Report & Accounts
for the year ended 31 December 2016

RIT Capital Partners plc

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Company Highlights

Corporate Objective

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

Investment Policy

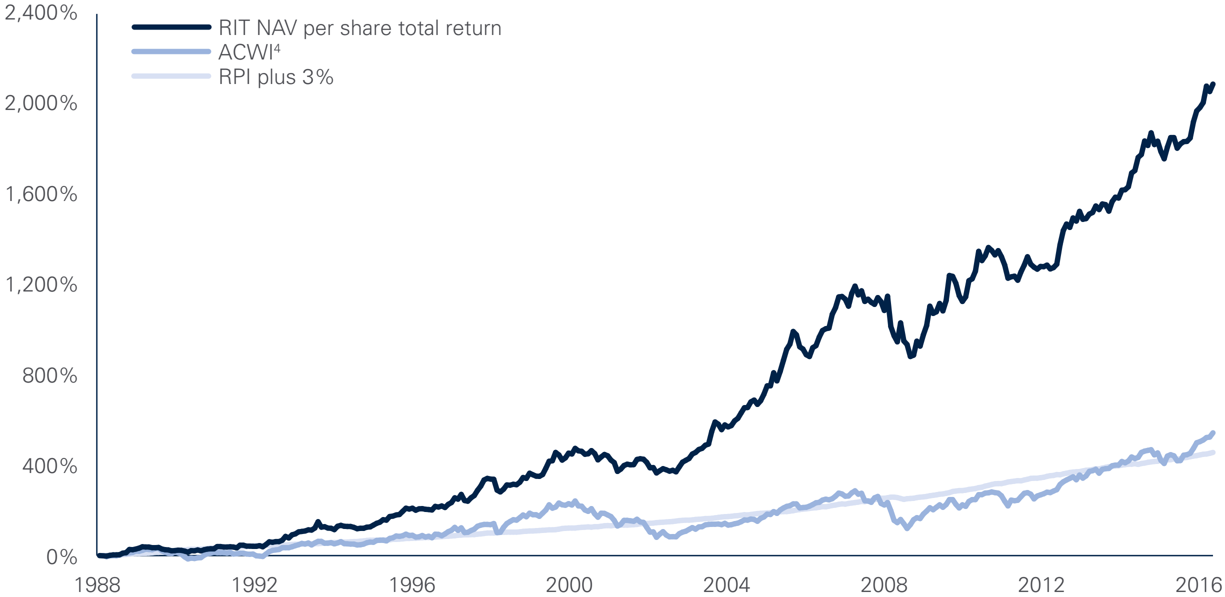
To invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

Financial Summary

	31 December 2016	31 December 2015	Change
Net assets	£2,692m	£2,441m	£251m
NAV per share[1]	1,730p	1,573p	157p
Share price	1,885p	1,681p	204p
Premium/(Discount)	9.0%	6.9%	2.1%
Dividends paid	31.0p	30.0p	1.0p
Gearing	14.7%	12.1%	2.6%
Ongoing Charges %	0.68%	0.74%	-0.06%
NAV per share total return			**12.1%**
Share price total return			**14.2%**
RPI[2] plus 3.0%			5.5%
MSCI All Country World Index[3]			18.9%

Performance History	1 Year	3 Years	5 Years	10 Years
Share price total return	14.2%	58.7%	71.2%	119.4%
NAV per share total return	12.1%	32.7%	65.9%	99.6%
RPI plus 3.0%	5.5%	15.0%	28.9%	75.7%
MSCI All Country World Index	18.9%	34.0%	86.0%	88.5%

Performance Since Inception



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

[2] Retail Price Index.

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

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

Strategic Report

RIT Capital Partners plc

Chairman's Statement

Lord Rothschild, OM GBE

I am pleased to report that your Company's net asset value per share during 2016 increased to 1,730 pence, representing a return of 12.1%.

Against a background of daunting uncertainty and political turmoil, I am pleased to report that your Company's net asset value per share during 2016 increased to 1,730 pence, representing a return of 12.1%. Your Company's shares traded at a premium which averaged 4.6% during the course of the year and total shareholder returns amounted to 14.2%.

Your Company's net assets increased by £299 million (before dividends of £48 million) to £2,692 million, an all-time high. There has been a further modest increase of 1.3% in January, with the month-end NAV at 1,753 pence. Over the last three and five calendar years, the shareholder returns have amounted to 59% and 71% respectively.

Our investment policy throughout 2016 has been one of continuing caution with an emphasis on capital preservation. Quoted equity exposure was reduced, averaging 46% over the year, and we cut our allocation to Sterling, ending the year at 24%. We continue to hold gold and gold mining shares amounting to 6% of the portfolio.

On equities, some of our best performing managers of recent years produced negative results in the year under review. Against this, your Company increased its asset allocation to Absolute Return and Credit which delivered satisfactory results, including for example Eisler Capital, the macro manager where we were a founder investor. Overall our focus has been to invest in companies which stood to benefit from policymakers' continuing efforts to reflate economies, such as US financials and the industrial sector.

Private investments, both direct and those managed by third parties, met our expectations, for example, benefiting from the sale of our defensively structured investment in Williams & Glyn, which generated a 1.8x return over three years. Two significant new investments were made during the course of the year into Acorn and CSL. Acorn is one of the world's largest coffee businesses incorporating DE Master Blenders, Keurig Green Mountain and Mondelez's former coffee business. CSL is the UK's second largest alarm signalling company. Both were co-investments with industry partners with whom we have developed close relationships – Acorn alongside BDT Capital and CSL with ICONIQ Capital.

On currencies, we became cautious on the outlook for Sterling over the course of the year, increasing our exposure to currencies outside the UK, in particular the US Dollar. This represents a continuation of RIT's long-standing policy of an unconstrained approach to currency positioning.

Timing is paramount in achieving investment performance and our 2016 returns reflect a cautious approach in a period of increasing uncertainty. Since the last World War, we have enjoyed some 70 years of patiently crafted international cooperation, which is now threatened. Against this deeply worrying geo-political situation one can point to a number of positive investment factors, for example in the US, the proposed tax reduction for companies and individuals, reforms of an over-regulated system and increases in fiscal and infrastructure expenditure. These, however, come at a time late in the business cycle, when the labour market is close to full employment, with wage increases up by some 4% over the last few months. Valuations are at the high end of their historical range, inflation is returning and in these circumstances, it is likely that interest rates in the US will rise meaningfully.

The impact on China of either straightforward tariffs or of a 'border-adjusted tax' would be negative, at a time when Chinese economic momentum is fading and when it has to deal with the problem of misallocation of capital on a huge scale. China will be choosing between becoming a more open or closed society and while its economy transitions from industrial growth and exports to being more consumer-led.

We are all conscious of the risk of the European Union disintegrating following last year's Brexit vote and in having to deal with the problem of migration. The character of the European trading block remains complex, unpredictable and in need of reform. We should take into account however that the most significant forecast improvement in growth for 2017 is in Europe and that its stock markets are relatively undervalued.

Chairman's Statement

In the UK, investors will be waiting for greater clarity about the outcome of Brexit negotiations and the risks of upheaval which will arise in leaving the EU. Short-term, the UK economy has performed surprisingly well. We should bear in mind however, that the World Bank and others have recently forecast a slowing of growth in the current year and beyond while the current account deficit remains daunting.

In these circumstances, our positioning is likely to remain defensive, with an emphasis on returns uncorrelated to the overall performance of equity markets. We have increased our exposure to situations which should benefit from an environment of higher inflation, for example by being short of Government Bonds after a long period of declining inflation and low interest rates. The success of our asset allocation depends on capturing the right market themes, the excellence of our external managers, stock selection, private investments and a continued emphasis on Absolute Return and Credit strategies. At this time of upheaval and uncertainty, our investment portfolio will continue to be well diversified. There could well be a period ahead of us when the avoidance of risk is as high a priority as the pursuit of gain.

Dividend

We are intending to pay a dividend of 32 pence per share in 2017, some increase above the current rate of inflation. This will be paid in two equal payments of 16 pence in April and October. We intend to maintain or increase this level in the years ahead, subject to unforeseen circumstances.

Rothschild

Rothschild
27 February 2017

Our Strategy & Business Model

Introduction

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

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

Strategic Aims

Our strategic aims are best illustrated by our Corporate Objective:

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

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

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

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

Since your Company's listing in 1988, we have participated in 75% of the market upside but only 39% of the market declines. This has resulted in our NAV per share total return compounding at 11.5% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.9% per annum.

Over the last three years … shareholders have benefited from a total return of 59% compared to 34% from the market.

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

Indeed, since your Company's listing in 1988, we have participated in 75% of the market upside but only 39% of the market declines. This has resulted in our NAV per share total return compounding at 11.5% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 12.9% 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 individual stocks, private investments, equity funds and currency positioning, all overlaid with macro exposure management.

