax losses	6.1	–	6.1	7.3	–	7.3
Other items	(0.6)	0.9	0.3	2.0	–	2.0
Adjustment in respect of prior years	0.1	–	0.1	0.1	–	0.1
Total tax charge/(credit)	**0.7**	**0.9**	**1.6**	**0.7**	**(0.4)**	**0.3**

8. Dividend

	Year ended 31 December 2013 Pence per share	Period ended 31 December 2012 Pence per share	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Dividends paid in year/period	**28.0**	**28.0**	**43.4**	**43.0**

The above amounts were paid as distributions to equity holders of the Company in the relevant periods. The Directors proposed a final dividend of 8.0p in respect of year ended 31 March 2012 and an interim dividend of 20.0p in respect of the period ended 31 December 2012 on 26 July 2012. Following approval at the AGM these amounts were paid on 24 August 2012.

On 6 March 2013 the Board declared a first interim dividend of 14.0p per share in respect of the year ended 31 December 2013 that was paid on 26 April 2013. A second interim dividend of 14.0p per share was declared by the Board on 15 August 2013 and paid on 18 October 2013.

The Board declares the payment of a first interim dividend of 14.7p per share in respect of the year ended 31 December 2014. This will be paid on 29 April 2014 to shareholders on the register on 4 April 2014.

Notes to the Financial Statements

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

The basic earnings per ordinary share for the year ended 31 December 2013 is based on the profit of £339.9 million (period ended 31 December 2012: loss of £45.6 million) and the weighted average number of ordinary shares in issue during the year of 154.9 million (period ended 31 December 2012: 154.2 million). The weighted average number of shares is adjusted for shares held in the EBT in accordance with IAS 33.

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Net revenue profit/(loss)	(9.0)	(19.2)
Net capital profit/(loss)	348.9	(26.4)
Total	**339.9**	**(45.6)**

	Pence per share	Pence per share
Revenue earnings/(loss) per ordinary share – basic	(5.8)	(12.4)
Capital earnings/(loss) per ordinary share – basic	225.2	(17.2)
Total	**219.4**	**(29.6)**

The diluted earnings per ordinary share for the year ended 31 December 2013 (period ended 31 December 2012) is based on the weighted average number of ordinary shares in issue during the year adjusted for the weighted average dilutive effect of SARs awards at the average market price for the year ended 31 December 2013 (period ended 31 December 2012).

	Year ended 31 December 2013	Period ended 31 December 2012
Weighted average number of shares in issue (million)	154.9	154.2
Weighted average effect of dilutive SARs (million)	0.1	–
Total	**155.0**	**154.2**

	Pence per share	Pence per share
Revenue earnings/(loss) per ordinary share – diluted	(5.8)	(12.4)
Capital earnings/(loss) per ordinary share – diluted	225.0	(17.2)
Total	**219.2**	**(29.6)**

Notes to the Financial Statements

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

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

	31 December 2013	31 December 2012
Net assets (£ million)	2,146.0	1,847.2
Number of shares in issue (million)	155.4	155.4
Own shares (million)	(0.4)	(0.5)
	155.0	154.9
Effect of dilutive potential ordinary shares		
SARs (million)	0.1	0.1
Diluted shares	**155.1**	**155.0**

	31 December 2013	31 December 2012
Net asset value per ordinary share – basic (pence)	1,385	1,192
Net asset value per ordinary share – diluted (pence)	1,384	1,191

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

11. Investments

	31 December 2013		31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Listed investments at fair value:				
Listed in UK	253.5	253.5	230.3	230.3
Listed overseas	1,060.0	1,059.8	880.7	879.9
Government securities and other liquidity	84.0	84.0	120.1	120.1
	1,397.5	1,397.3	1,231.1	1,230.3
Unlisted investments[1]	768.4	723.7	616.4	603.0
Fair value of investments	**2,165.9**	**2,121.0**	**1,847.5**	**1,833.3**
Investments held at fair value	2,112.5	2,067.6	1,801.4	1,787.2
Investment property	53.4	53.4	46.1	46.1
Fair value of investments	**2,165.9**	**2,121.0**	**1,847.5**	**1,833.3**

[1] Unlisted investments comprise unquoted direct investments, unquoted funds, investment property, credit and real asset funds.

Investment properties were valued at 31 December 2013 by Jones Lang LaSalle in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value. The movement in investment property during the year was a gain of £7.3 million (period ended 31 December 2012: gain of £5.7 million) as a result of the revaluation. There were no purchases or sales of Investment property during the year.

Disclosed below are the ten largest investments in the portfolio at 31 December 2013 and 31 December 2012:

	31 December 2013 £ million
BBLS Fund	71.7
Lansdowne Developed Markets Strategic	71.4
Cedar Rock Capital Fund	56.4
Investment Property	53.4
BlackRock European Hedge Fund	51.7
Tekne Offshore	49.4
US Treasury Bill	48.6
Viking Long Fund III	48.4
Titan Partners	48.1
Roche Holdings	43.7
Total	**542.8**

	31 December 2012 £ million
BBLS Fund	55.3
US Treasury Bill	52.3
Cedar Rock Capital Fund	49.1
Investment Property	46.1
UK Gilt	46.1
Titan Partners	37.1
Gaoling	37.0
Viking Long Fund III	35.7
Independent Franchise Partners – Global	35.7
Augmentum I	34.7
Total	**429.1**

11. Investments (continued)

Disclosed below are:

- Details of investments in which the Group had a material interest of over 3% at 31 December 2013 of the allotted shares of any class; and
- Details of interests of 10% or more in any class of share or unit in an investment fund, or holdings which are material.

Name	% Held	Fair value £ million
BBLS Fund	1.8%	71.7
Baker Steel Resources Trust Ltd	10.5%	6.5
BDT Capital Partners Annex Fund I-A LP	10.6%	6.0
Blackrock European Hedge Fund Ltd, Class I	52.6%	51.7
Blumberg Capital 1 LP	56.5%	2.9
Brant Point Fund International	43.2%	31.7
Cedar Rock Capital Fund	6.2%	56.4
Cyrus Partners III LP	47.3%	12.7
Darwin Private Equity I LP	23.9%	30.0
Discovery Capital Holdings, Class A	10.0%	13.1
Egerton European Dollar Fund, Class E	1.6%	23.7
Farmstead Offshore Fund Ltd, Class B	50.0%	30.9
Firebird Avrora Fund Ltd, Class C	46.7%	13.0
Firebird Mongolia Fund, Class A	30.8%	6.2
FVP Offshore III LP	14.1%	0.3
Fortress Investment Fund III (Coinvestment, Fund C) LP	11.6%	0.7
Gaoling UK Feeder Fund, Class A	80.2%	43.2
Genagro Ltd [1]	11.6%	11.6
GLG Technology Fund, Class G	37.0%	29.9
Independent Franchise Partners Global Equity Fund, Class B	7.3%	42.3
Independent Franchise Partners Us Equity Fund, Class B	13.1%	23.8
Infinity SDC Limited [1]	23.9%	43.7
JPS Credit Opportunities Fund	7.3%	21.9
Lansdowne Developed Markets Strategic Investment Fund, Class N	18.9%	71.4
Media Technology Ventures IV B	39.4%	0.7
Metron Holding AS [1]	50.0%	3.6
Pine River Fixed Income Fund Ltd, Class A	4.8%	32.8
PS V International Ltd, Class A1	25.8%	28.1
Renshaw Bay Real Estate Finance Fund	10.8%	7.1
Renshaw Bay Structured Finance Opportunities Fund	16.5%	0.3
Rockefeller Financial Services, Inc [1]	36.1%	30.2
RR Capital Partners LP	20.9%	1.6
21st Century Communications Foreign Partners LP	43.9%	0.1
SCI Asian Private Equity Fund – SPV	66.0%	0.8
Summit Water Development	15.5%	17.6
Tamar Energy Limited [1]	23.2%	13.2
Tekne Offshore Fund Ltd, Class D	34.2%	49.4
Three Corner Offshore L/S Fund Ltd, Class C	72.8%	40.3
Tinicum Partners LP	21.3%	0.3
Titan Partners LP	10.0%	48.1
Trian SPV VII	99.4%	39.1
Tse Capital Offshore Fund Ltd, Class F	6.8%	20.0
Viking Long Fund III Ltd, Class J	2.3%	48.4
Williams & Glyn's [1]	7.6%	25.0
Xander Seleucus LP (Feeder)	100.0%	2.5
Xander Seleucus II LP (Feeder)	96.6%	4.2
Xander Seleucus Retail LP (Feeder)	90.2%	19.9

[1] Private Investments – direct

Notes to the Financial Statements

The Directors do not consider that any of the portfolio investments held at fair value fall within the definition of an associated company as the Group does not exercise significant influence over their operating and financial policies. In a number of cases the Group owns more than 50% of a particular class of shares issued by an investee company or partnership interests totalling more than 50%. The Group does not hold more than 50% of the voting rights of any of its investee companies or partnerships. As such, holding more than 50% of a particular class of shares does not give the Group control of any of the investee companies or partnerships within the meaning of IAS 27. The Group has chosen to account for associated companies which they hold for investment purposes at fair value through the profit and loss in accordance with IAS 28.

