Report & Accounts

for the year ended 31 December 2019

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.

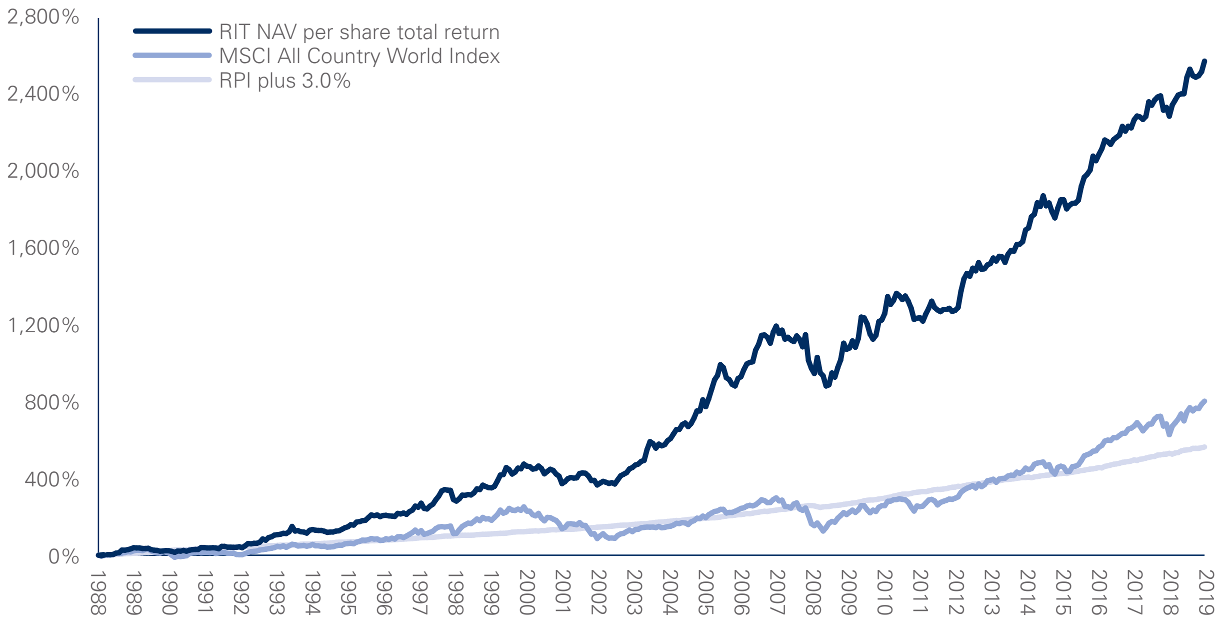
Performance for the year	**2019**
NAV per share total return	12.0%
Share price total return	12.5%
RPI plus 3.0%	5.2%
MSCI All Country World Index	24.0%

Key data*	**2019**	**2018**	**Change**
NAV per share	2,004 pence	1,821 pence	10.0%
Share price	2,115 pence	1,910 pence	10.7%
Premium	5.5%	4.9%	0.6%
Net assets	£3,146 million	£2,830 million	11.2%
Gearing	7.2%	11.5%	-4.3%
Average net quoted equity exposure	43%	47%	-4%
Ongoing charges figure for the year	0.68%	0.68%	–
First interim dividend (April)	17.0 pence	16.5 pence	3.0%
Second interim dividend (October)	17.0 pence	16.5 pence	3.0%
Total dividend in year	34.0 pence	33.0 pence	3.0%

* 31 December unless otherwise stated.

Performance history	**3 Years**	**5 Years**	**10 Years**
NAV per share total return	22.2%	48.1%	119.7%
Share price total return	17.9%	65.2%	138.0%
RPI plus 3.0% per annum	19.1%	30.9%	78.4%
MSCI All Country World Index	36.0%	65.0%	168.0%

Performance since inception



A description of the terms used above and further information on the calculation of those designated as Alterative Performance Measures (APMs) included within this section and the Strategic Report is set out in the Glossary and APMs section on pages 91 and 92. The Group's designated APMs are the NAV per share total return, share price total return, gearing and the ongoing charges figure.

Strategic Report

RIT Capital Partners plc

Chairman's Statement

Sir James Leigh-Pemberton

I am delighted to be writing my first Chairman's Statement, following my appointment on 1 October 2019.

I must start by expressing, on behalf of colleagues and shareholders, our respect, admiration and gratitude for Lord Rothschild's exceptional leadership of the Company over many years. Jacob became chairman of the precursor of this Company – Rothschild Investment Trust – in 1971, when it was capitalised at approximately £5 million. Your Company ended 2019 with a market capitalisation in excess of £3.3 billion and net assets of some £3.1 billion. Over the 31 years since this Company's listing in 1988, we have produced annualised returns to shareholders of 12.2% per annum, comfortably in excess of general market indices and a very healthy premium above inflation. It is Lord Rothschild's exceptional drive, vision and values which have contributed so much to making RIT one of the country's most admired investment companies.

I must also pay tribute to the foresight shown by Jacob and Board colleagues for ensuring that a carefully constructed transition plan was in place, and in particular for the establishment and cultivation of an excellent team at our Manager and subsidiary – J. Rothschild Capital Management Limited (JRCM) – led by Francesco Goedhuis (CEO) and Ron Tabbouche (CIO). Succeeding Lord Rothschild is a daunting task, but his legacy is a company which is well positioned to continue to execute its established strategy, delivering long-term capital growth while preserving shareholders' capital, by investing in a diversified portfolio across a range of asset classes, and by allocating funds to exceptional managers to ensure access to the best available external talent.

Performance

During 2019, I am pleased to report that your Company's net asset value per share (NAV) increased to 2,004 pence, representing a total return (including dividends) of 12.0%. The share price total return was 12.5%, with the shares ending the year at 2,115 pence, a premium of 5.5% above the NAV.

Despite a muted outlook for global growth and earnings, 2019 was one of the best years for financial assets, with many investors prepared to take more risks than we considered warranted as risk-free rates moved lower and central banks eased policy. We maintained our cautious positioning, mindful of the risks inherent in both fully

Over the 31 years since this Company's listing in 1988, we have produced annualised returns to shareholders of 12.2% per annum, comfortably in excess of general market indices and a very healthy premium above inflation.

valued equity markets and historically low returns in bond markets. As a result, our returns lagged fully-invested market indices. However, this did not stop our portfolio from generating a healthy absolute return. Considered allocations to a number of key themes, in particular where we saw opportunities to benefit from long-term structural trends, together with rigorous security selection and careful portfolio construction, allowed us to meet our objective of capital growth. This builds on the 2018 results, where we were able to protect capital when global markets suffered a marked correction and many in the industry lost money. As we have explained in previous years, when we choose to emphasise caution in such a way, we do so to remain consistent with our strategy of protecting capital and delivering superior risk-adjusted returns over the long term.

It is a feature of this approach that, while we have a natural bias for equities, we have a broad investment policy. This allows JRCM the freedom to deploy capital across multiple asset classes. As explained in detail in our Manager's Report, the approach seeks to utilise our enviable network and combine diversified and uncorrelated sources of return, targeting a high-quality return through the market cycles.

Dividend

Unlike many trusts, we do not invest with a view to producing a particular income yield from the portfolio. Our core objective is to invest to produce capital growth over the long term. However, we recognise that for many shareholders, dividends are important, and our significant reserves give us the flexibility to support our policy of maintaining or increasing the annual dividend, as long as it does not come into conflict with your Company's core objective. For 2020, we are intending to pay a dividend of 35 pence per share, an increase of 2.9% over the previous year. This will be paid in two equal instalments of 17.5 pence per share in April and October.

Chairman's Statement

Share capital

Your Board monitors the level of premium or discount of the share price relative to the NAV and recognises that shareholders prefer lower volatility in this rating. While we do not use a formal rating target, we have in the past bought back shares when they trade at a discount, to the benefit of shareholders. Equally, when the shares are trading at a premium, it is possible to issue new shares accretively. During the year, we issued approximately 1.5 million new shares at a premium to NAV in order to fund a very interesting new investment. We expect to continue to utilise the flexibility to issue new shares at a premium where we consider it is in shareholders' interests.

Board and governance

I am very grateful to my colleagues on the Board for their support and guidance as I reacquainted myself as a non-executive Director from April 2019 and Chairman from October. We are all mindful of the need to periodically refresh the experience, ideas and composition of the Board and I am delighted to announce that Maxim Parr and Jonathan Sorrell will be joining in April, subject to shareholder approval at the AGM. Maxim is CEO of nr2, a cross-border technology investment platform, focused on China, and has extensive experience in investments, in particular in East Asia. Jonathan is President of Capstone, a global asset manager, having previously been President and CFO of Man Group plc.

Having served on the Board for approximately 10 and 15 years respectively, the Duke of Wellington and Michael Marks have announced they will not be standing for re-election at the forthcoming AGM. Charles and Michael have made an enormous contribution to the success of your Company over the years. Their wisdom and dedication, and their valued contributions to the work of the Board and its Committees, will be much missed. On behalf of all my colleagues, I would like to thank them for their many years of service to the Company.

Outlook

The macro concerns I have highlighted above have not abated since year end. Valuations in many asset classes are already expensive and we find ourselves in the eleventh year of this market cycle. While we are comfortable with our core positions, and continue to uncover areas of opportunity, the environment necessitates an even greater focus on maintaining our disciplined investment approach and rigorous portfolio construction. More than ever, we remain convinced of the relevance of RIT's differentiated approach, and believe we are well positioned for the inevitable challenges and opportunities that the markets will provide.

James Leigh-Pemberton

Sir James Leigh-Pemberton
Chairman

Our Purpose, Strategy and Business Model

Purpose and strategic aims

We consider our purpose and strategic aims to be clearly set out in 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."

Our purpose as an investment company is to provide diversified portfolio management on behalf of our shareholders to achieve this objective.

However, as we differ from many conventional investment trusts who always aim to be fully invested in quoted equities, this section provides further clarification of what we are trying to achieve for shareholders over time.

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

There may be times when we will deliberately place protection of shareholders' funds ahead of growth but we believe that active management of equity exposure, combined with early identification of opportunities and themes, while investing across multiple asset classes, is more likely to lead to long-term outperformance.

We would seek therefore to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles. Indeed, since your Company's listing in 1988, we have participated in 73% of the market upside but only 38% of the market declines. This has resulted in our NAV per share total return compounding at 11.0% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.2% per annum.

Investment approach

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

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

This policy guides our Manager and subsidiary, JRCM as they manage your portfolio. So, while we have a core equity bias, we typically invest your portfolio across multiple asset classes, geographies, industries and currencies. This has been the basis of our approach over many years – combining thematic investing with individual securities, and private investments with public stocks. The long-term success of your Company has been drawn from a distinctive blend of stocks, private investments, equity funds, real assets, and absolute return and credit, all overlaid with currency positioning and macro exposure management.

> We would hope therefore to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles. Indeed, since your Company's listing in 1988, we have participated in 73% of the market upside but only 38% of the market declines.

We believe the extent of our global reach and unique network allows us to maximise our ability to deploy capital effectively. Our Manager's in-house investment team works closely with core external managers, enabling us to invest in funds which may be closed to new investors, and cannot be accessed by a retail investor. In addition, this strong network provides access to intellectual capital, and co-investment opportunities. This aspect of our model is key to our ability to identify and deliver value from differing sectors, markets and assets. And while access to such specialist managers comes at a cost, it is an important part of the investment decision and, if warranted, we are comfortable paying that cost.

Above all, our approach is long term. The permanent capital structure of an investment trust compared to open-ended funds, means we do not suffer from liquidity-driven pressures to fund redemptions. We can therefore hold our investments in both public and private markets over an extended period and choose to realise them at the optimum time.

Another key facet of the investment approach is risk management. The Board establishes and oversees the risk appetite through regular monitoring of asset allocation and security limits. These are intended to allow JRCM to efficiently and effectively manage the portfolio in line with the Corporate Objective. The Manager has developed a sophisticated risk management approach, which incorporates quantitative and qualitative measures, and on which it reports regularly to the Board. The risk

Our Purpose, Strategy and Business Model

management tools assist in the construction of a portfolio designed to provide diversified sources of return and to monitor closely the performance of individual assets and the portfolio composition. Further information on risk management is set out on pages 16 to 19.

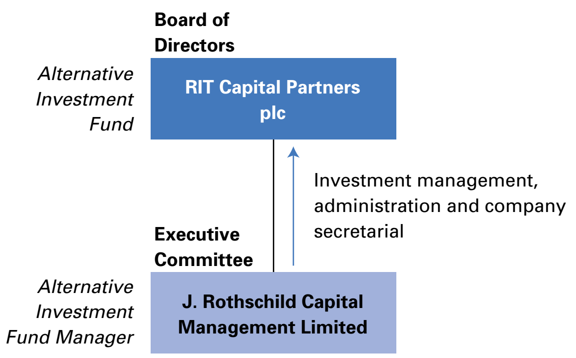
In summary, our flexible and distinctive model, with the freedom to utilise multiple asset classes and different investment structures, allows our Manager to deploy capital and manage risks as effectively as possible.

Further information in relation to the investment approach as well as portfolio attribution and returns is set out in the Manager's Report on pages 9 to 12.

Business model, culture and values

RIT Capital Partners plc is a listed investment company, approved by HM Revenue and Customs (HMRC) as an investment trust. It is an Alternative Investment Fund (AIF) in accordance with the European Union's Alternative Investment Fund Managers Directive (AIFMD).

Investment management, as well as administration and company secretarial, is delegated under a formal agreement to JRCM, a subsidiary of the Company. JRCM is separately regulated as the Alternative Investment Fund Manager (AIFM) under AIFMD. JRCM is governed by a separate board of directors – its Executive Committee. This committee is led by Francesco Goedhuis as Chairman and Chief Executive Officer, and is responsible for day-to-day operations (see page 24).



In addition, the Manager is also responsible for our subsidiary, Spencer House Limited (SHL). This company provides premises management for Spencer House and our other investment properties in St James's. It also operates a profitable events business.

I am responsible for the leadership of the Board, which is ultimately tasked with ensuring we meet our Corporate Objective, and maintain high standards of corporate governance.

In summary, our flexible and distinctive model, with the freedom to utilise multiple asset classes and different investment structures, allows our Manager to deploy capital and manage risks as effectively as possible.

The main focus of the Board is on ensuring that the investment approach is suitable for achieving our Corporate Objective, and on monitoring the performance of the Manager. In order to do this, we receive regular and detailed reports covering investment performance, risk, finance and operational matters.

The employees of our Manager and SHL are critical to our ability to meet all of the objectives of the Company. A key part of the monitoring of the Group is ensuring that the Manager is appropriately incentivised to deliver sustained, risk-adjusted returns and is able to attract, retain and develop a top quality team which operates in accordance with our core values within a culture of high performance.

Our core values of respect, dignity and integrity are evidenced by the Group's five business principles of collaboration, enterprise, efficiency, effective communication and professional ethics, which are regularly communicated and reinforced through the Groups' recruitment and appraisal processes. JRCM monitors the health of its culture by assessing regularly how well these principles are being applied, and the Board receives regular reports on this topic.

The Group has a clear and proactive approach to regular employee engagement, which has been enhanced in recent months. The Corporate Governance Report on pages 25 to 35 provides more detail of these interactions.

We are firm believers in the benefits that cognitive diversity brings to decision making, and seek to ensure this is reflected in our recruitment processes, both at Board level and within our subsidiaries. At the year end the Board comprised 10 Directors, of which seven were men and three women. Within our subsidiaries, the employee base comprised 39 men and 13 women.

Corporate governance

The Directors are responsible for compliance with applicable rules, regulations and guidance in relation to governance, in particular taking into account the matters set out in Section 172(1) of the Companies Act 2006, which guides our approach to strategy and decision making (see pages 29 and 47). The Board recognises that its actions have lasting impacts and consequences for the

Our Purpose, Strategy and Business Model

future of the Company, its shareholders and other stakeholders, and approaches its responsibilities accordingly.

The Board has a responsibility for ensuring that there are strong and healthy ties with all of our stakeholders, making sure that we consider their interests and acknowledge that the Group's interaction with them is fundamental to the long-term success of the business.

The Directors receive regular feedback and reports from the Manager on its investor relations activity, as well as from brokers and analysts to ensure that shareholders' views are well understood by the Board.

Our shareholders focus on performance in delivering the Corporate Objective. This informs the Board's desire to seek healthy, risk-adjusted returns over the long term and through the cycles, with careful attention to capital preservation, and mindful of the Company's reputation as a responsible fiduciary of shareholder capital. In assessing the right strategy to achieve these aims, the Board considers the ongoing suitability of the Investment Policy and, in particular, the approach taken by the Manager to execute on the policy.

Other areas considered by the Board where shareholder views were taken into account, were the 2020 dividend and share issuance (as discussed in my Chairman's Statement). In relation to the latter, shareholders' desire for lower volatility in the premium or discount to NAV at which your Company's shares trade, helped the Board to form a view on issuing shares accretively, where we consider it to be in shareholders' interests.

The Group has relationships with a number of suppliers and service providers which play an important role in enabling us to operate our business efficiently. The Groups' overarching policy with respect to these relationships is that they should be managed so that they are both sustainable and mutually beneficial over the medium term, and deliver value for money for our shareholders (see page 29).

The Board believes that consideration of environmental, social and governance (ESG) factors is important for the delivery of sustainable financial returns from our portfolio, and for the protection of the value of our shareholders' capital, and we are taking a carefully considered approach to the issue. Depending on the specific circumstance, these factors form part of the due diligence undertaken by our Manager prior to selecting investments. Within our own activities, we have always striven to act as good corporate citizens, with robust governance and minimising our environmental impact. Further information is set out on pages 29, 45 and 46.

The Corporate Objective informs the desire to seek healthy, risk-adjusted returns over the long term and through the cycles, with careful attention to capital preservation, and mindful of the Company's reputation as a responsible fiduciary of shareholder capital.

Measuring performance and KPIs

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

The strategic aims highlighted on this and earlier pages, reflect the desire to produce real capital growth and to exceed markets over time. These are reflected in the following targets or key performance indicators (KPIs):

1. Absolute outperformance: NAV total return in excess of RPI plus 3.0% per annum;
2. Relative outperformance: NAV total return in excess of the MSCI All Country World Index (ACWI); and
3. Share price total return or total shareholder return (TSR).

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

The second reflects our unconstrained global investment approach and the desire to outperform markets.

Consistent with many investment companies, we currently use the ACWI, which we believe is an appropriate comparator for our global, unconstrained approach. More specifically, we use a blended index consisting of 50% of the ACWI measured in sterling and 50% of the ACWI measured in local currencies.

While JRCM is tasked with managing the portfolio to deliver a NAV return, ultimately, the return to our shareholders is through share price growth and dividends. We therefore also consider the TSR as our third KPI.

Incentive structure

Our approach to remuneration incorporates the Directors' Remuneration Policy as well as specific structures within JRCM and SHL designed to attract, motivate and retain the high-quality individuals we need to deliver our long-term strategic aims and sustainable success.

Our Purpose, Strategy and Business Model

The remuneration approach is designed to align with, and reinforce, these strategic aims.

The Group operates an Annual Incentive Scheme (AIS) for employees as well as longer-term share-based awards. The cap for total payments under the AIS is 0.75% of net assets. This approach is designed to measure and reward the Company's performance, and seek to provide an appropriate balance between shorter-term awards and longer-term incentives, as well as the need for robust risk management.

The AIS rewards investment outperformance as measured against two KPIs: RPI plus 3.0% and the ACWI. It also rewards wider achievements linked not to the NAV return, but to the Group's five business principles. The scheme is measured annually and includes longer-term features such as a three-year 'high water mark' as well as significant deferral into the Company's shares.

The second main aspect of the remuneration approach is a long-term incentive plan (LTIP) that provides longer-term incentives of up to 10 years using share appreciation rights (SARs) and performance shares. These also vest based on RIT's TSR compared to RPI plus 3.0% and/or the ACWI.

Further details of remuneration are provided in the Directors' Remuneration Report on pages 39 to 43.

Shareholder communication and AGM
While this report forms a core part of the annual communication to shareholders, there are many additional ways to remain informed. Shareholders are encouraged to visit our website, www.ritcap.com, which provides regular updates of performance and exposure. I hope to meet as many of you as possible at our AGM on 27 April at Spencer House, where there will also be an opportunity to hear directly from our Manager.

I would like to thank shareholders for their ongoing loyalty and support. These are not things we take for granted, and I hope we will continue to justify them in the years to come.

Finally, a sincere thanks to our employees as well as to the many advisers, counterparties and suppliers, without whom we could not operate.

Sir James Leigh-Pemberton
Chairman

Manager's Report

Overview
Following 2018's broad equity market declines, 2019 saw resurgent markets. Having produced a positive NAV return in 2018, we are satisfied to have generated healthy double-digit performance in 2019.

While our approach is fundamentally long term, we try to blend this with appropriate levels of pragmatism where warranted over the shorter term.

In light of the clear risks and our overriding capital preservation focus, we retained a cautious stance in the portfolio, with modest quoted equity exposure complemented by carefully structured allocations to other asset classes. We adjusted the portfolio positioning during the year where we saw opportunities or clear risks.

We saw strong returns in our quoted equity portfolio, supported by broad returns across our other asset classes. Many of our underlying, long-term structural allocations (for example to China, biotech and technology) performed particularly well.

Overall, the NAV total return for the year was 12.0%, above our absolute KPI, RPI plus 3.0% per annum, and behind the fully-invested equity index (ACWI) which returned 24.0%. With the premium increasing slightly over the year to 5.5%, the TSR was 12.5%.

Markets, positioning and performance
Notwithstanding the increasing evidence of a deteriorating outlook for global growth and earnings as well as other challenges, developed equity markets ended 2019 more than 20% higher.

There were broadly two phases to the rally. The initial bounce-back followed the treacherous end to 2018, as investors realised that economies were not at the precipice of a recession. Furthermore, global policy accommodation and reduced trade tensions resulted in a sharp decline in risk premia across all asset classes, with little consideration for fundamentals. For example, there was minimal earnings growth throughout the rally.

Moreover, equities did not attach any risk to what has clearly been a worsening economic outlook. This kind of market behaviour tends to be associated with the early, recovery phase of the business cycle, not some 10 years into the longest expansion on record. This made it a particularly unpredictable year.

Within this context, it should not be surprising that we adjusted our portfolio exposure as the year unfolded. We started 2019 with a somewhat higher quoted exposure following the 2018 sell-off, reducing our hedges and deploying capital to areas where we saw long-term structural support. As we observed clearer indicators of slowdown during the latter part of the year, we reduced our overall exposure to market risk.

Similarly, sterling's politically-induced volatility over 2019 was an area which required careful risk management, to avoid an undue impact on the NAV.

Asset allocation and portfolio contribution

Asset category	31 December 2019 % NAV	2019 contribution %	31 December 2018 % NAV	2018 contribution %
Quoted equity	46.7%	12.7%[1]	47.0%	(6.3%)[1]
Private investments	25.1%	2.4%	25.7%	4.9%
Absolute return and credit	22.9%	0.7%	23.7%	0.5%
Real assets	2.9%	0.9%	3.1%	0.1%
Government bonds and rates	1.2%	(0.1%)	0.5%	0.4%
Currency	1.3%	(3.1%)[2]	(0.3%)	2.2%[2]
Total investments	100.1%	13.5%	99.7%	1.8%
Liquidity, borrowings and other	(0.1%)	(1.5%)[3]	0.3%	(1.0%)[3]
Total	**100.0%**	**12.0%**	**100.0%**	**0.8%**
Average net quoted equity exposure[1]	43%		47%	

[1] The quoted equity contribution reflects the profits from the net quoted equity exposure during the year. The exposure can differ from the % NAV as the former reflects notional exposure through derivatives as well as estimated adjustments for derivatives and/or liquidity held by managers.

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

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

Manager's Report

Overall, the key performance drivers for 2019 were:

- a significant recovery from structural themes including allocations to China, biotech and technology;
- the single stocks portfolio delivered strong returns from growth stocks in the first half of the year, then benefitted from a rotation into more value-driven stocks in the second half of the year;
- steady returns from private investments following an excellent 2018; and
- a healthy contribution from non-equity investments led by real assets.

The main headwinds were:

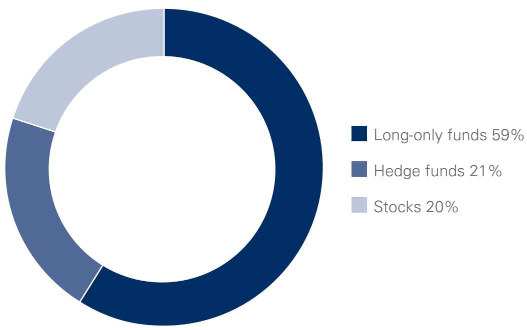
- the broad appreciation of sterling against most major currencies; and
- on a relative basis, our cautious net quoted equity exposure, which averaged 43% over the year.

Further information by asset class is set out below.

Quoted equity
This category includes direct stocks, long-only funds, equity hedge funds, listed co-investments and our equity exposure management positions.

The quoted equity portfolio had a strong year and was the main contributor to the overall NAV return, at 12.7%.

Quoted equity portfolio by category



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

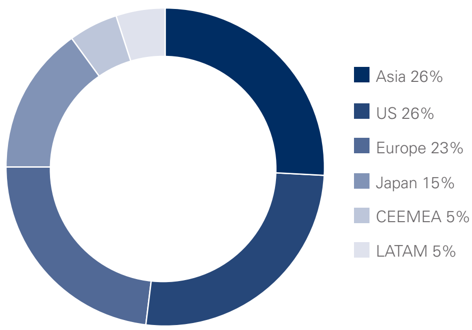
The direct stocks portfolio contributed nearly 5% to the overall NAV. It benefitted in the early part of the year from the steady rise of growth-driven stocks, while a timely rotation towards value and cyclical stocks later in the year enhanced the overall return. We reduced the exposure towards the year end, as we saw both growth and value-driven stocks being more vulnerable to setbacks following the 2019 re-rating. During the year, we exited our profitable listed co-investments including: CSX, ADP and Proctor & Gamble.

Our long-only managers delivered returns nearly in line with markets, although with a dispersion between those with exposure to technology, biotech and China, which performed strongly and those funds with exposure to Latin America (LATAM), India and Japan, which produced more modest positive returns.