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

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

Measuring Performance and KPIs

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

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

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

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

3. Share price total return or Total Shareholder Return (TSR).

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

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

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

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

2016 Performance

I was pleased with our performance in 2016, in particular against the background of the uncertain and volatile environment.

The NAV total return for the year was 12.1%. This compared to our first KPI (RPI plus 3%) at 5.5%, an outperformance of 6.6% points. The relative KPI (the ACWI), returned 18.9% over the year.

At the same time, our premium increased from 6.9%, to end the year at 9.0%. As a result, the TSR over the year (our third KPI) reached 14.2%.

If I look back over the last three years, I am gratified that, notwithstanding our somewhat cautious stance, we have broadly kept pace with markets. On an annualised basis, our NAV total return over that period was 9.9% compared to the ACWI at 10.2%. Shareholders have benefited from a total return of 59% compared to 34% from the market. While our Chairman has continued to provide the benefit of his extensive experience, due credit must also be given to our CIO, Ron Tabbouche, who has taken a carefully structured approach to the portfolio, while also bringing enhanced focus and conviction.

As ever, it is a team effort and I would like to put on record my continuing thanks to our CFO, Andrew Jones and COO, Jonathan Kestenbaum for their unfailing efforts on your behalf. Equally important, our business only functions efficiently and effectively thanks to all of our employees across each and every function.

Incentive Structure

Following a careful review of the remuneration policy for Directors of the Company (the Remuneration Policy) by the Remuneration Committee, including consultation with major shareholders, the Board has concluded that it will not propose any changes to the Remuneration Policy. This will be submitted to shareholders for the next triennial binding vote at our 2017 Annual General Meeting.

Our Strategy & Business Model

Our Remuneration Committee believes the Remuneration Policy continues to provide an appropriate incentive structure to attract, motivate and retain the high-quality individuals we need to deliver our long-term strategic aims. The Remuneration Policy is designed to align with, and reinforce, these strategic aims.

The Chairman of RIT, as well as management and key staff of JRCM, participate in two principal plans:

1. The Annual Incentive Scheme (AIS); and

2. Long-Term Incentive Plan (LTIP).

The AIS is designed to incentivise staff through a share in the total NAV outperformance against the Absolute Outperformance hurdle and the Relative Outperformance hurdle. 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 performance against qualitative measures. The Remuneration Committee retains the ability to clawback elements of previous awards if necessary. Payments under this scheme are capped at 0.75% of NAV or 0.25% if the NAV has declined.

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

Our other operational subsidiaries – GVQ Investment Management Limited (GVQ) and Spencer House Limited (SHL) – have incentive schemes tailored to their respective businesses.

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

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

Governance and Group Structure

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

JRCM is also chaired by Lord Rothschild, with the day-to-day running of the business under the management of an Executive Committee led by myself as CEO. JRCM executives represent RIT's interests on the SHL and GVQ subsidiary boards.

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

The RIT Group employs 70 people, with 46 working for JRCM, our investment management subsidiary. Our Real Assets portfolio includes Spencer House as well as other properties in St James's, London. These are maintained by SHL which employs 14 people. In addition to premises management, this subsidiary also operates a profitable events business. The remaining 10 people are employed by our third-party investment management subsidiary, GVQ. 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 44.

As RIT is characterised under accounting standards as an 'investment entity', its consolidated income statement includes the full income and expenses of both JRCM and GVQ. Further information on the results of the respective businesses is set out in note 6 on page 59.

We continue to focus on costs, whether our own direct costs or the fees charged directly or indirectly by external fund managers. In order to provide investors with information on the costs of RIT's own investment business, we calculate an Ongoing Charges % (OC%) based on AIC recommendations. The OC% assumes no change in the composition or value of the portfolio and excludes annual fees for external managers and performance-related amounts – whether external fees, or direct performance-related compensation. For 2016, this amounted to 0.68%, a modest reduction from the 0.74% for 2015. Further information is provided on page 89.

The managers' fee structure is a key consideration in our investment diligence, with the decision made on expected returns net of fees. To assist shareholders, we estimate that the average annual fees for external managers represent approximately 1.17% of average net assets. Further information on fees is provided on page 43.

Francesco Goedhuis
Chief Executive Officer
J. Rothschild Capital Management Limited

Investment Review

Markets and Performance

2016 was a year dominated by a dangerous combination of unexpected developments and associated market turbulence. However, perhaps even more surprising was that the combination of the Brexit referendum result, the US election, China's near meltdown and oil at $25, nevertheless planted the seeds for meaningful market rallies. In reality, uncertainty around these events was so severe that it gave policymakers leeway to be more aggressive with their expansionary policies (both monetary and fiscal) than would otherwise have been the case.

As a result, many equity markets ultimately ended the year with single digit, and in some cases double digit returns. With traditional measures of volatility being relatively low, this suggests a benign environment. However, this is not a picture that many investors would recognise. The S&P 500 was down 11% in the early part of the year before finishing up 10%. Further, the rotations within market sectors left many investors struggling to keep up. Added to these features was the continued impact of the decline in liquidity and increased automated trading, which resulted in bouts of extreme, though often short-term, volatility.

Against this backdrop, we positioned the portfolio defensively, seeking to ensure that no single event could have a disproportionate negative impact. That said, we also took decisive steps when the opportunity presented itself to grow your capital. This resulted in a NAV per share total return of 12.1%, exceeding the absolute return hurdle of 5.5% (RPI plus 3%), while behind the relative hurdle of 18.9% (ACWI).

If we consider the last three years, this means we have produced a compound return averaging 9.9% per annum, broadly in line with the ACWI at 10.2% per annum, though with an average net quoted equity exposure over the three years of 52%.

All investment categories contributed positively in the year. Outside of currencies, which was a key driver, there was a healthy contribution from the increased allocation to Absolute Return & Credit and also from Private Investments. Quoted equities contributed more modestly.

Asset Allocation and Portfolio Contribution

Asset Category	31 December 2016 % NAV	2016 Contribution %	31 December 2015 % NAV	2015 Contribution %
Quoted Equity	55.6%	0.4%	67.0%	5.8%
Private Investments	23.9%	1.7%	23.0%	0.7%
Absolute Return & Credit	23.6%	2.4%	14.2%	0.2%
Real Assets	3.0%	0.0%	3.5%	(0.5%)
Government Bonds & Rates	0.3%	0.1%	2.1%	0.2%
Currency[1]	(0.2%)	9.6%	(0.6%)	2.7%
Total Investments	106.2%	14.2%	109.2%	9.1%
Liquidity, Borrowings & Other[2]	(6.2%)	(2.1%)	(9.2%)	(1.0%)
Total	**100.0%**	**12.1%**	**100.0%**	**8.1%**
Average Net Quoted Equity Exposure[3]	46%		55%	

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

2 Within Contribution %, this category includes interest, mark-to-market movements on the fixed interest notes and expenses.

3 Exposure reflects notional exposure through derivatives and adjustments for derivatives and/or liquidity held by managers.

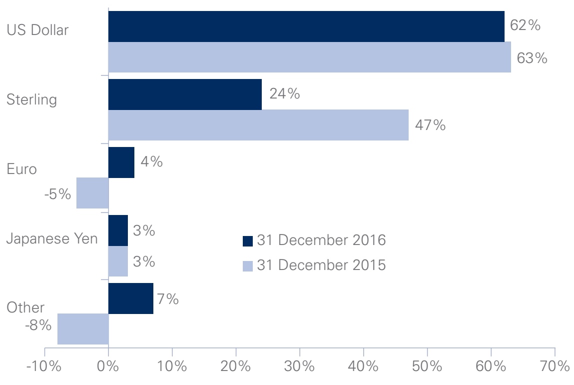
Investment Review

Currencies

Currencies were an important contributor to overall returns. RIT is a global investor and we are therefore unconstrained in our approach to where we invest. However, as a Sterling-denominated company, investing overseas naturally brings with it exposure to foreign currency risk. A meaningful appreciation of Sterling against the US Dollar, would cause a corresponding loss to NAV, were we to leave all of the underlying investment exposure unhedged. It is with this eye towards capital preservation that we managed Sterling exposure throughout 2016. Given the binary nature of the Brexit vote, we made a gradual and prudent reduction to Sterling in the months leading up to the referendum, followed by a more meaningful reduction to approximately 25% in the days following the referendum. The latter step was taken as the risks of a further significant decline became clearer. With Sterling recording a 15% decline over the year, the NAV benefited from our decisions and the subsequent translation impact on our unhedged overseas assets.

With the prevailing heightened currency volatility, it will be critical to continue to approach currencies within the portfolio's overriding dual objectives of protecting the Sterling NAV from disproportionate currency moves as well as a separate source of return.

Currency Exposure of Net Assets



Note: This chart excludes exposure from currency options.