12. Investments In Subsidiary Undertakings

	Shares £ million	Loans £ million	Total £ million
Carrying value at 1 January 2013	129.2	3.2	132.4
Additions	7.0	23.9	30.9
Disposals	(0.6)	–	(0.6)
Exchange movement in year	(0.1)	–	(0.1)
Carrying value at 31 December 2013	**135.5**	**27.1**	**162.6**

	Shares £ million	Loans £ million	Total £ million
Carrying value at 1 April 2012	131.4	3.1	134.5
Additions	6.2	0.1	6.3
Disposals	(8.3)	–	(8.3)
Exchange movement in period	(0.1)	–	(0.1)
Carrying value at 31 December 2012	**129.2**	**3.2**	**132.4**

At 31 December 2013 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

Investments in Group undertakings are stated at cost less a provision for impairment where appropriate.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 December 2013 will be annexed to the Company's next annual return filed with the Registrar of Companies.

Name	Issued share capital
Investment holding	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 ordinary shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into two ordinary shares of £1 each
Administration and services	
J Rothschild Capital Management Limited	£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
Investment dealing	
RIT Capital Partners Securities Limited	£90,000,000 divided into 90,000,000 ordinary shares of £1 each

13. Property, Plant And Equipment

Group	Cost £ million	Accumulated depreciation £ million	Net book value £ million
Property, plant, equipment and vehicles			
At 1 January 2013	1.3	(1.1)	0.2
Additions	0.3	–	0.3
Disposals	–	–	–
Charge for depreciation	–	(0.1)	(0.1)
At 31 December 2013	**1.6**	**(1.2)**	**0.4**

Group	Cost £ million	Accumulated depreciation £ million	Net book value £ million
Property, plant, equipment and vehicles			
At 1 April 2012	1.3	(1.0)	0.3
Additions	0.1	–	0.1
Disposals	(0.1)	–	(0.1)
Charge for depreciation	–	(0.1)	(0.1)
At 31 December 2012	**1.3**	**(1.1)**	**0.2**

All property, plant and equipment is held within subsidiaries of the Company.

14. Other Receivables

	31 December 2013		31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Amounts receivable	110.5	109.9	24.1	23.7
Amounts owed by related parties (all trading balances)	–	–	–	–
Prepayments and accrued income	0.9	0.5	1.5	1.1
Total	**111.4**	**110.4**	**25.6**	**24.8**

The carrying amount of other receivables approximates their fair value, due to their short-term nature. At 31 December 2013, £91.1 million of the above related to unsettled investment subscriptions (period ended 31 December 2012: £nil).

Notes to the Financial Statements

15. Deferred Tax Asset

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

	31 December 2013 Group £ million	31 December 2013 Company £ million	31 December 2012 Group £ million	31 December 2012 Company £ million
Balance at start of year/period	2.7	1.4	2.7	0.9
(Debit)/credit to capital reserve	(0.9)	(0.9)	0.4	0.4
(Debit)/credit to revenue reserve	(0.6)	(0.3)	(0.4)	0.1
Balance at end of year/period	**1.2**	**0.2**	**2.7**	**1.4**

	31 December 2013 Group £ million	31 December 2013 Company £ million	31 December 2012 Group £ million	31 December 2012 Company £ million
Analysis of deferred tax asset:				
Deferred management fees	0.1	0.1	1.0	1.0
Long-term incentive plan	0.9	–	0.6	–
Other timing differences	0.2	0.1	0.4	0.4
Accelerated capital allowances	0.1	–	0.2	–
Deferred tax on retirement benefit asset	(0.1)	–	0.5	–
Balance at end of year/period	**1.2**	**0.2**	**2.7**	**1.4**

The Company had carried forward tax losses of £61 million at 31 December 2012 that have not been recognised as a deferred tax asset. The current year figures are based on returns yet to be submitted to HMRC.

16. Derivative Financial Instruments

	31 December 2013 Group £ million	31 December 2013 Company £ million	31 December 2012 Group £ million	31 December 2012 Company £ million
Current assets	27.2	27.2	25.0	25.0
Non-current assets	0.4	0.4	–	–
Current liabilities	(5.8)	(5.8)	(20.2)	(20.2)
Non-current liabilities	–	–	–	–
Total	**21.8**	**21.8**	**4.8**	**4.8**

Derivative financial instruments are stated at fair value.

17. Other Payables

	31 December 2013 Group £ million	31 December 2013 Company £ million	31 December 2012 Group £ million	31 December 2012 Company £ million
Accruals and deferred income	5.9	1.5	5.6	2.0
Amounts payable to related parties	–	–	–	–
Other creditors	0.3	–	0.3	–
Total	**6.2**	**1.5**	**5.9**	**2.0**

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

18. Borrowings

	31 December 2013 Group £ million	31 December 2013 Company £ million	31 December 2012 Group £ million	31 December 2012 Company £ million
Unsecured loans payable within one year:				
Revolving credit facilities	197.4	197.4	147.8	147.8
Total bank loans and overdrafts	**197.4**	**197.4**	**147.8**	**147.8**

On 20 December 2013 the Company signed a three-year £200 million multi-currency credit facility with National Australia Bank upon expiry of their previous three-year $400 million facility in order to maintain access to medium term structural gearing. This facility was drawn down in full in US Dollars on 30 December 2013. Subsequently the Company entered into an interest rate swap which had the effect of fixing the interest rate on the drawn facility at 1.98%. As the loan is drawn in tranches with a tenor of less than one year, it is classified within current liabilities. A second £200 million credit facility with a five-year tenor was entered into on 19 December 2013 with Commonwealth Bank of Australia. Both facilities are flexible as to number, currency and duration of any drawdowns. Both facilities bear variable interest linked to the three month LIBOR rate (or equivalent) relevant to the drawn currency. No bank loans are held within subsidiaries.

19. Provisions

Group and Company	1 January 2013 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 December 2013 £ million
Nature of provision:					
Indemnity	1.4	–	–	(0.4)	1.0
Investments	5.1	0.6	(0.2)	(3.9)	1.6
Property	0.1	–	(0.1)	–	–
Total	**6.6**	**0.6**	**(0.3)**	**(4.3)**	**2.6**

No provisions for liabilities and charges have been made in subsidiary entities in the current year (period ended 31 December 2012: £nil).

Provisions in respect of investments include £0.2 million (period ended 31 December 2012: £1.2 million) which are expected to settle within the next twelve months.

It is anticipated that all of the other provisions noted above will be settled more than twelve 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 several investments which were acquired under arrangements whereby part of the profit eventually realised on their disposal would be paid to certain third parties. The provision has been calculated by reference to the carrying value of the underlying investments. In respect of segregated accounts where performance criteria have been exceeded at the end of the period, the value of the associated performance fee payable to the manager has been provided for under current liabilities. The amounts provided for represent management's best estimate of likely outflows, the exact timing and amounts of which will depend on the outcome of future events.

Notes to the Financial Statements

20. Share Capital And Share Premium

	31 December 2013 £ million	31 December 2012 £ million
Allotted, issued and fully paid:		
155,351,431 Ordinary Shares of £1 each (period ended 31 December 2012: 155,382,241)	155.4	155.4

The Company has one class of ordinary shares which carry no right to fixed income. On 16 August 2013 the Company bought back for cancellation 30,810 shares (period ended 31 December 2012: nil) for consideration of 1,202p per ordinary share.

On 25 July 2012 the Company issued 1,516,179 shares for consideration of 1,239p per share resulting in share premium of £17.3 million.

21. Capital Redemption Reserve

	Year ended 31 December 2013		Period ended 31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year/period	36.3	36.3	36.3	36.3
Movement during the year/period	–	–	–	–
Balance at end of year/period	**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.

22. Capital Reserve

	Year ended 31 December 2013		Period ended 31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year/period	1,609.4	1,583.9	1,666.8	1,640.1
Gains/(losses) on portfolio investments held at fair value and exchange gains/(losses) on monetary items and borrowings	351.4	349.9	(24.0)	(22.4)
Dividend paid	(43.4)	(43.4)	(31.0)	(31.0)
Performance fees	(0.3)	(0.3)	(1.1)	(1.1)
Other capital items	(1.3)	(1.3)	(1.7)	(1.7)
Share buy-back	(0.4)	(0.4)	–	–
Taxation	(0.9)	(0.9)	0.4	–
Total capital return	305.1	303.6	(57.4)	(56.2)
Balance at end of year/period	**1,914.5**	**1,887.5**	**1,609.4**	**1,583.9**

Other capital items include the capital element of administrative expenses and exchange gains/losses on monetary items and borrowings. Following changes in the tax rules for investment companies and statute, the Company amended its Articles of Association in July 2012 to allow distribution by dividends of realised capital reserves. The Company may only distribute accumulated 'realised' profits. In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales (TECH 02/10) realised capital reserves comprise gains and losses on realisation of investments together with changes in fair value of investments which are considered to be readily convertible into cash without accepting adverse terms.