During the year, we allocated additional capital to our Japanese equity specialist, Morant Wright, as we continue to see attractive valuations within the small and mid-cap segments. Later in the year, we also initiated a new position with a manager targeting UK companies, where valuations remained relatively attractive and likely to benefit from a more constructive domestic environment.

Hedge funds performed reasonably well, with their aggregate contribution driven by BlackRock European Hedge and Gaoling. Continuing a theme we highlighted last year, our overall allocation to hedge funds was further reduced.

Quoted equity portfolio by geography



Note: CEEMEA denotes Central and Eastern Europe, Middle East and Africa.

In terms of geographical allocation relative to the ACWI, our quoted equity book retains a meaningful exposure to emerging markets, in particular Asia. While much has been in the headlines about slowing Chinese economic growth, the economy is already in transition, becoming more reliant on servicing its burgeoning middle-class, thereby generating long-term opportunities in the domestic market. To help identify the best companies, we have continued to strengthen our ties with local specialists.

With much of our US exposure held within our private investments, our quoted equity exposure was more modest, with the ebbing of the effect of fiscal stimulus, the slowdown in earnings growth and historically high valuations all dampening our views for US equities.

Manager's Report

Private investments
The private investment portfolio represented 25% of net assets at the year end, of which 15% was held in third-party funds and 10% in directly-held investments. Both portfolios delivered positive returns in 2019, following a very strong 2018.

During the year, we saw the successful IPO of Helios Towers. On its listing in October at a share price of 115 pence, broadly in line with our holding value, the position transferred to our quoted portfolio, ending the year at 158 pence. We made a number of new investments during the year, including $50 million in KeepTruckin, a US-based freight logistics and brokerage business and $10 million into Credit Karma, a US/UK financial data platform. We also deployed more modest amounts of capital into a number of exciting, early stage venture opportunities.

The largest position, Acorn, a global coffee and soft beverage company, continued to perform well. Following the merger of Keurig and Dr Pepper Snapple, the majority of Acorn's interest is now in a quoted stock – Keurig Dr Pepper – which was up around 13% over the year.

The third-party fund portfolio contributed 1.7% to the overall return, mainly driven by the venture capital funds. The portfolio saw sizeable distributions broadly in line with the capital calls. In terms of new commitments, we continue to set the bar very high and only allocate to select managers where we have the expectation of compelling returns, as well as in relation to some funds, strong co-investment deal flow.

As normal, the majority of the private funds are valued using the General Partner's (GP) September valuations and adjusted for subsequent capital calls or distributions.

Absolute return and credit
The absolute return and credit portfolio represents 23% of the overall NAV and includes funds managing various strategies distinct from conventional quoted equities. These include Eisler Capital, a macro manager, as well as Attestor, a distressed debt specialist.

While the bulk of the funds within this category have delivered positive returns in line with our expectations, dislocations in emerging market debt subdued the returns of some of our funds.

In December, we invested in a loan note issued by LionTree, a successful and fast-growing merchant bank focused on creative industries and the digital economy. The investment was financed through the issuance of approximately 1.5 million new RIT shares at a premium to NAV.

In terms of positioning, we have adjusted the portfolio to hold relatively low exposure to directional credit. We view this as one of the least attractive asset classes from a risk-reward ratio, as a result of the combination of record corporate leverage, masked by ultra-low rates, and a significant proportion of unprofitable companies.

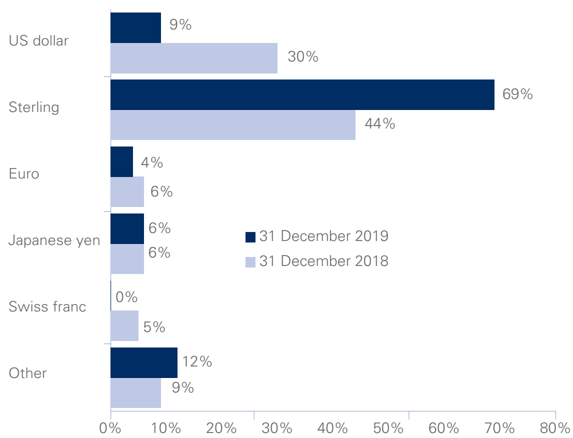
Real assets
The real assets category contributed 0.9% to the overall return, reflecting average exposure during the year of around 6% of NAV. The main driver of returns was gold, with both our direct gold positions and gold mining funds performing well, buoyed by a 19% increase in the commodity over the year. We continue to view gold as an important diversifier against increased macro volatility, caused by either lower growth and/or higher inflation.

Investment properties, which account for approximately 2% of NAV, were valued slightly lower during the period highlighting a difficult environment for high-end properties, in part attributed to Brexit uncertainty.

Currencies
2019 was an eventful year for currencies and in particular for sterling. After dropping by around 6% against the dollar in the first eight months of the year, it recovered (and more) in the last four months of the year to end as the second best performing G10 currency.

As a global investor, with often a relatively modest allocation to UK assets (and therefore low 'natural' sterling exposure) the currency could have a sizeable impact on our net asset value. Given the manifest uncertainties, we further increased the focus on our currency risk management. Crucial to our approach has been to balance the hedging costs (given substantial differentials between dollar and sterling interest rates), and the desire to protect the NAV in the case of a sharp sterling appreciation. Sterling strength in the second half of 2019, stemming mainly from the conclusion of parliamentary uncertainty on Brexit, offset some of the portfolio gains. Careful risk management using currency forwards and options, helped decrease the overall impact on the portfolio of a near 10% move in the currency to 3% (of which the hedging costs were an important element). This was, nonetheless, the largest headwind to the portfolio return.

Currency exposure as % of NAV



Note: This chart excludes exposure from currency options

Manager's Report

At 31 December 2019, our sterling exposure of 69% of NAV represents the highest exposure for many years. The majority of the sterling increase has been offset by a reduction in the US dollar, which stood at 9% of NAV, as the currency had lost some of its supportive relative growth differentials. However, we are alert that a weaker dollar has become increasingly the consensus view, and given that it remains still one of the highest yielding safe assets around, we will continue to monitor the situation closely.

Debt and leverage

We have continued to deploy leverage during 2019 through a combination of short-term revolving credit facilities (RCFs) as well as our longer-term fixed interest notes.

Towards the year end, we refinanced one of the existing facilities with National Australia Bank, and also entered into a new banking relationship with Industrial and Commercial Bank of China. At the year end, we held drawn borrowings of £50 million through our RCFs, with £335 million undrawn.

The fair value of RIT's £151 million loan notes increased over the year as Gilt yields declined, resulting in a year-end value of £166 million and an £11 million mark-to-market loss. While this accounting adjustment has a temporary impact on fair value, it will ultimately reverse over the life of the notes.

We also deploy leverage through the careful use of derivatives, designed to both hedge the NAV against unwanted exposures and to enhance returns through efficient structuring. For example, when sterling appreciated in the second half of the year, we deployed currency options to protect the portfolio. Equally, we used derivatives to gain exposure to gold.

Operations and costs

JRCM manages the Group on a day-to-day basis on behalf of the Board, providing investment management, administration and company secretarial services. At the year end, we employed 40 people in JRCM and 12 in our sister company, SHL.

SHL maintains and manages the investment property, including Spencer House as well as other properties in St James's, London. It also operates a profitable events business.

Part of our responsibility is to ensure that we manage the Group's activities as efficiently as possible. Our senior team and key staff members are all incentivised on the NAV return and share price, net of all costs. We therefore strive to manage the portfolio as efficiently as possible, taking into consideration the direct costs of the Group, as well as the fees charged by external fund managers.

In order to provide investors with information on the costs of RIT's own investment business, we calculate an ongoing charges figure (OCF) based on recommendations from the Association of Investment Companies (AIC). These assume no change in the composition or value of the portfolio (therefore excluding transaction costs and direct performance-related compensation) and excludes finance costs. For 2019, RIT's own OCF amounted to 0.68%, with further information provided on page 91.

In addition to our Group costs, RIT's Investment Policy includes the allocation of part of the portfolio to third-party managers, which have their own fees. These include long-only equity and hedge fund managers, as well as private equity and absolute return and credit funds. The managers' fee structure is a key consideration in our due diligence, with the investment decision made on the basis of expected returns, net of all fees. To assist shareholders, we estimate that the average annual management fees for external managers represent an additional 0.90% of average net assets. This excludes performance fees which are typically paid for outperformance against an index or an absolute hurdle. Further information on fees is provided on page 45.

Outlook

As we enter 2020, we are cognisant that interest rates remain very low, which for some investors, makes equities the 'only show in town'. Our view is that a significant amount of good news is already priced in, and the market is unlikely to show resilience against any sustained macro or geopolitical volatility. Furthermore, after such a strong run in many of our structural themes we are, if anything, more focused on managing risk rather than adding exposure. This backdrop means that incremental equity additions are likely to be more selective than ever.

We remain, as always, in debt to all of our colleagues and appreciate the support we receive from suppliers, counterparties and the wider community.

Francesco Goedhuis
Chairman and Chief Executive Officer
J. Rothschild Capital Management Limited

Ron Tabbouche
Chief Investment Officer
J. Rothschild Capital Management Limited

Investment Portfolio

Investment portfolio as at 31 December 2019

Investment holdings	Country/region	Industry/description	Value of investments £ million	% of NAV
Quoted equity				
Stocks:				
Reckitt Benckiser	United Kingdom	Consumer staples	54.0	1.7%
Helios Towers	Africa	Communication services	42.4	1.3%
Alphabet	United States	Information technology	30.3	1.0%
Booking Holdings	United States	Consumer discretionary	20.4	0.7%
Richemont[2]	Switzerland	Consumer discretionary, 1.0% notional	10.7	0.3%
Citigroup[1]	United States	Financials, 1.0% notional	1.2	0.0%
S&P Global[1]	United States	Financials, 0.5% notional	0.0	0.0%
Other stocks	–	–	24.4	0.8%
Total stocks:			183.4	5.8%
Long-only funds:				
Morant Wright[3]	Japan	Small/mid-cap, value bias	156.7	5.0%
HCIF Offshore	United States	All-cap, biotechnology	151.2	4.8%
Springs Opportunities	China	All-cap, diversified	100.2	3.2%
BlackRock Emerging Markets	Emerging Markets	All-cap, value bias	94.9	3.0%
Brown Advisory LATAM[3]	Latin America	All-cap, diversified	62.7	2.0%
Ward Ferry Asian Smaller Companies	Asia	Small/mid-cap, diversified	59.4	1.9%
Sand Grove UK	United Kingdom	All-cap, diversified	56.8	1.8%
Emerging India Focus	India	All-cap, diversified	50.6	1.6%
Lansdowne New Energy	Global	All-cap, energy	44.8	1.4%
Sumi Trust Japan	Japan	Small-cap, diversified	42.9	1.4%
Trian Partners	United States	Large-cap, diversified	38.8	1.2%
Tekne long-only fund	United States	All-cap, information technology	31.7	1.0%
Other long-only funds	–	–	61.6	2.0%
Total long-only funds:			952.3	30.3%
Hedge funds:				
BlackRock European Hedge Fund	Europe	All-cap, diversified	112.7	3.6%
Gaoling	China	All-cap, diversified	70.8	2.3%
RIT Discovery[4]	Global	All-cap, diversified	54.5	1.7%
ENA Opportunity	Europe	All-cap, diversified	51.6	1.6%
Other hedge funds	–	–	43.9	1.4%
Total hedge funds:			333.5	10.6%
Derivatives:				
Global Value Basket	Global	Long, 2.0% notional	0.1	0.0%
GS Custom US Transport Swap	United States	Short, 0.8% notional	(0.2)	(0.0%)
iShares NASDAQ Biotech ETF Swap	United States	Short, 1.3% notional	(0.1)	(0.0%)
Other derivatives	–	–	0.9	0.0%
Total derivatives:			0.7	0.0%
Total quoted equity			**1,469.9**	**46.7%**

Investment Portfolio

Investment holdings	Country/region	Industry/description	Value of investments £ million	% of NAV
Private investments – direct:				
Acorn	Global	Consumer staples	117.1	3.7%
Coupang	Asia	Information technology	56.4	1.8%
KeepTruckin	United States	Information technology	38.3	1.2%
CSL	United Kingdom	Information technology	28.3	0.9%
Infinity Data Systems	United Kingdom	Information technology	12.0	0.4%
Age of Learning	United States	Information technology	9.8	0.3%
Other private investments – direct	–	–	69.8	2.2%
Total private investments – direct			**331.7**	**10.5%**
Private investments – funds:				
Thrive Capital Funds	United States	Venture capital	91.4	2.9%
Iconiq Funds	United States	Venture capital	74.5	2.4%
BDT Capital Funds	United States	Private equity	54.8	1.8%
Hillhouse Funds	China	Private equity	43.1	1.4%
3G Special Situations	United States	Private equity	13.0	0.4%
Mithril Funds	United States	Venture capital	10.9	0.4%
Sandler Capital V	United States	Private equity	10.6	0.3%
Eight Partners Funds	United States	Venture capital	10.0	0.3%
Ribbit Capital Funds	United States	Venture capital	10.0	0.3%
Other private investments – funds	–	–	139.0	4.4%
Total private investments – funds			**457.3**	**14.6%**
Absolute return and credit:				
Eisler Capital Fund	Global	Macro strategy	149.9	4.8%
Attestor Value Fund	Global	Distressed and special situations	111.3	3.5%
Elliott International	Global	Multi-strategy	101.2	3.2%
Farmstead Fund	United States	Distressed and special situations	54.1	1.7%
Sand Grove Tactical	Global	Multi-strategy	49.0	1.6%
RIT US Value Partnership	Global	Multi-strategy	41.7	1.3%
Emso Opportunity Strategies Fund	Global	Opportunistic credit	41.5	1.3%
Caxton Dynamics	Global	Multi-strategy	38.2	1.2%
BTG Global Derivatives Opportunities	Global	Volatility strategy	35.2	1.1%
LionTree Advisory Loan Note	Global	Corporate loan	30.2	1.0%
TRG Select Opportunities	Global	Opportunistic credit	21.3	0.7%
Other absolute return and credit	–	–	45.8	1.5%
Total absolute return and credit			**719.4**	**22.9%**
Real assets:				
Spencer House	United Kingdom	Investment property	33.3	1.1%
St James's properties	United Kingdom	Investment property	26.4	0.8%
BlackRock World Gold Fund	Global	Gold and precious metal equities	22.1	0.7%
Gold futures	United States	Long, 3.5% notional	4.1	0.1%
Other real assets	–	–	6.6	0.2%
Total real assets			**92.5**	**2.9%**
Government bonds and rates:				
UK Inflation-Linked Gilts	United Kingdom	Maturing October 2041	36.4	1.2%
Total government bonds and rates			**36.4**	**1.2%**

Investment Portfolio

Investment holdings	Country/region	Industry/description	Value of investments £ million	% of NAV
Other investments:				
Currency forward contracts	Global	Forward currency contracts	42.2	1.3%
Currency options	Various	Premium	0.1	0.0%
Total other investments			**42.3**	**1.3%**
Total investments			**3,149.5**	**100.1%**
Liquidity:				
Liquidity		Cash at bank/margins	133.4	4.3%
Total liquidity			**133.4**	**4.3%**
Borrowings:				
Commonwealth Bank of Australia loan		Revolving credit facility	(25.0)	(0.8%)
Industrial and Commercial Bank of China loan		Revolving credit facility	(25.0)	(0.8%)
RIT senior notes		Long-term loan notes	(166.4)	(5.3%)
Total borrowings			**(216.4)**	**(6.9%)**
Other assets/(liabilities)		Various	79.1	2.5%
Total net asset value			**3,145.6**	**100.0%**

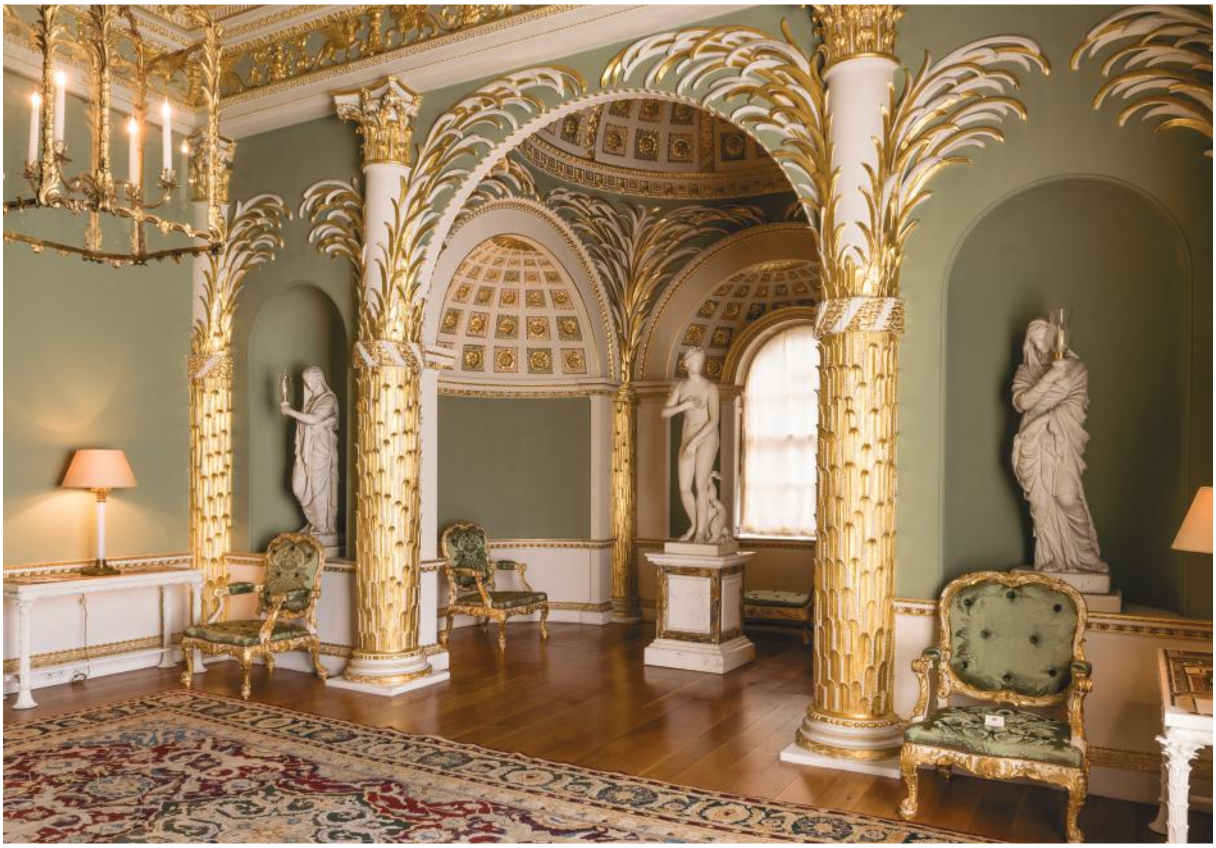
Where relevant, the portfolio positions are ordered by their notional exposure rather than by their fair value.

[1] Held via total return swaps with notional exposure disclosed in the table.

[2] This stock is held both as a cash equity and via a total return swap.

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

[4] This contains investments with four emerging hedge fund managers, the largest being Darsana (£23.9 million).



Principal Risks and Viability

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

As an investment company, RIT is exposed to financial risks inherent in its portfolio, which are primarily market-related and common to any portfolio with significant exposure to equities and other financial assets. The ongoing portfolio and risk management includes an assessment of the macroeconomic or geopolitical factors that can influence market risk, as well as consideration of investment-specific risk factors.

As described in the Manager's Report, while 2019 ultimately ended with global equity markets posting sizeable gains, the year saw a material rotation between the areas showing market leadership, increasing signs of macro slowdown and ongoing geopolitical concerns. All of which necessitated a careful approach to risk management.

In addition to equity markets, currencies were also a key focus. As a UK company with global investments, sterling's exchange rate can have an important impact on the NAV. 2019 was particularly challenging as a result of the ongoing uncertainty surrounding the UK Government and the Brexit process. While the short-term implications became clearer following the general election, the medium to long-term path remains unclear.

In terms of the Group's operations, we had assessed the implications from the UK's departure from the EU, concluding that there should be no significant impacts to the Manager's operations.

Furthermore, your Company's broad and flexible investment mandate allows the Manager to take whatever action is considered appropriate in mitigating any attendant risks to the portfolio.

The Board sets the portfolio risk parameters within which JRCM operates. This involves an assessment of the nature and level of risk within the portfolio using qualitative and quantitative methods. Additional information in relation to market risk, liquidity risk and credit risk in accordance with IFRS 7 Financial Instruments, is shown in note 14 on pages 64 to 67.

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

The Board is responsible for the Group's system of internal controls and it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. Further information is provided in the Audit and Risk Committee Report on pages 36 to 38.

Principal risks
The Board has carried out a robust assessment of the emerging and principal risks facing the Company, concluding that the principal risks remain as described below:

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

Principal Risks and Viability

Financial risks	Mitigation
Market risk RIT invests in a number of asset categories including stocks, equity funds, private investments, absolute return and credit, real assets, government bonds and derivatives. The portfolio is therefore exposed to the risk that the fair value of these investments will fluctuate because of changes in market prices. Consistent with the Investment Policy, the Group invests globally in assets denominated in currencies other than sterling as well as adjusting currency exposure to either seek to hedge and/or enhance returns. This approach exposes the portfolio to currency risk as a result of changes in exchange rates. In addition, the Group is exposed to the direct and indirect impact of changes in interest rates.	The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared regularly, and form the basis for the ongoing risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes, as well as assessing the underlying correlations amongst the separate asset classes. Exposure management is undertaken with a variety of techniques including using equity index futures and options to hedge or to increase equity exposure depending on overall macroeconomic and market views. Currency exposure is managed via an overlay strategy, typically using a combination of currency forwards and/or options to adjust the natural currency of the investments in order to achieve a desired net exposure. The geographic revenue breakdown for stocks as well as correlations with other asset classes are also considered as part of our hedging strategy.
Liquidity risk Liquidity risk is the risk that the Group will have difficulty in meeting its obligations in respect of financial liabilities as they fall due. The Group has significant investments in and commitments to direct private investments and funds which are inherently illiquid. In addition, the Group holds investments with other third-party organisations which may require notice periods in order to be realised. Capital commitments could, in theory, be drawn within minimal notice. In addition, the Group may be required to provide additional margin to support derivative financial instruments.	The Group manages its liquid resources to ensure sufficient cash is available to meet its expected needs. It monitors the level of short-term funding, and balances the need for access to such funding and liquidity, with the long- term funding needs of the Group, and the desire to achieve investment returns. Covenants embedded within the banking facilities and long-term notes are monitored on an ongoing basis for compliance, and form part of the regular stress tests. In addition, existing cash reserves, as well as the significant liquidity that could be realised from the sale or redemption of portfolio investments and undrawn, committed borrowings, could all be utilised to meet short-term funding requirements if necessary. As a closed-ended company, there is no requirement to maintain liquidity to service investor redemptions. As Depositary, BNP Paribas Securities Services (BNP) has separate responsibilities in monitoring the Company's cash flow.
Credit risk Credit risk is the risk that a counterparty to a financial instrument held by the Group will fail to meet an obligation which could result in a loss to the Group. Certain investments held within the absolute return and credit portfolio are exposed to credit risk, including in relation to underlying positions held by funds. Substantially all of the listed portfolio investments capable of being held in safe custody, are held by BNP as custodian and depositary. Bankruptcy or insolvency of BNP may cause the Group's rights with respect to securities held by BNP to be delayed. Unrealised profit on derivative financial instruments held by counterparties is potentially exposed to credit risk in the event of the insolvency of a broker counterparty.	The majority of the exposure to credit risk within the absolute return and credit portfolio is indirect exposure as a result of positions held within funds managed externally. These are typically diversified portfolios monitored by the third-party managers themselves, as well as through JRCM's ongoing portfolio management oversight. Listed transactions are settled on a delivery versus payment basis using a wide pool of brokers. Cash holdings and margin balances are also divided between a number of different financial institutions, whose credit ratings are regularly monitored. All assets held by the custodian are in fully segregated client accounts. Other than where local market regulations do not permit it, these accounts are designated in RIT's name. The custodian's most recent credit rating was A from Standard & Poor's (S&P).

Principal Risks and Viability

Operational risks	Mitigation
Key person dependency In common with other investment trusts, investment decisions are the responsibility of a small number of key individuals within the Manager. If for any reason the services of these individuals were to become unavailable, there could be a significant impact on our business.	This risk is closely monitored by the Board, through its oversight of the Manager's incentive schemes as well as the succession plans for key individuals. The potential impact is also reduced by an experienced Board of Directors, with distinguished backgrounds in financial services and business.
Legal and regulatory risk As an investment trust, RIT's operations are subject to wide ranging laws and regulations including in relation to the Listing Rules and Disclosure, Guidance and Transparency Rules of the FCA's Primary Markets function, the Companies Act 2006, corporate governance codes, as well as continued compliance with relevant tax legislation including ongoing compliance with the rules for investment trusts. JRCM is authorised and regulated by the Financial Conduct Authority (FCA) and acts as Alternative Investment Fund Manager. The financial services sector continues to experience regulatory change at national and international levels. Failure to act in accordance with these laws and regulations could result in fines, censure or other losses including taxation or reputational loss. Co-investments and other arrangements with related parties may result in conflicts of interest.	The Operational Risk Committee of JRCM provides oversight of all legal, regulatory and other operational risks across the Group. This Committee reports key findings to the JRCM Executive Committee and the Audit and Risk Committee. JRCM employs a legal counsel and a compliance officer as well as other personnel with experience of legal, regulatory and taxation matters. In addition, specialist external advisers are engaged in relation to complex or sensitive matters. Where necessary, co-investments and other transactions are subject to review by the Conflicts Committee and/or the FCA.
Operational risk Operational risks are those arising from inadequate or failed processes, people and systems or external factors. Key operational risks include reliance on third-party suppliers, dealing errors, processing failures, pricing errors, fraud, reliability of core systems and IT security issues.	Systems and control procedures are the subject of continued development and regular review, for example, 2019 saw further development of JRCM's investment database. Further details on internal controls can be found in the Audit and Risk Committee Report on pages 36 to 38. Processes are in place to ensure the recruitment and ongoing training of appropriately skilled staff within key operational functions. Suitable remuneration policies are in place to encourage staff retention and the delivery of the Group's objectives over the medium term. Independent pricing sources are used where available and performance is subject to regular monitoring. In relation to more subjective areas such as private investments and property, the valuations are estimated by experienced staff and specialist external valuers using industry standard approaches, with the final decisions taken by the independent Valuation Committee, and subject to external audit as part of the year-end financial statements. A business continuity and disaster recovery plan is maintained, and includes the ability to utilise an offsite facility in the event of any business disruption. This was satisfactorily tested during the year. Cyber security continues to receive an enhanced focus, with systems and processes designed to combat the ongoing risk developments in this area.

