RIT Capital Partners plc

Report & Accounts for the year ended 31 December 2014

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for the year ended 31 December 2014

RIT Capital Partners plc

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Company Highlights

Corporate Objective

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

Investment Policy

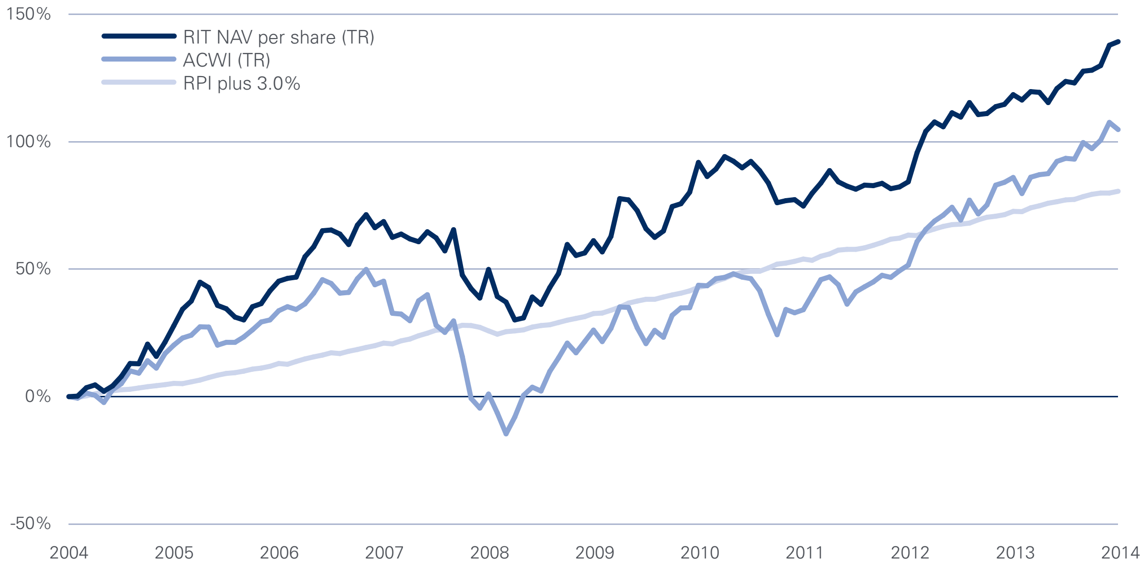
To invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

Financial Summary

	31 December 2014	31 December 2013	Change
Net assets	£2,300m	£2,146m	+£154m
NAV per share	1,483p	1,384p	+99p
Share price	1,397p	1,260p	+137p
Discount	-5.8%	-9.0%	+3.2%
Dividends paid	29.4p	28.0p	+1.4p
Gearing	15.4%	5.2%	+10.2%
Ongoing Charges %	0.74%	0.83%	-0.09%
NAV per share total return			**9.5%**
Share price total return			**13.3%**
RPI[1] plus 3.0%			4.6%
MSCI All Country World Index[2]			10.0%

Performance History	1 Year	5 Years	10 Years
NAV per share total return	9.5%	48.4%	139.3%
RPI[1] plus 3.0%	4.6%	36.3%	80.6%
MSCI All Country World Index[2]	10.0%	62.6%	104.8%

10 Year Performance



[1] Retail Price Index

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

Strategic Report

RIT Capital Partners plc

Chairman's Statement

Lord Rothschild, OM GBE

Net assets increased by approximately £200 million (before dividends of £46 million) to a total of £2.3 billion, a new all-time high. Your Company's share price is now trading at its highest levels since RIT, in its present form, was listed more than 25 years ago.

Against a background of volatility and risks in world markets, I am able to report that the net asset value per share (NAV) of your Company during 2014 increased from 1,384 pence to 1,483 pence, representing a total return of 9.5%. The discount at which your Company's shares trade narrowed during the course of the year with the result that the total shareholder return amounted to 13.3%. Net assets increased by approximately £200 million (before dividends of £46 million) to a total of £2.3 billion, a new all-time high. There has been a further 3.3% growth in our NAV in January 2015 to 1,531 pence. Your Company's share price is now trading at its highest levels since RIT, in its present form, was listed more than 25 years ago.

Our policy has been clearly expressed over the years. Simply put, it is to deliver long-term capital growth while preserving shareholders' capital; the realisation of this policy comes at a time of heightened risk, complexity and uncertainty. The economic and geopolitical environment therefore becomes increasingly difficult to predict.

The world economy grew at a disappointing and uneven rate in 2014 after six years of monetary stimulus and extraordinarily low interest rates. Stock market valuations however, are near an all-time high with equities benefiting from quantitative easing. Not surprisingly, the value of paper money has been debased as countries have sought to compete and generate growth by lowering the value of their currencies – the Euro and the Yen depreciated by over 12% against the US Dollar during the course of the year and Sterling by 5.9%. The unintended consequences of monetary experiments on such a scale are impossible to predict.

In addition to this difficult economic background, we are confronted by a geopolitical situation perhaps as dangerous as any we have faced since World War II: chaos and extremism in the Middle East, Russian aggression and expansion, and a weakened Europe threatened by horrendous unemployment, in no small measure caused by a failure to tackle structural reforms in many of the countries which form part of the European Union.

However, in a world of zero or even negative bond yields, equities may well remain the destination of choice for investors. Furthermore, the majority of companies are reporting profits exceeding forecasts together with steady earnings growth. In Europe, the combination of a more competitive Euro, an aggressive programme of quantitative easing and the yields available on equities, may well lead to even higher valuations.

In this complex situation we have kept our quoted equity exposure at moderate levels and have sought to add to returns through a widely diversified range of activities. Returns in the year under review were achieved through stock selection, by sub-contracting capital to talented and specialised investment managers and active currency positioning. In addition, we took advantage of your Company's ability to borrow at low rates of interest and invested, via credit managers, into higher yielding debt instruments with acceptable credit risk.

For private investments, it has been a year of exercising selectivity on new commitments with our focus being on realisations and rationalisation of the existing portfolio. Cash realisations came about from the sale of Martin Currie – the investment manager, Chart Show - the media company, and Metron – the oil services company, which specialises in the Norwegian North Sea. Results for the year were satisfactory with the balance of the portfolio showing some valuation gains. Our most significant direct investments have all made progress during the course of the year.

During January 2015 we completed the acquisition of 100% of GVO, the investment management company. GVO is a specialist manager focusing on UK stocks with an excellent record and approximately £370 million of assets under management. These consist of Strategic Equity Capital, an investment trust company where we acquired a 17% stake, and the

Chairman's Statement

GVO UK Focus Fund. Several awards have been given to this group over the last few years including Best UK Investment Trust 2014 (What Investment) and Fund Manager of the Year (Grant Thornton). We are confident that assets under management can be grown in the years ahead.

Dividend

We are intending to pay a dividend of 30 pence per share in 2015, an increase above the current rate of inflation. This will be paid in two equal payments of 15 pence each in April and October. We expect to maintain or increase this level in the years ahead, subject to unforeseen circumstances.

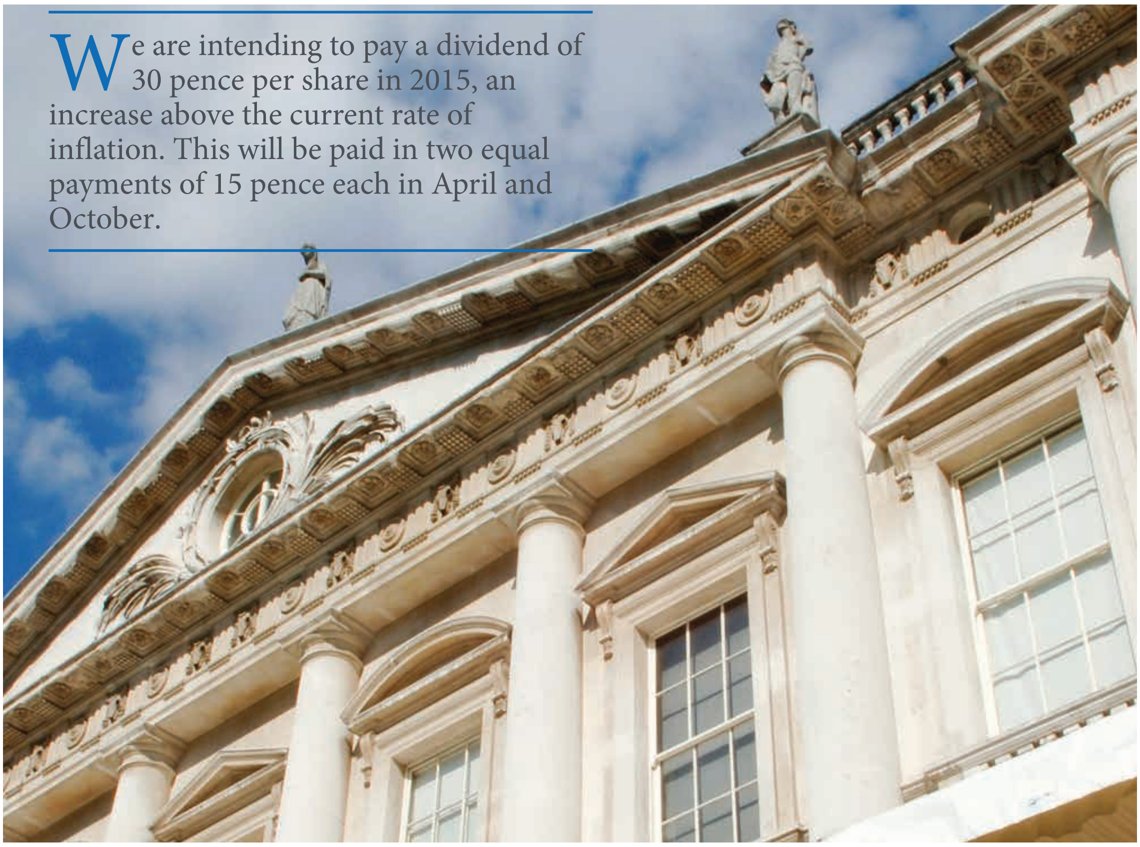
Your Company's Board and Management

Sandra Robertson, who is the CEO of the Oxford University Endowment Fund, has served your Company as a Director for more than six years; sadly she has decided in the light of her commitments not to stand for re-election at the AGM. I would like to place on record our thanks for the considerable support she has given to us. We will miss an individual who has been a most valuable colleague.

We are fortunate that Amy Stirling has joined your Company's Board to replace her. Amy is a trustee of The Prince's Trust and a non-executive member of the Cabinet Office Board. She was previously CFO of the TalkTalk Telecom Group as well as holding various senior positions within the Carphone Warehouse Group.

Your Company's operating subsidiary and manager, J Rothschild Capital Management, performed well during the course of the year under the outstanding leadership of Francesco Goedhuis. The team has been strengthened and is cohesive, settled and effective. We are confident they will be able to navigate shareholders' interests to good effect in the risky and complex world which lies ahead.

Rothschild
26 February 2015



Our Strategy & Business Model

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

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

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

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

We believe this accurately reflects our long-term aim. However a degree of clarification may assist shareholders in understanding what we are trying to achieve for them over time – in particular because we differ from many other trusts who always aim to be fully invested in equities.

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

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

We believe that our approach of active management of equity exposure, combined with early identification of opportunities and themes across asset classes, is more likely to lead to long-term outperformance. We would hope to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles.

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Since your Company's listing in 1988, we have participated in 75% of the market upside but only 38% of the market declines. This has resulted in our NAV per share compounding at 11.6% per annum; a meaningful outperformance of global equity markets.

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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."

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

We believe the extent of our global reach and network of contacts allows us to maximise our ability to deploy capital. We seek to capitalise on the optimum blend of the skills of an in-house investment team working closely with our external managers, the majority of whom are closed to new investors.

Our Strategy & Business Model

Our approach is long term. For example, in relation to private investments, we are not constrained by the typical industry model of a limited life partnership. This means we can hold such investments over the long term and choose to realise at an optimum time. In addition, we aim to avoid being forced sellers of stocks if we are comfortable with their underlying fundamentals.

Measuring Performance and KPIs

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

The strategic aims highlighted on the previous page, reflects the desire to produce real capital growth and to exceed markets. We therefore have established the following targets or Key Performance Indicators (KPIs):

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

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

The second reflects our unconstrained global investment approach and the desire to outperform markets. Consistent with many investment companies, we use the ACWI rather than the MSCI World Index. The former includes Emerging Markets with an approximate 10% weighting which we believe is a more accurate comparator for our global, unconstrained approach. On currency we use a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies. However, we also retain the flexibility to take an unconstrained approach to our currency positioning; for example in early 2008 we had no exposure to Sterling ahead of its significant fall in value later that year.

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

Incentive Structure

Our Remuneration Committee has established an incentive structure to ensure we can attract, motivate and retain the high quality individuals we need to deliver our long-term strategic aims. The remuneration policy is structured to ensure it is aligned with, and reinforces, these strategic aims.

> We believe the extent of our global reach and network of contacts allows us to maximise our ability to deploy capital. We seek to capitalise on the optimum blend of the skills of an in-house investment team working closely with our external managers, the majority of whom are closed to new investors.

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

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

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

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

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

Further details are provided in the Directors' Remuneration Report on pages 34 to 44.

Our Governance Structure

Our Chairman, Lord Rothschild, is responsible for the leadership of the Board and the Company. RIT is a self-managed investment company and the management of the investment portfolio has been delegated to

Our Strategy & Business Model

J Rothschild Capital Management Limited (JRCM), a 100% owned subsidiary.

JRCM is also chaired by Lord Rothschild, with the day-to-day running of the business under the management of an Executive Committee led by the CEO.

Full details of the Board and the Executive Committee are provided on pages 18 to 22.

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

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

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

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

In common with other similar businesses, investment decisions are made by a small number of key individuals. If for any reason the services of these individuals were to become unavailable, there could be a significant impact on our business. This ‘key man’ risk is monitored and managed by the Board, which has established procedures in place for the mitigation of these risks.

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

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

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

Emissions required to be reported in respect of the years ended 31 December 2014 and 31 December 2013 were calculated using fuel conversion factors provided by Defra[1], and were as follows:

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per employee
31 December 2014:		
Scope 1 Gas	39	0.5
Scope 2 Electricity	211	2.9
Total	250	3.4

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per employee
31 December 2013:		
Scope 1 Gas	44	0.6
Scope 2 Electricity	218	2.9
Total	262	3.5

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

The Group operates an ethics policy which applies to all staff, including in relation to social and human rights issues. The Board is also supportive of moves towards greater diversity. At the year end, the RIT Board consisted of 11 Directors, two of whom were women. Within the wider Group the senior management level included 12 men and two women. The overall employee base is split between 48 men and 18 women.

By Order of the Board

Francesco Goedhuis
Chief Executive Officer
J Rothschild Capital Management Limited
26 February 2015

Investment & Business Review

Performance

For the year under review, RIT's NAV per share increased from 1,384p to 1,483p. This represents a total return (including dividends) of 9.5% for the year. Total net assets increased by £154 million to £2,300 million after paying dividends totalling £46 million during the year.

In terms of our KPIs, at 9.5%, the NAV per share total return exceeded the absolute return hurdle of 4.6% (RPI plus 3%) and narrowly missed the relative hurdle of 10.0% (ACWI). The narrowing of the discount was a factor in the share price total return of 13.3%.

The contribution to the 9.5% NAV per share total return over the year is summarised below:

Asset Category	31 December 2014 % NAV	Contribution %
Quoted Equities	68.7%	4.7%
Private Investments	23.6%	3.1%
Absolute Return & Credit	16.6%	1.3%
Real Assets	3.8%	0.1%
Government Bonds & Rates	0.0%	(1.2%)
Currency[1]	0.1%	3.0%
Liquidity, Borrowings & Other	(12.8%)	(1.5%)
Total	**100.0%**	**9.5%**

[1] Currency exposure is managed centrally on an overlay basis with the translation impact and the profits from the overlay activity included in the Currency category.

The Quoted Equity portfolio performed well during the year, contributing 4.7% of the total return. This included performance from our stock selection as well as the externally managed long-only funds. Our allocation to hedge funds was also up over the year, though performance lagged our other equity categories. This portfolio also includes the cost of the equity hedges we held over the year to protect returns through the volatility and enable us to hold our 'high conviction' positions.

Private Investments also performed well with good returns from both our directly held investments as well as the external funds. In aggregate these investments contributed 3.1% to the total return.

As the Chairman highlighted, we increased our allocation to Absolute Return & Credit managers to approximately 17% of NAV, funded by drawing down on borrowings. The investments were targeted to capture the structural dislocations in credit markets, without excessive exposure to directional credit risk. To date this strategy has been successful, returning almost 9% against our 2.3% borrowing cost. We continue to monitor the credit risks.

Our allocation to Real Assets returned 2%, reflecting the combination of valuation uplifts in our property portfolio, which is independently valued by JLL (previously named Jones Lang LaSalle), partially offset by a weak year for gold miners.

A detractor to performance was our short bond position in our Government Bonds & Rates category. We lost money here as the higher yields we anticipated have not yet been borne out. Similarly, having used swaps to fix the interest rates on our borrowings, we experienced a mark-to-market loss as rates moved lower.

In Sterling terms, currency contributed 3.0% of the return. As global investors, we are naturally exposed to non-Sterling denominated assets. We therefore manage our currency positioning with an overlay strategy.

These are discussed further in the following sections.

Investment & Business Review

Net Assets by Category

Asset Category	31 December 2014 % NAV	31 December 2013 % NAV
Quoted Equities	68.7%	62.7%
Private Investments	23.6%	25.5%
Absolute Return & Credit	16.6%	7.0%
Real Assets	3.8%	4.0%
Government Bonds & Rates/Currency	0.1%	0.7%
Total Investments	112.8%	99.9%
Liquidity, Borrowings & Other	(12.8%)	0.1%
Net Assets	**100.0%**	**100.0%**
Average Net Equity Exposure	56%	59%

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

Investment Portfolio Movements

£ million	Market value 31 December 2013	Additions/ Transfers in	Disposals/ Transfers out	Gains/ (losses)	Market value 31 December 2014
Quoted Equities	1,352.1	1,092.4	(998.6)	132.8	1,578.7
Private Investments	547.6	43.7	(129.7)	81.5	543.1
Absolute Return & Credit	151.8	262.7	(81.1)	47.9	381.3
Real Assets	78.9	7.7	(1.1)	1.7	87.2
Government Bonds & Rates/Currency	13.7	29.7	(6.2)	(33.5)	3.7
Total Investments	**2,144.1**	**1,436.2**	**(1,216.7)**	**230.4**	**2,594.0**

Note: In this table category gains/(losses) include the impact of currency translation and derivatives. This table reflects Management's portfolio classification. It can be reconciled to the consolidated balance sheet as set out on page 118.

Quoted Equity

The Quoted Equity portfolio contributed 4.7% to the total return, almost half of the overall gain. The portfolio includes our direct stock portfolio, long-only funds, hedge funds, as well as the derivatives overlay activity. The key drivers were:

- a process allowing us to maintain conviction positions as well as taking advantage of weakness to achieve target entry levels;
- performance from many of our more specialist funds; and
- our continued focus on the US.

The direct stock portfolio represented approximately 18% of NAV at the year end and performed well over the year, returning 12.2% in local currency. While we typically take long positions, we also gained from shorting specific stocks. The individual positions in this portfolio have to pass through a rigorous analysis allowing us to take a contrarian approach when appropriate.

Our external manager portfolio represents about 50% of NAV, split between long-only managers such as Cedar Rock and Viking as well as hedge funds such as Blackrock European Hedge.

We held approximately 31% in long-only funds over the course of the year, which returned 9.2%, reflecting performance from our US, global and specialist exposure such as our biotech allocation. Our Japanese managers also performed well, validating our decision in early 2014 to shift our focus here from a passive to a more active approach. We had a modest exposure to Emerging Markets which underperformed Developed Markets over the year.

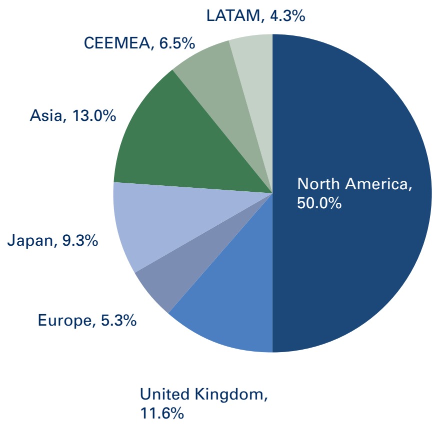
Our hedge funds represented approximately 19% of NAV at the year end. Against a difficult year for hedge funds, these investments gained 4.1%.

Investment & Business Review

In our manager portfolio, we continued to increase the average position size of our core holdings. We also reduced managers which offered too much diversification and/or replicated our in-house capability. We allocate modest amounts to emerging managers who we consider have the potential to succeed over the long term.

We used index futures and options to adjust our net exposure to quoted markets at various points in the year. Our protection via short hedges cost approximately 0.8%, though it allowed us to achieve the gains in the other parts of the portfolio in line with our integrated approach.

Quoted Equity Regional Exposure



Private Investments

The Private Investments portfolio is made up of our own direct investments as well as those held via third party managers. In aggregate, these accounted for 24% of the year-end NAV and generated a return of 12.5%.

The direct private investment portfolio totalled £256 million at the end of December and produced a 9.5% return during the year. The largest valuation increase over the year was in relation to Dropbox. The terms of the recent investment round, supported by subsequent evidence of market pricing, resulted in an increase in the valuation.

Other positive developments came from KIK Custom Products, a US white label consumer products manufacturer, and Helios Towers, the African mobile telecoms infrastructure company. Helios agreed a significant new investment round to finance the acquisition of a major tower portfolio from Bharti Airtel.

In our manager portfolio we continued to increase the average positions size of our core holdings. We also reduced managers which offered too much diversification and/or replicated our in-house capability.

We continue to search for new investments which meet our risk/return requirements. While no new investments were made in 2014, we completed a number of follow-on investments into our existing portfolio companies including Tamar, Infinity and Helios. In addition, disposals of Chart Show, Martin Currie and Metron were completed during the year. All of these were sold at modest premiums to the valuation at the start of the year. Notwithstanding the relatively short ownership period of Metron, we took the opportunity to realise our stake profitably – a decision that was further validated by the recent oil price collapse.

The fund portfolio totalled £287 million at the year end. As a result of the usual lag in receiving valuations from the fund managers or 'GPs', the majority are valued using 30 September 2014 valuations. The portfolio returned 15.4% helped by a meaningful contribution from our early-stage investments.

Our largest such investment, Augmentum, continues to build on its portfolio with an investment in Interactive Investor during the year. Augmentum performed well during 2014, as did our investments in Hony Capital (the Chinese private equity firm) and Thrive Capital (a US venture capital firm).

The externally managed portfolio is now relatively mature with distributions more than offsetting capital calls. In part, this reflects our strategy to reduce new commitments to third party funds over recent years, other than in exceptional circumstances.

Investment & Business Review

Absolute Return & Credit

This category includes our investments in credit and absolute return funds. We increased the weighting to this category from 7% of net assets to 17%.

The portfolio targets a return in excess of our borrowing costs, but without taking on equity-like risk. In view of the underlying credit risks – indeed the high yield market was down over the year – we have targeted funds focusing more on special situations rather than simply long credit. Our portfolio generated a return of 8.8% during the year.