22. Capital Reserve (continued)

At the year-end all of the listed investments were considered to be sufficiently liquid to be regarded as readily convertible into cash, however the unlisted investments were not. Accordingly, the split of capital reserve between realised and unrealised in order to determine distributable realised profits was as follows:

	Year ended 31 December 2013 Company £ million	Period ended 31 December 2012 Company £ million
Capital reserve – distributable:		
in respect of investments sold	1,508.9	1,394.3
in respect of listed investments held	219.0	63.0
Capital reserve – non-distributable	159.6	126.6
Balance at end of year/period	**1,887.5**	**1,583.9**

23. Revenue Reserve

	Year ended 31 December 2013		Period ended 31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year/period	30.3	1.2	62.9	14.0
Profit/(loss) for the year/period	(9.0)	(13.9)	(19.2)	(0.8)
Dividend paid	–	–	(12.0)	(12.0)
Actuarial gain/(loss)	1.5	–	(1.4)	–
Balance at end of year/period	**22.8**	**(12.7)**	**30.3**	**1.2**

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 £13.9 million (period ended 31 December 2012: revenue loss £0.8 million). The Company's total profit for the year was £333.5 million (period ended 31 December 2012: £26.0 million loss).

24. Foreign Currency Translation Reserve

	Year ended 31 December 2013		Period ended 31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year/period	0.2	–	0.2	–
Current period translation adjustment	–	–	–	–
Balance at end of year	**0.2**	**–**	**0.2**	**–**

The translation reserve comprises exchange differences arising from the translation of the net investments in foreign subsidiaries.

25. Own Shares Reserve

	Year ended 31 December 2013		Period ended 31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year/period – cost	(6.4)	–	(5.8)	–
Own shares acquired	–	–	(2.3)	–
Own shares disposed	0.9	–	1.7	–
Balance at end of year – cost	**(5.5)**	**–**	**(6.4)**	**–**

The Group’s SAR Plan is an equity-settled scheme under IFRS 2. During the year ended 31 December 2013 the Group, via an EBT, did not acquire shares of the Company (period ended 31 December 2012: shares acquired at a cost of £2.3 million) to hedge future exercises. During the year ended 31 December 2013, £0.9 million of such shares were used to settle employee exercises (period ended 31 December 2012: £1.7 million). At 31 December 2013 the EBT held 446,016 shares in the Company (period ended 31 December 2012: 517,529). At 31 December 2013 the market value of these shares was £5.6 million (period ended 31 December 2012: £6.4 million).

26. Share-based Payment Reserve

	Year ended 31 December 2013 Group £ million	Year ended 31 December 2013 Company £ million	Period ended 31 December 2012 Group £ million	Period ended 31 December 2012 Company £ million
Balance at start of year/period	4.7	–	5.7	–
Share-based payment expense	1.1	–	0.7	–
Transfer to retained earnings	(0.8)	–	(1.7)	–
Balance at end of year/period	**5.0**	**–**	**4.7**	**–**

Date of grant	31 December 2013 £ million	31 December 2012 £ million
15 March 2006	–	–
15 March 2007	0.4	0.2
27 March 2008	–	–
17 September 2008	–	–
13 March 2009	1.0	0.9
24 June 2009	0.2	0.2
19 October 2009	–	0.1
26 March 2010	0.2	0.2
30 March 2011	–	–
20 September 2011	–	–
2 December 2011	0.1	–
8 June 2012	0.2	–
2 July 2012	–	–
20 September 2012	0.1	–
8 March 2013	0.1	–
Intrinsic value of all SARs	2.3	1.6
Intrinsic value of all SARs vested as at 31 December	**1.8**	**1.4**

The Company has used a trinomial option valuation model to estimate the fair value of the SARs. The inputs to the model included the following: expected volatility of 20% (31 December 2012: 20%), dividends of 28.0p (31 December 2012: 28.0p) per annum, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historic data in respect of RIT's share price. The vesting requirements are set out in detail in the section headed Long-Term Incentive Plan in the Directors' Remuneration Report on page 35. 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. Weighted average exercise prices are calculated as the sum of all prices of SAR exercises divided by number of SARs exercised.

26. Share-based Payment Reserve (continued)

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 1 January 2013	2,011,597	1,112	–
Granted	796,500	1,246	–
Exercised	(165,704)	933	1,224
Lapsed/forfeited	(556,687)	1,179	–
Outstanding at 31 December 2013	**2,085,706**	**1,159**	

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 1 April 2012	2,238,443	1,062	–
Granted	623,087	1,184	–
Exercised	(438,108)	844	1,247
Lapsed/forfeited	(411,825)	1,236	–
Outstanding at 31 December 2012	**2,011,597**	**1,112**	

The outstanding SARs at 31 December 2013 had exercise prices ranging between 796p and 1,314p (31 December 2012: 796p to 1,314p) with a weighted average of 1,159p (31 December 2012: 1,112p). The weighted average remaining contractual life of these SARs was 7.5 years (31 December 2012: 7.8 years). Included in the outstanding amount at year-end were SARs representing a notional number of 501,007 shares (31 December 2012: 566,271 shares), which had vested and were capable of being exercised. These had exercise prices ranging between 796p and 1,122p with a weighted average of 902p (31 December 2012: 796p to 1,146p: weighted average 881p).

During the year the Company granted 796,500 SARs (period ended 31 December 2012: 623,087) and the weighted average fair value of those SARs was 112p (31 December 2012: 103.5p). The Company recognised an expense of £1.1 million (period ended 31 December 2012: £1.7 million) arising from awards made under the SAR plan.

27. Reconciliation Of Consolidated Profit/(Loss) Before Finance Costs And Taxation To Net Cash Inflow/(Outflow) From Operating Activities

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Profit/(loss) before dividend and interest income, finance costs and taxation	330.0	(50.6)
Dividend income	13.7	8.6
Interest income	1.8	1.4
Profit/(loss) before finance costs and taxation	**345.5**	**(40.6)**
(Increase)/decrease in other receivables	(85.8)	5.9
Increase/(decrease) in other payables	0.3	1.1
(Increase)/decrease in sales for future settlement	66.2	(59.2)
Increase/(decrease) in purchases for future settlement	(3.7)	(3.6)
Other movements	(3.6)	4.4
FX gains/(losses) on repayment and drawing of borrowings	(1.8)	–
Purchase of investments held at fair value	(1,602.2)	(1,258.4)
Sale of investments held at fair value	1,478.6	1,492.7
(Gains)/losses on investments held at fair value	(196.8)	(4.5)
Taxation received/(paid)	–	0.1
Interest paid	(7.6)	(6.1)
Net cash inflow/(outflow) from Operating Activities	**(10.9)**	**131.8**

Reconciliation Of Parent Company Profit/(Loss) Before Finance Costs And Taxation To Net Cash Inflow/(Outflow) From Operating Activities

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Profit/(loss) before dividend and interest income, finance costs and taxation	323.4	(43.4)
Dividend income	13.6	20.5
Interest income	1.4	1.3
Profit/(loss) before finance costs and taxation	**338.4**	**(21.6)**
(Increase)/decrease in other receivables	(85.6)	(7.9)
Increase/(decrease) in other payables	(0.5)	(0.8)
(Increase)/decrease in sales for future settlement	66.2	(59.2)
Increase/(decrease) in purchases for future settlement	(3.7)	(3.6)
Other movements	(25.0)	9.1
FX gains/(losses) on repayment and drawing of borrowings	(1.8)	–
Purchase of investments held at fair value	(1,571.1)	(1,225.5)
Sale of investments held at fair value	1,477.4	1,441.6
(Gains)/losses on investments held at fair value	(195.7)	(0.8)
Taxation received/(paid)	–	0.1
Interest paid	(7.6)	(6.1)
Net cash inflow/(outflow) from Operating Activities	**(9.0)**	**125.3**

28. Financial Instruments

As an investment company, financial instruments make up the vast majority of the Group's assets and liabilities and generate its performance. The Group holds investments in a variety of financial instruments in order to meet its Corporate Objective to deliver long-term capital growth while preserving shareholders' capital. The assets and liabilities include the following financial instruments:

- investments including equity and non-equity shares, partnership interests and fixed income securities which are held in accordance with the Group's investment objectives. The investments are designated at fair value through profit or loss (FVPL);
- cash, liquid resources and short-term receivables and payables that arise directly from the Group's investment activities;
- long-term borrowings used to leverage returns; and
- derivative transactions undertaken by the Group in accordance with the Group's investment objectives, and to manage market risks and currency risks.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Group and Company are set out below.