Principal Risks and Viability

Viability statement

In accordance with provision 36 of the AIC Code and as part of an ongoing programme of risk assessment, the Directors have assessed the prospects of the Group, to the extent that they are able, over a five-year period. As the Company is a long-term investor, the Directors have chosen a five-year period as this is viewed as sufficiently long term to provide shareholders with a meaningful view, without extending the period so far into the future as to undermine the exercise.

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

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

The stress scenarios under which the loan covenants would be breached involve severe equity market declines as well as historically high levels of capital calls. This theoretical outcome does not take into account the Company's ability to adjust the portfolio composition to avoid a breach, and to work with its lenders in order to either avert a breach, or minimise the consequences. With current gearing of 7%, and in the absence of either a significant adverse change to the regulatory or taxation environment, or to shareholder sentiment, it is difficult to reasonably envisage a situation which would threaten the ongoing viability of the Company over the five-year time frame.

Going concern

Having assessed the emerging and principal risks and the other matters considered in connection with the Viability Statement, and in particular what the Group considers its readily realisable securities and the liquidity balances which total £361 million, and the amounts that could be realised from the remainder of the portfolio, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Strategic Report on pages 3 to 19 was approved by the Board and signed on its behalf by:

Sir James Leigh-Pemberton
Chairman

Governance

RIT Capital Partners plc

Board of Directors

Non-Executive Chairman (Independent)

Sir James Leigh-Pemberton

Sir James Leigh-Pemberton is non-executive Chairman having joined the Board of the Company as a non-executive Director in April 2019. He is Chairman of the Nominations Committee and a member of the Valuation Committee. He previously served as an independent non-executive Director of the Company from 2004 to 2013.

Sir James joined UK Financial Investments (UKFI) in October 2013 as Chief Executive and in January 2014 was appointed Executive Chairman. On 1 April 2016 he became Non-Executive Chairman of UKFI. Following the merger of UKFI and UK Government Investments (UKGI), he became Deputy Chairman of UKGI.

Before joining UKFI, Sir James was Managing Director and Chief Executive Officer of Credit Suisse in the UK, based in London. In this role, he was responsible for developing the Bank's client relationships in Private Banking, Investment Banking and Asset Management in the UK. He was also a member of the Credit Suisse Europe, Middle East & Africa (EMEA) Operating Committee. He joined Credit Suisse First Boston (CSFB) in 1994. Prior to joining CSFB, he was a Director of SG Warburg Securities, where he worked for 15 years.

In the 2019 New Year Honours List, Sir James received a knighthood for services to financial services, British industry and government.

Senior Independent Director

Philippe Costeletos

Philippe Costeletos joined the Board as a non-executive Director in July 2017 and became its Senior Independent Director in April 2019. He is Chairman of the Conflicts Committee and the Remuneration Committee and a member of the Valuation Committee.

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

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

Non-Executive Directors (Independent)

Maggie Fanari

Maggie Fanari joined the Board as a non-executive Director in April 2019 and is a member of the Conflicts Committee and the Remuneration Committee.

Maggie is a Managing Director of Ontario Teachers' Pension Plan heading the High Conviction Equities team's direct equities investments for Europe, the Middle East, and Africa. She is also responsible for supporting the build of the global strategy for Teachers' Innovation Platform and the execution of that strategy in EMEA.

Maggie has been with Ontario Teachers' since 2006 and was based in Toronto until moving to London in 2015. Maggie has structured and executed on large-scale, partnership-driven minority investments in both public and private companies in multiple sectors globally. She started her career as an auditor at KPMG and previously worked in equity research at Scotia Capital.

Maggie is a Chartered Accountant and a CFA charterholder. She also holds a BBA from the Schulich School of Business at York University and ICD.D certification from the Institute of Corporate Directors.

André Perold

André Perold joined the Board of the Company as a non-executive Director in April 2018 and is a member of the Audit and Risk Committee.

André is Co-Founder, Managing Partner and Chief Investment Officer of HighVista Strategies, a Boston based investment firm. He is a board member of the Vanguard Group, the global investment company and also serves on the Investment Committee of the Partners Healthcare System and for the Museum of Fine Arts. He was previously the George Gund Professor of Finance and Banking at the Harvard Business School where he also held senior roles including Chair of the Finance Faculty and Senior Associate Dean.

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 Chairman of the Valuation Committee and a member of the Audit and Risk Committee.

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

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

Amy Stirling

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

She is a chartered accountant and is Chief Financial Officer of the Virgin Group. Further to the acquisition of Virgin Money by CYBG in October 2018, she was appointed as non-executive Director of Clydesdale Bank plc, CYBG plc and Virgin Money plc.

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

Jeremy Sillem

Jeremy Sillem joined the Board of the Company as a non-executive Director in April 2018 and is a member of the Audit and Risk Committee, the Conflicts Committee, the Nominations Committee and the Remuneration Committee.

He is Managing Partner and Founder of Spencer House Partners LLP, which provides corporate finance advice to asset and wealth management businesses. He is the Chairman of BioPharma Credit Plc (an investment trust).

From 2000 to 2004 he was Executive Chairman of Bear Stearns International in London, prior to which he had a 28-year career with Lazard in London and New York.

Board of Directors

Non-Executive Directors (Non-Independent)

Michael Marks CBE

Michael Marks joined the Board of the Company as a non-executive Director in September 2004. He is now a non-independent non-executive Director of the Company.

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

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

The Duke of Wellington OBE DL

The Duke of Wellington (formerly Lord Douro) joined the Board of the Company as a non-executive Director in July 2010. He is now a non-independent non-executive Director of the Company.

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

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

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

Hannah Rothschild CBE

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

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

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

She has served as chair of the Trustees of the National Gallery, becoming the first woman to do so.

In the 2018 Queen's Birthday Honours, Hannah was appointed Commander of the Order of the British Empire (CBE) for services to the arts and to charity.

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 and Chief Executive Officer
Francesco Goedhuis

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

The Executive Committee of JRCM comprises the above directors, led by Francesco Goedhuis. They are responsible for the day-to-day management of the business. The biographies of the Executive Committee members can be found below:

Francesco Goedhuis

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

Andrew Jones

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

Jonathan Kestenbaum

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

Ron Tabbouche

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

Corporate Governance Report

Introduction

The Directors present the Company's Corporate Governance Report. This describes our principal governance bodies, their composition, purpose and operation within the context of the Principles and Provisions of the Association of Investment Companies (AIC) Code of Corporate Governance (AIC Code) and the UK Corporate Governance Code (UK Code) of the Financial Reporting Council (FRC), which can be viewed at www.theaic.co.uk and www.frc.org.uk respectively.

The AIC Code, which has been endorsed by the FRC, adapts the Principles and Provisions of the UK Code to make them relevant for investment companies. The Board of Directors therefore considers the AIC Code to represent the most appropriate governance framework for the Company, while recognising that as a self-managed investment trust, aspects of the UK Code remain relevant. The Board acknowledges the new version of the AIC Code published in February 2019 and the UK Code published in July 2018. This report sets out how the Company has applied the relevant Principles and Provisions during the financial year ending 31 December 2019.

Leadership

Following the retirement of Lord Rothschild on 30 September 2019, the Company now operates a non-executive Board, chaired by Sir James Leigh-Pemberton. The Board is collectively responsible for setting the Company's long-term strategic aims, and its ongoing business and investment strategies. The schedule of matters reserved for the Board may be viewed on the website, www.ritcap.com.

The day-to-day management of the business is delegated under a formal agreement to JRCM, the Company's subsidiary and Manager. JRCM is managed by its Executive Committee, led by its Chairman and CEO, Francesco Goedhuis. The JRCM Executive Committee attend the regular Board meetings and provide detailed reports on investment performance as well as all operational and financial matters of the Group. JRCM also attends and reports to all Board committee meetings. As a result of the Manager being a wholly-owned subsidiary of the Company, the Board considers that this approach provides the most effective means to constructively challenge and scrutinise all aspects of the Manager's performance. It ensures all Directors are regularly involved in the process, rather than delegating this responsibility to a selection of Directors through a separate management engagement committee.

As at the date of this Report, the Board comprised ten non-executive Directors, of which seven have been determined by the Board to be independent, with three non-independent. This balance is intended to limit the scope for an individual, or a small group of individuals, to dominate the Board's decision making.

The Company has in place a structure of five permanent committees, with clearly designed responsibilities. These committees are comprised entirely of independent non-executive Directors. This structure of permanent committees, together with the delegation of investment management, administration and company secretarial to the Manager, is considered by the Board as appropriate for a self-managed investment trust and its shareholders on an ongoing basis. The terms of reference of each of the permanent committees may be viewed at www.ritcap.com.

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

Following his retirement from the Board on 30 September 2019, Lord Rothschild was granted the title Honorary President in recognition of his status as founder and Chairman of the Company over many years. There are no formal responsibilities associated with this role and Lord Rothschild does not receive any salary or fees from the Company. Payments in relation to his office and medical insurance costs are disclosed in the Directors' Remuneration Report on page 40.

The Audit and Risk Committee

The Audit and Risk Committee Report is shown on pages 36 to 38.

The main features of the Group's internal controls and risk management are described in the Audit and Risk Committee Report on pages 36 to 38 and in Principal Risks and Viability on pages 16 to 19.

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 Philippe Costeletos and is comprised solely of independent

Corporate Governance Report

Directors. The Committee's principal responsibility is to monitor transactions with related parties (as described in note 18), to ensure that potential conflicts of interest are avoided, or managed appropriately.

The Nominations Committee
The Nominations Committee meets at least twice each year and on additional occasions as required. Its responsibilities include overseeing the process of the appointment of new Directors to the Board, overall Board composition, succession planning, monitoring progress on diversity and other matters set out in its terms of reference.

During the year it considered and recommended the appointment of two independent Directors, Maggie Fanari and Sir James Leigh-Pemberton, as well as changes in the membership of Board Committees.

The Committee also reviewed the designation of Directors as independent or non-independent. Jeremy Sillem's independence was considered in the context of his role as founder and managing partner of Spencer House Partners LLP (SHP), a corporate finance advisory business. This business is independent of your Company, and while SHP periodically provides advice to your Company, and rents space from your Company, these transactions are structured on arm's length terms and are not significant to either business.

The Nominations Committee also oversaw the process for the appointment of the Chairman in accordance with the Board's established succession plan. This included identifying and interviewing candidates as well as Board discussions, and ultimately led to the Board unanimously resolving to appoint Sir James Leigh-Pemberton as Chairman. Throughout this process, the Nominations Committee and the wider Board were cognisant of the need to act in the best interests of the Company, its shareholders and wider stakeholders to ensure that the transition resulting from the retirement of Lord Rothschild and appointment of a non-executive Chairman was a successful one.

The Committee is mindful of Board balance, experience and diversity when considering appointments to the Board and its terms of reference acknowledges the benefits of diversity. The Committee is required to have due regard for this in any process for identifying suitable Board candidates, including considering candidates from a wide range of backgrounds. The Board utilises its broad range of business contacts to identify candidates for Director appointments on the basis of their potential contribution to the Company. During the year, the Company appointed Russell Reynolds Associates to assist with this process. Russell Reynolds Associates has no other relationships with the Group and is therefore independent.

During 2019, Michael Marks and the Duke of Wellington were put forward for re-election by shareholders as non-independent Directors. Michael Marks retired from the role of Senior Independent Director and his membership of Board committees. It was also determined that the Duke of Wellington would cease to be classified as independent from 22 July 2019, the ninth anniversary of his joining the Board, and accordingly he retired from his roles as Chairman and member of the Conflicts and Remuneration Committees and member of the Nominations Committee. Both individuals have confirmed that they will not put themselves forward for re-election at the 2020 AGM and will retire from the Board at that time.

Subsequent to the year end, the Committee recommended the appointment of two new independent non-executive Directors – Maxim Parr and Jonathan Sorrell. Maxim is CEO of nr2, a cross-border technology investment platform, focused on China. His experience of investing and operating in China and East Asia more broadly, will provide relevant and valuable insights to the portfolio strategy in this region. Jonathan is President of Capstone, a global asset manager, having previously been President and CFO of Man Group plc. His extensive experience of the fund management industry, alternative asset management in particular, and financial services generally, will enhance the Board's knowledge and network in this area. These new Directors will join the Board at the AGM, subject to shareholder approval.

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

Audit and Risk Committee
Amy Stirling (Chairman)
André Perold
Mike Power
Jeremy Sillem

Conflicts Committee
Philippe Costeletos (Chairman)
Maggie Fanari
Jeremy Sillem

Nominations Committee
Sir James Leigh-Pemberton (Chairman)
Jeremy Sillem

Remuneration Committee
Philippe Costeletos (Chairman)
Maggie Fanari
Jeremy Sillem

Valuation Committee
Mike Power (Chairman)
Philippe Costeletos
Sir James Leigh-Pemberton
Amy Stirling

Corporate Governance Report

The Remuneration Committee

The Directors' Remuneration Report is shown on pages 39 to 43.

The Valuation Committee

The Valuation Committee comprises four Directors, all of whom are independent, and with appropriate experience. The Committee plays a key role in providing the Board with assurance that the valuation process is rigorous and independently challenged.

The Committee is Chaired by Mike Power. It meets at least twice each year and additionally as may be required. The Committee's principal responsibility is to review the Company's direct private and other investments to ensure that they are presented in the annual and half-yearly accounts at fair value. As a result of the inherent subjectivity of the valuation of private investments, these form a key area of focus for the Committee.

At each meeting, the Committee reviews a detailed report from the Manager which includes: a valuation report on each of the largest (above 0.20% of net assets) directly-held private investments, including information on the companies' performance and valuation; a sample and overall summary of the valuation of the smaller directly-held private investments; a valuation report from JLL in relation to the Company's investment property; the valuation approach for the remainder of the portfolio, including an analysis of the Company's investments in private funds; and a valuation of the Company's loan notes.

As part of its review and challenge, the Committee considers: the consistency of the Manager's approach over time; the relevance and appropriateness of the valuation techniques adopted; and a review of the differences between the ultimate sale price and the most recent valuation for any assets sold during the period.

Board and Committee attendance

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

	Board	Audit and Risk	Conflicts	Nominations	Remuneration	Valuation
Number of meetings held during the year	5	4	2	3	3	2
Chairman						
Sir James Leigh-Pemberton[1]	3/3	–	–	1/1	–	2/2
Lord Rothschild[2]	3/3	–	–	2/2	–	–
Non-executive Directors						
Philippe Costeletos	5/5	–	2/2	–	3/3	2/2
Maggie Fanari[3]	3/3	–	2/2	–	2/2	–
Michael Marks[4]	5/5	–	–	1/2	1/1	–
André Perold	4/5	3/4	–	–	–	–
Mike Power	4/5	4/4	–	–	–	2/2
Hannah Rothschild	4/5	–	–	–	–	–
Jeremy Sillem	5/5	4/4	2/2	1/1	3/3	–
Amy Stirling	5/5	4/4	–	–	–	2/2
The Duke of Wellington[5]	4/5	–	–	2/2	1/1	–

[1] Elected as a Director and appointed as a member of the Nominations and Valuation Committees on 25 April 2019; appointed as non-Executive Chairman on 1 October 2019.

[2] Retired as Chairman and Executive Director on 30 September 2019.

[3] Elected as a Director and appointed as a member of the Conflicts and Remuneration Committees on 25 April 2019.

[4] Retired as a member of the Conflicts, Nominations and Remuneration Committees on 25 April 2019.

[5] Retired as a member of the Conflicts, Nominations and Remuneration Committees on 22 July 2019.

Corporate Governance Report

Effectiveness and evaluation
Many of the Directors have held or hold senior positions in the financial services industry, including at prominent investment banks or asset management companies. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations. The biographies of the Directors and JRCM's executive management on pages 21 to 24 demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims.

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

JRCM provided relevant and timely information on the financial, legal and regulatory developments during 2019 in the papers and presentations provided at Board and committee meetings.

The Board undertakes an annual review of its performance, its committees and each individual Director (including the Chairman) in accordance with the requirements of the AIC Code. The 2019 annual performance evaluation was led by Philippe Costeletos, the Senior Independent Director. The results were evaluated and considered by the Board as a whole. Key matters discussed included succession planning and allocation of time to business and strategy topics at Board and committee meetings.

Overall, it was concluded that the Board and its committees operate effectively and that each Director continues to contribute effectively and demonstrates commitment to the role. Areas where it was felt the Board's experience could be enhanced, were in relation to South-East Asia and China in particular, and the field of alternative asset managers. These were incorporated into the candidate search, which concluded on candidates with the requisite expertise. The next external evaluation is scheduled for 2021.

In accordance with the Codes, all Directors (other than those retiring or standing for their first election) stand for re-election annually, subject of course to continued satisfactory performance. The re-election of Directors at the forthcoming AGM is therefore recommended by the Board.

Subject to his continued annual re-election, the Chairman's tenure is not intended to exceed nine years from the date of his appointment, in line with the relevant corporate governance expectations. Moreover, as part of the wider annual evaluation of the Board, length of service is a key consideration when assessing the general requirements to regularly refresh the membership, diversity and overall composition of the Board.

Accountability
The Board, acting where appropriate through the Audit and Risk Committee, is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk management and internal control systems, for setting corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor. These areas are further described in the Audit and Risk Committee Report on pages 36 to 38.

Corporate Governance Report

Relations with stakeholders
The Board recognises the benefits of engaging with our shareholders and other key stakeholders in order to ensure that we are aware, and can take account, of their views during Board discussions and when the Board makes decisions. As a result, the following processes and initiatives are in place.

Shareholders
- an ongoing dialogue with principal shareholders and analysts is maintained and the Manager regularly reports to the Board on its shareholder and analyst meetings to ensure that the members of the Board understand shareholders' views of the Company. Moreover, since his appointment on 1 October 2019, the Chairman has met with various major shareholders and will continue regular engagement each year;
- a regular review of the composition of our share register and receipt of feedback from our brokers, including in the form of an independent survey of shareholder views conducted by the brokers;
- a designated email account (investorrelations@ritcap.co.uk) for shareholders to communicate directly with the Group; and
- all shareholders are encouraged to attend the AGM and ask questions of the Directors and the Manager.

Employees
- following his appointment as Chairman, Sir James Leigh-Pemberton conducted a 'town hall' meeting with the Group's employees and further such meetings have been organised. The Chairman is designated as the Director responsible for engagement with employees;
- a new intranet was launched for staff communications;
- an ongoing commitment to professional development and the nurturing of talent by giving employees the appropriate training, development and support they need and providing them with the opportunities to gain new skills to perform their roles effectively;
- investment in employees' health and wellbeing by providing a wide range of benefits that are regularly reviewed and updated;
- provision of a clear and independent whistleblowing process;
- a carefully structured performance management process is designed to reinforce the Group's overall strategy and culture; and
- a health and safety policy to ensure that we continue to provide a safe and healthy working environment where all our employees are treated with dignity and respect.

Suppliers
- we place a high value on the relationships with a broad group of key suppliers and service providers including fund managers, our auditor and professional advisers, our custodian/depositary, bankers, trading counterparties, sponsor and brokers; and
- while we ensure these relationships are subject to regular review and refreshed where necessary, equally some of the suppliers have worked with us for very many years. Effective management of our supplier relationships is critical to our ability to deliver on our broad mandate and we utilise a combination of formal and informal feedback, directly and via our Manager.

Environment and the community
- a 'zero to landfill' waste and recycling policy;
- encouraging employees to reduce their own environmental impact through a cycle to work scheme;
- participation in an accredited scheme to offset our carbon footprint;
- procurement of all electricity usage in Spencer House from renewable sources;
- facilitate employees taking advantage of 'Give As You Earn' for personal charitable donations; and
- various employee events to raise money for designated charities.

Compliance with the Codes
It is the Board's view that the Company has complied with both the principles and the relevant provisions of the Codes during the year.

The following table describes how the Board has applied the 17 principles of the AIC Code in practice.

Corporate Governance Report

AIC Code Principle	Application
A. A successful Company is led by an effective Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.	The Board considers the Company has continued to perform satisfactorily during the year, with a TSR of 12.5%. The annual internal Board evaluation, led by the Senior Independent Director, concluded that the Board was operating effectively. The Board is mindful of its contribution to the wider society and strives to meet its obligations through ensuring effective stakeholder engagement by the Group. Page 29 of this Report illustrates initiatives contributing to the environment and wider society.
B. The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The Directors consider that the purpose and strategy are enshrined in the Company's Corporate Objective and Investment Policy, as described in the Strategic Report (pages 5 and 6). Our values underpin and govern our Group's operations and are based on integrity and respect for all our stakeholders. Together, our purpose, values and strategy foster a strong and healthy culture of honest and open communication and engagement between Directors and within the wider workforce of the Group, promoting fairness, equality and professional development. These values and culture are reinforced in meetings between the Directors and the Manager, and the Manager reports to the Directors on how the Company's values and culture are being applied throughout the Group's operations.
C. The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board receives from the Manager regular and detailed information in relation to the Company's investment performance as well as in relation to its finance and operational capability, including the annual budget. Performance is measured against, and the Manager rewarded by reference to, the published KPIs, as well as wider qualitative criteria including in relation to risk management, controls and promotion of the Group's values and business principles.
D. In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	The Board receives regular reports from the Manager in relation to shareholder engagement as part of an extensive investor relations programme. Shareholders are encouraged to attend the AGM, where the Manager presents on investment performance and strategy, and to review the website (www.ritcap.com) where all of the Company literature is available. Questions may be directed to the Board or the Manager, via the registered office or a dedicated email address (investorrelations@ritcap.co.uk). The Manager also reports to the Board regularly on its broader stakeholder engagement, as set out on page 29.

Note: the AIC Code does not include a Provision E.

Corporate Governance Report

AIC Code Principle	Application
F. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information.	Under Lord Rothschild's chairmanship, the Board had a long-standing culture of encouraging challenge and open discussion. This has been continued under the new Chairman, with active participation at Board meetings reinforced and an enhanced approach to agenda setting. The Board receives a comprehensive suite of regular information, including in-depth reports from the Manager of performance, attribution, transactions and exposures on a monthly and quarterly basis. The quarterly Board meetings also include detailed reports on the finance and operational activities of the Manager and Group, including costs, liquidity, risk, investor relations, PR, IT, regulatory, legal and compliance matters and HR. At Board meetings subsequent to committee meetings, the chairs of each committee present a summary of the activities of their committees, with minutes from the meetings included in the Board papers.
G. The Board should consist of an appropriate combination of Directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	Prior to the retirement of Lord Rothschild (who held executive responsibilities) and on a continuing basis, the Board has delegated responsibility to key committees, as well as engaging the Manager under a formal investment management and services agreement. At 31 December 2019, the Board comprised an independent non-executive Chairman and nine non-executive Directors, of which six are considered independent under the Listing Rules, and all are independent of the Manager, with a clear division of responsibilities between the Board and the Manager. As such, the Board considers that its decision making is not dominated by an individual or small group of individuals.
H. Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	The Directors consider they have sufficient time to meet Board responsibilities. While there is a standing meeting timetable for the Board and committees, the Directors have participated in additional Board and committee meetings as necessary. The Board and Committee meetings provide opportunities for detailed assessment of both the Manager's performance as well as reviewing performance of other key service providers (see page 29).
I. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Manager provides company secretarial services to the Company and, together with external specialist advisors, ensures that Board procedures and applicable rules and regulations are observed. Such services also include advice and support to the Board on all governance matters and on the discharge of Directors' duties. Directors are able to take independent external professional advice to assist with the performance of their duties at the Company's expense.

Corporate Governance Report

AIC Code Principle	Application
J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Appointments to the Board follow a careful process, led by the Nominations Committee who identify candidates to complement and enhance the collective skills, knowledge and experience of the Board. The appointment of the new Chairman was led by the Nominations Committee and was an extensive process based on a comprehensive succession plan. This involved members of the Board identifying suitable candidates that matched an agreed set of criteria, cognisant of the transition from an executive to a non-executive Chairman. The process ultimately led to the appointment of Sir James Leigh-Pemberton which was unanimously supported by his fellow Board members.
K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	Directors' varying backgrounds and wide-ranging experience, including in the investing world and financial services generally, as well as commercial businesses, government and academia, ensures broad cognitive diversity, which is viewed as key in assisting effective challenge and discipline. Biographies of the Board are set out on pages 21 to 23 and demonstrate the strength of experience in the areas required to provide effective strategic leadership and appropriate governance of the Company. The Board seeks to ensure an appropriate balance between continuity and experience, and the positive benefits from refreshing membership and the development of a diverse Board. During 2019, there were two new Directors elected, one of whom was subsequently appointed Chairman. In addition, a number of committees were refreshed with either new members or the appointment of a new Chairman (see page 26).
L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Following an external evaluation during 2018, the Senior Independent Director led a formal and rigorous internal evaluation of the Board in 2019. This included a performance evaluation of the Chairman, each Director, the Board as a whole and its committees. Following this review, the performance of the Board, and each Director was considered to be satisfactory. A number of areas for improvement were identified including areas of expertise and knowledge which would be targeted to complement the existing skills of the Board. These areas were incorporated into the search criteria for the two new Directors.