Currency

As a global investor, we are unconstrained in our approach to where we invest. However, as a Sterling-denominated company, investing overseas naturally brings with it exposure to foreign currency risk. We manage our currency exposure centrally through an overlay approach. This starts with the natural or 'naive' exposure from the currency denomination of the investments. This 'gross' exposure is then adjusted – mainly through the use of currency forwards and borrowings – in order to achieve the desired net exposure to the underlying currencies.

We manage our currency exposure centrally through an overlay approach. Overall currency measured against Sterling, contributed 3.0% to our total return for the year.

This approach has two aims: to protect the Sterling NAV from unwanted currency moves, and also as a separate source of return. Over 2014 this strategy was helped by our focus on the US Dollar, and by being short in the Euro and several commodity currencies, including the Australian Dollar and Canadian Dollar. Overall currency measured against Sterling, contributed 3.0% to our total return for the year.

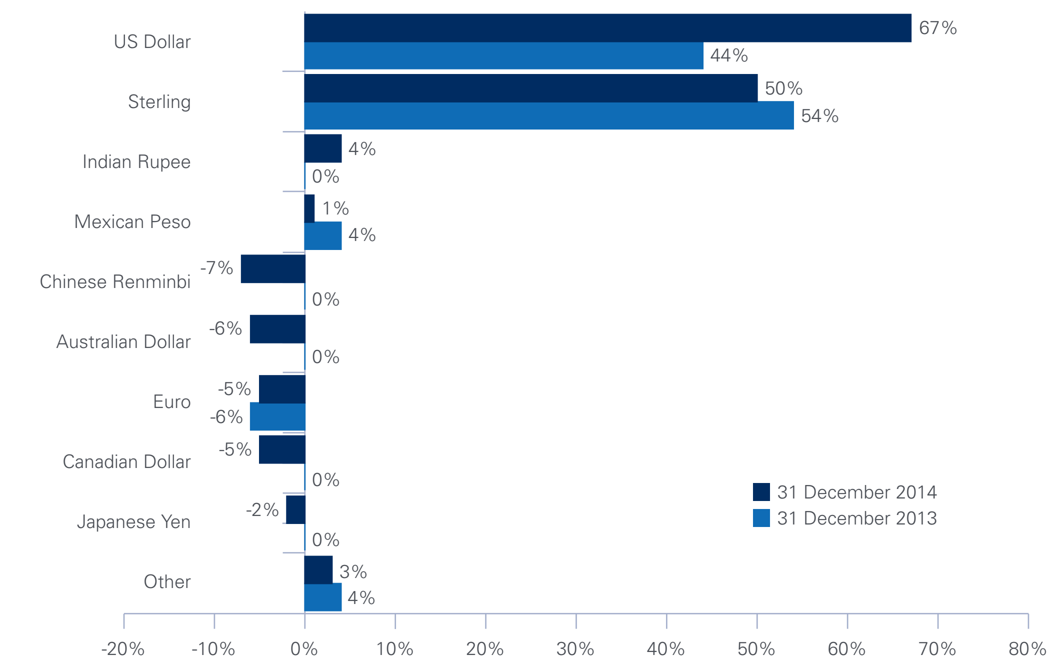
Debt and Leverage

We used our £400 million revolving credit facilities during the year to finance the increase in the Absolute Return and Credit portfolio. The loans are three and five year duration at a fixed cost of 2.3%.

At the year end we had drawn borrowings of £403 million against which were liquidity balances of £119 million. This represents gearing of 15.4% (calculated net of liquidity in accordance with the guidance of the Association of Investment Companies).

We also deploy leverage through the use of derivatives - typically currency forwards, equity index futures and options. The Alternative Investment Fund Manager

Currency Exposure of Net Assets



Investment & Business Review

Directive from the European Union (AIFMD) introduced a requirement to calculate and disclose a leverage figure that includes both bank debt and the notional exposure from derivatives. While we are required to produce these figures, we do not consider they provide an accurate reflection of our portfolio or the underlying risks. At 31 December 2014 gross leverage under this measure was 255% and 'net' leverage (defined as calculated under the 'commitment method') was 207%. The former reflects the full notional level of derivatives and ignores whether these are hedges employed to reduce risk. The latter permits limited offsets but still includes derivatives which we consider to be hedges.

Group Structure and Ongoing Charges

The RIT Group employs 66 people, with 47 working for our investment management subsidiary, JRCM. Our Real Assets portfolio includes Spencer House as well as other properties in St James's, London. These are managed by another subsidiary, Spencer House Limited, which employs the remaining 19 people. In addition to property management, this subsidiary also operates the events business. Notwithstanding the associated costs, the property-related activities were NAV accretive over the year.

In order to provide investors with the ability to assess the costs of our investment business, we disclose an Ongoing Charges % (OC%) calculated in accordance with the AIC guidelines for investment companies:

	2014	2013
Ongoing Charges%[1]	0.74%	0.83%

[1] The OC% reflects the costs incurred directly by RIT which are associated with the management of a static investment portfolio. Consistent with the AIC guidance, the OC% excludes: non-recurring items; costs associated with our events subsidiary; LTIPs and performance fees. In addition, the NAV performance also includes the costs incurred directly or indirectly by external fund managers. Many of these managers include these costs within their valuations and it is not practical to calculate an OC% from the information they provide. However to assist shareholders, we have estimated that such external management costs amount to approximately 1.07% of the Company's average net assets. Further information on fee levels is provided on page 45.

Shareholder Return and Dividend

The shareholder return tracks the NAV return, with fluctuations as a result of changes in the premium or discount. During 2014 RIT's discount decreased from 9.0% to 5.8% which, combined with the NAV return, produced a 13.3% TSR.

The Board has approved a dividend to be paid in 2015 of 30 pence per share. This will be paid in two equal tranches in April and October and represents a 2% increase over 2014. We expect to maintain or increase this level in the years ahead, subject to unforeseen circumstances.

Ron Tabbouche
Investment Director
J Rothschild Capital Management Limited
26 February 2015

Investment Portfolio

Investment Portfolio as at 31 December 2014

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Quoted Equity				
Stocks:				
RIT P&P Basket[1]	United States	Paper and packaging	59.1	2.6%
Trian Partners SPV (Pepsi & Mondelez)	United States	Consumer staples	46.4	2.0%
Samsung Electronics	Republic of Korea	Communication equipment	45.9	2.0%
Dufry	Global	Speciality stores	38.3	1.7%
PS V International Fund (Air Products)	United States	Industrial gases	37.2	1.6%
Kingfisher	United Kingdom	Home improvement retail	36.7	1.6%
United Technologies	United States	Aerospace and defence	35.2	1.5%
Tesco Plc	United Kingdom	Food retail	24.0	1.1%
Itau Unibanco	Brazil	Diversified banks	19.1	0.8%
Virgin America	United States	Airlines	18.6	0.8%
Other Stocks			58.3	2.5%
Total Stocks			*418.8*	*18.2%*
Long-only Funds:				
HCIF Offshore	United States	All-cap, biotechnology	96.2	4.2%
Findlay Park[2]	United States	All-cap, value bias	85.3	3.7%
Lansdowne Developed Markets Strategic	United Kingdom	All-cap, diversified	79.8	3.5%
Morant Wright[2]	Japan	Small/mid-cap, value bias	71.5	3.1%
Cedar Rock Capital	Global	Large/mid-cap, diversified	63.3	2.8%
Viking Long Fund III	Global	All-cap, diversified	60.3	2.6%
Titan Partners	United States	Large-cap, growth bias	55.6	2.4%
BlackRock Frontiers[2]	Emerging Asia	All-cap, value bias	51.2	2.2%
CSOP Hermes China A Share	China	All-cap, diversified	35.0	1.5%
Findlay Park Mexico[2]	Mexico	All-cap, diversified	30.1	1.3%
Horizon Capital[2]	Emerging Asia	All-cap, diversified	19.5	0.8%
Other Funds			79.0	3.5%
Total Long-only Funds			*726.8*	*31.6%*
Hedge Funds:				
BlackRock European Hedge	Europe	All-cap, diversified	76.8	3.3%
RIT PK Japan	Japan	All-cap, diversified	58.9	2.6%
Gaoling	China	All-cap, diversified	57.7	2.5%
Brant Point	United States	Small/mid-cap, growth bias	47.3	2.1%
Palestra Capital Offshore	United States	Large-cap, diversified	45.9	2.0%
Three Corner	Global	All-cap, financials	44.1	1.9%
Tekne Offshore	United States	All-cap, technology	43.6	1.9%
RIT Discovery[3]	Global	All-cap, diversified	39.2	1.7%
Other Quoted Equity – Hedge			20.8	0.9%
Total Hedge Funds			*434.3*	*18.9%*
Derivatives:				
S&P 500 Futures	United States	Short, 5.3% notional	(5.1)	(0.2%)
Russell 2000 Futures	United States	Long, 1.7% notional	2.2	0.1%
GS Custom Financials Basket[4]	United States	Long, 1.1% notional	1.3	0.1%
Other Derivatives			0.4	0.0%
Total Derivatives			*(1.2)*	*(0.0%)*
Total Quoted Equity			**1,578.7**	**68.7%**

1 This is a basket of 4 stocks managed internally, with the largest investment, Rock-Tenn valued at £21.1 million.
2 These funds are operated as segregated accounts, managed externally on behalf of the Group.
3 This contains investments in two emerging hedge fund managers: Soroban (£17.0 million) and Darsana (£22.2 million).
4 This is a basket of 4 equity swaps managed internally, with the largest investment, MGIC, with a notional exposure of £8.1 million.

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Private Investments – Direct				
Infinity Data Systems	United Kingdom	Data centres	43.7	1.9%
Rockefeller & Co	United States	Financial services	32.1	1.4%
Williams & Glyn	United Kingdom	Financial services	30.8	1.3%
Dropbox	United States	Cloud technology	27.1	1.2%
Helios Towers	Other African	Cellular communication infrastructure	26.4	1.1%
KCP	United States	Consumer products	17.5	0.8%
Tamar Energy	United Kingdom	Renewable energy	15.4	0.7%
EDRRIT	United Kingdom	Financial services	14.0	0.6%
Other Private Investments – Direct			49.1	2.1%
Total Private Investments – Direct			**256.1**	**11.1%**
Private Investments – Funds				
Augmentum I	United Kingdom	International growth capital	43.6	1.9%
Xander Funds	India	Real estate private equity	30.0	1.3%
Darwin Private Equity I	United Kingdom	Mid-market private equity	23.8	1.0%
Hony Capital Funds	China	Private equity	22.7	1.0%
Thrive Capital Funds	United States	Venture capital	15.4	0.7%
Summit Water Development	United States	Water rights	13.0	0.6%
Battery Ventures Funds	United States	Venture capital	10.3	0.4%
Other Private Investments – Funds			128.2	5.6%
Total Private Investments – Funds			**287.0**	**12.5%**
Absolute Return & Credit				
Blackstone/GSO Global Dynamic Credit Fund	Global	Diversified loans	62.7	2.7%
Attestor Value Fund	Europe	Distressed and special situations	51.7	2.2%
Blue Mountain Credit Alternatives Fund	Global	Fixed income, relative value	42.6	1.9%
Brevan Howard Credit Value Fund	United States	Opportunistic credit, long bias	39.8	1.7%
Pine River Fixed Income Fund	Global	Fixed income, relative value	37.1	1.6%
Farmstead Fund	United States	Distressed and special situations	36.6	1.6%
JPS Credit Opportunities Fund	United States	Fixed income, relative value	36.0	1.6%
TSE Capital Fund	Global	Macro strategy	21.9	1.0%
Cyrus Libertas Fund	United States	Credit co-investment	21.6	0.9%
Other Absolute Return & Credit			31.3	1.4%
Total Absolute Return & Credit			**381.3**	**16.6%**
Real Assets				
Spencer House	United Kingdom	Property	33.0	1.4%
Other Property	United Kingdom	Property	23.7	1.0%
BlackRock Gold & General Fund	Global	Gold and precious metal equities	18.2	0.8%
Other Real Assets			12.3	0.6%
Total Real Assets			**87.2**	**3.8%**
Government Bonds and Rates				
Interest Rate Swaps on Borrowings		Floating to fixed, 17.4% notional	(0.7)	(0.1%)
Japanese Government Bond Futures	Japan	Short, 4.8% notional	(0.7)	(0.0%)
Italian Government Bond Futures	Italy	Short, 1.8% notional	(0.5)	(0.0%)
Other Government Bonds & Rates			2.8	0.1%
Total Government Bonds and Rates			**0.9**	**0.0%**
Other Investments				
Currency contracts	Global	Forward currency contracts	2.7	0.1%
Other			0.1	0.0%
Total Other Investments			**2.8**	**0.1%**
Total Investments			**2,594.0**	**112.8%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Liquidity				
Liquidity		Cash at bank/margins	115.6	5.0%
Total Liquidity			**115.6**	**5.0%**
Borrowings				
Commonwealth Bank of Australia loan		Multi-currency credit facility	(198.2)	(8.6%)
National Australia Bank loan		Multi-currency credit facility	(204.7)	(8.9%)
Total Borrowings			**(402.9)**	**(17.5%)**
Other assets/(liabilities)			(7.1)	(0.3%)
Total Net Asset Value			**2,299.6**	**100.0%**

Governance

RIT Capital Partners plc

Board of Directors

Chairman

Lord Rothschild OM GBE

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

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

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

Senior Independent Director

Michael Marks CBE

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

He is Chairman of MR Capital Consultants 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.

Board of Directors

Non-Executive Directors (Independent)

John Cornish

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

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

John Makinson

John Makinson joined the Board of the Company as a non-executive Director in April 2014 and is a member of the Audit and Risk Committee.

He is Chairman of Penguin Random House, having previously been the Chairman and CEO of the Penguin Group. He was the finance director of Pearson, Penguin's parent company, between 1996 and 2002. John remained an executive director of Pearson plc until July 2013.

John's career has included journalism and investor relations both in London and abroad, including at Reuters, Saatchi & Saatchi and the Financial Times. Whilst at the Financial Times he became the editor of the Lex column, its Financial Editor and, between 1994 and 1996, its managing director.

John is Chairman of the National Theatre, as well as a director of the International Rescue Committee, a humanitarian organisation.

Lord Myners CBE

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

He is Chair of the Court of Governors and Council of the London School of Economics and Political Science. He is also a partner of Autonomous Research and Cevian Capital.

Paul is a former Chairman of Marks & Spencer and Land Securities. He previously served on the Court of the Bank of England and was a member of the Investment Committee of Singapore's sovereign wealth fund. He was a Treasury minister in the last British government.

Mike Power

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

Mike is Professor of Accounting at the London School of Economics and Political Science and has written extensively on risk and governance issues. He was also a non-executive director at 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 a number of other advisory positions, including the Financial Reporting Lab of the Financial Reporting Council. He is an FCA, an associate member of the UK Chartered Institute of Taxation and an honorary fellow of the Institute of Risk Management. He also holds honorary doctorates from the Universities of Uppsala, Sweden and St Gallen, Switzerland.

Board of Directors

Non-Executive Directors (Independent)

Sandra Robertson

Sandra Robertson joined the Board of the Company as a non-executive Director in July 2008 and is a member of the Valuation Committee. She has served notice of her intention not to stand for re-election at the forthcoming Annual General Meeting.

She is the Chief Investment Officer and the Chief Executive Officer of Oxford University Endowment Management, which she joined in September 2007. Prior to this, Sandra spent 14 years at the Wellcome Trust, most recently as Co-Head of Portfolio Management responsible for the day-to-day management of an investment portfolio of c. £14.5 billion.

Amy Stirling

Amy Stirling joined the Board of the Company as a non-executive Director in February 2015.

She is a chartered accountant and a non-executive member of the Cabinet Office Board and Chair of its Audit and Risk Committee. She also serves as a director and Chair of the Audit Committee of Pets at Home Group Plc. Amy is a Trustee of The Prince’s Trust, having held the role of Chief Financial Officer until December 2014.

Amy 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.

The Duke of Wellington

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

He has broad experience in banking and finance, having served as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is currently a director of Compagnie Financière Richemont. He served on the Board of Sanofi until May 2014 and was until 2011 a director of Pernod Ricard and Abengoa Bio-Energia.

He is currently a member of the International Advisory Board of Abengoa SA. He is Chairman of Richemont Holdings (UK) Limited. He is also Chairman of the Council of King’s College, London. He was a member of the European Parliament from 1979 to 1989.

Mike Wilson CBE

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

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

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

Board of Directors

Non-Executive Directors (Non-Independent)

Jean Laurent-Bellue

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

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

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

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

Hannah Rothschild

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

Hannah has been involved with media for the past twenty years. An award winning documentary film maker, she also writes articles, screenplays and books.

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

As well as her career in media, she has been involved in public service, including acting as a Trustee of the National Gallery and of the Tate. She will become Chair of the Board of Trustees of the National Gallery in August 2015.

Honorary Vice Chair

Baroness Ariane de Rothschild

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

She is the Chairwoman of the Executive Committee of the Edmond de Rothschild Group. She holds other various board positions across the group, including Edmond de Rothschild (Suisse) SA, Edmond de Rothschild (France), SIACI Saint-Honoré, Edmond de Rothschild (Europe) and Barons & Baronne Associés.

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

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

J Rothschild Capital Management

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

Chairman
Lord Rothschild

Chief Executive Officer
Francesco Goedhuis

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

Non-Executive Director
Rick Sopher

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

Francesco Goedhuis

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

Andrew Jones

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

Jonathan Kestenbaum

Jonathan Kestenbaum is the Chief Operating Officer. Until 2011 he was Chief Executive of Five Arrows Limited. He is also an adviser to philanthropic foundations connected to Lord Rothschild. He was previously Chief Executive of NESTA (the National Endowment for Science, Technology and the Arts). Prior to that he was Chief of Staff to the Chairman of Apax Partners, Sir Ronald Cohen. In January 2011 Jonathan was appointed to The House of Lords and became Lord Kestenbaum of Foxcote.

Ron Tabbouche

Ron Tabbouche is the Investment Director. He joined RIT 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 also the investment director at the investment manager of philanthropic foundations connected to Lord Rothschild.

Corporate Governance Report

Introduction

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

Many of the Directors hold or have held senior director positions at prominent investment banks, asset management companies or audit firms specialising in the asset management industry. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations.

This report describes the Company's principal governance bodies, their composition, purpose and operation. It also covers the other aspects of the Company's governance prescribed under the UK Corporate Governance Code 2012 (the Code), to which the Company is subject and which may be viewed at www.frc.org.uk. The Directors believe that the Company has complied with the provisions of the Code throughout the year, except as described on page 25.

The Board of Directors

The Company is an investment trust managed by its Board of Directors (the Board) currently comprising 12 Directors. The Chairman is executive, Jean Laurent-Bellue and Hannah Rothschild are non-independent and non-executive and the remaining nine are independent non-executive Directors.

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

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

The Board met formally four times in the year ended 31 December 2014. The attendance of the Directors was as follows:

Member	No. of meetings eligible to attend	No. of meetings attended
Lord Rothschild	4	3
Michael Marks	4	4
John Cornish	4	4
Jean Laurent-Bellue	4	4
John Makinson[1]	3	3
Lord Myners	4	4
Mike Power[2]	3	3
Sandra Robertson	4	3
Hannah Rothschild	4	4
The Duke of Wellington	4	4
Mike Wilson	4	4

[1] Appointed 30 April 2014
[2] Appointed 23 January 2014

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

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

Corporate Governance Report

Committee Membership as at 26 February 2015

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

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

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

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

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

The Audit and Risk Committee

The Audit and Risk Committee Report may be found on pages 32 and 33.

The Committee met formally on five occasions in the year ended 31 December 2014 with attendance as follows:

Member	No. of meetings eligible to attend	No. of meetings attended
John Cornish	5	5
John Makinson[1]	4	4
Lord Myners	5	4
Mike Power[2]	5	5
The Duke of Wellington[3]	2	1

[1] Appointed 30 April 2014
[2] Appointed 23 January 2014
[3] Retired 30 June 2014

The Conflicts Committee

The Conflicts Committee meets at least once a year on a formal, scheduled basis and on other occasions as and when required. The Committee is chaired by The Duke of Wellington and is comprised of independent Directors. The Committee's principal responsibilities cover proposed co-investment or related party transactions and the approval of cost sharing arrangements with parties related to Lord Rothschild or any other Director (as described in note 31). The Committee is responsible for monitoring and pre-approving any arrangements entered into between the Group and any of its Directors, or their connected interests, to ensure that any conflicts of interest are avoided or pre-approved and managed appropriately.

The attendance record of the members in the year to 31 December 2014 was as follows:

Member	No. of meetings eligible to attend	No. of meetings attended
The Duke of Wellington	1	1
John Cornish	1	1
Michael Marks	1	1

The Nominations Committee

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

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

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

The attendance record of the members of the Committee in the year to 31 December 2014 was as follows:

Member	No. of meetings eligible to attend	No. of meetings attended
Lord Rothschild	1	0
Michael Marks	1	1
The Duke of Wellington	1	1

The Valuation Committee

The Valuation Committee comprises four Directors, all of whom are independent. The Committee, chaired by John Cornish, meets at least twice each year and additionally as may be required.

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

Corporate Governance Report

The Committee met formally on two occasions in the year ended 31 December 2014 with attendance as follows:

Member	No. of meetings eligible to attend	No. of meetings attended
John Cornish	2	2
Sandra Robertson	2	2
Lord Myners	2	2
Mike Power[1]	1	1

[1] Appointed 23 January 2014

The Remuneration Committee

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

The Committee reviews the total remuneration packages, including pension arrangements, of the Chairman and executive management, ensuring an appropriate balance between fixed and performance-related elements. This exercise is conducted in part by reference to other companies of similar size and business objectives. Executive management provides information to the Committee, although individuals are not present when their own remuneration is considered. The Remuneration Committee receives the advice of New Bridge Street (NBS), the remuneration consultancy. The Group has no other relationships with NBS, which is therefore independent.

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

The attendance of the members at the meetings of the Committee held in the year to 31 December 2014 was as follows:

Member	No. of meetings eligible to attend	No. of meetings attended
The Duke of Wellington	3	3
John Cornish	3	3
Michael Marks	3	3
Mike Wilson	3	3

The Chairman of the Remuneration Committee presents the Directors' Remuneration Report on pages 34 to 44.

UK Corporate Governance Code

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

A.2.1 – Chairman has executive responsibilities

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

Chairman

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

The Audit and Risk Committee, the Conflicts Committee, the Remuneration Committee and the Valuation Committee are comprised entirely of independent non-executive Directors. Whilst the Nominations Committee is chaired by Lord Rothschild, independent non-executive Directors represent a majority of its members. In addition, the day-to-day management of the business is delegated by the Board to J Rothschild Capital Management Limited, led by its CEO and Executive Committee. The Board is therefore of the view that the Company is not at risk from a concentration of power caused by the Chairman having executive responsibilities and believes that Lord Rothschild is well qualified for both roles.

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

Board Balance and Independence

The Board is comprised of 12 Directors of whom one is executive, two are non-independent and non-executive and nine are non-executive and 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. More than half of the Board, excluding the Chairman, therefore comprises non-executive Directors determined by the Board to be independent.

The size and composition of the Board is considered to be appropriate for the Company.

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

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

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

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

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

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

The UK Corporate Governance Code incorporates a requirement that all directors of FTSE 350 companies should be put forward for re-election every year. All Directors will stand for election or re-election at the Company's 2015 AGM, other than Sandra Robertson who has notified the Company of her intention to retire as a Director. The Notice of AGM is contained in a separate document circulated to registered shareholders and may be viewed on the Company's website: www.ritcap.com.