Quoted Equity

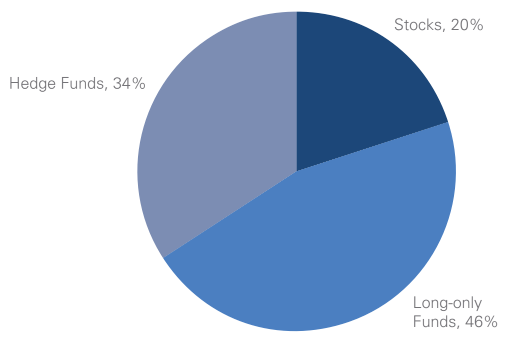
The Quoted Equity portfolio contributed modestly to the overall portfolio. The portfolio includes our long-only funds, hedge funds and direct stock portfolio as well as the derivatives hedging and overlay activity.

The key drivers of performance (measured in local currencies) within 2016 were:

- Weaker performance from our external long-only and hedge fund managers, especially when compared to their strong returns in recent years; and
- Reasonable performance from our single stock portfolio, including thematic positions targeted at a reflationary environment in the US as well as co-investments.

Our external manager portfolio represents the largest proportion of the Quoted Equity category at 46% of NAV. This is divided between long-only managers such as Cedar Rock as well as hedge funds such as BlackRock European Hedge. After a strong 2015, this category had a more challenging year and we saw some of the strongest performing managers experiencing partial reversals of their previous outperformance. In part, this reflected some specialist managers whose natural universe was out of favour with the market, for example regulatory pressures on the healthcare sector impacted our manager in this space. Some other managers were however too slow to adjust their portfolios to the shifting macro-economic position, in particular the rotation out of defensive assets towards cyclicals.

Quoted Equity Portfolio



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

Investment Review

Our approach in circumstances where we consider the aggregate positioning from our managers' exposure inappropriate is twofold. First, we will adjust the overall asset allocation through either hedging a manager's exposure where we feel his specialised area could face weakness (as we did successfully in 2016 with our biotech exposure); alternatively, we take thematic positions in areas where we have a positive view and know that these are under-represented in our managers' portfolio (for example through our financials basket). Second, it is critical that we have a thorough understanding of the real drivers of their performance and constantly reconfirm the inclusion of each manager in the portfolio. We will never act purely on the back of a blip in performance. RIT targets long-term NAV growth across the cycles and we will not make short-term decisions regarding long-term allocations; equally however, if we feel there are enduring reasons for a shift in performance, we will not hesitate to act to redeem a position.

Our single stock portfolio performed better over the year. There were some good returns from co-investments (such as in Virgin America) and through our financials theme, as well as some of the more quality stocks (for example S&P Global). One of the main detractors to performance was our investment in Allergan which suffered from regulatory pressure as well as the failed takeover attempt by Pfizer.

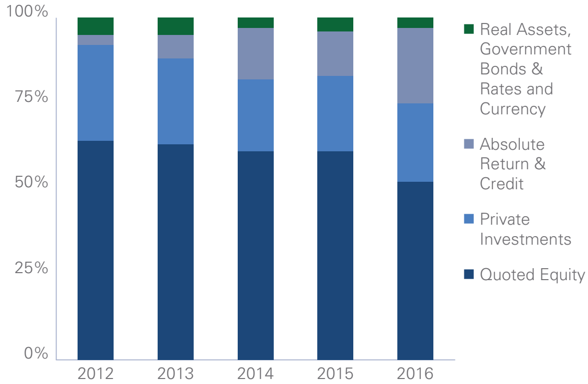
This category also includes the results of our equity hedging strategy, where we utilise index futures and options to adjust our net exposure to listed markets. In addition to our overlays, we take into account the positioning and levels of liquidity within our external equity managers, in measuring net quoted equity exposure. Over 2016 this averaged 46% compared to 55% in 2015.

Absolute Return & Credit

It was a strong year for the Absolute Return & Credit category delivering on average, higher returns than equities with significantly less risk. The portfolio includes investments in credit funds and absolute return funds, as well as some direct positions in corporate bonds. Its contribution to overall portfolio returns was 2.4%.

In line with the strategy shift highlighted in previous reports, we have substantially increased our exposure to these assets over the last few years, from 3% at the end of 2012 to almost 24% at the year end. The category is targeted at generating a positive return with assets which display low correlation to equity markets.

Total Investments by Category 2012 to 2016



Note: The above chart excludes exposure through derivatives.

Key drivers of performance in 2016 within this category, were double digit returns from our distressed-credit managers and high single digit returns from the majority of our more hedged managers – both in credit as well as macro. As our Chairman announced in August, we made a meaningful addition earlier in the year to Eisler Capital, a new macro fund run by Ed Eisler. This fund made a good start, successfully navigating the volatile conditions in both currency and bond markets. Other additions include Elliott and ENA; both of which adopt a multi-strategy approach and operate with a risk framework that emphasises capital protection.

Private Investments

The Private Investments portfolio includes our own direct investments as well as those held via third party managers. In aggregate, these represented approximately 24% of the year-end NAV and contributed 1.7% to the overall return.

The direct portfolio was valued at £268 million at 31 December 2016, which accounted for 10% of NAV. Over the year our investment in Helios Towers Africa continued to mature, and we received healthy dividends from EDRRIT. We also generated further returns from our investment in Williams & Glyn, which was realised when the underlying bond issued by RBS was redeemed. This investment generated a 1.8x return over its three-year life, and a 21% IRR. We also realised some modest legacy positions at, or slightly above opening NAV, as we continue efforts to simplify the portfolio.

Investment Review

New sizeable investments were made into Acorn, one of the world's largest coffee businesses, and CSL, a UK-based alarm signalling business. Both of these investments were sourced from close relationships with leading industry firms – the former with BDT Capital, and the latter alongside ICONIQ Capital.

The fund portfolio totalled £377 million at year end, or 14% of NAV. This category also saw decent returns as well as useful distributions of capital. As a result of the usual lag in receiving valuations from the fund managers or 'GPs', the majority of these positions are valued using 30 September 2016 valuations. Most of the portfolio saw positive returns, in particular, a single position fund managed by 3G benefited from its successful investment in the Kraft-Heinz merger. Augmentum I, the UK 'fintech' investor, realised one of its largest positions during the year at a 4.2x return over its life.

We made a number of modest additional commitments during the year, mainly focused on the venture capital and growth areas.

Debt and Leverage

We continued to deploy gearing during 2016, through a combination of short-term revolving credit facilities as well as our longer term fixed interest notes. One of the credit facilities was refinanced towards the end of the year on similar, though slightly more favourable terms. As a result, we held drawn borrowings of £426 million at the year end, paying an average rate of 2.4%. With liquidity balances of £201 million, this represents gearing of 14.7% calculated in accordance with AIC guidance.

The long-term notes are fair valued using market-derived gilt yields and corporate credit spreads, with the result that over 2016 we experienced a mark-to-market accounting loss as rates moved lower than the fixed interest. At the year end, the fair value was £156 million compared to the par value of £151 million.

We also deploy leverage through the use of derivatives – typically currency forwards and options, equity index futures and options as well as interest rate derivatives. These are designed to both help hedge the NAV against unwanted exposures, as well as to selectively enhance returns through efficient structuring. For example, during 2016, we utilised currency options to help protect the NAV around Brexit, as well as deploying a short biotech index future to hedge part of our equity manager's exposure in this sector. Equally, our negative stance on bond markets is represented by a mixture of interest rate options and futures.