Corporate Governance Report

AIC Code Principle	Application
M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board has delegated the assessment of the external audit function and the review of the integrity of the Annual Report and Accounts (ARA) and Interim Review to the Audit and Risk Committee. Following this Committee leading a tender process, EY was formally appointed as auditor at the 2018 AGM and was responsible for the audit of the 2018 ARA. The Committee undertook an assessment of EY's performance following the Group's annual statutory audit for the year ended 31 December 2018, concluding that EY had performed satisfactorily in its first year (see page 38). The Audit and Risk Committee also performed a detailed review of the 2018 ARA, the 2019 Interim Report and this 2019 ARA, as well as reviewing supporting papers from the Manager, in order to ensure the integrity of the statements (see page 38).
N. The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.	The Audit and Risk Committee reviewed the financial and narrative statements within the 2018 and 2019 ARAs and 2019 Interim Report, as well as supporting papers and evidence from the Manager in relation to this area. The Committee concluded that the published reports were consistent with the fair, balanced and understandable requirement and advised the Board accordingly. The Board considered the Committee's advice and its own review, before reaching the same conclusion.
O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Day-to-day risk management is undertaken by the Manager and overseen by the Audit and Risk Committee which receives detailed reports twice a year on the risk management and internal control functions. The Group's system of internal controls is administered by the Manager, and designed to manage as far as possible the principal risks of the Company. Further information can be found in the Principal Risks and Viability section of the Report on pages 16 to 19 and the Audit and Risk Committee Report on pages 36 to 38.
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	Following the retirement of Lord Rothschild during 2019, Directors' remuneration is now governed by a new policy in line with the approach taken in this industry (and which will be presented to shareholders at the 2020 AGM). The Directors receive fixed fees without any performance-related elements. The Remuneration Committee also has oversight of the remuneration policies and practices within JRCM and SHL, and seeks to ensure these are tied to the strategy and long-term sustainable success of the Company, with clear links to the corporate KPIs (see pages 7 and 8).

Corporate Governance Report

AIC Code Principle	Application
Q. A formal and transparent procedure for developing remuneration policy should be established. No director should be involved in deciding their own remuneration outcome.	As set out in the Directors' Remuneration Report on pages 39 to 43, Directors are paid on a fixed-fee basis, as recommended by the Remuneration Committee and approved by the Board. Such fees take account of the fees paid by other investment trusts and the advice of its remuneration consultant, Aon.
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances.	Directors are remunerated on the basis of a flat standard fee supplemented by additional Committee membership and chairmanship fees. There are no performance-related aspects to Directors' remuneration. In the oversight of JRCM and SHL's remuneration, Directors ensure that it is set by reference to the performance of the Company and individuals, relative to KPIs and individual objectives.

In addition, as a self-managed investment trust, the Board has also considered the following principle from the UK Code:

UK Code Principle	Application
E. The Board should ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	The Group's workforce, who are employed by JRCM and SHL, are subject to consistent standards of behaviour set out in an employee handbook and monitored by the Manager. All employees are expected to adhere to a standard of conduct based on respect, courtesy and dignity, adhering to the highest ethical standards. The employee handbook also contains policies on equal opportunities, anti-harassment, dignity at work, anti-corruption, whistleblowing, conflict management and the environment. Well established whistleblowing procedures are in place in which employees have available direct lines of communication to the Chairman of the Audit and Risk Committee. More generally, our culture seeks to encourage honest and open communication across the Group.

Corporate Governance Report

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

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

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

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

The Directors are also responsible for safeguarding the assets of the Group and Parent Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that, following advice from the Audit and Risk Committee, the Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position, performance, business model and strategy. The Audit and Risk Committee had reviewed the draft Report and Accounts for the purpose of this assessment.

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

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

The Corporate Governance Report was approved by the Board and signed on its behalf by:

Sir James Leigh-Pemberton
Chairman

Audit and Risk Committee Report

The Audit and Risk Committee
I am pleased to present the Audit and Risk Committee Report for 2019.

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

Committee composition
The Committee currently comprises four Directors, each of whom is non-executive and independent of the Company. The Board is satisfied that I have requisite, recent and relevant financial experience to chair the Committee: I am a Fellow of the ICAEW, Chief Financial Officer of the Virgin Group and have held various executive and non-executive roles for public, private and governmental organisations, many of which were audit committee roles. I have also been a member of this Committee since 30 April 2015.

The three other members of the Committee at the year end also have recent and relevant financial experience. Mike Power is also a Fellow of the ICAEW and Professor of Accounting at the London School of Economics and Political Science, Jeremy Sillem has extensive financial services experience as well as being Chairman of an investment trust, and André Perold is Chief Investment Officer of an investment management firm having previously been a professor of Finance and Banking at Harvard Business School. Their individual biographies are shown on pages 21 and 22.

Committee meetings and activity during the year
We met four times in 2019, twice to review the Group's 2018 Annual Report and Accounts and the June 2019 Half-Yearly Financial Report, and again in February 2020 to review the Group's 2019 Annual Report and Accounts.

Our reviews include the assessment and assurance that the annual reports, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. For both the 2018 and 2019 annual reports, we were satisfied that this was the case and advised the Board accordingly.

We also consider the year-end reports from the external auditor and discuss any matters arising with JRCM. The adequacy of the Group's accounting policies and financial reporting procedures are discussed with the external auditor at least annually. Following these discussions and our review of the annual reports, we concluded that the accounting policies are appropriate for the Company and take into account, where necessary, new accounting standards.

We held two further meetings, in May and November 2019, to review the effectiveness of the Group's risk management and internal controls, by reference to reports prepared by the Manager, its internal audit function and BNP as Depositary.

We also reviewed 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 staff with direct access to the Committee, through myself as Chairman, and I can confirm that no issues were raised during the year.

In addition to the activities described above, other significant matters we considered during 2019 included:

Corporate Governance Codes
We reviewed the disclosures required to be made to shareholders in this annual report under the 2019 AIC Code and the relevant aspects of the 2018 UK Code (together, the Codes). This followed the preparatory work reported on previously. This is the first year the new Codes have applied to the Group and we are satisfied that all appropriate and necessary disclosures have been made.

The valuation of direct private investments and other assets
Direct private investments comprise approximately 11% of net assets. By their very nature such investments merit individual attention when considering their fair value. The estimation of fair value requires the exercise of considerable judgement and in many instances the use of a range of valuation techniques. This subjectivity means that there is a higher degree of uncertainty in such valuations compared with those of other assets.

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

Audit and Risk Committee Report

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

Brexit

As a global investor, Brexit is one of the many geopolitical factors which can influence market risk, and is considered as a normal part of portfolio management.

We have also considered the Manager's analysis of the potential impact of Brexit on the Group's activities and on the external fund managers used by the Group. The conclusions reached were:

- as the Manager has activities, and is regulated, solely in the United Kingdom there would be minimal impact upon it unless the FCA regulations were to be amended; and
- the external managers used by the Group had demonstrated a proactive approach, enabling them to provide comfort that they would be able to supply services to the Group without meaningful interruption.

Related party disclosures

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

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

Internal control

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

The Committee also focused on a number of other areas as part of a rolling review process. In November the Committee met with the Manager's Head of Investment Accounting and Settlements, and reviewed recent enhancements to the processes used to record and settle trades.

The Committee reviewed reports prepared by the Manager on regulatory matters, governance developments, group structure and the Manager's portfolio database.

Additionally, the Committee reviewed the steps taken by JRCM, as the FCA regulated manager to the Group, to comply with the Senior Managers and Certification Regime. The Committee also considered the impact of the new accounting standard adopted in the year (IFRS 16), concluding that there was no significant impact on the Group's accounts or financial position.

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

As part of the review of the control environment, the Manager undertakes an internal audit of selected areas. This is performed on an annual basis and follows a rolling programme targeting key areas. The precise scope and

Audit and Risk Committee Report

depth of the remit is subject to ongoing review by this Committee. Where required improvements are identified, timetables are agreed for implementing these and progress is monitored against these timescales. Clear and direct reporting lines between the Manager's Compliance Officer (who conducts the reviews) and the Chairman of the Committee have been established to maximise the independence of the function from JRCM's executive management. The Committee reviews the internal audit plans for the year as well as the audit reports, with a focus on the implementation of specific recommendations. The 2019 internal audits included reviews of legal approval processes, tax compliance and adherence with primary market rules. No significant weaknesses were identified. In addition, the Committee considered a review undertaken by BNP as Depositary in relation to AIFMD and other regulations governing asset security, valuation and other areas. The review did not identify any significant weaknesses.

The Manager also reports to the Committee the results of its monitoring of external managers' compliance with the terms of their investment management arrangements, as well as periodically reviewing their control procedures.

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

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

External auditor
The external auditor is Ernst & Young LLP (EY) who have completed their second annual audit.

EY attended all meetings of the Committee relevant to them and provided reports on their audit approach and work undertaken, the quality and effectiveness of the Group's accounting records and their findings in connection with the Group's annual statutory audit for the year ended 31 December 2019. I have also had regular contact with the lead audit partner during the year.

The level of non-audit services provided to the Group by the auditor is subject to pre-approval in accordance with our policy on non-audit services and is monitored, as is the auditor's objectivity in providing such service, to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by EY in 2019 totalled £45,000 for audit-related assurance work (regarding JRCM's regulated activities). Their selection for this work was based on cost efficiency and synergies with the audit process. Further information on fees paid to the auditor is set out in note 5 to the financial statements.

The Committee considered EY's independence, objectivity and the effectiveness of the audit process with the benefit of formal and informal feedback from the Manager, and concluded satisfactorily on each of these points.

I am pleased to report that this Committee has valued both EY's fresh approach and considered observations. We look forward to working with them over the coming years.

Amy Stirling
Chairman, Audit and Risk Committee

Directors' Remuneration Report

Introduction
On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019.

The objective of our approach to remuneration is to attract and retain talented Directors and senior executives in order to help deliver sustained superior returns for our shareholders over the long term.

On 30 September 2019 we saw the retirement of RIT's founder, Chairman and Executive Director – Lord Rothschild – and the appointment of Sir James Leigh-Pemberton as non-executive Chairman. As both individuals served for part of the year, this report includes remuneration details for both of them.

The current Directors' Remuneration Policy was approved by shareholders with 94% of the vote at the 2017 AGM. Having successfully transitioned to a more conventional, non-executive Board, and in line with the three-yearly timetable, we shall submit a new Directors' Remuneration Policy to a binding shareholder vote at the forthcoming AGM. Sir James Leigh-Pemberton's fee was set by the Remuneration Committee in accordance with the policy.

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

The Directors' Remuneration Policy and Remuneration Report have been prepared in accordance with the Listing Rules of the FCA, the relevant sections of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 as amended in 2018. It also sets out how it has applied the principles of the Codes relevant to the Company.

Proposed Directors' Remuneration Policy
In accordance with the provisions of the AIC Code and the UK Code, non-executive Directors' remuneration reflects their duties and time commitments and is set at a reasonable level which is consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board's policy is that the fees paid to the non-executive Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by other investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy.

Furthermore, the Company's Articles of Association currently limit the aggregate base fees of the non-executive Directors (excluding the Chairman) to £400,000 per annum. The non-executive Directors receive base fees and Committee chairmanship and membership fees. They are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long-term incentive schemes or pension schemes. No compensation is payable on loss of office.

Committee structure and responsibilities
The Committee is chaired by myself, having replaced the Duke of Wellington as Committee Chairman on 22 July 2019, and having previously served on the Committee since 26 April 2018. As at 31 December 2019, the Committee included two further independent non-executive Directors: Jeremy Sillem and Maggie Fanari (who joined the Committee on her appointment as a non-executive Director on 25 April 2019). The Duke of Wellington retired as a Committee member on 22 July 2019. The Committee meets at least twice a year on a scheduled basis and additionally as may be required.

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

The overall fee structure is assessed in part by reference to other companies of similar size and business objectives. The Committee seeks information and advice as required, including from JRCM management.

The Remuneration Committee appointed Aon, the remuneration consultancy, to provide the Committee with advice. During the year, fees of approximately £22,000 were paid to Aon in respect of that advice. Aon abides by the Remuneration Consultant's Code of Conduct which requires it to provide objective and impartial advice. It has no other relationships with the Group and is therefore independent.

In accordance with Chapter 6 of the Companies Act 2006, the Directors' Remuneration Policy applies to the Directors of the Company. Following Lord Rothschild's retirement on 30 September 2019, all Directors are non-executives.

The Remuneration Committee also has oversight of the remuneration structures of JRCM and SHL. JRCM is a regulated entity whose remuneration arrangements are governed by the FCA's applicable Remuneration Codes.

Directors' Remuneration Report

Incentive structures
In accordance with the relevant principles of the Codes, the Remuneration Committee has sought to ensure that there is an appropriate Group-wide incentive structure to attract, motivate and retain the high-quality individuals we need to deliver our long-term strategic aims and sustainable success. The remuneration approach is designed to align with and reinforce these strategic aims.

The Group operates an Annual Incentive Scheme (AIS) for employees as well as longer-term share-based awards. The annual cap for total payments under the AIS is 0.75% of net assets. This approach is designed to measure and reward the Company's performance, and seeks to provide an appropriate balance between shorter-term awards and longer-term incentives, as well as the need for robust risk management.

The AIS rewards investment outperformance as measured against two KPIs: RPI plus 3.0% and the ACWI. It also rewards wider achievements not directly linked to the NAV return. The scheme is measured annually and includes longer-term features such as a three-year 'high water mark' as well as significant deferral into RIT shares.

We are satisfied that rewards are linked to your Company's achievements in 2019. Decisions made by the Committee have followed a careful appraisal of Company performance and at all times aim to align reward with shareholder value creation.

The Remuneration Committee retains the ability to clawback elements of previous awards if necessary.

The second main aspect of the remuneration approach is a long-term incentive plan (LTIP) that provides longer-term incentives of up to 10 years using share appreciation rights (SARs) and performance shares. These also vest based on RIT's TSR compared to RPI plus 3.0% and/or the ACWI.

Consulting with shareholders
Where appropriate, the Committee is responsible for ensuring that there is pro-active engagement and consultation with major shareholders and shareholder representatives in respect of remuneration.

Executive Director's retirement
Lord Rothschild retired as Chairman and Executive Director on 30 September 2019. He did not receive any bonus award for 2019. Lord Rothschild's retirement resulted in him being determined a 'good leaver' in accordance with the AIS rules, and therefore he received all the remaining deferred shares allocated to him from prior years' awards. This totalled 69,571 ordinary shares in the Company. Lord Rothschild held no SARs during the year.

Concurrent with Lord Rothschild's retirement from the Board, and in recognition of his status as founder and Chairman of the Company over many years, he was awarded the title of Honorary President. There are no fees associated with this honorary role, however, the Committee has determined that an annual contribution of £55,000 will be made towards his office and medical insurance costs. The Committee shall review this contribution on an annual basis.

Non-executive Directors' remuneration
The remuneration of the non-executive Chairman and Directors is determined by the Board as a whole. Non-executive fees are reviewed periodically by the Board with reference to market levels in comparably sized listed companies. The Board has discretion to periodically review and amend fee rates; the current fee rates are listed below:

Base fee:	
Non-executive Chairman[1]	£150,000
Non-executive Director	£30,000
Additional fees:	
Senior Independent Director fee	£7,500
Committee membership fees:	
Audit and Risk Committee	£6,000
Conflicts Committee	£3,000
Nominations Committee	£4,000
Remuneration Committee	£4,000
Valuation Committee	£6,000
Audit and Risk Committee Chairmanship[2]	£10,000
All other Committees' Chairmanship fee (per committee)[2]	£7,500

1 The non-executive Chairman fee is inclusive of membership of Board Committees.

2 The Committee Chairmanship fees are in addition to the Committee membership fees.

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

The letters of appointment for the non-executive Directors are available for inspection at the Company's registered office.

Directors' Remuneration Report

Annual report on remuneration

The annual report on remuneration will be put to an advisory shareholder vote at the 2020 AGM. The information on pages 41 to 43 has been audited where required under the regulations and is indicated as audited information where applicable.

Directors' remuneration – audited

Director	Salary/ fees £	Bonus £	Year ended 31 December 2019 Taxable benefits[2] £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Sir James Leigh-Pemberton[1]	54,731	–	–	–	–	54,731
Lord Rothschild[3]	200,962	–	33,538	–	37,500	272,000
Directors						
Philippe Costeletos	53,860	–	–	–	–	53,860
Maggie Fanari[4]	25,188					25,188
Michael Marks	36,190	–	–	–	–	36,190
André Perold[5]	36,000	–	29,817	–	–	65,817
Mike Power[6]	49,500	–	–	–	–	49,500
Hannah Rothschild	30,000	–	–	–	–	30,000
Jeremy Sillem	44,065	–	–	–	–	44,065
Amy Stirling	52,000	–	–	–	–	52,000
The Duke of Wellington	44,269	–	–	–	–	44,269

[1] Sir James Leigh-Pemberton was appointed as a Director of the Company on 25 April 2019 and as non-executive Chairman on 1 October 2019.
[2] Taxable benefits include provision of a company car, health insurance, an annual health assessment and certain travel expenses.
[3] Lord Rothschild retired as Chairman and Executive Director on 30 September 2019. His remuneration includes salary and benefits for the period served.
[4] Maggie Fanari was appointed as a Director of the Company on 25 April 2019.
[5] André Perold received £29,817 in benefits relating to travel.
[6] Mike Power also received fees of £5,213 as a Trustee of the RITCP Pension and Life Assurance Scheme up to 15 May 2019, when he retired as a Trustee.

Director	Salary/ fees £	Bonus £	Year ended 31 December 2018 Taxable benefits[2] £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Lord Rothschild[1]	250,000	750,000[1]	49,790	298,027	50,000	1,397,817
Non-Executive Directors						
John Cornish[3]	22,167	–	–	–	–	22,167
Philippe Costeletos	38,713	–	–	–	–	38,713
Michael Marks	48,500	–	–	–	–	48,500
André Perold[4]	24,415	–	–	–	–	24,415
Mike Power[5]	47,087	–	–	–	–	47,087
Hannah Rothschild	30,000	–	–	–	–	30,000
Jeremy Sillem[6]	25,128	–	–	–	–	25,128
Amy Stirling	48,782	–	–	–	–	48,782
The Duke of Wellington	56,000	–	–	–	–	56,000

[1] The Chairman was the highest paid Director during the year. His bonus of £750,000 was deferred 100% into shares of RIT which were due to vest in equal portions over a three-year period. As a result of his retirement and therefore classification as a 'good leaver' under the AIS rules, these vested on 30 September 2019. The long-term incentive reflects the value of his remaining SARs that vested during 2018.
[2] Taxable benefits include provision of a company car, health insurance and an annual health assessment.
[3] John Cornish retired as a Director on 26 April 2018; he also received fees of £3,323 for being a Trustee of the RITCP Pension and Life Assurance Scheme up to his retirement.
[4] André Perold was elected as a Director of the Company on 26 April 2018.
[5] Mike Power also received fees of £6,984 relating to his appointment as a Trustee of the RITCP Pension and Life Assurance Scheme on 26 April 2018.
[6] Jeremy Sillem was elected as a Director of the Company on 26 April 2018.

Directors' Remuneration Report

Salaries and fees

The Company's non-executive Directors' fees totalled £425,803 for the year (compared to £340,792 in the year ended 31 December 2018). This includes the base fees (subject to a cap) as well as committee fees, and also the fees paid to the non-executive Chairman from 1 October 2019.

Lord Rothschild's salary was unchanged in the year ended 31 December 2019 until his retirement.

The non-Executive Chairman's fee for 2020 remains at £150,000.

Long-term incentive plan – audited

There were no SARs held or exercised by the retiring Chairman during 2019. The current Chairman is not entitled to such awards.

Statement of Directors' shareholdings – audited

The interests of the Directors holding office at 31 December 2019 in the ordinary shares of the Company are shown below:

	31 December 2019		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Sir James Leigh-Pemberton	–	–	–
Philippe Costeletos	–	–	–
Maggie Fanari	–	–	–
Michael Marks	10,000	–	0.01%
André Perold	–	–	–
Mike Power	691	–	–
Hannah Rothschild[1]	14,358,198	14,781,204	18.58%
Jeremy Sillem	13,531	–	0.01%
Amy Stirling	2,058	–	–
The Duke of Wellington	25,000	89,000	0.07%

[1] The majority of the beneficial interests shown in the table above for Hannah Rothschild are in respect of shares held via trusts or companies where she is either one of the beneficiaries or one of the individuals able to exert significant influence. Similarly, the non-beneficial interests are held through a charitable foundation where Hannah is one of the controlling trustees.

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

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Senior Independent Director. Requests from other Directors are referred to the Chairman or Senior Independent Director. Employees of the Group are subject to approval by the JRCM Executive Committee and/or JRCM's Compliance Officer.

Except as stated in note 18 to the financial statements no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the FCA Listing Rules.

Relative importance of spend on pay

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

£ million	Year ended 31 December 2018	Year ended 31 December 2019	Change
Total staff costs	20.8	22.3	1.5
Dividends	51.0	52.6	1.6

Statement of shareholder voting

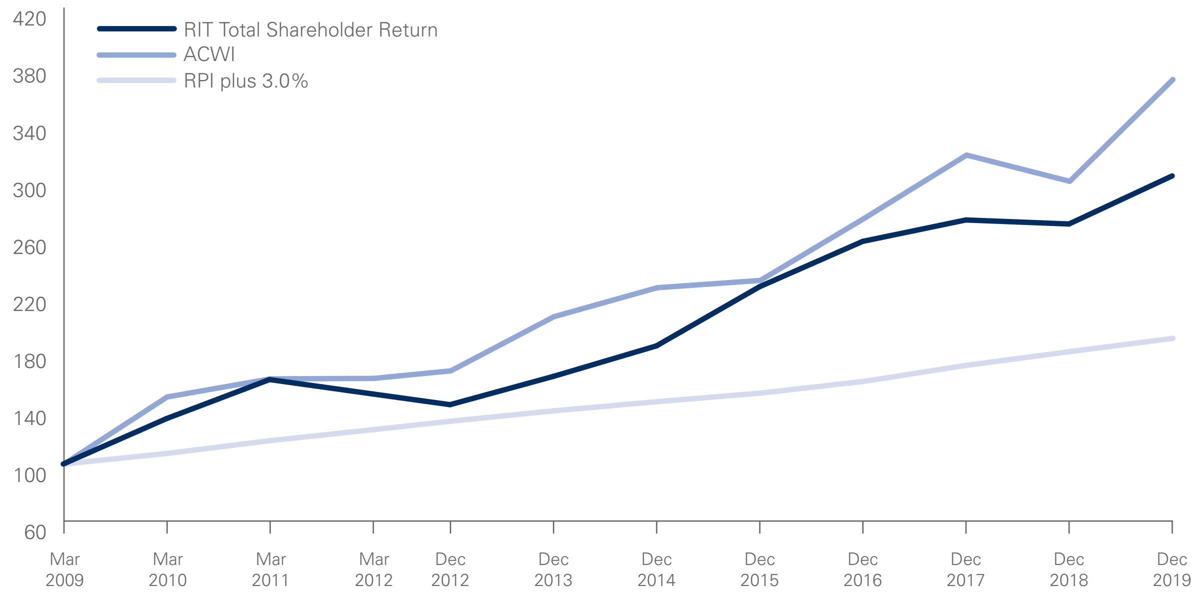
Votes in respect of the resolution to approve the Directors' Remuneration Report at the Company's AGM in April 2019 were cast as follows:

	Number of shares	% of votes cast
Votes cast in favour	69,168,847	99.1%
Votes cast against	613,947	0.9%
Total votes cast	69,782,794	100.0%
Votes withheld	650,780	–

Directors’ Remuneration Report

Performance graph

In accordance with the Directors’ Remuneration Report regulations, a performance graph which measures the Company’s TSR over the period from 31 March 2009 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, being a KPI. In addition, the graph includes the Company’s absolute return hurdle of RPI plus 3.0%. Further information can be found in the Company’s Strategic Report.



Total remuneration of Lord Rothschild

As Lord Rothschild was Chairman and Executive Director for part of 2019, the table below sets out for each of the financial periods in the above performance graph, his total remuneration prior to retirement on 30 September 2019. In accordance with the regulatory requirements, the total remuneration figure includes the value of SAR awards which vested in each period even if these were not exercised. This figure does not therefore represent cash payments made to Lord Rothschild in the periods. As the Company applied a cap to the overall level of AIS awards, rather than on an individual basis, disclosure showing each payment as a percentage of the maximum has not been shown.

Period ending 31	Mar 2010	Mar 2011	Mar 2012	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019
Total remuneration	780	695	1,456	429	1,082	1,030	2,020	1,700	1,365	1,398	272
SARs (included above)	–	–	896	–	–	–	421	361	603	298	–

Note: All numbers are in £ thousands; the amount shown in relation to SARs is the value at vest during the period. The Company changed its year end during 2012.

Audit

The tables in this report on pages 41 to 43 have been audited by Ernst & Young LLP.

The Directors' Remuneration Report on pages 39 to 43 was approved by the Board and signed on its behalf by:

Philippe Costeletos
Chairman, Remuneration Committee

Directors' Report

Directors' Report: statutory and other disclosures

The Directors present their report and audited financial statements for the year ended 31 December 2019.

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

Status of Company

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

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

Directors

The Directors at the date of this report are listed on pages 21 to 23.

During the year ended 31 December 2019:

Directorate changes

- Sir James Leigh-Pemberton and Maggie Fanari were both elected as Directors by shareholders at the AGM held on 25 April 2019;
- Lord Rothschild retired as Chairman and Executive Director on 30 September 2019; and
- Sir James Leigh-Pemberton was appointed as non-executive Chairman on 1 October 2019.

Senior Independent Director

- Philippe Costeletos was appointed Senior Independent Director on 25 April 2019.

Committee composition

- Maggie Fanari was appointed as a member of the Conflicts Committee and Remuneration Committee on 25 April 2019;
- Sir James Leigh-Pemberton was appointed to the Nominations Committee and Valuation Committee on 25 April 2019 and was subsequently appointed as Chairman of the Nominations Committee on 4 December 2019;
- Jeremy Sillem was appointed as a member of the Nominations Committee on 25 April 2019 and was appointed as a member of the Conflicts Committee on 22 July 2019; and
- Philippe Costeletos became the Chairman of both the Conflicts Committee and the Remuneration Committee on 22 July 2019.

Corporate Objective

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."*

Investment Policy

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

Asset allocation and risk diversification

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

Gearing

The Company maintains structural gearing principally through fixed-rate private placement notes and revolving credit facilities. At 31 December 2019, the drawn indebtedness was £216 million with debt held at fair value, or £201 million with debt held at par value. This represented net gearing calculated in accordance with AIC guidance of 7.2%.