In accordance with the Code, the Board considered the proposed re-elections of Mr Marks and Mr Cornish after particularly rigorous reviews, as they have served as Directors beyond six years. They remain independent and eligible for re-election for the following reasons:

- Michael Marks is a senior executive at a financial services organisation unconnected to RIT. He does not receive any other remuneration from the Group other than his Director's fees;
- Mr Cornish is a retired former Partner of Deloitte LLP with no relationship with the Company or any of its Directors prior to his appointment; and
- there are no relationships or circumstances likely to affect the judgement of either Director, both of whom continue to challenge objectively and robustly question management.

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

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

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

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

The Company has been accepted as an approved investment trust by HM Revenue & Customs, subject to continuing to meet eligibility conditions.

The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 1158 of the Corporation Tax Act 2010.

Corporate Governance Report

The Company is not a close company within the meaning of Section 439 of the Corporation Tax Act 2010.

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

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 as amended and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

Corporate Governance Report

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

As an investment company, RIT is exposed to financial risks inherent in its portfolio which are primarily market-related and common to any portfolio predominantly invested in equities. These financial risks include market risk (price risk, interest rate risk and currency risk), credit risk and liquidity risk. These are monitored and managed by the Investment Committee and the Investment Risk Committee of JRCM.

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

JRCM, under the supervision of the Board and the Audit and Risk Committee, is responsible for the day-to-day compliance with the relevant rules. It is also tasked with identifying emerging risks and ensuring an appropriate response is in place. The Audit and Risk Committee, working with the Chief Risk Officer, is responsible for ensuring that an appropriate system of risk management and internal controls is in place. Further information is set out below.

Risk	Mitigation
Investment Strategy As an investment company, a key risk is that the investment strategy does not deliver the Company's Corporate Objective: "*To deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time*"	The Board is responsible for monitoring the investment strategy to ensure it is appropriate to meet the Corporate Objective. The non-executive Directors receive a detailed monthly report to enable them to monitor investment performance and exposure. They also receive a comprehensive report from the Investment Director 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 Investment Committee of JRCM meets regularly to review overall investment performance, portfolio exposure and significant new investments.

Corporate Governance Report

Risk	Mitigation
Market Risk RIT invests in a number of asset categories including quoted equity, equity funds, private equity, absolute return and credit and real assets. 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 instruments denominated in currencies other than Sterling. This exposes the portfolio to translation 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 weekly, 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 exposure depending on overall macroeconomic and market views. Currency exposure is managed via an overlay strategy using a combination of foreign currency borrowings, forwards and options to adjust the natural currency of the investments in order to achieve a desired net exposure.
Liquidity Risk Liquidity risk is the risk that the Group will have difficulty in meeting its obligations in respect of financial liabilities as they fall due. The Group has significant investments in and commitments to unquoted companies and unquoted funds which are inherently illiquid. In addition the Group holds investments with other third party organisations which may require notice periods in order to be realised.	Liquidity risk is not viewed as significant as a substantial proportion of the Group's net assets are in liquid or readily realisable assets, which could be utilised to meet funding requirements if necessary. The Group manages its liquid resources to ensure sufficient cash is available to meet all of its expected commitments. It monitors the level of short-term funding and balances the need for access to such funding, and liquidity, with the long-term funding needs of the Group and the desire to achieve investment returns.
Counterparty Risk Counterparty 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. Substantially all of the listed portfolio investments are held by BNP Paribas Securities Services 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.	This risk is not considered significant as the vast majority of the Group's transactions are settled on a delivery versus payment basis using a wide pool of brokers. Cash and cash equivalents are also divided between a number of different financial institutions. All custodied assets are fully segregated in designated client accounts.

Risk	Mitigation
Key Person Dependency In common with other self-managed investment trusts, investment decisions are made by a small number of key individuals. If for any reason the services of these individuals were to become unavailable, there could be a significant impact on our business.	This risk is closely monitored and managed by the Board which has established procedures in place to deal with any related business disruption. The risk is reduced by the combination of an experienced Board of Directors with distinguished backgrounds in business or finance, and experienced senior management within JRCM.
Legal & Regulatory Risk As an investment trust, RIT's operations are subject to wide ranging regulations. The financial services sector continues to experience significant regulatory change at national and international level. Failure to act in accordance with these regulations could cause fines, censure or other losses.	The Operational Risk Committee of JRCM provides oversight of all legal, regulatory and other operational risks. This Committee reports key findings to the JRCM Executive Committee and the Audit and Risk Committee. JRCM employs a dedicated compliance manager as well as personnel with wider experience of legal regulatory and taxation matters. In addition, specialist external advisers are engaged in relation to complex or sensitive matters.
Operational Risk Risks arising from inadequate or failed processes, people and systems or external factors. Key operational risks include reliance on third party suppliers, dealing errors, processing failures, reliability of core systems and IT security issues.	Systems and control procedures are the subject of continued development and regular review. Further detail can be found in the Internal Control section below. 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. A business continuity plan is maintained, and includes the ability to utilise an offsite facility in the event of any business disruption.

Internal Control

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

The Board has delegated to JRCM's executive management the implementation of the system of internal control within an established framework applicable throughout the Group. The system of internal control is reviewed twice each year. The Board considers that the necessary procedures in place are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council in September 2014 and previously the relevant sections of the UK Corporate Governance Code 2012.

As part of the review of the control environment, an internal audit of selected areas is undertaken. This is

Corporate Governance Report

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

The Group also monitors the compliance of external managers with the terms of their investment management agreements as well as reviewing their control procedures.

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

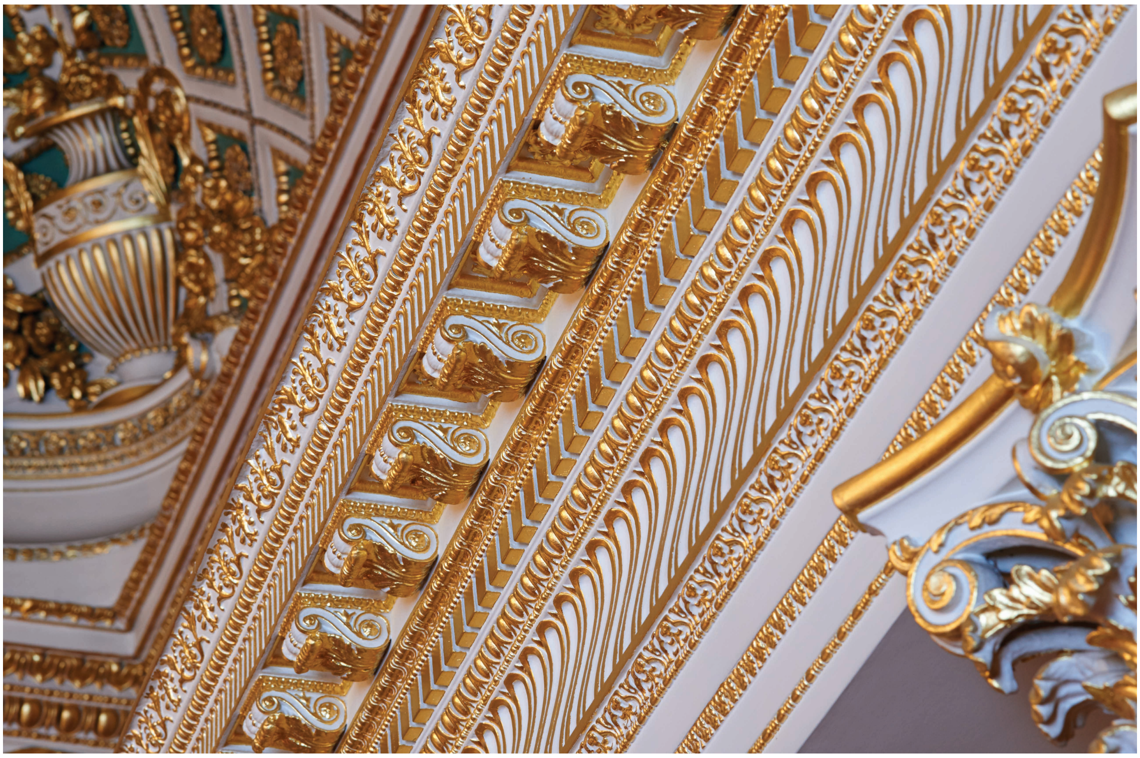
The Group maintains guidelines in relation to the key controls exercised over its financial and operating affairs. Duties are segregated to an extent commensurate with the size of the Group's organisation and business environment.

Statement on Going Concern

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

As at the year end the Group had cash at bank of £101.4 million and money market funds of £17.1 million. In addition to these liquidity balances the Group held quoted equities of £1,539.9 million. The Group's borrowings totalled £402.9 million under facilities that expire in December 2016 and December 2018.

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



Audit and Risk Committee Report

The Audit and Risk Committee
On behalf of the Board, I am pleased to present the Audit and Risk Committee Report for the year ended 31 December 2014.

The Audit and Risk Committee comprises four non-executive Directors, all of whom are independent of the Company with myself as Committee Chairman. I am a Fellow of the Institute of Chartered Accountants, and was a partner at Deloitte LLP. I am chairman of the audit committees of two other public companies, and am considered by the Board to have appropriate financial experience. Lord Myners is a member of the Committee. Michael Marks and The Duke of Wellington stepped down as members of the Committee on 14 February 2014 and 30 June 2014 respectively, following the appointment of Mike Power on 23 January 2014 and John Makinson on 30 April 2014. The biographies of the Committee members are set out on page 19.

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

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

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

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

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

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

- Valuation of Direct Private Investments
- Related Party Disclosures

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

Valuation of Direct Private Investments
Direct private investments make up over 11% of net assets. By their very nature such investments merit individual attention when considering their fair value. The estimation of their fair value requires the exercise of considerable judgement and most likely the use of a range of valuation techniques. This subjectivity means that there is a higher degree of uncertainty in such valuations compared with other assets.

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

Related Party Disclosures
Related party transactions are a common feature of commerce and business. The Company often takes advantage of opportunities offered to it, or services provided to it via the many relationships it and its Board of Directors has built up over time. Disclosure of such transactions is a legal requirement in order to allow shareholders and other users of the financial statements to assess the risks and opportunities facing the Company. Any failure to properly address this requirement could expose the Company to legal, regulatory or reputational damage.

We consider the work of the Conflicts Committee in reviewing cost sharing arrangements, co-investment transactions and any other similar arrangements with parties related to any Director, and have discussed with executive management the systems and processes in place to identify, review, record and disclose such transactions. We note the importance the

Audit and Risk Committee Report

Chairman and executive management place upon this. We have reviewed the disclosures made in the financial statements regarding such transactions and consider them to be the result of a process designed to ensure that not only are the transactions themselves on appropriate terms but that the necessary disclosures have been made.

The Committee is also responsible for monitoring the Group's whistleblowing procedures for staff to follow in the event that they might have any concerns about possible improprieties in matters of financial reporting or other matters. The procedures in place provide for staff to have direct recourse to the Audit and Risk Committee, through its Chairman.

Independent Auditors

The Committee considers the external auditors' independence, objectivity and the cost effectiveness of the audit process through a process of formal and informal feedback from executive management. The level of non-audit services provided to the Group by the auditors is monitored as is the auditors' objectivity in providing such services, to ensure that the independence of the audit team from the Group is not compromised.

Non-audit services provided by PricewaterhouseCoopers LLP in the year ended 31 December 2014 totalled £0.1 million and were primarily in relation to taxation services. That they were selected for this work was due to their expertise in this sector. Further information on fees paid to PricewaterhouseCoopers LLP is contained in note 4 of the financial statements.

PricewaterhouseCoopers LLP (or its antecedent firms) have been the Group's auditors since inception and there has not been an audit tender process. The Committee intends to tender the statutory audit in advance of the required deadline of 2020. The Committee confirms that the Group has complied with the requirements set out by the competition commission on audit tendering.

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

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

Going Concern

The Audit and Risk Committee is also responsible for considering those matters that have informed the Board's assessment of whether the Company is a going concern and which are referred to in the statement on going concern on page 31.

John Cornish
Chairman, Audit and Risk Committee
26 February 2015

Directors’ Remuneration Report

Introduction from Remuneration Committee Chairman
On behalf of the Board, I am pleased to present the Directors’ Remuneration Report for the year ended 31 December 2014.

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

The AIS is designed to reward investment performance against dual benchmarks as well as rewarding wider firm achievements. Individual allocations from the bonus pool are made following rigorous performance appraisals.

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

The Company continues to view long-term incentives as a critical way of aligning individual rewards with RIT’s longer term performance. Hence, the SAR Plan remains an important part of our overall remuneration policy. Following the expiry of a three-year vesting period, and if performance exceeds a hurdle, participants in the SAR Plan are entitled to exercise their SARs and receive a payment in shares equal to the growth in value of the notional shares over their holding period.

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

(1) The policy on Directors’ remuneration as approved by a binding shareholder resolution at the 30 April 2014 AGM.

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

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

Wellington

The Duke of Wellington
Chairman, Remuneration Committee
26 February 2015

Directors' Remuneration Report

Directors' Remuneration Policy

This part of the report sets out the remuneration policy for the Directors of the Company, as approved by a binding shareholder resolution at the Company's Annual General Meeting on 30 April 2014. This policy took effect from that date and will remain in place for a maximum of three years. This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

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

In setting the remuneration policy the Committee takes into account:

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

The remuneration of Executive Directors comprises the following:

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

Directors' Remuneration Report

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Variable Pay: **Annual Incentive Scheme (AIS)** Rewards investment performance in excess of dual benchmarks.	Annual bonuses relating directly to investment performance are paid from a pool, the size of which is calculated as: • 3% of the annual NAV total return outperformance against the ACWI. • 3% of the portion of annual growth in NAV on a total return basis above a hurdle of RPI plus three percentage points, subject to a three-year rolling high water mark. Individual allocations from the pool are made with reference to contribution to investment performance, within a prudent risk framework. In addition, the Committee also rewards strong contributions to wider firm objectives. This may include efficient cost management, prudent risk controls, sourcing of investment opportunities and strong operational disciplines. Any such qualitative rewards are measured against rigorous performance metrics through a firm wide annual appraisal process. For awards granted after 1 April 2011, all annual incentive and long-term incentive payments are subject to clawback provisions. These provisions provide scope for the Company to recover value from awards in the event of a material misstatement of the Group's results or in the event of dismissal for gross misconduct.	Instead of applying a cap to individual awards, the Committee has applied a cap on the overall cost of annual incentive scheme payments. The cap for payments under the annual incentive scheme is currently limited to 0.50% of NAV, reducing to 0.25% in circumstances where the Group's NAV has reduced. This provides clarity for our shareholders of the maximum cost the Group could incur in any one period, in addition to reinforcing the capital preservation aspect of our Corporate Objective. The Committee retains discretion to increase it to the maximum of 0.75% of NAV if required to meet exceptional business needs. 60% of the excess of any payments above £100k will be deferred into the shares of the Company which will vest in equal portions over a three-year period.

Directors' Remuneration Report

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Variable Pay: **Long-Term Incentive Plan (LTIP)**		
Rewards sustained share price appreciation.	The plan was last approved by the shareholders of the Company on 28 July 2011. It provides Share Appreciation Rights (SARs), or phantom options, over a notional number of shares in RIT Capital Partners plc to participants. Following the expiry of a three-year vesting period, participants in the SAR Plan are entitled to exercise their SARs at any time thereafter up to the ten-year anniversary, and receive a payment in shares equal to the growth in value of the notional shares over the holding period. However, the exercise of a SAR is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied. The Committee determines the metric for the SAR performance condition. The current metric applied to the awards requires that the Company's total shareholder return (TSR) exceeds the growth in the Retail Price Index plus three percentage points per annum over the three-year performance period. In the event that the performance condition is met the award vests in full. The performance condition was chosen as a good measure of above-inflation returns to shareholders and is subject to ongoing review by the Committee. The SAR Plan uses ordinary shares of the Company to settle the share appreciation amount for existing and future awards granted under the SAR Plan. The Group seeks to hedge its exposure under the SAR Plan by using an Employee Benefit Trust to acquire shares to meet the estimated future liability. As noted on page 36, LTIP awards are subject to clawback.	Annual awards are capped at 4x salary (measured as the value at grant of the shares notionally under option).

While the binding vote on remuneration policy only applies to remuneration awarded to Directors, we normally apply the same principles to the remuneration of employees. Eligibility for annual incentive payments based on investment performance and other criteria, along with access to long-term incentive components, is focused on the JRCM Executive Committee and those senior employees of JRCM who are able to influence the long-term performance and strategy of the Group[1]. The Remuneration Committee retains the ability to structure specific incentive arrangements as it considers necessary and appropriate for senior management within JRCM. The Remuneration Committee receives regular feedback on the Group's remuneration policy from management and staff.

[1] Further details of employee remuneration can be found in note 3 Expenses, note 26 Share-based Payment Reserve and note 31 Related Party Transactions.

Directors' Remuneration Report

Key Performance Indicators (KPIs)
As we set out in our Strategic Report, we have established three KPIs which accurately reflect our Corporate Objective:

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

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

Our first KPI is designed to measure the effectiveness of our aim to produce absolute returns with a meaningful premium above inflation, while preserving capital. This will assess performance based on the growth in NAV above a hurdle and a high water mark.

Payments under this component of the AIS will be made only on the portion of NAV growth (measured on a total return basis), above a hurdle of RPI plus a 3 percentage point premium per annum and subject to a rolling three-year high water mark. The latter means that the NAV at the relevant year end needs to have increased above the NAV three years earlier before any payment is possible.

Our second KPI measures performance against the ACWI. This index has a broad geographical remit which accurately reflects our unconstrained investment policy. In addition, we use a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies.

The third KPI, our TSR, is taken into account when rewarding wider firm achievements and is explicitly reflected in the performance condition for the SARs. It is further reinforced through the use of deferred shares (which will vest over three years) as part of AIS payments.

Consulting with shareholders
The Committee engages proactively with major shareholders and shareholder representatives. The Committee Chairman consulted with major shareholders and appropriate industry bodies on the proposed amendments to the AIS prior to the Company's AGM in April last year. It is anticipated that any future changes to remuneration policy would involve a similar level of shareholder consultation.

Executive shareholdings
Executive Directors are expected to build and retain a substantial personal shareholding in the Company's shares. As at 31 December 2014, these beneficial holdings represented a very significant multiple of base salary for Lord Rothschild.

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

Executive director's service contracts and loss of office
Lord Rothschild has a service agreement with JRCM, dated 29 April 1996. This can be terminated on not less than 12 months' written notice. It provides for benefits-in-kind in line with normal company practice, including pension provision, private health insurance and a company car. The agreement does not specify compensation payable in the event of early termination. Contracts are available for inspection at the Company's registered office shown on page 120.

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

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

Directors' Remuneration Report

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

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

Non-executive Directors' remuneration
The remuneration of the non-executive Directors is determined by the Board as a whole. Non-executive remuneration for the year was in accordance with the provisions of the Articles of Association, which currently limit the total base fees payable to non-executive Directors to £400,000 per annum. The Board applied the following structure for the determination of the annual fees of the non-executive Directors throughout the year ended 31 December 2014:

Basic fee	£25,000
Senior Independent Director fee	£7,500
Committee membership fees:	
Audit and Risk Committee	£6,000
Conflicts Committee	£3,000
Nominations Committee	£4,000
Remuneration Committee	£4,000
Valuation Committee	£6,000
Committee Chairmanship fee (per committee)	£7,500

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

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

Directors' Remuneration Report

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and relevant sections of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2015 AGM. The information on pages 40 to 44 has been audited where required under the regulations and is indicated as audited information where applicable.

Directors' Remuneration – Audited

Year ended 31 December 2014

Director	Salary £	Bonus £	Taxable benefits £	Long-term incentive £	Pension £	Total remuneration £
Chairman						
Lord Rothschild[1]	329,167	600,000	34,561	–	65,833	1,029,561
Non-Executive Directors						
John Cornish	59,000	–	–	–	–	59,000
The Duke of Wellington[2]	54,439	–	–	–	–	54,439
Jean Laurent-Bellue	25,000	–	–	–	–	25,000
John Makinson[3]	20,786					20,786
Michael Marks	44,390	–	–	–	–	44,390
Lord Myners	37,000	–	–	–	–	37,000
Mike Power[4]	34,913	–	–	–	–	34,913
Sandra Robertson	31,000	–	–	–	–	31,000
Hannah Rothschild	25,000	–	–	–	–	25,000
Mike Wilson	29,000	–	–	–	–	29,000

1 The Chairman was the highest paid Director during the year. His £600,000 bonus was deferred into shares which vest in equal portions over a three-year period.
2 Lord Douro became The Duke of Wellington on 31 December 2014.
3 John Makinson was appointed on 30 April 2014.
4 Mike Power was appointed on 23 January 2014.

Year ended 31 December 2013

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

1 Deferred into 38,373 RIT shares vesting in equal tranches over a two-year period.
2 Fees include £11,250 paid by JRCM in respect of his directorship of that company until 30 September 2013.
3 Lord Douro became The Duke of Wellington on 31 December 2014.
4 Retired as a Director on 1 October 2013.
5 Appointed as a Director of the Company on 15 August 2013. Fees include £11,250 paid by JRCM in respect of her directorship of that company until 30 September 2013.
6 Appointed as a Director on 1 October 2013.

Directors' Remuneration Report

Salaries and fees

The Company's non-executive Directors' fees totalled £360,528 for the year (compared to £296,139 in the year ended 31 December 2013).

Following the Committee's review for the year ended 31 December 2013, the base salary of the Chairman was set at £350,000 per annum. At his own suggestion, the Chairman's salary was amended to £300,000 in August 2014 and was set by the Remuneration Committee at the same level for 2015. This is to reflect his continued leadership of the Investment Committee and involvement in key investment decisions whilst, at the same time being less involved in the day-to-day administration of the Company.

Bonus payments

The NAV total return of 9.5% exceeded the absolute return hurdle of 4.6% and narrowly missed the relative return hurdle of 10.0%. The TSR was 13.3% and the Company's net assets finished the year at an all-time high. The bonus granted to the Chairman from the Annual Incentive Scheme is shown on page 40. Aggregate payments made under the scheme for the year were significantly below the 0.5% cap.

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

Remuneration Category	Chairman	Average for all employees
Base salary	-26.6%	2.9%
Benefits	-24.5%	3.0%
Annual Bonus	20.0%	32.8%

Long-Term Incentive Plan – Audited

The characteristics and operation of the Group's SAR scheme are set out on page 37. The following SARs granted to the Chairman were outstanding on 31 December 2014:

Outstanding at 31 December 2014	Grant price	Face value of grant	Grant date	Vesting date	Expiry date
115,016	939p	£1,080,000	15 March 2007	15 March 2010	14 March 2017
201,792	796p	£1,606,264	13 March 2009	13 March 2012	12 March 2019
125,000	1,243p	£1,553,750	2 July 2012	2 July 2015	1 July 2022
100,000	1,246p	£1,246,000	8 March 2013	8 March 2016	7 March 2023
100,000[1]	1,303p	£1,303,000	7 March 2014	7 March 2017	6 March 2024

[1] Granted during the year.

The above SARs will be settled in ordinary shares of the Company. The face value at the date of grant is the number of SAR's granted, multiplied by the strike price. The strike price is the closing price for the Company's shares on the dealing day immediately prior to such date. The performance period for each award is the three-year period from the grant date. The performance metric applied is described on page 37.

