Report & Accounts

for the year ended 31 December 2018

RIT Capital Partners plc

Contents

Company Highlights

Corporate Objective

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

Investment Policy

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

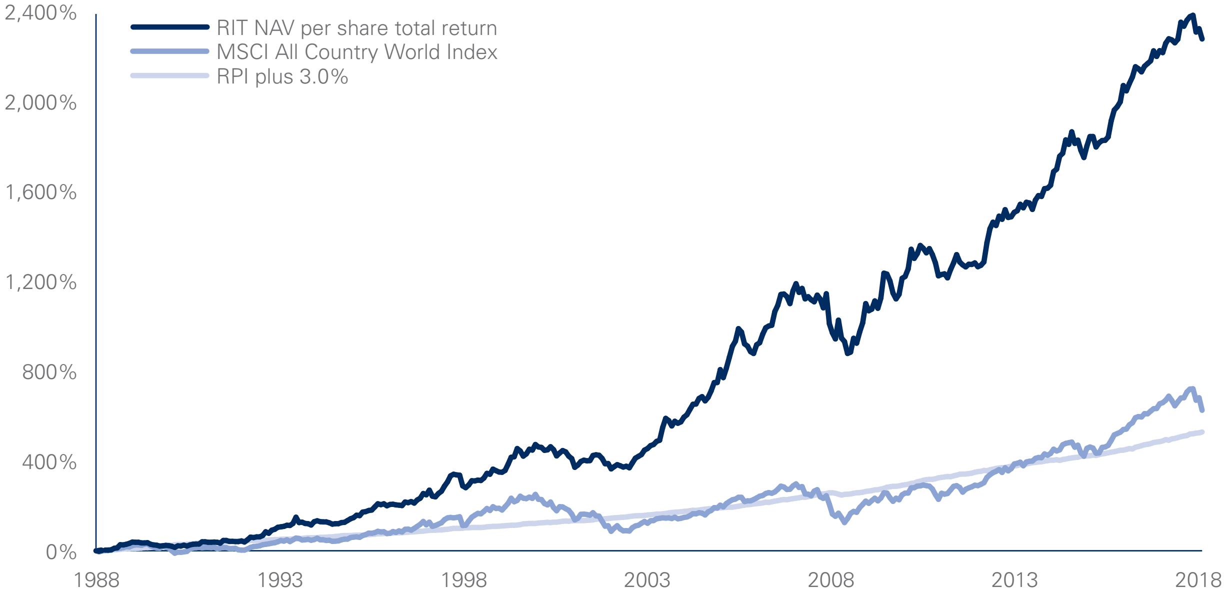
Performance for the Year	2018
NAV per share total return	0.8%
Share price total return	-1.0%
RPI plus 3.0%	5.7%
MSCI All Country World Index	-5.8%

Key Data*	2018	2017	Change
NAV per share	1,821 pence	1,839 pence	-1.0%
Share price	1,910 pence	1,962 pence	-2.7%
Premium	4.9%	6.7%	-1.8%
Net assets	£2,830 million	£2,858 million	-1.0%
Gearing	11.5%	13.5%	-2.0%
Average net quoted equity exposure for the year	47%	44%	3%
Ongoing Charges Figure for the year	0.68%	0.66%	0.02%
First interim dividend (April)	16.5 pence	16.0 pence	3.1%
Second interim dividend (October)	16.5 pence	16.0 pence	3.1%
Total dividend in year	33.0 pence	32.0 pence	3.1%

* 31 December unless otherwise stated.

Performance History	3 Years	5 Years	10 Years
NAV per share total return	22.3%	44.8%	111.1%
Share price total return	19.6%	66.3%	152.2%
RPI plus 3.0% per annum	19.4%	30.2%	78.8%
MSCI All Country World Index	30.3%	46.8%	170.8%

Performance Since Inception



A description of the terms used above and further information on the calculation of Alternative Performance Measures (APMs) included within this section and the Strategic Report is set out in the Glossary and APMs section on pages 88 and 89.

Strategic Report

Chairman's Statement

Lord Rothschild, OM GBE

2018 was the most difficult and treacherous year for investors since 2008, with negative returns in all major asset classes. In this context, we are pleased to be able to report that we delivered on our primary long-term aim of preserving shareholders' capital, with an increase of 0.8% in your Company's net asset value per share (including dividends). We were able to deliver this return in part by having reduced quoted equity exposure in advance of a fourth quarter which saw global equity indices fall by 13%. Our private investment portfolio made positive returns, as did credit and bonds. Our investments in Asia, however, suffered, in particular China, whose stock market fell by some 25% during the course of the year. Nevertheless, we remain committed to the region believing in its future prospects.

In our Half-Yearly Report last year, I commented that, notwithstanding broad-based economic growth and low unemployment, it was not an appropriate time to add to risk. The dangers of holding assets inflated by low interest rates and quantitative easing are now visible to all. Throughout the year therefore we managed our asset allocation to keep net quoted exposure towards the lower levels of our historical ranges with higher levels of cash than usual.

Timely additions to government bonds and gold benefitted from 'flight to safety' flows towards the end of the year. The absolute return and credit portfolio held its ground, even with the downdraft in credit markets. Our currency allocations profited from the rally in the US dollar.

Our private investments contributed significantly to performance, both directly and through third-party managers. For example, in 2016 we made an initial investment alongside BDT Capital Partners into Acorn – a holding company for global coffee businesses – and we increased our investment in mid-2018 to support the merger of its Keurig business with Dr Pepper. The merger was well received by the market and the valuation of our interest has increased accordingly. In April 2018 we invested in Coupang, the South Korean online consumer business. Since then the company has benefitted from a sizeable new investment from Softbank at a significant uplift to our earlier investment. Our third-party managers, in particular ICONIQ and Thrive, made a number of profitable investments.

In the current year stock markets have, so far, shown significant gains. We remain however cautious about future prospects for markets, concerned over the accumulation of downside risks. Global growth is declining, with the IMF having further reduced its forecasts. The weakest Chinese GDP growth in nearly three decades is clearly having an impact on other regions, while German manufacturing output has contracted for the first time in four years. The most recent retail figures in the US lead one to believe that the economy will find it difficult to repeat last year's fiscal-fuelled results. Against this weakening backdrop, geopolitical risks have not subsided. We are surely witnessing the worst political situation in the United Kingdom since the Suez crisis, while social unrest and populism in a number of European countries cloud the future.

The question is whether current stock market valuations discount these concerns and take into account the likelihood that corporate profits are on the way down, undermined by reduced demand, increased wages, and higher input costs (due to tariffs). We therefore anticipate a continuation of heightened market volatility. In these circumstances, capital preservation will remain as high a priority as any in the management of your Company's interest.

While we remain cautious and selective, we continue to see specific opportunities across equity and debt markets, and seek to ensure that new investments provide a 'margin of safety' in terms of valuation. On private investments we seek to structure investments with an emphasis on downside protection. We are confident that our approach under current conditions will help in building the foundation for longer-term growth.

2018 was the most difficult and treacherous year for investors since 2008, with negative returns in all major asset classes. In this context, we are pleased to be able to report that we delivered on our primary long-term aim of preserving shareholders' capital, with an increase of 0.8% in your Company's net asset value per share (including dividends).

Chairman's Statement

Dividend
We are intending to pay a dividend of 34 pence per share in 2019, an increase of just over 3% above the previous year. This will be paid in two equal instalments of 17 pence per share, in April and October.

Governance
I am delighted to announce two new non-executive Directors who will join the Board at the AGM, subject to shareholder approval – Maggie Fanari and Sir James Leigh-Pemberton. Maggie is the Director of Relationship Investing in London for Ontario Teachers' Pension Plan, one of Canada's largest pension plans and a major global investor. James was CEO of Credit Suisse UK, before leaving to chair UK Financial Investments. He also served as a non-executive Director here, from 2004 until 2013. I believe James and Maggie will be excellent additions to our Board.

In addition, we have been considering the important role of Senior Independent Director (SID). Michael Marks has served on the Board for more than nine years, and under the rules as they are now, it is time for him to relinquish the role. I would like to take this opportunity, on behalf of shareholders and the Board, to express my gratitude and appreciation for his wise counsel as SID; we will be putting him forward for re-election as a non-independent Director at the AGM. We are delighted that Philippe Costeletos has agreed to act as SID, and will take over from Michael at the AGM.

We have an impressive senior team at your Company's wholly-owned manager, J. Rothschild Capital Management Limited (JRCM). Led by Francesco Goedhuis (CEO) and Ron Tabbouche (CIO), JRCM has been instrumental in steering our business through some of the most difficult times in recent market history. Ably supported by Andrew Jones (CFO) and Jonathan Kestenbaum (COO), I believe the way forward for JRCM is in good hands and secure.

Rothschild
4 March 2019

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, and 2018 Performance);
- how we structure our remuneration (Incentive Structure); and
- our Governance and Group Structure.

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

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

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

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

There may be times when we will deliberately place protection of shareholders' funds ahead of growth – as happened in the run up to the 2008 global financial crisis and more recently. However, we also recognise that such 'market timing' is unlikely to be sustainable in the long term.

> Since your Company's listing in 1988, we have participated in 74% of the market upside but only 39% of the market declines. This has resulted in our NAV per share total return compounding at 11.0% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.1% per annum.

> Over the last five years … shareholders have seen a total return of 66% compared to 47% from the market.

We believe that our active management of equity exposure, combined with early identification of opportunities and themes across multiple asset classes, is more likely to lead to long-term outperformance. We would hope to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles. Indeed, since your Company's listing in 1988, we have participated in 74% of the market upside but only 39% of the market declines. This has resulted in our NAV per share total return compounding at 11.0% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.1% per annum.

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

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

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

We believe the extent of our global reach and unique network allows us to maximise our ability to deploy capital effectively. We seek to capitalise on an in-house investment team working closely with our core external managers, investing in funds which are largely closed to new investors, and cannot be accessed by a retail investor. This aspect of our model is key to our ability to identify and deliver value from differing sectors, markets and assets. And while access to such specialist managers comes at a cost, it is one which forms a clear part of our investment decision and, if warranted, we are comfortable paying. Equally, our strong relationships with many of our managers provides co-investment opportunities in addition to our core fund holdings.

Our Strategy & Business Model

Above all, our approach is long term. For example, in relation to private investments, we are not constrained by the typical industry model of a limited life partnership. This means we can hold such investments over an extended period and choose to realise them at an optimum time.

On quoted investments, we aim to avoid being forced sellers of stocks if we are comfortable with their underlying fundamentals, even if it means incurring short-term losses.

We also deploy derivatives to assist our approach, whether seeking to protect or reduce unwanted exposure, or to enhance returns. This might be in relation to managing our net exposure to equity markets, or to adjust our exposure to currency risk. Alternatively, we may use derivatives to express views on the future direction of interest rates.

In summary, our flexible model, utilising multiple asset classes and different investment structures to express our views, allows us to deploy capital and manage risks as efficiently as possible.

Measuring Performance and KPIs

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

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

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

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

The second reflects our unconstrained global investment approach and the desire to outperform markets. Consistent with many investment companies, we use the ACWI which we believe is an appropriate comparator for our global, unconstrained approach. More specifically, we use a blended index consisting of 50% of the ACWI measured in Sterling and 50% of the ACWI measured in local currencies. 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.

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

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

2018 Performance

The portfolio delivered a positive return of 0.8% in 2018, a pleasing performance against the broad declines in global equity markets and other asset classes.

With a return in volatility and many investors struggling to navigate the markets, our cautious positioning was clearly helpful. Perhaps even more importantly was where we deployed our exposure – with our private investments and non-equity positions in particular providing a helpful offset to our equity book.

I believe this year was an excellent illustration of our rigorous and careful portfolio management approach, with our Chief Investment Officer, Ron Tabbouche, providing more details in the Investment Review.

The ACWI ended the year down -5.8%, while our absolute KPI of RPI plus 3.0% measured 5.7%. With the sizeable downturn in equities, it was no surprise that we did not keep pace with the absolute hurdle. However, I am delighted that we delivered on our capital preservation aims, and outperformed the ACWI by almost seven percentage points.

We saw our premium maintained over the year – averaging 7% on a monthly basis – with a modest decline at the year end. As a result, the TSR was -1.0% for the year. If I look back over the last five years, RIT's shareholders have seen a TSR of 66.3% compared to the ACWI at 46.8%. This is a great testament to our CIO and the rest of the team at JRCM.

Our Strategy & Business Model

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

The incentive structure seeks to provide an appropriate balance between shorter term awards (albeit including share deferrals and other longer-term features) and longer-term incentives.

The Chairman of RIT Capital Partners plc, as well as JRCM and Spencer House Limited (SHL) employees, participate in the Annual Incentive Scheme (AIS).

The AIS is designed to incentivise staff through a share in the total NAV outperformance against the absolute hurdle and the relative hurdle. In addition to this formulaic pool, AIS awards are also made for individual performance against qualitative measures. In order to further align staff with shareholders, and in line with good practice, awards for senior staff include a significant proportion made in deferred shares which vest over three years.

The second main aspect of the remuneration approach is a long-term incentive plan (LTIP) which provides longer-term incentives of up to 10 years using Share Appreciation Rights (SARs), which vest if RIT's TSR is above the hurdle of RPI plus 3.0% per annum over three years. Periodic awards targeting longer-term retention have also been made to JRCM executive management in the form of performance shares, which vest over up to seven years, based on TSR outperformance against RPI plus 3.0% and the ACWI.

Further details of remuneration are provided in the Directors' Remuneration Report on pages 32 to 39.

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

The day-to-day running of JRCM is under the management of an Executive Committee led by myself as Chairman and Chief Executive Officer. JRCM executives represent RIT's interests on the SHL board.

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

I am delighted that we delivered on our capital preservation aims and outperformed the ACWI by almost seven percentage points.

At the year end, the RIT Group employed 57 people, with 44 working for JRCM and 13 working for SHL. Our Real Assets portfolio includes Spencer House as well as other properties in St James's, London. These are maintained by SHL. In addition to premises management, this subsidiary also operates a profitable events business. A breakdown of the gender balance of the Directors of the Company and also the senior managers and employees of the Group is set out on page 42.

We remain focused on costs, whether our own direct costs or the fees charged directly or indirectly by external fund managers. In order to provide investors with information on the costs of RIT's own investment business, we calculate an Ongoing Charges Figure (OCF) based on recommendations from the Association of Investment Companies (AIC). These assume no change in the composition or value of the portfolio (therefore excluding transaction costs and direct performance-related compensation) and excludes finance costs. For 2018, our own OCF amounted to 0.68%, with further information provided on page 88.

In addition to our own costs, our investment policy includes the allocation of part of the portfolio to third-party managers, which have their own fees. These include long-only equity and hedge fund managers, as well as private equity and absolute return and credit funds. The managers' fee structure is a key consideration in our investment diligence, with the decision made on the basis of expected returns, net of all fees. To assist shareholders, we estimate that the average annual management fees for external managers represent an additional 1.03% of average net assets. This excludes performance fees which are typically paid for outperformance against an index or an absolute hurdle. Further information on fees is provided on page 41.

Against the backdrop of volatile markets, ever-changing regulations and other challenges, I remain grateful to all of my colleagues here in Spencer House, who provide me, the Board and our shareholders with such excellent support.

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

Investment Review

Markets and Performance

2018 may well be remembered as a year which marked an inflexion point for two entrenched macroeconomic trends. First, it interrupted a decade when excess liquidity has been chasing, and in the process inflating, financial assets. As authorities reduce this liquidity, it is of little surprise that those financial assets deflated, almost regardless of fundamental macro data. The early months of the year affected assets that are most reliant on the flush of liquidity (for example, vulnerable emerging market countries) with the fourth quarter affecting the most cash-rich companies in the fastest growing developed market country (for example, large-cap US technology). Across asset classes there was little place to hide.

The second inflexion point, again after a multi-year trend, has been the international outcry towards Chinese global ambitions. The US, through the 'trade war', is clearly taking the lead preventing China gaining any further unfair competitive advantage. While of course much wider in its scope, this will have important implications – both positive and negative – on Chinese domestic policy, as well as on many global sectors that are at the forefront of innovation, and ultimately the drivers of economic growth for the next decade.

Against this difficult macroeconomic backdrop, equity markets ended the year significantly lower, however our NAV total return held up, ending the year in positive territory at 0.8%.

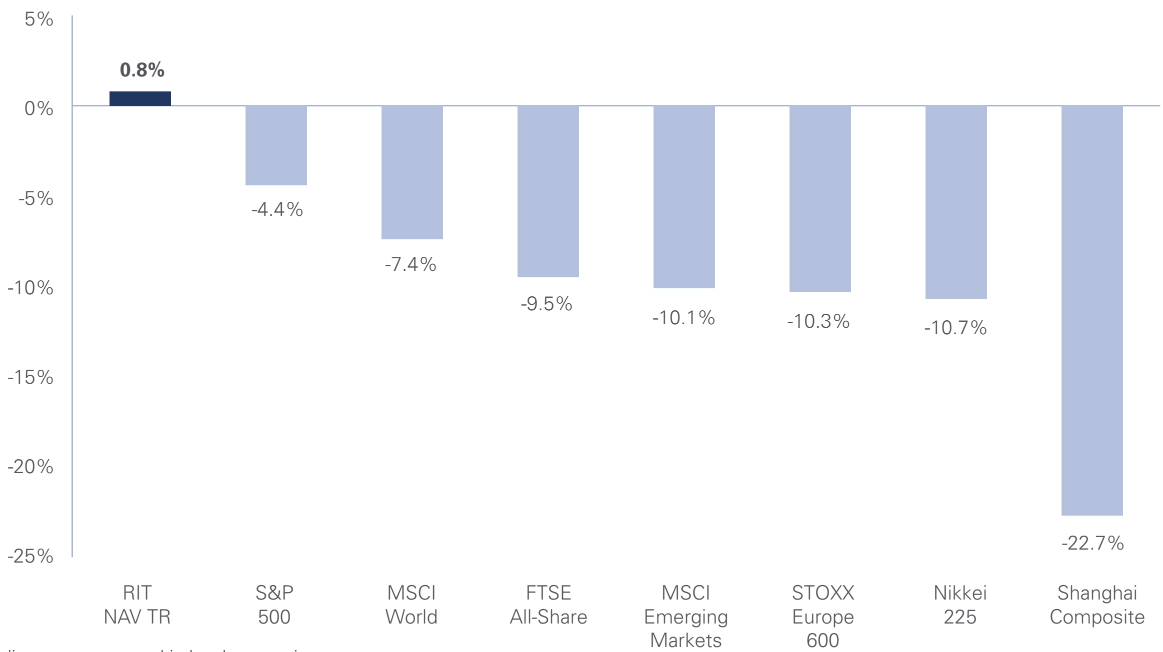
This performance was driven by our established and consistent portfolio approach, which targets diversified sources of returns with the capacity to generate significant uncorrelated gains. More specifically, the key positive performance drivers for 2018 were:

- A cautiously positioned portfolio, illustrated by modest net quoted equity exposure, and with effective hedges deployed in the last quarter of the year;
- Careful selection and structuring of several private investments over recent years, both direct and via funds, yielded significant benefits in 2018; and
- Positive contribution from all the non-equity allocations including bonds, real assets, absolute return and credit, and currencies.

The main headwinds were:

- Our structural bias towards Asia in our quoted equities book, expressed through specialised managers, was a key detractor with those markets selling-off significantly more than other regions; and
- Our allocation to resources companies underperformed in the second half of 2018 as commodity prices declined.

RIT NAV Total Return versus Global Equity Markets[1], 2018



[1]Indices are measured in local currencies.