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 12.

Directors' Report

Direct and indirect investment management fees

Consistent with the Investment Policy, the Company invests a significant proportion of the portfolio with external managers. The majority of the management and performance fees charged by such managers are incurred indirectly by the Company as they are included within the fund investment valuations and therefore form part of the investment return. Three fund investments are structured as segregated accounts. Here, the fees are incurred directly by the Company (see note 3 on page 59).

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

Aggregate management fees (excluding performance fees and net of fee rebates) for the external funds for 2019 have been estimated at 0.90% of RIT's total average net assets (2018: 1.03%).

Share capital

At 31 December 2019, the issued share capital comprised 156,848,065 £1 ordinary shares. Further details are shown in note 21 on page 73.

During the year ended 31 December 2019, no £1 ordinary shares were repurchased or cancelled and 1,496,634 new £1 ordinary shares were issued on 20 December when the closing share price was £21.05. The existing shareholder authorities given to the Company at the last AGM to allot and purchase shares will expire at the conclusion of the Company's forthcoming AGM on 27 April 2020. At the AGM, shareholders will be asked to renew these authorities, as explained in the separate Notice of the meeting.

Major holders of voting rights

As at 31 December 2019, 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 2019		
Major holders of voting rights[1]	Total number of shares	% of voting rights[5]	Direct or indirect
Lord Rothschild[2,3]	19,067,873	12.16%	Indirect
Hannah Rothschild[2]	14,781,204	9.42%	Indirect
The Rothschild Foundation[2]	14,781,204	9.42%	Direct
Five Arrows Limited[4]	6,757,835	4.31%	Direct

[1] The above table does not include Lord Rothschild's or Hannah Rothschild's direct voting rights in shares in the Company which are below the notifiable threshold.

[2] As Lord Rothschild and Hannah Rothschild are trustees of the Rothschild Foundation, the above notifiable interests include the same 14,781,204 shares held by this charity (which also represent Hannah Rothschild's non-beneficial interests on page 42 under Directors' shareholdings).

[3] Part of Lord Rothschild's holdings include entities where Hannah Rothschild is one of the beneficiaries, and therefore the relevant shares also form part of her beneficial interests on page 42.

[4] Lord Rothschild and Hannah Rothschild have an indirect beneficial interest in the shares of the Company held by Five Arrows Limited.

[5] The total interests notified to the Company that directly relates to, and is overseen by, the family offices of Lord Rothschild and Hannah Rothschild (including shares in which Lord Rothschild and Hannah Rothschild do not have voting rights conferred through a direct or indirect holding) is 21.22%.

As at 28 February 2020, the voting rights in the above table remained unchanged.

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

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

Corporate responsibility

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

Depending on the specific circumstance, these factors form part of the due diligence approach undertaken by JRCM prior to selecting investments. Within our own Group activities, we have always sought to ensure we act as good corporate citizens, with robust governance and minimising our environmental impact.

In this regard the Board considers that the direct environmental impact is low. The Company considers the largest environmental impact is the emissions from business travel, and from our premises. Where possible, executives will only travel where alternatives such as video conference facilities are not practical. In relation to its premises, the Company monitors and has taken steps to reduce its emissions and maximise the recycling of materials.

Directors' Report

Emissions required to be reported in respect of the years ended 31 December 2019 and 2018 were calculated using fuel conversion factors provided by Defra[1], as follows:

Source	CO_2 (tonnes)	Intensity ratio: CO_2 (tonnes) per FTO[2]
2019:		
Scope 1 gas	39	0.7
Scope 2 electricity	91	1.7
Total	130	2.4

Source	CO_2 (tonnes)	Intensity ratio: CO_2 (tonnes) per FTO[2]
2018:		
Scope 1 gas	44	0.6
Scope 2 electricity	108	1.5
Total	152	2.1

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

The Group operates an ethics policy which applies to all staff, including in relation to social and human rights issues. The Board is also supportive of moves towards greater diversity. At the year end, the RIT Board consisted of ten Directors, seven of whom were men and three of whom were women. The overall employee base is divided between 39 men and 13 women.

Further information on how ESG factors are considered in terms of how we engage with our stakeholders is set out in our Corporate Governance Report.

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

Modern slavery
We do not tolerate slavery or human trafficking. In accordance with the Modern Slavery Act 2015, JRCM publishes a Modern Slavery Statement which may be viewed on the Company's website: www.ritcap.com.

Engagement and stewardship
The Company supports the applicable principles of the Stewardship Code published by the FRC. In addition, the Manager is required by the FCA to have a policy on how it engages with investee companies on the Company's behalf. The Company's Engagement and Stewardship Policy may be viewed on its website.

Save for voting rights on the Company's investments held in segregated accounts (managed by external managers who have control on the voting of those shares) the Manager's investment department determines voting on resolutions of directly-held investee companies and funds. It does not use proxy advisors.

In line with the Engagement and Stewardship Policy, the Manager will exercise the Company's vote on items where it is in the long-term interest of the Company and its shareholders. In 2019, the Company generally voted in favour of resolutions for investee companies in which it held a publicly notifiable interest. This included supporting resolutions at a meeting of Augmentum Fintech plc to allow Directors to allot additional shares. There were no other significant votes during the period.

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

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

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

Annual General Meeting
The Company's AGM will be held on 27 April 2020 at 11:00 a.m. at Spencer House, 27 St James's Place, London, SW1A 1NR.

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

Auditor
EY has expressed its willingness to continue in office as the Company's external auditor. Resolutions to reappoint EY and to authorise the Directors to set their remuneration will be proposed at the forthcoming AGM.

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 (2018: nil).

Directors' Report

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.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Directors consider, both individually and together, that they have acted in a way they consider, in good faith, is most likely to promote the success of the Company for the benefits of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2019 (see pages 7 and 26).

Disclosure of information to the auditor

With regard to the preparation of the Report and Accounts of the Company for the year ended 31 December 2019, the Directors have confirmed to the auditor that:

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

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

Listing Rules disclosures

The following disclosures are in accordance with Listing Rule 9.8.4:

- Details of the allotment of equity securities are provided in notes 21 and 22.

There are no further disclosures required under Listing Rule 9.8.4.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015

Information on subsidiaries that is required to be disclosed under the above regulations is disclosed in note 30.

Disclosable information in respect of other investments is contained in notes 13 and 33.

Statement under the disclosure and transparency rules

Each of the Directors, whose names and functions are listed on pages 21 to 23 confirm that, to the best of their knowledge:

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

The Directors' Report on pages 44 to 47 was approved by the Board and signed on its behalf by:

Sir James Leigh-Pemberton
Chairman

Financial Statements
for the year ended 31 December 2019

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

Year ended 31 December £ million	Notes	Revenue	Capital	2019 Total	Revenue	Capital	2018 Total
Investment income	2	33.0	–	33.0	20.8	–	20.8
Other income		8.6	–	8.6	4.6	–	4.6
Gains/(losses) on fair value investments	3	–	365.9	365.9	–	28.3	28.3
Gains/(losses) on monetary items and borrowings		–	(14.2)	(14.2)	–	18.2	18.2
		41.6	351.7	393.3	25.4	46.5	71.9
Expenses							
Operating expenses	4, 5	(24.8)	(5.2)	(30.0)	(24.0)	(4.6)	(28.6)
Profit/(loss) before finance costs and tax	6	16.8	346.5	363.3	1.4	41.9	43.3
Finance costs	7	(4.1)	(16.3)	(20.4)	(3.0)	(11.9)	(14.9)
Profit/(loss) before tax		12.7	330.2	342.9	(1.6)	30.0	28.4
Taxation	8	-	(0.6)	(0.6)	-	(1.3)	(1.3)
Profit/(loss) for the year		**12.7**	**329.6**	**342.3**	**(1.6)**	**28.7**	**27.1**
Earnings/(loss) per ordinary share – basic	9	8.2p	212.9p	221.1p	(1.0p)	18.6p	17.6p
Earnings/(loss) per ordinary share – diluted	9	8.2p	212.6p	220.8p	(1.0p)	18.5p	17.5p

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

Consolidated statement of comprehensive income

Year ended 31 December £ million	Notes	Revenue	Capital	2019 Total	Revenue	Capital	2018 Total
Profit/(loss) for the year		12.7	329.6	342.3	(1.6)	28.7	27.1
Revaluation gain/(loss) on property, plant and equipment	10	-	(1.8)	(1.8)	-	(1.3)	(1.3)
Actuarial gain/(loss) in defined benefit pension plan	11	(0.8)	-	(0.8)	(0.9)	-	(0.9)
Deferred tax (charge)/credit allocated to actuarial loss	12	0.1	-	0.1	0.2	-	0.2
Total comprehensive income/(expense) for the year		**12.0**	**327.8**	**339.8**	**(2.3)**	**27.4**	**25.1**

The notes on pages 55 to 77 form part of these financial statements.

Consolidated Balance Sheet

At 31 December £ million	Notes	2019	2018
Non-current assets			
Investments held at fair value	13, 14, 15	3,086.1	2,808.0
Investment property	13, 14, 16	36.1	35.4
Property, plant and equipment	10	24.2	26.2
Deferred tax asset	12	1.5	2.0
Retirement benefit asset	11	1.0	1.3
Derivative financial instruments	14	0.7	8.3
		3,149.6	2,881.2
Current assets			
Derivative financial instruments	14	50.4	24.6
Other receivables	17	172.2	248.9
Cash at bank		61.1	210.9
		283.7	484.4
Total assets		3,433.3	3,365.6
Current liabilities			
Borrowings	19	(50.0)	(275.0)
Derivative financial instruments	14	(2.9)	(38.2)
Other payables	20	(55.3)	(51.7)
Amounts owed to group undertakings		(3.3)	(11.8)
		(111.5)	(376.7)
Net current assets/(liabilities)		172.2	107.7
Total assets less current liabilities		3,321.8	2,988.9
Non-current liabilities			
Borrowings	19	(166.4)	(155.1)
Derivative financial instruments	14	(7.9)	(0.6)
Provisions		(1.4)	(2.5)
Lease liability		(0.5)	(0.5)
		(176.2)	(158.7)
Net assets		**3,145.6**	**2,830.2**
Equity attributable to owners of the Company			
Share capital	21	156.8	155.4
Share premium	22	45.7	17.3
Capital redemption reserve	23	36.3	36.3
Own shares reserve	24	(7.8)	(13.4)
Capital reserve	26	2,894.1	2,624.3
Revenue reserve	27	7.0	(5.0)
Revaluation reserve	28	13.5	15.3
Total equity		**3,145.6**	**2,830.2**
Net asset value per ordinary share – basic	29	2,007p	1,827p
Net asset value per ordinary share – diluted	29	2,004p	1,821p

The financial statements on pages 49 to 54 were approved by the Board and authorised for issue on 2 March 2020.

Sir James Leigh-Pemberton
Chairman

The notes on pages 55 to 77 form part of these financial statements.

Parent Company Balance Sheet

At 31 December £ million	Notes	2019	2018
Non-current assets			
Investments held at fair value	13, 14, 15	3,036.4	2,760.1
Investment property	13, 14, 16	36.1	35.4
Property, plant and equipment	10	24.0	26.0
Investments in subsidiary undertakings	30	55.9	54.1
Derivative financial instruments	14	0.7	8.3
		3,153.1	2,883.9
Current assets			
Derivative financial instruments	14	50.4	24.6
Other receivables	17	171.7	248.3
Cash at bank		55.0	186.1
		277.1	459.0
Total assets		3,430.2	3,342.9
Current liabilities			
Borrowings	19	(50.0)	(275.0)
Derivative financial instruments	14	(2.9)	(38.2)
Other payables	20	(45.4)	(42.7)
Amounts owed to group undertakings	18	(90.1)	(66.4)
		(188.4)	(422.3)
Net current assets/(liabilities)		88.7	36.7
Total assets less current liabilities		3,241.8	2,920.6
Non-current liabilities			
Borrowings	19	(166.4)	(155.1)
Derivative financial instruments	14	(7.9)	(0.6)
Provisions		(1.4)	(2.5)
Lease liability		(0.5)	(0.5)
		(176.2)	(158.7)
Net assets		**3,065.6**	**2,761.9**
Equity			
Share capital	21	156.8	155.4
Share premium	22	45.7	17.3
Capital redemption reserve	23	36.3	36.3
Capital reserve:			
At 1 January		2,633.5	2,639.4
Profit for the year		330.0	45.1
Dividends paid	31	(52.6)	(51.0)
Capital reserve at 31 December	26	2,910.9	2,633.5
Revenue reserve:			
At 1 January		(95.9)	(82.3)
Loss for the year		(1.7)	(13.6)
Revenue reserve at 31 December	27	(97.6)	(95.9)
Revaluation reserve	28	13.5	15.3
Total equity		**3,065.6**	**2,761.9**

The Company's total profit for the year was £326.5 million (2018: £30.2 million).

The financial statements on pages 49 to 54 were approved by the Board and authorised for issue on 2 March 2020.

Sir James Leigh-Pemberton
Chairman

The notes on pages 55 to 77 form part of these financial statements.

Consolidated Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Own shares reserve	Share-based payment reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2018	155.4	17.3	36.3	(17.6)	4.6	2,648.4	(2.7)	16.6	2,858.3
Profit/(loss) for the year	–	–	–	–	–	28.7	(1.6)	–	27.1
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(1.3)	(1.3)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	(0.9)	–	(0.9)
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	–	0.2	–	0.2
Total comprehensive income/(expense) for the year	–	–	–	–	–	28.7	(2.3)	(1.3)	25.1
Dividends paid	–	–	–	–	–	(51.0)	–	–	(51.0)
Movement in own shares reserve	–	–	–	4.2	–	–	–	–	4.2
Movement in share-based payment reserve	–	–	–	–	(6.4)	–	–	–	(6.4)
Transfer to capital reserve	–	–	–	–	1.8	(1.8)	–	–	–
Balance at 31 December 2018	**155.4**	**17.3**	**36.3**	**(13.4)**	**–**	**2,624.3**	**(5.0)**	**15.3**	**2,830.2**
Balance at 1 January 2019	155.4	17.3	36.3	(13.4)	–	2,624.3	(5.0)	15.3	2,830.2
Profit/(loss) for the year	–	–	–	–	–	329.6	12.7	–	342.3
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(1.8)	(1.8)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	(0.8)	–	(0.8)
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	–	0.1	–	0.1
Total comprehensive income for the year	–	–	–	–	–	329.6	12.0	(1.8)	339.8
Dividends paid	–	–	–	–	–	(52.6)	–	–	(52.6)
Movement in own shares reserve	–	–	–	5.6	–	–	–	–	5.6
Movement in share-based payments	–	–	–	–	–	(7.2)	–	–	(7.2)
Share issuance	1.4	28.4	–	–	–	–	–	–	29.8
Balance at 31 December 2019	**156.8**	**45.7**	**36.3**	**(7.8)**	**–**	**2,894.1**	**7.0**	**13.5**	**3,145.6**

The notes on pages 55 to 77 form part of these financial statements.

Parent Company Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2018	155.4	17.3	36.3	2,639.4	(82.3)	16.6	2,782.7
Profit/(loss) for the year	–	–	–	45.1	(13.6)	–	31.5
Revaluation gain/(loss) on property, plant and equipment	–	–	–	–	–	(1.3)	(1.3)
Total comprehensive income/ (expense) for the year	–	–	–	45.1	(13.6)	(1.3)	30.2
Dividends paid	–	–	–	(51.0)	–	–	(51.0)
Balance at 31 December 2018	**155.4**	**17.3**	**36.3**	**2,633.5**	**(95.9)**	**15.3**	**2,761.9**
Balance at 1 January 2019	155.4	17.3	36.3	2,633.5	(95.9)	15.3	2,761.9
Profit/(loss) for the year	–	–	–	330.0	(1.7)	–	328.3
Revaluation gain/(loss) on property, plant and equipment	–	–	–	–	–	(1.8)	(1.8)
Total comprehensive income/ (expense) for the year	–	–	–	330.0	(1.7)	(1.8)	326.5
Dividends paid	–	–	–	(52.6)	–	–	(52.6)
Share issuance	1.4	28.4	–	–	–	–	29.8
Balance at 31 December 2019	**156.8**	**45.7**	**36.3**	**2,910.9**	**(97.6)**	**13.5**	**3,065.6**

The notes on pages 55 to 77 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statement

Year ended 31 December £ million	Notes	Consolidated cash flow 2019	 2018	Parent Company cash flow 2019	 2018
Cash flows from operating activities:					
Cash inflow/(outflow) before taxation and interest		155.9	151.7	175.0	156.3
Interest paid		(20.4)	(14.9)	(20.4)	(14.9)
Net cash inflow/(outflow) from operating activities	32	135.5	136.8	154.6	141.4
Cash flows from investing activities:					
Sale/(purchase) of property, plant and equipment		(0.2)	(0.2)	(0.2)	(0.2)
Disposal of subsidiary[1]		–	3.0	–	3.0
Investments in subsidiary undertakings		–	–	(7.5)	(31.5)
Net cash inflow/(outflow) from investing activities		(0.2)	2.8	(7.7)	(28.7)
Cash flows from financing activities:					
Repayment of borrowings		(225.0)	–	(225.0)	–
Purchase of ordinary shares by EBT[2]		(7.1)	(6.6)	–	–
Equity dividend paid	31	(52.6)	(51.0)	(52.6)	(51.0)
Net cash inflow/(outflow) from financing activities		(284.7)	(57.6)	(277.6)	(51.0)
Increase/(decrease) in cash and cash equivalents in the year		(149.4)	82.0	(130.7)	61.7
Cash and cash equivalents at the start of the year		210.9	122.9	186.1	118.4
Effect of foreign exchange rate changes on cash and cash equivalents		(0.4)	6.0	(0.4)	6.0
Cash and cash equivalents at the year end		**61.1**	**210.9**	**55.0**	**186.1**
Reconciliation:					
Cash at bank		61.1	210.9	55.0	186.1
Cash and cash equivalents at the year end		**61.1**	**210.9**	**55.0**	**186.1**

[1] Deferred consideration.
[2] Shares are disclosed in the own shares reserve on the consolidated balance sheet.

The notes on pages 55 to 77 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

Accounting policies have been consistently applied other than where new policies have been adopted. The year ended 31 December 2019 is the first year in which the following standard has been adopted:

IFRS 16 Leases
The Directors have carefully considered the impact of this new standard on the Group's accounts and financial position. IFRS 16 has not had a material impact as the requirement for lease recognition is already being applied by the Group and Company (as lessees) in relation to its properties by adopting the fair value model allowed by IFRS 16 and other standards. The difference between the value of the existing lease liability held by the Group and Company (as lessee) and the liability that would be required under IFRS 16 is wholly immaterial and therefore the Group and Company have maintained the existing accounting treatment, supplemented by further disclosures as required. Similarly, the Group and Company (as lessor) already recognises income received from operating leases on a straight-line basis – as required by IFRS 16.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of financial instruments (including derivatives), investment properties held at fair value through profit or loss (FVPL) and property, plant and equipment held at fair value.

The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies (the SORP) issued by the Association of Investment Companies (AIC) in October 2019, 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.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Board has concluded that the Company, being the parent entity of the Group, continues to meet the particular characteristics of an 'Investment Entity'. The 'Investment Entity' amendment to IFRS 10 Consolidated Financial Statements requires that:

(i) the single subsidiary (JRCM), that is not itself an investment entity, and that provides investment management services, is consolidated on a line-by-line basis with balances between the parent and this subsidiary eliminated; and

(ii) certain subsidiaries are accounted for as investments held at FVPL.

In the financial statements of the Parent, investments in non-consolidated subsidiaries are carried at fair value and the consolidated subsidiary is 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 all of the following;

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect the amount of the Company's returns.

Both the Group and Company hold investments in associates and joint ventures at fair value as allowed by IAS 28 Investments in Associates and Joint Ventures.

Presentation of income statement
In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the consolidated income statement between items of a revenue and capital nature has been presented within the consolidated income statement and the consolidated statement of comprehensive income (SOCI).

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

UK dividend income is recorded at the amount receivable. Overseas dividend income is shown net of withholding tax under investment income.

Interest income is accrued on a time basis.

Rental income from investment properties under short-term leases is accounted for on a straight line basis, over the lease term.

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

Notes to the Financial Statements

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

The following are also presented as capital items:

- gains and losses on the realisation of investments, including foreign exchange differences;
- increases and decreases in the valuation of investments held at the year end, including foreign exchange differences;
- realised and unrealised gains and losses on derivatives transactions of a capital nature; and
- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies.

Finance costs
Finance costs on borrowings are accounted for on an accruals basis and are settled at the end of each relevant drawing period.

Finance costs are allocated in the ratio 20:80 to the revenue and capital columns of the income statement.

Foreign currencies
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates, i.e. its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling which is the functional currency of the Company, and the presentational currency of the Group. Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. All foreign exchange gains and losses are recognised in the consolidated income statement.

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement or SOCI, 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 classified as FVPL but are also described in these financial statements as investments held at fair value.

All investments are measured initially and at subsequent reporting dates at fair value. Fair value, for quoted investments, is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in externally managed funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant fund administrator or investment manager.

Notes to the Financial Statements

Changes in the fair value of all investments held at fair value are recognised in the consolidated income statement as a capital item. The realised gain or loss arising on the disposal of investments is determined as the difference between the sale proceeds and the carrying amount of the asset at the beginning of the year and is recognised in the consolidated income statement. Transaction costs are included within gains or losses on investments held at fair value.

In respect of direct private investments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties; the current fair value of another instrument that is substantially the same; and discounted cash flow analysis. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique may also be used.

Direct private investments are valued at the Manager'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 Private Equity and Venture Capital Association. The inputs into the valuation methodologies adopted include observable historical data such as earnings or cash flows 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. At period ends, the valuations are subject to review, adjustment as appropriate and approval by the Company's independent Valuation Committee. They are also subject to external audit.

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

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

Leasehold and freehold investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on the professional valuation made as of each reporting date. Valuation surpluses and deficits arising in the year are included in the consolidated income statement.

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

Cash at bank
Cash at bank in the balance sheet comprises cash balances and deposits held at call and short notice with banks.

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

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

Share-based payment
In accordance with IFRS 2 Share-based Payment, the Group is required to reflect in its income statement and balance sheet the effects of share-based payment transactions. The Group's share-settled incentive schemes include the AIS (in part), SARs and performance shares.

AIS awards are structured such that 60% of individual amounts in excess of £150,000 are paid in deferred shares of the Company which vest equally over the three years following the award. Deferred shares are valued using the prevailing market price at award. The expense is recognised over the year the award relates to and the following three years.

SARs are equity-settled awards accounted for in accordance with IFRS 2. Annual awards are typically made and 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 three-year vest period.

Periodic awards of performance shares have also been made. These are conditional awards of shares subject to performance conditions. They are accounted for as equity settled in accordance with IFRS 2. The awards are fair valued at grant using a monte carlo model and the resulting cost of an award is then recognised through the capital column of the income statement over the service period particular to that award.

Notes to the Financial Statements

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

The movement in equity arising under IFRS 2 Share-based Payment is applied to the capital reserve, reflecting the nature of the Group's share-based payment awards.

Property, plant and equipment
Property, plant and equipment is shown at cost less accumulated depreciation, save as detailed below. Depreciation is calculated by the Group on a straight-line basis by reference to original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between three and four years for the majority of assets except for the Company's leasehold interest in 27 St James's Place for which the estimated useful life is 65 years. The proportion of this asset occupied by the Group is accounted for at fair value under the revaluation model allowed by IAS 16 Property, Plant and Equipment, which is intended to ensure that the carrying value of the asset is never substantially different to its fair value. Changes in fair value are reflected in the SOCI and a separate revaluation reserve. The proportion of this asset not occupied by the Group is accounted for as an investment property at fair value. Determination of fair value requires significant judgement and external advisers are used.

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

The Group accounts for this defined benefit retirement scheme by reference to IAS 19 Employee Benefits. The cost of benefits accruing during the year in respect of current and past service is charged to the income statement and allocated to revenue. The net interest on the net defined benefit liability or asset is recognised in the income statement. Actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability or asset, are recognised in the SOCI. An actuarial valuation of the defined benefit retirement scheme is undertaken every three years as at 1 January and is updated as at each principal reporting date. The valuation is carried out using the projected unit credit method of funding basis. The income statement also includes costs incurred in respect of defined contribution schemes, comprising the contributions payable in the year.

Other receivables/other payables
Other receivables/other payables do not carry any interest, are short-term in nature and are carried at amortised cost. Application of the expected credit loss model to these balances has an immaterial impact to their carrying value which also approximates their fair value.

Bank borrowings
Interest-bearing bank loans are recorded initially at the proceeds received and subsequently at fair value. The fair value is calculated as the amount to replace the facility which is equal to par.

Loan notes
Loan notes are classified as a financial liability at FVPL and are measured initially and subsequently at fair value with movements in fair value taken to the income statement as a capital item. The fair value is calculated with a discounted cash flow (DCF) model using the fixed interest and redemption payments based on the underlying contractual cash flows. The discount rate adopted reflects the prevailing market rate for similar instruments. As a result, the determination of fair value requires management judgement. Further details of the loan notes are provided on pages 72 and 73.

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

Share capital and share premium
Share capital is classified as equity. Share premium reflects the excess of the consideration received on issuing shares over the nominal value of those shares, net of issue costs.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager and Board to exercise judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or complexity and where assumptions and estimates are significant to the consolidated financial statements, are in relation to the valuation of private investments (see page 57 and note 14) and property (see pages 57 and 58 and notes 10 and 16).

Notes to the Financial Statements

2. Investment income

£ million	2019	2018
Income from listed investments		
Dividends	11.4	10.8
Income from unlisted investments		
Dividends	5.7	4.3
Interest	13.4	3.2
Income from investment properties	2.5	2.5
Total investment income	**33.0**	**20.8**

3. Gains/(losses) on fair value investments

£ million	2019	2018
Gains/(losses) on fair value investments excluding segregated accounts	349.0	41.3
Gross gains/(losses) on segregated accounts	18.7	(11.8)
Segregated account fees - annual	(1.8)	(1.8)
Segregated account fees - performance	–	0.6
Gains/(losses) on fair value investments held in segregated accounts	16.9	(13.0)
Gains/(losses) on fair value investments	**365.9**	**28.3**

The Company's investment policy involves the allocation of part of the portfolio to external fund managers. The vast majority of these managers operate funds where the fees are charged within the fund. These 'indirect' investment management and performance fees are therefore automatically reflected within the valuations received from the administrators or managers, and form part of the investment gains/(losses). At 31 December 2019, four funds (31 December 2018: two) were structured as segregated accounts (disclosed within the Investment Portfolio on pages 13 to 15), where the managers separately invoice the Company for investment management. In order to provide a consistent presentation for all external fees, these are included within the gain/(losses) as shown above. Further details on the typical fee structures for the external funds are set out in the Directors' Report on page 45.