Ron Tabbouche
Chief Investment Officer
J. Rothschild Capital Management Limited

Investment Portfolio

Investment Portfolio as at 31 December 2016

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Quoted Equity				
Stocks:				
Trian Partners Co-Investment	United States	Industrials/Consumer staples	74.5	2.8%
MR Argent Co-Investment	United States	Industrials	64.0	2.4%
S&P Global Inc[1]	United States	Financials	32.5	1.2%
Mitsubishi UFJ Financial	Japan	Financials	22.8	0.8%
Höegh LNG Holdings	Norway	Energy	20.4	0.8%
RIT Brazil[2]	Brazil	Various	14.8	0.5%
Reckitt Benckiser Swap	United Kingdom	Long, 1.1% notional	(0.5)	(0.0%)
Other Stocks	–	–	12.7	0.5%
Total Stocks			*241.2*	*9.0%*
Long-only Funds:				
HCIF Offshore	United States	All-cap, biotechnology	131.8	4.9%
Morant Wright[3]	Japan	Small/mid-cap, value bias	115.7	4.3%
BlackRock Frontiers[3]	Emerging Markets	All-cap, value bias	104.6	3.9%
Viking Long Fund III	Global	All-cap, diversified	82.6	3.1%
Lansdowne Developed Markets Strategic	Global	All-cap, diversified	76.9	2.9%
Cedar Rock Capital	Global	Large/mid-cap, diversified	57.6	2.1%
Findlay Park Mexico[3]	Latin America	All-cap, diversified	48.9	1.8%
Trian Partners	United States	Large-cap, diversified	32.6	1.2%
Other Long-only Funds	–	–	72.0	2.7%
Total Long-only Funds			*722.7*	*26.9%*
Hedge Funds:				
Martin Currie Japan	Japan	All-cap, diversified	87.8	3.3%
BlackRock European Hedge	Europe	All-cap, diversified	81.2	3.0%
Soroban	Global	All-cap, diversified	77.5	2.9%
Palestra Capital	Global	All-cap, diversified	70.2	2.6%
Gaoling	China	All-cap, diversified	68.9	2.5%
Three Corner Global	Global	All-cap, financial bias	62.6	2.3%
RIT Discovery[4]	Global	All-cap, diversified	56.1	2.1%
Other Hedge Funds	–	–	21.6	0.8%
Total Hedge Funds			*525.9*	*19.5%*
Derivatives:				
S&P 500 Futures	United States	Short, 5.1% notional	1.0	0.0%
GS Custom Financials Basket[5]	United States	Long, 1.8% notional	(0.6)	(0.0%)
GS Luxury Goods Basket[6]	Europe	Short, 1.6% notional	0.1	0.0%
Equity Options	Various	Premium	4.8	0.2%
Other Derivatives	–	–	0.7	0.0%
Total Derivatives			*6.0*	*0.2%*
Total Quoted Equity			**1,495.8**	**55.6%**
Private Investments – Direct:				
Helios Towers	Africa	Telecommunication services	43.4	1.6%
Rockefeller & Co	United States	Financial services	42.8	1.6%
Acorn	Global	Consumer staples	41.9	1.6%
CSL	United Kingdom	Information technology	33.3	1.2%
Infinity Data Systems	United Kingdom	Information technology	24.4	0.9%
Dropbox	United States	Information technology	24.1	0.9%
EDRRIT	United Kingdom	Financial services	14.0	0.5%
Other Private Investments – Direct	–	–	43.7	1.6%
Total Private Investments – Direct			**267.6**	**9.9%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Private Investments – Funds:				
Thrive Capital Funds	United States	Venture capital	51.8	1.9%
Augmentum I	United Kingdom	Venture capital	34.5	1.3%
3G Special Situations	United States	Private equity	33.5	1.3%
Gaoling – Unquoted	China	Private equity	25.2	0.9%
BDT Capital – Annex Fund I-A	United States	Private equity	21.3	0.8%
Gobi Fund II	China	Private equity	19.6	0.7%
Darwin Private Equity I	United Kingdom	Private equity	15.7	0.6%
ICQ Holdings 6	United States	Private equity	13.3	0.5%
Other Private Investments – Funds	–	–	162.2	6.0%
Total Private Investments – Funds			**377.1**	**14.0%**
Absolute Return & Credit:				
Eisler Capital Fund	Global	Macro strategy	140.5	5.2%
Attestor Value Fund	Global	Distressed and special situations	102.6	3.8%
Farmstead Fund	United States	Distressed and special situations	48.8	1.8%
ENA Opportunity Offshore Fund	Global	Multi-strategy	43.9	1.7%
Blue Mountain Credit Alternatives Fund	Global	Fixed income, relative value	41.4	1.5%
JPS Credit Opportunities Fund	Global	Fixed income, relative value	40.1	1.5%
Elliott International	Global	Multi-strategy	36.8	1.4%
Emso Opportunity Strategies Fund	Global	Opportunistic credit	35.0	1.3%
Oaktree Strategic Credit Fund	Global	Opportunistic credit	33.6	1.2%
HSH Nordbank FR Bonds	Europe	Opportunistic credit	30.6	1.1%
Other Absolute Return & Credit	–	–	82.7	3.1%
Total Absolute Return & Credit			**636.0**	**23.6%**
Real Assets:				
Spencer House	United Kingdom	Investment Property	35.5	1.3%
Investment Properties	United Kingdom	Investment Property	28.4	1.0%
BlackRock World Gold Fund	Global	Gold and precious metal equities	20.3	0.8%
Gold Futures	United States	Long, 5.7% notional	(5.6)	(0.2%)
Other Real Assets	–	–	3.4	0.1%
Total Real Assets			**82.0**	**3.0%**
Government Bonds & Rates:				
UK Interest Rate Swaps	United Kingdom	Short, 7.1% notional[7]	(2.3)	(0.1%)
90 Day Eurodollar Futures	United States	Short, 2.4% notional	0.5	0.0%
US Interest Rate Swaps	United States	Short, 2.3% notional	2.4	0.1%
Euro-Bobl Futures	Germany	Short, 1.6% notional	(1.0)	(0.0%)
European Interest Rate Swaps	Europe	Short, 0.8% notional	0.0	0.0%
Interest Rate Options	Various	Premium	7.2	0.3%
Total Government Bonds & Rates			**6.8**	**0.3%**
Other Investments:				
Currency Contracts	Global	Forward currency contracts	(7.8)	(0.3%)
Other Investments	–	–	2.6	0.1%
Total Other Investments			**(5.2)**	**(0.2%)**
Total Investments			**2,860.1**	**106.2%**

Investment Portfolio

Investment holdings	Country/Region	Industry/Description	Value of Investment £ million	% of NAV
Liquidity:				
Liquidity	–	Cash at bank/margins	200.8	7.5%
Total Liquidity			**200.8**	**7.5%**
Borrowings:				
Commonwealth Bank of Australia loan	–	Revolving credit facility	(125.0)	(4.6%)
National Australia Bank loan	–	Revolving credit facility	(150.0)	(5.6%)
RIT Senior Notes	–	Long-term debt financing	(156.4)	(5.8%)
Total Borrowings			**(431.4)**	**(16.0%)**
Other assets/(liabilities)			62.6	2.3%
Total Net Asset Value			**2,692.1**	**100.0%**

1 This stock is also held via an equity derivative giving a total exposure of £39.7 million or 1.5%.

2 This is a basket of six stocks managed internally, with the largest being Petrobras (£5.2 million).

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

4 This contains investments with four emerging hedge fund managers, the largest of which is Darsana (£27.1 million).

5 This is a basket of seven equity swaps managed internally, with the largest investment, American Express, having a notional exposure of £12.6 million.

6 This is a basket of seven short equity swaps managed internally.

7 In relation to interest rate derivatives, as the underlying instruments have different durations, notional exposure is measured in units of a 10-year equivalent bond to allow comparability.

Principal Risks & Viability

Risk Management and Internal Control

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

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

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

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

The Board is responsible for the Group's system of internal controls and it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. Further information is provided in the Audit and Risk Committee Report on page 30.

Principal Risks

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

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

Principal Risks & Viability

Financial Risks	Mitigation
Market Risk RIT invests in a number of asset categories including stocks, equity funds, private investments, absolute return and credit, real assets and government bonds. The portfolio is therefore exposed to the risk that the fair value of these investments will fluctuate because of changes in market prices. Consistent with the Investment Policy, the Group invests globally in instruments denominated in currencies other than Sterling. This exposes the portfolio to translation risk as a result of changes in exchange rates. In addition, the Group is exposed to the direct and indirect impact of changes in interest rates.	The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared daily, and form the basis for the ongoing risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes, as well as assessing the underlying correlations amongst the separate asset classes. Exposure management is undertaken with a variety of techniques including using equity index futures and options to hedge or to increase equity exposure depending on overall macroeconomic and market views. Currency exposure is managed via an overlay strategy using any combination of foreign currency borrowings, forwards and options to adjust the natural currency of the investments in order to achieve a desired net exposure.
Liquidity Risk Liquidity risk is the risk that the Group will have difficulty in meeting its obligations in respect of financial liabilities as they fall due. The Group has significant investments in and commitments to 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.	Liquidity risk is not viewed as significant as a substantial proportion of the Group's net assets are in liquid or readily realisable assets, which could be utilised to meet funding requirements if necessary. The Group manages its liquid resources to ensure sufficient cash is available to meet 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.
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. Substantially all of the listed portfolio investments are held by BNP Paribas Securities Services as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed.	This risk is not considered significant as the vast majority of the Group's transactions are settled on a delivery versus payment basis using a wide pool of brokers. Cash holdings and margin balances are also divided between a number of different financial institutions. 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 Fitch.