28.1 Categories of financial assets and financial liabilities

	Group As at 31 December 2013			
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Non financial assets £ million	Total £ million
Investments held at fair value	–	2,112.5	–	2,112.5
Investment property held at fair value	–	–	53.4	53.4
Property, plant and equipment	–	–	0.4	0.4
Derivative financial instruments	–	27.6	–	27.6
Deferred tax asset	–	–	1.2	1.2
Sales for future settlement	0.7	–	–	0.7
Other receivables	111.4	–	–	111.4
Tax receivable	–	–	0.2	0.2
Retirement benefit asset	–	–	0.5	0.5
Cash at bank	51.6	–	–	51.6
Total assets	**163.7**	**2,140.1**	**55.7**	**2,359.5**

	Group As at 31 December 2012			
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Non financial assets £ million	Total £ million
Investments held at fair value	–	1,801.4	–	1,801.4
Investment property held at fair value	–	–	46.1	46.1
Property, plant and equipment	–	–	0.2	0.2
Derivative financial instruments	–	25.0	–	25.0
Deferred tax asset	–	–	2.7	2.7
Sales for future settlement	66.9	–	–	66.9
Other receivables	25.6	–	–	25.6
Tax receivable	–	–	0.5	0.5
Retirement benefit asset	–	–	–	–
Cash at bank	66.4	–	–	66.4
Total assets	**158.9**	**1,826.4**	**49.5**	**2,034.8**

Notes to the Financial Statements

Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Non financial assets £ million	Total £ million
	Company As at 31 December 2013			
Investments held at fair value	–	2,067.6	–	2,067.6
Investment property held at fair value	–	–	53.4	53.4
Investment in subsidiary undertakings	–	–	162.6	162.6
Derivative financial instruments	–	27.6	–	27.6
Deferred tax asset	–	–	0.2	0.2
Sales for future settlement	0.7	–	–	0.7
Other receivables	110.4	–	–	110.4
Amounts owed by group undertakings	0.4	–	–	0.4
Tax receivable	–	–	0.2	0.2
Cash at bank	49.3	–	–	49.3
Total assets	**160.8**	**2,095.2**	**216.4**	**2,472.4**

Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Non financial assets £ million	Total £ million
	As at 31 December 2012			
Investments held at fair value	–	1,787.2	–	1,787.2
Investment property held at fair value	–	–	46.1	46.1
Investment in subsidiary undertakings	–	–	132.4	132.4
Derivative financial instruments	–	25.0	–	25.0
Deferred tax asset	–	–	1.4	1.4
Sales for future settlement	66.9	–	–	66.9
Other receivables	24.8	–	–	24.8
Amounts owed by group undertakings	2.1	–	–	2.1
Tax receivable	–	–	0.5	0.5
Cash at bank	62.2	–	–	62.2
Total assets	**156.0**	**1,812.2**	**180.4**	**2,148.6**

28. Financial Instruments (continued)

Financial liabilities	Group As at 31 December 2013 Amortised cost £ million	FVPL (initial recognition) £ million	Non financial liabilities £ million	Total £ million
Bank loans and overdrafts due within one year	197.4	–	–	197.4
Purchases for future settlement	0.8	–	–	0.8
Tax payable	–	–	0.2	0.2
Other payables	6.2	–	–	6.2
Provisions	–	–	2.6	2.6
Derivative financial instruments	–	5.8	–	5.8
Retirement benefit liability	–	–	–	–
Finance lease liability	0.5	–	–	0.5
Total liabilities	**204.9**	**5.8**	**2.8**	**213.5**

Financial liabilities	Group As at 31 December 2012 Amortised cost £ million	FVPL (initial recognition) £ million	Non financial liabilities £ million	Total £ million
Bank loans and overdrafts due within one year	147.8	–	–	147.8
Purchases for future settlement	4.5	–	–	4.5
Tax payable	–	–	0.2	0.2
Other payables	5.9	–	–	5.9
Provisions	–	–	6.6	6.6
Derivative financial instruments	–	20.2	–	20.2
Retirement benefit liability	–	–	1.9	1.9
Finance lease liability	0.5	–	–	0.5
Total liabilities	**158.7**	**20.2**	**8.7**	**187.6**

Notes to the Financial Statements

Financial liabilities	Amortised cost £ million	FVPL (initial recognition) £ million	Non financial liabilities £ million	Total £ million
	Company As at 31 December 2013			
Bank loans and overdrafts due within one year	197.4	–	–	197.4
Purchases for future settlement	0.8	–	–	0.8
Other payables	1.5	–	–	1.5
Amounts owed to group undertaking	180.0	–	–	180.0
Provisions	–	–	2.6	2.6
Derivative financial instruments	–	5.8	–	5.8
Finance lease liability	0.5	–	–	0.5
Total liabilities	**380.2**	**5.8**	**2.6**	**388.6**

Financial liabilities	Amortised cost £ million	FVPL (initial recognition) £ million	Non financial liabilities £ million	Total £ million
	Company As at 31 December 2012			
Bank loans and overdrafts due within one year	147.8	–	–	147.8
Purchases for future settlement	4.5	–	–	4.5
Other payables	2.0	–	–	2.0
Amounts owed to group undertaking	172.9	–	–	172.9
Provisions	–	–	6.6	6.6
Derivative financial instruments	–	20.2	–	20.2
Finance lease liability	0.5	–	–	0.5
Total liabilities	**327.7**	**20.2**	**6.6**	**354.5**

The Group's policy for determining the fair value of investments (including unquoted investments) is set out on page 58.

In relation to receivables, payables and short-term borrowings the carrying amount is a reasonable approximation of fair value.

The fair value of the bank loans was estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. As at 31 December 2013 this amounted to £197.4 million (31 December 2012: £147.8 million).

No financial assets or liabilities were reclassified during the year or prior period by the Group or the Company.

28. Financial Instruments (continued)

28.2 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 period. 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 to 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 and investment properties 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 fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates
- Currency risk
  The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates

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

Management of market risk

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.

From time to time, the Group may seek to reduce or increase its exposure to stock markets and currencies by taking positions in currency forward contracts, index futures and options relating to one or more stock markets. 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 or to enable increased exposure when deemed appropriate.

b. Price risk

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

Management of price risk

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.

Exposure to price risk

The Group's exposure to price risk can be assumed to be equivalent to the investment portfolio, excluding interests in debt securities and including relevant derivatives, as set out below:

	31 December 2013 £ million	31 December 2012 £ million
Exposure to price risk	**2,159.6**	**1,875.8**

Notes to the Financial Statements

As at the year-end, the Group's exposure to listed equities (after adjusting for index futures) and unquoted investments represented 100.6% of net assets (31 December 2012: 101.5%).

Price risk sensitivity analysis

The sensitivity of the Group's net assets and income statement (IS) with regards to changes in market prices is illustrated below. This is based on an assumed 10% increase in the fair value of the investments 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 to provide a hedge against such movements.

	31 December 2013 Impact on IS & net assets £ million	31 December 2012 Impact on IS & net assets £ million
Total	**216.0**	**187.6**

The Group is exposed to market risk in respect to the fair value of the investment properties. The investment properties are valued by an external party 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 reduce or increase the fair value of the properties.

c. Interest rate risk

The Group finances its operations mainly through its share capital and retained profits, including realised gains on investments. In addition, financing has been obtained through bank borrowings. 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
- Certain derivative contracts

Changes in interest rates indirectly affect the fair value of the Group's other investments including those in quoted and unquoted equity securities.

Management of interest rate risk

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

The Company uses interest rate swaps as a hedge of future interest payments and this has the effect of increasing the proportion of its fixed interest debt.

Exposure to interest rate risk

The Group's exposure of 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.

28. Financial Instruments (continued)

	31 December 2013			31 December 2012		
	Floating Rate £ million	Fixed Rate £ million	Total £ million	Floating Rate £ million	Fixed Rate £ million	Total £ million
Portfolio investments (debt securities)[1]	35.4	48.6	84.0	22.4	98.3	120.7
Derivative financial instruments	1.3	2.2	3.5	–	(3.4)	(3.4)
Cash	51.6	–	51.6	66.4	–	66.4
Bank loans and overdrafts due within one year	–	(197.4)	(197.4)	–	(147.8)	(147.8)
Total Exposure	**88.3**	**(146.6)**	**(58.3)**	**88.8**	**(52.9)**	**35.9**

[1]In addition the Group also holds £106.3 million (31 December 2012: £57.3 million) in credit funds, which hold assets subject to fair value impact due to interest rate changes. 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 external managed funds) investments in government securities, money markets, and unquoted debt securities issued by portfolio companies.

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

The Group has total borrowings of £197.4 million outstanding at the year-end (31 December 2012: £147.8 million). The credit facility comprising this total incurs floating interest payments, however the overall interest cost is fixed through the operation of interest rate swaps. Further details are provided in note 18.