4. Operating expenses

£ million	2019	2018
Staff costs:		
Wages and salaries	12.4	11.4
Social security costs	1.7	1.6
Share-based payment costs (note 25)	7.5	7.0
Pension costs (note 11)	0.7	0.8
Total staff costs	22.3	20.8
Auditor's remuneration – (note 5)	0.3	0.2
Depreciation	0.4	0.6
Lease payments	0.4	0.5
Other operating expenses	6.6	6.5
Total operating expenses	**30.0**	**28.6**

Operating expenses include costs incurred by JRCM in managing RIT's assets, as well as costs which are recharged to third parties. Further information is provided in note 6.

The figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 39 to 43.

The average monthly number of employees during the year was 56 (2018: 58) of which 43 (2018: 45) were employed in the consolidated subsidiary, JRCM.

5. Other disclosable expenses

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

£ thousand	2019	2018
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	158	154
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	67	66
Audit-related assurance services	45	35
Total	**270**	**255**

Transaction costs

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

£ million	2019	2018
Purchases	0.6	0.9
Sales	0.7	0.3
Transaction costs	**1.3**	**1.2**

In addition, £0.3 million of professional fees (2018: £0.3 million) incurred on purchases of investments held at fair value are included within gains/(losses) on fair value investments.

Notes to the Financial Statements

6. Business and geographical segments

For 2019 and 2018, the Group is considered to have three principal operating segments, all based in the UK, as follows:

Segment	Business	AUM £ million[1]	Employees[1]
RIT Capital Partners plc	Investment trust	–	–
JRCM	Investment manager/ administration	3,146	40
SHL	Events/premises management	–	12

[1] At 31 December 2019

Key financial information for 2019 is as follows:

£ million	Net assets	Income/ gains[1]	Operating expenses[1]	Profit[2]
RIT	3,065.6	389.4	(41.2)	348.2
JRCM	86.2	39.5	(25.1)	14.4
SHL	1.2	4.1	(3.4)	0.7
Adjustments[3]	(7.4)	(39.7)	39.7	-
Total	3,145.6	393.3	(30.0)	363.3

Key financial information for 2018 is as follows:

£ million	Net assets	Income/ gains[1]	Operating expenses[1]	Profit[2]
RIT	2,748.7	67.2	(37.9)	29.3
JRCM	74.6	37.2	(23.6)	13.6
SHL	1.3	3.5	(3.1)	0.4
Adjustments[3]	5.6	(36.0)	36.0	–
Total	2,830.2	71.9	(28.6)	43.3

[1] Includes intra-group income and expenses.

[2] Profit before finance costs and tax.

[3] Consolidation adjustments in accordance with IFRS 10 Consolidated Financial Statements.

7. Finance costs

£ million	2019	2018
Interest on borrowings	9.9	11.0
Interest on swaps	9.7	3.7
Other finance costs	0.8	0.2
Finance costs	**20.4**	**14.9**

8. Taxation

£ million	Year ended 31 December 2019 Revenue	Capital	Total
UK corporation tax charge/(credit)	–	0.6	0.6
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	–	0.6	0.6
Effect of tax rate changes	–	–	–
Taxation charge/(credit)	**–**	**0.6**	**0.6**

£ million	Year ended 31 December 2018 Revenue	Capital	Total
UK corporation tax charge/(credit)	–	1.3	1.3
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	–	1.3	1.3
Effect of tax rate changes	–	–	–
Taxation charge/(credit)	**–**	**1.3**	**1.3**

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

The tax charge for the year differs from the effective rate of corporation tax in the UK for 2019 of 19% (2018: 19%). The differences are explained below:

£ million	Year ended 31 December 2019 Revenue	Capital	Total
Profit/(loss) before tax	12.7	330.2	342.9
Tax at the standard UK corporation tax rate of 19%	2.4	62.7	65.1
Effect of:			
Capital items exempt from corporation tax	–	(69.3)	(69.3)
Dividend income not taxable	(1.3)	–	(1.3)
Expenses not deductible for tax purposes	–	0.5	0.5
Tax losses not recognised	–	7.0	7.0
Other items	(1.1)	(0.3)	(1.4)
Total tax charge/(credit)	**–**	**0.6**	**0.6**

£ million	Year ended 31 December 2018 Revenue	Capital	Total
Profit/(loss) before tax	(1.6)	30.0	28.4
Tax at the standard UK corporation tax rate of 19%	(0.3)	5.7	5.4
Effect of:			
Capital items exempt from corporation tax	–	(7.1)	(7.1)
Dividend income not taxable	(1.0)	–	(1.0)
Expenses not deductible for tax purposes	0.1	–	0.1
Tax losses not recognised	1.4	3.1	4.5
Other items	(0.2)	(0.4)	(0.6)
Total tax charge/(credit)	**–**	**1.3**	**1.3**

Notes to the Financial Statements

9. Earnings/(loss) per ordinary share – basic and diluted

The basic earnings per ordinary share for 2019 is based on the profit of £342.3 million (2018: profit of £27.1 million) and the weighted average number of ordinary shares in issue during the period of 154.8 million (2018: 154.5 million). The weighted average number of shares is adjusted for shares held in the employee benefit trust in accordance with IAS 33.

£ million	2019	2018
Net revenue profit/(loss)	12.7	(1.6)
Net capital profit/(loss)	329.6	28.7
Total profit/(loss) for the year	**342.3**	**27.1**

pence	2019	2018
Revenue earnings/(loss) per ordinary share – basic	8.2	(1.0)
Capital earnings/(loss) per ordinary share – basic	212.9	18.6
Total earnings per share – basic	**221.1**	**17.6**

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

Weighted average (million)	2019	2018
Number of shares in issue	155.4	155.4
Own shares	(0.6)	(0.9)
Basic shares	154.8	154.5
Effect of share-based payment awards	0.2	0.5
Diluted shares	**155.0**	**155.0**

pence	2019	2018
Revenue earnings/(loss) per ordinary share – diluted	8.2	(1.0)
Capital earnings/(loss) per ordinary share – diluted	212.6	18.5
Earnings per ordinary share – diluted	**220.8**	**17.5**

10. Property, plant and equipment

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2019	15.5	(4.6)	15.3	26.2
Additions	0.2	–	–	0.2
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(1.8)	(1.8)
Fair value at 31 December 2019	**15.7**	**(5.0)**	**13.5**	**24.2**
Of which:				
Property – leasehold	14.0	(3.5)	13.5	24.0

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2018	15.3	(4.0)	16.6	27.9
Additions	0.2	–	–	0.2
Charge for depreciation	–	(0.6)	–	(0.6)
Revaluation gain/(loss)	–	–	(1.3)	(1.3)
Fair value at 31 December 2018	**15.5**	**(4.6)**	**15.3**	**26.2**
Of which:				
Property – leasehold	13.8	(3.1)	15.3	26.0

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2019	13.8	(3.1)	15.3	26.0
Additions	0.2	–	–	0.2
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(1.8)	(1.8)
Fair value at 31 December 2019	**14.0**	**(3.5)**	**13.5**	**24.0**

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2018	13.6	(2.6)	16.6	27.6
Additions	0.2	–	–	0.2
Charge for depreciation	–	(0.5)	–	(0.5)
Revaluation gain/(loss)	–	–	(1.3)	(1.3)
Fair value at 31 December 2018	**13.8**	**(3.1)**	**15.3**	**26.0**

The fair value at both year ends predominantly relates to the proportion of the leasehold interest in 27 St. James's Place occupied by the Group. The property valuations are based on JLL's valuations at the respective year ends. Further information is provided in note 13.

11. Pension commitments

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

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

The Scheme is administered under a Trust Deed and Rules. The Trustees are responsible for agreeing a funding plan with JRCM such that any deficit in the scheme is expected to be eliminated, and for agreeing a Statement of Investment Principles that the Scheme adopts in order to achieve its aim of providing retirement benefits. The Trustees have delegated the day-to-day investment management responsibility to GAM and administration of the Scheme to JRCM. A corporate Trustee, Law Debenture Pension Trust Corporation plc, who is independent of the Group, was appointed in May 2019.

Notes to the Financial Statements

11. Pension commitments (continued)

Description of Scheme characteristics and associated risks
The Scheme operates as a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 January 2017 by a qualified independent actuary, and this was updated to 31 December 2019 for the purposes of these disclosures.

This is a closed Scheme so the age profile of the active membership is rising. Key risks associated with the Scheme are set out below:

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

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

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

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

Defined benefit cost £'000	2019	2018
Current service cost	54	97
Net interest on net defined benefit liability/(asset)	(45)	(52)
Remeasurement effects recognised in the SOCI	818	900
Total (credit)/expense	**827**	**945**

Recognised in the consolidated income statement £'000	2019	2018
Defined contribution schemes	736	719
Defined benefit scheme:		
Current service cost	54	97
Net interest on net defined benefit asset/(liability)	(45)	(52)
Total pension cost recognised in the consolidated income statement	**745**	**764**

Recognised in the SOCI £'000	2019	2018
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	10	19
Actuarial (gain)/loss due to liability assumption changes	3,304	(974)
Return on Scheme assets (greater)/less than discount rate	(2,496)	1,855
Remeasurement effects recognised in the SOCI	**818**	**900**
Total (credit)/expense	**1,563**	**1,664**

The Scheme's assets and liabilities are shown below together with the actuarial assumptions used.

Changes in the DBO £'000	2019	2018
DBO at end of prior year	22,384	23,354
Current service cost	54	97
Interest cost on the DBO	638	611
Actuarial (gain)/loss – experience	10	19
Actuarial (gain)/loss – financial assumptions	3,304	(974)
Benefits paid from scheme assets	(828)	(723)
Total DBO	**25,562**	**22,384**

Changes in Scheme assets £'000	2019	2018
Opening fair value of the Scheme assets	23,702	25,117
Expected return on assets	683	663
Return on Scheme assets greater/(less) than discount rate	2,496	(1,855)
Employer contributions	500	500
Benefits paid	(828)	(723)
Total Scheme assets	**26,553**	**23,702**

Notes to the Financial Statements

11. Pension commitments (continued)

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

Development of the net balance sheet position £'000	2019	2018
Net defined benefit asset/(liability) at end of prior year	1,318	1,763
Service cost	(54)	(97)
Net interest on defined benefit asset/(liability) at end of prior year	45	52
Remeasurement effects recognised in the SOCI	(818)	(900)
Employer contributions	500	500
Net defined benefit asset/(liability)	**991**	**1,318**

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

	2019	2018
Discount rate	2.05%	2.90%
Price inflation (RPI)	3.25%	3.50%
Rate of salary increase	n/a	3.00%
Pension increases for pre-6 April 1997 pension	4.00%	4.00%
Pension increases for post-6 April 1997 pension	4.30%	4.35%
Pension increases for deferred benefits (non GMP)	3.25%	3.50%
Scheme participant census date (31 December)	2019	2018
Post retirement mortality assumption	SAPS[1]	SAPS[1]

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

Sensitivity analysis

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

£'000	2019
DBO	25,562

Significant actuarial assumptions at 31 December 2019:

£'000	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity
Discount rate	1.55% pa	0.5% pa decrease	27,964
Price inflation (RPI)	3.75% pa	0.5% pa increase	25,930
Life expectancy	–	Increase of 1 year	26,592

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

Analysis of DBO by participant category £'000	2019
Deferred participants	4,269
Pensioners	21,293
DBO	**25,562**

The fair value of Scheme assets of £26.6 million is analysed in the table below.

Scheme asset breakdown	Quoted securities	Other	Total 2019
Equity securities[1]	51%	–	51%
Fixed income and credit[1]	39%	3%	42%
Alternative investments[1]	5%	–	5%
Cash and liquidity/other		2%	2%
Total	**95%**	**5%**	**100%**

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

12. Deferred tax asset

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

£ million	2019	2018
Balance at start of year	2.0	3.1
(Debit)/credit to consolidated income statement	(0.6)	(1.3)
(Debit)/credit to SOCI	0.1	0.2
Balance at end of year	**1.5**	**2.0**

The deferred tax asset is analysed below:

£ million	2019	2018
Share-based payments	1.7	2.3
Capital allowances	0.1	0.1
Retirement benefit liability/(asset)	(0.3)	(0.4)
Balance at end of year	**1.5**	**2.0**

The Group had carried forward tax losses of £325 million at 31 December 2019 (2018: £274 million) that have not been recognised as a deferred tax asset, as it is unlikely that the unrecognised asset will be utilised in the foreseeable future.

Notes to the Financial Statements

13. Investments held at fair value

£ million	31 December 2019 Group	Company	31 December 2018 Group	Company
Listed investments:				
Listed in UK[1]	368.7	368.7	158.6	158.6
Listed overseas[1]	1,167.9	1,167.9	1,233.2	1,233.2
Subtotal	1,536.6	1,536.6	1,391.8	1,391.8
Unlisted investments[2]	1,585.6	1,535.9	1,451.6	1,403.7
Fair value of investments	**3,122.2**	**3,072.5**	**2,843.4**	**2,795.5**
Investments held at fair value	3,086.1	3,036.4	2,808.0	2,760.1
Investment property	36.1	36.1	35.4	35.4
Fair value of investments	**3,122.2**	**3,072.5**	**2,843.4**	**2,795.5**

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

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

The movement in investment property during the year was a gain of £0.7 million (2018: loss of £0.7 million) as a result of the revaluation. There were no purchases or sales of investment property during the year.

14. Financial instruments

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

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

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

The Group's policy for determining the fair value of investments (including private investments) is set out on pages 56 and 57. In relation to receivables, payables and short-term borrowings, the carrying amount is viewed as being a reasonable approximation of fair value.

14.1 Financial risk management

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

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

a. Market risk

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

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

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

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

The Manager may seek to reduce or increase the portfolio's exposure to stock markets, interest rates and currencies by utilising derivatives such as index futures, options, swaps and currency forward contracts. These instruments are used for the purpose of hedging some or all of the existing exposure within the portfolio to those currencies or particular markets, as well as to enable increased exposure when deemed appropriate. With respect to equity, foreign exchange and interest rate options, the notional exposure presented in this note is adjusted to reflect the sensitivity of the option to movements in the underlying security.

a(i). Price risk

Price risk may affect the value of the quoted and private investments held by the Group.

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

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

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

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

Other price risk exposure relates to investments in private investments, absolute return and credit, and real assets, adjusted for the notional exposure from commodity derivatives.

£ million	31 December 2019	31 December 2018
Exposure to quoted equity price risk[1]	1,331.6	1,308.0
Exposure to other price risk	1,612.2	1,510.4
Total exposure to price risk	**2,943.8**	**2,818.4**

1 Quoted equity price risk represented 42% of year-end net assets (2018: 46%).

Notes to the Financial Statements

14. Financial instruments (continued)

Price risk sensitivity analysis

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

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

£ million	2019 Impact on profit and net assets	2018 Impact on profit and net assets
Quoted equity	133.2	132.3
Other	161.2	151.0
Total	**294.4**	**283.3**

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

a(ii). Interest rate risk

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

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

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

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

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

	31 December 2019		
£ million	Floating rate	Fixed rate	Total
Portfolio investments – (debt securities)[1]	–	77.4	77.4
Cash	61.1	–	61.1
Borrowings	(50.0)	(166.4)	(216.4)
Total[2]	**11.1**	**(89.0)**	**(77.9)**

	31 December 2018		
£ million	Floating rate	Fixed rate	Total
Portfolio investments – (debt securities)[1]	–	9.3	9.3
Cash	210.9	–	210.9
Borrowings	(275.0)	(155.1)	(430.1)
Total[2]	**(64.1)**	**(145.8)**	**(209.9)**

[1] In addition, the Group holds £232.7 million (2018: £167.2 million) in funds which predominantly invest in credit instruments. These provide indirect exposure to interest rate risk.

[2] In addition, the Group holds £2.6 million (2018: £1,854.5 million) notional exposure to interest rate derivatives.

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

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

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

The Group has total borrowings with a fair value of £216.4 million outstanding at the year end (2018: £430.1 million). The revolving credit facility comprising £50.0 million of this total incurs floating interest payments. The loan notes with a fair value of £166.4 million (par value of £151.0 million) have fixed interest payments. Further details are provided in note 19.

Interest rate risk sensitivity analysis

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

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

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

£ million	2019 Impact on profit and net assets	2018 Impact on profit and net assets
Total	**8.4**	**(7.5)**

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

14. Financial instruments (continued)

a(iii). Currency risk
Consistent with its Investment Policy, the Group invests in financial instruments and transactions denominated in currencies other than sterling. As such, the Group's profit and net assets could be significantly affected by currency movements.

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

Foreign currency exposure

Currency	2019 Net exposure % of NAV	2018 Net exposure % of NAV
US dollar	17.6	38.4
Euro	6.1	8.0
Japanese yen	5.7	6.1
Swiss franc	0.3	4.7
Other non-sterling	1.2	(0.8)
Total[1]	**30.9**	**56.4**

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

Currency risk sensitivity analysis
The sensitivity of the Group's net assets and profit in regard to changes in key currencies is illustrated below. This is based on an assumed 10% strengthening of sterling relative to the foreign currencies as at 31 December 2019, and assumes all other variables are held constant. A 10% weakening is assumed to produce an equal and opposite effect.

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

£ million	2019 Impact on profit and net assets	2018 Impact on profit and net assets
US dollar	(55.5)	(103.4)
Euro	(19.4)	(22.6)
Japanese yen	(17.9)	(17.4)
Swiss franc	(1.1)	(13.4)
Other non-sterling	(3.6)	2.3
Total	**(97.5)**	**(154.5)**

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

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

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

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

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

Credit risk exposure

£ million	2019	2018
Portfolio investments (debt securities)	77.4	9.3
Derivative financial instruments[1]	51.1	32.9
Cash margin	75.5	158.0
Other receivables	96.7	90.9
Cash at bank	61.1	210.9
Exposure to credit risk	**361.8**	**502.0**

[1] Represents the fair value of assets held by counterparties.

In addition to the table above, the Group holds a credit index derivative with a notional exposure of £309.4 million, designed to provide some protection against the deterioration of general investment grade credit.

Debt securities held within portfolio investments include primarily UK Inflation-Linked Gilts with a long-term credit rating of AA by S&P and a private loan note issued by LionTree Advisory Holdings LLC.

The credit quality of certain financial assets that are not past due, where the risk of loss is primarily that a counterparty fails to meet an obligation, can be assessed by reference to external credit ratings.

The Manager has a review process in place that included an evaluation of a potential counterparty's ability to service and repay its debt. This is considered on a regular basis. Cash margins and other receivables comprise mainly balances with counterparties which are investment grade financial institutions with a short-term credit rating by S&P of A-2 or higher (2018: A-3).

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

Substantially all of the listed portfolio investments and cash at bank are held by BNP as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was A in the most recent rating prior to 31 December 2019 (2018: A).

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

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

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

Notes to the Financial Statements

14. Financial instruments (continued)

The Group has three revolving credit facilities with a total capacity of £385 million (£50 million drawn at the year end) and £151 million of long-term loan notes (details of which are disclosed in note 19).

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 2019			
£ million	3 months or less	3-12 months	>1 year	Total
Current liabilities:				
Bank loan/overdraft	50.0	–	–	50.0
Derivative financial instruments	2.9	–	–	2.9
Purchases for future settlement	9.0	–	–	9.0
Amounts owed to group undertakings	3.3	–	–	3.3
Non-current liabilities:				
Derivative financial instruments	–	–	7.9	7.9
Borrowings	–	4.8	209.6	214.4
Lease liability	–	–	10.2	10.2
Financial liabilities	65.2	4.8	227.7	297.7
Other non-financial liabilities	54.9	0.4	2.9	58.2
Subtotal	120.1	5.2	230.6	355.9
Commitments	210.8	–	–	210.8
Total	**330.9**	**5.2**	**230.6**	**566.7**

	31 December 2018			
£ million	3 months or less	3-12 months	>1 year	Total
Current liabilities:				
Bank loan/overdraft	275.0	–	–	275.0
Derivative financial instruments	38.2	–	–	38.2
Purchases for future settlement	9.9	–	–	9.9
Amounts owed to group undertakings	11.8	–	–	11.8
Non-current liabilities:				
Derivative financial instruments	–	–	0.6	0.6
Borrowings	–	4.8	210.2	215.0
Lease liability	–	–	11.7	11.7
Financial liabilities	334.9	4.8	222.5	562.2
Other non-financial liabilities	41.4	0.4	3.0	44.8
Subtotal	376.3	5.2	225.5	607.0
Commitments	294.7	–	–	294.7
Total	**671.0**	**5.2**	**225.5**	**901.7**

14.2 Collateral

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

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

£ million	2019	2018
Cash margin accounts	**75.5**	**158.0**

14.3 Derivative financial instruments

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

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

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

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

Details of the unsettled derivatives at 31 December 2019 and 31 December 2018 are:

		Group and Company		
As at 31 December 2019 £ million	Notional[1] amount	Assets (positive fair value)	Liabilities (negative fair value)	Total fair value
Commodity derivatives	108.3	4.1	–	4.1
Credit derivatives	309.4	–	(7.9)	(7.9)
Currency derivatives	2,087.7	44.9	(2.5)	42.4
Equity derivatives	42.1	2.1	(0.4)	1.7
Fixed income derivatives	–	–	–	–
Interest rate derivatives	2.6	0.0	(0.0)	0.0
Total		**51.1**	**(10.8)**	**40.3**

		Group and Company		
As at 31 December 2018 £ million	Notional[1] amount	Assets (positive fair value)	Liabilities (negative fair value)	Total fair value
Commodity derivatives	87.4	3.4	–	3.4
Credit derivatives	–	–	–	–
Currency derivatives	1,660.6	4.9	(14.4)	(9.5)
Equity derivatives	299.8	7.8	(20.4)	(12.6)
Fixed income derivatives	147.8	0.3	(3.3)	(3.0)
Interest rate derivatives	2,002.3	16.5	(0.7)	15.8
Total		**32.9**	**(38.8)**	**(5.9)**

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

14. Financial instruments (continued)

14.4 IFRS 13 fair value measurement classification

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

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

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

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

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

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

Level 1

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

Level 2

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

Level 3

The Group considers all private investments, whether direct or funds, (as described in the Investment Portfolio on page 14) as level 3 assets, as the valuations of these assets are not typically based on observable market data. Where other funds invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

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

The directly-held private investments are valued on a semi-annual basis using techniques including a market approach, income approach and/or cost approach. The valuation process involves the investment functions of JRCM who prepare the proposed valuations, which are then subject to review by the finance function, with the final valuations being presented to the Valuations Committee chaired by Mike Power and of which the Audit and Risk Committee chair is also a member. The specific techniques used will typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry specific methodologies. The valuations will often reflect a synthesis of a number of distinct approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the company's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Borrowings at 31 December 2019 comprise bank loans and senior loan notes. The bank loans are revolving credit facilities paying floating interest, and are typically drawn in tranches with a duration of three months. The loans are therefore short-term in nature, and their fair value approximates their nominal value. The loan notes were issued with tenors of between 10 and 20 years with a weighted average of 16 years. They are valued on a monthly basis using a discounted cash flow model where the discount rate is derived from the yield of similar tenor UK Government bonds, adjusted for any significant changes in either credit spreads or the perceived credit risk of the Company.

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

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

Notes to the Financial Statements

14. Financial instruments (continued)

The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2019:

As at 31 December 2019 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	457.2	1,496.3	1,082.9	3,036.4
Non-consolidated subsidiaries	–	–	49.7	49.7
Investments held at fair value	457.2	1,496.3	1,132.6	3,086.1
Derivative financial instruments	4.1	47.0	–	51.1
Total financial assets at FVPL	**461.3**	**1,543.3**	**1,132.6**	**3,137.2**
Non-financial assets measured at fair value:				
Investment property	–	–	36.1	36.1
Property, plant and equipment	–	–	24.2	24.2
Total non-financial assets measured at fair value	**–**	**–**	**60.3**	**60.3**
Financial liabilities at FVPL:				
Borrowings	–	–	(216.4)	(216.4)
Derivative financial instruments	–	(10.8)	–	(10.8)
Total financial liabilities at FVPL	**–**	**(10.8)**	**(216.4)**	**(227.2)**
Total net assets at measured at fair value	**461.3**	**1,532.5**	**976.5**	**2,970.3**
Other non-current assets				2.5
Cash at bank				61.1
Other current assets				172.2
Other current liabilities				(58.6)
Other non-current liabilities				(1.9)
Net assets				**3,145.6**

Movements in level 3 assets

Year ended 31 December 2019 £ million	Investments held at fair value	Properties	Total
Opening balance	1,029.0	61.6	1,090.6
Purchases	196.7	0.2	196.9
Sales	(139.0)	–	(139.0)
Realised gains/(losses) through profit or loss	8.2	–	8.2
Unrealised gains/(losses) through profit or loss	57.9	0.6	58.5
Unrealised gains/(losses) through other comprehensive income	–	(1.8)	(1.8)
Transfer in to level 3	57.5	–	57.5
Transfer out of level 3	(77.7)	–	(77.7)
Other	–	(0.3)	(0.3)
Closing balance	**1,132.6**	**60.3**	**1,192.9**

During the year a directly-held private investment underwent an IPO resulting in a transfer from level 3 to level 2, with a fair value at the year end of £77.7 million. This has not been reclassified to level 1 as a result of a discount being applied to reflect an unexpired lock-up impacting the ability to sell. Investments in funds with a fair value of £57.5 million at the year end were transferred from level 2 to 3 as a result of the most recent financial information received during the year in respect of the underlying investments of the funds.