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 regulations. JRCM and GVQ are authorised and regulated by the FCA. The financial services sector continues to experience regulatory change at national and international levels. Failure to act in accordance with these regulations could cause 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 dedicated compliance manager as well as personnel with wider experience of legal, regulatory and taxation matters. In addition, specialist external advisers are engaged in relation to complex or sensitive matters. Co-investments with related entities are made on the same terms. Where necessary, co-investments and other transactions are subject to review by the Conflicts Committee and/or the UK Listing Authority.
Operational Risk Risks arising from inadequate or failed processes, people and systems or external factors. Key operational risks include reliance on third party suppliers, dealing errors, processing failures, pricing errors, fraud, reliability of core systems and IT security issues.	Systems and control procedures are the subject of continued development and regular review. Further detail can be found in the Internal Control section of the Audit and Risk Committee Report on page 30. Processes are in place to ensure the recruitment and ongoing training of appropriately skilled staff within key operational functions. Suitable remuneration policies are in place to encourage staff retention. Independent pricing sources are used where available and performance is subject to regular monitoring. In relation to more subjective areas such as private investments and property, the valuations are estimated by experienced staff and specialist external valuers using industry standard approaches, with the final decisions taken by the independent Valuation Committee, and subject to audit. A business continuity and disaster recovery plan is maintained, and includes the ability to utilise an offsite facility in the event of any business disruption. This was satisfactorily tested during the year. Cyber security continues to receive an enhanced focus as a result of the risk developments in this area. GVQ has its own risk management policies and systems which are monitored and overseen by its own board of directors as well as JRCM and the RIT Board.

Principal Risks & Viability

Viability Statement

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

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

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

Going Concern

Having assessed the principal risks and the other matters considered in connection with the Viability Statement, and in particular the Group's liquidity balances of £201 million and readily realisable securities of £123 million, 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:

Andrew Jones
Chief Financial Officer
J. Rothschild Capital Management Limited

Governance

Board of Directors

Chairman

Lord Rothschild OM GBE

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

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

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

Senior Independent Director

Michael Marks CBE

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

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

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

Non-Executive Directors (Independent)

John Cornish

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

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

Amy Stirling

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

She is a chartered accountant and is Chief Financial Officer of the Virgin Group. She also serves as a director and Chair of the Audit Committee of Pets at Home Group Plc.

Amy served as the Chief Financial Officer of TalkTalk Telecom Group Plc until 2013, having been with the business since its start up as part of the Carphone Warehouse Group, which she joined in 2000.

Board of Directors

Non-Executive Directors (Independent)

Mike Power

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

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

Mike has held a number of other advisory positions, including the Financial Reporting Lab Advisory Committee at the Financial Reporting Council, and the Technical Development Committee of the Institute of Risk Management. He also holds honorary doctorates from the Universities of Uppsala, Sweden; St Gallen, Switzerland; and Turku, Finland. In 2016 he was elected as a Fellow of the British Academy.

Mike Wilson CBE

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

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

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

The Duke of Wellington

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

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

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)

Jean Laurent-Bellue

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

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

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

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

Hannah Rothschild

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

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

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

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

Honorary Vice Chair

Baroness Ariane de Rothschild

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

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

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

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

J. Rothschild Capital Management

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

Chairman
Lord Rothschild

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

Chief Executive Officer
Francesco Goedhuis

Non-Executive Directors
Roberto Ruhman
Rick Sopher

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

Francesco Goedhuis

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

Andrew Jones

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

Jonathan Kestenbaum

Jonathan Kestenbaum is the Chief Operating Officer. Until 2011 he was 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 NESTA (the National Endowment for Science, Technology and the Arts). Prior to that he was Chief of Staff to the Chairman of Apax Partners, Sir Ronald Cohen. In January 2011 Jonathan was appointed to The House of Lords and became Lord Kestenbaum of Foxcote.

Ron Tabbouche

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

Corporate Governance Report

Introduction

The Directors present the Company's Corporate Governance Report. This describes its principal governance bodies, their composition, purpose and operation within the context of the Principles of the UK Corporate Governance Code 2014 (the Code) of the UK Financial Reporting Council, which can be viewed at www.frc.org.uk. A new version of the Code was introduced in April 2016 and the revised provisions will apply to the Company for the 2017 financial year. This is not expected to have a material impact on the Company, and the Board will report on its implementation of those new responsibilities in next year's Annual Report.

Leadership

The Company is headed by its Board of Directors (the Board) which is collectively responsible for setting the Company's long-term strategic aims, and its ongoing business and investment strategies. Its Schedule of Reserved Matters may be viewed at www.ritcap.com. The day-to-day management of the business is delegated to the Executive Committee of the Company's wholly-owned subsidiary and manager, JRCM.

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

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

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

The Audit and Risk Committee

The Audit and Risk Committee Report is shown on pages 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 page 30 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 of independent Directors. The Committee's principal responsibilities cover the monitoring of arrangements with parties related to Lord Rothschild or any other Directors (as described in note 19), to ensure that any conflicts of interest are avoided, or managed appropriately. Such arrangements include co-investments and related party transactions.

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

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

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

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

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

Valuation Committee
John Cornish (Chairman)
Mike Power
Amy Stirling

Corporate Governance Report

The Nominations Committee

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

The Committee is mindful of Board balance and diversity, including gender, 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 utilise their broad range of business contacts to identify candidates on the basis of their potential contribution to the Company.

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

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

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

During the year, the Committee discharged its responsibilities as summarised above.

The Remuneration Committee

The Directors' Remuneration Report is shown on pages 32 to 42.

The Valuation Committee

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

Board and Committee Attendance

The Board and Committee attendance of the Directors 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 as a member of the Board or Committee.

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

[1] Lord Myners retired as a Director on 21 April 2016.

Corporate Governance Report

Effectiveness
Many of the Directors hold or have held senior positions at prominent investment banks, asset management companies or audit firms specialising in the asset management industry. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations. The biographies of the Directors and executive management on pages 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 2016 in the papers provided for Board and Committee meetings, including on the EU Market Abuse Regulation.

The Board annually undertakes a formal and rigorous evaluation of its performance, its committees and individual Directors. Following the external review by Trust Associates in 2015, the 2016 annual performance evaluation was led by Michael Marks, the Senior Independent Director by means of an internally prepared questionnaire. The summarised responses were evaluated and considered by the Board and separately by the non-executive Directors in a meeting without the Chairman or executive management present. Following such a review, all Directors' performance was considered to be satisfactory.

The next external evaluation is scheduled for 2018.

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

Accountability
The Board, acting where appropriate through the Audit and Risk Committee, is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk management and internal control systems, for setting corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors. These areas are further described in the Audit and Risk Committee Report on pages 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 reports to the Board on its shareholder and analyst meetings to ensure that the members of the Board understand the views of major shareholders about the Company.

All shareholders are encouraged to attend the Annual General Meeting and ask questions of the Directors and management.

Corporate Governance Report

Compliance with the Code

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

Code provision	Explanation
The roles of the Chairman and Chief Executive should not be exercised by the same individual.	As described on previous pages, the structure of Board committees and the formal delegation of day-to-day management of the business to the Executive Committee of JRCM (led by its CEO) devolve executive responsibilities away from Lord Rothschild. He retains membership of the Investment Committee of JRCM.
Non-executive Directors should be appointed for specified terms.	As all Directors stand for re-election annually, subject to continued satisfactory performance, neither the Nominations Committee nor the Board consider that it would be in the best interests of the Company for non-executive Directors to be appointed for specified terms.

Statement of Directors' Responsibilities

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

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

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

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

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

Corporate Governance Report

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

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

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

By Order of the Board

Jonathan Kestenbaum.

Jonathan Kestenbaum
Chief Operating Officer
J. Rothschild Capital Management Limited

Audit and Risk Committee Report

The Audit and Risk Committee

I am pleased to present the Report of the Audit and Risk Committee for the year ended 31 December 2016.

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 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 Institute of Chartered Accountants, a former Partner at Deloitte LLP and also chair the audit committee of another public company.

The composition of the Committee has remained unchanged throughout the year.

All of the three other members of the Committee at the year end have recent and relevant financial experience and two others are also Fellows of the Institute of Chartered Accountants. Their individual biographies are shown on pages 20 and 21.

Committee meetings and activity during the year

The Committee meets twice each year to review the Group's half-yearly and annual financial statements. The reviews include the assessment and assurance that the reports, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee also considers the year-end reports from the external auditors and discusses 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.

Two further meetings of the Committee are held each year to review the effectiveness of the Group's risk management and internal controls, by reference to reports prepared by the Manager, its internal audit function and BNP Paribas Securities Services as Depositary.

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

The most significant matters considered by the Committee during the year included:

UK Corporate Governance Code 2014

The Committee reviewed the information and analysis provided by the Manager to support the additional disclosures required to be made to shareholders in the annual report as follows:

- The confirmation that the Directors have carried out a robust assessment of principal risks, as described on pages 15 to 18;
- The statement that the Board monitors risk management and internal control systems, reviews their effectiveness at least annually and reports on these in the annual report;
- The statement on Going Concern, shown on page 18; and
- The Viability Statement shown on page 18.

The valuation of direct private investments and other assets

Direct private investments comprise approximately 10% 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 most likely the use of a range of valuation techniques. This subjectivity means that there is a higher degree of uncertainty in such valuations compared with those of other assets.