Investment Review

Asset Allocation and Portfolio Contribution

Asset Category	31 December 2018 % NAV	2018 Contribution %	31 December 2017 % NAV	2017 Contribution %
Quoted Equity	47.0%	(6.3%)[1]	55.6%	9.1%[1]
Private Investments	25.7%	4.9%	21.8%	2.6%
Absolute Return and Credit	23.7%	0.5%	25.0%	1.6%
Real Assets	3.1%	0.1%	3.5%	0.9%
Government Bonds and Rates	0.5%	0.4%	0.2%	(0.2%)
Currency	(0.3%)	2.2%[2]	1.0%	(4.3%)[2]
Total Investments	99.7%	1.8%	107.1%	9.7%
Liquidity, Borrowings and Other	0.3%	(1.0%)[3]	(7.1%)	(1.5%)[3]
Total	**100.0%**	**0.8%**	**100.0%**	**8.2%**
Average Net Quoted Equity Exposure[1]	47%		44%	

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

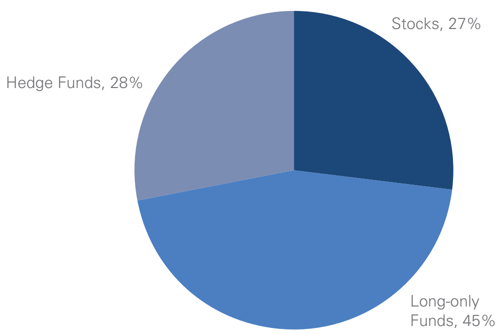
[2] Currency exposure is managed centrally on an overlay basis, with the translation impact and the result of the currency hedging and overlay activity included in this category.

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

Quoted Equity

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

Quoted Equity Portfolio



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

The quoted equity portfolio had a mixed year. It could not escape the simple truth that when investing for long-term structural trends, one is bound to experience short-term volatility. Of note here were our long-term strategic allocations to fund managers covering Asia (in particular China and Japan), which underperformed other regions in 2018. On the positive side, our largest stock co-investments performed well and our key biotechnology manager finished the year in positive territory.

In terms of activity, we have redeemed more than 10% of our long-only and equity hedge funds. This reflected both a more cautious strategy, as well an acknowledgement that the environment is a difficult one for the traditional equity hedge fund model.

Weaknesses in emerging markets provided opportunities to add to our exposure here. Tightening global liquidity, the trade war, declining commodity prices and investor outflows all played a role in a near perfect storm for these assets in 2018. There are good reasons to be hopeful however: some Latin American economies have seen the emergence of pro-market leaders, commodity prices appear fundamentally undervalued and perhaps most importantly, Chinese policy makers have a renewed sense of urgency to stabilise their economy. This backdrop is unfolding just as the Fed is seeming to be less restrictive, and with valuations more attractive.

Our allocation to the US stayed fairly constant over the year. After years of ultra-easy monetary policy and a more recent fiscal bonanza, the danger for the US economy was always going to be whether too much growth has been front loaded. Add to this a recent increase in capex which will increase the economy's capacity, and we can easily find ourselves in 2019 with more supply and less demand, and with therefore lower GDP growth, lower earnings and less inflationary pressures. We don't think that the US market as a whole has already discounted such a scenario, but we do think that some assets have already done so and therefore might offer an interesting asymmetric profile going forward.

Investment Review

Whilst economists are divided about US prospects for 2019, they have little doubt that a slowdown is on the cards for the European economy. A prolonged period of aggressive quantitative easing has not increased the probability that growth in the region will reach 'escape velocity' anytime soon. Adding to the deteriorating macro picture are contagion risks emanating from the Italian debt situation and UK Brexit developments. It came as no surprise that European equity indices underperformed their US counterparts. There clearly needs to be a tangible structural shift for the area to offer a viable long-term investment alternative.

Private Investments

The private investments portfolio is split between directly-held investments and third-party funds. At the year end, the portfolio represented 26% of net assets, with 11% in direct investments and 15% in funds. Both categories had a strong year, with a combined contribution of 4.9% to the NAV.

As highlighted by your Chairman, the direct portfolio benefitted from the positive revaluations of Acorn, the coffee and soft-drinks business, and Coupang, the Korean online retailer. Both uplifts were event-driven – we made a sizeable follow-on investment in Acorn to help fund the merger of Keurig with Dr Pepper Snapple, which was well received by the market, resulting in a higher listed share price; and Coupang benefitted from a sizeable investment from Softbank. These are recent co-investments, which underline the breadth of our global network and our strong relationships with leading investors.

As the Chairman noted in August, Helios Towers, our African Telecom towers business, withdrew its IPO in the early part of the year, resulting in a reduction in value at the half year. With the business continuing to expand its profits, the valuation recovered ground at the year end. 2018 also saw the completion of the sale of Rockefeller in January, and the successful IPO of Dropbox in March.

The third-party funds' portfolio also had a strong year, reinforcing our strategic approach in this area. Rather than target generic private equity funds, we have over recent years, been making selective commitments to high quality managers with niche expertise, as well as to core partners who we feel comfortable co-investing alongside. Over 2018 we made sizeable new commitments to funds managed by Biomatics (a healthcare specialist), BDT Capital (our co-investment partner for Acorn), ICONIQ and Hillhouse (a Chinese specialist).

Some of the key performers in 2018 were Thrive Capital (Funds III, IV and V) and ICONIQ 6, both US venture firms, where the valuation gains reflected positive development across several underlying portfolio investments. In addition, an older fund, Blumberg VC I, sold one of its last remaining positions for a very sizeable uplift following rapid business growth. The majority of the private funds are valued using the General Partner's (GP) September valuations, adjusted for subsequent calls and distributions up to the year end. Over the year we met £37 million of capital calls and received £78 million in distributions, resulting in a net inflow of capital of £41 million.

Absolute Return and Credit

Our overall allocation to this category represented 24% of year-end NAV. The objective in this area is to deliver stable returns through investing in strategies that are less correlated to markets. In recent quarters we had reduced the overall credit sensitivity of this portfolio, which helped in 2018 as the category delivered a positive contribution of 0.5% at a difficult time for credit markets. The majority of our fund managers ended the year in positive territory, with the best performing funds benefitting from a higher volatility environment, macroeconomic dislocations and profitable merger arbitrage opportunities. Our key credit-focused funds offered protection from the sizeable drawdown in credit markets through careful security selection and timely portfolio hedges.

Towards the end of the year we have been looking to capitalise on idiosyncratic opportunities in credit markets, where we see the ability to obtain double-digit yields for debt securities with relatively low default probabilities.

Real Assets, Government Bonds and Rates

Our exposure to Real Assets at the year end totalled approximately 6% of NAV, 4% from gold-related assets and 2% from our investment properties. Gold provided useful diversification benefits against the sell-off in the fourth quarter. For the year as a whole, Real Assets ended in positive territory, with a successful investment in carbon emissions offset by losses from soft commodities.

Our positions in Government Bonds and Rates contributed 0.4% to the return for the year, with the majority of the contribution coming from US 10-year interest rate positions during the fourth quarter, which benefitted from the decline in yields as investors became increasingly concerned about a US economic slowdown.

Investment Review

Currencies

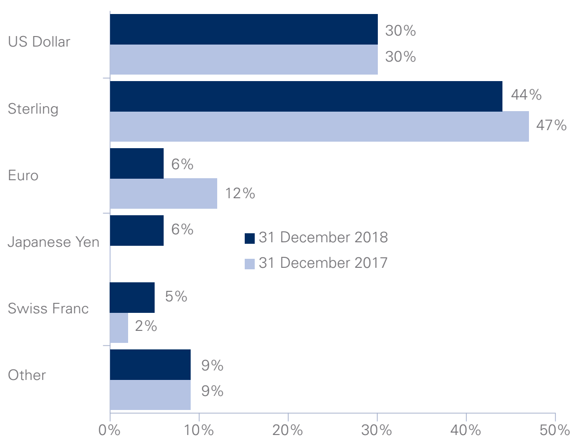
2018 was notable in the currency markets for a US Dollar that gradually strengthened throughout the year. In the early part of the year, this reflected the relatively strong state of the US economy versus the rest of the world, while the more modest rally in Q4 was due to the currency benefitting from safe haven flows. The strengthening of the Dollar against Sterling was a key contributor to the NAV in 2018. Furthermore, our allocation to the Japanese Yen and the Swiss Franc proved useful towards the end of the year as they also benefitted from the flight to safety.

In terms of allocation to Sterling we have been taking a 'balanced' approach as the possibility of a destabilising political outcome remains, set against what is fundamentally an undervalued currency.

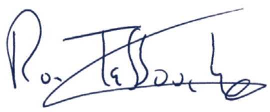
Debt and Leverage

We have continued to deploy leverage during the year through short-term revolving credit facilities as well as our longer-term unsecured fixed interest notes. One of our facilities was refinanced at the end of the year for a further five years. At 31 December 2018, we held drawn borrowings of £430 million paying an average rate of 2.8%, with £25 million undrawn. Our cash and cash equivalents of £211 million have increased from £123 million at the previous year end, resulting in a corresponding fall in our level of gearing, from 13% to 11%.

Currency Exposure as % of NAV



As discussed earlier, we also deploy leverage through the careful use of derivatives. These are designed to both help hedge the NAV against unwanted exposures, as well as to enhance returns through efficient structuring. For example, during 2018, we utilised currency options to help protect the NAV against Sterling strengthening, as well as deploying a short biotech index future to hedge part of an equity manager's exposure in this sector. Equally, many of our interest rate positions were expressed through derivatives.



Ron Tabbouche
Chief Investment Officer
J. Rothschild Capital Management Limited

Investment Portfolio

Investment Portfolio as at 31 December 2018

Investment holdings	Country/Region	Industry/Description	Value £ million	% of NAV
Quoted Equity				
Stocks:				
CSX Corporation[1]	United States	Industrials	103.6	3.7%
Automatic Data Processing[1]	United States	Information technology	36.6	1.3%
Trian Partners Co-Investment[2]	United States	Consumer staples/Industrials	31.5	1.1%
Dropbox	United States	Information technology	16.1	0.6%
Citigroup Swap	United States	Financials, 1.8% notional	(9.0)	(0.3%)
Reckitt Benckiser Swap	United Kingdom	Consumer staples, 1.6% notional	(3.3)	(0.1%)
Alphabet Swap	United States	Information technology, 1.5% notional	(0.7)	(0.0%)
LVMH Swap	Europe	Consumer discretionary, 1.1% notional	0.0	0.0%
RIT Energy Basket[3]	Various	Energy, 0.9% notional	10.0	0.3%
Mitsubishi UFJ Swap	Japan	Financials, 0.8% notional	(1.8)	(0.1%)
S&P Global Swap	United States	Financials, 0.7% notional	0.2	0.0%
Other Stocks	–	–	7.8	0.2%
Total Stocks:			191.0	6.7%
Long-only Funds:				
Morant Wright[4]	Japan	Small/mid-cap, value bias	109.6	3.9%
HCIF Offshore	United States	All-cap, biotechnology	109.3	3.9%
BlackRock Emerging Markets	Emerging Markets	All-cap, value bias	85.8	3.0%
Springs Opportunities	China	All-cap, diversified	70.8	2.5%
Brown Advisory LATAM[4,5]	Latin America	All-cap, diversified	58.2	2.1%
Ward Ferry Asian Smaller Companies	Asia	Small/mid-cap, diversified	44.2	1.6%
Tekne Long-only Fund	United States	All-cap, information technology	43.9	1.5%
Emerging India Focus	India	All-cap, diversified	43.3	1.5%
Lansdowne New Energy	Global	All-cap, energy	43.2	1.5%
Trian Partners	United States	Large-cap, diversified	30.7	1.1%
Other Long-only Funds	–	–	65.2	2.3%
Total Long-only Funds:			704.2	24.9%
Hedge Funds:				
BlackRock European Hedge Fund	Europe	All-cap, diversified	88.6	3.1%
Martin Currie Japan	Japan	All-cap, diversified	83.5	3.0%
Gaoling	China	All-cap, diversified	77.4	2.7%
Palestra Capital	Global	All-cap, diversified	76.1	2.7%
ENA Opportunity[6]	Europe	All-cap, diversified	43.6	1.5%
RIT Discovery[7]	Global	All-cap, diversified	43.5	1.5%
Other Hedge Funds	–	–	22.1	0.8%
Total Hedge Funds:			434.8	15.3%
Derivatives:				
FTSE 250 Futures	United Kingdom	Long, 1.9% notional	(0.2)	(0.0%)
GS US Value Basket Swap	United States	Long, 1.2% notional	(0.6)	(0.0%)
DAX Futures	Europe	Long, 1.2% notional	(0.7)	(0.0%)
Euro Stoxx 600 Oil & Gas Swap	Europe	Long, 1.0% notional	(0.4)	(0.0%)
Euro Stoxx 600 Basic Resources Swap	Europe	Long, 0.9% notional	(0.6)	(0.0%)
GS Custom Industrials Swap	United States	Short, 2.7% notional	2.7	0.1%
S&P 500 Futures	United States	Short, 1.5% notional	0.5	0.0%
GS Custom US Transport Swap	United States	Short, 0.9% notional	(0.5)	(0.0%)
iShares NASDAQ Biotech ETF Swap	United States	Short, 0.5% notional	0.4	0.0%
Equity Options	Various	Premium	0.8	0.0%
Other Derivatives	–	–	(0.3)	(0.0%)
Total Derivatives:			1.1	0.1%
Total Quoted Equity			**1,331.1**	**47.0%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value £ million	% of NAV
Private Investments – Direct:				
Acorn	Global	Consumer staples	114.9	4.1%
Coupang	Asia	Information technology	56.3	2.0%
Helios Towers	Africa	Telecommunication services	38.4	1.4%
CSL	United Kingdom	Information technology	28.1	1.0%
Infinity Data Systems	United Kingdom	Information technology	14.5	0.5%
Age of Learning	United States	Information technology	14.4	0.5%
Other Private Investments – Direct	–	–	31.2	1.0%
Total Private Investments – Direct			**297.8**	**10.5%**
Private Investments – Funds:				
Thrive Capital Funds	United States	Venture Capital	87.3	3.1%
Gaoling – Unquoted	China	Private Equity	43.5	1.5%
ICQ Holdings 6	United States	Private Equity	39.4	1.4%
BDT Capital Funds	United States	Private Equity	38.7	1.4%
Augmentum Fintech	United Kingdom	Venture Capital	18.3	0.6%
3G Special Situations	United States	Private Equity	17.5	0.6%
Other Private Investments – Funds	–	–	185.9	6.6%
Total Private Investments – Funds			**430.6**	**15.2%**
Absolute Return and Credit:				
Eisler Capital Fund	Global	Macro strategy	147.1	5.2%
Attestor Value Fund	Global	Distressed and special situations	112.7	4.0%
Elliott International	Global	Multi-strategy	99.0	3.5%
Farmstead Fund	Global	Distressed and special situations	51.1	1.8%
Emso Opportunity Strategies Fund	Global	Opportunistic credit	48.4	1.7%
Sand Grove Tactical	Global	Multi-strategy	46.6	1.6%
BTG Global Derivatives Opportunities	Global	Volatility strategy	37.5	1.3%
RIT US Value Partnership	Global	Multi-strategy	31.0	1.1%
Brevan Howard AH	Global	Multi-strategy	20.8	0.7%
Other Absolute Return and Credit	–	–	77.4	2.8%
Total Absolute Return and Credit			**671.6**	**23.7%**
Real Assets:				
Spencer House	United Kingdom	Investment property	35.8	1.3%
Other St James's Properties	United Kingdom	Investment property	25.2	0.9%
BlackRock World Gold Fund	Global	Gold and precious metal equities	17.0	0.6%
Gold Futures	United States	Long, 3.1% notional	3.5	0.1%
Other Real Assets	–	–	6.0	0.2%
Total Real Assets			**87.5**	**3.1%**
Government Bonds and Rates:				
US Dollar Interest Rate Swaps[8]	United States	Long, 7.0% notional	2.4	0.1%
Spanish 2-year Sovereign Bond Swap[8]	Europe	Short, 4.1% notional	(3.3)	(0.1%)
German 2-year Sovereign Bond Swap[8]	Europe	Long, 1.9% notional	0.4	0.0%
Interest Rate Options	Various	Premium	13.3	0.5%
Total Government Bonds and Rates			**12.8**	**0.5%**
Other Investments:				
Currency Forward Contracts	Global	Forward currency contracts	(9.5)	(0.3%)
Currency Options	Various	Premium	0.0	0.0%
Total Other Investments			**(9.5)**	**(0.3%)**
Total Investments			**2,821.9**	**99.7%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value £ million	% of NAV
Liquidity:				
Liquidity	–	Cash at bank/margins	366.9	13.0%
Total Liquidity			**366.9**	**13.0%**
Borrowings:				
Commonwealth Bank of Australia loan	–	Revolving credit facility	(125.0)	(4.4%)
National Australia Bank loan	–	Revolving credit facility	(150.0)	(5.3%)
RIT Senior Notes	–	Long-term notes	(155.1)	(5.5%)
Total Borrowings			**(430.1)**	**(15.2%)**
Other assets/(liabilities)	–	Various	71.5	2.5%
Total Net Asset Value			**2,830.2**	**100.0%**

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

1 These stocks are held via a co-investment vehicle.

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

3 This is a basket of four stocks managed internally providing exposure to the oil and gas industry.

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

5 Formerly known as Findlay Park Mexico.

6 ENA Opportunity was reclassified to Quoted Equity Hedge Funds from Absolute Return and Credit at the beginning of the year, reflecting a shift in the fund's underlying strategy.

7 This contains investments with four emerging hedge fund managers, the largest being Lansdowne Energy Dynamics (£21.7 million).

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

Principal Risks & Viability

Risk Management and Internal Control

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

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

As described in the Investment Review, 2018 saw an increase in market risk, with equity markets experiencing renewed volatility in Q1 and again, more significantly, in Q4. Bond markets saw declines over the middle part of the year, with a late rally as part of a year-end 'flight to quality'. As a UK company with global investments, Sterling's exchange rate is always a key focus – made more challenging during the year by the uncertain directions of the Brexit process. The Group has assessed the potential impact of the UK's departure from the EU. Any associated risk is mitigated by the business operations of your Company and Manager being predominantly UK-based, with no dependency on cross-border operations within the EU. Furthermore, your Company has a broad and flexible investment mandate which allows it to take whatever action is considered appropriate in mitigating any attendant risks to the portfolio.

The Board sets the portfolio risk parameters within which JRCM operates. This involves an assessment of the nature and level of risk within the portfolio using qualitative and quantitative methods. Additional information in relation to market risk, liquidity risk and credit risk in accordance with IFRS 7 Financial Instruments, is shown in note 14 on pages 60 to 63.

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

The Board is responsible for the Group's system of internal controls and it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. Further information is provided in the Audit and Risk Committee Report on pages 29 to 31.

Principal Risks

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

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

Principal Risks & Viability

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

Principal Risks & Viability

Operational Risks	Mitigation
Key Person Dependency In common with other self-managed investment trusts, investment decisions are made by a small number of key individuals. If for any reason the services of these individuals were to become unavailable, there could be a significant impact on our business.	This risk is closely monitored and managed by the Board which has established procedures in place to deal with any related business disruption. The potential impact is reduced by the combination of an experienced Board of Directors with distinguished backgrounds in business or finance, and experienced senior management within JRCM.
Legal & Regulatory Risk As an investment trust, RIT's operations are subject to wide ranging laws and regulations including in relation to the UK Listing Authority's (UKLA) Listing Rules and associated Disclosure, Guidance and Transparency Rules, the Companies Act 2006, as well as continued compliance with relevant tax legislation. JRCM is authorised and regulated by the Financial Conduct Authority (FCA). The financial services sector continues to experience regulatory change at national and international levels. Failure to act in accordance with these laws and regulations could result in fines, censure or other losses including taxation or reputational loss. As a result of the close relationship and regular co-investment with entities associated with the Chairman, conflicts of interest may arise.	The Operational Risk Committee of JRCM provides oversight of all legal, regulatory and other operational risks. This Committee reports key findings to the JRCM Executive Committee and the Audit and Risk Committee. JRCM employs a legal counsel and a compliance manager as well as other personnel with experience of legal, regulatory and taxation matters. In addition, specialist external advisers are engaged in relation to complex or sensitive matters. Co-investments alongside related entities are made on the same terms. Where necessary, co-investments and other transactions are subject to review by the Conflicts Committee and/or the FCA.
Operational Risk Operational risks are those arising from inadequate or failed processes, people and systems or external factors. Key operational risks include reliance on third-party suppliers, dealing errors, processing failures, pricing errors, fraud, reliability of core systems and IT security issues.	Systems and control procedures are the subject of continued development and regular review, for example, 2018 saw further development of JRCM's quantitative risk management framework. Further details on internal controls can be found in the Audit and Risk Committee Report on pages 30 to 31. Processes are in place to ensure the recruitment and ongoing training of appropriately skilled staff within key operational functions. Suitable remuneration policies are in place to encourage staff retention and the delivery of the Group's objectives over the medium term. Independent pricing sources are used where available and performance is subject to regular monitoring. In relation to more subjective areas such as private investments and property, the valuations are estimated by experienced staff and specialist external valuers using industry standard approaches, with the final decisions taken by the independent Valuation Committee, and is subject to external audit as part of the year-end financial statements. A business continuity and disaster recovery plan is maintained, and includes the ability to utilise an offsite facility in the event of any business disruption. This was satisfactorily tested during the year. Cyber security continues to receive an enhanced focus, with systems and processes designed to combat the ongoing risk developments in this area.