Level 3 assets

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

Primary valuation method £ million	2019	2018
Third-party valuations	126.9	172.6
Recent financing round[1]	93.3	59.4
Earnings multiple	85.1	101.2
Discounted cash flow	17.3	15.1
Agreed sale/offer	5.2	14.5
Other industry metrics[1]	3.9	2.2
Total	**331.7**	**365.0**

[1] Included within these methods are directly-held private investments held within the non-consolidated subsidiaries with a total of £1.0 million (2018: £2.9 million).

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

The investment property and property, plant and equipment with an aggregate fair value of £60.3 million (2018: £61.6 million) were valued using a third-party valuation provided by JLL. The properties were valued using weighted average capital values of £1,709 per square foot (2018: £1,749) developed from rental yields and supported by market transactions. A £25 per square foot increase/decrease in capital values would result in a £0.8 million increase/decrease in fair value (2018: £0.8 million increase/decrease).

The non-consolidated subsidiaries are held at their fair value of £49.7 million (2018: £47.9 million) representing £43.5 million of portfolio investments (2018: £34.8 million) and £6.2 million of remaining assets and liabilities (2018: £13.1 million). A 5% change in these net assets would result in a £2.5 million or 0.08% (2018: £2.4 million, 0.08%) change in net assets.

The remaining investments classified as level 3 of £752.2 million (2018: £654.4 million) were valued using third-party valuations from a GP, administrator or fund manager. A 5% change in the value of these assets would result in a £37.6 million or 1.20% (2018: £32.7 million, 1.16%) change in net assets.

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14. Financial instruments (continued)

The following table provides a sensitivity analysis of the valuation of directly-held private investments, and the impact on net assets:

Primary valuation method	Sensitivity analysis
Third-party valuations	A 5% change in the value of these assets would result in a £6.3 million or 0.20% (2018: £8.6 million, 0.30%) change in total net assets.
Recent financing round	A 5% change in the value of these assets would result in a £4.7 million or 0.15% change in net assets (2018: £3.0 million, 0.10%).
Earnings multiple	Assets in this category are valued using multiples in the range of 1.4x - 5.4x for EV/Sales and 10.7x for EV/EBITDA. If the multiple used for valuation purposes is increased or decreased by 5% then the net assets would increase/decrease by £4.6 million or 0.14% (2018: £5.1 million, 0.18%).
DCF	Assets in this category are valued using a weighted average cost of capital range of 8% - 30%. A 1% increase/decrease in the underlying discount rate would result in a decrease/increase in net assets of £2.5 million or 0.08% (2018: £0.4 million, 0.02%)
Agreed sale/offer	A 5% change in the value of these assets would impact net assets by £0.3 million or 0.01% (2018: £0.7 million, 0.03%).
Other industry metrics	A 5% change in the value of these assets would result in a £0.2 million or 0.01% (2018: £0.1 million, 0.004%) change in net assets.

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The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2018:

As at 31 December 2018 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	250.3	1,528.7	981.1	2,760.1
Non-consolidated subsidiaries	–	–	47.9	47.9
Investments held at fair value	250.3	1,528.7	1,029.0	2,808.0
Derivative financial instruments	8.2	24.7	–	32.9
Total financial assets at FVPL	**258.5**	**1,553.4**	**1,029.0**	**2,840.9**
Non-financial assets measured at fair value:				
Investment property	–	–	35.4	35.4
Property, plant and equipment	–	–	26.2	26.2
Total non-financial assets measured at fair value	**–**	**–**	**61.6**	**61.6**
Financial liabilities at FVPL:				
Borrowings	–	–	(430.1)	(430.1)
Derivative financial instruments	(0.7)	(38.1)	–	(38.8)
Total financial liabilities at FVPL	**(0.7)**	**(38.1)**	**(430.1)**	**(468.9)**
Total net assets measured at fair value	**257.8**	**1,515.3**	**660.5**	**2,433.6**
Other non-current assets				3.3
Cash at bank				210.9
Other current assets				248.9
Other current liabilities				(63.5)
Other non-current liabilities				(3.0)
Net assets				**2,830.2**

Movement in level 3 assets

Year ended 31 December 2018 £ million	Investments held at fair value	Properties	Total
Opening balance	912.8	64.0	976.8
Purchases	154.1	0.2	154.3
Sales	(195.1)	–	(195.1)
Realised gains/(losses) through profit or loss	25.8	–	25.8
Unrealised gains/(losses) through profit or loss	168.5	(0.7)	167.8
Unrealised gains/(losses) through other comprehensive income	–	(1.3)	(1.3)
Transfer out of level 3	(37.1)	–	(37.1)
Other	–	(0.6)	(0.6)
Closing balance	**1,029.0**	**61.6**	**1,090.6**

Notes to the Financial Statements

14. Financial instruments (continued)

14.5 Capital management

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

- to deliver long-term capital growth for its shareholders, while preserving shareholders' capital;
- to deliver for shareholders increases in capital value in excess of the relevant indices over time through an appropriate balance of equity capital and gearing; and
- to ensure the Group's ability to continue as a going concern.

The Company is subject to externally imposed capital requirements:

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

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

In addition, JRCM is subject to capital requirements imposed by the FCA and must ensure that it has sufficient capital to meet these requirements. JRCM was compliant with those capital requirements throughout the year.

The Group's capital at 31 December 2019 and 31 December 2018 comprised:

£ million	2019	2018
Equity share capital	156.8	155.4
Retained earnings and other reserves	2,988.8	2,674.8
Net asset value	3,145.6	2,830.2
Borrowings	216.4	430.1
Total capital	**3,362.0**	**3,260.3**
Debt as a percentage of total capital	**6.4%**	**13.2%**

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

15. Financial commitments

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

	31 December 2019		31 December 2018	
£ million	Group	Company	Group	Company
Commitments[1]	**210.8**	**210.8**	**294.7**	**294.7**

[1] Principally uncalled commitments to private funds.

16. Investment property

£ million	2019	2018
Rental income from investment properties	2.5	2.4
Direct operating expenses arising from investment properties that generated rental income during the year	(1.4)	(1.7)
Cash outflow from leases	(0.4)	(0.6)

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

£ million	2019	2018
Within one year	0.2	0.4

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

£ million	2019	2018
Within one year	1.4	1.5

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

RIT leases Spencer House from the Spencer Trustees (the Trustees). The terms of this lease include provisions such that: any assignment or sale of the lease can occur only with the consent of the Trustees, limits on event frequency and that the Trustees retain certain (de minimis) usage rights over the 'fine rooms'. RIT is required to externally redecorate every three years and to internally redecorate every seven years. The property is open to the public for viewing every Sunday, except during August. The investment property portfolio is valued by JLL on a six-monthly basis in accordance with current RICS Valuation – Global Standards 2017, published by the Royal Institution of Chartered Surveyors, on the basis of open market value. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2019.

17. Other receivables

	31 December 2019		31 December 2018	
£ million	Group	Company	Group	Company
Cash margin	75.5	75.5	158.0	158.0
Amounts receivable	1.3	1.2	2.8	2.5
Prepayments and accrued income	4.0	3.6	2.8	2.5
Sales for future settlement	53.7	53.7	50.0	50.0
Unsettled investment subscriptions	37.7	37.7	35.3	35.3
Total	**172.2**	**171.7**	**248.9**	**248.3**

The carrying amount of other receivables approximates their fair value, due to their short-term nature.

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18. Related party transactions

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

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

During the year, the Group transacted with 12 entities classified as related to Lord Rothschild (prior to his retirement as a Director on 30 September 2019) and/or Hannah Rothschild as a result of their having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24 Related Party Disclosures.

The Group has agreements with these related parties covering the provision and receipt of investment advisory, administrative and curatorial services. Under these arrangements the Group received £513,512 (2018: £540,587) and paid £308,338 (2018: £246,625).

Certain of these related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services earned by the Group for 2019 amounted to £386,753 (2018: £366,805).

During the year, the cost to the Group in respect of rent, rates and services for the former Chairman's office (which is located in a property owned by a related party) was £54,678 (2018: £68,933).

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group in 2019 for rent was £29,548 (2018: £59,172).

The balance due by the Group to these related parties at 31 December 2019 was £16,500 (31 December 2018: £14), and the balance due to the Group from the related parties was £18,399 (31 December 2018: £12,898).

Prior to his retirement the Group earned £7,291 from Lord Rothschild for property maintenance services (2018: £11,002).

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

Other

The Company has an arm's length agreement with Spencer House Partners LLP (SHP), of which Jeremy Sillem is a member, for the provision of corporate finance advisory services. In 2019 RIT paid £170,000 for these services (2018: £170,000) and received rent, on an arm's length basis, of £183,038 (2018: £181,931). Of the 2018 amounts, £127,500 (advisory services) and £137,317 (rent) related to amounts incurred post the appointment of Jeremy as Director in April 2018.

For the year ended 31 December 2019 the Group received no director's fees from investee companies for the services of JRCM senior management (2018: £21,351). Law Debenture Pension Trust Corporation plc, a related party to a director of JRCM, received fees for the provision of pension trustee services of £17,369 (2018: £nil).

Group undertakings

JRCM acts as the Company's manager, administrator and corporate secretary. During the year ended 31 December 2019, the charge for these services from JRCM to the Company amounted to £39.0 million (2018: £36.6 million). JRCM incurred rent charges of £0.6 million (2018: £0.6 million) from the Company. During the year SHL (also a wholly-owned subsidiary of the Company) earned revenues of £0.1 million from JRCM (2018: £0.1 million) and revenues of £1.6 million from the Company (2018: £1.4 million) for the provision of office and property management services.

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

	Amounts owed by group undertakings	
£ million	2019	2018
Other subsidiaries	–	–
Total	**–**	**–**

	Amounts owed to group undertakings	
£ million	2019	2018
JRCM	(86.8)	(54.6)
RIT Capital Partners Associates Limited	–	(8.0)
J. Rothschild Capital Management US, Inc	(3.3)	(3.5)
Other subsidiaries	–	(0.3)
Total	**(90.1)**	**(66.4)**

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in note 11. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2019 (31 December 2018: £nil).

Directors and key management personnel

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

£ million	2019	2018
Short-term employee benefits	6.9	5.7
Share-based payment	6.5[1]	5.7
Total	**13.4**	**11.4**

[1] This includes the costs associated with the accelerated vesting of Lord Rothschild's remaining share-based payment awards on his retirement.

The Group has no ultimate controlling party.

19. Borrowings

	Group and Company	
£ million	2019	2018
Unsecured loans payable within one year:		
Revolving credit facilities	50.0	275.0
Unsecured loans payable in more than one year:		
Fixed rate loan notes	166.4	155.1
Total borrowings	**216.4**	**430.1**

Notes to the Financial Statements

19. Borrowings (continued)

At 31 December 2019 the Company had three revolving credit facilities (RCFs): a facility of £150 million with National Australia Bank (that was renewed, following a tender process, for a further three-year term in December 2019), a £150 million five-year facility with Commonwealth Bank of Australia agreed in December 2018, and a £85 million facility with Industrial and Commercial Bank of China (a new facility agreed, following a tender process, for a three-year term in December 2019). These are flexible as to currency, duration and number of drawdowns, and bear interest linked to the three-month LIBOR rate (or equivalent) relevant to the drawn currency. As they are drawn in tranches with tenors less than one year they are classified within current liabilities. The fair value and par value of the drawn borrowings is £50 million (2018: £275 million). A change in interest rates is not expected to have a significant impact on the fair value of the RCFs. No bank loans are held within subsidiaries. The weighted average interest rate on the RCFs at the year end was 2.32% (2018: 2.41%).

On 1 June 2015 the Company issued £151.0 million of fixed rate loan notes with tenors between 10 and 20 years and coupons from 3.00% to 3.56%. These notes are held at fair value and pay interest on a semi-annual basis. The fair value of this debt at the end of the year was £166.4 million (2018: £155.1 million) calculated using a discount rate of 2.41% (2018: 3.20%). A 5% increase / decrease in the underlying discount rate would result in an increase / decrease in net assets of £1.9 million (2018 £2.4 million) or 0.06% (2018: 0.08%). The weighted average interest rate payable on these notes is 3.45% and their remaining weighted average tenor is 11.2 years.

The overall weighted average interest rate on these borrowings at the year end was 3.17% (2018: 2.78%).

20. Other payables

	31 December 2019		31 December 2018	
£ million	Group	Company	Group	Company
Accruals	10.4	0.8	9.7	0.9
Other creditors	35.9	35.6	32.1	31.9
Purchases for future settlement	9.0	9.0	9.9	9.9
Total	**55.3**	**45.4**	**51.7**	**42.7**

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

21. Share capital

£ million	Shares in issue	2019 Nominal value of total shares in issue	2018 Nominal value of total shares in issue
Allotted, issued and fully paid:			
At 1 January	155,351,431	155.4	155.4
Issue of new ordinary shares	1,496,634	1.4	–
At 31 December	**156,848,065**	**156.8**	**155.4**

On 20 December 2019 the Company issued 1,496,634 new £1 shares at a premium to the NAV per share to fund a new investment. This date was also when the terms of the issue were fixed.

The Company has one class of ordinary shares which carry no right to fixed income. The share capital is not distributable.

22. Share premium

£ million	2019	2018
At 1 January	17.3	17.3
Issue of new ordinary shares	28.4	–
At 31 December	**45.7**	**17.3**

The new £1 shares issued on 20 December 2019 for total consideration of £29.8 million resulted in additional share premium of £28.4 million. The share premium is not distributable.

23. Capital redemption reserve

	2019		2018	
£ million	Group	Company	Group	Company
Balance at start of year	36.3	36.3	36.3	36.3
Movement during the year	–	–	–	–
Balance at end of year	**36.3**	**36.3**	**36.3**	**36.3**

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

24. Own shares reserve

£ million	2019	2018
Opening cost	(13.4)	(17.6)
Own shares acquired	(7.1)	(6.6)
Own shares transferred	12.7	10.8
Closing cost	**(7.8)**	**(13.4)**

The Group has established an employee benefit trust (EBT) which purchases shares in order to meet the anticipated value of equity settled, share-based awards. At the year end, the EBT held 419,145 shares with a cost of £7.8 million and market value of £8.9 million (2018: 759,273 shares, cost £13.4 million, market value £14.5 million). The own shares reserve is not distributable.

25. Share-based payments

The Group utilises share-based awards for employees, the vast majority of which are equity-settled and designed to align the interests of employees with those of shareholders.

Employee awards include share appreciation rights (SARs) and performance shares (both of which vest based on market-based performance conditions and subject to continued service). The performance conditions are designed to reinforce the Company's KPIs - SARs vest based on RIT's TSR exceeding RPI+3% and performance shares are divided into two tranches, with proportionate vesting based on the extent to which the TSR outperforms RPI+3% or the ACWI.

In addition, 60% of annual bonuses over £150,000 are made in deferred shares which vest over three years (based on a service condition).

25. Share-based payments (continued)

The total expense for share-based awards recognised in the consolidated income statement was £7.5 million (2018: £7.0 million) of which £2.8 million related to SARs and performance shares, and £4.7 million relating to deferred shares.

The movement in share-based awards is as follows:

Number (thousand)	2019	2018
Outstanding at the start of the year:		
SARs/performance shares	4,209	3,716
Deferred shares	357	460
Total	4,566	4,176
Granted during the year:		
SARs/performance shares	897	1,807
Deferred shares	253	123
Total	1,150	1,930
Exercised:		
SARs/performance shares	(1,084)	(1,256)
Deferred shares	(288)	(226)
Total	(1,372)	(1,482)
Lapsed/forfeited:		
SARs/performance shares	(341)	(58)
Deferred shares	(37)	–
Total	(378)	(58)
Outstanding at the end of the year:		
SARs/performance shares	3,681	4,209
Deferred shares	285	357
Total	3,966	4,566
SARs exercisable at year end	176	349
Intrinsic value exercisable at year end (£ million)	**0.9**	**1.8**

For share-based awards granted during the year, the weighted average fair value was 570 pence (2018: 400 pence). The main assumptions adopted in the valuation of the share-based awards with performance conditions attached (SARs) were:

Valuation methodology	Trinomial
Share price at issue (pence)	2,082
Exercise price (pence)	2,065
Expected volatility pa[1]	13.9%
Expected life (years)	4.5
Dividend yield	1.6%
Risk-free rate[2]	1.21%

[1] Expected volatility was estimated using the historical share price volatility over a period matching the expected life of the awards.

[2] The risk-free rate uses the sterling benchmark swap curve for a duration matching the expected life of the awards.

Share-based awards with only service conditions attached (deferred shares) were valued using the prevailing market price.

26. Capital reserve

£ million	31 December 2019 Group	31 December 2019 Company	31 December 2018 Group	31 December 2018 Company
Balance at start of year	2,624.3	2,633.5	2,648.4	2,639.4
Gains/(losses) for the year	351.7	351.5	46.5	61.6
Dividend paid	(52.6)	(52.6)	(51.0)	(51.0)
Other capital items	(28.7)	(21.5)	(18.3)	(16.5)
Taxation	(0.6)	–	(1.3)	–
Total capital return	269.8	277.4	(24.1)	(5.9)
Balance at end of year	**2,894.1**	**2,910.9**	**2,624.3**	**2,633.5**

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

£ million	2019	2018
Capital reserve:		
in respect of investments realised	2,114.5	1,919.9
in respect of investments held	796.4	713.6
Balance at end of year	**2,910.9**	**2,633.5**

27. Revenue reserve

£ million	31 December 2019 Group	31 December 2019 Company	31 December 2018 Group	31 December 2018 Company
Balance at start of year	(5.0)	(95.9)	(2.7)	(82.3)
Profit/(loss) for the year	12.7	(1.7)	(1.6)	(13.6)
Actuarial gain/(loss)	(0.8)	–	(0.9)	–
Deferred tax (charge)/credit	0.1	–	0.2	–
Balance at end of year	**7.0**	**(97.6)**	**(5.0)**	**(95.9)**

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 £1.7 million (2018: loss £13.6 million). The Company's total profit for the year was £326.5 million (2018: £30.2 million profit).

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28. Revaluation reserve

£ million	31 December 2019 Group	31 December 2019 Company	31 December 2018 Group	31 December 2018 Company
Balance at start of year	15.3	15.3	16.6	16.6
Revaluation gain/(loss) on property, plant and equipment	(1.8)	(1.8)	(1.3)	(1.3)
Balance at end of year	**13.5**	**13.5**	**15.3**	**15.3**

The revaluation reserve is not distributable.

29. Net asset value per ordinary share – basic and diluted

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

31 December	2019	2018
Net assets (£ million)	3,145.6	2,830.2
Number of shares in issue (million)	156.8	155.4
Own shares adjustment (million)[1]	(0.1)	(0.4)
Basic shares (million)	156.7	155.0
Effect of share-based payment awards (million)	0.2	0.4
Diluted shares (million)	**156.9**	**155.4**

[1] EBT shares offset by deferred shares.

31 December	2019 pence	2018 pence
Net asset value per ordinary share – basic	2,007	1,827
Net asset value per ordinary share – diluted	2,004	1,821

30. Investments in subsidiary undertakings

£ million	Shares	Loans	Total
Carrying value at 1 January 2019	54.1	–	54.1
Additions	7.5	–	7.5
Disposals	(8.9)	–	(8.9)
Other movements in year	3.2	–	3.2
Carrying value at 31 December 2019	**55.9**	**–**	**55.9**

£ million	Shares	Loans	Total
Carrying value at 1 January 2018	9.5	–	9.5
Additions	31.5	–	31.5
Disposals	–	–	–
Other movements in year	13.1	–	13.1
Carrying value at 31 December 2018	**54.1**	**–**	**54.1**

Investments in subsidiary undertakings are stated at cost or fair value where appropriate.

At 31 December 2019 the Company held the investments in subsidiary undertakings set out in this note, which, unless otherwise stated, are wholly-owned, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

In accordance with IFRS 10 the Group consolidates the subsidiary below which the Parent Company holds at cost:

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

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

In accordance with IFRS 10 the Group and Parent Company holds the following subsidiaries at fair value at 31 December 2019:

Name	Principal place of business	Ownership interest
Spencer House Limited[1]	England	100%
RIT US Value Partnership LP[1]	England	100%
RIT Investments GP Limited[2,3]	Scotland	100%
J. Rothschild Capital Management US Inc[4]	United States	100%
RIT Investments US Inc[3,4]	United States	100%
RIT US Holdings LLP[3,4]	United States	100%

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

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

[3] Held indirectly.

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

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

There are no significant restrictions arising from any contractual arrangements or regulatory requirements that would affect the ability of any of the above entities to transfer funds to the Company.

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

31. Dividends

	2019 Pence per share	2018 Pence per share	2019 £ million	2018 £ million
Dividends paid in year	**34.0**	**33.0**	**52.6**	**51.0**

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

On 4 March 2019 the Board declared a first interim dividend of 17.0 pence per share in respect of the year ended 31 December 2019 that was paid on 30 April 2019. A second interim dividend of 17.0 pence per share was declared by the Board on 2 August 2019 and paid on 31 October 2019.

The Board declares the payment of a first interim dividend of 17.5 pence per share in respect of the year ending 31 December 2020. This will be paid on 30 April 2020 to shareholders on the register on 3 April 2020, and funded from the accumulated capital profits.

Notes to the Financial Statements

32. Reconciliation of profit/(loss) before finance costs and taxation to net cash inflow/(outflow) from operating activities

	Group	
£ million	2019	2018
Profit/(loss) before dividend and interest income, finance costs and taxation	332.8	25.0
Dividend income	17.1	15.1
Interest income	13.4	3.2
Profit/(loss) before finance costs and taxation	**363.3**	**43.3**
(Increase)/decrease in other receivables	76.3	(128.5)
Increase/(decrease) in other payables	3.8	9.0
Other movements	(47.5)	59.3
(Gains)/losses on borrowings	11.3	(8.1)
Purchase of investments held at fair value	(775.0)	(546.4)
Sale of investments held at fair value	818.7	910.7
(Gains)/losses on fair value investments	(295.0)	(187.6)
Interest paid	(20.4)	(14.9)
Net cash inflow/(outflow) from operating activities	**135.5**	**136.8**

	Company	
£ million	2019	2018
Profit/(loss) before dividend and interest income, finance costs and taxation	318.2	28.1
Dividend income	17.1	15.1
Interest income	13.4	3.2
Profit/(loss) before finance costs and taxation	**348.7**	**46.4**
(Increase)/decrease in other receivables	76.5	(125.2)
Increase/(decrease) in other payables	2.7	4.9
Other movements	(25.5)	0.3
(Gains)/losses on borrowings	11.3	(8.1)
Purchase of investments held at fair value	(760.0)	(516.3)
Sale of investments held at fair value	816.4	940.6
(Gains)/losses on fair value investments	(295.1)	(186.3)
Interest paid	(20.4)	(14.9)
Net cash inflow/(outflow) from operating activities	**154.6**	**141.4**

Reconciliation of liabilities arising from financing activities:

£ million	2018	Non-cash changes in fair value	Repayment of borrowings	2019
Borrowings – current	(275.0)	–	225.0	(50.0)
Borrowings – non-current	(155.1)	(11.3)	–	(166.4)
Total	**(430.1)**	**(11.3)**	**225.0**	**(216.4)**

33. Material investments and related undertakings

Further information regarding investments (in addition to note 13) is shown here.

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

As at 31 December 2019	£ million
HCIF Offshore	151.2
Eisler Capital Fund	149.9
Acorn	117.1
BlackRock European Hedge Fund	112.7
Attestor Value Fund	111.3
Elliott International	101.2
Springs Opportunities	100.2
BlackRock Emerging Markets	94.9
Gaoling	70.8
Ward Ferry Asian Smaller Companies	59.4
Total	**1,068.7**

As at 31 December 2018	£ million
Eisler Capital Fund	147.1
Acorn	114.9
Attestor Value Fund	112.7
HCIF Offshore	109.3
CSX Corporation	103.6
Elliott International	99.0
BlackRock European Hedge Fund	88.6
BlackRock Emerging Markets	85.8
Martin Currie Japan	83.5
Gaoling	77.4
Total	**1,021.9**

Further to the disclosures in note 30 (investments in subsidiary undertakings), the table on the following page shows a list of significant related undertakings of the Group as at 31 December 2019. For the investments shown the principal place of business is considered to be the place of registration and the proportion of voting rights held is equivalent to the ownership interest.