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

Director	Date of grant	Notional no. of RIT shares	Grant price	Date lapsed
Lord Rothschild	31 March 2011	100,000	1,314p	31 March 2014

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

Directors' Remuneration Report

Statement of shareholder voting

Votes in respect of the resolution to approve the Directors' Remuneration Report at the Company's AGM in April 2014 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	61.0 million	99.7
Votes cast against	0.2 million	0.3
Total votes cast	61.2 million	100.0
Votes withheld	0.2 million	–

Votes in respect of the resolution to approve the Directors' Remuneration Policy at the Company's AGM in April 2014 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	60.8 million	99.2
Votes cast against	0.5 million	0.8
Total votes cast	61.3 million	100.0
Votes withheld	0.1 million	–

Statement of Directors' shareholdings – Audited

The interests of the Directors holding office at 31 December 2014 in the ordinary shares of the Company are shown below:

	31 December 2014		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild*	10,832,181	17,363,909	18.15
John Cornish	8,281	–	0.01
Jean Laurent-Bellue	–	–	–
John Makinson	–	–	–
Michael Marks	–	–	–
Lord Myners	15,000	–	0.01
Mike Power	–	–	–
Sandra Robertson	–	–	–
Hannah Rothschild*	14,231,250	12,976,839	17.51
The Duke of Wellington	25,000	89,000	0.07
Mike Wilson	10,000	–	0.01

*The majority of total interests in the table above for Lord Rothschild and Hannah Rothschild are in respect of the same shares, in cases where they are held in family charitable foundations, companies or trusts. These include 6,910,666 shares held beneficially and 12,976,839 shares held non-beneficially in which both Lord Rothschild and Hannah Rothschild are interested.

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

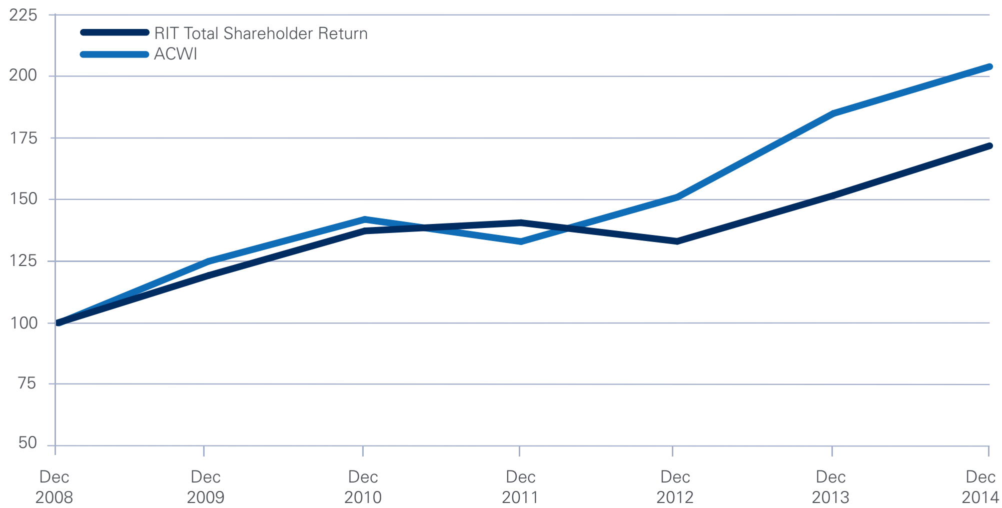
Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors. Requests from other Directors and employees of the Group are referred to the Chairman or Senior Independent Director, except in the case of small volume transactions requested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

Except as stated in note 31 to the financial statements no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the Listing Rules of the FCA.

Directors' Remuneration Report

Performance Graph

In accordance with the Directors' remuneration report regulations a performance graph which measures the Company's total shareholder return over the last six years against that of a broad equity market index is shown below. This is calculated by reference to the Company's share price, including dividend reinvestment. The Committee considers the ACWI to be the most suitable index for this purpose. Further information can be found in the Company's Strategic Review.



Total remuneration of the Chairman

The total remuneration of the Chairman for each of the financial years shown above, is set out in the following table. As required by the legislation the total remuneration figure includes the value of SAR awards which vested in each period even if these were not exercised. This figure does not therefore represent cash payments made to the Chairman in the periods. As the Company applies a cap to the overall cost of incentives to the Group, rather than on an individual basis, disclosure showing each payment as a percentage of the maximum payment has not been shown.

	Year ended 31 March 2010 £000	Year ended 31 March 2011 £000	Year ended 31 March 2012 £000	Nine months ended 31 December 2012 £000	Year ended 31 December 2013 £000	Year ended 31 December 2014 £000
Total remuneration	780[1]	695	1,456[2]	429	1,082	1,030

[1] Includes £171k in respect of SAR awards that vested during the year.
[2] Includes £896k in respect of SAR awards that vested during the year.

Relative importance of spend on pay

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

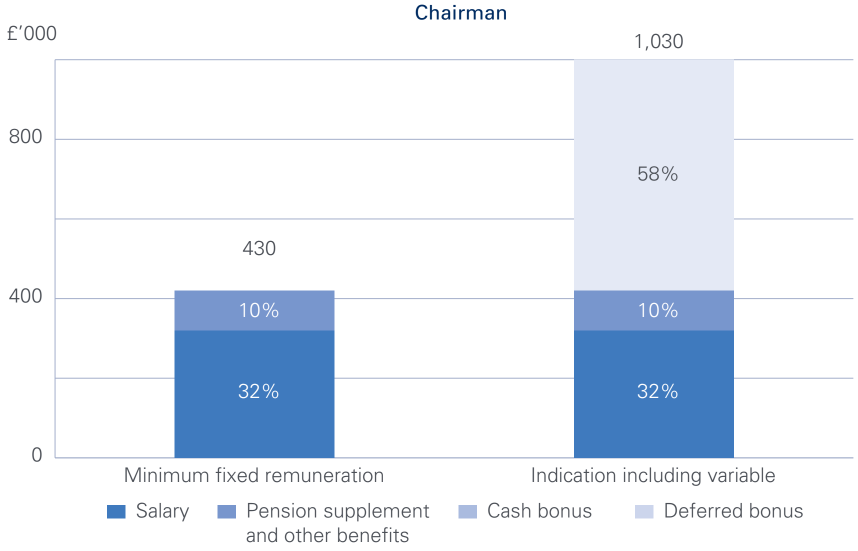
	Restated Year ended 31 December 2013 £ million	Year ended 31 December 2014 £ million	Change £ million
Total staff costs	14.5	14.9	0.4
Dividends and share buy-backs	43.8	45.5	1.7

Directors' Remuneration Report

Reward scenarios

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

The chart below illustrates the minimum fixed remuneration, and provides an indication of the total remuneration for a year of good performance using the base salary effective 1 January 2015 as well as the annual bonus figure for the year ended 31 December 2014. It also shows the weighting of the main remuneration components. As the Group's policy is not to cap individual variable pay, a maximum total remuneration figure is not shown in the chart. The current cap for payments under the annual incentive scheme is 0.5% of net assets, reducing to 0.25% in circumstances where the Group's net assets have reduced.



Committee Composition and Advisers

The members of the Committee are set out on page 24. The Committee was advised during the year by New Bridge Street. During the year fees of £38,549 were paid to New Bridge Street in respect of that advice. New Bridge Street abides by the Remuneration Code of Conduct which requires it to apply objective and impartial advice.

On behalf of the Board of Directors

Wellington

The Duke of Wellington
Chairman, Remuneration Committee
26 February 2015

Directors' Report

Directors' Report: Statutory and Other Disclosures

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

Directors

The Directors at the date of this report are listed on pages 18 to 21.

During the year ended 31 December 2014:

- Mike Power was appointed as a Director on 23 January 2014; and
- John Makinson was appointed as Director on 30 April 2014.

Sandra Robertson will not be standing for re-election at the Company's Annual General Meeting on 30 April 2015.

Amy Stirling was appointed as a Director on 26 February 2015 and will stand for election by shareholders at the Annual General Meeting.

Investment Policy

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

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

Asset Allocation and Risk Diversification

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

Gearing

The Company maintains structural gearing principally through credit facilities. At 31 December 2014, the Sterling equivalent of the drawn indebtedness was £402.9 million, representing net gearing calculated in accordance with AIC guidance of 15.4%.

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 11.

Investment Management Fees

Fee structures 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 relative performance fee. The hedged equity funds are slightly higher – typically a 1% to 2% management fee and a 20% performance fee. Private equity fees are structured differently and will usually have a 1% to 2% annual charge, often based on commitments in early years and declining over time with realisations, as well as a 20% carried interest above an 8% hurdle.

Directors' Report

Share Capital

At 31 December 2014, the issue share capital comprised 155,351,431 £1 ordinary shares. Further details are shown in note 20 on page 80.

During the year ended 31 December 2014, no ordinary shares were issued or repurchased. The existing authority for the repurchase of shares expires at the Company's AGM on 30 April 2015. A replacement authority is to be proposed at the AGM, as explained in the separate Notice of the meeting.

Major Holders of Voting Rights

As at 31 December 2014, 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 2014			
	No. of voting rights		% of voting rights	
Major holders of voting rights	Direct	Indirect	Direct	Indirect
Five Arrows Limited[1,2]	6,757,835	–	4.35	–
Investec Wealth & Investment Limited	–	5,837,102	–	3.76
Lord Rothschild[1]	16,311,771	<3%	10.50	<3%
Hannah Rothschild[1]	12,976,839	<3%	8.35	<3%
The Rothschild Foundation[1]	12,976,839	–	8.35	–

1 Some or all of these holdings form part of Lord Rothschild and Hannah Rothschild's interests disclosed on page 42 under Directors' shareholdings.

2 Includes shares held by a subsidiary.

As at 16 February 2015, the above table remained unchanged save for the interest of Investec Wealth & Investment Limited, which had increased the number of its voting rights held to 5,844,707 (3.76%).

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

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

Stewardship Code

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

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

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

The Company does not publish its voting record as it invests as principal rather than agent.

Cross Holdings

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

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

Directors' Report

Annual General Meeting
The Company's AGM will be held on Thursday 30 April 2015 at 11:00 am at Spencer House, 27 St James's Place, London SW1A 1NR.

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

Other
The Company seeks to agree the best possible terms on which business will take place with its suppliers. It is the Company's policy to abide by such terms. The Company had no trade payables at the year end (year ended 31 December 2013: nil).

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

Disclosure of Information to Auditors
With regard to the preparation of the Report and Accounts of the Company for the year ended 31 December 2014, the Directors have confirmed to the auditors that:

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

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

Statement under the UKLA Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on pages 18 to 21 confirm that, to the best of their knowledge:

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

By Order of the Board

Andrew Jones
Chief Financial Officer
J Rothschild Capital Management Limited, Company Secretary
26 February 2015

Financial Statements

for the year ended 31 December 2014

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

For the year ended 31 December 2014	Notes	Revenue £ million	Capital £ million	Total £ million
Income				
Investment income	1	21.1	–	21.1
Other income		2.2	–	2.2
		23.3	–	23.3
Gains/(losses) on portfolio investments held at fair value		–	213.3	213.3
Exchange gains/(losses) on monetary items and borrowings		–	(1.0)	(1.0)
		23.3	212.3	235.6
Expenses				
Administrative expenses	3,4	(17.1)	(3.8)	(20.9)
Investment management fees	5	(3.7)	(0.7)	(4.4)
Profit/(loss) before finance costs and tax		2.5	207.8	210.3
Finance costs	6	(9.4)	–	(9.4)
Profit/(loss) before tax		(6.9)	207.8	200.9
Taxation	7	0.2	0.1	0.3
Profit/(loss) for the year		(6.7)	207.9	201.2
Earnings per ordinary share – basic	9	(4.3p)	134.3p	130.0p
Earnings per ordinary share – diluted	9	(4.3p)	134.1p	129.8p

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014	Notes	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) for the year		(6.7)	207.9	201.2
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:				
Revaluation gain/(loss) on property, plant and equipment	13	–	2.4	2.4
Deferred tax (charge)/credit allocated to actuarial loss	15	0.5	–	0.5
Actuarial gain/(loss) in defined benefit pension plan	30	(2.5)	–	(2.5)
Total comprehensive income/(expense) for the year		**(8.7)**	**210.3**	**201.6**

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

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

For the year ended 31 December 2013 (restated)	Notes	Revenue £ million	Capital £ million	Total £ million
Income				
Investment income	1	16.8	–	16.8
Other income		1.0	–	1.0
		17.8	–	17.8
Gains/(losses) on portfolio investments held at fair value		–	339.8	339.8
Exchange gains/(losses) on monetary items and borrowings		–	7.1	7.1
		17.8	346.9	364.7
Expenses				
Administrative expenses	3,4	(19.8)	(1.3)	(21.1)
Investment management fees	5	(3.3)	(0.3)	(3.6)
Profit/(loss) before finance costs and tax		(5.3)	345.3	340.0
Finance costs	6	(4.0)	–	(4.0)
Profit/(loss) before tax		(9.3)	345.3	336.0
Taxation	7	(0.7)	(0.9)	(1.6)
Profit/(loss) for the year		(10.0)	344.4	334.4
Earnings per ordinary share – basic	9	(6.5p)	222.3p	215.8p
Earnings per ordinary share – diluted	9	(6.4p)	222.1p	215.7p

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013 (restated)	Notes	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) for the year		(10.0)	344.4	334.4
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:				
Revaluation gain/(loss) on property, plant and equipment	13	–	5.5	5.5
Actuarial gain/(loss) in defined benefit pension plan	30	1.5	–	1.5
Total comprehensive income/(expense) for the year		**(8.5)**	**349.9**	**341.4**

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

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Consolidated Balance Sheet

	Notes	31 December 2014 £ million	Restated 31 December 2013 £ million	Restated 1 January 2013 £ million
Non-current assets				
Investments held at fair value	11, 29	2,634.0	2,224.9	1,943.9
Investment property	11	30.2	29.0	26.9
Property, plant and equipment	13	26.8	24.7	19.4
Deferred tax asset	15	1.8	1.0	2.6
Retirement benefit asset	30	–	0.5	–
Derivative financial instruments	16, 29	5.0	0.4	–
		2,697.8	2,280.5	1,992.8
Current assets				
Derivative financial instruments	16, 29	29.4	27.2	25.0
Sales for future settlement		1.0	0.7	66.9
Other receivables	14	44.3	110.9	25.2
Tax receivable		0.4	0.2	0.5
Cash at bank		101.4	51.0	65.1
		176.5	190.0	182.7
Total assets		2,874.3	2,470.5	2,175.5
Current liabilities				
Borrowings	18	(402.9)	(197.4)	(147.8)
Purchases for future settlement		(1.2)	(0.8)	(4.5)
Derivative financial instruments	16, 29	(27.4)	(5.8)	(20.2)
Provisions	19	(0.8)	(0.2)	(1.2)
Other payables	17	(135.6)	(117.4)	(146.8)
		(567.9)	(321.6)	(320.5)
Net current assets/(liabilities)		(391.4)	(131.6)	(137.8)
Total assets less current liabilities		2,306.4	2,148.9	1,855.0
Non-current liabilities				
Derivative financial instruments	16, 29	(3.2)	–	–
Provisions	19	(2.1)	(2.4)	(5.4)
Finance lease liability		(0.5)	(0.5)	(0.5)
Retirement benefit liability	30	(1.0)	–	(1.9)
		(6.8)	(2.9)	(7.8)
Net assets		2,299.6	2,146.0	1,847.2
Equity attributable to owners of the Company				
Share capital	20	155.4	155.4	155.4
Share premium	20	17.3	17.3	17.3
Capital redemption reserve	21	36.3	36.3	36.3
Own shares reserve	25	(9.2)	(5.5)	(6.4)
Share-based payment reserve	26	6.2	5.0	4.7
Foreign currency translation reserve	24	0.2	0.2	0.2
Capital reserve	22	2,066.8	1,904.4	1,603.8
Revenue reserve	23	12.4	21.1	29.6
Revaluation reserve	27	14.2	11.8	6.3
Total equity		**2,299.6**	**2,146.0**	**1,847.2**
Net asset value per ordinary share – basic	10	1,486p	1,385p	1,192p
Net asset value per ordinary share – diluted	10	1,483p	1,384p	1,191p

The financial statements on pages 50 to 107 were approved by the Board of Directors and authorised for issue on 26 February 2015.

Rothschild

Rothschild
Chairman

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Parent Company Balance Sheet

	Notes	31 December 2014 £ million	Restated 31 December 2013 £ million	Restated 1 January 2013 £ million
Non-current assets				
Investments held at fair value	11, 29	2,481.4	2,067.6	1,787.2
Investment property	11	30.2	29.0	26.9
Property, plant and equipment	13	26.4	24.4	19.2
Investments in subsidiary undertakings	12	162.8	162.6	132.4
Deferred tax asset	15	0.4	0.2	1.4
Derivative financial instruments	16, 29	5.0	0.4	–
		2,706.2	2,284.2	1,967.1
Current assets				
Derivative financial instruments	16, 29	29.4	27.2	25.0
Sales for future settlement		1.0	0.7	66.9
Other receivables	14	43.6	110.4	24.8
Amounts owed by group undertakings	31	0.4	0.4	2.1
Tax receivable		0.4	0.2	0.5
Cash at bank		99.8	49.3	62.2
		174.6	188.2	181.5
Total assets		2,880.8	2,472.4	2,148.6
Current liabilities				
Borrowings	18	(402.9)	(197.4)	(147.8)
Purchases for future settlement		(1.2)	(0.8)	(4.5)
Derivative financial instruments	16, 29	(27.4)	(5.8)	(20.2)
Provisions	19	(0.8)	(0.2)	(1.2)
Other payables	17	(1.5)	(1.5)	(2.0)
Amounts owed to group undertakings	31	(203.8)	(180.0)	(172.9)
		(637.6)	(385.7)	(348.6)
Net current assets/(liabilities)		(463.0)	(197.5)	(167.1)
Total assets less current liabilities		2,243.2	2,086.7	1,800.0
Non-current liabilities				
Derivative financial instruments	16, 29	(3.2)	–	–
Provisions	19	(2.1)	(2.4)	(5.4)
Finance lease liability		(0.5)	(0.5)	(0.5)
		(5.8)	(2.9)	(5.9)
Net assets		2,237.4	2,083.8	1,794.1
Equity attributable to owners of the Company				
Share capital	20	155.4	155.4	155.4
Share premium	20	17.3	17.3	17.3
Capital redemption reserve	21	36.3	36.3	36.3
Capital reserve	22	2,044.1	1,876.7	1,578.3
Revenue reserve	23	(29.9)	(13.7)	0.5
Revaluation reserve	27	14.2	11.8	6.3
Total equity		**2,237.4**	**2,083.8**	**1,794.1**

The financial statements on pages 50 to 107 were approved by the Board of Directors and authorised for issue on 26 February 2015.

Rothschild
Chairman

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Consolidated Statement of Changes in Equity

Restated	Share capital £ million	Share premium £ million	Capital redemption reserve £ million	Own shares reserve £ million	Share-based payment reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Revaluation reserve £ million	Total equity £ million
Balance at 1 January 2013	155.4	17.3	36.3	(6.4)	4.7	0.2	1,603.8	29.6	6.3	1,847.2
Profit/(loss) for the year	–	–	–	–	–	–	344.4	(10.0)	–	334.4
Revaluation gain on property, plant and equipment	–	–	–	–	–	–	–	–	5.5	5.5
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	–	1.5	–	1.5
Total Comprehensive income/(expense) for the year	–	–	–	–	–	–	344.4	(8.5)	5.5	341.4
Dividends paid	–	–	–	–	–	–	(43.4)	–	–	(43.4)
Movement in Own shares reserve	–	–	–	0.9	–	–	–	–	–	0.9
Movement in Share-based payment reserve	–	–	–	–	0.3	–	–	–	–	0.3
Share buy-back	–	–	–	–	–	–	(0.4)	–	–	(0.4)
Balance at 31 December 2013	**155.4**	**17.3**	**36.3**	**(5.5)**	**5.0**	**0.2**	**1,904.4**	**21.1**	**11.8**	**2,146.0**
Balance at 1 January 2014	155.4	17.3	36.3	(5.5)	5.0	0.2	1,904.4	21.1	11.8	2,146.0
Profit/(loss) for the year	–	–	–	–	–	–	207.9	(6.7)	–	201.2
Revaluation gain on property, plant and equipment	–	–	–	–	–	–	–	–	2.4	2.4
Deferred tax (charge)/credit allocated to actuarial loss	–	–	–	–	–	–	–	0.5	–	0.5
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	–	(2.5)	–	(2.5)
Total Comprehensive income/(expense) for the year	–	–	–	–	–	–	207.9	(8.7)	2.4	201.6
Dividends paid	–	–	–	–	–	–	(45.5)	–	–	(45.5)
Movement in Own shares reserve	–	–	–	(3.7)	–	–	–	–	–	(3.7)
Movement in Share-based payment reserve	–	–	–	–	1.2	–	–	–	–	1.2
Share buy-back	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2014	**155.4**	**17.3**	**36.3**	**(9.2)**	**6.2**	**0.2**	**2,066.8**	**12.4**	**14.2**	**2,299.6**

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Parent Company Statement of Changes in Equity

Restated	Share capital £ million	Share premium £ million	Capital redemption reserve £ million	Capital reserve £ million	Revenue reserve £ million	Revaluation reserve £ million	Total equity £ million
Balance at 1 January 2013	155.4	17.3	36.3	1,578.3	0.5	6.3	1,794.1
Profit/(loss) for the year	–	–	–	342.2	(14.2)	–	328.0
Revaluation gain on property, plant and equipment	–	–	–	–	–	5.5	5.5
Total Comprehensive income/ (expense) for the year	–	–	–	342.2	(14.2)	5.5	333.5
Dividends paid	–	–	–	(43.4)	–	–	(43.4)
Share buy-back	–	–	–	(0.4)	–	–	(0.4)
Balance at 31 December 2013	**155.4**	**17.3**	**36.3**	**1,876.7**	**(13.7)**	**11.8**	**2,083.8**
Balance at 1 January 2014	155.4	17.3	36.3	1,876.7	(13.7)	11.8	2,083.8
Profit/(loss) for the year	–	–	–	212.9	(16.2)	–	196.7
Revaluation gain on property, plant and equipment	–	–	–	–	–	2.4	2.4
Total Comprehensive income/ (expense) for the year	–	–	–	212.9	(16.2)	2.4	199.1
Dividends paid	–	–	–	(45.5)	–	–	(45.5)
Share buy-back	–	–	–	–	–	–	–
Balance at 31 December 2014	**155.4**	**17.3**	**36.3**	**2,044.1**	**(29.9)**	**14.2**	**2,237.4**

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Cashflows from operating activities:			
Cash inflow/(outflow) before taxation and interest		(111.0)	(3.4)
Interest paid		(9.4)	(7.6)
Net cash inflow/(outflow) from operating activities	28	(120.4)	(11.0)
Cashflows from investing activities:			
Purchase of property, plant and equipment		(0.1)	(0.3)
Net cash inflow/(outflow) from investing activities		(0.1)	(0.3)
Cashflows from financing activities:			
Share buy-back		–	(0.4)
Purchase of ordinary shares by Employee Benefit Trust[1]		(4.4)	–
Proceeds/(repayment) of borrowings		200.0	51.5
Equity dividend paid	8	(45.5)	(43.4)
Net cash inflow/(outflow) from financing activities		150.1	7.7
Increase/(decrease) in cash and cash equivalents in the year		29.6	(3.6)
Cash and cash equivalents at the start of the year		86.4	88.3
Effect of foreign exchange rate changes on cash and cash equivalents		2.5	1.7
Cash and cash equivalents at the year end		**118.5**	**86.4**
Reconciliation:			
Cash at bank		101.4	51.0
Money market funds (included in portfolio investments)		17.1	35.4
Cash and cash equivalents at the year end		**118.5**	**86.4**

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

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 December 2014 £ million	Year ended 31 December 2013 £ million
Cashflows from operating activities:			
Cash inflow/(outflow) before taxation and interest		(115.4)	(1.4)
Interest paid		(9.4)	(7.6)
Net cash inflow/(outflow) from operating activities	28	(124.8)	(9.0)
Cashflows from financing activities:			
Share buy-back		–	(0.4)
Proceeds/(repayment) of borrowings		200.0	51.5
Equity dividend paid	8	(45.5)	(43.4)
Net cash inflow/(outflow) from financing activities		154.5	7.7
Increase/(decrease) in cash and cash equivalents in the year		29.7	(1.3)
Cash and cash equivalents at the start of the year		84.7	84.6
Effect of foreign exchange rate changes on cash and cash equivalents		2.5	1.4
Cash and cash equivalents at the year end		**116.9**	**84.7**
Reconciliation:			
Cash at bank		99.8	49.3
Money market funds (included in portfolio investments)		17.1	35.4
Cash and cash equivalents at the year end		**116.9**	**84.7**

The accounting policies and notes on pages 58 to 107 form part of these financial statements.