Principal Risks & Viability

Viability Statement

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

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

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

The stress scenarios under which the loan covenants would be breached involve severe equity market declines as well as historically high levels of capital calls. This theoretical outcome does not take into account the Company's ability to adjust the portfolio composition to avoid a breach, and to work with its lenders in order to either avert a breach, or minimise the consequences. With current gearing of 11%, and in the absence of either a significant adverse change to the regulatory or taxation environment, or to shareholder sentiment, it is difficult to reasonably envisage a situation which would threaten the ongoing viability of the Company over the five-year time frame.

Going Concern

Having assessed the principal risks and the other matters considered in connection with the Viability Statement, and in particular what the Group considers its readily realisable securities and the liquidity balances which total £452 million, and the amounts that could be realised from the remainder of the portfolio, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Strategic Report on pages 3 to 18 was approved by a duly authorised Committee of the Board and signed on its behalf by:

A. W.

Andrew Jones
Chief Financial Officer
J. Rothschild Capital Management Limited

Governance

Board of Directors

Chairman

Lord Rothschild OM GBE

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

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

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

Senior Independent Director

Michael Marks CBE

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

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

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

Non-Executive Directors (Independent)

Philippe Costeletos

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

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

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

At the forthcoming AGM, subject to his re-election, Philippe will assume the role of Senior Independent Director. He will in July 2019, become Chairman of the Remuneration Committee and also be appointed to, and become Chairman of, the Conflicts Committee.

André Perold

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

André is Co-Founder, Managing Partner and Chief Investment Officer of HighVista Strategies, a Boston based investment firm. He is a board member of the Vanguard Group, the global investment company and also serves on the Investment Committee of the Partners Healthcare System and for the Museum of Fine Arts.

He was previously the George Gund Professor of Finance and Banking at the Harvard Business School where he also held senior roles including Chair of the Finance Faculty and Senior Associate Dean.

Board of Directors

Non-Executive Directors (Independent)

Mike Power

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

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

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

Jeremy Sillem

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

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

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

Amy Stirling

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

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

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

The Duke of Wellington

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

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

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

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

Board of Directors

Non-Executive Directors (Non-Independent)

Hannah Rothschild CBE

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

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

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

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

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

J. Rothschild Capital Management

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

Chairman & Chief Executive Officer
Francesco Goedhuis

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

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

Francesco Goedhuis

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

Andrew Jones

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

Jonathan Kestenbaum

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

Ron Tabbouche

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

Corporate Governance Report

Introduction

The Directors present the Company's Corporate Governance Report. This describes our principal governance bodies, their composition, purpose and operation within the context of the Principles of the UK Corporate Governance Code (the Code) of the Financial Reporting Council (FRC), which can be viewed at www.frc.org.uk. The Board of Directors (the Board) and its committees are mindful of the new version of the Code which was published in July 2018 and first applies to the Company for the financial year ending 31 December 2019. A thorough review of the Code's updated provisions has already been conducted and the Company has begun taking the actions required to address the amended provisions as appropriate.

Leadership

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

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

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

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

The Audit and Risk Committee

The Audit and Risk Committee Report is shown on pages 29 to 31.

The main features of the Company's internal controls and risk management are described in the Audit and Risk Committee Report on pages 30 to 31 and in Principal Risks & Viability on pages 15 to 18.

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 solely of independent Directors. The Committee's principal responsibilities cover the monitoring of arrangements with parties related to Lord Rothschild or any other Director (as described in note 18), to ensure that potential conflicts of interest are

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

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

Conflicts Committee
The Duke of Wellington (Chairman)
Michael Marks

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

Remuneration Committee
The Duke of Wellington (Chairman)
Philippe Costeletos
Michael Marks
Jeremy Sillem

Valuation Committee
Mike Power (Chairman)
Philippe Costeletos
Amy Stirling

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avoided, or managed appropriately. Such arrangements include co-investments and related party transactions.

The Nominations Committee
The Nominations Committee comprises three Directors, two of whom are independent, with the third being Lord Rothschild, who chairs the Committee. The Committee meets at least twice each year and on additional occasions as required. It is responsible for the process of the appointment of new Directors to the Board, and other matters set out in its terms of reference including overall Board composition, succession planning, and the annual performance evaluation of the Board, its committees and the Directors. During the year it considered and recommended the appointment of two independent Directors, André Perold and Jeremy Sillem, as well as changes in the membership of Board Committees. Jeremy Sillem's independence was considered in the context of his role as founder and managing partner of Spencer House Partners LLP, a corporate finance advisory business. This business is independent of your Company, and while SHP provides advice to your Company, and rents space from your Company, these transactions are structured on arm's length terms and are not significant to either business.

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

In accordance with the Code, the Committee considered the proposed re-elections of Michael Marks and The Duke of Wellington after rigorous reviews, as they have served as Directors for more than six years. Reflecting the FRC's guidance in relation to the new Code, and further to the Committee's recommendations, the Board has agreed that, as of the Annual General Meeting (AGM), Michael Marks will retire from the role of Senior Independent Director and his membership of Board committees. He will therefore be put forward for re-election at the AGM as a non-independent Director. Philippe Costeletos will, subject to re-election at the AGM, replace Michael Marks as Senior Independent Director. Furthermore, the Board has determined that the Duke of Wellington, will cease to be classified as independent from 22 July 2019, the ninth anniversary of his joining the Board, and accordingly will relinquish his role as chairman and member of the Conflicts and Remuneration Committees and membership of the Nominations Committee at that time. Philippe Costeletos will be appointed as chairman of both the Conflicts and Remuneration Committees.

The Remuneration Committee
The Directors' Remuneration Report is shown on pages 32 to 39.

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

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

	Board	Audit & Risk	Conflicts	Nominations	Remuneration	Valuation
Number of meetings held during the year	4	4	1	3	2	2
Chairman						
Lord Rothschild	4/4	–	–	3/3	–	–
Non-executive Directors						
John Cornish[1]	2/2	1/1	–	–	1/1	–
Philippe Costeletos[2]	4/4		–		1/1	1/1
Michael Marks	4/4	–	1/1	3/3	2/2	–
André Perold[3]	2/2	3/3	–	–	–	–
Mike Power	4/4	4/4	–	–	–	2/2
Hannah Rothschild	4/4	–	–	–	–	–
Jeremy Sillem[4]	2/2	3/3	–	–	0/1	–
Amy Stirling	4/4	4/4	–	–	–	2/2
The Duke of Wellington	4/4	–	1/1	3/3	2/2	–

1 Retired as a Director on 26 April 2018.
2 Appointed as a member of the Remuneration Committee on 26 April 2018.
3 Elected as a Director and appointed as a member of the Audit and Risk Committee on 26 April 2018.
4 Elected as a Director and appointed as a member of the Audit and Risk Committee on 26 April 2018. Appointed a member of the Remuneration Committee on 29 October 2018.

Corporate Governance Report

The Committee is chaired by Mike Power, who replaced John Cornish when he retired as a Director on 26 April 2018. It meets at least twice each year and additionally as may be required. The Committee's principal responsibility is to review the Company's direct private and other investments to ensure that they are presented in the annual and half-yearly accounts at fair value. As a result of the inherent subjectivity of the valuation of private investments, these form a key area of focus for the Committee. At each meeting, the Committee reviews a detailed report from the Manager which includes: a valuation report on each of the largest (above 0.20% of net assets) directly-held private investments, including information on the companies' performance and valuation; a summary of the valuation of the smaller directly-held private investments; a valuation report from JLL in relation to the Company's investment property; the valuation approach for the remainder of the portfolio, including an analysis of the Company's investments in private funds; and a valuation of the Company's loan notes. As part of its review and challenge, the Committee considers: the consistency of the Manager's approach over time; the valuation techniques adopted; and a review of the differences between the ultimate sale price and the most recent valuation for any assets sold during the period.

Effectiveness and Evaluation

Many of the Directors have held senior positions at prominent investment banks or asset management companies. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations. The biographies of the Directors and executive management on pages 20 to 23 demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims.

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

JRCM provided relevant and timely information on the financial and regulatory developments during 2018 in the papers provided for Board and Committee meetings, including in respect of the 2018 Corporate Governance Code.

During the year, in accordance with the Code, an external evaluator (BoardAlpha) was appointed to carry out an independent review of the Board's effectiveness and that of its Committees. BoardAlpha held one-to-one meetings with each of the Directors and the Manager focusing on a range of different areas relevant to Board effectiveness and corporate governance. The external evaluation concluded that the Board is effective and each Director's performance was considered to be satisfactory. The findings of the external evaluation were then discussed with the Chairman and SID, and considered in documented form at the annual meeting of non-executive Directors held in January 2019. BoardAlpha has no other connection with the Company or any Director.

The next external evaluation is scheduled for 2021.

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

Accountability

The Board, acting where appropriate through the Audit and Risk Committee, is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk management and internal

Corporate Governance Report

control systems, for setting corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors. These areas are further described in the Audit and Risk Committee Report on pages 29 to 31.

Relations with Shareholders

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

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

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

Compliance with the Code

It is the Board's view that the Company has complied with all relevant provisions of the Code during the year. Further details as to how the Company has complied with the Code are set out in this Corporate Governance Report.

Statement of Directors' Responsibilities

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

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

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

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

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

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

Corporate Governance Report

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

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

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

By Order of the Board

Rothschild

Rothschild
Chairman
RIT Capital Partners plc

Audit and Risk Committee Report

The Audit and Risk Committee
I am pleased to present my first Audit and Risk Committee Report since being appointed Chairman of the Committee on 26 April 2018, following the retirement of John Cornish. On behalf of the members of the Committee I would like to thank John for his long and valued service as Chairman, and personally for his support on my appointment. André Perold and Jeremy Sillem were also appointed to this Committee at the 2018 AGM and I am very grateful for their, and Mike Power's, valuable contributions.

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

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

The three other members of the Committee at the year end also have recent and relevant financial experience. Mike Power is also a Fellow of the ICAEW and Professor of Accounting at the London School of Economics and Political Science, Jeremy Sillem has extensive financial services experience as well as being Chairman of an investment trust, and André Perold is Chief Investment Officer of an investment management firm. Their individual biographies are shown on pages 20 and 21.

Committee meetings and activity during the year
We met twice in 2018 to review the Group's 2017 annual report and accounts and the June 2018 half-yearly financial report, and again in February 2019 to review the Group's 2018 annual report and accounts.

The reviews include the assessment and assurance that the annual reports, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. For both the 2017 and 2018 annual reports, we were satisfied that this was the case and advised the Board accordingly.

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

We held two further meetings, in May and October 2018, to review the effectiveness of the Group's risk management and internal controls, by reference to reports prepared by the Manager, its internal audit function and BNP as Depositary.

We also reviewed the Group's whistleblowing procedures for staff to follow in the event that they might have any concerns about possible improprieties in matters of financial reporting or other matters. The procedures in place were enhanced during 2018 to provide staff with easier access to the Committee, through myself as Chairman, and I can confirm that no issues were raised during the year.

In addition to the activities described above, other significant matters we considered during 2018 included:

UK Corporate Governance Code
We reviewed the information and analysis provided by the Manager to support the disclosures required to be made to shareholders in the annual report under the UK Corporate Governance Code 2016. We have further reviewed the Manager's analysis of the impact of the UK Corporate Governance Code 2018 which will apply from the year ending 31 December 2019, and are satisfied that the Board is undertaking the appropriate action in this regard as disclosed in the Chairman's Statement, Corporate Governance Report and the Directors' Report.

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

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

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

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

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

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

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

The Committee also focused on a number of other areas as part of a rolling review process. The Committee met with the Manager's investment executive responsible for operational due diligence for fund investments. He provided details of the structure, process involved and level of activity during the year including examples of reports and how the process interacts with the investment decisions. The Committee reviewed JRCM reports on regulatory matters, including its implementation of both MiFID II and GDPR during 2018.

In addition the Committee considered the appropriateness of the accounting and hedging policy for share-based payments; the use, calculation and disclosures in relation to alternative performance measures (APMs); and the calculation and disclosure of cost ratios. The Committee also considered the impact of the new accounting standards adopted in the year, concluding that there was no significant impact on the Group's accounts or financial position.

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

As part of the review of the control environment, JRCM undertakes an internal audit of selected areas. This is performed on an annual basis and follows a rolling programme targeting key areas. The precise scope and depth of the remit is subject to ongoing review by this Committee. Where required improvements are identified, timetables are agreed for implementing these and progress is monitored against these timescales. Clear and direct reporting lines between JRCM's Compliance Officer (who conducts the reviews) and the Chairman of the Committee have been established to maximise the independence of the function from JRCM's executive management. The Committee reviews the internal audit plans for the year as well as the audit reports, with a focus on the implementation of specific recommendations. The 2018 internal audits included reviews of: the policies, procedures and controls in relation to execution of investment decisions, investor relations, operational business expenditure and HR. No significant weaknesses were identified.

Audit and Risk Committee Report

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

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

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

External Auditors

The external auditors are Ernst & Young LLP (EY) who were appointed at the 2018 AGM. EY succeeded PricewaterhouseCoopers LLP (PwC) who had been the auditors since the Company's inception.

PwC attended all meetings of the Committee relevant to them and provided reports on their audit approach and work undertaken, the quality and effectiveness of the Group's accounting records and their findings in connection with the Group's annual statutory audit for the year ended 31 December 2017.

Subsequent to their appointment, EY attended all meetings of the Committee and I have had regular contact with the lead audit partner during the year.

The level of non-audit services provided to the Group by the auditors is subject to pre-approval in accordance with our policy on non-audit services and is monitored, as is the auditors' objectivity in providing such service, to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by EY in 2018 totalled £35,000 for audit-related assurance work. Their selection for this work was based on cost efficiency and synergies with the audit process. Further information on fees paid to the auditors is set out in note 5 to the financial statements.

The Committee considered EY's independence, objectivity and the effectiveness of the audit process with the benefit of formal and informal feedback from the Manager, having adopted the same process for PwC in the prior year.

Ensuring an efficient and effective transition to EY has been critical to the Committee and I have been pleased with the level of preparatory work undertaken by both EY and the Manager. This included various meetings between JRCM and various EY specialists covering areas such as valuation and governance disclosures. I look forward to building a strong relationship with EY and the insights they will bring as they take a fresh look at, and provide new challenge to, the work of this Committee.

I would also like to place on record our thanks to PwC for their work as external auditor from the Company's listing in 1988. We are grateful for their independence, professionalism and the scrutiny they applied to our accounts over this period.

Amy Stirling
Chairman, Audit and Risk Committee

Directors' Remuneration Report

Introduction from Remuneration Committee Chairman

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

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

The current Directors' Remuneration Policy (which is unchanged from the one initially endorsed by shareholders in 2014), was submitted to a triennial binding vote at the 2017 AGM and approved by 94% of shareholders' votes. The Policy is available on our website, www.ritcap.com.

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

As shareholders are aware, Executive Directors are eligible to participate in the Group's Annual Incentive Scheme (AIS) and a Share Appreciation Rights Plan (SAR Plan). These are designed to measure our achievements and reward Executive Directors and Group employees accordingly. We are always cognisant of shareholder expectations and rigorously measure Company performance. Above all, our remuneration approach is designed to align reward with shareholder value creation.

The AIS rewards investment outperformance as measured against dual hurdles. It also rewards wider firm achievements not directly linked to the NAV return.

Individual allocations from the bonus pool are made following rigorous performance appraisals.

The cap for total payments under the AIS is 0.75% of net assets, reducing to 0.25% in circumstances where the Group's NAV total return is negative. The Chairman has elected to receive all of his AIS awards in deferred shares.

We continue to view long-term incentives as an important way of aligning individual rewards with RIT's longer-term performance and the SAR Plan is an important part of such alignment.

Overall, as you will have read in the Report, we are pleased with performance in 2018. To produce a positive NAV return and outperform the market by almost seven percentage points, is a particularly notable achievement.

As you know, we measure performance using three KPIs – an equity index, an absolute hurdle and the Total Shareholder Return (TSR). When assessing this year's awards, the Committee has taken into account this positive return and the associated risk management, against one of the most difficult market backdrops of the last ten years. Indeed, one where many funds with ostensibly similar objectives, lost money.

The NAV total return ended the year at +0.8%, significantly outperforming the relative hurdle (the ACWI) which returned -5.8%. The absolute hurdle (RPI plus 3.0%) measured 5.7% for the year. The premium averaged approximately 7% on a monthly basis, with a modest decline at the year end resulting in a TSR of -1.0% for the year. Over the last five years shareholders have now seen a TSR of 66% versus 47% for our equity index and 30% for RPI plus 3.0%.

We are confident that rewards are linked to your Company's significant achievements in 2018. Decisions made by the Committee have followed a careful appraisal of Company performance and at all times aim to align reward with shareholder value creation.

Wellington

The Duke of Wellington
Chairman, Remuneration Committee

Directors' Remuneration Report

Committee structure and responsibilities

The Committee is chaired by The Duke of Wellington and as at 31 December 2018, included three further independent non-executive Directors: Michael Marks – plus two new members who joined during the year, Philippe Costeletos and Jeremy Sillem (appointed on 26 April 2018 and 29 October 2018 respectively). John Cornish was a member of the Committee until his retirement as a Director on 26 April 2018. The Committee meets at least twice a year on a formal basis and additionally as may be required.

The Committee reviews the total remuneration packages, including pension arrangements of the Chairman, ensuring an appropriate balance between fixed and performance-related elements. 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 principles of the Code were all adhered to as follows: that Executive Director remuneration is designed to promote the long-term success of the Company; that performance-related elements should be transparent, stretching and rigorously applied; and that the policy on Executive Director remuneration is formal and transparent.

The overall remuneration structure is assessed in part by reference to other companies of similar size and business objectives. The Committee seeks information and advice as required, from members of JRCM management. Individuals are not present when their own remuneration is considered.

The Remuneration Committee appointed Aon, the remuneration consultancy, to provide the Committee with advice. During the year, fees of approximately £19,500 were paid to Aon in respect of that advice. Aon abides by the Remuneration Consultant's Code of Conduct which requires it to provide objective and impartial advice. It has no other relationships with the Group and is therefore independent.

As shareholders are aware, in accordance with Chapter 6 of the Companies Act 2006, the Directors' Remuneration Policy and this Report apply to the Directors of the Company. The Remuneration Committee also has general oversight of the remuneration structures of JRCM and SHL. JRCM is a regulated entity whose remuneration arrangements are governed by the FCA's applicable Remuneration Codes.

Incentive structure

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

The incentive structure seeks to provide an appropriate balance between shorter-term awards and longer-term incentives.

The Chairman of RIT, as well as Group employees, participate in the Annual Incentive Scheme (AIS).

The AIS is designed to incentivise through a share in the total NAV outperformance of RPI plus 3.0% and the ACWI. This is measured annually and includes longer term features such as a three-year 'high water mark' as well as significant deferral into RIT shares.