Interest rate risk sensitivity analysis

The approximate sensitivity of the Group's net assets and IS 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 assets and liabilities and the following assumptions:

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

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 unquoted investments. Therefore, the sensitivity analysis may not reflect the full effect on the Group's net assets.

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

	31 December 2013 Impact on IS & net assets £ million	31 December 2012 Impact on IS & net assets £ million
Total	**0.4**	**0.4**

d. 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 profits and net assets could be significantly affected by currency movements.

Management of currency risk

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

Part of the Company's currency exposure in respect of its US Dollar investments is also hedged by way of the Company's borrowings denominated in this currency.

Notes to the Financial Statements

Exposure to currency risk

The currency exposure of the Group and Company net assets at the year-end is set out below:

	Group 31 December 2013		
Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
Sterling	532.1	625.5	1,157.6
US Dollar	1,361.9	(415.0)	946.9
Mexican Peso	26.4	69.5	95.9
Swiss Franc	43.8	–	43.8
Norwegian Krone	22.4	–	22.4
Canadian Dollar	7.0	–	7.0
Polish Zloty	5.3	(1.1)	4.2
Hong Kong Dollar	4.1	–	4.1
Qatari Rial	2.6	–	2.6
Australian Dollar	2.4	–	2.4
Korean Won	2.6	(0.6)	2.0
Singapore Dollar	0.1	–	0.1
Swedish Krona	–	–	–
Danish Krone	–	–	–
Japanese Yen	82.6	(89.1)	(6.5)
Brazilian Real	3.8	(14.1)	(10.3)
Euro	29.1	(160.7)	(131.6)
Other	7.2	(1.8)	5.4
Total	**2,133.4**	**12.6**	**2,146.0**

	Group 31 December 2012		
Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
Sterling	535.3	(238.3)	297.0
US Dollar	1,120.4	23.5	1,143.9
Mexican Peso	19.1	52.2	71.3
Swiss Franc	14.0	–	14.0
Norwegian Krone	0.5	153.8	154.3
Canadian Dollar	18.6	85.4	104.0
Polish Zloty	1.8	–	1.8
Hong Kong Dollar	3.4	–	3.4
Qatari Rial	–	–	–
Australian Dollar	7.0	–	7.0
Korean Won	–	–	–
Singapore Dollar	0.1	32.7	32.8
Swedish Krona	11.0	–	11.0
Danish Krone	10.2	–	10.2
Japanese Yen	43.5	(110.5)	(67.0)
Brazilian Real	13.1	15.0	28.1
Euro	41.9	(8.0)	33.9
Other	4.7	(3.2)	1.5
Total	**1,844.6**	**2.6**	**1,847.2**

28. Financial Instruments (continued)

Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
	Company 31 December 2013		
Sterling	498.4	625.5	1,123.9
US Dollar	1,355.6	(415.0)	940.6
Mexican Peso	26.4	69.5	95.9
Swiss Franc	43.8	–	43.8
Canadian Dollar	7.0	–	7.0
Polish Zloty	5.3	(1.1)	4.2
Hong Kong Dollar	4.1	–	4.1
Qatari Rial	2.6	–	2.6
Australian Dollar	2.4	–	2.4
Korean Won	2.6	(0.6)	2.0
Singapore Dollar	0.1	–	0.1
Swedish Krona	–	–	–
Danish Krone	–	–	–
Norwegian Krone	–	–	–
Japanese Yen	82.6	(89.1)	(6.5)
Brazilian Real	3.8	(14.1)	(10.3)
Euro	29.1	(160.7)	(131.6)
Other	7.4	(1.8)	5.6
Total	**2,071.2**	**12.6**	**2,083.8**

Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
	Company 31 December 2012		
Sterling	486.4	(238.3)	248.1
US Dollar	1,116.0	23.5	1,139.5
Mexican Peso	19.1	52.2	71.3
Swiss Franc	14.0	–	14.0
Canadian Dollar	18.6	85.4	104.0
Polish Zloty	1.8	–	1.8
Hong Kong Dollar	3.4	–	3.4
Qatari Rial	–	–	–
Australian Dollar	7.0	–	7.0
Korean Won	–	–	–
Singapore Dollar	0.1	32.7	32.8
Swedish Krona	11.0	–	11.0
Danish Krone	10.2	–	10.2
Norwegian Krone	0.5	153.8	154.3
Japanese Yen	43.5	(110.5)	(67.0)
Brazilian Real	13.1	15.0	28.1
Euro	41.9	(8.0)	33.9
Other	4.9	(3.2)	1.7
Total	**1,791.5**	**2.6**	**1,794.1**

Amounts in the above tables are based on the carrying value of all currency denominated assets and liabilities and the underlying principal amounts of forward currency contracts.

Notes to the Financial Statements

Currency Risk Sensitivity Analysis

The sensitivity of the Group's net assets and IS 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, 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 forward foreign exchange contracts that offset the effects of changes in currency exchange rates.

Currency	31 December 2013 Impact on IS & Net Assets £ million	31 December 2012 Impact on IS & Net Assets £ million
US Dollar	(86.1)	(104.0)
Mexican Peso	(8.7)	(6.5)
Swiss Franc	(4.0)	(1.3)
Norwegian Krone	(2.0)	(14.0)
Canadian Dollar	(0.6)	(9.5)
Polish Zloty	(0.4)	–
Hong Kong Dollar	(0.4)	–
Qatari Rial	(0.2)	–
Australian Dollar	(0.2)	(0.6)
Korean Won	(0.2)	–
Singapore Dollar	–	(3.0)
Swedish Krona	–	(1.0)
Danish Krone	–	(0.9)
Japanese Yen	0.6	6.1
Brazilian Real	0.9	(2.6)
Euro	12.0	(3.1)
Other	(0.5)	(0.6)
Total	**(89.8)**	**(141.0)**

e. Credit risk

Counterparty 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.

Management of credit risk

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
- The majority of the portfolio investments exposed to credit risk relate to highly rated government securities

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.

28. Financial Instruments (continued)

Credit quality of financial assets

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 (S&P ratings, if available).

	31 December 2013 £ million	31 December 2012 £ million
Portfolio investments (debt securities)		
AAA	–	51.1
AA+	48.6	52.3
A-1+	35.4	17.3
	84.0	**120.7**
Derivative financial instruments		
A-1+	8.1	1.4
A-1	19.5	18.3
A-2	–	5.3
	27.6	**25.0**
Other receivables		
A-1	16.3	4.7
A-2	2.2	4.7
Other	92.9	16.2
	111.4	**25.6**
Sales for future settlement		
AA-	0.1	–
A-1	0.4	0.1
A-2	0.2	0.1
Other[1]	–	66.7
	0.7	**66.9**
Cash at bank		
A-1+	49.4	–
A-1	1.4	66.2
A-2	0.1	–
Other[1]	0.7	0.2
	51.6	**66.4**
Maximum exposure to credit risk	**275.3**	**304.6**

[1] Short term credit ratings not available. No defaults noted as trading counterparties.

Substantially all of the listed portfolio investments are held by Bank of New York Mellon 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 AA- in the most recent rating prior to 31 December 2013 (period ended 31 December 2012: AA-).

f. 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 unquoted companies and unquoted 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.

Management of liquidity risk
The Group manages its liquid resources to ensure sufficient cash is available to meet all of its 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.

Exposure to liquidity risk
Liquidity risk is not viewed as significant as a substantial proportion of the Group's net assets are in liquid or readily 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 £400 million (details of which are disclosed in note 18).

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 2013				31 December 2012			
	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million
Current liabilities:								
Bank loan/overdraft	197.4	–	–	197.4	147.8	–	–	147.8
Derivatives	5.8	–	–	5.8	16.8	3.4	–	20.2
Other liabilities	7.0	–	–	7.0	11.8	–	–	11.8
Total	**210.2**	**–**	**–**	**210.2**	**176.4**	**3.4**	**–**	**179.8**
Commitments	89.3	–	–	89.3	153.9	–	–	153.9
Total	**299.5**	**–**	**–**	**299.5**	**330.3**	**3.4**	**–**	**333.7**

28.3 Collateral
Collateral is posted by the Group in relation to derivative transactions. These are transacted under 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.

	31 December 2013 £ million	31 December 2012 £ million
Cash collateral provided by RIT in relation to derivative contracts	**18.5**	**9.4**

28. Financial Instruments (continued)

28.4 Derivative financial instruments

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

- Futures and forward contracts relating to foreign currencies, market indices and bonds
- Options relating to foreign currencies, market indices, equities and interest rates
- Swaps relating to interest rates, credit spreads and equity indices

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 financial instruments 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 relative 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.