Group and Parent Company Accounting Policies

Basis of Accounting

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

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

This is the first year in which the following standards have been adopted:

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests In Other Entities
IAS 27 (revised 2011) Separate Financial Statements
IAS 28 (revised 2011) Investments in Associates and Joint Ventures

The Company, possessing all the characteristics of an "Investment Entity" required by the Investment Entities amendment to IFRS 10 has consequently also adopted the Investment Entities Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28 (together the "Amendments").

This is the first time that these Amendments have been applied for a full financial year and as a result the comparative figures have been restated, as have the opening balances for the previous financial year. Further explanation is given below.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods. The Group has decided not to early adopt in the current year accounts:

Not yet endorsed:
IFRS 1 (Amendment) First-time Adoption of IFRSs
IFRS 9 Financial Instruments – Classification and Measurement
IFRS 15 Revenue from Contracts with Customers

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

Accordingly, any investments classified as available for sale in the consolidated balance sheet will have to be classified as financial assets at fair value through profit or loss or for equities only at fair value through other comprehensive income. IFRS 9 has not yet been endorsed by the European Union.

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

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of certain financial instruments (including derivatives) and investment properties held at fair value through profit or loss. The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice (SORP) Financial Statements of Investment Trust Companies issued by the Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis which complies with the recommendations of the SORP.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Whereas in previous reporting periods this meant consolidating all subsidiary balances with those of the Parent on a line by line basis followed by subsequent elimination of intercompany balances, the "Investment Entity" amendment to IFRS 10 now requires that certain subsidiaries are accounted for as an investment held at fair value through profit or loss. This is explained on page 64.

Group and Parent Company Accounting Policies

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

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

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

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

Income
Dividend income from investments is recognised when the right to receive payment has been established and this is normally the ex-dividend date. Provision is made for any dividends not expected to be received.

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

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

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

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

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

- expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are allocated to revenue where there is an indirect connection;
- investment management fees are considered to be indirect costs and are therefore allocated to revenue. Performance fees are allocated to capital as they arise as a result of the capital performance of the relevant investment portfolio;
- the Group has in place certain incentive arrangements whereby individuals receive payments based on investment performance and/or share price growth. The cost of these arrangements derives principally from the capital performance and therefore the Directors consider it appropriate to allocate such costs to capital;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- costs incurred in connection with aborted portfolio investment transactions are also allocated to capital.

The following are presented as capital items:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- realised and unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature;
- realised and unrealised exchange differences of a capital nature;

- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies; and
- the cost of purchasing ordinary shares for cancellation.

Finance Costs

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

Foreign Currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates, i.e. its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling (Sterling) which is the functional currency of the Company, and the 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 re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on re-translation are included in net profit or loss for the year in respect of those investments which are classified as fair value through profit or loss. All foreign exchange gains and losses, except those arising from the retranslation of foreign subsidiaries, are recognised in the consolidated income statement. In accordance with IAS 21, a foreign currency translation reserve has been established in respect of the exchange movements arising on consolidation since 31 March 2004.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investments

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

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

All investments are designated upon initial recognition as held at fair value and, except as noted below, are measured at subsequent reporting dates at fair value. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in externally managed funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager.

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

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

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

The gains and losses on financial assets designated at fair value through profit or loss exclude any related interest income, dividend income and finance cost.

These items are disclosed separately in the financial statements.

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

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

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

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

Share-based Payment
In accordance with IFRS 2 Share-based Payment, the Group is required to reflect in its income statement and balance sheet the effects of share-based payment transactions. The Group has two principal share settled incentive schemes: the AIS and the SAR Plan, details of which are set out on pages 36 and 37 of the Directors' Remuneration Report.

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

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

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

Property, Plant And Equipment
Property, plant and equipment is shown at cost less accumulated depreciation, save as detailed below. Depreciation is calculated by the Group on a straight line basis by reference to original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between three and four

Group and Parent Company Accounting Policies

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 68 years. The proportion of this asset occupied by the Group is accounted for 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. As this is the first time this leasehold interest has been accounted for in this way, and the treatment is required by IAS 16 Property, Plant and Equipment, it has been applied retrospectively. In previous periods the entire interest was treated as an Investment Property under IAS 40.

Pensions

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

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

Other Receivables/Other Payables

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

Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at the proceeds received, net of direct issue costs and subsequently at fair value. Finance costs, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derivative Financial Instruments

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

Dividends

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

Share Capital

Share capital is classified as equity.

Critical Accounting Assumptions and Judgements

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

Unquoted Investments

Unquoted investments are valued at management's best estimate of fair value in accordance with IFRSs having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association. The principles which the Group applies are set out on pages 60 and 61. The inputs into the valuation methodologies adopted include observable historical data such as earnings or cash flow as well as more subjective data such as earnings forecasts or discount rates. As a result of this, the determination of fair value requires significant management judgement.

Retirement Benefit Obligation

The determination of the pension cost and the defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. Any changes in these assumptions will impact the

Group and Parent Company Accounting Policies

carrying amount of the pension obligation. The Group determines the appropriate discount rate at the end of each year; this is the interest rate that is used to calculate the present value of the estimated future cash outflows expected to be required to settle the pension obligation. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent accounting periods.

Deferred Tax Asset

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

Share-based Payment

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

Changes in Accounting Policies

(i) IFRS 10 Investment Entities

From 1 January 2014 entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. Subsidiaries that provide investment related services or engage in permitted investment related activities continue to be consolidated.

The criteria which define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's annual and interim Report and Accounts clearly state its corporate objective of investing for the purpose of generating long-term capital growth.

The Group has always reported, both internally and externally, its investment in portfolio investments at fair value.

The Board has concluded that the Company, being the parent entity of the Group, meets the particular characteristics of an investment entity, in that it has more than one investment; it has more than one investor and its ownership interest is in the form of equity share capital. The fact that some investors in the Company are parties related to the Company under IAS 24 Related Parties does not alter the Board's conclusion as share ownership remains diverse.

Consequently the Board has concluded that the Company meets the definition of an investment entity.

Group and Parent Company Accounting Policies

(i) IFRS 10 Investment Entities (continued)

This amendment has meant that certain subsidiaries which were previously consolidated on a line by line basis are now held at fair value. Its principal effect is to increase the line item "Investments held at fair value" on the Consolidated Balance Sheet. A further consequence is that intercompany balances between the parent and these subsidiaries, and also between these subsidiaries and any subsidiaries that remain consolidated, are no longer eliminated which means there is a corresponding increase in the line item "Other payables". There are also minor changes to other balance sheet items. However there is no change to the net asset value.

This change in accounting treatment has been applied retrospectively with effect from 1 January 2013 as to go back further is impracticable.

The changes are shown below:

Consolidated Balance Sheet – Extracts

	1 January 2013 As previously disclosed £ million	IFRS 10 adjustments £ million	1 January 2013 Restated £ million
Investments held at fair value	1,801.4	142.5	1,943.9
Other payables	(5.9)	(140.9)	(146.8)
Cash at bank	66.4	(1.3)	65.1
Other receivables	25.6	(0.4)	25.2
Tax payable	(0.2)	0.2	–
Deferred tax asset	2.7	(0.1)	2.6
Other assets & liabilities	(42.8)	–	(42.8)
Net assets	**1,847.2**	**–**	**1,847.2**
Net asset value per ordinary share	1,192p	–	1,192p

	31 December 2013 As previously disclosed £ million	IFRS 10 adjustments £ million	31 December 2013 Restated £ million
Investments held at fair value	2,112.5	112.4	2,224.9
Other payables	(6.2)	(111.2)	(117.4)
Cash at bank	51.6	(0.6)	51.0
Other receivables	111.4	(0.5)	110.9
Tax payable	(0.2)	0.2	–
Property, plant and equipment	0.4	(0.1)	0.3
Deferred tax asset	1.2	(0.2)	1.0
Other assets & liabilities	(124.7)	–	(124.7)
Net assets	**2,146.0**	**–**	**2,146.0**
Net asset value per ordinary share	1,385p	–	1,385p

Group and Parent Company Accounting Policies

Consolidated Income Statement

By holding certain subsidiaries at fair value, as opposed to consolidating them, the line by line contribution they previously made to the Consolidated Income Statement is removed and replaced by a corresponding amendment to "Gains/(losses) on portfolio investments held at fair value". As mentioned previously, intercompany transactions with these subsidiaries are also no longer eliminated. This line by line restatement is shown below. The restatement adjustment due to IFRS 10 has no effect on earnings per share.

Year ended 31 December 2013

	As previously disclosed Revenue £ million	As previously disclosed Capital £ million	As previously disclosed Total £ million	IFRS 10 adjustments Revenue £ million	IFRS 10 adjustments Capital £ million	Restated Revenue £ million	Restated Capital £ million	Restated Total £ million
Investment Income	17.2	–	17.2	(0.4)	–	16.8	–	16.8
Other income	3.0	–	3.0	(2.0)	–	1.0	–	1.0
Gains/(losses) on portfolio investments held at fair value	–	344.3	344.3	–	0.7	–	345.0	345.0
Exchange gains/(losses) on monetary items and borrowings	–	7.1	7.1	–	–	–	7.1	7.1
Administrative expenses	(21.2)	(1.3)	(22.5)	1.7	–	(19.5)	(1.3)	(20.8)
Investment management fees	(3.3)	(0.3)	(3.6)	–	–	(3.3)	(0.3)	(3.6)
Profit/(loss) before finance costs and tax	(4.3)	349.8	345.5	(0.7)	0.7	(5.0)	350.5	345.5
Finance costs	(4.0)	–	(4.0)	–	–	(4.0)	–	(4.0)
Profit/(loss) before tax	(8.3)	349.8	341.5	(0.7)	0.7	(9.0)	350.5	341.5
Taxation	(0.7)	(0.9)	(1.6)	–	–	(0.7)	(0.9)	(1.6)
Profit/(loss) for the year	**(9.0)**	**348.9**	**339.9**	**(0.7)**	**0.7**	**(9.7)**	**349.6**	**339.9**

Consolidated Cash Flow Statement

The restatement due to IFRS 10 has minimal impact on the Consolidated Cash Flow Statement. For the year ended 31 December 2013 "Cash inflow/(outflow) before taxation and interest" decreases by £0.1m, "Cash and cash equivalents at the start of the year" decreases by £0.5m and "Cash and cash equivalents at the year end" decreases by £0.6m.

These changes all reflect the exclusion of cash movements in, and year-end cash balances of the previously consolidated subsidiaries.

Consolidated Statement of Changes in Equity

For the Consolidated Statement of Changes in Equity only two line items changed following restatement. The movement on the Capital Reserve for the year ended 31 December 2013 is increased by £0.7m resulting in a balance at 31 December 2013 of £1,915.2m. A corresponding reduction of £0.7m in the movement in the Revenue Reserve also occurs resulting in a Revenue Reserve balance of £22.1m at 31 December 2013.

(ii) International Accounting Standard 16 Property, Plant and Equipment (IAS 16)

Prior to 31 December 2014 the Group treated Spencer House as an investment property. Following discussion at the Audit and Risk Committee it was decided that the most appropriate treatment is to continue to treat a portion of the property as investment property (consistent with IAS 40) and the occupied remainder as property, plant and equipment (consistent with IAS 16).

The resulting restatement has no effect on NAV but reduces earnings per share (EPS).

The Group restatement for those line items that are affected is shown below. In order to aid referencing with the previous IFRS 10 restatement, the figures follow on from the restated figures above (i.e. they already reflect the IFRS 10 changes). The quantum of restatement for the Company as a solo entity is identical to that of the Group.

Group and Parent Company Accounting Policies

Consolidated Balance Sheet – Extracts

Restated	Restated for IFRS 10 31 December 2013 £ million	IAS 16 Adjustment £ million	Restated 31 December 2013 £ million	Restated for IFRS 10 1 January 2013 £ million	IAS 16 Adjustment £ million	Restated 1 January 2013 £ million
Investment property	53.4	(24.4)	29.0	46.1	(19.2)	26.9
Property, plant and equipment	0.3	24.4	24.7	0.2	19.2	19.4
Revaluation surplus	–	11.8	11.8	–	6.3	6.3
Capital reserve	1,915.2	(10.8)	1,904.4	1,609.4	(5.6)	1,603.8
Revenue reserve	22.1	(1.0)	21.1	30.3	(0.7)	29.6
Net asset value per ordinary share – basic	1,385p		1,385p	1,192p		1,192p
Net asset value per ordinary share – diluted	1,384p		1,384p	1,191p		1,191p

Consolidated Income Statement – Extracts

	Restated for IFRS 10 Year ended 31 December 2013 Revenue £ million	Restated for IFRS 10 Year ended 31 December 2013 Capital £ million	Restated for IFRS 10 Year ended 31 December 2013 Total £ million	IAS 16 Adjustment Year ended 31 December 2013 Revenue £ million	IAS 16 Adjustment Year ended 31 December 2013 Capital £ million	Restated Year ended 31 December 2013 Revenue £ million	Restated Year ended 31 December 2013 Capital £ million	Restated Year ended 31 December 2013 Total £ million
Gains/(losses) on portfolio investments held at fair value	–	345.0	345.0	–	(5.2)	–	339.8	339.8
Administrative expenses	(19.5)	(1.3)	(20.8)	(0.3)	–	(19.8)	(1.3)	(21.1)
Profit/(loss) before finance costs and tax	(5.0)	350.5	345.5	(0.3)	(5.2)	(5.3)	345.3	340.0
Profit/(loss) for the year	**(9.7)**	**349.6**	**339.9**	**(0.3)**	**(5.2)**	**(10.0)**	**344.4**	**334.4**
Earnings per ordinary share – basic	(6.3p)	225.7p	219.4p	(0.2p)	(3.4p)	(6.5p)	222.3p	215.8p
Earnings per ordinary share – diluted	(6.3p)	225.5p	219.2p	(0.2p)	(3.4p)	(6.5p)	222.1p	215.6p
Consolidated Statement of Comprehensive Income								
Profit/(loss) for the year	(9.7)	349.6	339.9	(0.3)	(5.2)	(10.0)	344.4	334.4
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:								
Revaluation gain on Property, plant and equipment	–	–	–	–	5.5	–	5.5	5.5
Actuarial gain in defined benefit pension plan	1.5	–	1.5	–	–	1.5	–	1.5
Total comprehensive income/(expense) for the year	**(8.2)**	**349.6**	**341.4**	**(0.3)**	**0.3**	**(8.5)**	**349.9**	**341.4**

Group and Parent Company Accounting Policies

Consolidated Cash Flow Statement
The restatement due to IAS 16 has no impact on the Consolidated Cash Flow Statement for the year ended 31 December 2013.

Consolidated Statement of Changes in Equity – changes due to IAS 16
For the Consolidated Statement of Changes in Equity only three line items changed following restatement. The movement on the Capital Reserve for the year ended 31 December 2013 is reduced by £10.8 million resulting in a balance at 31 December 2013 of £1,904.4 million. The movement on the Revenue Reserve for the year ended 31 December 2013 is reduced by (£1.0 million) resulting in a Revenue Reserve balance of £21.1 million. Finally a Revaluation Reserve balance of £11.8m results, reflecting the cumulative effect of periodic revaluation of that proportion of Spencer House occupied by the Group, being a movement for the year ended 31 December 2013 of £5.5m.

Notes to the Financial Statements

1. Investment Income

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Income from listed investments:		
Dividends	12.3	11.1
Interest	0.2	0.3
Income from unlisted investments:		
Dividends	2.7	2.6
Interest	4.3	1.1
Income from investment properties	1.6	1.7
Total investment income	**21.1**	**16.8**

2. Business and Geographical Segments

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

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

3. Administrative Expenses

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Staff costs:		
Wages and salaries	10.5	11.0
Social security costs	1.3	1.4
Share-based payment costs (note 26)	2.2	1.1
Other pension costs (note 30)	0.9	1.0
Total staff costs	14.9	14.5
Auditors' remuneration – audit fees	0.2	0.2
Auditors' remuneration – other	0.1	0.2
Depreciation	0.4	0.4
Lease payments	0.4	0.4
Other administrative expenses	4.9	5.4
Total administrative expenses	**20.9**	**21.1**

The above administrative expenses include costs which are recharged to third parties.

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 34 to 44. They include the cost of the Group's LTIP which is charged to the Share-based payment reserve upon award.

The average monthly number of employees during the year was 68, of which 58 were employed in a consolidated subsidiary (31 December 2013: 74, of which 65 were employed in a consolidated subsidiary).

Notes to the Financial Statements

4. Other Disclosable Expenses

Services provided by the Company's auditors and its associates

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

	Year ended 31 December 2014 £	Restated Year ended 31 December 2013 £
Fees payable to the Company's auditors and its associates for the audit of the Parent Company and consolidated financial statements	98,674	93,800
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	68,125	67,200
Audit-related assurance services	47,946	51,270
Services related to corporate finance transactions	–	103,892
Tax compliance services	22,630	19,851
Other assurance services	9,370	25,000
Tax advisory services	61,000	43,010
Total	**307,745**	**404,023**

	Year ended 31 December 2014 £	Restated Year ended 31 December 2013 £
Fees payable to the Company's auditors in respect of the RITCP Pension and Life Assurance Scheme Audit	7,985	8,712
Total	**7,985**	**8,712**

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

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Purchases	2.0	1.3
Sales	1.3	1.4
Transaction costs	**3.3**	**2.7**

5. Investment Management Fees

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Management fees	3.7	3.3
Performance fees	0.7	0.3
Total investment management fees	**4.4**	**3.6**

These expenses primarily represent the fees paid to managers operating segregated accounts, details of which are disclosed in the Investment Portfolio on pages 13 to 15. Other indirect management and performance fees are netted off within the valuations received from the managers or administrators and therefore form part of the investment return. Further details of the typical fee structures are set out in the Directors' Report on page 45.

6. Finance Costs

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Interest payable on bank borrowings	6.1	2.3
Interest rate swap (income)/expense	2.9	(0.1)
Other finance costs	0.4	1.8
Finance costs	**9.4**	**4.0**

7. Taxation

	Year ended 31 December 2014 Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge/(credit)	–	–	–
Adjustment in respect of prior years	–	–	–
Overseas taxation	–	–	–
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	(0.3)	(0.1)	(0.4)
Effect of tax rate changes	0.1	–	0.1
Taxation charge/(credit)	**(0.2)**	**(0.1)**	**(0.3)**

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

Notes to the Financial Statements

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

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's profits for 2014 are taxed at an effective rate of 21.49%.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 21.49% (year ended 31 December 2013: 23.25%). The differences are explained below:

	Year ended 31 December 2014			Restated Year ended 31 December 2013		
	Revenue £ million	Capital £ million	Total £ million	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) before tax	(6.9)	207.8	200.9	(9.3)	345.3	336.0
Tax at the standard UK corporation tax rate of 21.49% (year ended 31 December 2013: 23.25%)	(1.5)	44.7	43.2	(2.2)	80.3	78.1
Effect of:						
Capital items exempt from corporation tax	–	(44.7)	(44.7)	–	(80.3)	(80.3)
Dividend income not taxable	(3.9)	–	(3.9)	(3.9)	–	(3.9)
Change in tax rates	0.1	–	0.1	0.2	–	0.2
Expenses not deductible for tax purposes	–	–	–	0.7	–	0.7
Utilisation of tax losses	5.5	–	5.5	6.1	–	6.1
Other items	(0.4)	(0.1)	(0.5)	(0.2)	0.9	0.7
Adjustment in respect of prior years	–	–	–	–	–	–
Total tax charge/(credit)	**(0.2)**	**(0.1)**	**(0.3)**	**0.7**	**0.9**	**1.6**

8. Dividend

	Year ended 31 December 2014 Pence per share	Restated Year ended 31 December 2013 Pence per share	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Dividends paid in year	**29.4**	**28.0**	**45.5**	**43.4**

The above amounts were paid as distributions to equity holders of the Company in the relevant periods.

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

On 5 March 2014 the Board declared a first interim dividend of 14.7p per share in respect of the year ended 31 December 2014 that was paid on 29 April 2014. A second interim dividend of 14.7p per share was declared by the Board on 14 August 2014 and paid on 24 October 2014.

The Board declares the payment of a first interim dividend of 15.0p per share in respect of the year ended 31 December 2015. This will be paid on 29 April 2015 to shareholders on the register on 7 April 2015.

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

The basic earnings per ordinary share for the year ended 31 December 2014 is based on the profit of £201.2 million (year ended 31 December 2013: profit of £334.4 million) and the weighted average number of ordinary shares in issue during the year of 154.8 million (year ended 31 December 2013: 154.9 million). The weighted average number of shares is adjusted for shares held in the EBT in accordance with IAS 33.

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Net revenue profit/(loss)	(6.7)	(10.0)
Net capital profit/(loss)	207.9	344.4
Total	**201.2**	**334.4**

	Pence per share	Restated Pence per share
Revenue earnings/(loss) per ordinary share – basic	(4.3)	(6.5)
Capital earnings/(loss) per ordinary share – basic	134.3	222.3
Total	**130.0**	**215.8**

The diluted earnings per ordinary share for the year ended 31 December 2014 (year ended 31 December 2013) is based on the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average dilutive effect of SARs awards at the average market price for the year ended 31 December 2014 (year ended 31 December 2013).

	Year ended 31 December 2014	Restated Year ended 31 December 2013
Weighted average number of shares in issue (million)	154.8	154.9
Weighted average effect of dilutive SARs (million)	0.3	0.1
Total	**155.1**	**155.0**

	Pence per share	Restated Pence per share
Revenue earnings/(loss) per ordinary share – diluted	(4.3)	(6.4)
Capital earnings/(loss) per ordinary share – diluted	134.1	222.1
Total	**129.8**	**215.7**

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

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

	31 December 2014	Restated 31 December 2013
Net assets (£ million)	2,299.6	2,146.0
Number of shares in issue (million)	155.4	155.4
Own shares (million)	(0.6)	(0.4)
	154.8	155.0
Effect of dilutive potential ordinary shares		
SARs (million)	0.3	0.1
Diluted shares	**155.1**	**155.1**

Notes to the Financial Statements

	31 December 2014 pence	Restated 31 December 2013 pence
Net asset value per ordinary share – basic	1,486	1,385
Net asset value per ordinary share – diluted	1,483	1,384

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

11. Investments

	31 December 2014		Restated 31 December 2013	
	Group £ million	Company £ million	Group £ million	Company £ million
Listed investments at fair value				
Listed in UK[1]	306.8	306.8	253.5	253.5
Listed overseas[1]	1,237.4	1,237.4	1,059.8	1,059.8
Government securities and other liquidity	17.1	17.1	84.0	84.0
	1,561.3	1,561.3	1,397.3	1,397.3
Unlisted investments[2]	1,102.9	950.3	856.6	699.3
Fair value of investments	**2,664.2**	**2,511.6**	**2,253.9**	**2,096.6**
Investments held at fair value	2,634.0	2,481.4	2,224.9	2,067.6
Investment property	30.2	30.2	29.0	29.0
Fair value of investments	**2,664.2**	**2,511.6**	**2,253.9**	**2,096.6**

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

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

Investment properties were valued at 31 December 2014 by JLL in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value. The movement in investment property during the year was a gain of £1.2 million (year ended 31 December 2013: gain of £2.1 million) as a result of the revaluation. There were no purchases or sales of investment property during the year.