The Committee has considered the work of the Valuation Committee and the results of the discussions of that committee 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.

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

Audit and Risk Committee Report

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 the many relationships it (and its Directors) has built up over time. Disclosure of such transactions is a legal requirement in order to allow shareholders and other users of the financial statements to assess the risks and opportunities facing the 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 Chairman 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 Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss.

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

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

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

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

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

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

External Auditors
The external auditors are PricewaterhouseCoopers LLP (PwC).

During 2016 the Audit Quality Review team of the Financial Reporting Council completed a review of the audit that PwC performed for the year ended 31 December 2015. This is a process designed to monitor the quality of audits and the procedures at audit firms. Nothing of concern arose from the inspection and the final report has been discussed with PwC.

PwC attended the meeting of the Committee at which the annual accounts were considered, and provided reports on their audit approach and work undertaken, the quality and effectiveness of the Group's accounting records and their findings in connection with the Group's annual statutory audit.

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

Audit and Risk Committee Report

Ensuring the Group has a high quality, effective and independent external auditor is a key role of the Audit and Risk Committee. We review the provision of our external audit services annually and the Board, on the recommendation of the Audit and Risk Committee, has decided to put the contract out to tender in 2017 with a view to appointing a new external auditor at the 2018 AGM. PwC has been our auditor since listing in 1988 and under new European audit reforms we will be required to replace them as our external auditor no later than 2020. Mindful of the fact that our current audit partner comes to the end of her five-year rotation at the 2018 AGM we, and PwC, have mutually agreed that they will not take part in the tender process, which will be overseen by the Committee.

By running a competitive tender process over 2017 the Audit and Risk Committee believes that the Company is best placed to select the most appropriate new auditor in terms of specific expertise, levels of service and value for money while allowing sufficient flexibility to manage the process so as to minimise the impact on the Group's activities and within my current tenure as Chair of this Committee.

The level of non-audit services provided to the Group by the auditors is monitored, as is the auditors' objectivity in providing such service, to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by PwC in 2016 totalled £64,000 split between audit-related assurance and taxation services. Their selection for this work was due to their expertise in this area. Further information on fees paid to PwC is set out in note 5 to the financial statements.

John Cornish
Chairman, Audit and Risk Committee

Directors' Remuneration Report

Introduction from Remuneration Committee Chairman

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2016.

The objective of our remuneration policy is to retain and incentivise talented individuals to deliver sustained superior returns for our shareholders.

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

The current Remuneration Policy was approved by shareholders at the Annual General Meeting in 2014. The Company is therefore pleased to submit the Remuneration Policy for the next triennial binding shareholder vote at the upcoming AGM in April 2017. In preparation for this, the Committee has undertaken a comprehensive review of the Remuneration Policy, including reviewing alternative incentive structures and consultation with the Company's major shareholders and shareholder representatives.

Following this review and consultation, the Company believes that the current Remuneration Policy continues to provide an appropriate incentive structure to attract, motivate and retain the high quality individuals the Company needs to deliver its long-term strategic aims. The Remuneration Policy is designed to align with, and reinforce, our strategic aims. As a result, the Company proposes to renew the Remuneration Policy without any changes. In addition, the Long-Term Incentive Plan (LTIP) is to be submitted to the shareholders for a binding vote. This resolution is required once every ten years, and the LTIP is also put forward without any material changes.

This year's remuneration report is split into two parts:

(1) The Remuneration Policy which is proposed to be renewed without any changes and is subject to a binding shareholder resolution at the forthcoming AGM; and

(2) The annual report on remuneration which provides information on how the Remuneration Policy has been applied during the year and is subject to an advisory vote at the forthcoming AGM.

Overall, we are pleased with performance in 2016. Your Company's net assets increased in the past twelve months by almost £300 million (before dividends) to £2.7 billion, an all-time high.

As you know we measure performance using three KPIs – an absolute hurdle, an equity index and TSR. When assessing this year's awards, the Committee has taken into account shareholders' expectations and in particular that during uncertain times such as these, the preservation of capital takes precedence over the pursuit of short-term growth.

The NAV total return ended the year at 12.1% outperforming the absolute benchmark (RPI plus 3%) by 6.6% for the year. Mindful of the levels of caution applied to the portfolio, performance in 2016 did not keep pace with the equity index as the ACWI (50% Sterling) returned 18.9%. Our third KPI (total shareholder return) was 14.2%.

We are confident that rewards are linked to your Company's achievements in 2016, particularly during volatile times for markets. Decisions made by the Committee have followed careful appraisal of Company performance and at all times aim to align executive reward with shareholder value creation.

Wellington

The Duke of Wellington
Chairman, Remuneration Committee

Directors' Remuneration Report

Directors' Remuneration Policy

This part of the report sets out the proposed Remuneration Policy. It has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The current Remuneration Policy was approved by shareholders with over 99% of the vote at the 2014 AGM. The Company is required to submit the Remuneration Policy for the next triennial binding vote of shareholders at the upcoming AGM.

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

In setting the Remuneration Policy the Committee takes into account:

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

The remuneration of an Executive Director comprises the following:

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

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Variable Pay: Annual Incentive Scheme (AIS) Rewards superior investment performance relative to dual hurdles and qualitative performance measures.	Annual bonuses are paid from a pool. The size of the pool is based on: • 3% of the annual NAV total return outperformance against the ACWI. • 3% of the portion of annual growth in NAV on a total return basis above a hurdle of RPI plus three percentage points, subject to a three-year rolling high water mark. In addition, the Committee also rewards strong contributions to wider firm objectives. This may include efficient cost management, prudent risk controls, sourcing of investment opportunities and strong operational disciplines. Any qualitative awards are measured against rigorous performance metrics. All annual incentive and long-term incentive payments are subject to clawback provisions. These provisions provide scope for the Company to recover value from awards in the event of a material mis-statement of the Group's results or in the event of dismissal for gross misconduct.	The Committee has applied a cap on the overall level of AIS payments. The cap for payments under the AIS is 0.75% of NAV, reducing to 0.25% in circumstances where the Group's NAV has reduced. This provides clarity for our shareholders of the maximum cost the Group could incur in any one period, in addition to reinforcing the capital preservation aspect of our Corporate Objective. 60% of the excess of any payments above £100,000 will be deferred into the shares of the Company which will vest in equal portions over a three-year period.

Directors' Remuneration Report

Element and purpose	Operations, Performance Assessment and Clawback	Maximum Payment
Variable Pay: Long-Term Incentive Plan (LTIP) Rewards sustained share price appreciation.	The LTIP was last approved by the shareholders of the Company on 17 July 2008. The term of the LTIP must be renewed by shareholders every ten years and it shall be submitted to shareholders for renewal (without any changes) at the 2017 AGM. The LTIP provides Share Appreciation Rights (SARs) over a number of shares in RIT Capital Partners plc to participants. Following the expiry of a three-year vesting period, participants in the SAR plan are entitled to exercise their SARs and receive a payment in shares equal to the growth in value of the shares over the vesting period. However, the exercise of a SAR is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied. The Committee determines the metric for the SAR performance condition. The current metric applied to the awards requires that the Company's TSR exceeds the growth in the RPI plus three percentage points per annum over the three-year performance period. In the event that the performance condition is met the award vests in full. The performance condition was chosen as a good measure of above-inflation returns to shareholders and is subject to ongoing review by the Committee. The SAR plan uses ordinary shares of the Company to settle the share appreciation amount for existing and future awards granted under the SAR plan. The Group seeks to hedge its exposure under the SAR plan by using an Employee Benefit Trust to acquire shares to meet the estimated future liability. As noted on page 34, LTIP awards are subject to clawback.	Annual awards are typically capped at 4x basic salary (measured as the value at grant of the shares under option).

Directors' Remuneration Report

While the binding vote on Remuneration Policy only applies to remuneration awarded to Directors, we normally apply the same principles to the remuneration of employees of JRCM. Eligibility for annual incentive payments based on investment performance, along with access to long-term incentive components, is focused on the Executive Committee and those senior employees of JRCM who are able to influence the long-term performance and strategy. Incentive schemes for the Group's other operating subsidiaries, SHL and GVQ, are tailored to their respective businesses. The Remuneration Committee receives regular feedback on the effectiveness of the Group's remuneration policies from the Executive Committee.

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

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

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

3. Total Shareholder Return (TSR).

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

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

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

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

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

Consulting with shareholders
The Committee engages pro-actively with major shareholders and shareholder representatives. The Committee Chairman consulted with major shareholders and appropriate representatives on the proposed renewal of the Remuneration Policy and the LTIP. It is expected that if any future changes to Remuneration Policy were proposed, it would involve a similar level of shareholder consultation.

Compliance with the FCA Remuneration Code
The Remuneration Committee regularly reviews the Remuneration Policy to ensure compliance with the principles of the FCA Remuneration Code, as applicable to the Group. The 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 2016, beneficial holdings represented a very significant multiple of base salary for Lord Rothschild.