In addition to this formulaic pool, AIS awards are also made for individual achievements against qualitative measures not directly linked to NAV performance. The Remuneration Committee retains the ability to clawback elements of previous awards if necessary. Total payments under the scheme are capped at 0.75% of net assets or 0.25% if the NAV total return is negative. In order to further align recipients with shareholders, and in line with good practice, awards include a significant proportion made in deferred shares of the Company, which vest in equal portions over a three-year period, subject to continued employment.

The second main aspect of the remuneration approach is a long-term incentive plan (LTIP) that provides longer-term incentives of up to 10 years using SARs, which vest if RIT's annualised TSR is above the hurdle of RPI plus 3.0% per annum over three years. Annual awards of SARs are typically capped at four times basic salary. Periodic awards targeting longer-term retention have also been made to JRCM executive management in the form of performance shares, which vest over up to seven years, based on TSR outperformance against RPI plus 3.0% per annum and the ACWI.

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.

Directors' Remuneration Report

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 3.0% per annum;
2. Relative outperformance: NAV total return in excess of the ACWI; and
3. TSR.

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

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

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

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

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

Consulting with shareholders
The Committee engages pro-actively with major shareholders and shareholder representatives. The Committee Chairman consulted with major shareholders and appropriate representatives on the renewal of the Directors' Remuneration Policy and the LTIP, prior to them being put to a binding triennial vote at the 2017 AGM, where they were approved by 94% of shareholders' votes.

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

Executive shareholdings
Executive Directors are expected to build and retain a substantial personal shareholding in the Company's shares. As at 31 December 2018, beneficial holdings represented a very significant multiple of base salary for Lord Rothschild.

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

Executive Director's service contract and loss of office
Lord Rothschild has a service agreement with JRCM, dated 29 April 1996. This can be terminated by the Company 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 92.

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

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

Directors' Remuneration Report

Non-executive Directors' remuneration

The remuneration of non-executive Directors is determined by the Board as a whole. Non-executive fees are reviewed periodically by the Board with reference to market levels in comparably sized listed companies.

Furthermore, the Company's Articles of Association currently limit the total base fees payable to non-executive Directors to £400,000 per annum. No additional benefits are provided to non-executive Directors other than to cover the cost of travel. The Board applied the following structure for the determination of the annual fees of the non-executive Directors for the year ended 31 December 2018:

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

[1] The Chairmanship fee is paid in addition to the Committee fee.

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

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and relevant sections of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2019 AGM. The information on pages 32 to 39 has been audited where required under the regulations and is indicated as audited information where applicable.

Directors' Remuneration – Audited

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

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

Directors' Remuneration Report

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

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

Salaries and fees
The Company's non-executive Directors' fees totalled £340,792 for the year (compared to £363,262 in the year ended 31 December 2017).

The Chairman's salary for 2019 remains at £250,000.

Bonus award for 2018 performance
The bonus granted to the Chairman from the AIS is shown on page 35. Aggregate payments made under the scheme for the year were significantly below the 0.75% cap. In determining the Chairman's bonus, the Committee took careful account of the pleasing performance for 2018 in which the Company significantly outperformed the relative hurdle by 6.6%, producing a positive return in a year when global markets fell meaningfully. The Committee awarded the entire bonus in the form of shares in RIT which vest over three years.

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

Remuneration Category	Chairman % change	Average for JRCM employees[1] % change
Base salary	–	3%
Benefits	12%	16%
Annual bonus	79%	35%

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

Directors' Remuneration Report

Long-Term Incentive Plan – Audited

The following SARs were exercised by the Chairman in 2018:

Grant date	Grant price (pence)	Exercise date	Exercise price (pence)	Number of SARs exercised	Number of Company shares received
13 March 2009	796	23 March 2018	1,890	201,792	116,804
2 July 2012	1,243	23 March 2018	1,890	125,000	42,791
8 March 2013	1,246	23 March 2018	1,890	100,000	34,074
7 March 2014	1,303	23 March 2018	1,890	100,000	31,058
2 March 2015	1,522	23 March 2018	1,890	78,843	15,352

The Chairman elected for the exercise of the above SARs to be settled in ordinary shares of the Company. All SAR awards to the Chairman have been exercised, with none outstanding.

Statement of Directors' Shareholdings – Audited

The interests of the Directors holding office at 31 December 2018 in the ordinary shares of the Company are shown below:

	31 December 2018		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild[1]	9,904,094	18,760,066	18.45
Philippe Costeletos	–	–	–
Michael Marks	10,000	–	0.01
André Perold	–	–	–
Mike Power	691	–	–
Hannah Rothschild[1]	14,284,995	14,379,031	18.45
Jeremy Sillem	13,531	–	–
Amy Stirling	2,058	–	–
The Duke of Wellington	25,000	89,000	0.07

[1] The majority of total interests in the table above for Lord Rothschild and Hannah Rothschild are in respect of the same shares, in cases where they are held in family charitable foundations, companies or trusts. These include 6,932,301 shares held beneficially and also 14,379,031 shares that are held non-beneficially in their capacity as trustees of the family's charitable foundations.

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

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

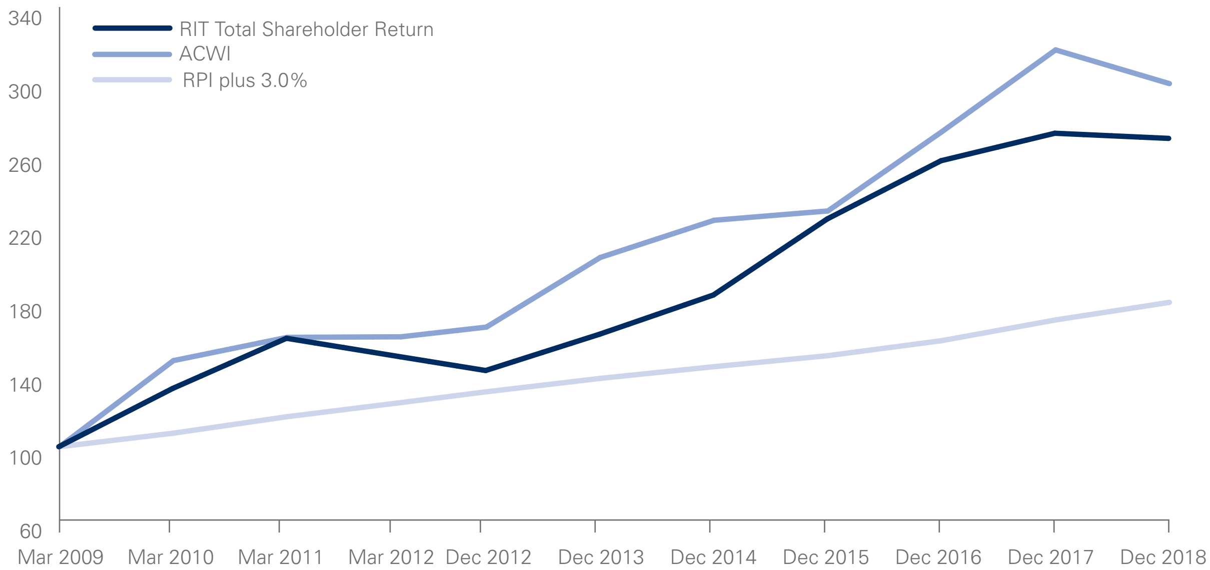
Except as stated in note 18 to the financial statements no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the FCA Listing Rules.

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 2018 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	59,781,236	98.5
Votes cast against	932,471	1.5
Total votes cast	60,713,707	100.0
Votes withheld	50,315	–

Performance Graph
In accordance with the Directors' Remuneration Report regulations; a performance graph which measures the Company's TSR over the period from 31 March 2009, against that of a broad equity market index is shown below. This is calculated by reference to the Company's share price including dividend reinvestment. The Committee considers the ACWI to be the most suitable index for this purpose. In addition the graph includes the Company's absolute return hurdle of RPI plus 3.0%. Further information can be found in the Company's Strategic Report.



Directors' Remuneration Report

Total Remuneration of the Chairman

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

£000	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Nine months ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018
Total remuneration	780	695	1,456	429	1,082	1,030	2,020	1,700	1,365	1,398
Including amounts in respect of SARs vesting during the period	–	–	896	–	–	–	421	361	603	298

Relative Importance of Spend on Pay

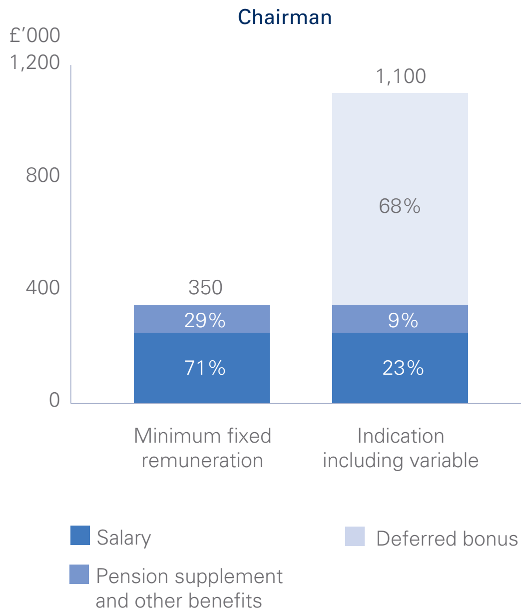
The following table shows the year-on-year movement in total remuneration of all employees, compared to the dividends paid.

£ million	Year ended 31 December 2017	Year ended 31 December 2018	Change
Total staff costs	20.1	20.8	0.7
Dividends	49.4	51.0	1.6

Reward scenarios

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

The adjacent chart illustrates the minimum fixed remuneration, and provides an indication of the total remuneration for a year of satisfactory performance using the base salary effective 1 January 2019 as well as the annual bonus figure for the year ended 31 December 2018. It also shows the weighting of the main remuneration components. As the Group's policy is not to cap individual variable pay, a maximum total remuneration figure is not shown in the chart. The cap for total payments under the AIS is 0.75% of net assets, falling to 0.25% in circumstances where the Group's NAV total return is negative.



On behalf of the Board of Directors

The Duke of Wellington
Chairman, Remuneration Committee

Directors' Report

Directors' Report: Statutory and Other Disclosures

The Directors present their report and audited financial statements for the year ended 31 December 2018.

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

Status of Company

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

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

Directors

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

During the year ended 31 December 2018:

Directorate changes

- André Perold and Jeremy Sillem were both elected as directors by shareholders at the AGM held on 26 April 2018; and
- John Cornish retired as a Director on 26 April 2018.

Committee Composition

- Amy Stirling became the Chairman of the Audit and Risk Committee on 26 April 2018;
- André Perold and Jeremy Sillem were appointed to the Audit and Risk Committee on 26 April 2018;
- Mike Power became Chairman of the Valuation Committee on 26 April 2018; and
- Jeremy Sillem was appointed as a member of the Remuneration Committee on 29 October 2018.

In preparation for the updated provisions of the Code, coming into effect, the Company also announced the following during the year in respect of Committee composition:

- Philippe Costeletos will be appointed as Chairman of both the Conflicts Committee and the Remuneration Committee on 22 July 2019.

Investment Policy

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

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

Asset Allocation and Risk Diversification

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

Gearing

The Company maintains structural gearing principally through fixed-rate private placement notes and revolving credit facilities. At 31 December 2018, the drawn indebtedness was £430 million with debt held at fair value, or £426 million with debt held at par value. This represented net gearing calculated in accordance with AIC guidance of 11.5%.

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.

Directors' Report

Direct and Indirect Investment Management Fees
Consistent with the Investment Policy, the Company invests a significant proportion of the portfolio with external managers. The majority of the management and performance fees charged by such managers are incurred indirectly by the Company as they are included within the fund investment valuations and therefore form part of the investment return. Two fund investments are structured as segregated accounts. Here, the fees are incurred directly by the Company (see note 3) on page 55.

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

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

Share Capital
At 31 December 2018, the issued share capital comprised 155,351,431 £1 ordinary shares. Further details are shown in note 22 on page 69.

During the year ended 31 December 2018, no ordinary shares were issued or repurchased and the shareholders' authority to repurchase up to 23,287,179 shares granted at the AGM on 26 April 2018 remained valid at the end of the year under review. The existing authority for the repurchase of shares expires at the Company's AGM on 25 April 2019. A replacement authority is to be proposed at the upcoming AGM, as explained in the separate Notice of the meeting.

Major Holders of Voting Rights
As at 31 December 2018, 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 2018			
Major holders of voting rights[1]	No. of voting rights Direct	No. of voting rights Indirect	% of voting rights Direct	% of voting rights Indirect
Five Arrows Limited[2]	6,757,835	–	4.35	–
Lord Rothschild[2]	<3%	18,760,066	<3%	12.08
Hannah Rothschild[2]	<3%	14,379,031	<3%	9.26
The Rothschild Foundation[2]	14,379,031	–	9.26	–

[1] The total Rothschild family interest (including shares in which Lord Rothschild and Hannah Rothschild do not have a direct or indirect interest) is 21.35%.

[2] Some or all of these holdings form part of Lord Rothschild's and Hannah Rothschild's interests disclosed on page 37 under Directors' shareholdings.

As at 28 February 2019, the voting rights in the above table remained unchanged.

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

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

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

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

Directors' Report

Emissions required to be reported in respect of the years ended 31 December 2018 and 2017 were calculated using fuel conversion factors provided by Defra[1], as follows:

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per FTO[2]
2018:		
Scope 1 Gas	44	0.6
Scope 2 Electricity	108	1.5
Total	152	2.1

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

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

The Group operates an ethics policy which applies to all staff, including in relation to social and human rights issues. The Board is also supportive of moves towards greater diversity. At the year end, the RIT Board consisted of nine Directors, two of whom were women. Within the wider Group the senior management level comprised four men. The overall employee base is divided between 41 men and 16 women.

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

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

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

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

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

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

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

Annual General Meeting
The Company's AGM will be held on 25 April 2019 at 11:00 a.m. at Spencer House, 27 St James's Place, London, SW1A 1NR.

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

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

Other
The Company seeks to agree the best possible terms on which business will take place with its suppliers. It is the Company's policy to abide by such terms. The Company had no trade payables at the year end (2017: 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.

Directors' Report

Disclosure of Information to Auditors
With regard to the preparation of the Report and Accounts of the Company for the year ended 31 December 2018, 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 that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

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

- Details of the long-term incentive scheme are provided on pages 33 and 37;
- The J. Rothschild Capital Management Limited Employee Benefit Trust (EBT) has waived its rights to dividends paid on the ordinary shares of the Company in 2017 and in future years. In 2018, the net dividends waived amounted to £123,755 on the first interim dividend paid on 30 April 2018 and £125,280 on the second interim dividend paid on 31 October 2018; and
- The shareholders' authority for the purchase of the Company's own shares is still valid at the end of the period under review and is disclosed on page 41.

There are no further disclosures required under Listing Rule 9.8.4.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015
Information on subsidiaries that is required to be disclosed under the above regulations is disclosed in note 31.

Disclosable information in respect of other investments is contained in notes 13 and 34.

Statement under the UKLA Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on pages 20 to 22 confirm that, to the best of their knowledge:

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

The Directors' Report on pages 40 to 43 was approved by a duly authorised Committee of the Board and signed on its behalf by:

Jonathan Kestenbaum.

Jonathan Kestenbaum
Chief Operating Officer
J. Rothschild Capital Management Limited

Financial Statements
for the year ended 31 December 2018

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

Year ended 31 December £ million	Notes	Revenue	Capital	2018 Total	Revenue	Capital	2017 Total
Income and gains							
Investment income	2	20.8	–	20.8	19.0	–	19.0
Other income		4.6	–	4.6	11.9	–	11.9
Gains/(losses) on fair value investments	3	–	28.3	28.3	–	244.7	244.7
Gains/(losses) on monetary items and borrowings		–	18.2	18.2	–	(13.9)	(13.9)
		25.4	46.5	71.9	30.9	230.8	261.7
Expenses							
Operating expenses	4, 5	(24.0)	(4.6)	(28.6)	(23.7)	(4.9)	(28.6)
Profit/(loss) before finance costs and tax	6	1.4	41.9	43.3	7.2	225.9	233.1
Finance costs	7	(3.0)	(11.9)	(14.9)	(12.8)	–	(12.8)
Profit/(loss) before tax		(1.6)	30.0	28.4	(5.6)	225.9	220.3
Taxation	8	–	(1.3)	(1.3)	(0.1)	0.3	0.2
Profit/(loss) for the year		**(1.6)**	**28.7**	**27.1**	**(5.7)**	**226.2**	**220.5**
Earnings per ordinary share – basic	9	(1.0p)	18.6p	17.6p	(3.7p)	146.6p	142.9p
Earnings per ordinary share – diluted	9	(1.0p)	18.5p	17.5p	(3.7p)	146.1p	142.4p

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

Consolidated Statement of Comprehensive Income

Year ended 31 December £ million	Notes	Revenue	Capital	2018 Total	Revenue	Capital	2017 Total
Profit/(loss) for the year		**(1.6)**	**28.7**	**27.1**	**(5.7)**	**226.2**	**220.5**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:							
Revaluation gain/(loss) on property, plant and equipment	10	–	(1.3)	(1.3)	–	(0.4)	(0.4)
Actuarial gain/(loss) in defined benefit pension plan	11	(0.9)	–	(0.9)	2.8	–	2.8
Deferred tax (charge)/credit allocated to actuarial (gain)/loss	12	0.2	–	0.2	(0.9)	–	(0.9)
Movement in other reserves	29	–	–	–	–	(0.3)	(0.3)
Total comprehensive income/(expense) for the year		**(2.3)**	**27.4**	**25.1**	**(3.8)**	**225.5**	**221.7**

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

The notes on pages 51 to 74 form part of these financial statements.

Consolidated Balance Sheet

At 31 December £ million	Notes	2018	2017
Non-current assets			
Investments held at fair value	13, 14, 15	2,808.0	2,995.5
Investment property	13, 14, 16	35.4	36.1
Property, plant and equipment	10	26.2	27.9
Deferred tax asset	12	2.0	3.1
Retirement benefit asset	11	1.3	1.8
Derivative financial instruments	14	8.3	6.4
		2,881.2	3,070.8
Current assets			
Derivative financial instruments	14	24.6	49.2
Other receivables	17	248.9	123.3
Amounts owed by group undertakings	18	–	0.1
Cash at bank		210.9	122.9
		484.4	295.5
Total assets		3,365.6	3,366.3
Current liabilities			
Borrowings	19	(275.0)	(275.0)
Derivative financial instruments	14	(38.2)	(9.8)
Other payables	21	(51.7)	(42.9)
Amounts owed to group undertakings		(11.8)	(11.7)
		(376.7)	(339.4)
Net current assets/(liabilities)		107.7	(43.9)
Total assets less current liabilities		2,988.9	3,026.9
Non-current liabilities			
Borrowings	19	(155.1)	(163.2)
Derivative financial instruments	14	(0.6)	(2.4)
Provisions	20	(2.5)	(2.5)
Finance lease liability		(0.5)	(0.5)
		(158.7)	(168.6)
Net assets		**2,830.2**	**2,858.3**
Equity attributable to owners of the Company			
Share capital	22	155.4	155.4
Share premium	22	17.3	17.3
Capital redemption reserve	23	36.3	36.3
Own shares reserve	24	(13.4)	(17.6)
Share-based payment reserve	25	–	4.6
Capital reserve	26	2,624.3	2,648.4
Revenue reserve	27	(5.0)	(2.7)
Revaluation reserve	28	15.3	16.6
Total equity		**2,830.2**	**2,858.3**
Net asset value per ordinary share – basic	30	1,827p	1,847p
Net asset value per ordinary share – diluted	30	1,821p	1,839p

The financial statements on pages 45 to 50 were approved by the Board of Directors and authorised for issue on 4 March 2019.

Rothschild
Chairman

The notes on pages 51 to 74 form part of these financial statements.