Disclosed below are the ten largest investments in the portfolio at 31 December 2014 and 31 December 2013 (excluding investments in non-consolidated subsidiaries):

	31 December 2014 £ million
HCIF Offshore (biotechnology)	96.2
Lansdowne Developed Markets Strategic	79.8
BlackRock European Hedge Fund	76.8
Cedar Rock Capital Fund	63.3
Blackstone/GSO Global Dynamic Credit Fund	62.7
Viking Long Fund Ltd III	60.3
RIT PK Japan	58.9
Gaoling	57.7
Titan Partners	55.6
Attestor Value Fund	51.7
Total	**663.0**

	Restated 31 December 2013 £ million
HCIF Offshore (biotechnology)	71.7
Lansdowne Developed Markets Strategic	71.4
Cedar Rock Capital Fund	56.4
BlackRock European Hedge Fund	51.7
Tekne Offshore	49.4
US Treasury Bill	48.6
Viking Long Fund Ltd III	48.4
Titan Partners	48.1
Roche Holdings	43.7
Infinity Data Systems	43.7
Total	**533.1**

11. Investments (continued)

Disclosed below are:

- details of material investments in which the Group had an interest of over 3% at 31 December 2014 of the allotted shares of any class; and
- details of interests of 10% or more in any class of share or unit in an investment fund, or holdings which are material.

Name	% Held	Fair value £ million
21st Century Communications Foreign Partners LP	45.0%	–
Attestor Value Fund Limited, Class A	10.0%	51.7
BDT Capital Partners Annex Fund I-A LP	10.8%	7.5
BlackRock European Hedge Fund Ltd, Class I	37.9%	76.8
Blackstone/GSO Global Dynamic Credit USD Feeder Fund Ireland, Class B	100.0%	62.7
Blue Mountain Credit Alternatives Fund Ltd, Class S	1.0%	42.6
Blumberg Capital I LP	55.5%	3.7
Brant Point Fund International Ltd, Class D	51.1%	47.3
Brevan Howard Credit Value Fund Limited, Class B	12.2%	39.8
Cedar Rock Capital Fund	16.7%	63.3
CSOP Hermes China A Share Fund, Class I	90.0%	35.0
Cyrus Libertas Fund LP	63.0%	21.6
Cyrus Lightyear Fund LP	73.1%	2.7
Darwin Private Equity I LP	23.9%	23.8
Farmstead Offshore Fund Ltd, Class B	26.6%	36.6
Firebird Avrora Fund Ltd, Class C	53.5%	10.5
Firebird Mongolia Fund (Cayman) Ltd, Class A	30.7%	4.3
Firebird New Russia Fund Ltd	23.0%	14.8
Fortress Investment Fund III (Co-investment Fund C) LP	11.6%	0.5
FVP Offshore III LP	14.1%	0.3
Gaoling UK Feeder Fund Ltd, Class A	80.2%	57.7
HCIF Offshore	1.8%	96.2
Infinity SDC Limited[1]	23.9%	46.5
JPS Credit Opportunities Fund (Cayman) Ltd, Series C	5.4%	36.0
Lansdowne Developed Markets Strategic Investment Fund Limited, Class N	18.4%	79.8
Media Technology Ventures IV (B) LP	38.0%	0.7
Oaktree Strategic Credit Fund B LP	16.5%	7.3
Palestra Capital Offshore Fund Ltd, Class A	40.9%	45.9
Pine River Fixed Income Fund Ltd, Class A	3.7%	37.1
PS V International Ltd, Class A1	8.0%	37.2
Renshaw Bay Structured Finance Opportunity LP	16.5%	7.1
RIT PK Japan Fund, Class A	61.2%	58.9
Rockefeller 5500 Fund	12.8%	9.9
Rockefeller & Co[1]	35.0%	32.1
RR Capital Partners LP	20.3%	1.3
Sageview Capital Partners	10.4%	4.9
Sandler Capital Partners V FTE, LP	10.2%	5.7
Summit Water Development	15.7%	13.0
Tekne Offshore Fund Ltd, Class D	24.2%	43.6
Three Corner Offshore L/S Fund Ltd, Class C	69.4%	44.1
Thrive Capital Partners III LP	10.1%	14.7
Titan Partners LP	10.0%	55.6
Trian Partners SPV	99.6%	46.4
Viking Long Fund III Ltd, Class J	1.8%	60.3
Virgin America Senior Notes Cyrus Partners III LP	49.1%	18.6
Xander Seleucus II LP (Feeder)	41.9%	5.1
Xander Seleucus LP (Feeder)	43.3%	2.4
Xander Seleucus Retail LP (Feeder)	48.8%	20.0

[1] Private Investments – Direct

The Directors do not consider that any of the portfolio investments shown above (and held at fair value) fall within the definition of an associated company as the Group does not exercise significant influence over their operating and financial policies but adopts the role of passive investor.

In a number of cases the Group owns more than 50% of a particular class of shares issued by an investee company or partnership interests totalling more than 50%. The Group does not consider these holdings, although greater than 50%, give it control of the investee entities concerned as the Group's position as a passive investor in these entities acts as a substantive barrier to its exercising any power over the investee that its holding might provide.

11. Investments (continued)

Information required by IFRS 12 is shown below:

Name	Place of registration	Nature of relationship	Fair value £m	Ownership interest
Blackstone/GSO Global Dynamic Credit USD Feeder Fund Ireland, Class B	Ireland	FVPL	62.7	100.0%
RIT PK Japan Fund, Class A	Cayman	FVPL	58.9	61.2%
Gaoling UK Feeder Fund Ltd, Class A	Cayman	FVPL	57.7	80.2%
Brant Point Fund International Ltd, Class D	Bermuda	FVPL	47.3	51.1%
Infinity SDC Limited	England	FVPL	46.5	23.9%
Trian Partners SPV	Cayman	FVPL	46.4	99.4%
Palestra Capital Offshore Fund Ltd, Class A	Cayman	FVPL	45.9	40.9%
Three Corner Offshore L/S Fund Ltd, Class C	Cayman	FVPL	44.1	69.4%
Tekne Offshore Fund Ltd, Class D	Cayman	FVPL	43.6	24.2%
Farmstead Offshore Fund Ltd, Class B	Cayman	FVPL	36.6	26.6%
CSOP Hermes China A Share Fund, Class I	Ireland	FVPL	35.0	90.0%

For all of the above investments 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.

There are no significant restrictions arising from any contractual arrangements or regulatory requirements that would affect the ability of any of the above entities to transfer funds to or repay loans made by the Group other than any particular terms, usual in such circumstances, upon which the initial investment was made. Most of the above entities are investment holding vehicles, where as is usual in such situations, repayment of loans or investment made by the Group to the investee occurs when the Group redeems its investment.

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.

The Group 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.

The Group has chosen to account for associated companies which they hold for investment purposes at fair value through profit or loss in accordance with IAS 28.

12. Investments In Subsidiary Undertakings

	Shares £ million	Loans £ million	Total £ million
Carrying value at 1 January 2014	135.5	27.1	162.6
Additions	–	–	–
Disposals	–	–	–
Exchange movement in year	0.2	–	0.2
Reclassification	(13.3)	13.3	–
Carrying value at 31 December 2014	**122.4**	**40.4**	**162.8**

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

Notes to the Financial Statements

12. Investments In Subsidiary Undertakings (continued)

At 31 December 2014 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

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

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 December 2014 will be annexed to the Company's next annual return filed with the Registrar of Companies.

Name	Issued share capital
Investment holding	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 ordinary shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into two ordinary shares of £1 each
Administration and services	
J Rothschild Capital Management Limited	£6,250,001 divided into 6,250,000 ordinary shares of £1 each and one special share of £1 held by The J Rothschild Name Company Limited
Investment dealing	
RIT Capital Partners Securities Limited	£90,000,000 divided into 90,000,000 ordinary shares of £1 each

Following the adoption of IFRS 10 the Group has the following unconsolidated subsidiaries at 31 December 2014.

Name	Principal place of business	Ownership interest
Spencer House Limited	England	100.0%
RIT Capital Partners Securities Limited	England	100.0%
Atlantic and General Investment Trust Limited	England	100.0%
RIT Capital Partners Associates Limited	England	100.0%
RIT Capital Partners Trading Limited	England	100.0%
RIT Capital Partners US Inc	United States	100.0%
RIT Capital Partners Media Inc	United States	100.0%
The St James Venture Capital Fund Limited	England	100.0%
Hornwood Investments NV	Curaçao	100.0%
RIT Investments LP	Scotland	90.0%
Successor OEIC	England	100.0%
Augmentum 1 LP	England	98.0%

For all of the above the principal place of business is the place of incorporation or registration and the proportion of voting rights held is equivalent to the ownership interest.

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

There are no current commitments, contractual arrangements or intentions to provide financial support to any of the entities above other than in the normal course of business (e.g. funding of investment transactions).

The Company has not assisted any of the above entities in obtaining financial support in any way over the year and has no current intentions to do so.

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13. Property, Plant And Equipment

Group	Cost £ million	Accumulated depreciation £ million	Revaluation £ million	Net book/fair value £ million
At 1 January 2014	15.1	(2.2)	11.8	24.7
Additions	0.1	–	–	0.1
Disposals	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Net book value at 31 December 2014	**15.2**	**(2.6)**	**11.8**	**24.4**
Revaluation to fair value[1]	–	–	2.4	2.4
Fair value at 31 December 2014	**15.2**	**(2.6)**	**14.2**	**26.8**

Restated Group	Cost £ million	Accumulated depreciation £ million	Revaluation £ million	Net book/fair value £ million
At 1 January 2013	14.9	(1.8)	6.3	19.4
Additions	0.2	–	–	0.2
Disposals	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Net book value at 31 December 2013	**15.1**	**(2.2)**	**6.3**	**19.2**
Revaluation to fair value[1]	–	–	5.5	5.5
Fair value at 31 December 2013	**15.1**	**(2.2)**	**11.8**	**24.7**

Company	Cost £ million	Accumulated depreciation £ million	Revaluation £ million	Net book/fair value £ million
At 1 January 2014	13.6	(1.0)	11.8	24.4
Additions	–	–	–	–
Disposals	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Net book value at 31 December 2014	**13.6**	**(1.4)**	**11.8**	**24.0**
Revaluation to fair value[1]	–	–	2.4	2.4
Fair value at 31 December 2014	**13.6**	**(1.4)**	**14.2**	**26.4**

Restated Company	Cost £ million	Accumulated depreciation £ million	Revaluation £ million	Net book/fair value £ million
At 1 January 2013	13.6	(0.7)	6.3	19.2
Additions	–	–	–	–
Disposals	–	–	–	–
Charge for depreciation	–	(0.3)	–	(0.3)
Net book value at 31 December 2013	**13.6**	**(1.0)**	**6.3**	**18.9**
Revaluation to fair value[1]	–	–	5.5	5.5
Fair value at 31 December 2013	**13.6**	**(1.0)**	**11.8**	**24.4**

Of the fair value at 31 December 2014 £26.4 million relates to land and buildings (31 December 2013: £24.4 million).

[1] Based on JLL's valuations at 31 December 2014 and 31 December 2013 respectively.

14. Other Receivables

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Amounts receivable	43.3	43.1	110.0	109.9
Prepayments and accrued income	1.0	0.5	0.9	0.5
Total	**44.3**	**43.6**	**110.9**	**110.4**

The carrying amount of other receivables approximates their fair value, due to their short-term nature. At 31 December 2014, none of the above related to unsettled investment subscriptions (year ended 31 December 2013: £91.1 million).

15. Deferred Tax Asset

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

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Balance at start of year	1.0	0.2	2.6	1.4
(Debit)/credit to capital reserve	0.1	0.1	(0.9)	(0.9)
(Debit)/credit to revenue reserve	0.2	0.1	(0.7)	(0.3)
(Debit)/credit to Consolidated Statement of Comprehensive Income	0.5	–	–	–
Balance at end of year	**1.8**	**0.4**	**1.0**	**0.2**

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Analysis of deferred tax asset:				
Deferred management fees	0.2	0.2	0.1	0.1
Long-term incentive plan	1.1	–	0.8	–
Other timing differences	0.2	0.2	0.1	0.1
Accelerated capital allowances	0.1	–	0.1	–
Deferred tax on retirement benefit asset	0.2	–	(0.1)	–
Balance at end of year	**1.8**	**0.4**	**1.0**	**0.2**

The Company had carried forward tax losses of £102.7 million at 31 December 2014 that have not been recognised as a deferred tax asset. The current year figures are based on returns yet to be submitted to HMRC.

16. Derivative Financial Instruments

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Current assets	29.4	29.4	27.2	27.2
Non-current assets	5.0	5.0	0.4	0.4
Current liabilities	(27.4)	(27.4)	(5.8)	(5.8)
Non-current liabilities	(3.2)	(3.2)	–	–
Total	**3.8**	**3.8**	**21.8**	**21.8**

Derivative financial instruments are stated at fair value.

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17. Other Payables

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Accruals and deferred income	6.8	1.5	5.8	1.5
Amounts payable to related parties	0.1	–	–	–
Amounts payable to group companies	128.7	–	111.4	–
Other creditors	–	–	0.2	–
Total	**135.6**	**1.5**	**117.4**	**1.5**

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

18. Borrowings

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Unsecured loans payable within one year:				
Revolving credit facilities	402.9	402.9	197.4	197.4
Total bank loans and overdrafts	**402.9**	**402.9**	**197.4**	**197.4**

On 20 December 2013 the Company signed a three-year £200 million multi-currency credit facility with National Australia Bank upon expiry of their previous three-year $400 million facility, in order to maintain access to medium term structural gearing. This facility was drawn down in full in US Dollars on 30 December 2013. As the loan is drawn in tranches with a tenor of less than one year, it is classified within current liabilities. A second £200 million credit facility with a five-year tenor was entered into on 19 December 2013 with Commonwealth Bank of Australia. This facility was fully drawn in multiple currencies in 2014. Both facilities are flexible as to number, currency and duration of any drawdowns and incur variable interest linked to the three-month LIBOR rate (or equivalent) relevant to the drawn currency. No bank loans are held within subsidiaries. The Company has entered into interest rate swaps, which result in an overall effective interest rate of 2.31%.

19. Provisions

Group and Company	1 January 2014 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 December 2014 £ million
Nature of provision:					
Indemnity	1.0	–	–	(0.3)	0.7
Investments	1.6	0.6	–	–	2.2
Total	**2.6**	**0.6**	**–**	**(0.3)**	**2.9**

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

No provisions for liabilities and charges have been made in subsidiary entities in the current year (year ended 31 December 2013: £nil). Provisions in respect of investments include £0.8 million (year ended 31 December 2013: £0.2 million) which are expected to settle within the next 12 months. It is anticipated that all of the other provisions noted above will be settled more than 12 months after the balance sheet date.

19. Provisions (continued)

Indemnity provision

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

Investment provision

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

20. Share Capital And Share Premium

	31 December 2014 £ million	Restated 31 December 2013 £ million
Allotted, issued and fully paid:		
155,351,431 Ordinary Shares of £1 each (year ended 31 December 2013: 155,351,431)	155.4	155.4

The Company has one class of ordinary shares which carry no right to fixed income. On 16 August 2013 the Company bought back for cancellation 30,810 shares for consideration of 1,202p per ordinary share. No such transactions were undertaken in 2014.

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

21. Capital Redemption Reserve

	31 December 2014		Restated 31 December 2013	
	Group £ million	Company £ million	Group £ million	Company £ million
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.

22. Capital Reserve

	31 December 2014		Restated 31 December 2013	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	1,904.4	1,876.7	1,603.8	1,578.3
Gains/(losses) on portfolio investments held at fair value and exchange gains/(losses) on monetary items and borrowings	212.3	217.3	346.9	344.7
Dividend paid	(45.5)	(45.5)	(43.4)	(43.4)
Performance fees	(0.7)	(0.7)	(0.3)	(0.3)
Other capital items	(3.8)	(3.8)	(1.3)	(1.3)
Share buy-back	–	–	(0.4)	(0.4)
Taxation	0.1	0.1	(0.9)	(0.9)
Total capital return	162.4	167.4	300.6	298.4
Balance at end of year	**2,066.8**	**2,044.1**	**1,904.4**	**1,876.7**

Notes to the Financial Statements

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

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

	31 December 2014 £ million	Restated 31 December 2013 £ million
Capital reserve – distributable:		
in respect of investments sold	1,476.5	1,508.9
in respect of listed investments held	339.2	219.0
Capital reserve – non-distributable	228.4	148.8
Balance at end of year	**2,044.1**	**1,876.7**

23. Revenue Reserve

	31 December 2014		Restated 31 December 2013	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	21.1	(13.7)	29.6	0.5
Profit/(loss) for the year	(6.7)	(16.2)	(10.0)	(14.2)
Actuarial gain/(loss)	(2.5)	–	1.5	–
Deferred tax (charge)/credit	0.5	–	–	–
Balance at end of year	**12.4**	**(29.9)**	**21.1**	**(13.7)**

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 £16.2 million (year ended 31 December 2013: revenue loss £14.2 million). The Company's total profit for the year was £196.7 million (year ended 31 December 2013: £341.4 million profit).

24. Foreign Currency Translation Reserve

	31 December 2014		Restated 31 December 2013	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	0.2	–	0.2	–
Balance at end of year	**0.2**	**–**	**0.2**	**–**

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

Notes to the Financial Statements

25. Own Shares Reserve

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Balance at start of year – cost	(5.5)	–	(6.4)	–
Own shares acquired	(4.4)	–	–	–
Own shares transferred	0.7	–	0.9	–
Balance at end of year – cost	**(9.2)**	**–**	**(5.5)**	**–**

The Group's SAR Plan is an equity-settled scheme under IFRS 2. In addition, awards under the AIS are partially made in deferred shares. During the year ended 31 December 2014 the Group, via an EBT, acquired shares of the Company at a cost of £4.4 million (year ended 31 December 2013: nil) to hedge future SAR exercises and the vesting of deferred share awards. During the year ended 31 December 2014, £0.7 million of such shares were used to settle employee exercises (year ended 31 December 2013: £0.9 million). At 31 December 2014 the EBT held 716,503 shares in the Company (year ended 31 December 2013: 446,016) with a market value of £10.0 million (year ended 31 December 2013: £5.6 million).

26. Share-based Payment Reserve

	31 December 2014 Group £ million	31 December 2014 Company £ million	Restated 31 December 2013 Group £ million	Restated 31 December 2013 Company £ million
Balance at start of year	5.0	–	4.7	–
Share-based payment expense	2.2	–	1.1	–
Transfer to retained reserves	(1.0)	–	(0.8)	–
Balance at end of year	**6.2**	**–**	**5.0**	**–**

Date of grant	31 December 2014 £ million	Restated 31 December 2013 £ million
15 March 2007	0.5	0.4
27 March 2008	–	–
13 March 2009	1.2	1.0
24 June 2009	0.2	0.2
26 March 2010	0.3	0.2
30 March 2011	0.2	–
20 September 2011	0.2	–
2 December 2011	0.2	0.1
8 June 2012	0.5	0.2
2 July 2012	0.2	–
20 September 2012	0.2	0.1
8 March 2013	0.7	0.1
7 March 2014	0.7	–
31 August 2014	0.1	–
Intrinsic value of all SARs	5.2	2.3
Intrinsic value of all SARs vested as at 31 December	**2.7**	**1.8**

The Company has used a trinomial option valuation model to estimate the fair value of the SARs awarded in the year. The inputs to the model included the following: expected volatility of 15.2% (31 December 2013: 20%), dividend yield of 2.5% (31 December 2013: 2.5%) per annum, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historic data in respect of RIT's share price. The vesting requirements are set out in detail in the section headed Long-Term Incentive Plan in the Directors' Remuneration Report on page 37. To allow for the effects of early exercise and staff turnover, it was assumed that the majority of the SARs, in terms of value, would be exercised four and a half years after the relevant grant dates. Weighted average exercise prices are calculated as the sum of all prices of SAR exercises divided by number of SARs exercised.

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 1 January 2014	2,085,706	1,159	–
Granted	1,057,000	1,315	–
Exercised	(126,442)	1,134	1,388
Lapsed/forfeited	(228,650)	1,276	–
Outstanding at 31 December 2014	**2,787,614**	**1,210**	

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

The outstanding SARs at 31 December 2014 had exercise prices ranging between 796p and 1,355p (31 December 2013: 796p to 1,314p) with a weighted average of 1,210p (31 December 2013: 1,159p). The weighted average remaining contractual life of these SARs was 7.6 years (31 December 2013: 7.5 years). Included in the outstanding amount at year end were SARs representing a notional number of 866,452 shares (31 December 2013: 501,007 shares), which had vested and were capable of being exercised. These had exercise prices ranging between 796p and 1,314p with a weighted average of 1,079p (31 December 2013: 796p to 1,122p: weighted average 902p).

During the year the Company granted 1,057,000 SARs (year ended 31 December 2013: 796,500) and the weighted average fair value of each of those SARs was 98p (31 December 2013: 112p). The Company recognised an expense of £1.5 million (year ended 31 December 2013: £1.1 million) arising from awards made under the SAR plan and an expense of £0.7 million (year ended 31 December 2013: £nil) for deferred share and similar awards.