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

Executive Director's service contract and loss of office
Lord Rothschild has a service agreement with JRCM, dated 29 April 1996. This can be terminated on not less than 12 months' written notice. It provides for benefits-in-kind in line with normal company practice, including pension provision, private health insurance and a company car. The agreement does not specify compensation payable in the event of early termination. Contracts are available for inspection at the Company's registered office shown on page 91.

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

Directors' Remuneration Report

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

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

Non-executive Directors' remuneration

The remuneration of the 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 FTSE 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 2016:

Base fee[1]	£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 (per committee)	£7,500

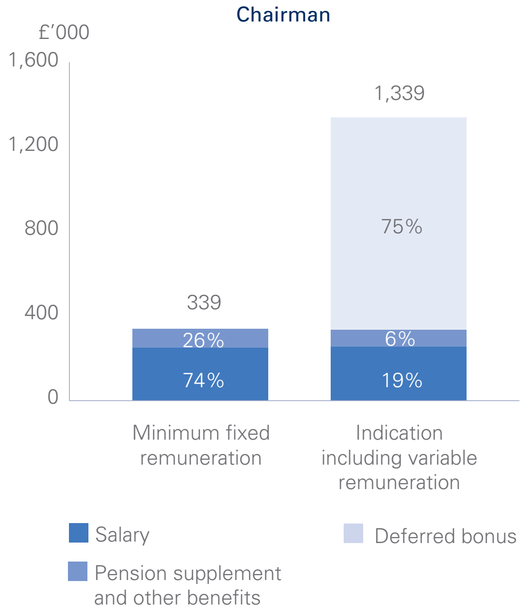
[1] Effective from 1 April 2016.

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

Reward scenarios

The 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 good performance using the base salary effective 1 January 2017 as well as the annual bonus figure for the year ended 31 December 2016. 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 Annual Incentive Scheme is 0.75% of net assets, reducing to 0.25% in circumstances where the Group's net assets have reduced.



Directors' Remuneration Report

Annual Report on Remuneration
This part of the report has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and relevant sections of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2017 AGM. The information on pages 32 to 42 has been audited where required under the regulations and is indicated as audited information where applicable.

Committee structure and responsibilities
Under the Chairmanship of The Duke of Wellington, the Committee comprises three further independent non-executive Directors: John Cornish, Michael Marks and Mike Wilson. The Committee meets at least twice a year on a formal basis and additionally as may be required. Its primary responsibility is the creation and maintenance of appropriate remuneration policies designed to attract, retain and motivate Directors and executive management. The Committee met three times during the year.

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

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

The Remuneration Committee appointed New Bridge Street (NBS), the remuneration consultancy, to provide the Committee with advice. NBS has no other relationships with the Group and is therefore independent. During the year fees of £30,743 were paid to NBS in respect of that advice. NBS abides by the Remuneration Consultant's Code of Conduct which requires it to provide objective and impartial advice.

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.

Directors' Remuneration – Audited
Following a review of market benchmark data, the Board concluded that the annual non-executive base fee should be increased from £25,000 to £30,000 and the annual Audit and Risk Chairmanship fee be increased from £7,500 to £10,000. Both increases were effective from 1 April 2016 and are in accordance with the provisions of the Articles of Association which limit the total base fees payable to non-executive Directors.

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

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

Directors' Remuneration Report

Director	Salary £	Bonus £	Year ended 31 December 2015 Taxable benefits[2] £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Lord Rothschild[1]	300,000	1,200,000[1]	39,015	421,000	60,000	2,020,015
Non-Executive Directors						
John Cornish[3]	59,000	–	–	–	–	59,000
Jean Laurent-Bellue	25,000	–	–	–	–	25,000
John Makinson[4]	23,250	–	–	–	–	23,250
Michael Marks	43,500	–	–	–	–	43,500
Lord Myners	33,000	–	–	–	–	33,000
Mike Power	37,000	–	–	–	–	37,000
Sandra Robertson[5]	10,333	–	–	–	–	10,333
Hannah Rothschild	25,000	–	–	–	–	25,000
Amy Stirling[6]	29,104	–	–	–	–	29,104
The Duke of Wellington	51,000	–	–	–	–	51,000
Mike Wilson	30,277	–	–	–	–	30,277

1 The Chairman was the highest paid Director during the year. His bonus of £1.2 million was deferred 100% into shares of RIT which vest in equal portions over a three-year period.
2 Taxable benefits include provision of a Company car, health insurance and an annual health assessment.
3 John Cornish also received fees of £9,512 as a Trustee of the RITCP Pension and Life Assurance Scheme.
4 John Makinson retired as a Director of the Company on 30 September 2015. He was appointed as Chairman of a subsidiary on 1 October 2015 and received US$37,500 in respect of this role in the quarter ended 31 December 2015.
5 Sandra Robertson retired as a Director on 30 April 2015.
6 Amy Stirling was appointed on 26 February 2015.

Salaries and fees

The Company's non-executive Directors' fees totalled £354,202 for the year (compared to £366,464 in the year ended 31 December 2015).

At his own suggestion and in consultation with the Committee, the Chairman's salary for 2016 was reduced from £300,000 to £250,000. The Chairman's salary for 2017 remains at £250,000, reflecting his continued membership of the JRCM Investment Committee whilst, at the same time, being less involved in the day-to-day administration of the Company.

Bonus award for 2016 performance

The bonus granted to the Chairman from the Annual Incentive Scheme is shown on page 38. Aggregate payments made under the scheme for the year were significantly below the 0.75% cap. In determining the Chairman's bonus, the Committee took careful account of the outperformance of the absolute benchmark by 6.6% at a time where the Company has placed particular emphasis on capital preservation. The Committee awarded the entire bonus in the form of shares in RIT which vest over three years.

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

Remuneration Category	Chairman % change	Average for JRCM employees[1] % change
Base salary	-16.7	2.4
Benefits	-0.1	6.3
Annual Bonus	-16.7	-15.0

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

Long-Term Incentive Plan – Audited

The characteristics of the Group's SAR scheme are set out on page 35. The following SARs granted to the Chairman were outstanding at 31 December 2016:

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

On exercise, the above SARs will be settled in ordinary shares of the Company. The face value at the date of grant is the number of SARs granted, multiplied by the strike price. The strike price is the closing price for the Company's shares on the dealing day immediately prior to the grant date. The performance period for each award is the three-year period from the grant date. The SARs vest if RIT's annualised TSR is above the hurdle of RPI plus 3.0% over the three-year performance period. Once vested, the SARs are exercisable for a further seven years.

During the year, the following SARs held by the Executive Director were exercised and settled in ordinary shares in the Company:

Grant date	Grant price	SAR Exercise price	Number of SARs exercised	Number of shares in the Company received	Exercise date
15 March 2007	939p	1,823p	115,016	55,773	14 December 2016

Statement of Directors' shareholdings – Audited

The interests of the Directors holding office at 31 December 2016 in the ordinary shares of the Company are shown below:

	31 December 2016		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild*	10,185,018	18,120,010	18.22
John Cornish	8,281	–	0.01
Jean Laurent-Bellue	–	–	–
Michael Marks	10,000	–	0.01
Mike Power	518	–	–
Hannah Rothschild*	14,231,250	13,738,975	18.00
Amy Stirling	2,058	–	–
The Duke of Wellington	25,000	89,000	0.07
Mike Wilson	20,000	–	0.01

* The majority of total interests in the table above for Lord Rothschild and Hannah Rothschild are in respect of the same shares, in cases where they are held in family charitable foundations, companies or trusts. These include 6,910,666 shares held beneficially and 13,738,975 shares held non-beneficially in which both Lord Rothschild and Hannah Rothschild are interested.