Parent Company Balance Sheet

At 31 December £ million	Notes	2018	2017
Non-current assets			
Investments held at fair value	13, 14, 15	2,760.1	2,977.0
Investment property	13, 14, 16	35.4	36.1
Property, plant and equipment	10	26.0	27.6
Investments in subsidiary undertakings	31	54.1	9.5
Derivative financial instruments	14	8.3	6.4
		2,883.9	3,056.6
Current assets			
Derivative financial instruments	14	24.6	49.2
Other receivables	17	248.3	122.9
Amounts owed by group undertakings	18	–	0.1
Cash at bank		186.1	118.4
		459.0	290.6
Total assets		3,342.9	3,347.2
Current liabilities			
Borrowings	19	(275.0)	(275.0)
Derivative financial instruments	14	(38.2)	(9.8)
Other payables	21	(42.7)	(37.8)
Amounts owed to group undertakings	18	(66.4)	(73.3)
		(422.3)	(395.9)
Net current assets/(liabilities)		36.7	(105.3)
Total assets less current liabilities		2,920.6	2,951.3
Non-current liabilities			
Borrowings	19	(155.1)	(163.2)
Derivative financial instruments	14	(0.6)	(2.4)
Provisions	20	(2.5)	(2.5)
Finance lease liability		(0.5)	(0.5)
		(158.7)	(168.6)
Net assets		**2,761.9**	**2,782.7**
Equity attributable to owners of the Company			
Share capital	22	155.4	155.4
Share premium reserve	22	17.3	17.3
Capital redemption reserve	23	36.3	36.3
Capital reserve:			
At 1 January		2,639.4	2,461.1
Profit for the year		45.1	227.7
Dividends paid	32	(51.0)	(49.4)
Capital reserve at 31 December	26	2,633.5	2,639.4
Revenue reserve:			
At 1 January		(82.3)	(63.5)
Loss for the year		(13.6)	(18.8)
Revenue reserve at 31 December	27	(95.9)	(82.3)
Revaluation reserve at 31 December	28	15.3	16.6
Total equity		**2,761.9**	**2,782.7**

The Company's total profit for the year was £30.2 million (2017: £208.5 million).

The financial statements on pages 45 to 50 were approved by the Board of Directors and authorised for issue on 4 March 2019.

Rothschild

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Chairman

The notes on pages 51 to 74 form part of these financial statements.

Consolidated Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Own shares reserve	Share-based payment reserve	Capital reserve	Revenue reserve	Revaluation reserve	Other reserves	Total equity
Balance at 1 January 2017	155.4	17.3	36.3	(14.4)	7.5	2,471.6	1.1	17.0	0.3	2,692.1
Profit/(loss) for the year	–	–	–	–	–	226.2	(5.7)	–	–	220.5
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(0.4)	–	(0.4)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	2.8	–	–	2.8
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	–	(0.9)	–	–	(0.9)
Other reserves	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Total comprehensive income/(expense) for the year	–	–	–	–	–	226.2	(3.8)	(0.4)	(0.3)	221.7
Dividends paid	–	–	–	–	–	(49.4)	–	–	–	(49.4)
Movement in Own shares reserve	–	–	–	(3.2)	–	–	–	–	–	(3.2)
Movement in Share-based payment reserve	–	–	–	–	(2.9)	–	–	–	–	(2.9)
Balance at 31 December 2017	**155.4**	**17.3**	**36.3**	**(17.6)**	**4.6**	**2,648.4**	**(2.7)**	**16.6**	**–**	**2,858.3**
Balance at 1 January 2018	155.4	17.3	36.3	(17.6)	4.6	2,648.4	(2.7)	16.6	–	2,858.3
Profit/(loss) for the year	–	–	–	–	–	28.7	(1.6)	–	–	27.1
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(1.3)	–	(1.3)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	(0.9)	–	–	(0.9)
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	–	0.2	–	–	0.2
Other reserves	–	–	–	–	–	–	–	–	–	–
Total comprehensive income/(expense) for the year	–	–	–	–	–	28.7	(2.3)	(1.3)	–	25.1
Dividends paid	–	–	–	–	–	(51.0)	–	–	–	(51.0)
Movement in Own shares reserve	–	–	–	4.2	–	–	–	–	–	4.2
Movement in Share-based payment reserve	–	–	–	–	(6.4)	–	–	–	–	(6.4)
Transfer to Capital reserve	–	–	–	–	1.8	(1.8)	–	–	–	–
Balance at 31 December 2018	**155.4**	**17.3**	**36.3**	**(13.4)**	**–**	**2,624.3**	**(5.0)**	**15.3**	**–**	**2,830.2**

The notes on pages 51 to 74 form part of these financial statements.

Parent Company Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2017	155.4	17.3	36.3	2,461.1	(63.5)	17.0	2,623.6
Profit/(loss) for the year	–	–	–	227.7	(18.8)	–	208.9
Revaluation loss on property, plant and equipment	–	–	–	–	–	(0.4)	(0.4)
Total comprehensive income/ (expense) for the year	–	–	–	227.7	(18.8)	(0.4)	208.5
Dividends paid	–	–	–	(49.4)	–	–	(49.4)
Balance at 31 December 2017	**155.4**	**17.3**	**36.3**	**2,639.4**	**(82.3)**	**16.6**	**2,782.7**
Balance at 1 January 2018	155.4	17.3	36.3	2,639.4	(82.3)	16.6	2,782.7
Profit/(loss) for the year	–	–	–	45.1	(13.6)	–	31.5
Revaluation loss on property, plant and equipment	–	–	–	–	–	(1.3)	(1.3)
Total comprehensive income/ (expense) for the year	–	–	–	45.1	(13.6)	(1.3)	30.2
Dividends paid	–	–	–	(51.0)	–	–	(51.0)
Balance at 31 December 2018	**155.4**	**17.3**	**36.3**	**2,633.5**	**(95.9)**	**15.3**	**2,761.9**

The notes on pages 51 to 74 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statement

Year ended 31 December £ million	Notes	Consolidated Cash Flow 2018	 2017	Parent Company Cash Flow 2018	 2017
Cash flows from operating activities:					
Cash inflow/(outflow) before taxation and interest		151.7	34.8	156.3	20.3
Interest paid		(14.9)	(12.8)	(14.9)	(12.8)
Net cash inflow/(outflow) from operating activities	33	136.8	22.0	141.4	7.5
Cash flows from investing activities:					
Sale/(purchase) of property, plant and equipment		(0.2)	(0.1)	(0.2)	(0.1)
Disposal of subsidiary		3.0[1]	(4.4)	3.0[1]	–
Investments in subsidiary undertakings		–	–	(31.5)	–
Net cash inflow/(outflow) from investing activities		2.8	(4.5)	(28.7)	(0.1)
Cash flows from financing activities:					
Purchase of ordinary shares by EBT[2]		(6.6)	(11.8)	–	–
Equity dividend paid	32	(51.0)	(49.4)	(51.0)	(49.4)
Net cash inflow/(outflow) from financing activities		(57.6)	(61.2)	(51.0)	(49.4)
Increase/(decrease) in cash and cash equivalents in the year		82.0	(43.7)	61.7	(42.0)
Cash and cash equivalents at the start of the year		122.9	170.5	118.4	164.3
Effect of foreign exchange rate changes on cash and cash equivalents		6.0	(3.9)	6.0	(3.9)
Cash and cash equivalents at the year end		**210.9**	**122.9**	**186.1**	**118.4**
Reconciliation:					
Cash at bank		210.9	122.9	186.1	118.4
Cash and cash equivalents at the year end		**210.9**	**122.9**	**186.1**	**118.4**

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

The notes on pages 51 to 74 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

Accounting policies have been consistently applied other than where new policies have been adopted. The year ended 31 December 2018 is the first year in which the following standards have been adopted:

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

The Directors have carefully considered the impact of these new standards on the Group's accounts and financial position. Neither of the standards has had a material impact for the following reasons.

IFRS 9 Financial Instruments
No material impact as:

- the Group accounts for investments, derivatives and borrowings at fair value through profit or loss (FVPL) which is an approach allowed by IFRS 9;
- all other financial assets and liabilities are accounted for at amortised cost and adoption of the expected credit loss model has not had a material impact on these balances; and
- the Group does not apply hedge accounting.

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

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

The following standard is mandatory for the Group's accounting period beginning on 1 January 2019:

- *IFRS 16 Leases*

IFRS 16 Leases will be applicable to the financial year ended 31 December 2019. IFRS 16 will primarily affect accounting by lessees and will result in the recognition of certain leases in the balance sheet as both a 'right-of-use' asset and a lease liability. The Directors are carefully considering the impact on the Group's financial results and position. It is anticipated that there will be no impact on net assets as a result of the application of IFRS 16 because the Group expects to continue to use the fair value model for leasehold investment property allowed by both IAS 40 Investment Property and also by IFRS 16 Leases.

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

The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice Financial Statements of Investment Trust Companies (the SORP) issued by the AIC in November 2014 (and updated in February 2018), is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis which complies with the recommendations of the SORP.

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

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

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

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

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

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

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. Overseas dividend income is shown net of withholding tax under investment income.

Interest income is accrued on a time basis.

Rental income from investment properties under short-term leases is accounted for on an accruals basis as it falls due.

Notes to the Financial Statements

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

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

The following are presented as capital items:

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

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

During the period under review the Board decided to alter the allocation of finance costs between the revenue and the capital columns in the income statement to better reflect the expected split of future returns between income and capital.

Whereas previously all finance costs were allocated to the revenue column, from 1 January 2018 finance costs have been allocated 20:80 to the revenue and capital columns of the income statement.

The change in allocation is not a change in accounting policy.

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

AIS awards are structured such that at least 60% of individual amounts in excess of £150,000 are paid in deferred shares of the Company which vest equally over the three years following the award. Deferred shares are valued using the prevailing market price at award, discounted by the risk-free rate to reflect the period to vest. 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. Annual awards are typically made and are measured at the fair value at grant date using a trinomial option valuation model. The cost is then recognised through the capital column of the income statement over the three-year vest period.

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

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

During the period under review the movement in equity arising under IFRS 2 Share-based Payment has been applied to the capital reserve, to better reflect the nature of the Group's share-based payment awards and to simplify disclosure. There is no change to the Group's financial performance or position as a result of this treatment.

Notes to the Financial Statements

Property, Plant and Equipment
Property, plant and equipment is shown at cost less accumulated depreciation, save as detailed below. Depreciation is calculated by the Group on a straight-line basis by reference to original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between three and four years for the majority of assets except for the Company's leasehold interest in 27 St James's Place for which the estimated useful life is 66 years. The proportion of this asset occupied by the Group is accounted for at fair value under the revaluation model allowed by IAS 16 Property, Plant and Equipment, which is intended to ensure that the carrying value of the asset is never substantially different to its fair value. The proportion of this asset not occupied by the Group is held under an operating lease and is accounted for as an Investment Property at fair value. Determination of fair value requires significant judgement and external advisers are used.

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

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

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

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

Loan Notes
Loan notes are classified as a financial liability at FVPL and are measured initially and subsequently at fair value with movements in fair value taken to the income statement as a capital item. The fair value is calculated with a discounted cash flow (DCF) model using the fixed interest and redemption payments based on the underlying contractual cash flows. The discount rate adopted reflects the prevailing market rate for similar instruments. As a result, the determination of fair value requires management judgement. Further details of the loan notes are provided on page 69.

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. All derivatives are classified as FVPL and are presented as assets when their fair value is positive, and as liabilities when their fair value is negative.

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

Share Capital
Share capital is classified as equity.

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

- the valuation of private investments (see page 53 and note 14) and property (see page 54 and note 16).

Notes to the Financial Statements

2. Investment Income

£ million	2018	2017
Income from listed investments:		
Dividends	10.8	7.3
Interest	–	0.1
Income from unlisted investments:		
Dividends	4.3	6.4
Interest	3.2	2.9
Income from investment properties	2.5	2.3
Total investment income	**20.8**	**19.0**

3. Gains/(Losses) on Fair Value Investments

£ million	2018	2017
Gains/(losses) on fair value investments excluding segregated accounts	41.3	220.9
Gross gains/(losses) on segregated accounts	(11.8)	27.3
Segregated account fees - annual	(1.8)	(2.7)
Segregated account fees - performance	0.6	(0.8)
Gains/(losses) on fair value investments held in segregated accounts	(13.0)	23.8
Gains/(losses) on fair value investments	**28.3**	**244.7**

RIT's investment policy involves the allocation of part of the portfolio to external fund managers. The vast majority of these managers operate funds where the fees are charged to the fund. These 'indirect' investment management and performance fees are therefore automatically reflected within the valuations received from the administrators or managers, and form part of the investment gains/(losses). At 31 December 2018, two funds with a value of £167.8 million (2017: £166.1 million) were structured as 'segregated accounts' (disclosed within the Investment Portfolio on pages 12 to 14), where the managers separately invoice RIT for investment management. In order to provide a consistent presentation for all external fees, these are also included within the gains/(losses), as shown above. Further details on the typical fee structures for the external funds are set out in the Directors' Report on page 41.

4. Operating Expenses

£ million	2018	2017
Staff costs:		
Wages and salaries	11.4	12.2
Social security costs	1.6	1.7
Share-based payment costs (note 25)	7.0	5.2
Pension costs (note 11)	0.8	1.0
Total staff costs	20.8	20.1
Auditors' remuneration – audit fees	0.2	0.2
Depreciation	0.6	0.5
Lease payments	0.5	0.5
Other operating expenses	6.5	7.3
Total operating expenses	**28.6**	**28.6**

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

The figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 32 to 39.

The average monthly number of employees during the year was 58 (2017: 67) of which 45 (2017: 54) were employed in consolidated subsidiaries.

5. Other Disclosable Expenses

Services provided by the Company's auditors and its associates

During the year the Group obtained the following services from the Company's auditors (2018: EY; 2017: PwC) and its associates:

£ thousand	2018	2017
Fees payable to the Company's auditors and its associates for the audit of the Parent Company and consolidated financial statements	154	110
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries	66	100
Audit-related assurance services	35	32
Tax compliance services	–	16
Total	**255**	**258**

£ thousand	2018	2017
Fees payable to the Company's auditors in respect of the RITCP Pension and Life Assurance Scheme Audit	–	10
Total	**–**	**10**

Transaction costs

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

£ million	2018	2017
Purchases	0.9	0.8
Sales	0.3	0.6
Total	**1.2**	**1.4**

Furthermore £0.3 million of professional fees (2017: £0.1 million) incurred on purchases of investments are included within gains/(losses) on investments held at fair value.

Notes to the Financial Statements

6. Business and Geographical Segments

For 2018, the Group is considered to have three principal operating segments as follows:

Segment	Business	AUM £ million[1]	Employees[1]
RIT	Investment trust	–	–
JRCM	Asset manager/ administration	2,830	44
SHL	Events/premises management	–	13

[1] At 31 December 2018

Up until the sale of GVQ Investment Management Limited (GVQ) in December 2017, the Group had operating segments as follows:

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

[1] At 31 December 2017.

[2] Sale agreed 17 December 2017 and completed 27 February 2018.

Key financial information for 2018 is as follows:

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

Key financial information for 2017 is as follows:

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

[1] Includes intra-group income and expenses.

[2] Profit before finance costs and tax.

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

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

7. Finance Costs

£ million	2018	2017
Interest on borrowings	11.0	10.3
Interest on swaps	3.7	1.9
Other finance costs	0.2	0.6
Finance costs	**14.9**	**12.8**

8. Taxation

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

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

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

The tax charge for the year differs from the effective rate of corporation tax in the UK for 2018 of 19% (2017: 19.25%). The differences are explained below:

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

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

Notes to the Financial Statements

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

The basic earnings per ordinary share for 2018 is based on the profit of £27.1 million (2017: £220.5 million) and the weighted average number of ordinary shares in issue during the year of 154.5 million (2017: 154.3 million). The weighted average number of shares is adjusted for shares held in the EBT in accordance with IAS 33.

£ million	2018	2017
Net revenue profit/(loss)	(1.6)	(5.7)
Net capital profit/(loss)	28.7	226.2
Total profit/(loss) for the year	**27.1**	**220.5**

pence	2018	2017
Revenue earnings/(loss) per ordinary share – basic	(1.0)	(3.7)
Capital earnings/(loss) per ordinary share – basic	18.6	146.6
Total earnings per share – basic	**17.6**	**142.9**

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

million	2018	2017
Weighted average number of shares in issue	154.5	154.3
Weighted average effect of dilutive share-based awards	0.5	0.6
Total diluted shares	**155.0**	**154.9**

pence	2018	2017
Revenue earnings/(loss) per ordinary share – diluted	(1.0)	(3.7)
Capital earnings/(loss) per ordinary share – diluted	18.5	146.1
Total earnings per share – diluted	**17.5**	**142.4**

10. Property, Plant and Equipment

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

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2017	15.3	(3.5)	17.0	28.8
Additions	–	–	–	–
Charge for depreciation	–	(0.5)	–	(0.5)
Revaluation gain/(loss)	–	–	(0.4)	(0.4)
Fair value at 31 December 2017	**15.3**	**(4.0)**	**16.6**	**27.9**
Of which:				
Property	13.6	(2.6)	16.6	27.6

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

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

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

11. Pension Commitments

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

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

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

11. Pension Commitments (continued)

Description of Scheme characteristics and associated risks
The Scheme operates as a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 January 2017 by a qualified independent actuary, and this was updated to 31 December 2018 for the purposes of these disclosures.

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

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

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

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

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

Defined benefit cost £'000	2018	2017
Current service cost	97	98
Net interest on net defined benefit liability/(asset)	(52)	35
Remeasurement effects recognised in the SOCI	900	(2,812)
Total (credit)/expense	**945**	**(2,679)**

Recognised in the Consolidated Income Statement £'000	2018	2017
Defined contribution schemes	719	901
Defined benefit scheme:		
Current service cost	97	98
Net interest on net defined benefit asset/(liability)	(52)	35
Total pension cost recognised in the Consolidated Income Statement	**764**	**1,034**

Recognised in the SOCI £'000	2018	2017
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	19	95
Actuarial (gain)/loss due to liability assumption changes	(974)	(1,622)
Return on Scheme assets (greater)/less than discount rate	1,855	(1,285)
Remeasurement effects recognised in the SOCI	**900**	**(2,812)**
Total (credit)/expense	**1,664**	**(1,778)**

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

	2018	2017
Discount rate	2.65%	2.55%
Price inflation (RPI)	3.45%	3.50%
Rate of salary increase	3.00%	2.00%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.35%
Pension increases for deferred benefits	3.45%	3.50%

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

Changes in the DBO £'000	2018	2017
DBO at end of prior year	23,354	24,735
Current service cost	97	98
Interest cost on the DBO	611	624
Actuarial (gain)/loss – experience	19	95
Actuarial (gain)/loss – demographic assumptions	–	(1,187)
Actuarial (gain)/loss – financial assumptions	(974)	(435)
Benefits paid from scheme assets	(723)	(576)
Total DBO	**22,384**	**23,354**

Changes in Scheme assets £'000	2018	2017
Opening fair value of the Scheme assets	25,117	22,922
Expected return on assets	663	589
Return on Scheme assets greater/(less) than discount rate	(1,855)	1,285
Employer contributions	500	897
Benefits paid	(723)	(576)
Total Scheme assets	**23,702**	**25,117**

Notes to the Financial Statements

11. Pension Commitments (continued)

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

Development of the net balance sheet position £'000	2018	2017
Net defined benefit asset/(liability) at end of prior year	1,763	(1,813)
Service cost	(97)	(98)
Net interest on defined benefit asset/(liability) at end of prior year	52	(35)
Remeasurement effects recognised in the SOCI	(900)	2,812
Employer contributions	500	897
Net defined benefit asset/(liability)	**1,318**	**1,763**

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

	2018	2017
Discount rate	2.90%	2.65%
Price inflation (RPI)	3.50%	3.45%
Rate of salary increase	3.00%	3.00%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.35%
Pension increases for deferred benefits (non GMP)	3.50%	3.45%
Scheme participant census date	31 Dec 2018	31 Dec 2017
Post retirement mortality assumption	SAPS[1]	SAPS[1]

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

Sensitivity analysis

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

£'000	2018
Defined benefit obligation	22,384

Significant actuarial assumptions at 31 December 2018

£'000	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity
Discount rate	2.40% pa	0.5% pa decrease	24,423
Price inflation (RPI)	4.00% pa	0.5% pa increase	22,606
Life expectancy	–	Increase of 1 year	23,193

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

Analysis of DBO by participant category £'000	2018
Active participants	1,433
Deferred participants	3,429
Pensioners	17,522
Defined benefit obligation	**22,384**

Fair value of Scheme assets	**23,702**

Scheme asset breakdown	Quoted securities[1]	Other	Total 2018
Equity securities	35%	13%	48%
Fixed income and credit	33%	8%	41%
Alternative investments	0%	7%	7%
Cash and liquidity/other	4%	0%	4%
Total	**72%**	**28%**	**100%**

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

12. Deferred Tax Asset

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

£ million	2018	2017
Balance at start of year	3.1	3.7
(Debit)/credit to Consolidated Income Statement	(1.3)	0.3
(Debit)/credit to SOCI	0.2	(0.9)
Balance at end of year	**2.0**	**3.1**

£ million	2018	2017
Analysis of deferred tax asset:		
Share-based payments	2.3	3.6
Accelerated capital allowances	0.1	0.1
Retirement benefit liability/(asset)	(0.4)	(0.6)
Balance at end of year	**2.0**	**3.1**

The Group had carried forward tax losses of £274 million at 31 December 2018 (2017: £245 million) that have not been recognised as a deferred tax asset, as it is unlikely that the unrecognised asset will be utilised in the foreseeable future.