Details of the Group and Company's unsettled derivatives at 31 December 2013 and 31 December 2012 are:

	Group and Company			
As at 31 December 2013	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Bond futures	(58.6)	1.3	–	1.3
Commodity futures	18.9	–	(0.7)	(0.7)
Commodity options	–	–	–	–
Contract for difference	9.7	2.8	(1.9)	0.9
Credit default swaps	–	–	–	–
Currency options	0.2	0.2	–	0.2
Forward currency contracts	1,465.3	14.2	(1.6)	12.6
Index futures	73.7	4.8	(1.3)	3.5
Equity index options	0.1	0.1	–	0.1
Equity index swaps	28.4	2.0	(0.3)	1.7
Interest rate swaps	256.5	2.2	–	2.2
Total		**27.6**	**(5.8)**	**21.8**

	Group and Company			
As at 31 December 2012	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Bond futures	–	–	–	–
Commodity futures	80.7	–	(3.6)	(3.6)
Commodity options	3.6	5.0	(1.5)	3.5
Contract for difference	3.3	1.8	(1.2)	0.6
Credit default swaps	392.5	–	(5.3)	(5.3)
Currency options	0.8	0.8	–	0.8
Forward currency contracts	1,001.6	7.0	(5.2)	1.8
Index futures	85.8	8.0	–	8.0
Equity index options	1.9	1.9	–	1.9
Equity index swaps	19.3	0.5	–	0.5
Interest rate swaps	568.9	–	(3.4)	(3.4)
Total		**25.0**	**(20.2)**	**4.8**

28.5 IFRS 13 classification

IFRS 13 requires the Group to classify its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. 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)
- 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 following table analyses within the fair value hierarchy the Group's assets and liabilities at 31 December 2013:

As at 31 December 2013	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Financial assets at fair value through profit and loss:				
Quoted Equity - Stocks	512.4	6.8	–	519.2
Quoted Equity - Investment Funds	–	792.4	1.7	794.1
Private Investments - Direct	–	–	263.1	263.1
Private Investments - Funds	–	–	284.5	284.5
Absolute Return & Credit	–	–	149.9	149.9
Real Assets	–	17.8	–	17.8
Liquidity	83.9	–	–	83.9
Derivative financial instruments	–	27.6	–	27.6
Total financial assets at fair value through profit and loss	**596.3**	**844.6**	**699.2**	**2,140.1**
Non-financial assets measured at fair value:				
Investment Property	–	–	53.4	53.4
Total non-financial assets measured at fair value	**–**	**–**	**53.4**	**53.4**
Financial liabilities at fair value through profit and loss:				
Derivative financial instruments	–	(5.8)	–	(5.8)
Total financial liabilities at fair value through profit and loss	**–**	**(5.8)**	**–**	**(5.8)**
Total net assets measured at fair value	**596.3**	**838.8**	**752.6**	**2,187.7**

Movements in level 3 assets

Year ended 31 December 2013	Opening balance £ million	Purchases £ million	Sales £ million	Realised gains/(losses) through profit & loss £ million	Unrealised gains/(losses) through profit & loss £ million	Reclassi-fications £ million	Closing balance £ million
Quoted Equity - Investment Funds	1.9	0.6	(0.3)	(0.0)	(0.5)	-	1.7
Private Investments - Direct	209.9	98.4	(58.3)	3.7	9.4	-	263.1
Private Investments - Funds	269.0	50.3	(53.2)	2.1	16.3	-	284.5
Absolute Return & Credit	57.2	107.4	(17.0)	1.4	0.9	-	149.9
Investment Property	46.1	-	-	-	7.3	-	53.4
Total	**584.1**	**256.7**	**(128.8)**	**7.2**	**33.4**	**-**	**752.6**

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

28. Financial Instruments (continued)

During the year there were no transfers of investments between fair value hierarchies and no financial assets or liabilities were reclassified as a result of any change in their purpose or use. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period 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.

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 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 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, direct and funds, (as described on page 17 of the Investment & Business 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 General Partner of the investee fund which represents RIT's pro-rata proportion of the fund's net asset value. A review is conducted annually over 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, cost approach or income approach. The valuation process is collaborative involving 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 share 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.

On a semi-annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties. Investment properties were valued at 31 December 2013 by Jones Lang LaSalle in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value.

Further information in relation to the directly held private investment portfolio at 31 December 2013 is set out below:

Sector	Fair Value £ million	Valuation Methods/ Inputs
Financials	54	Revenue multiple (1.1x); Book value multiples (0.7x - 0.8x); DCF (5% - 20% cost of capital); P/E (17x - 22x); EV/EBITDA (5x)
TMT	25	DCF (16% -17% cost of capital); EV/EBITDA (7x - 20x)
Consumer Staples/Industrial	14	EV/EBITDA (5x - 8x); P/E (9x)
Total	**93**	

The remainder of the direct portfolio was valued using the following primary methods: price of a recent financing round (£72 million), cost of a recent investment (£77 million) and third party valuations (£21 million).

Given the range of techniques and inputs used in the valuation process, and the fact that in most cases more than one approach is used, a sensitivity analysis is not considered to be a practical or meaningful disclosure. Shareholders should note however that increases or decreases in any of the inputs listed above in isolation may result in higher or lower fair value measurements.

The following table analyses within the fair value hierarchy the Group's assets and liabilities at 31 December 2012:

As at 31 December 2012	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Financial assets at fair value through profit and loss:				
Quoted Equity - Stocks	490.9	3.1	–	494.0
Quoted Equity - Investment Funds	–	615.2	1.9	617.1
Private Investments - Direct	–	–	209.9	209.9
Private Investments - Funds	–	–	269.0	269.0
Absolute Return & Credit	–	-	57.2	57.2
Real Assets	–	34.1	–	34.1
Liquidity	120.1	–	–	120.1
Derivative financial instruments	–	25.0	–	25.0
Total financial assets at fair value through profit and loss	**611.0**	**677.4**	**538.0**	**1,826.4**
Non-financial assets measured at fair value:				
Investment Property	–	–	46.1	46.1
Total non-financial assets measured at fair value	**–**	**–**	**46.1**	**46.1**
Financial liabilities at fair value through profit and loss:				
Derivative financial instruments	–	(20.2)	–	(20.2)
Total financial liabilities at fair value through profit and loss	**–**	**(20.2)**	**–**	**(20.2)**
Total net assets measured at fair value	**611.0**	**657.2**	**584.1**	**1,852.3**

Movements in level 3 assets

Year ended 31 December 2012	Opening balance £ million	Purchases £ million	Sales £ million	Realised gains through profit & loss £ million	Unrealised gains through profit & loss £ million	Reclassi-fications £ million	Closing balance £ million
Quoted Equity - Investment Funds	2.0	0.4	–	–	(0.5)	–	1.9
Private Investments - Direct	298.1	92.5	(175.3)	1.1	(6.5)	–	209.9
Private Investments - Funds	263.3	28.9	(30.0)	1.7	5.1	–	269.0
Absolute Return & Credit	134.6	12.2	(93.9)	2.7	1.6	–	57.2
Investment Property	40.4	–	–	–	5.7	–	46.1
Total	**738.4**	**134.0**	**(299.2)**	**5.5**	**5.4**	**–**	**584.1**

28. Financial Instruments (continued)

28.6 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
- 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
- The Company's borrowings are subject to covenants limiting the total exposure based on a cap of borrowings as a percentage of adjusted net asset value

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

In addition, JRCM is subject to capital requirements imposed by the FCA and that subsidiary must ensure that it has sufficient capital to meet the requirements as set out by the FCA. JRCM was in compliance with those capital requirements throughout the year.

The Group's capital at 31 December 2013 and 31 December 2012 comprised:

	31 December 2013 £ million	31 December 2012 £ million
Equity share capital	155.4	155.4
Retained earnings and other reserves	1,990.6	1,691.8
Net asset value	2,146.0	1,847.2
Bank loans	197.4	147.8
Total capital	2,343.4	1,995.0
Debt as a percentage of total capital	**8.4%**	**7.4%**

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.

Notes to the Financial Statements

29. 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, actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period 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.

It is estimated that the contributions payable to the Scheme during the year ending 31 December 2014, will be £1.1 million as compared to £1.1 million paid during the year ended 31 December 2013.

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. Two of the five Trustees are independent of the Group.

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 2011 by a qualified independent actuary, and this was updated to 31 December 2013 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 significantly. Therefore, under the projected unit method the current service cost will increase as a percentage of salary as the members of 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.
- 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 a strain on the funding of the Scheme.

Currently the Scheme has no asset-liability matching strategies in place. As a result of the most recent actuarial valuation performed as at 1 January 2011, the sponsoring employer, JRCM, has agreed to pay contributions to the Scheme of £1,095,000 per annum for five years from 1 April 2012. The next actuarial valuation will be as at 1 January 2014.

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 at a minimum of 4% per annum and a maximum of 5% per annum for elements earned after 6 April 1997 depending upon the annual increase in the Retail Prices Index.