27. Revaluation Reserve

	31 December 2014 Group £ million	31 December 2014 Company £ million	31 December 2013 Group £ million	31 December 2013 Company £ million
Balance at start of year	11.8	11.8	6.3	6.3
Revaluation gain on property, plant and equipment	2.4	2.4	5.5	5.5
Balance at end of year	**14.2**	**14.2**	**11.8**	**11.8**

Notes to the Financial Statements

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

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Profit/(loss) before dividend and interest income, finance costs and taxation	190.8	324.9
Dividend income	15.0	13.7
Interest income	4.5	1.4
Profit/(loss) before finance costs and taxation	**210.3**	**340.0**
(Increase)/decrease in other receivables	66.6	(85.7)
Increase/(decrease) in other payables	18.2	(29.4)
(Increase)/decrease in sales for future settlement	(0.3)	66.2
Increase/(decrease) in purchases for future settlement	0.4	(3.7)
Other movements	1.0	(3.6)
FX (gains)/losses on repayment and drawing of borrowings	5.5	(1.8)
Purchase of investments held at fair value	(1,574.6)	(1,602.3)
Sale of investments held at fair value	1,378.3	1,478.6
(Gains)/losses on investments held at fair value	(216.4)	(161.7)
Interest paid	(9.4)	(7.6)
Net cash inflow/(outflow) from Operating Activities	**(120.4)**	**(11.0)**

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

	Year ended 31 December 2014 £ million	Restated Year ended 31 December 2013 £ million
Profit/(loss) before dividend and interest income, finance costs and taxation	186.5	323.4
Dividend income	15.0	13.6
Interest income	4.5	1.4
Profit/(loss) before finance costs and taxation	**206.0**	**338.4**
(Increase)/decrease in other receivables	67.2	(85.6)
Increase/(decrease) in other payables	0.1	(0.5)
(Increase)/decrease in sales for future settlement	(0.3)	66.2
Increase/(decrease) in purchases for future settlement	0.4	(3.7)
Other movements	23.1	(25.0)
FX (gains)/losses on repayment and drawing of borrowings	5.5	(1.8)
Purchase of investments held at fair value	(1,567.6)	(1,571.1)
Sale of investments held at fair value	1,355.3	1,477.4
(Gains)/losses on investments held at fair value	(205.1)	(195.7)
Interest paid	(9.4)	(7.6)
Net cash inflow/(outflow) from Operating Activities	**(124.8)**	**(9.0)**

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29. Financial Instruments

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

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

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

29.1 Categories of financial assets and financial liabilities

	Group As at 31 December 2014				
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Total financial assets £ million	Non-financial assets £ million	Total assets £ million
Investments held at fair value	–	2,634.0	2,634.0	–	2,634.0
Investment property	–	–	–	30.2	30.2
Property, plant and equipment	–	–	–	26.8	26.8
Derivative financial instruments	–	34.4	34.4	–	34.4
Deferred tax asset	–	–	–	1.8	1.8
Sales for future settlement	1.0	–	1.0	–	1.0
Other receivables	43.3	–	43.3	1.0	44.3
Tax receivable	–	–	–	0.4	0.4
Retirement benefit asset	–	–	–	–	–
Cash at bank	101.4	–	101.4	–	101.4
Total assets	**145.7**	**2,668.4**	**2,814.1**	**60.2**	**2,874.3**

	Restated Group As at 31 December 2013				
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Total financial assets £ million	Non-financial assets £ million	Total assets £ million
Investments held at fair value	–	2,224.9	2,224.9	–	2,224.9
Investment property	–	–	–	29.0	29.0
Property, plant and equipment	–	–	–	24.7	24.7
Derivative financial instruments	–	27.6	27.6	–	27.6
Deferred tax asset	–	–	–	1.0	1.0
Sales for future settlement	0.7	–	0.7	–	0.7
Other receivables	110.0	–	110.0	0.9	110.9
Tax receivable	–	–	–	0.2	0.2
Retirement benefit asset	–	–	–	0.5	0.5
Cash at bank	51.0	–	51.0	–	51.0
Total assets	**161.7**	**2,252.5**	**2,414.2**	**56.3**	**2,470.5**

29. Financial Instruments (continued)

Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Total financial assets £ million	Non-financial assets £ million	Total assets £ million
	Company As at 31 December 2014				
Investments held at fair value	–	2,481.4	2,481.4	–	2,481.4
Investment property	–	–	–	30.2	30.2
Property, plant and equipment	–	–	–	26.4	26.4
Investment in subsidiary undertakings	162.8	–	162.8	–	162.8
Derivative financial instruments	–	34.4	34.4	–	34.4
Deferred tax asset	–	–	–	0.4	0.4
Sales for future settlement	1.0	–	1.0	–	1.0
Other receivables	43.1	–	43.1	0.5	43.6
Amounts owed by group undertakings	0.4	–	0.4	–	0.4
Tax receivable	–	–	–	0.4	0.4
Cash at bank	99.8	–	99.8	–	99.8
Total assets	**307.1**	**2,515.8**	**2,822.9**	**57.9**	**2,880.8**

Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	Total financial assets £ million	Non-financial assets £ million	Total assets £ million
	Restated Company As at 31 December 2013				
Investments held at fair value	–	2,067.6	2,067.6	–	2,067.6
Investment property	–	–	–	29.0	29.0
Property, plant and equipment	–	–	–	24.4	24.4
Investment in subsidiary undertakings	162.6	–	162.6	–	162.6
Derivative financial instruments	–	27.6	27.6	–	27.6
Deferred tax asset	–	–	–	0.2	0.2
Sales for future settlement	0.7	–	0.7	–	0.7
Other receivables	109.9	–	109.9	0.5	110.4
Amounts owed by group undertakings	0.4	–	0.4	–	0.4
Tax receivable	–	–	–	0.2	0.2
Cash at bank	49.3	–	49.3	–	49.3
Total assets	**322.9**	**2,095.2**	**2,418.1**	**54.3**	**2,472.4**

Financial liabilities	Amortised cost £ million	FVPL (initial recognition) £ million	Total financial liabilities £ million	Non-financial liabilities £ million	Total liabilities £ million
			Group As at 31 December 2014		
Bank loans and overdrafts due within one year	(402.9)	–	(402.9)	–	(402.9)
Purchases for future settlement	(1.2)	–	(1.2)	–	(1.2)
Derivative financial instruments	–	(30.6)	(30.6)	–	(30.6)
Provisions	–	–	–	(2.9)	(2.9)
Other payables	(128.8)	–	(128.8)	(6.8)	(135.6)
Finance lease liability	(0.5)	–	(0.5)	–	(0.5)
Retirement benefit liability	–	–	–	(1.0)	(1.0)
Total liabilities	**(533.4)**	**(30.6)**	**(564.0)**	**(10.7)**	**(574.7)**

Financial liabilities	Amortised cost £ million	FVPL (initial recognition) £ million	Total financial liabilities £ million	Non-financial liabilities £ million	Total liabilities £ million
			Restated Group As at 31 December 2013		
Bank loans and overdrafts due within one year	(197.4)	–	(197.4)	–	(197.4)
Purchases for future settlement	(0.8)	–	(0.8)	–	(0.8)
Derivative financial instruments	–	(5.8)	(5.8)	–	(5.8)
Provisions	–	–	–	(2.6)	(2.6)
Other payables	(111.6)	–	(111.6)	(5.8)	(117.4)
Finance lease liability	(0.5)	–	(0.5)	–	(0.5)
Retirement benefit liability	–	–	–	–	–
Total liabilities	**(310.3)**	**(5.8)**	**(316.1)**	**(8.4)**	**(324.5)**

29. Financial Instruments (continued)

Company
As at 31 December 2014

Financial liabilities	Amortised cost £ million	FVPL (initial recognition) £ million	Total financial liabilities £ million	Non-financial liabilities £ million	Total liabilities £ million
Bank loans and overdrafts due within one year	(402.9)	–	(402.9)	–	(402.9)
Purchases for future settlement	(1.2)	–	(1.2)	–	(1.2)
Derivative financial instruments	–	(30.6)	(30.6)	–	(30.6)
Provisions	–	–	–	(2.9)	(2.9)
Other payables	–	–	–	(1.5)	(1.5)
Finance lease liability	(0.5)	–	(0.5)	–	(0.5)
Amounts owed to group undertakings	(203.8)	–	(203.8)	–	(203.8)
Total liabilities	**(608.4)**	**(30.6)**	**(639.0)**	**(4.4)**	**(643.4)**

Restated
Company
As at 31 December 2013

Financial liabilities	Amortised cost £ million	FVPL (initial recognition) £ million	Total financial liabilities £ million	Non-financial liabilities £ million	Total liabilities £ million
Bank loans and overdrafts due within one year	(197.4)	–	(197.4)	–	(197.4)
Purchases for future settlement	(0.8)	–	(0.8)	–	(0.8)
Derivative financial instruments	–	(5.8)	(5.8)	–	(5.8)
Provisions	–	–	–	(2.6)	(2.6)
Other payables	–	–	–	(1.5)	(1.5)
Finance lease liability	(0.5)	–	(0.5)	–	(0.5)
Amounts owed to group undertakings	(180.0)	–	(180.0)	–	(180.0)
Total liabilities	**(378.7)**	**(5.8)**	**(384.5)**	**(4.1)**	**(388.6)**

The Group's policy for determining the fair value of investments (including unquoted investments) is set out on page 60.

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

The fair value of the bank loans was estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. As at 31 December 2014 this amounted to £402.9 million (31 December 2013: £197.4 million).

29.2 Financial risk management

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

The objectives, policies and processes for managing risks have not changed since the previous accounting 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 to the Group position, Company specific risk exposures are explained alongside those of the Group.

a. Market risk

The fair value or future cash flows of a financial instrument 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 property:

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

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

Management of market risk

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

From time to time, the Group may seek to reduce or increase its exposure to stock markets and currencies by utilising derivatives such as currency forward contracts, index futures and options. These instruments are used for the purpose of hedging some or all of the existing exposure within the Group's investment portfolio to those currencies or particular markets as well as to enable increased exposure when deemed appropriate.

b. Price risk

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

Management of price risk

The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk.

The performance of third party investment managers is regularly reviewed and assessed to ensure compliance with their mandates and that their performance is compatible with the Group's investment objective.

Exposure to price risk

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

	31 December 2014 £ million	Restated 31 December 2013 £ million
Exposure to price risk	**2,380.7**	**2,161.7**

29. Financial Instruments (continued)

As at the year end, the Group's exposure to quoted equity, equity funds, private equity, absolute return and credit, real assets, adjusted for the notional exposure from derivatives, represented 103.5% of net assets (31 December 2013: 100.7%).

Price risk sensitivity analysis

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

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

	31 December 2014 Impact on IS & net assets £ million	Restated 31 December 2013 Impact on IS & net assets £ million
Total	**238.1**	**216.2**

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

c. 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. Changes in interest rates have a direct impact on the fair value or future cash flows of the following financial assets and liabilities:

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

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

Management of interest rate risk

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

Exposure to interest rate risk

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

Notes to the Financial Statements

	31 December 2014			Restated 31 December 2013		
	Floating rate £ million	Fixed rate £ million	Total £ million	Floating rate £ million	Fixed rate £ million	Total £ million
Portfolio investments: debt securities[1]	17.1	–	17.1	35.4	48.6	84.0
Derivative financial instruments[2]	–	(872.4)	(872.4)	–	(315.5)	(315.5)
Cash	101.4	–	101.4	51.0	–	51.0
Bank loans and overdrafts due within one year	(402.9)	–	(402.9)	(197.4)	–	(197.4)
Total Exposure	**(284.4)**	**(872.4)**	**(1,156.8)**	**(111.0)**	**(266.9)**	**(377.9)**

[1] In addition the Group also holds £293.0 million (31 December 2013: £106.3 million) in funds which predominantly invest in credit instruments. These provide indirect exposure to interest rate risk.

[2] The table includes the notional exposure of derivatives, with negative numbers indicating short positions.

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

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

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

The Group has total borrowings of £402.9 million outstanding at the year end (31 December 2013: £197.4 million). The credit facility comprising this total incurs floating interest payments, however the overall interest cost is fixed through the operation of interest rate swaps. Further details are provided in note 18.

Interest rate risk sensitivity analysis

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

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

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

	31 December 2014 Impact on IS & net assets £ million	Restated 31 December 2013 Impact on IS & net assets £ million
Total	**12.4**	**6.5**

d. Currency risk

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

Management of currency risk

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

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

Notes to the Financial Statements

29. Financial Instruments (continued)

Exposure to currency risk

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

	Group 31 December 2014		
Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,500.0	37.3	1,537.3
Sterling	565.4	586.3	1,151.7
Indian Rupee	–	101.8	101.8
Singapore Dollar	–	42.6	42.6
Brazilian Real	10.2	13.7	23.9
Mexican Peso	23.3	–	23.3
Norwegian Krone	8.0	–	8.0
Polish Zloty	5.3	–	5.3
Hong Kong Dollar	2.8	–	2.8
Swiss Franc	38.5	(38.4)	0.1
Korean Won	47.9	(60.3)	(12.4)
Japanese Yen	31.6	(75.0)	(43.4)
Canadian Dollar	7.1	(119.7)	(112.6)
Euro	45.9	(168.6)	(122.7)
Australian Dollar	2.3	(150.5)	(148.2)
Chinese Renminbi	–	(158.2)	(158.2)
Other	8.2	(7.9)	0.3
Total	**2,296.5**	**3.1**	**2,299.6**

	Restated Group 31 December 2013		
Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,361.9	(415.0)	946.9
Sterling	532.1	625.5	1,157.6
Indian Rupee	–	–	–
Singapore Dollar	0.1	–	0.1
Brazilian Real	3.8	(14.1)	(10.3)
Mexican Peso	26.4	69.5	95.9
Norwegian Krone	22.4	–	22.4
Polish Zloty	5.3	(1.1)	4.2
Hong Kong Dollar	4.1	–	4.1
Swiss Franc	43.8	–	43.8
Korean Won	2.6	(0.6)	2.0
Japanese Yen	82.6	(89.1)	(6.5)
Canadian Dollar	7.0	–	7.0
Euro	29.1	(160.7)	(131.6)
Australian Dollar	2.4	–	2.4
Chinese Renminbi	–	–	–
Other	9.8	(1.8)	8.0
Total	**2,133.4**	**12.6**	**2,146.0**

Notes to the Financial Statements

Currency	Company 31 December 2014 Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,496.4	37.3	1,533.7
Sterling	506.9	586.3	1,093.2
Indian Rupee	–	101.8	101.8
Singapore Dollar	–	42.6	42.6
Brazilian Real	10.2	13.7	23.9
Mexican Peso	23.3	–	23.3
Norwegian Krone	8.0	–	8.0
Polish Zloty	5.3	–	5.3
Hong Kong Dollar	2.8	–	2.8
Swiss Franc	38.5	(38.4)	0.1
Korean Won	47.9	(60.3)	(12.4)
Japanese Yen	31.6	(74.9)	(43.3)
Canadian Dollar	7.1	(119.7)	(112.6)
Euro	45.9	(168.6)	(122.7)
Australian Dollar	2.3	(150.5)	(148.2)
Chinese Renminbi	–	(158.2)	(158.2)
Other	8.1	(8.0)	0.1
Total	**2,234.3**	**3.1**	**2,237.4**

Currency	Restated Company 31 December 2013 Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,355.6	(415.0)	940.6
Sterling	498.4	625.5	1,123.9
Indian Rupee	–	–	–
Singapore Dollar	0.1	–	0.1
Brazilian Real	3.8	(14.1)	(10.3)
Mexican Peso	26.4	69.5	95.9
Norwegian Krone	–	–	–
Polish Zloty	5.3	(1.1)	4.2
Hong Kong Dollar	4.1	–	4.1
Swiss Franc	43.8	–	43.8
Korean Won	2.6	(0.6)	2.0
Japanese Yen	82.6	(89.1)	(6.5)
Canadian Dollar	7.0	–	7.0
Euro	29.1	(160.7)	(131.6)
Australian Dollar	2.4	–	2.4
Chinese Renminbi	–	–	–
Other	10.0	(1.8)	8.2
Total	**2,071.2**	**12.6**	**2,083.8**

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

29. Financial Instruments (continued)

Currency Risk Sensitivity Analysis

The sensitivity of the Group's net assets and IS in regard to changes in key currencies is illustrated below. This is based on an assumed 10% strengthening of Sterling relative to the foreign currencies as at 31 December 2014, and assumes all other variables are held constant. A 10% weakening is assumed to produce an equal and opposite effect.

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

Currency	31 December 2014 Impact on IS & net assets £ million	Restated 31 December 2013 Impact on IS & net assets £ million
US Dollar	(139.8)	(86.1)
Indian Rupee	(9.3)	–
Singapore Dollar	(3.9)	–
Brazilian Real	(2.2)	0.9
Mexican Peso	(2.1)	(8.7)
Norwegian Krone	(0.7)	(2.0)
Polish Zloty	(0.5)	(0.4)
Hong Kong Dollar	(0.3)	(0.4)
Swiss Franc	–	(4.0)
Korean Won	1.1	(0.2)
Japanese Yen	3.9	0.6
Canadian Dollar	10.2	(0.6)
Euro	11.2	12.0
Australian Dollar	13.5	(0.2)
Chinese Renminbi	14.4	–
Other	–	(0.5)
Total	**(104.5)**	**(89.6)**

e. Counterparty risk

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

Management of counterparty credit risk

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

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

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

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

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Credit quality of financial assets

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

	31 December 2014 £ million	Restated 31 December 2013 £ million
Portfolio investments (debt securities)		
AAA	–	–
AA+	–	48.6
A-1	17.1	35.4
	17.1	**84.0**
Derivative financial instruments		
A-1+	11.6	8.1
A-1	9.1	19.5
A-2	13.7	–
	34.4	**27.6**
Other receivables		
A-1	15.6	16.3
A-2	27.0	2.2
Other[1]	0.7	91.5
	43.3	**110.0**
Sales for future settlement		
AA-	–	0.1
A-1	0.8	0.4
A-2	–	0.2
Other[1]	0.2	–
	1.0	**0.7**
Cash at bank		
A-1+	–	49.3
A-1	99.8	0.9
A-2	1.6	0.1
Other[1]	–	0.7
	101.4	**51.0**
Maximum exposure to credit risk	**197.2**	**273.3**

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

On 7 July 2014, BNP Paribas Securities Services (BNPP) was appointed as custodian and depositary to the Company. As depositary under AIFMD, BNPP provide cash monitoring, asset safekeeping and general oversight services to the Company.

Substantially all of the listed portfolio investments are held by BNPP 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-1 in the most recent rating prior to 31 December 2014 (year ended 31 December: 2013 Bank of New York Mellon: AA-).

29. Financial Instruments (continued)

f. Liquidity risk

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

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

Management of liquidity risk

The Group manages its liquid resources to ensure sufficient cash is available to meet its expected contractual commitments. It monitors the level of short-term funding and balances the need for access to short-term funding, with the long-term funding needs of the Group.

Exposure to liquidity risk

Liquidity risk is not viewed as significant as a substantial proportion of the Group's net assets are in liquid or readily realisable assets, which could be utilised to meet funding requirements if necessary. The Company has the power, under its Articles of Association, to take out both short and long-term borrowings.

The Group has two revolving credit facilities totalling £400 million (details of which are disclosed in note 18).

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

	31 December 2014				Restated 31 December 2013			
	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million
Current Liabilities:								
Bank loan/overdraft	402.9	–	–	402.9	197.4	–	–	197.4
Derivative financial instruments	27.4	–	–	27.4	5.8	–	–	5.8
Purchases for future settlement	1.2	–	–	1.2	0.8	–	–	0.8
Other payables	129.3	–	–	129.3	112.1	–	–	112.1
Non-current liabilities								
Derivative financial instruments	–	–	3.2	3.2	–	–	–	–
Financial liabilities	**560.8**	–	**3.2**	**564.0**	**316.1**	–	–	**316.1**
Other non-financial liabilities	10.7	–	–	10.7	8.4	–	–	8.4
Total	**571.5**	–	**3.2**	**574.7**	**324.5**	–	–	**324.5**
Commitments	158.4	–	–	158.4	89.3	–	–	89.3
Total	**729.9**	**–**	**3.2**	**733.1**	**413.8**	**–**	**–**	**413.8**

29.3 Collateral

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

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

	31 December 2014 £ million	Restated 31 December 2013 £ million
Cash collateral provided by RIT in relation to derivative contracts	**42.6**	**18.5**

29.4 Derivative financial instruments

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

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

As explained above, the Group uses derivatives to hedge various exposures and also selectively to increase or decrease exposure where desired. The notional amount of certain types of 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 Group and Company's unsettled derivatives at 31 December 2014 and 31 December 2013 are:

		Group and Company		
As at 31 December 2014	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Bond futures	152.4	–	(1.2)	(1.2)
Commodity futures	–	–	–	–
Equity swaps	24.9	0.9	–	0.9
Contract for difference	10.1	3.4	(2.6)	0.8
Currency options	19.4	0.1	–	0.1
Forward currency contracts	1,742.3	18.8	(15.7)	3.1
Index futures	82.6	2.2	(5.2)	(3.0)
Equity option	10.3	4.2	(2.7)	1.5
Equity index options	–	–	–	–
Equity index swaps	24.2	1.8	(2.2)	(0.4)
Interest rate options	299.7	0.4	–	0.4
Interest rate swaptions	18.8	2.3	–	2.3
Interest rate swaps	401.5	0.3	(1.0)	(0.7)
Total		**34.4**	**(30.6)**	**3.8**

		Restated Group and Company		
As at 31 December 2013	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Bond futures	58.6	1.3	–	1.3
Commodity futures	18.9	–	(0.7)	(0.7)
Equity swaps	–	–	–	–
Contract for difference	9.7	2.8	(1.9)	0.9
Currency options	0.4	0.2	–	0.2
Forward currency contracts	1,465.3	14.2	(1.6)	12.6
Index futures	73.7	4.8	(1.3)	3.5
Equity option	–	–	–	–
Equity index options	2.1	0.1	–	0.1
Equity index swaps	28.4	2.0	(0.3)	1.7
Interest rate options	–	–	–	–
Interest rate swaptions	–	–	–	–
Interest rate swaps	256.9	2.2	–	2.2
Total		**27.6**	**(5.8)**	**21.8**

The notional amount for options and swaptions is delta-adjusted.

29. Financial Instruments (continued)

29.5 IFRS 13 classification

IFRS 13 requires the Group to classify its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. These are as follows:

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

The vast majority of the Group's financial assets and liabilities and the investment properties are measured at fair value on a recurring basis. The following table analyses within the fair value hierarchy the Group's assets and liabilities at 31 December 2014:

As at 31 December 2014	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Financial assets at fair value through profit or loss:				
Quoted Equity – Stocks	538.4	12.4	–	550.8
Quoted Equity – Funds	–	982.0	7.1	989.1
Private Investments – Direct	–	–	387.4	387.4
Private Investments – Funds	–	–	285.8	285.8
Absolute Return & Credit – Funds	–	316.1	65.2	381.3
Real Assets	4.3	18.2	–	22.5
Liquidity	17.1	–	–	17.1
Derivative financial instruments	–	34.4	–	34.4
Total financial assets at fair value through profit or loss	**559.8**	**1,363.1**	**745.5**	**2,668.4**
Non-financial assets measured at fair value:				
Investment property	–	–	30.2	30.2
Total non-financial assets measured at fair value	**–**	**–**	**30.2**	**30.2**
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	(30.6)	–	(30.6)
Total financial liabilities at fair value through profit or loss	**–**	**(30.6)**	**–**	**(30.6)**
Total net financial assets measured at fair value	**559.8**	**1,332.5**	**775.7**	**2,668.0**

Movements in level 3 assets

Year ended 31 December 2014	Restated opening balance £ million	Purchases £ million	Sales £ million	Realised gains through profit or loss £ million	Unrealised gains through profit or loss £ million	Reclassi-fications £ million	Closing balance £ million
Quoted Equity – Funds	1.7	0.3	–	–	(0.2)	5.3	7.1
Private Investments – Direct	377.2	8.8	(28.1)	11.9	17.6	–	387.4
Private Investments – Funds	282.9	28.0	(76.8)	13.2	38.5	–	285.8
Absolute Return & Credit – Funds	149.9	91.2	(43.3)	3.0	32.7	(168.3)	65.2
Investment Property	29.0	–	–	–	1.2	–	30.2
Total	**840.7**	**128.3**	**(148.2)**	**28.1**	**89.8**	**(163.0)**	**775.7**

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

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.

Notes to the Financial Statements

A description of the valuation techniques used by the Group with regards to investments categorised in each level of the fair value hierarchy is detailed below.

Level 1

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

Level 2

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

Level 3

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

For the private fund investments, fair value is deemed to be the capital statement account balance as reported by the General Partner of the investee fund which represents RIT's pro-rata proportion of the fund's net asset value. A review is conducted annually in respect of the valuation basis of the investee funds to confirm these are valued in accordance with fair value methodologies.

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

On a semi-annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties. Investment properties were valued at 31 December 2014 by JLL in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value.