13. Investments Held at Fair Value

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Listed investments:				
Listed in UK[1]	158.6	158.6	237.2	237.2
Listed overseas[1]	1,233.2	1,233.2	1,353.5	1,353.5
Subtotal	1,391.8	1,391.8	1,590.7	1,590.7
Unlisted investments[2]	1,451.6	1,403.7	1,440.9	1,422.4
Fair value of investments	**2,843.4**	**2,795.5**	**3,031.6**	**3,013.1**
Investments held at fair value	2,808.0	2,760.1	2,995.5	2977.0
Investment property	35.4	35.4	36.1	36.1
Fair value of investments	**2,843.4**	**2,795.5**	**3,031.6**	**3,013.1**

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

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

The movement in investment property during the year was a loss of £0.7 million (2017: gain of £0.6 million) as a result of the revaluation. There were no purchases or sales of investment property during the year.

14. Financial Instruments

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

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

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

The Group's policy for determining the fair value of investments (including private investments) is set out on pages 52 and 53. In relation to receivables, payables and short-term borrowings, the carrying amount is a reasonable approximation of fair value.

14.1 Financial risk management

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

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

a. Market risk

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

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

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

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

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

a(i). Price risk

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

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

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

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

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

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

£ million	31 December 2018	31 December 2017
Exposure to quoted equity price risk[1]	1,308.0	1,396.9
Exposure to other price risk	1,510.4	1,646.5
Total exposure to price risk	**2,818.4**	**3,043.4**

[1] Quoted equity price risk represented 46% of year-end net assets (2017: 49%).

Notes to the Financial Statements

14. Financial Instruments (continued)

Price risk sensitivity analysis

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

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

£ million	2018 Impact on profit & net assets	2017 Impact on profit & net assets
Quoted Equity	132.3	144.0
Other	151.0	168.1
Total	**283.3**	**312.1**

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

a(ii). Interest rate risk

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

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

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

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

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

	31 December 2018		
£ million	Floating rate	Fixed rate	Total
Portfolio investments – (debt securities)[1]	–	9.3	9.3
Cash	210.9	–	210.9
Borrowings	(275.0)	(155.1)	(430.1)
Subtotal	**(64.1)**	**(145.8)**	**(209.9)**
Derivative financial instruments (notional)	–	(1,854.5)	(1,854.5)
Total exposure	**(64.1)**	**(2,000.3)**	**(2,064.4)**

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

[1] In addition, the Group holds £167.2 million (31 December 2017: £241.6 million) in funds which predominantly invest in credit instruments. These provide indirect exposure to interest rate risk.

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

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

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

The Group has total borrowings with a fair value of £430.1 million outstanding at the year end (31 December 2017: £438.2 million). The credit facility comprising £275.0 million of this total incurs floating interest payments. The loan notes with a fair value of £155.1 million (par value of £151.0 million) have fixed interest payments. Further details are provided in note 19.

Interest rate risk sensitivity analysis

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

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

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

£ million	2018 Impact on profit & net assets	2017 Impact on profit & net assets
Total	**(7.5)**	**26.2**

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

14. Financial Instruments (continued)

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

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

Foreign currency exposure

Currency	2018 Net exposure % of NAV	2017 Net exposure % of NAV
US Dollar	38.4	43.4
Euro	8.0	13.1
Japanese Yen	6.1	0.2
Swiss Franc	4.7	1.9
Other non-Sterling	(0.8)	0.6
Total[1]	**56.4**	**59.2**

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

Currency Risk Sensitivity Analysis
The sensitivity of the Group's net assets and profit in regard to changes in key currencies is illustrated below. This is based on an assumed 10% strengthening of Sterling relative to the foreign currencies as at 31 December 2018, and assumes all other variables are held constant. A 10% weakening is assumed to produce an equal and opposite effect.

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

£ million	2018 Impact on profit & net assets	2017 Impact on profit & net assets
US Dollar	(103.4)	(87.5)
Euro	(22.6)	(20.7)
Japanese Yen	(17.4)	(0.4)
Swiss Franc	(13.4)	(5.0)
Other non-Sterling	2.3	(1.7)
Total	**(154.5)**	**(115.3)**

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

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

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

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

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

Credit risk exposure

£ million	2018	2017
Portfolio investments (debt securities)	9.3	15.6
Derivative financial instruments	32.9	55.6
Cash margin	158.0	105.7
Other receivables	90.9	17.6
Cash at bank	210.9	122.9
Exposure to credit risk	**502.0**	**317.4**

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

Management has a review process in place that included an evaluation of a potential counterparty's ability to service and repay its debt. This is considered on a regular basis. Other receivables comprise mainly balances with counterparties which are investment grade financial institutions with a short-term credit rating of A-3 or higher by S&P (2017: A-3). Oi SA (included within Portfolio Investments) has a long-term credit rating of B by S&P (2017: Not held).

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

Substantially all of the listed portfolio investments and cash at bank are held by BNP as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was A in the most recent rating prior to 31 December 2018 (year ended 31 December 2017: A).

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

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

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

The Group has two revolving credit facilities with a total capacity of £300 million (£275 million drawn) and £151 million of long-term loan notes (details of which are disclosed in note 19).

Notes to the Financial Statements

14. Financial Instruments (continued)

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 2018			
£ million	3 months or less	3-12 months	>1 year	Total
Current liabilities:				
Bank loan/overdraft	275.0	–	–	275.0
Derivative financial instruments	38.2	–	–	38.2
Purchases for future settlement	9.9	–	–	9.9
Amounts owed to group undertakings	11.8	–	–	11.8
Non-current liabilities:				
Derivative financial instruments	–	–	0.6	0.6
Borrowings	–	4.8	210.2	215.0
Financial liabilities	334.9	4.8	210.8	550.5
Other non-financial liabilities	41.4	0.4	3.0	44.8
Subtotal	376.3	5.2	213.8	595.3
Commitments	294.7	–	–	294.7
Total	**671.0**	**5.2**	**213.8**	**890.0**

	31 December 2017			
£ million	3 months or less	3-12 months	>1 year	Total
Current liabilities:				
Bank loan/overdraft	275.0	–	–	275.0
Derivative financial instruments	9.8	–	–	9.8
Purchases for future settlement	0.5	–	–	0.5
Amounts owed to group undertakings	11.6	–	–	11.6
Non-current liabilities:				
Derivative financial instruments	–	–	2.4	2.4
Borrowings	–	4.8	215.4	220.2
Financial liabilities	296.9	4.8	217.8	519.5
Other non-financial liabilities	42.4	–	3.0	45.4
Subtotal	339.3	4.8	220.8	564.9
Commitments	171.9	–	–	171.9
Total	**511.2**	**4.8**	**220.8**	**736.8**

14.2 Collateral

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

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

£ million	2018	2017
Cash margin accounts	**158.0**	**105.7**

14.3 Derivative financial instruments

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

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

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

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

Details of the unsettled derivatives at 31 December 2018 and 31 December 2017 are:

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

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

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

14. Financial Instruments (continued)

14.4 IFRS 13 Fair value measurement classification

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

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

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

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

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

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

Level 1

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

Level 2

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

Level 3

The Group considers all Private Investments, whether direct or funds, (as described on page 10 in the Investment Review) as level 3 assets, as the valuations of these assets are not based on observable market data. Where other funds invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

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

The directly-held private investments are valued on a semi-annual basis using techniques including a market approach, income approach and/or cost approach. The valuation process involves the 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 specific methodologies. The valuations will often reflect a synthesis of a number of distinct approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the company's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Borrowings at 31 December 2018 comprise bank loans and senior loan notes. The bank loans are revolving credit facilities, and are typically drawn in tranches with a duration of three months. The loans are therefore short-term in nature, and their fair value approximates their nominal value. The loan notes were issued with tenors of between 10 and 20 years with a weighted average of 16 years. They are valued on a monthly basis using a discounted cash flow model where the discount rate is derived from the yield of similar tenor UK Government bonds, adjusted for any significant changes in either credit spreads or the perceived credit risk of the Company.

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

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

Notes to the Financial Statements

14. Financial Instruments (continued)

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

As at 31 December 2018 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	250.3	1,528.7	981.1	2,760.1
Non-consolidated subsidiaries	–	–	47.9	47.9
Investments held at fair value	250.3	1,528.7	1,029.0	2,808.0
Derivative financial instruments	8.2	24.7	–	32.9
Total financial assets at FVPL	**258.5**	**1,553.4**	**1,029.0**	**2,840.9**
Non-financial assets at FVPL:				
Investment property	–	–	35.4	35.4
Financial liabilities at FVPL:				
Borrowings	–	–	(430.1)	(430.1)
Derivative financial instruments	(0.7)	(38.1)	–	(38.8)
Total financial liabilities at FVPL	**(0.7)**	**(38.1)**	**(430.1)**	**(468.9)**
Total net assets at FVPL	**257.8**	**1,515.3**	**634.3**	**2,407.4**
Property, plant and equipment				26.2
Other non-current assets				3.3
Cash at bank				210.9
Other current assets				248.9
Other current liabilities				(63.5)
Other non-current liabilities				(3.0)
Net assets				**2,830.2**

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

Movements in level 3 assets

Year ended 31 December 2018 £ million	Investments held at fair value	Investment property	Total
Opening balance	912.8	36.1	948.9
Purchases	154.1	–	154.1
Sales	(195.1)	–	(195.1)
Realised gains/(losses) through profit or loss	25.8	–	25.8
Unrealised gains/(losses) through profit or loss	168.5	(0.7)	167.8
Reclassifications	(37.1)	–	(37.1)
Closing Balance	**1,029.0**	**35.4**	**1,064.4**

During the year, a directly-held private investment with a fair value of £37.1 million was reclassified from level 3 to level 1 as a result of an IPO thereby providing a quoted price. There were no reclassifications into or out of level 2.

Level 3 Assets

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

Primary valuation method £ million	2018	2017
Third-party valuations[1]	172.6	108.8
Earnings multiple	101.2	131.5
Recent financing round[2]	59.4	2.2
Discounted cash flow	15.1	8.3
Agreed sale/offer	14.5	48.6
Other industry metrics[2]	2.2	31.9
Total	**365.0**	**331.3**

[1] Included within third-party valuations is the investment property with a fair value of £35.4 million (2017: £36.1 million), valued by JLL.

[2] Included within these methods are directly-held private investments held within the non-consolidated subsidiaries with a total of £2.9 million (2017: £4.4 million).

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

In addition to the above assets, the non-consolidated subsidiaries are held at their fair value of £47.9 million (2017: £18.5 million) representing £34.8 million of portfolio investments (2017: £5.4 million) and £13.1 million of remaining assets and liabilities (2017: £13.1 million). A 5% change in the value of assets would result in a £2.4 million or 0.08% (2017: £0.9 million, 0.03%) change in NAV.

The remaining investments classified as level 3 were valued using third-party valuations from a GP, administrator or fund manager of £654.4 million (2017: £603.5 million). A 5% change in the value of assets would result in a £32.7 million or 1.16% (2017: £30.2 million, 1.06%) change in NAV.

Notes to the Financial Statements

14. Financial Instruments (continued)

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

Primary valuation method	Sensitivity analysis
Third-party valuations	A 5% change in the value of assets would result in a £8.6 million or 0.30% (2017: £5.4 million, 0.19%) change in NAV.
Earnings multiple	Assets in this category are valued using a multiple of 4.2x for EV/Sales and a range of 5.0x - 11.1x for EV/EBITDA. If the multiple used for valuation purposes is increased or decreased by 5% then the NAV would increase/decrease by £5.1 million or 0.18% (2017: £6.6 million, 0.23%).
Recent financing round	A 5% change in the value of assets would result in a £3.0 million or 0.10% change (2017: £0.1 million, 0.01%).
DCF	Assets in this category are valued using a weighted average cost of capital range of 20% - 30%. A 1% increase/decrease in the underlying discount rate would result in a decrease/increase in the NAV of £0.4 million or 0.02% (2017: £0.3 million, 0.01%).
Agreed sale/offer	A 5% change in the value of assets would impact the NAV by £0.7 million or 0.03% (2017: £2.4 million, 0.08%).
Other industry metrics	A 5% change in the value of these assets would result in a £0.1 million or a 0.004% (2017: £1.7 million, 0.06%) change in NAV.
Property valuations	The properties are valued using freehold/freehold equivalent weighted average capital values of £2,452 per sq ft (2017: £2,420 per sq ft) developed from rental yields and supported by recent sales. A £25 per sq ft increase/decrease in capital values would result in a £0.3 million increase/decrease in fair value (2017: £0.3 million increase/decrease).

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

As at 31 December 2017 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	218.9	1,863.8	894.3	2,977.0
Non-consolidated subsidiaries	–	–	18.5	18.5
Investments held at fair value	218.9	1,863.8	912.8	2,995.5
Derivative financial instruments	7.5	48.1	–	55.6
Total financial assets at FVPL	**226.4**	**1,911.9**	**912.8**	**3,051.1**
Non-financial assets at FVPL:				
Investment property	–	–	36.1	36.1
Financial liabilities at FVPL:				
Borrowings	–	–	(438.2)	(438.2)
Derivative financial instruments	(3.6)	(8.6)	–	(12.2)
Total financial liabilities at FVPL	**(3.6)**	**(8.6)**	**(438.2)**	**(450.4)**
Total net assets at FVPL	**222.8**	**1,903.3**	**510.7**	**2,636.8**
Property, plant and equipment				27.9
Other non-current assets				4.9
Cash at bank				122.9
Other current assets				123.4
Other current liabilities				(54.6)
Other non-current liabilities				(3.0)
Net assets				**2,858.3**

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

Notes to the Financial Statements

14. Financial Instruments (continued)

14.5 Capital management

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

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

The Company is subject to externally imposed capital requirements:

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

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

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

The Group's capital at 31 December 2018 and 31 December 2017 comprised:

£ million	2018	2017
Equity share capital	155.4	155.4
Retained earnings and other reserves	2,674.8	2,702.9
Net asset value	2,830.2	2,858.3
Borrowings	430.1	438.2
Total capital	**3,260.3**	**3,296.5**

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

15. Financial Commitments

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

	31 December 2018		31 December 2017	
£ million	Group	Company	Group	Company
Commitments[1]	**294.7**	**294.7**	**171.9**	**171.9**

[1] Principally uncalled commitments to private funds.

16. Investment Property

£ million	2018	2017
Rental income from investment properties	2.4	2.3
Direct operating expenses arising from investment properties that generated rental income during the year	(1.7)	(1.6)

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

£ million	2018	2017
Within one year	0.4	0.4
Between one and five years	0.8	1.0
Over five years	7.1	7.5

Under non-cancellable operating leases the Group and Company will receive the following amounts over the periods described:

£ million	2018	2017
Within one year	1.5	1.0
Between one and five years	3.3	0.7
Over five years	–	–

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

RIT leases Spencer House from the Spencer Trustees (the Trustees). The terms of this lease include provisions such that: any assignment or sale of the lease can occur only with the consent of the Trustees, limits on event frequency and that the Trustees retain certain (de minimis) usage rights over the 'fine rooms'. RIT is required to externally redecorate every three years and to internally redecorate every seven years. The property is open to the public for viewing every Sunday, except during August. The investment property portfolio is valued by JLL on a six-monthly basis in accordance with Valuation – Professional Standards issued by the Royal Institution of Chartered Surveyors (RICS) on the basis of open market value. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2018.

17. Other Receivables

	31 December 2018		31 December 2017	
£ million	Group	Company	Group	Company
Cash margin	158.0	158.0	105.7	105.7
Amounts receivable	2.8	2.5	2.7	2.6
Prepayments and accrued income	2.8	2.5	3.1	2.8
Sales for future settlement	50.0	50.0	11.8	11.8
Unsettled investment subscriptions	35.3	35.3	–	–
Total	**248.9**	**248.3**	**123.3**	**122.9**

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

Notes to the Financial Statements

18. Related Party Transactions

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

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

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

The Group has agreements with these related parties covering the provision and receipt of investment advisory, administrative and curatorial services. Under these arrangements the Group received £540,587 (2017: £603,345) and paid £246,625 (2017: £288,220).

Certain of these related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services earned by the Group for 2018 amounted to £366,805 (2017: £326,235).

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 £68,933 (2017: £70,460).

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group in 2018 for rent was £59,172 (2017: £59,750).

The balance due by the Group to the parties related to Lord Rothschild and/or Hannah Rothschild at 31 December 2018 was £14 (31 December 2017: £760), and the balance due to the Group from the related parties was £12,898 (31 December 2017: £25,706).

Over the year the Group earned £11,002 from Lord Rothschild for property maintenance services (2017: £5,161).

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

Other

For the year ended 31 December 2018 the Group received £21,351 in director's fees from investee companies for the services of JRCM senior management (2017: £90,888).

The Company has an arm's length agreement with Spencer House Partners LLP (SHP), of which Jeremy Sillem is a member, for the provision of corporate finance advisory services. Since his appointment RIT has paid £127,500 in respect of these services. SHP also rents space in one of the Company's properties on an arm's length basis and over the same period paid rent of £137,317.

Group undertakings

JRCM acts as the Company's manager, administrator and corporate secretary. During the year ended 31 December 2018, the charge for these services from JRCM to the Company amounted to £36.6 million (2017: £33.2 million). JRCM incurred rent charges of £0.6 million (2017: £0.6 million) from the Company. During the year SHL (also a wholly-owned subsidiary of the Company) earned revenues of £0.1 million from JRCM (2017: £0.1 million) and revenues of £1.4 million from the Company (2017: £1.5 million) for the provision of office and property management services.

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

£ million	Amounts owed by group undertakings 2018	2017
Other subsidiaries	–	0.1
Total	**–**	**0.1**

£ million	Amounts owed to group undertakings 2018	2017
JRCM	(54.6)	(61.8)
RIT Capital Partners Associates Limited	(8.0)	(8.0)
J. Rothschild Capital Management US, Inc	(3.5)	(3.3)
Other subsidiaries	(0.3)	(0.2)
Total	**(66.4)**	**(73.3)**

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in note 11. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2018 (31 December 2017: £nil).

Directors and key management personnel

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

£ million	2018	2017
Short-term employee benefits	5.7	4.2
Other long-term employee benefits	–	2.0
Share-based payment	5.7	3.6
Total	**11.4**	**9.8**

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

The Group has no ultimate controlling party.