The costs associated with the Scheme, their recognition in the financial statements and the assumptions underlying the calculation of those costs are set out below. The 31 December 2012 comparatives have been restated following adoption of the revised IAS19 – Employee Benefits.

Defined benefit cost	Year ended 31 December 2013 £ million	Restated Period ended 31 December 2012 £ million
Current service cost	0.1	0.1
Net interest on net defined benefit liability/(asset)	0.1	0.1
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	(1.5)	1.2
Total defined benefit (cost benefit)/cost	**(1.3)**	**1.4**

29. Pension Commitments (continued)

Recognised in the Consolidated Income Statement	Year ended 31 December 2013 £ million	Restated Period ended 31 December 2012 £ million
Defined contribution schemes	0.8	0.7
Defined benefit scheme:		
Current service cost	0.1	0.1
Net interest on defined benefit asset/(liability)	0.1	0.1
Total pension cost recognised in the Consolidated Income Statement	**1.0**	**0.9**

Recognised in the Consolidated Statement of Comprehensive Income	Year ended 31 December 2013 £ million	Restated Period ended 31 December 2012 £ million
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	0.2	–
Actuarial (gain)/loss due to liability assumption changes	0.6	1.5
Return on Scheme assets (greater)/less than discount rate	(2.3)	(0.3)
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	**(1.5)**	**1.2**
Total pension (cost benefit)/cost	**(0.5)**	**2.1**

The assumptions used to determine the defined benefit cost over the reporting periods were per annum	Year ended 31 December 2013	Period ended 31 December 2012
Discount rate	4.55%	5.15%
Price Inflation (RPI)	2.95%	3.20%
Rate of salary increase	2.50%	3.00%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.25%	4.30%
Pension increases for deferred benefits	2.95%	3.20%

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	Year ended 31 December 2013 £ million	Restated Period ended 31 December 2012 £ million
DBO at end of prior year/period	16.4	14.5
Current service cost	0.1	0.1
Interest cost on the DBO	0.8	0.6
Actuarial (gain)/loss – experience	0.2	–
Actuarial (gain)/loss – financial assumptions	0.6	1.5
Benefits paid from scheme assets	(0.5)	(0.3)
Total DBO	**17.6**	**16.4**

Notes to the Financial Statements

Changes in the scheme assets	Year ended 31 December 2013 £ million	Restated Period ended 31 December 2012 £ million
Opening fair value of the scheme assets	14.5	13.2
Interest income on scheme assets	0.7	0.5
Return on Scheme assets greater/(less) than discount rate	2.3	0.3
Employer contributions	1.1	0.8
Benefits paid	(0.5)	(0.3)
Total Scheme assets	**18.1**	**14.5**

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

Development of the Net Balance Sheet Position	Year ended 31 December 2013 £ million	Restated Period ended 31 December 2012 £ million
Net defined benefit asset/(liability) at end of prior year/period	(1.9)	(1.3)
Service cost	(0.1)	(0.1)
Net interest on defined benefit asset/(liability) at end of prior year/period	(0.1)	(0.1)
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	1.5	(1.2)
Employer contributions	1.1	0.8
Net defined benefit asset/(liability)	**0.5**	**(1.9)**

The assumptions used to determine the measurements at the reporting dates per annum	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Discount rate	4.45%	4.55%
Price Inflation (RPI)	3.50%	2.95%
Rate of salary increase	2.50%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.25%
Pension increases for deferred benefits (non GMP)	3.50%	2.95%
Scheme participant census date	31 December 2013	31 December 2012
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 defined benefit obligation to the relevant actuarial assumptions is shown below. In each case the changed sensitivity has been considered in isolation i.e. all other factors remain constant.

	31 December 2013 £ million
Defined benefit obligation	17.6

29. Pension Commitments (continued)

Significant Actuarial Assumptions at 31 December 2013	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity £ million
Discount rate	3.95% pa	0.5% pa decrease	19.3
Price Inflation (RPI)	4.00% pa	0.5% pa increase	17.8
Life expectancy	–	Increases by 1 year	18.1

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

Analysis of DBO by participant category	31 December 2013 £ million
Active participants	3.2
Deferred participants	2.4
Pensioners	12.0
Defined benefit obligation	**17.6**

Fair value of Scheme assets	**18.1**

Scheme asset breakdown	Quoted securities[1]	Other	31 December 2013
Equity securities	74%	–	74%
Fixed income and credit	13%	–	13%
Alternative investments	8%	–	8%
Cash and liquidity/other	–	5%	5%
Total	**95%**	**5%**	**100%**

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

30. 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 solely comprised of independent non-executive Directors.

Transactions with parties related to Lord Rothschild and Hannah Rothschild

During the year, the Group transacted with nine entities (period ended 31 December 2012: eight) 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.

The Group has cost-sharing arrangements with these related parties covering the provision and receipt of administrative as well as investment advisory and support services. Under these arrangements the Group paid £79,070 (period ended 31 December 2012: £66,035) and received £842,402 (period ended 31 December 2012: £985,963).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services charged by the Group for the year ended 31 December 2013 amounted to £108,317 (period ended 31 December 2012: £135,210).

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 £90,006 (period ended 31 December 2012: £70,835).

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group for the rent was £51,215 in the year ended 31 December 2013 (period ended 31 December 2012: £43,687).

The balance due by the Group to the parties related to Lord Rothschild at 31 December 2013 and/or Hannah Rothschild was £3,749 (period ended 31 December 2012: £nil), and the balance due to the Group from the related parties was £3,671 (period ended 31 December 2012: £4,500).

Notes to the Financial Statements

Other
For the year ended 31 December 2013 the Company received £48,223 in Director's fees from investee companies for the services of senior management (period ended 31 December 2012: £16,008).

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

Group Undertakings
JRCM, a wholly-owned subsidiary of the Company, acts as its manager and provides administrative services to the Company and is also its corporate secretary. During the year ended 31 December 2013, the charge for these administrative services amounted to £22.1 million (period ended 31 December 2012: £15.9 million). During the year Spencer House Limited (also a wholly-owned subsidiary of the Company), earned revenues of £7,006 from JRCM (period ended 31 December 2012: £17,414).

Amounts due from subsidiaries and amounts due to subsidiaries are disclosed on the face of the Company's balance sheet.

The significant balances outstanding between the Company and its subsidiaries are shown below:

	Amounts owed by Group Undertakings		Amounts owed to Group Undertakings	
	31 December 2013 £ million	31 December 2012 £ million	31 December 2013 £ million	31 December 2012 £ million
RIT Capital Partners Securities Limited	–	–	(113.3)	(113.5)
Atlantic and General Investment Trust Limited	–	–	(20.1)	(20.1)
J Rothschild Capital Management Limited	–	–	(33.2)	(25.4)
RIT Capital Partners Associates Limited	–	–	(11.0)	(10.1)
RIT Capital Partners Media Inc.	0.4	2.1	–	(1.7)
Other	–	–	(2.4)	(2.1)
Total	**0.4**	**2.1**	**(180.0)**	**(172.9)**

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 29. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2013 (period ended 31 December 2012: £nil).

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

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Short-term employee benefits	4.5	3.7
Other long-term employee benefits	1.5	–
Termination benefits	0.1	0.1
Post-employment benefits	0.3	0.2
Share-based payments	–	0.9
Total	**6.4**	**4.9**

Two persons classed as key management personnel are members of a carried interest scheme established in the year ended 31 December 2012, and closed to new investments during 2013 (period ended 31 December 2012: two persons).

For the year ended 31 December 2013 and the prior period, post employment benefits relate to defined contribution pension scheme payments.

30. Related Party Transactions (continued)

Conflicts Committee

The following co-investments by the Company made alongside related parties were considered and approved by the Conflicts Committee or the RIT Board as appropriate during the year:

- Renshaw Bay Limited. Provision of additional capital alongside Mr W. Winters, a former Director of a Group company;
- Three Corner Global Investors. Investment alongside Mr I. Jayanti and Lord Davies, former Directors of a Group company;
- Williams and Glyn's. Investment alongside Mr I. Jayanti and Lord Davies; and
- Renshaw Bay Structured Finance Opportunities Fund. Investment alongside Mr W. Winters.

31. Financial Commitments

Financial commitments which have not been provided for are as follows:

	31 December 2013		31 December 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Commitments to provide additional funds[1]	**89.3**	**89.3**	**153.9**	**153.9**

[1] Principally un-called commitments to unquoted funds.

32. Investment Property

	Year ended 31 December 2013 £ million	Period ended 31 December 2012 £ million
Rental income from investment properties	1.7	1.2
Direct operating expenses arising from investment properties that generated rental income during the year/period	(1.6)	(0.8)

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

Period	£ million	£ million
Within one year	0.2	0.2
Between one and five years	0.9	0.9
Over five years	6.6	6.6

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

Period	£ million	£ million
Within one year	0.6	0.6
Between one and five years	1.1	1.1
Over five years	1.8	1.8

All investment properties held by the Group generate 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 January and August. The investment property portfolio is valued by Jones Lang LaSalle on a six monthly basis in accordance with guidelines established by the Royal Institution of Chartered Surveyors. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2013.