Further information in relation to the directly held private investment portfolio at 31 December 2014 is set out below:

Sector	Fair value £ million	Valuation methods/inputs
UK Commercial Property	30.2	Sales comparisons (£1,500 - £2,000/ft^2); Discounted expected rental values (£70 - £80/ft^2)
Financials	21.4	Revenue multiples (1.1x); Book value multiples (0.7x - 0.9x); DCF (5% - 20% cost of capital); P/E (11x - 17x); EV/EBITDA (6x)
TMT	26.4	DCF (16% -17% cost of capital); EV/EBITDA (7x - 20x)
Consumer Staples	17.5	EV/EBITDA (8x)
Industrial	3.9	EV/EBITDA (5x - 6x); P/E (9x)
Total	**99.4**	

The remainder of the portfolio was valued using the following primary methods: Indicative offer (£32.1 million), price of a recent financing round (£94.4 million), cost of the most recent investment (£44.9 million) and third party valuations (£15.5 million). The unconsolidated subsidiaries were valued at their fair value (representing their individual assets and liabilities) of £131.3 million.

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

29. Financial Instruments (continued)

The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2013:

Restated As at 31 December 2013	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Financial assets at fair value through profit or loss:				
Quoted Equity – Stocks	512.4	6.8	–	519.2
Quoted Equity – Funds	–	785.8	1.7	787.5
Private Investments – Direct	–	–	377.2	377.2
Private Investments – Funds	–	–	282.9	282.9
Absolute Return & Credit – Funds	–	–	149.9	149.9
Real Assets	–	24.3	–	24.3
Liquidity	83.9	–	–	83.9
Derivative financial instruments	–	27.6	–	27.6
Total financial assets at fair value through profit or loss	**596.3**	**844.5**	**811.7**	**2,252.5**
Non-financial assets measured at fair value:				
Investment property	–	–	29.0	29.0
Total non-financial assets measured at fair value	**–**	**–**	**29.0**	**29.0**
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	(5.8)	–	(5.8)
Total financial liabilities at fair value through profit or loss	**–**	**(5.8)**	**–**	**(5.8)**
Total net assets measured at fair value	**596.3**	**838.7**	**840.7**	**2,275.7**

Movements in level 3 assets

Year ended 31 December 2013	Restated opening balance £ million	Purchases £ million	Sales £ million	Realised gains through profit or loss £ million	Unrealised gains through profit or loss £ million	Reclassi-fications £ million	Closing balance £ million
Quoted Equity - Funds	1.9	0.6	(0.3)	–	(0.5)	–	1.7
Private Investments - Direct	209.9	65.6	(55.9)	3.6	9.7	144.3	377.2
Private Investments - Funds	269.0	50.3	(52.8)	2.1	16.1	(1.8)	282.9
Absolute Return & Credit - Funds	57.2	107.4	(17.0)	1.4	0.9	–	149.9
Investment Property	26.9	–	–	–	2.1	–	29.0
Total	**564.9**	**223.9**	**(126.0)**	**7.1**	**28.3**	**142.5**	**840.7**

29.6 Capital management

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

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

The Company is subject to externally imposed capital requirements:

- the Company's Articles of Association restrict borrowings to a maximum of five times share capital and reserves; and
- the Company's borrowings are subject to covenants limiting the total exposure based on a 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 that subsidiary must ensure that it has sufficient capital to meet the requirements as set out by the FCA. JRCM was in compliance with those capital requirements throughout the year.

The Group's capital at 31 December 2014 and 31 December 2013 comprised:

	31 December 2014 £ million	Restated 31 December 2013 £ million
Equity share capital	155.4	155.4
Retained earnings and other reserves	2,144.2	1,990.6
Net asset value	2,299.6	2,146.0
Bank loans	402.9	197.4
Total capital	2,702.5	2,343.4
Debt as a percentage of total capital	**14.9%**	**8.4%**

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

30. Pension Commitments

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

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

It is estimated that the contributions payable to the Scheme during the year ending 31 December 2015, will be £1.1 million as compared to £1.1 million paid during the year ended 31 December 2014.

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

Description of Scheme Characteristics and Associated Risks

The Scheme operates as a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 January 2011 by a qualified independent actuary, and this was updated to 31 December 2014 for the purposes of these disclosures.

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

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

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

30. Pension Commitments (continued)

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

The costs associated with the Scheme, their recognition in the financial statements and the assumptions underlying the calculation of those costs are set out below.

Defined benefit cost	31 December 2014 £ million	Restated 31 December 2013 £ million
Current service cost	0.1	0.1
Net interest on net defined benefit liability/(asset)	–	0.1
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	2.5	(1.5)
Total (credit)/expense	**2.6**	**(1.3)**

Recognised in the Consolidated Income Statement	31 December 2014 £ million	Restated 31 December 2013 £ million
Defined contribution schemes	0.8	0.8
Defined benefit scheme:		
Current service cost	0.1	0.1
Net interest on defined benefit asset/(liability)	–	0.1
Total pension cost recognised in the Consolidated Income Statement	**0.9**	**1.0**

Recognised in the Consolidated Statement of Comprehensive Income	31 December 2014 £ million	Restated 31 December 2013 £ million
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	(0.3)	0.2
Actuarial (gain)/loss due to liability assumption changes	2.5	0.6
Return on Scheme assets (greater)/less than discount rate	0.3	(2.3)
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	**2.5**	**(1.5)**
Total (credit)/expense	**3.4**	**(0.5)**

The assumptions used to determine the defined benefit cost over the reporting periods were per annum	31 December 2014 £ million	Restated 31 December 2013 £ million
Discount rate	4.45%	4.55%
Price inflation (RPI)	3.50%	2.95%
Rate of salary increase	2.50%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.25%
Pension increases for deferred benefits	3.50%	2.95%

Notes to the Financial Statements

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

Changes in the DBO	31 December 2014 £ million	Restated 31 December 2013 £ million
DBO at end of prior year	17.6	16.4
Current service cost	0.1	0.1
Interest cost on the DBO	0.8	0.8
Actuarial (gain)/loss – experience	(0.3)	0.2
Actuarial (gain)/loss – financial assumptions	2.5	0.6
Benefits paid from scheme assets	(0.7)	(0.5)
Total DBO	**20.0**	**17.6**

Changes in Scheme assets	31 December 2014 £ million	Restated 31 December 2013 £ million
Opening fair value of the Scheme assets	18.1	14.5
Expected return on assets	0.8	0.7
Actuarial gain/loss)	(0.3)	2.3
Employer contributions	1.1	1.1
Benefits paid	(0.7)	(0.5)
Total Scheme assets	**19.0**	**18.1**

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	31 December 2014 £ million	Restated 31 December 2013 £ million
Net defined benefit asset/(liability) at end of prior year	0.5	(1.9)
Service cost	(0.1)	(0.1)
Net interest on defined benefit asset/(liability) at end of prior year	–	(0.1)
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	(2.5)	1.5
Employer contributions	1.1	1.1
Net defined benefit asset/(liability)	**(1.0)**	**0.5**

The assumptions used to determine the measurements at the reporting dates per annum	31 December 2014 £ million	Restated 31 December 2013 £ million
Discount rate	3.65%	4.45%
Price inflation (RPI)	3.15%	3.50%
Rate of salary increase	2.50%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.30%	4.35%
Pension increases for deferred benefits (non GMP)	3.15%	3.50%
Scheme participant census date	31 December 2014	31 December 2013
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.

30. Pension Commitments (continued)

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 sensitivity has been considered in isolation i.e. all other factors remain constant.

	31 December 2014 £ million
Defined benefit obligation	20.0

Significant actuarial assumptions at 31 December 2014	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity £ million
Discount rate	3.15% pa	0.5% pa decrease	22.1
Price inflation (RPI)	3.65% pa	0.5% pa increase	20.3
Life expectancy	–	increase by 1 year	20.7

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

Analysis of DBO by participant category	31 December 2014 £ million
Active participants	1.6
Deferred participants	3.8
Pensioners	14.6
Defined benefit obligation	**20.0**
Fair value of Scheme assets	**19.0**

Scheme asset breakdown	Quoted securities[1]	Other	31 December 2014
Equity securities	73%	–	73%
Fixed income and credit	17%	–	17%
Alternative investments	5%	–	5%
Cash and liquidity/other	–	5%	5%
Total	**95%**	**5%**	**100%**

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

31. Related Party Transactions

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

Transactions with parties related to Lord Rothschild and Hannah Rothschild

During the year, the Group transacted with nine entities (year ended 31 December 2013: nine) classified as related to Lord Rothschild and/or Hannah Rothschild as a result of their having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24.

The Group has cost-sharing arrangements with these related parties covering the provision and receipt of investment advisory, administrative and support services. Under these arrangements the Group received £709,916 (year ended 31 December 2013: £842,402) and paid £56,345 (year ended 31 December 2013: £79,070).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services charged by the Group for the year ended 31 December 2014 amounted to £154,722 (year ended 31 December 2013: £108,317).

Notes to the Financial Statements

During the year, the cost to the Group in respect of rent, rates and services for the Chairman's office, (which is located in a property owned by a related party), was £76,904 (year ended 31 December 2013: £90,006).

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group for the rent was £84,361 in the year ended 31 December 2014 (year ended 31 December 2013: £51,215).

The balance due by the Group to the parties related to Lord Rothschild and/or Hannah Rothschild at 31 December 2014 was £nil (year ended 31 December 2013: £3,749) and the balance due to the Group from the related parties was £6,455 (year ended 31 December 2013: £3,671).

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

Other

For the year ended 31 December 2014 the Company received £33,238 in Director's fees from investee companies for the services of senior management (year ended 31 December 2013: £48,223).

Group Undertakings

JRCM, a wholly-owned subsidiary of the Company, acts as its manager and provides administrative services to the Company and is also its corporate secretary. During the year ended 31 December 2014, the charge for these administrative services amounted to £25.2 million (year ended 31 December 2013: £22.1 million). During the year Spencer House Limited (also a wholly-owned subsidiary of the Company), earned revenues of £150,084 from JRCM (year ended 31 December 2013: £7,006) and revenues of £749,353 from the Company (year ended 31 December 2013: £402,855) for the provision of office and property management services.

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

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

	Amounts owed by Group Undertakings		Amounts owed to Group Undertakings	
	31 December 2014 £ million	Restated 31 December 2013 £ million	31 December 2014 £ million	Restated 31 December 2013 £ million
RIT Capital Partners Securities Limited	–	–	(114.8)	(113.3)
Atlantic and General Investment Trust Limited	–	–	(20.1)	(20.1)
J Rothschild Capital Management Limited	–	–	(39.6)	(33.2)
RIT Capital Partners Associates Limited	–	–	(11.4)	(11.0)
RIT Capital Partners Media Inc.	0.4	0.4	(0.1)	–
RIT Investments LP	–	–	(17.2)	(0.2)
Other	–	–	(0.6)	(2.2)
Total	**0.4**	**0.4**	**(203.8)**	**(180.0)**

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 30. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2014 (year ended 31 December 2013: £nil).

31. Related Party Transactions (continued)

Directors and key management personnel

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

	31 December 2014 £ million	Restated 31 December 2013 £ million
Short-term employee benefits	4.9	4.5
Termination benefits	–	0.1
Other long-term employee benefits	2.1	1.5
Post-employment benefits	0.3	0.3
Share-based payment	1.1	–
Total	**8.4**	**6.4**

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

Conflicts Committee

During the year, the Conflicts Committee pre-approved the €144,500 investment by a close relative of the Duke of Wellington in Inmobiliaria Colonial SA, made independently of a simultaneous €3.6 million investment by the Company. As a Director, the Duke of Wellington is a related party of the Company. He is also a member of the Conflicts Committee, though he took no part in its consideration of the transaction.

32. Financial Commitments

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

	31 December 2014		Restated 31 December 2013	
	Group £ million	Company £ million	Group £ million	Company £ million
Commitments to provide additional funds[1]	**158.4**	**158.4**	**89.3**	**89.3**

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

33. Investment Property

	31 December 2014 £ million	Restated 31 December 2013 £ million
Rental income from investment properties	1.6	1.7
Direct operating expenses arising from investment properties that generated rental income during the year	(1.5)	(1.6)

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

Period	£ million	£ million
Within one year	0.3	0.2
Between one and five years	1.4	0.9
Over five years	8.5	6.6

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

Period	£ million	£ million
Within one year	0.6	0.6
Between one and five years	2.4	1.1
Over five years	0.1	1.8

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 January and August. The investment property portfolio is valued by JLL on a six monthly basis in accordance with guidelines established by the Royal Institution of Chartered Surveyors. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2014.

Independent Auditors' Report

RIT Capital Partners plc

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

Report on the financial statements

Our opinion

In our opinion:

- RIT Capital Partners plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

RIT Capital Partners plc's financial statements comprise:

- the Consolidated and Parent Company Balance Sheets as at 31 December 2014;
- the Consolidated Income Statement and Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Cash Flow Statements for the year then ended;
- the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Our audit approach

Overview

- Overall group materiality: £40.2 million which represents 1.75% of net assets.

- The Group comprises an investment company and its subsidiaries, managing a widely diversified portfolio. The Group financial statements are a consolidation of 16 subsidiaries including J Rothschild Capital Management Limited (the 'Manager') and the Parent Company.
- We audited the financial statements of 8 subsidiaries and the Parent Company which accounted for 99% of the Group's income and 99% of its profit before tax, and 99% of net assets.
- We tailored the scope of our audit taking into account the types of investments within the Group, the accounting processes and controls, and the industry in which the Group operates.

Our areas of focus comprise:

- valuation of direct private investments, funds, investment property and derivatives;
- risk of fraud in income recognition on direct private investments, funds, investment property and derivatives; and
- related party transactions.

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

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	*How our audit addressed the area of focus*
Valuation of direct private investments, investments in funds, investment property and derivatives *Refer to page 32 (Audit and Risk Committee Report), page 60 (Accounting Policies) and page 11 (notes).* The investment portfolio at 31 December 2014 included quoted equity, short term government bonds, direct private investments, and investments in funds, investment property and derivatives. We focused on the valuation of direct private investments as the valuations are material, complex and include estimates and significant judgements. The valuation of these investments is determined by management and directors and is based on the nature of the underlying business which has been invested in. The methods used include: • Applying a multiple to earnings; • Using a discounted cash flow model; • Using recent transaction prices; and • Using underlying asset valuations. We focused on investments in funds, investment property and derivatives as the valuation assumptions used to fair value these investments do not have observable inputs that reflect quoted prices in active markets, and are therefore more subjective.	We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used by management in determining the fair value of the investment portfolio. For direct private investments, we were able to: • compare valuations to recent completed transactions; • assess the validity of valuation models that applied comparable quoted company earnings multiples by making appropriate adjustments to reflect the differences between them and the investments or illiquidity of the investment, and checking earnings data from audited financial statements, unaudited management accounts and/or forecasts for the investee entities; • assess the valuation models that applied a discounted cash flow analysis by agreeing forecasts input into the model to supporting management accounts and analysing the discount rate applied; • obtain satisfactory explanations when challenging the assumptions made by management in the applicable valuation models; • test the mathematical accuracy of the valuation models and verify the inputs into the models by agreeing them to third party sources where applicable; and • read Valuation Committee papers and meeting minutes where the valuations of these investments were discussed and agreed. This,

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

Area of focus	*How our audit addressed the area of focus*
	together with the work outlined above and our knowledge of the investee entities and the International Private Equity and Venture Capital Valuation guidelines, enabled us to discuss with and challenge the Manager and directors as to the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that management's valuations of direct private investments were reasonable, and in particular that the assumptions used were appropriate based on the investee's circumstances, and actual and expected financial performance. For investments in funds, we were able to: • confirm the fund valuation with underlying fund managers or administrators; and • check the funds most recent audited financial statements or latest fund manager reports to corroborate the valuations applied by management. We also assessed prior year valuations which were based on unaudited net asset statements by reference to their respective audited financial statements and found them to be reasonable. For investment properties, we were able to: • confirm that the valuation report was compliant with the best practice set out in the RICS Valuation – Professional Standards January 2014 ("the Red Book"); • obtain satisfactory explanations for the assumptions made by management in the valuation; and • test the mathematical accuracy of the valuation models and verify the inputs into the models by agreeing them to third party sources where applicable. For derivatives, we: • agreed the price to independent pricing sources; and • checked valuation assumptions to term sheets. No misstatements were identified by our testing of funds, investment property or derivatives which required reporting to those charged with governance.

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Area of focus	How our audit addressed the area of focus
Risk of fraud in income recognition on direct private investments, funds, investment property and derivatives Refer to page 59 (Accounting Policies) and page 68 (notes). We focused on the accuracy and completeness of income recognition relating to gains/losses on investments. Gains/losses on investments represent changes in the fair value of investments over the financial year and gains/losses made on the disposal of investments. Fair value movements that are unrealised are based on the change in investment valuations which in themselves are subjective, as noted above. We focused on gains/losses on direct private investments, funds, investment property and derivatives held at fair value due to the subjective nature of the valuations, again as set out above. ISAs (UK & Ireland) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve planned results. This, combined with the size of the gains/losses on portfolio investments held at fair value, made this an area of focus.	Our testing over the gains/losses on investments held at fair value included: • obtaining an understanding of, and then testing the valuation process as set out in the area of focus above, to ascertain whether unrealised gains/losses were appropriately calculated; • testing realised gains/losses by agreeing the proceeds of the sale to bank statements and sale agreements; • recalculating unrealised gains based on the valuation movement in investments over the year; • recalculating a sample of realised gains/losses; • assessing manual journal entries related to investment gains/losses for any entries not covered in our testing as set out above; we noted no such journals. No misstatements were identified which required reporting to those charged with governance.
Related Party Transactions Refer to page 32 (Audit and Risk Committee Report) and page 104 (notes). We focused on this area due to the nature and number of related party transactions. The complexity and extent of these arrangements means that there is a risk that not all related party transactions are identified and disclosed in the financial statements.	Our testing over related parties included: • assessing management's process for identifying related parties and related party transactions, which includes maintaining up to date records of parties related to the Group and to the Group's Board of Directors; • evaluating management's listing of related parties and related parties transactions for completeness based on our knowledge gained from the audit; • reading minutes of the Conflicts Committee, a group of independent non-executive Directors who monitor all arrangements with related parties; • testing related party transactions to supporting documentation; • obtaining written confirmation from the Parent Company of the list of all related parties; and • performing scanning analytics for possible additional related party transactions. We found no unidentified related parties or inconsistencies between the reported related party transactions and our testing in this area or the rest of our audit.

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the group, the accounting processes and controls, and the industry in which the group operates.

We have audited the Parent Company and 8 significant subsidiaries of the Group, accounting for 99% of the Group's income, 99% of its profit before tax, and 99% of net assets. This, together with procedures performed over the consolidation, has provided the evidence we need for our opinion on the Group financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall group materiality	£40.2 million (2013: £36.8 million).
How we determined it	1.75% of net assets.
Rationale for benchmark applied	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £2.0 million (2013: £1.8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 31, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the information given in the Corporate Governance Statement set out on pages 24 to 31 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• Information in the Report & Accounts is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 27, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Report & Accounts to be taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit	We have no exceptions to report arising from this responsibility.
• the section of the Report & Accounts on page 32, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate Governance Statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a Corporate Governance Statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

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

London
26 February 2015

Other Information
31 December 2014

RIT Capital Partners plc

Investment Portfolio Reconciliation

The following table shows a reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 13 to 15, to the Consolidated Balance Sheet, as shown on page 52:

	Quoted Equity £ million	Private Investments £ million	Absolute Return & Credit £ million	Real Assets £ million	Government Bonds & Rates, Other Investments £ million	Net Liquidity/ Borrowing/ Other £ million	31 December 2014 Consolidated Balance Sheet £ million
Non-current assets							
Investments held at fair value	1,549.3	543.1	381.3	30.3	–	130.0	2,634.0
Investment property	–	–	–	30.2	–	–	30.2
Property, plant and equipment	–	–	–	26.4	–	0.4	26.8
Deferred tax asset	–	–	–	–	–	1.8	1.8
Retirement benefit asset	–	–	–	–	–	–	–
Derivative financial instruments	2.4	–	–	–	2.6	–	5.0
	1,551.7	**543.1**	**381.3**	**86.9**	**2.6**	**132.2**	**2,697.8**
Current assets							
Derivative financial instruments	10.6	–	–	–	18.8	–	29.4
Sales for future settlement	–	–	–	–	–	1.0	1.0
Other receivables	0.8	–	–	–	–	43.5	44.3
Tax receivable	–	–	–	–	–	0.4	0.4
Cash at bank	28.3	–	–	0.3	–	72.8	101.4
	39.7	–	–	0.3	18.8	117.7	176.5
Total assets	**1,591.4**	**543.1**	**381.3**	**87.2**	**21.4**	**249.9**	**2,874.3**
Current liabilities							
Borrowings	–	–	–	–	–	(402.9)	(402.9)
Purchases for future settlement	–	–	–	–	–	(1.2)	(1.2)
Derivative financial instruments	(10.6)	–	–	–	(16.8)	–	(27.4)
Provisions	–	–	–	–	–	(0.8)	(0.8)
Other payables	–	–	–	–	–	(135.6)	(135.6)
	(10.6)	–	–	–	(16.8)	(540.5)	(567.9)
Net current assets/ (liabilities)	**29.1**	**–**	**–**	**0.3**	**2.0**	**(422.8)**	**(391.4)**
Total assets less current liabilities	**1,580.8**	**543.1**	**381.3**	**87.2**	**4.6**	**(290.6)**	**2,306.4**
Non-current liabilities							
Derivative financial instruments	(2.1)	–	–	–	(0.9)	(0.2)	(3.2)
Provisions	–	–	–	–	–	(2.1)	(2.1)
Finance lease liability	–	–	–	–	–	(0.5)	(0.5)
Retirement benefit liability	–	–	–	–	–	(1.0)	(1.0)
	(2.1)	–	–	–	(0.9)	(3.8)	(6.8)
Net assets	**1,578.7**	**543.1**	**381.3**	**87.2**	**3.7**	**(294.4)**	**2,299.6**
Comprising:							
Total investments	1,578.7	543.1	381.3	87.2	3.7	–	2,594.0
Total liquidity, borrowings, other assets/(liabilities)	–	–	–	–	–	(294.4)	(294.4)
Net assets	**1,578.7**	**543.1**	**381.3**	**87.2**	**3.7**	**(294.4)**	**2,299.6**

Historical Information and Financial Calendar

Historical Information

	Diluted net assets £ million	Diluted net assets per share p	Closing share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.7
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	694.0	(2.6)	90.0	3.1
31 March 2006	1,534.7	982.7	1,020.0	3.8	270.3	3.1
31 March 2007	1,635.6	1,047.3	1,000.0	(4.5)	67.0	3.1
31 March 2008	1,690.0	1,091.6	1,147.0	5.1	50.6	4.0
31 March 2009	1,350.5	874.3	831.0	(5.0)	(205.2)	7.5
31 March 2010	1,815.7	1,180.1	1,082.0	(8.3)	306.3	4.0
31 March 2011	1,984.0	1,289.4	1,307.0	1.4	111.7	4.0
31 March 2012	1,920.0	1,249.3	1,220.0	(2.3)	(35.7)	4.0
31 December 2012	1,847.2	1,191.4	1,131.0	(5.1)	(29.6)	28.0
31 December 2013	2,146.0	1,383.6	1,260.0	(8.9)	215.7	28.0
31 December 2014	**2,299.6**	**1,483.0**	**1,397.0**	**(5.8)**	**129.8**	**29.4**

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

Financial Calendar

30 April 2015, 11:00 a.m.:	Annual General Meeting.
29 April 2015:	Payment of interim dividend of 15.0 pence per ordinary share to shareholders on the register on 7 April 2015.

Directory

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Warning to Shareholders

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

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

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RIT Capital Partners plc