Notes to the Financial Statements

19. Borrowings

£ million	Group and Company 2018	2017
Unsecured loans payable within one year:		
Revolving credit facilities	275.0	275.0
Unsecured loans payable in more than one year:		
Fixed rate loan notes	155.1	163.2
Total borrowings	**430.1**	**438.2**

At 31 December 2018 the Company had two revolving credit facilities; a fully drawn facility of £150 million with National Australia Bank (expires 20 December 2019) and £125 million drawn out of a £150 million facility with Commonwealth Bank of Australia (that was renewed, following a tender process, for a further 5-year term in December 2018, expiring on 19 December 2023). The fair value and par value of these borrowings is £275 million (2017: £275 million). A change in interest rates is not expected to have a significant impact on the fair value of the revolving credit facilities. These are both flexible as to currency, duration and number of drawdowns, and bear interest linked to the three-month LIBOR rate (or equivalent) relevant to the drawn currency. As they are drawn in tranches with tenors less than one year they are classified within current liabilities. No bank loans are held within subsidiaries. The overall effective interest rate on these borrowings is 2.41% (2017: 1.94%).

On 1 June 2015 the Company issued £151 million of fixed rate loan notes with tenors between 10 and 20 years and coupons from 3.00% to 3.56%. These notes are held at fair value and pay interest on a semi-annual basis. The fair value of this debt is £155.1 million (2017: £163.2 million) calculated using a discount rate of 3.20% (2017: 2.72%), and with a par value of £151.0 million (2017: £151.0 million). A 5% increase/decrease in the underlying discount rate would result in an increase/decrease in the NAV of £2.4 million (2017: £2.3 million) or 0.08% (2017: 0.08%). The weighted average interest rate payable on these notes is 3.45% and their remaining weighted average tenor is 12.2 years.

Overall, the weighted average interest rate at the end of the year was 2.78% (2017: 2.48%).

20. Provisions

Group and Company £ million	Nature of provision Indemnity	Investments	Total
1 January 2018	1.1	1.4	2.5
Additional provision	0.3	–	0.3
Amounts utilised	(0.3)	–	(0.3)
31 December 2018	1.1	1.4	2.5

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

No provisions for liabilities and charges have been made in subsidiary entities in the current year (2017: £nil). As at 31 December 2018 there are no provisions in respect of investments which are expected to settle within the next 12 months (2017: £nil).

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 substantially incurred before 2027 and the indemnity provision has been based on the Company's share of the projected costs.

Investment provision

This provision represents the potential repayment of previously received carried interest distributions that would need to be made if the underlying investments were sold at their current carrying value.

21. Other Payables

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Accruals	9.7	0.9	6.5	1.9
Other creditors	32.1	31.9	35.9	35.4
Purchases for future settlement	9.9	9.9	0.5	0.5
Total	**51.7**	**42.7**	**42.9**	**37.8**

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

22. Share Capital and Share Premium

£ million	2018	2017
Allotted, issued and fully paid:		
155,351,431 ordinary shares of £1 each (31 December 2017: 155,351,431)	155.4	155.4
Share premium	17.3	17.3

The Company has one class of ordinary shares which carry no right to fixed income. The share premium relates to the issuance of 1,516,179 shares for consideration of 1,239 pence per share in 2012. The share capital and share premium are not distributable.

23. Capital Redemption Reserve

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Balance at start of year	36.3	36.3	36.3	36.3
Movement during the year	–	–	–	–
Balance at end of year	**36.3**	**36.3**	**36.3**	**36.3**

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

24. Own Shares Reserve

£ million	2018	2017
Opening cost	(17.6)	(14.4)
Own shares acquired	(6.6)	(11.8)
Own shares transferred	10.8	8.6
Closing cost	**(13.4)**	**(17.6)**

Notes to the Financial Statements

24. Own Shares Reserve (continued)

The Group has established an Employee Benefit Trust (EBT) which purchases shares in order to meet the anticipated value of equity-settled, share-based awards. At the year end, the EBT held 759,273 shares with a cost of £13.4 million and market value of £14.5 million (2017: 1,052,679 shares, cost £17.6 million, market value £20.7 million). The Own Shares Reserve is not distributable.

25. Share-based payments

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

The features of the Group's share-based awards for Executive Directors are described in the Director's Remuneration Report on pages 32 to 39. Employee awards include Share Appreciation Rights (SARs) and performance shares (both of which vest based on market-based performance conditions and subject to continued service). The performance conditions are designed to reinforce the Company's KPIs: SARs vest based on RIT's TSR exceeding RPI+3.0% and performance shares are divided into two tranches, with proportionate vesting based on the extent to which the TSR outperforms RPI+3.0% or the ACWI.

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

The total expense for share-based awards recognised in the Consolidated Income Statement was £7.0 million (2017: £5.2 million) of which £2.6 million related to SARs and performance shares, and £4.4 million related to deferred shares.

The movement in share-based awards outstanding is as follows:

Number (thousand)	2018	2017
Outstanding at the start of the year:		
SARs/performance shares	3,716	3,497
Deferred shares	460	401
Total	4,176	3,898
Granted during the year:		
SARs/performance shares	1,807	1,208
Deferred shares	123	215
Total	1,930	1,423
Exercised:		
SARs/performance shares	(1,256)	(894)
Deferred shares	(226)	(156)
Total	(1,482)	(1,050)
Lapsed/forfeited:		
SARs/performance shares	(58)	(95)
Deferred shares	–	–
Total	(58)	(95)
Outstanding at the end of the year:		
SARs/performance shares	4,209	3,716
Deferred shares	357	460
Total	4,566	4,176
SARs exercisable at year end	349	686
Intrinsic value exercisable at year end (£ million)	**1.8**	**5.7**

For share-based awards granted during the year, the weighted average fair value was 400 pence (2017: 480 pence).

The main assumptions adopted in the valuation of the share-based awards with performance conditions attached were:

Valuation methodology	Trinomial[1]	Monte carlo[2] simulation
Share price at issue (pence)	1,958	1,900
Strike price	1,958	–
Expected volatility pa[3]	14.1%	11.3% - 14.7%
Expected life (years)	4.5	1 - 7
Dividend yield	1.6%	1.6%
Risk-free rate[4]	1.33%	0.95% - 1.42%

[1] Used to estimate the fair value of SARs.

[2] Used to estimate the fair value of performance shares.

[3] Expected volatility was determined by reviewing the historical share price volatility over a period matching the expected life of the awards.

[4] The risk-free rate uses the Sterling Benchmark Swap Curve for a duration matching the expected life of the awards.

During the year, the performance condition associated with certain historical performance share awards was amended, with the result that their fair value increased by £0.5 million, of which £0.2 million was recognised in the cost for the year. The pre and post amendment valuations of these awards were performed using the monte carlo simulation detailed above.

Share-based awards with only service conditions attached (deferred shares) were valued using the prevailing market price, discounted by the risk-free rate over the period to vest.

During 2018, the movement in equity arising from share-based awards has been applied to the capital reserve, to better reflect the nature of the Group's share-based payment awards and to simplify disclosure. There was no change to the Group's financial performance or position as a result of this treatment.

Share-based Payment Reserve	2018	2017
Balance at start of year	4.6	7.5
Movement in Share-based payment reserve	(6.4)	5.2
Transfer to retained reserve	–	(8.1)
Transfer to capital reserve	1.8	–
Balance at end of year	**–**	**4.6**

Notes to the Financial Statements

26. Capital Reserve

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Balance at start of year	2,648.4	2,639.4	2,471.6	2,461.1
Gains/(losses) for the year	46.5	61.6	230.8	232.6
Dividend paid	(51.0)	(51.0)	(49.4)	(49.4)
Other capital items	(18.3)	(16.5)	(4.9)	(4.9)
Taxation	(1.3)	–	0.3	–
Total capital return	(24.1)	(5.9)	176.8	178.3
Balance at end of year	**2,624.3**	**2,633.5**	**2,648.4**	**2,639.4**

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

£ million	2018	2017
Capital Reserve:		
In respect of investments realised	1,919.9	1,812.7
In respect of investments held	713.6	826.7
Balance at end of year	**2,633.5**	**2,639.4**

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

27. Revenue Reserve

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Balance at start of year	(2.7)	(82.3)	1.1	(63.5)
Profit/(loss) for the year	(1.6)	(13.6)	(5.7)	(18.8)
Actuarial gain/(loss)	(0.9)	–	2.8	–
Deferred tax (charge)/credit	0.2	–	(0.9)	–
Balance at end of year	**(5.0)**	**(95.9)**	**(2.7)**	**(82.3)**

As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate income statement or statement of comprehensive income. The Company's revenue loss after tax amounted to £13.6 million (2017: revenue loss £18.8 million). The Company's total profit for the year was £30.2 million (2017: £208.5 million profit).

28. Revaluation Reserve

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Balance at start of year	16.6	16.6	17.0	17.0
Revaluation gain/(loss) on property, plant and equipment	(1.3)	(1.3)	(0.4)	(0.4)
Balance at end of year	**15.3**	**15.3**	**16.6**	**16.6**

The Revaluation Reserve is not distributable.

29. Other Reserves

£ million	31 December 2018 Group	Company	31 December 2017 Group	Company
Balance at start of year	–	–	0.3	–
Movement during the year	–	–	(0.3)	–
Balance at end of year	**–**	**–**	**–**	**–**

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

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

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

31 December	2018	2017
Net assets (£ million)	2,830.2	2,858.3
Number of shares in issue (million)	155.4	155.4
Own shares (million)	(0.4)	(0.6)
Subtotal (million)	155.0	154.8
Effect of dilutive potential ordinary shares in respect of share-based payments (million)	0.4	0.6
Diluted shares (million)	**155.4**	**155.4**

31 December	2018 pence	2017 pence
Net asset value per ordinary share – basic	1,827	1,847
Net asset value per ordinary share – diluted	1,821	1,839

31. Investments in Subsidiary Undertakings

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

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

The Company's investments in subsidiary undertakings are stated at cost or fair value as appropriate.

Notes to the Financial Statements

31. Investments in Subsidiary Undertakings (continued)

At 31 December 2018 the Company held investments in the following subsidiary undertakings which, unless otherwise stated, are wholly-owned, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

In accordance with IFRS 10, the Group consolidates its Manager and subsidiary, JRCM:

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

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

In accordance with IFRS 10, the Group holds the following subsidiaries at fair value at 31 December 2018:

Name	Principal place of business	Ownership interest
RIT Capital Partners Associates Limited[1,2]	England	100.0%
RIT Capital Partners Trading Limited[1,2]	England	100.0%
Spencer House Limited[1]	England	100.0%
RIT US Value Partnership LP[1]	England	100.0%
RIT Investments GP Limited[3,4]	Scotland	100.0%
J. Rothschild Capital Management US Inc[5]	United States	100.0%
RIT Investments US Inc[4,5]	United States	100.0%
RIT US Holdings LLP[4,5]	United States	100.0%

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

[2] In liquidation.

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

[4] Held indirectly.

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

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

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

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

32. Dividends

	2018 Pence per share	2017 Pence per share	2018 £ million	2017 £ million
Dividends paid in year	**33.0**	**32.0**	**51.0**	**49.4**

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

On 26 February 2018 the Board declared a first interim dividend of 16.5 pence per share in respect of the year ended 31 December 2018 that was paid on 30 April 2018. A second interim dividend of 16.5 pence per share was declared by the Board on 6 August 2018 and paid on 31 October 2018.

The Board declares the payment of a first interim dividend of 17 pence per share in respect of the year ending 31 December 2019. This will be paid on 30 April 2019 to shareholders on the register on 5 April 2019, and funded from the accumulated capital profits.

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

£ million	Group 2018	2017
Profit/(loss) before dividend and interest income, finance costs and taxation	25.0	216.4
Dividend income	15.1	13.7
Interest income	3.2	3.0
Profit/(loss) before finance costs and taxation	**43.3**	**233.1**
(Increase)/decrease in other receivables	(128.5)	59.7
Increase/(decrease) in other payables	9.0	(18.3)
Other movements	59.3	(151.1)
(Gains)/losses on borrowings	(8.1)	6.8
Purchase of investments held at fair value	(546.4)	(812.5)
Sale of investments held at fair value	910.7	776.5
(Gains)/losses on fair value investments	(187.6)	(59.4)
Interest paid	(14.9)	(12.8)
Net cash inflow/(outflow) from operating activities	**136.8**	**22.0**

£ million	Company 2018	2017
Profit/(loss) before dividend and interest income, finance costs and taxation	28.1	203.1
Dividend income	15.1	15.7
Interest income	3.2	3.0
Profit/(loss) before finance costs and taxation	**46.4**	**221.8**
(Increase)/decrease in other receivables	(125.2)	54.9
Increase/(decrease) in other payables	4.9	(13.4)
Other movements	0.3	(35.0)
(Gains)/losses on borrowings	(8.1)	6.8
Purchase of investments held at fair value	(516.3)	(812.5)
Sale of investments held at fair value	940.6	776.5
(Gains)/losses on fair value investments	(186.3)	(178.8)
Interest paid	(14.9)	(12.8)
Net cash inflow/(outflow) from operating activities	**141.4**	**7.5**

Notes to the Financial Statements

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

Reconciliation of liabilities arising from financing activities:

£ million	2018	Non-cash changes in fair value	2017
Borrowings – current	(275.0)	–	(275.0)
Borrowings – non-current	(155.1)	8.1	(163.2)
Total	**(430.1)**	**8.1**	**(438.2)**

34. Material Investments and Related Undertakings

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

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

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

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

Further to the disclosures in note 31 (investments in subsidiary undertakings), the table on the following page shows a list of significant related undertakings of the Group as at 31 December 2018. For the investments shown the principal place of business is considered to be the place of registration and the proportion of voting rights held is equivalent to the ownership interest.

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

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

34. Material Investments and Related Undertakings (continued)

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

Disclosed below for the year end 31 December 2018 are:

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

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

Name	Place of registration	Registered address	Fair value £ million	% interest
1992 Co-Invest (Offshore) LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	15.7	49.7%
Augmentum Fintech plc	England & Wales	25 Southampton Buildings, London WC2A 1AL	18.3	20.0%
BlackRock Emerging Markets Flexible Fund, Class R	Ireland	JP Morgan House, International Financial Services Centre, Dublin 1	85.8	100.0%
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	88.6	28.0%
Blumberg Capital 1 LP	Delaware, USA	580 Howard Street, Suite 401, San Francisco, California 94105	1.3	56.1%
BTG Pactual Global Derivatives Opportunities Fund Founder Series D1	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	37.5	90.9%
BX-B Ribbit Opportunity IV, LLC	Delaware, USA	1209 Orange Street, Wilmington, Delaware 19801	3.8	22.9%
BX-C Ribbit Opportunity IV, LLC	Delaware, USA	1209 Orange Street, Wilmington, Delaware 19801	0.5	29.2%
Darwin Private Equity I LP	Scotland	50 Lothian Road, Festival Square, Edinburgh EH3 9WJ	8.5	23.9%
Discovery Capital Holdings, Class A	Ireland	The Anchorage, 17-19 Sir John Rogerson's Quay, Dublin 2	17.1	24.1%
Dukes Investments Ltd [1]	Cayman Islands	87 Mary Street, George Town, Grand Cayman KY1-9005	0.0	49.9%
Eisler Capital Fund Ltd, R Shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	147.1	54.0%
Emerging India Focus Funds – Class E	Mauritius	5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	43.3	28.3%
Emso EOSF1 Ltd Class A, Series 04/17	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	48.4	77.4%
Firebird Mongolia Fund (Cayman) Ltd, Class A	Cayman Islands	PO Box 847, George Town, Grand Cayman KY1-1103	0.8	29.5%
Firebird New Russia Fund Ltd, Class A1	Cayman Islands	PO Box 847, George Town, Grand Cayman KY1-1103	3.9	24.9%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	77.4	100.0%
Green Park Ventures LP [1]	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	1.2	49.9%
ICQ CS Main Fund LP	Cayman Islands	PO Box 2681, Hutchins Drive, Grand Cayman KY1-1111	28.1	27.6%
ICQ Holdings 6 LLC	Delaware, USA	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	39.4	100.0%
Infinity SDC Ltd [1]	England & Wales	500-600 Witan Gate West, Milton Keynes MK9 1SH	14.5	23.9%
Lansdowne Energy Dynamics Fund Limited, Class B Non Restricted Sterling shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	21.7	44.5%
Lansdowne NE Fund, Unhedged Non-Restricted Absolute Shares	Ireland	2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2	43.2	70.0%
Martin Currie Japan Absolute Return Fund, Class A	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	83.5	56.3%
Media Technology Ventures IV LP	California, USA	185 Berry Street, Suite 3600, San Francisco, California 94107	1.7	38.5%
MR Argent Offshore Fund CB 02 LP	Cayman Islands	27 Hospital Road, George Town, Grand Cayman KY1-9008	103.6	63.8%
MSD European Opportunity Fund Ltd, Class AA1-1	Cayman Islands	PO Box 484, 68 West Bay Road, Grand Cayman KY1-1106	0.7	100.0%
MSD Mortgage Partners Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	14.4	78.8%
Palm Lane Opportunities Fund (Cayman), Ltd – Series C GBP – Series 1	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	9.4	100.0%
RR Capital Partners LP	Delaware, USA	One Maritime Plaza, Suite 2100, San Francisco, California 94111	0.7	20.5%
Sand Grove Tactical Fund LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	46.6	67.6%
Social Capital Public Equity Partners Offshore Fund Ltd	Cayman Islands	4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010	0.5	31.8%
Springs Opportunities Fund LP, Series A	Cayman Islands	4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010	70.8	58.0%
Tekne Long Only Offshore Fund, Class A-N, Series A1-N	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	43.9	58.9%
Tekne Offshore Fund, Ltd	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	4.5	60.0%
Trian Partners Ltd, Class 5YOER	Cayman Islands	PO Box 31113, Gardenia Court, Grand Cayman KY1-1205	30.7	88.2%
Tribeca Global Natural Resources Feeder Fund Class A Participating Shares Unrestricted	Cayman Islands	27 Hospital Road, George Town, Grand Cayman KY1-9008	19.1	26.4%
Xander Seleucus II LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	0.2	41.9%
Xander Seleucus LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	0.1	43.3%
Xander Seleucus Retail LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	2.4	48.8%

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

Independent Auditors' Report

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

Report on the audit of the Financial Statements

Opinion

In our opinion:

- RIT Capital Partners plc's (the "Group") Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU");
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Group	*Parent Company*
Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year to 31 December 2018	Parent Company Balance sheet as at 31 December 2018
Consolidated Balance Sheet as at 31 December 2018	Parent Company Statement of Changes in Equity for the year to 31 December 2018
Consolidated Statement of Changes in Equity for the year to 31 December 2018	Consolidated and Parent Company Cash Flow Statement for the year to 31 December 2018
Consolidated and Parent Cash Flow Statement for the year to 31 December 2018	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

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

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 15 to 17 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 18 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 18 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 18 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• The risk of incorrect valuation of direct private investments. • The risk of incorrect valuation of illiquid fund investments. • The risk of inaccurate recognition of investment income and gains/(losses) on fair value investments. • The risk of incomplete or inaccurate related party disclosures.
Audit scope	• The Group is principally managed from one location in London. All core functions, including finance and operations, are located in London. • The Group comprises one consolidated subsidiary and eight subsidiaries held at fair value. Monitoring and control over the operations of these subsidiaries, including those located overseas, is centralised in London. • The London based Group audit team directly performed audit procedures on all items material to the Group and Parent Company financial statements.
Materiality	• Overall Group materiality of £28.3 million which represents 1% of net assets.