Independent Auditors' Report

RIT Capital Partners plc

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

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Parent Company financial statements (the 'financial statements'), which are prepared by RIT Capital Partners plc, comprise:

- the Consolidated and Parent Company balance sheets as at 31 December 2013;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity and cash flow statements for the year then ended; and
- the Group and Parent Company Accounting Policies and the notes to the financial statements which include other explanatory information.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report & Accounts (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £36.8 million. In determining our materiality, we have considered financial metrics which we believe to be relevant and concluded that net assets was the relevant benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1.8 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured as an investment company, managing a widely diversified portfolio. The Group financial statements are a consolidation of seventeen

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

subsidiaries including J Rothschild Capital Management Limited (the 'Manager') and the Parent Company.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us as the group engagement team and as subsidiary auditors, to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We audited the financial information of nine subsidiaries and the Parent Company and this, together with the procedures we performed at the Group level, including procedures over the consolidation, gave us the evidence we needed as a basis for our opinion on the Group financial statements as a whole. We audited these nine subsidiaries and the Parent Company as they require an audit under UK regulations. The remaining subsidiaries do not require an audit.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit and Risk Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 30 and 31.

Area of focus	*How the scope of our audit addressed the area of focus*
Valuation of direct private investments We focused on this area because direct private investments represent a material balance in the financial statements and the valuation of these direct private investments requires estimates and significant judgements to be applied by the Manager.	We understood and evaluated the methodology applied, and tested the techniques used, by the Manager in determining the fair value of direct private investments. This included comparing valuations based on recent transactions and using models that applied comparable company earnings multiples and investee company unaudited management accounts and/or forecasts which are the key inputs. We also read the Valuation Committee papers and meeting minutes and, together with the work outlined above, discussed the valuations with the Manager and the Directors to challenge the appropriateness of the methodology and key inputs used, and the valuations themselves, with reference to the International Private Equity and Venture Capital Valuation guidelines and our knowledge of the investee entities.
Fraud in income recognition ISAs (UK & Ireland) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve the planned results. We focused on the accuracy and completeness of dividend income recognition and its presentation in the	We assessed the accounting policy for income recognition for compliance with accounting standards and performed testing to evaluate that income had been accounted for in accordance with this stated accounting policy. We tested the allocation and presentation of dividend income between the income and capital return columns of the consolidated income statement in line with the requirements set out in the AIC SORP.

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

income statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). We also focused on gains/losses on portfolio investments held at fair value due to the subjective nature of the valuation of unquoted investments.	The gains/losses on portfolio investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains/losses, we tested the valuation process, as set out on the previous page, to ascertain whether these gains/losses were appropriately calculated. For realised gains/losses, we tested disposal proceeds to bank statements and sale agreements and re-performed the calculation of a sample of realised gains/losses.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider management override of controls.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements particularly in relation to the valuation of unquoted investments for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We tested journal entries to determine whether adjustments were appropriately authorised and documented. We built an element of "unpredictability" into our audit by testing items which would have ordinarily been out of the scope of our work.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 29, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- 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.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 28 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 30 and 31 as required by C.3.8 of the Code, the Audit and Risk Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

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

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the 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.

Alison Morris

Alison Morris (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2014

Other Information
31 December 2013

RIT Capital Partners plc

Investment Portfolio Reconciliation

The following table shows a reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 16 to 18, to the Consolidated Balance Sheet, as shown on page 50:

	Quoted Equity – Long-only Equities £ million	Quoted Equity – Hedged Equities £ million	Private Investments – Direct £ million	Private Investments – Funds £ million	Real Assets £ million	Absolute Return & Credit £ million	Other Investments £ million	Net Liquidity/ Borrowing/ Other £ million	31 December 2013 Consolidated Balance Sheet £ million
Non current assets									
Investments held at FV	1,046.5	294.0	263.1	284.5	26.2	149.9	–	48.3	2,112.5
Investment property	–	–	–	–	53.4	–	–	–	53.4
Property, plant and equipment	–	–	–	–	–	–	–	0.4	0.4
Deferred tax asset	–	–	–	–	–	–	–	1.2	1.2
Retirement benefit asset	–	–	–	–	–	–	–	0.5	0.5
Derivative financial instruments	–	–	–	–	–	–	–	0.4	0.4
	1,046.5	**294.0**	**263.1**	**284.5**	**79.6**	**149.9**	**–**	**50.8**	**2,168.4**
Current assets									
Derivative financial instruments	10.1	–	–	–	–	1.9	15.2	–	27.2
Sales for future settlement	–	–	–	–	–	–	–	0.7	0.7
Other receivables	–	–	–	–	–	–	–	111.4	111.4
Tax receivable	–	–	–	–	–	–	–	0.2	0.2
Cash at bank	5.1	–	–	–	–	–	–	46.5	51.6
	15.2	**–**	**–**	**–**	**–**	**1.9**	**15.2**	**158.8**	**191.1**
Total assets	**1,061.7**	**294.0**	**263.1**	**284.5**	**79.6**	**151.8**	**15.2**	**209.6**	**2,359.5**
Current liabilities									
Borrowings	–	–	–	–	–	–	–	(197.4)	(197.4)
Purchases for future settlement	–	–	–	–	–	–	–	(0.8)	(0.8)
Derivative financial instruments	(3.6)	–	–	–	(0.7)	–	(1.5)	–	(5.8)
Provisions	–	–	–	–	–	–	–	(0.2)	(0.2)
Tax payable	–	–	–	–	–	–	–	(0.2)	(0.2)
Other payables	–	–	–	–	–	–	–	(6.2)	(6.2)
	(3.6)	**–**	**–**	**–**	**(0.7)**	**–**	**(1.5)**	**(204.8)**	**(210.6)**
Net current assets/ (liabilities)	**11.6**	**–**	**–**	**–**	**(0.7)**	**1.9**	**13.7**	**(46.0)**	**(19.5)**
Total assets less current liabilities	**1,058.1**	**294.0**	**263.1**	**284.5**	**78.9**	**151.8**	**13.7**	**4.8**	**2,148.9**
Non-current liabilities									
Provisions	–	–	–	–	–	–	–	(2.4)	(2.4)
Finance lease liability	–	–	–	–	–	–	–	(0.5)	(0.5)
Retirement benefit liability	–	–	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**	**(2.9)**	**(2.9)**
Net assets	**1,058.1**	**294.0**	**263.1**	**284.5**	**78.9**	**151.8**	**13.7**	**1.9**	**2,146.0**
Comprising:									
Total investments	1,058.1	294.0	263.1	284.5	78.9	151.8	13.7	–	2,144.1
Total liquidity, borrowings, other	–	–	–	–	–	–	–	1.9	1.9
Net assets	**1,058.1**	**294.0**	**263.1**	**284.5**	**78.9**	**151.8**	**13.7**	**1.9**	**2,146.0**

Historical Information and Financial Calendar

Historical Information

	Diluted net assets £ million	Diluted net assets per share p	Closing share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 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	1.65
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.64
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.44
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.15
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.15
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.51
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.58
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.65
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.82
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.00
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.20
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.10
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.10
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.10
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.10
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.10
31 March 2005	1,113.1	712.7	694.0	(2.6)	90.0	3.10
31 March 2006	1,534.7	982.7	1,020.0	3.8	270.3	3.10
31 March 2007	1,635.6	1,047.3	1,000.0	(4.5)	67.0	3.10
31 March 2008	1,690.0	1,091.6	1,147.0	5.1	50.6	4.00
31 March 2009	1,350.5	874.3	831.0	(5.0)	(205.2)	7.50
31 March 2010	1,815.7	1,180.1	1,082.0	(8.3)	306.3	4.00
31 March 2011	1,984.0	1,289.4	1,307.0	1.4	111.7	4.00
31 March 2012	1,920.0	1,249.3	1,220.0	(2.3)	(35.7)	4.00
31 December 2012	1,847.2	1,191.4	1,131.0	(5.1)	(29.6)	28.00
31 December 2013	**2,146.0**	**1,383.6**	**1,260.0**	**(8.9)**	**219.2**	**28.00**

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 arrived at 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. The earnings per share is the fully diluted earnings per share, based on the profit after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted earnings per share exceeded the undiluted earnings per share the latter figure has been shown in accordance with standard accounting practice.
4. Dividends per share represent the amounts paid in the relevant financial year or period.

Financial Calendar

30 April 2014, 11:00 a.m.:	Annual General Meeting
29 April 2014:	Payment of interim dividend of 14.7 pence per ordinary share to shareholders on the register on 4 April 2014.

Advisers

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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. http://www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-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