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

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

Notes to the Financial Statements

33. Material investments and related undertakings (continued)

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

Disclosed below for the year ended 31 December 2019 are:

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

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

Name	Place of registration	Registered address	Fair value £ million	% interest
1992 Co-Invest (Offshore) LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	14.7	50.0%
BlackRock Emerging Markets Flexible Fund, Class R	Ireland	2 Ballsbridge Park, Ballsbridge, Dublin 4	94.9	100.0%
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	112.7	39.3%
Blumberg Capital 1 LP	Delaware, USA	580 Howard Street, Suite 401, San Francisco, California 94105	2.8	56.1%
BTG Pactual Global Derivatives Opportunities Fund Founder Series D1	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	35.2	100.0%
BX-B Ribbit Opportunity IV, LLC	Delaware, USA	1209 Orange Street, Wilmington, Delaware 19801	7.1	22.9%
BX-C Ribbit Opportunity IV, LLC	Delaware, USA	1209 Orange Street, Wilmington, Delaware 19801	0.8	29.2%
Caxton Dynamis Limited	Virgin Islands	Maples Corporate Services, PO Box 173, Road Town, Tortola	38.2	100.0%
ICQ CS Main Fund LP	Cayman Islands	PO Box 2681, Hutchins Drive, Grand Cayman KY1-1111	28.3	27.6%
ICQ Holdings 6 LLC	Delaware, USA	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	40.4	100.0%
Infinity SDC Ltd [1]	England and Wales	500-600 Witan Gate West, Milton Keynes MK9 1SH	12.0	23.9%
Darwin Private Equity I LP	Scotland	50 Lothian Road, Festival Square, Edinburgh EH3 9WJ	4.7	23.9%
Dukes Investments Ltd [1]	Cayman Islands	87 Mary Street, George Town, Grand Cayman KY1-9005	0.0	49.9%
Eisler Capital Fund Ltd, R Shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	149.9	53.9%
Emerging India Focus Funds - Class E	Mauritius	5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis	50.6	33.2%
Emso EOSF1 Ltd Class A, Series 04/17	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	41.5	100.0%
Firebird New Russia Fund Ltd, Class A1	Cayman Islands	PO Box 897, Windward 1, Grand Cayman KY1-1103	3.8	24.8%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	27 Hospital Road, George Town, Grand Cayman, KY1-9008	70.8	79.0%
Green Park Ventures LP [1]	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	1.2	49.9%
Lansdowne Developed Markets Strategic Investment Fund DIS Limited, Class N Relative GBP Designated Investment shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	3.4	34.5%
Lansdowne Energy Dynamics Fund Limited, Class B Non Restricted Sterling shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	21.6	47.8%
Lansdowne NE Fund, Unhedged Non-Restricted absolute shares	Ireland	32 Molesworth Street, Dublin 2	44.8	70.0%
Media Technology Ventures IV LP	California, USA	185 Berry Street, Suite 3600, San Francisco, California 94107	1.6	38.5%
RR Capital Partners LP	Delaware, USA	One Maritime Plaza, Suite 2100, San Francisco, California 94111	0.6	20.5%
Sand Grove Tactical Fund LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	49.0	67.6%
Sand Grove UK Tactical Portfolio	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	56.8	100.0%
Social Capital Public Equity Partners Offshore Fund Ltd	Cayman Islands	4th Floor, Willow House, Cricket Square, Grand Cayman KY1-1104	0.1	31.8%
Springs Opportunities Fund LP, Series A	Cayman Islands	4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010	100.2	58.0%
Spyglass US Growth Fund (UCITS)	Ireland	2nd Floor Block E, Iveagh Court, Harcourt Road, Dublin 2	8.3	21.2%
Japan Small Cap Fund	Ireland	Block 5, Harcourt Centre, Harcourt Road, Dublin 2	42.9	21.0%
Tangible Segregated Portfolio of the South Africa Alpha SPC	Cayman Islands	103 South Church Street, George Town, Grand Cayman, KY1-1002	12.1	20.6%
Tekne Long Only Offshore Fund, Class A-N, Series A1-N	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	31.7	39.6%
TRG Select Opportunities Fund, Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	21.3	53.9%
Trian Partners Ltd, Class 5YOER	Cayman Islands	Landmark Square, West Bay Road, PO Box 775, Grand Cayman, KY1-9006	38.8	100.0%
Tribeca Global Natural Resources Feeder Fund Class A Participating Shares Unrestricted	Cayman Islands	27 Hospital Road, George Town, Grand Cayman, KY1-9008	22.6	62.2%
Westcap Strategic Operator Fund, L.P.	Cayman Islands	94 Solaris Avenue, PO Box 1348, Grand Cayman, KY1-1108	0.0	49.4%
Xander Seleucus II LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	0.6	41.9%
Xander Seleucus LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	0.1	43.3%
Xander Seleucus Retail LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	1.3	48.8%

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

Independent Auditor's Report

Independent Auditor's Report to the Members of RIT Capital Partners plc

Report on the audit of the Financial Statements

Opinion

In our opinion:

- RIT Capital Partners plc's (the "Group") Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU");
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union 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.

We have audited the financial statements of RIT Capital Partners plc which comprise:

Group	*Parent Company*
Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year to 31 December 2019	Parent Company Balance Sheet as at 31 December 2019
Consolidated Balance Sheet as at 31 December 2019	Parent Company Statement of Changes in Equity for the year to 31 December 2019
Consolidated Statement of Changes in Equity for the year to 31 December 2019	Consolidated and Parent Company Cash Flow Statement for the year to 31 December 2019
Consolidated and Parent Company Cash Flow Statement for the year to 31 December 2019	
Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor’s Report to the Members of RIT Capital Partners plc

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 16 to 19 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors’ confirmation set out on page 16 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors’ statement set out on page 19 in the annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors’ statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors’ explanation set out on page 19 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	► The risk of inaccurate recognition of investment income and gains/(losses) on investments held at fair value. ► The risk of incorrect valuation of direct private investments. ► The risk of incorrect valuation of illiquid fund investments. ► The risk of incomplete or inaccurate related party disclosures. Our key audit matters are consistent with those identified for the 2018 audit.
Audit scope	► The Group is principally managed from one location in London. All core functions, including finance and operations, are located in London. ► The Group comprises one consolidated subsidiary and six subsidiaries held at fair value. Monitoring and control over the operations of these subsidiaries, including those located overseas, is centralised in London. ► The London based Group audit team directly performed audit procedures on all items material to the Group and Parent Company financial statements. This approach is consistent with the 2018 audit.
Materiality	► Overall Group materiality of £31.5 million which represents 1% of net assets. This approach is consistent with the 2018 audit.

Key audit matters

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

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	*Our response to the risk*
Risk of inaccurate recognition of investment income and gains/(losses) on investments held at fair value (£398.9 million, 2018: £49.1 million) *Refer to the Audit and Risk Committee Report (pages 36 to 38); Accounting policies (pages 55 to 58); and notes 2 and 3 of the Consolidated Financial Statements (page 59)* The Group's revenue consists of investment income from and gains/(losses) on investments held at fair value. The accuracy of recognition and measurement of revenue is important to the Group's financial statements. Shareholder expectations may place pressure on J. Rothschild Capital Management Limited (the 'Manager') to influence the recognition of revenue. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.	We obtained an understanding of the Manager's processes and controls around the investment income process and valuation process to ascertain whether realised and unrealised gains/(losses) are appropriately calculated by performing walkthroughs in which we evaluated the design and implementation of controls. For gains/(losses) on investments held at fair value, on a sample basis, we have: ► recalculated the unrealised gains/(losses), considering the procedures performed on the valuations where relevant; ► agreed purchases and sales of investments during the year to trade tickets, call and distributions notices, and to the corresponding cash movements in bank statements; and ► recalculated realised gain/(losses) from disposals of investments in the year. For investment income, on a sample basis, we have: ► agreed dividend income to an independent source and bank statements; ► agreed distributions received to the notices received from the fund managers and to bank statements to gain assurance over occurrence, measurement and appropriate classification; ► agreed accrued income at the period end to post year end bank statements and notices received from the managers or an external pricing source for occurrence and measurement; ► recalculated interest income based on the terms of underlying agreements; ► tested the completeness of income receipts by verifying that any income declared during the period, per an independent price source, has been correctly recorded as an income receipt; and ► recalculated income from investment properties based on the terms of the underlying agreements.

Key observations communicated to the Audit and Risk Committee

Our audit procedures did not identify any material matters regarding the recognition of investment income and gains/(losses) on investments held at fair value.

All transactions tested have been materially recognised in accordance with contractual terms and IFRS.

Based on our procedures performed we have no further matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	*Our response to the risk*
Risk of incorrect valuation of direct private investments (£331.7 million, 2018: £297.8 million) *Refer to the Audit and Risk Committee Report (pages 36 to 38); Accounting policies (pages 55 to 58); and notes 13 and 14 of the Consolidated Financial Statements (pages 64 to 71)* The valuations of direct private investments are material, complex and include estimates and significant judgments. The valuations are determined by the Manager and the final valuations are reviewed and approved by the Valuation Committee. The valuation of direct private investments are based on the nature of the underlying business which has been invested in. The methods used include: ▶ applying a multiple to earnings and revenues; ▶ using a discounted cash flow model; and ▶ using recent transaction prices and recent offers.	We obtained an understanding of the Manager's processes and controls for determining the fair valuation of direct private investments by performing a walkthrough in which we evaluate the design and implementation of controls. This included reviewing the governance structure and protocols around oversight of the valuation process and corroborated our understanding by attending Valuation Committee meetings. We assessed the Manager's valuation methodology against applicable reporting frameworks, including IFRS and the International Private Equity and Venture Capital ('IPEV') Guidelines. We sought explanations from the Manager where there were judgments applied in its application of the guidelines and assessed their appropriateness. On a sample basis, we corroborated the key inputs into the valuation models and performed the following procedures on key judgments made by the Manager: ▶ challenged the appropriateness of assumptions made by the Manager in the application of the valuation models; ▶ assessed the suitability of earnings multiples by considering the appropriateness of the selected comparable companies, including adjustments made to reflect the differences between these and the investee company; ▶ challenged the appropriateness of discount rates applied in discounted cash flow models; ▶ tested the mathematical accuracy of the valuation models; and ▶ compared the fair valuation to recently completed market transactions or recent offers where relevant. With the assistance of our valuations specialists, we formed an independent range for the key assumptions used in the valuation of a sample of direct private investments, with reference to relevant industry and market valuation considerations. We derived a range of fair values using our assumptions and other qualitative risk factors. We compared these ranges to the Manager's fair values and discussed our results with both the Manager and the Audit and Risk Committee. We discussed with the Manager the rationale for any differences between the exit prices of investments realised during the year and the prior year fair value, to further verify the reasonableness of the current year valuation models and methodology adopted by the Manager.

Key observations communicated to the Audit and Risk Committee

All valuations tested were found to be carried in accordance with IFRS and the IPEV Guidelines.

Through our back testing of exit prices we gained an understanding of the differences between the exit prices of investments realised during the year and the prior year fair value. We did not identify any realisations of direct private investments with a significant uplift from the prior year fair value.

Based on our procedures performed we have no material matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	*Our response to the risk*
Risk of incorrect valuation of illiquid fund investments (£1,176.7 million, 2018: £1,102.2 million) *Refer to the Audit and Risk Committee Report (pages 36 to 38); Accounting policies (pages 55 to 58); and notes 13 and 14 of the Consolidated Financial Statements (pages 64 to 71)* The valuations of illiquid fund investments are material to the financial statements. The valuations can include estimates and significant judgments, as they are often based on fair valuations of the underlying direct private investments, for which there may be limited observable information available. The valuations of illiquid fund investments are determined by the governing bodies of the underlying funds, typically including the underlying fund managers. The valuations are provided to the Group and assessed by the Manager, who make any adjustments they deem appropriate, for example for transactions between the date of the valuation provided and the reporting date.	We obtained an understanding of the Manager's processes and controls for reviewing the fair valuation of illiquid fund investments by performing a walkthrough in which we evaluated the design and implementation of controls. We discussed with the Manager the processes around their oversight of the valuations performed by the underlying funds and corroborated our understanding by attending Valuation Committee meetings. On a sample basis, we: ► confirmed the most recently available fund valuation to third party statements, including from the general partner, fund manager or fund administrator; ► assessed prior year valuations which were based on unaudited net asset statements by reference to their respective audited financial statements. We have investigated and obtained explanations for all material movements; ► obtained and assessed the due diligence performed by the Manager for new fund investments invested in the year; and ► where the most recently available fund valuation is not at the valuation date, we reviewed the Manager's approach to address the timing difference and challenged any adjustments made to the last valuation received. Where applicable, we corroborated these adjustments by agreeing any cash flows between the date of the fund valuation and the valuation date to supporting documentation. We challenged the Manager on the IFRS 13 levelling classification of the illiquid fund portfolio, focusing on those which are considered to be subjective. We selected a sample of Level 2 investment fund holdings, for which the judgment is made considering the nature of the underlying investments of the fund, and reviewed their financial statements confirming the appropriate levelling classification. During the post year end period, we monitored the receipt by the Manager of updated valuation statements and other financial information relevant to the valuation of the illiquid fund investments, to ensure no material differences arose.

Key observations communicated to the Audit and Risk Committee

The valuation of the illiquid fund investments was found to be reasonable and materially in accordance with IFRS.

We did not identify any material issues when comparing prior year valuations which were based on unaudited net asset statements to their respective audited financial statements.

Based on our procedures performed we have no material matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	*Our response to the risk*
Risk of incomplete or inaccurate related party disclosures *Refer to the Audit and Risk Committee Report (pages 36 to 38); Accounting policies (pages 55 to 58); and note 18 of the Consolidated Financial Statements (page 72)* Due to the number and nature of the Group's related parties, there is a risk that the list of related party transactions identified by the Manager is not complete. This is a key focus of the Group's Conflicts Committee.	We obtained an understanding of the Manager's processes and controls surrounding the identification of related parties and related party transactions by performing a walkthrough. We inspected the Manager's list of related parties and related party transactions for completeness, considering our knowledge gained throughout the current and prior year audits. We obtained: ► the materials and minutes of the Group's Conflicts Committee who monitor all arrangements with related parties, including the Conflicts Committee Report for the period which details all members of the Rothschild family as well as Directors and Company affiliates of the Rothschild family; ► the minutes of the Board of Directors and all sub-committees for any conflict of interest declarations; and ► the population of journal entries for evidence of undisclosed related parties, haphazardly testing a sample of journal entries to assess the completeness of the related parties disclosures. We agreed related party transactions disclosed in the notes to the financial statements to supporting documentation provided by the Manager. We obtained representations from the Manager regarding the completeness and accuracy of related party disclosures. For the year under audit, we have also reviewed the impact on identified related parties resulting from the succession of the Chairman and obtained supporting documentation in respect of amended financial statement disclosures. We verified the accuracy and completeness of the related party disclosures within the financial statements for compliance within IFRS and the Listing Rules.

Key observations communicated to the Audit and Risk Committee

Our audit procedures did not identify any material inconsistencies between the reported related parties and our testing throughout our audit. We did not identify any issues from our review of financial statements with respect to the accuracy and completeness of related party disclosures. Based on our procedures performed, we had no material matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

The investment portfolio balance is the most material part of the Consolidated Balance Sheet. Monitoring and control over the valuation of investments is exercised by the Manager centrally in London, and as such is audited wholly by the London based Group audit team. Monitoring and control over the operations of the subsidiaries within the Group is centralised in London. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above.

There were no component audit teams.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £31.5 million (2018: £28.3 million), which is 1% (2018: 1%) of net assets. We believe that net assets provides us with a consistent year on year basis for determining materiality, and is the most relevant measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be £30.7 million (2018: £27.6 million), which is 1% (2018: 1%) of net assets.

We calculated materiality during the planning stage of the audit and then during the course of our audit, we reassessed initial materiality based on 31 December 2019 net assets, and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2018: 50%) of our planning materiality, namely £23.0 million (2018: £14.2 million). We have set performance materiality at this increased percentage based on the fact that there were no material prior year misstatements and as we have been able to confirm that the internal control environment is consistent with the prior year and there have been no significant changes in circumstances.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £1.5 million (2018: £1.3 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Other information

The other information comprises the information included in the annual report, set out on pages 3 to 47 and 90 to 95, including the Strategic Report (including sections on: Chairman's Statement, Our Purpose, Strategy and Business Model, Manager's Report, Investment Portfolio and Principal Risks and Viability), Governance (including sections on: Board of Directors, J. Rothschild Capital Management, Corporate Governance Report, Audit and Risk Committee Report, Directors' Remuneration Report and Directors' Report) and Other Information (including sections on: Investment Portfolio Reconciliation, Glossary and Alternative Performance Measures, Historical Information and Financial Calendar, Investor Information and Directory), other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable (set out on page 35)** – the statement by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting (set out on pages 36 to 38)** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee or is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 29)** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

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

Independent Auditor's Report to the Members of RIT Capital Partners plc

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and the Manager.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS as adopted by the EU, the Companies Act 2006, AIC Code, the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may influence the determination of the amounts and disclosures in the financial statements including the Listing Rules of the FCA.
- We understood how RIT Capital Partners plc is complying with those frameworks by making enquiries of the Manager, including the Legal Manager and Company Secretary, Chief Financial Officer, Head of Compliance and Internal Audit and also the Non-Executive Directors including the Chair of the Audit and Risk Committee and Valuation Committee. We corroborated our understanding through our review of board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies.

Independent Auditor's Report to the Members of RIT Capital Partners plc

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with Directors and the Manager to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by Directors and the Manager to manage NAV per share or the NAV per share total return. We identified fraud and management override risks in relation to revenue recognition and estimation uncertainty relating to the valuation of illiquid investments. Our audit procedures stated above in the 'Key audit matters section' of this auditor's report were performed to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management; and focused testing, as referred to in the key audit matters section above.

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

Other matters we are required to address

- We were appointed by the company on 26 April 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 31 December 2018 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 March 2020

Notes:

1. The maintenance and integrity of the RIT Capital Partners plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Other Information

31 December 2019

RIT Capital Partners plc

Investment Portfolio Reconciliation

Investment portfolio reconciliation

The following table shows a summary reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 13 to 15, and the 31 December 2019 consolidated balance sheet, as shown on page 50:

	31 December 2019						
£ million	Quoted equity	Private investments	Absolute return and credit	Real assets	Other investments	Net liquidity/ borrowing/ other	Consolidated balance sheet
Non-current assets							
Portfolio investments at fair value	1,498.4	787.2	685.6	28.8	36.4	–	3,036.4
Non-consolidated subsidiaries	0.2	1.6	41.7	–	–	6.2	49.7
Investments held at fair value	1,498.6	788.8	727.3	28.8	36.4	6.2	3,086.1
Investment property	–	–	–	36.1	–	–	36.1
Property, plant and equipment	–	–	–	24.0	–	0.2	24.2
Deferred tax asset	–	–	–	–	–	1.5	1.5
Retirement benefit asset	–	–	–	–	–	1.0	1.0
Derivative financial instruments	0.7	–	–	–	–	–	0.7
	1,499.3	788.8	727.3	88.9	36.4	8.9	3,149.6
Current assets							
Derivative financial instruments	1.4	–	–	4.1	44.9	–	50.4
Other receivables	0.3	0.2	–	–	–	171.7	172.2
Cash at bank	4.5	–	–	–	–	56.6	61.1
	6.2	0.2	–	4.1	44.9	228.3	283.7
Total assets	1,505.5	789.0	727.3	93.0	81.3	237.2	3,433.3
Current liabilities							
Borrowings	–	–	–	–	–	(50.0)	(50.0)
Derivative financial instruments	(0.3)	–	–	–	(2.6)	–	(2.9)
Other payables	(35.3)	–	–	–	–	(20.0)	(55.3)
Amounts owed to group undertakings	–	–	–	–	–	(3.3)	(3.3)
	(35.6)	–	–	–	(2.6)	(73.3)	(111.5)
Net current assets/(liabilities)	(29.4)	0.2	–	4.1	42.3	155.0	172.2
Total assets less current liabilities	1,469.9	789.0	727.3	93.0	78.7	163.9	3,321.8
Non-current liabilities							
Borrowings	–	–	–	–	–	(166.4)	(166.4)
Derivative financial instruments	–	–	(7.9)	–	–	–	(7.9)
Provisions	–	–	–	–	–	(1.4)	(1.4)
Lease liability	–	–	–	(0.5)	–	–	(0.5)
	–	–	(7.9)	(0.5)	–	(167.8)	(176.2)
Net assets	**1,469.9**	**789.0**	**719.4**	**92.5**	**78.7**	**(3.9)**	**3,145.6**

Glossary and Alternative Performance Measures

Glossary

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

ACWI: The ACWI refers to the MSCI All Country World Index. This is a total return, market capitalisation-weighted equity index covering major developed and emerging markets. The ACWI used in this report is calculated using 50% of the index measured in Sterling and 50% measured in local currencies, other than in the 'Performance Since Inception' chart on page 1, where it is based on the capital-only index prior to the introduction of total return indices in December 1998. The ACWI is one of the Company's KPIs.

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

Gearing[1]: Gearing is a measure of the level of debt deployed within the portfolio. The ratio is calculated in accordance with AIC guidance as total assets, net of cash, divided by net assets and expressed as a 'net' percentage, e.g. 110% would be shown as 10%.

£ million	2019	2018
Total assets	3,433.3	3,365.6
Less: cash	(61.1)	(210.9)
Sub total	3,372.2	3,154.7
Net assets	3,145.6	2,830.2
Gearing	**7.2%**	**11.5%**

Leverage: Leverage, as defined by the Alternative Investment Fund Managers Directive (AIFMD), is any method which increases the exposure of the portfolio, whether through borrowings or leverage embedded in derivative positions or by any other means.

Net asset value (NAV) per share: The NAV per share is calculated by dividing the total value of all the assets of the trust less its liabilities (net assets) by the number of shares outstanding. Unless otherwise stated, this refers to the diluted NAV per share, with debt held at fair value.

NAV total return[1]: The NAV total return for a period represents the change in NAV per share, adjusted to reflect dividends paid during the period. The calculation assumes that dividends are reinvested in the NAV at the month end following the NAV going ex-dividend. The NAV per share at 31 December 2019 was 2,004 pence, an increase of 183 pence, or 10.0%, from 1,821 pence at the previous year end. As dividends totalling 34 pence per share were paid during the year, the effect of reinvesting the dividends in the NAV is 2.0%, which results in a NAV total return of 12.0%.

Net quoted equity exposure: This is the estimated level of exposure that the trust has to listed equity markets. It includes the assets held in the quoted equity category of the portfolio adjusted for the notional exposure from quoted equity derivatives, as well as estimated cash balances held by external managers and estimated exposure levels from hedge fund managers.

Notional: In relation to derivatives, this represents the exposure that is equivalent to holding the same underlying position through a cash security.

Ongoing charges figure (OCF)[1]: As a self-managed investment trust with operating subsidiaries, the calculation of the Company's OCF requires adjustments to the total operating expenses. In accordance with AIC guidance, the main adjustments are to remove direct performance-related compensation from JRCM, as this is analogous to a performance fee for an externally-managed trust.

£ million	2019	2018
Operating expenses	30.0	28.6
Less: JRCM direct performance-related compensation	(8.8)	(8.3)
Less: other adjustments	(0.7)	(0.6)
Ongoing charges	20.5	19.7
Average net assets	3,000	2,899
OCF	**0.68%**	**0.68%**

In addition to the above, managers charge fees within the external funds (and in a few instances directly to RIT in relation to segregated accounts). We have estimated that, based on average NAV across the year and annual management fee rates per fund (excluding performance fees), these represent an additional 0.90% of average net assets (2018: 1.03%).

Glossary and Alternative Performance Measures

Premium/discount: The premium or discount is calculated by taking the closing share price on 31 December 2019 and dividing it by the NAV per share at 31 December 2019, expressed as a net percentage. If the share price is above/below the NAV per share, the shares are said to be trading at a premium/discount.

RPI: The RPI refers to the United Kingdom Retail Price Index as calculated by the Office for National Statistics and published monthly. It is used as a measure of inflation in one of the Company's KPIs (RPI + 3.0% per annum).

Share price total return or total shareholder return (TSR)[1]: The TSR for a period represents the change in the share price adjusted to reflect dividends paid during the period. Similar to calculating a NAV total return, the calculation assumes the dividends are notionally reinvested at the daily closing share price following the shares going ex-dividend. The share price on 31 December 2019 closed at 2,115 pence, an increase of 205 pence, or 10.7%, from 1,910 pence at the previous year end. As dividends totalling 34 pence per share were paid during the year, the effect of reinvesting the dividends in the share price is 1.8%, which results in a TSR of 12.5%. The TSR is one of the Company's KPIs.

[1] Denotes an APM.

Historical Information and Financial Calendar

Historical information

	Diluted net assets £ million	Diluted NAV per share pence	Closing share price pence	Premium/ (discount) %	Diluted earnings per share pence	Dividend per share pence
02 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.7
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.6
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.4
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.1
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.1
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.6
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.7
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.6
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.8
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.0
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.2
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.1
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.1
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.1
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.1
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.1
31 March 2005	1,113.1	712.7	694	(2.6)	90.0	3.1
31 March 2006	1,534.7	982.7	1,020	3.8	270.3	3.1
31 March 2007	1,635.6	1,047.3	1,000	(4.5)	67.0	3.1
31 March 2008	1,690.0	1,091.6	1,147	5.1	50.6	4.0
31 March 2009	1,350.5	874.3	831	(5.0)	(205.2)	7.5
31 March 2010	1,815.7	1,180.1	1,082	(8.3)	306.3	4.0
31 March 2011	1,984.0	1,289.4	1,307	1.4	111.7	4.0
31 March 2012	1,920.0	1,249.3	1,220	(2.3)	(35.7)	4.0
31 December 2012	1,847.2	1,191.4	1,131	(5.1)	(29.6)	28.0
31 December 2013	2,146.0	1,383.6	1,260	(8.9)	215.7	28.0
31 December 2014	2,299.6	1,483.0	1,397	(5.8)	129.8	29.4
31 December 2015	2,441.3	1,572.5	1,681	6.9	121.4	30.0
31 December 2016	2,692.1	1,730	1,885	9.0	195.0	31.0
31 December 2017	2,858.3	1,839	1,962	6.7	142.4	32.0
31 December 2018	2,830.2	1,821	1,910	4.9	17.5	33.0
31 December 2019	3,145.6	2,004	2,115	5.5	220.8	34.0

Notes:

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

Financial Calendar

27 April 2020, 11:00 am:	Annual General Meeting.
30 April 2020:	Payment of interim dividend of 17.5 pence per ordinary share to shareholders on the register on 3 April 2020.

Investor Information

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

TIDM:	RCP LN
SEDOL:	0736639 GB
ISIN:	GB0007366395

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

Registrar
The Company's registrar may be contacted as follows:

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

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

Registered holders of ordinary shares of RIT Capital Partners plc may elect to receive communications from the Company electronically as an alternative to receiving hard copy accounts and circulars. This facility is provided by the registrar and shareholders will need to go online at www.investorcentre.co.uk and select the 'eComms' signup section to participate. To complete the registration process shareholders will need their postcode or country of residence, along with their shareholder reference number (as shown on their share certificates or dividend advices). You will also be asked to agree to the terms and conditions for electronic communication with shareholders.

Registered shareholders also have the facility to check their shareholding, change their address or update their bank mandate instruction by registering to become a member of 'Investorcentre'.

Regardless of whether shareholders sign up for 'eComms' or become a member of 'Investorcentre', they are able to cast proxy votes in respect of general meetings electronically if they wish by using the link provided on their proxy form or in their email notification.

Directory

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www.theaic.co.uk

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Email: investorrelations@ritcap.co.uk
Website: www.ritcap.com

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. They may offer to sell worthless or high risk shares or, in the case of your RIT Capital Partners plc stock, may offer to buy your current shareholdings at an unrealistic price. They will often also inform you of untrue scenarios to make you think that you need to sell your shares or to justify an offer that seems too good to be true.

To find out more about share fraud or 'boiler room' scams please visit the website of the Financial Conduct Authority, https://www.fca.org.uk/scamsmart.

Please note that you cannot buy or sell the shares of RIT Capital Partners plc directly with us, and we will never contact you with offers to buy or sell shares, nor will our registrar, 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