Key audit matters

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

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

Risk	*Our response to the risk*
The risk of incorrect valuation of direct private investments (£297.8m of risk, PY comparative £259.8m) Refer to the Audit and Risk Committee Report (page 29); Accounting policies (page 53); and Note 14 of the Consolidated Financial Statements (page 60) The valuations of direct private investments are material, complex and include estimates and significant judgments. The valuation of direct private investments is prepared by Management of J. Rothschild Capital Management Limited "JRCM Management") and the final valuations are reviewed and approved by the Valuation Committee. We focus on the valuation of direct private investments because there is the risk that inaccurate judgments made by JRCM Management or the Valuation Committee in the assessment of fair value could materially misstate the investment portfolio in the Balance Sheet. The valuations are based on the nature of the underlying business which has been invested in. The methods used include: • applying a multiple to earnings and revenues; • using a discounted cash flow model; and • using recent transaction prices and recent offers.	We obtained an understanding of JRCM Management's processes and controls for determining the fair valuation of direct private investments. We evaluated the design and implementation of controls. This included reviewing the valuation governance structure and protocols around their oversight of the valuation process. We corroborated our understanding by reading minutes, board papers and attending Valuation Committee meetings. We compared JRCM Management's valuation methodology against applicable reporting frameworks, including IFRS Fair Valuation Principles and the International Private Equity and Venture Capital ("IPEV") Guidelines. We sought explanations from JRCM Management where there were judgments applied in its application of the guidelines and assessed their appropriateness. With the assistance of our valuations specialists, we formed an independent range for the key assumptions used in the valuation of a sample of direct private investments, with reference to relevant industry and market valuation considerations. We derived our ranges of fair values using our assumptions and other qualitative risk factors. We compared these ranges to JRCM Management's fair values, and discussed our results with both JRCM Management and the Audit and Risk Committee. On a sample comprising 95.7% of the fair value of direct private investments, we corroborated key inputs into the valuation models, such as earnings to source data. For this sample, we have: • challenged the assumptions made by JRCM Management in the application of the valuation models; • assessed the suitability of earnings multiples, including adjustments made to reflect the differences between the selected comparable companies and the investee company; • challenged the appropriateness of discount rates applied in discounted cash flow valuation models; • tested the mathematical accuracy of the valuation models; and • compared the fair valuation to recently completed market transactions or recent offers where relevant. We discussed with JRCM Management the rationale for any differences between the exit prices of investments realised during the year and the prior year fair value, to further verify the reasonableness of the current year valuation models and methodology adopted by JRCM Management.

Key observations communicated to the Audit and Risk Committee

The valuation of the direct private investments was found to be reasonable.

All valuations tested were found to be carried in accordance with IFRS and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines).

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

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

Risk	*Our response to the risk*
The risk of incorrect valuation of illiquid fund investments (£1,102.2m of risk, PY comparative £1,077.9m) Refer to the Audit and Risk Committee Report (page 29); Accounting policies (page 53); and Note 14 of the Consolidated Financial Statements (page 60) The valuations of illiquid fund investments are material and can include exposures to underlying investments for which there may be limited observable information for the purpose of determining their fair valuation. The valuations of illiquid fund investments are determined by the governing bodies of the investment funds, which typically involved the underlying fund manager. The valuations are provided to the Group and assessed by JRCM Management. We focus on the valuation of illiquid fund investments because there is the risk that inaccurate judgments made by JRCM Management or the Valuation Committee in the assessment of fair value could materially misstate the investment portfolio in the Balance Sheet.	We obtained an understanding of JRCM Management's processes and controls for determining the fair valuation of illiquid fund investments. We evaluated the design and implementation of controls. This included discussing with JRCM Management the process around their oversight of the valuations performed by the underlying funds and the role of the Valuation Committee which we observed by attending the half year and year end meetings. On a sample basis, we have: • confirmed the most recently available fund valuation to third party statements, including from the General Partner, fund manager or fund administrator; • for all Level 3 classified investment funds and a sample of Level 2 investments funds, we assessed prior year valuations which were based on unaudited net asset statements by reference to their respective audited financial statements. We have investigated and obtained explanations for any differences above our threshold; • for new fund investments invested in the year, we obtained and assessed the due diligence performed by JRCM Management; and • where the most recently available fund valuation is not at the valuation date, we have agreed transactions since that date. We challenged JRCM Management on the IFRS 13 levelling classification of the illiquid fund portfolio, focusing on those which are considered to be subjective. This included selecting a sample of Level 2 investment fund holdings, for which the judgment is made considering the nature of the underlying investments of the fund, to review their prior year financial statements and confirm appropriate levelling classification.

Key observations communicated to the Audit and Risk Committee
The valuation of the illiquid fund investments was found to be reasonable and materially in accordance with IFRS. Based on our procedures performed we had no matters to report to the Audit and Risk Committee.

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

Risk	*Our response to the risk*
The risk of inaccurate recognition of investment income and gains/(losses) on fair value investments (£49.1m of risk, PY comparative £263.7m) Refer to the Audit and Risk Committee Report (page 29); Accounting policies (page 51); and Notes 2 and 3 of the Consolidated Financial Statements (page 55) The accuracy of the recognition and measurement of income is important to the Group's financial statements. Shareholder expectations may place pressure on JRCM Management to influence the recognition of revenue. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. The Group's income primarily consists of investment income and gains/(losses) on fair valued investments, including; investment properties, illiquid fund investments, direct private investments and derivatives.	We obtained an understanding of JRCM Management's processes and controls around the investment income process and valuation process to ascertain whether realised and unrealised gains/(losses) are appropriately calculated. We evaluated the design and implementation of controls. For gains/(losses) on fair value investments, on a sample basis, we have: • recalculated the unrealised gains/(losses) on fair value investments, considering the procedures performed on the valuations outlined in the key audit matters above where relevant; • agreed a sample of purchases and sales of investments during the year to trade tickets, call and distributions notices, and bank statements; • recalculated realised gain/(losses) from disposals of investments in the year; and • agreed a sample of the distributions received from unlisted investments to the notices received from the fund managers and/or General Partners, and to the bank statements to gain assurance over the occurrence, appropriate classification and measurement. For investment income, on a sample basis, we have: • agreed dividend income for listed investments to an independent source and for unlisted investments to supporting documentation; • agreed accrued dividends at the period end to post year end bank statements and an external pricing source for occurrence and measurement; • recalculated interest income and income from investment properties based on the terms of the underlying agreements; and • tested the completeness of income receipts by verifying that any income declared during the period per an independent source had been correctly recorded as an income receipt.

Key observations communicated to the Audit and Risk Committee

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

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

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

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

Risk	*Our response to the risk*
The risk of incomplete or inaccurate related party disclosures Refer to the Audit and Risk Committee Report (page 30); and Note 18 of the Consolidated Financial Statements (page 68) Due to the number and nature of the Group's related parties there is a risk that the list of related party transactions identified by JRCM Management is not complete. This is a key focus of the Group's Conflicts Committee.	We obtained an understanding of JRCM Management's processes and controls around the identification of related parties and related party transactions. For related parties, we have: • reviewed minutes of the Group's Conflicts Committee who monitor all arrangements with related parties; • reviewed the Conflicts Committee Report for the period ended 30 September 2018 which details all relevant members of the Rothschild family as well as Directors and Company affiliates of the Rothschild family; • inspected JRCM Management's list of related parties and related party transactions for completeness, considering our knowledge gained throughout the audit; • haphazardly tested a sample of journal entries to assess the completeness of the related parties disclosures associated with the underlying transactions; • agreed related party transactions to supporting documentation; • obtained representations from the Directors regarding the completeness and accuracy of related party disclosures; and • reviewed the accuracy and completeness of the related party disclosures within the financial statements.

Key observations communicated to the Audit and Risk Committee

Our audit procedures did not identify any material inconsistencies between the reported related parties and our testing throughout our audit.

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

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

An overview of the scope of our audit

Tailoring the scope

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

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

There were no component audit teams.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £28.3 million, which is 1% of net assets. We have derived our materiality calculation based on net assets as we consider it is the most relevant measure to the stakeholders of the entity. The predecessor auditor, PricewaterhouseCoopers LLP, set their materiality at £50 million, being 1.75% of net assets, for the Group's 31 December 2017 audit.

We determined materiality for the Parent Company to be £27.6 million, which is 1% of net assets. The predecessor auditor, PricewaterhouseCoopers LLP, set their materiality at £48.7 million, being 1.75% of net assets, for the Parent Company's 31 December 2017 audit.

We calculated materiality during the planning stage of the audit and then during the course of our audit, we reassessed initial materiality based on 31 December 2018 net assets, and adjusted our audit procedures accordingly.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 50% of our planning materiality, namely £14.2 million. We have set performance materiality at this percentage due to this being a first year audit.

Reporting threshold

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

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

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

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

Other information

The other information comprises the information included in the annual report (set out on pages 2 to 18, 19 to 43 and 86 to 92), including the Strategic Report (including sections on: Chairman's Statement, Our Strategy & Business Model, Investment Review, Investment Portfolio and Principal Risks and Viability), Governance (including sections on: Board of Directors, J. Rothschild Capital Management, Corporate Governance Report, Audit and Risk Committee Report, Directors' Remuneration Report and Directors' Report) and Other Information (including sections on: Investment Portfolio Reconciliation, Glossary, Historical Information and Financial Calendar, Investor Information and Directory), other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 28)** – the statement by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on page 29)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee, and is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 27)** – the parts of the Directors' statement required under the Listing Rules relating to the Parent Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and JRCM Management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS as adopted by the EU, the Companies Act 2006 and UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may influence the determination of the amounts and disclosures in the financial statements including the Listing Rules of the UK Listing Authority.
- We understood how RIT Capital Partners plc is complying with those frameworks by making enquiries of JRCM Management, including the Legal Manager and Company Secretary, Chief Financial Officer, Head of Compliance and Internal Audit and also the Non-Executive Directors including the Chairmen of the Audit and Risk Committee and Valuation Committee. We corroborated our understanding through our review of board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies.

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

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with Directors and JRCM Management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by Directors and JRCM Management to manage NAV per share or the NAV per share total return. We identified fraud and management override risks in relation to revenue recognition and estimation uncertainty relating to the valuation of illiquid investments. Our audit procedures stated above in the 'Key audit matters section' of this Auditor's report were performed to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Directors and JRCM Management; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 26 April 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 December 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4 March 2019

Notes:

1. The maintenance and integrity of the RIT Capital Partners plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Other Information

31 December 2018

Investment Portfolio Reconciliation

Investment Portfolio Reconciliation

The following table shows a summary reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 12 to 14, and the 31 December 2018 Consolidated Balance Sheet, as shown on page 46:

£ million	Quoted equity	Private investments	Absolute return and credit	Real assets	Other investments	Net liquidity/ borrowing/ other	31 December 2018 consolidated balance sheet
Non-current assets							
Portfolio investments at fair value	1,340.4	756.0	640.6	23.1	–	–	2,760.1
Non-consolidated subsidiaries	0.1	3.7	31.0	–	–	13.1	47.9
Investments held at fair value	1,340.5	759.7	671.6	23.1	–	13.1	2,808.0
Investment property	–	–	–	35.4	–	–	35.4
Property, plant and equipment	–	–	–	26.0	–	0.2	26.2
Deferred tax asset	–	–	–	–	–	2.0	2.0
Retirement benefit asset	–	–	–	–	–	1.3	1.3
Derivative financial instruments	–	–	–	–	8.3	–	8.3
	1,340.5	**759.7**	**671.6**	**84.5**	**8.3**	**16.6**	**2,881.2**
Current assets							
Derivative financial instruments	7.7	–	–	3.5	13.4	–	24.6
Other receivables	0.1	0.6	–	–	–	248.2	248.9
Amounts owed by group undertakings	–	–	–	–	–	–	–
Cash at bank	3.2	–	–	–	–	207.7	210.9
	11.0	0.6	–	3.5	13.4	455.9	484.4
Total assets	**1,351.5**	**760.3**	**671.6**	**88.0**	**21.7**	**472.5**	**3,365.6**
Current liabilities							
Borrowings	–	–	–	–	–	(275.0)	(275.0)
Derivative financial instruments	(19.8)	–	–	–	(18.4)	–	(38.2)
Other payables	–	(31.9)	–	–	–	(19.8)	(51.7)
Amounts owed to group undertakings	–	–	–	–	–	(11.8)	(11.8)
	(19.8)	(31.9)	–	–	(18.4)	(306.6)	(376.7)
Net current assets/(liabilities)	**(8.8)**	**(31.3)**	**–**	**3.5**	**(5.0)**	**149.3**	**107.7**
Total assets less current liabilities	**1,331.7**	**728.4**	**671.6**	**88.0**	**3.3**	**165.9**	**2,988.9**
Non-current liabilities							
Borrowings	–	–	–	–	–	(155.1)	(155.1)
Derivative financial instruments	(0.6)	–	–	–	–	–	(0.6)
Provisions	–	–	–	–	–	(2.5)	(2.5)
Finance lease liability	–	–	–	(0.5)	–	–	(0.5)
Retirement benefit liability	–	–	–	–	–	–	–
	(0.6)	–	–	(0.5)	–	(157.6)	(158.7)
Net assets	**1,331.1**	**728.4**	**671.6**	**87.5**	**3.3**	**8.3**	**2,830.2**

Glossary and Alternative Performance Measures

Glossary

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

ACWI: The ACWI refers to the MSCI All Country World Index. This is a total return, market capitalisation-weighted equity index covering major developed and emerging markets. The ACWI used in this report is calculated using 50% of the index measured in Sterling and 50% measured in local currencies, other than in the 'Performance Since Inception' chart on page 1, where it is based on the capital-only index prior to the introduction of total return indices in December 1998. The ACWI is one of the Company's KPIs.

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

Gearing[1]: Gearing is a measure of the level of debt deployed within the portfolio. The ratio is calculated in accordance with AIC guidance as total assets, net of cash, divided by net assets and expressed as a 'net' percentage, e.g. 110% would be shown as 10%.

£ million	2018	2017
Total assets	3,365.6	3,366.3
Less: cash	(210.9)	(122.9)
Sub total	3,154.7	3,243.4
Net assets	2,830.2	2,858.3
Gearing	**11.5%**	**13.5%**

Leverage: Leverage, as defined by the Alternative Investment Fund Managers Directive (AIFMD), is any method which increases the exposure of the trust, whether through borrowings or leverage embedded in derivative positions or by any other means.

Net Asset Value (NAV) per share: The NAV per share is calculated by dividing the total value of all the assets of the trust less its liabilities (net assets) by the number of shares outstanding. Unless otherwise stated, this refers to the diluted NAV per share, with debt held at fair value.

NAV Total Return[1]: The NAV Total Return for a period represents the change in NAV per share, adjusted to reflect dividends paid during the period. The calculation assumes that dividends are reinvested in the NAV at the month end following the NAV going ex-dividend. The NAV per share at 31 December 2018 was 1,821 pence, a decrease of 18 pence, or -1.0%, from 1,839 pence at the previous year end. As dividends totalling 33 pence per share were paid during the year, the effect of reinvesting the dividends in the NAV is 1.8%, which results in a NAV total return of 0.8%.

Net Quoted Equity Exposure: This is the estimated level of exposure that the trust has to listed equity markets. It includes the assets held in the quoted equity category of the portfolio adjusted for the notional exposure from quoted equity derivatives, as well as estimated cash balances held by external managers and estimated exposure levels from hedge fund managers.

Notional: In relation to derivatives, this represents the exposure that is equivalent to holding the same underlying position through a cash security.

Ongoing Charges Figure (OCF)[1]: As a self-managed investment trust with operating subsidiaries, the calculation of the Company's OCF requires adjustments to the total operating expenses. In accordance with AIC guidance, the main adjustments are to remove direct performance-related compensation from JRCM, as this is analogous to a performance fee for an externally managed trust.

£ million	2018	2017
Operating expenses	28.6	28.6
Less: GVQ's costs	–	(4.4)
Less: JRCM direct performance-related compensation	(8.3)	(5.0)
Less: other adjustments	(0.6)	(0.8)
Ongoing charges	19.7	18.4
Average net assets	2,899	2,780
OCF	**0.68%**	**0.66%**

In addition to the above, managers charge fees within the external funds (and in a few instances directly to RIT in relation to segregated accounts). We have estimated that, based on average NAV across the year and annual management fee rates per fund (excluding performance fees), these represent an additional 1.03% of average net assets (2017: 1.23%).

Glossary and Alternative Performance Measures

Premium/Discount: The premium or discount is calculated by taking the closing share price on 31 December 2018 and dividing it by the NAV per share at 31 December 2018, expressed as a net percentage. If the share price is above (below) the NAV per share, the shares are said to be trading at a premium (discount).

RPI: The RPI refers to the United Kingdom Retail Price Index as calculated by the Office for National Statistics and published monthly. It is used in one of the Company's KPIs (RPI + 3.0% per annum).

Share Price Total Return or Total Shareholder Return (TSR)[1]: The TSR for a period represents the change in the share price adjusted to reflect dividends paid during the period. Similar to calculating a NAV total return, the calculation assumes the dividends are notionally reinvested at the daily closing share price following the shares going ex-dividend. The share price on 31 December 2018 closed at 1,910 pence, a decrease of 52 pence, or -2.7%, from 1,962 pence at the previous year end. As dividends totalling 33 pence per share were paid during the year, the effect of reinvesting the dividends in the share price is 1.7%, which results in a TSR of -1.0%. The TSR is one of the Company's KPIs.

[1] Denotes an APM.

Historical Information and Financial Calendar

Historical Information

	Diluted net assets £ million	Diluted net assets per share pence	Closing share price pence	Premium/ (discount) %	Earnings per share pence	Dividend per share pence
02 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.7
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.6
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.4
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.1
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.1
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.6
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.7
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.6
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.8
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.0
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.2
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.1
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.1
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.1
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.1
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.1
31 March 2005	1,113.1	712.7	694	(2.6)	90.0	3.1
31 March 2006	1,534.7	982.7	1,020	3.8	270.3	3.1
31 March 2007	1,635.6	1,047.3	1,000	(4.5)	67.0	3.1
31 March 2008	1,690.0	1,091.6	1,147	5.1	50.6	4.0
31 March 2009	1,350.5	874.3	831	(5.0)	(205.2)	7.5
31 March 2010	1,815.7	1,180.1	1,082	(8.3)	306.3	4.0
31 March 2011	1,984.0	1,289.4	1,307	1.4	111.7	4.0
31 March 2012	1,920.0	1,249.3	1,220	(2.3)	(35.7)	4.0
31 December 2012	1,847.2	1,191.4	1,131	(5.1)	(29.6)	28.0
31 December 2013	2,146.0	1,383.6	1,260	(8.9)	215.7	28.0
31 December 2014	2,299.6	1,483.0	1,397	(5.8)	129.8	29.4
31 December 2015	2,441.3	1,572.5	1,681	6.9	121.4	30.0
31 December 2016	2,692.1	1,730	1,885	9.0	195.0	31.0
31 December 2017	2,858.3	1,839	1,962	6.7	142.4	32.0
31 December 2018	**2,830.2**	**1,821**	**1,910**	**4.9**	**17.5**	**33.0**

Notes:

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

Financial Calendar

25 April 2019, 11:00 a.m.: Annual General Meeting.

30 April 2019: Payment of interim dividend of 17 pence per ordinary share to shareholders on the register on 5 April 2019.

Investor Information

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

TIDM:	RCP LN
SEDOL:	0736639 GB
ISIN:	GB0007366395

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

Registrars and Transfer Office
The Company's registrar may be contacted as follows:

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

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

Electronic Communication
Registered holders of ordinary shares of RIT Capital Partners plc may elect to receive communications from the Company electronically as an alternative to receiving hard copy accounts and circulars. This facility is provided by the Company's registrars, Computershare Investor Services PLC, and shareholders will need to go online at www.investorcentre.co.uk and select the 'eComms' Signup section to participate. To complete the registration process shareholders will need their postcode or country of residence, along with their Shareholder Reference Number, as shown on their share certificates or dividend advices. You will also be asked to agree to the Terms and Conditions for Electronic Communication with Shareholders.

Registered shareholders also have the facility to check their shareholding, change their address or update their bank mandate instruction by registering to become a member of 'Investorcentre'.

Regardless of whether shareholders sign up for 'eComms' or become a member of 'Investorcentre', they are able to cast proxy votes in respect of general meetings electronically if they wish by using the link provided on their proxy form or in their email notification.

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Warning to Shareholders

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

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

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RIT Capital Partners plc