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

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

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

Directors' Remuneration Report

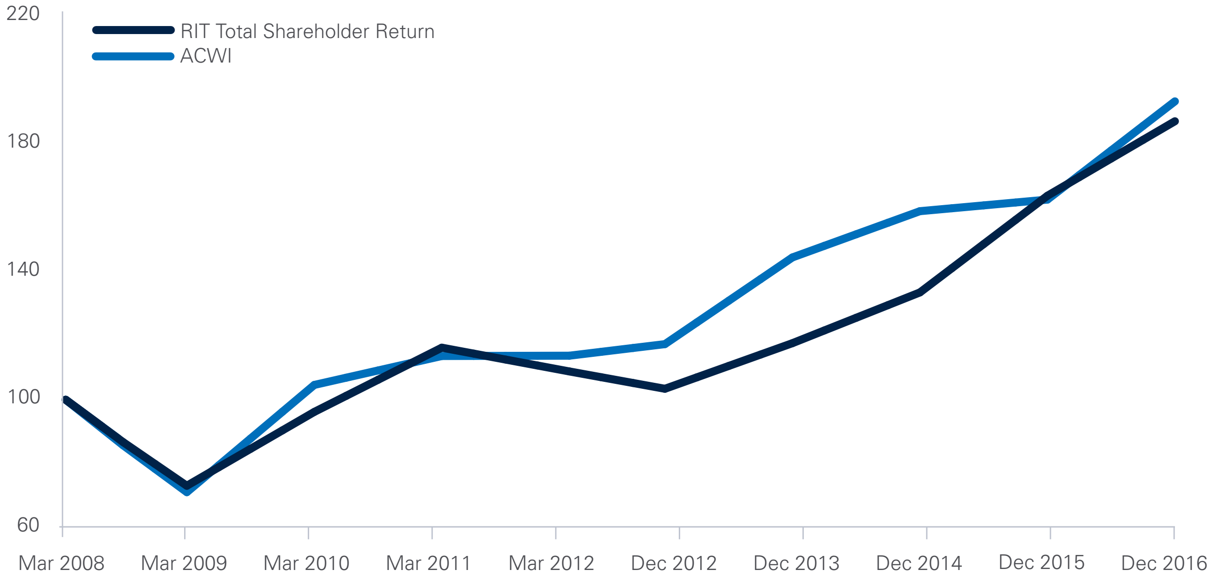
Statement of shareholder voting

Votes in respect of the resolution to approve the Directors' Remuneration Report at the Company's AGM in April 2016 were cast as follows:

	No of shares	% of votes cast
Votes cast in favour	57,103,277	98.7
Votes cast against	753,121	1.3
Total votes cast	57,856,398	100.0
Votes withheld	129,704	–

Performance Graph

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



Directors' Remuneration Report

Total remuneration of the Chairman

The total remuneration of the Chairman for each of the financial years in the above chart, 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.

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

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

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.

	Year ended 31 December 2015 £ million	Year ended 31 December 2016 £ million	Change £ million
Total staff costs	21.5	21.2	(0.3)
Dividends	46.3	47.9	1.6

On behalf of the Board of Directors

Wellington

The Duke of Wellington
Chairman, Remuneration Committee

Directors’ Report

Directors’ Report: Statutory and Other Disclosures

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

Status of Company
The Company is registered as a public company and is incorporated 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 is not a close company within the meaning of Section 439 of the Corporation Tax Act 2010.

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

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

Lord Myners retired as a Director on 21 April 2016. There have been no changes in the composition of the Board since 31 December 2016.

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 2016, the Sterling equivalent of the drawn indebtedness was £431 million (with debt held at fair value), representing net gearing calculated in accordance with AIC guidance of 14.7%.

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.

Direct and Indirect Investment Management Fees
The Company invests a significant proportion of the portfolio with external managers. The majority of the management and performance fees charged by such managers are incurred indirectly by the Company as they are included within the fund investment valuations and therefore form part of the investment return. A small number of fund investments are structured as segregated accounts. Here, the fees are incurred directly by the Company (see note 3). Fee structures within the long-only equity funds, whether structured as segregated accounts or otherwise, typically involve a 1% per annum management fee and in some cases a relative performance fee. The hedge funds are slightly higher – typically a 1% to 2% management fee and a 15% to 20% performance fee. Private equity fees are structured differently and will usually have a 1% to 2% annual charge, often based on commitments in early years and declining over time with realisations, as well as a 20% carried interest above an 8% hurdle.

Directors' Report

Share Capital

At 31 December 2016, the issued share capital comprised 155,351,431 £1 ordinary shares. Further details are shown in note 23 on page 72.

During the year ended 31 December 2016, no ordinary shares were issued or repurchased and the shareholders' authority to repurchase up to 23,287,179 shares granted at the AGM on 21 April 2016 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 27 April 2017. 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 2016, 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 2016			
	No. of voting rights		% of voting rights	
Major holders of voting rights[1]	Direct	Indirect	Direct	Indirect
Five Arrows Limited[2]	6,757,835	–	4.35	–
Lord Rothschild[2]	<3%	18,120,010	<3%	11.66
Hannah Rothschild[2]	<3%	13,738,975	<3%	8.83
The Rothschild Foundation[2]	13,738,975	–	8.84	–

[1] The total Rothschild family interest (including shares in which Lord Rothschild and Hannah Rothschild do not have a direct or indirect interest) is 21.13%.

[2] Some or all of these holdings form part of Lord Rothschild's and Hannah Rothschild's interests disclosed on page 40 under Directors' shareholdings.

As at 27 February 2017, the voting rights in the above table remained unchanged.

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

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

Corporate Responsibility

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

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

Emissions required to be reported in respect of the years ended 31 December 2016 and 2015 were calculated using fuel conversion factors provided by Defra[1], as follows:

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

Source	CO_2 (tonnes)	Intensity Ratio: CO_2 (tonnes) per employee
31 December 2015:		
Scope 1 Gas	50	0.7
Scope 2 Electricity	190	2.6
Total	240	3.3

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

The Group operates an ethics policy which applies to all staff, including in relation to social and human rights issues. The Board is also supportive of moves towards greater diversity. At the year end, the RIT Board consisted of nine Directors, two of whom were women. Within the wider Group the senior management level included 15 men and one woman. The overall employee base is divided between 50 men and 20 women.

Directors' Report

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

Save for voting rights on the Company's investments held in segregated accounts by external managers who have control on the voting of those shares, the 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 27 April 2017 at 11:00 am 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.

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 (2015: nil).

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

Disclosure of Information to Auditors
With regard to the preparation of the Report and Accounts of the Company for the year ended 31 December 2016, the Directors have confirmed to the auditors that:

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

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

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 35 and 40;
- The J. Rothschild Capital Management Limited Employee Benefit Trust (EBT) has waived its rights to dividends paid on the ordinary shares of the Company in 2016 and in future years. In 2016, the net dividends waived amounted to £141,463 on the First Interim Dividend paid on 27 April 2016 and £142,866 on the Second Interim Dividend paid on 28 October 2016; 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 44.

There are no further disclosures required under Listing Rule 9.8.4.

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

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

Directors' Report

Statement under the UKLA Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 20 to 22 confirm that, to the best of their knowledge:

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

The Directors Report on pages 43 to 46 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 2016

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

Year ended 31 December £ million	Notes	Revenue	Capital	2016 Total	Revenue	Capital	2015 Total
Income							
Investment income	2	23.1	–	23.1	21.1	–	21.1
Other income		7.2	–	7.2	8.6	–	8.6
Income		30.3	–	30.3	29.7	–	29.7
Gains/(losses) on fair value investments	3	–	351.0	351.0	–	200.7	200.7
Gains/(losses) on monetary items and borrowings		–	(38.1)	(38.1)	–	(1.4)	(1.4)
Gains/(losses)		30.3	312.9	343.2	29.7	199.3	229.0
Expenses							
Operating expenses	4, 5	(21.7)	(7.2)	(28.9)	(24.5)	(5.8)	(30.3)
Profit/(loss) before finance costs and tax	6	8.6	305.7	314.3	5.2	193.5	198.7
Finance costs	7	(13.3)	–	(13.3)	(10.7)	–	(10.7)
Profit/(loss) before tax		(4.7)	305.7	301.0	(5.5)	193.5	188.0
Taxation	8	1.1	–	1.1	0.5	(0.2)	0.3
Profit/(loss) for the year		**(3.6)**	**305.7**	**302.1**	**(5.0)**	**193.3**	**188.3**
Earnings per ordinary share – basic	9	(2.3p)	198.0p	195.7p	(3.2p)	125.1p	121.9p
Earnings per ordinary share – diluted	9	(2.3p)	197.3p	195.0p	(3.2p)	124.6p	121.4p

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

Consolidated Statement of Comprehensive Income

Year ended 31 December £ million	Notes	Revenue	Capital	2016 Total	Revenue	Capital	2015 Total
Profit/(loss) for the year		**(3.6)**	**305.7**	**302.1**	**(5.0)**	**193.3**	**188.3**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss:							
Revaluation gain/(loss) on property, plant and equipment	10	–	(0.4)	(0.4)	–	3.2	3.2
Actuarial gain/(loss) in defined benefit pension plan	11	(3.4)	–	(3.4)	0.5	–	0.5
Deferred tax (charge)/credit allocated to actuarial loss/(gain)	12	0.5	–	0.5	(0.3)	–	(0.3)
Total comprehensive income/(expense) for the year		**(6.5)**	**305.3**	**298.8**	**(4.8)**	**196.5**	**191.7**

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

The notes on pages 54 to 77 form part of these financial statements.

Consolidated Balance Sheet

At 31 December £ million	Notes	2016	2015
Non-current assets			
Investments held at fair value	13, 14, 15	2,938.8	2,759.0
Investment property	16	35.5	33.7
Property, plant and equipment	10	28.8	29.6
Deferred tax asset	12	3.7	2.1
Retirement benefit asset	11	–	0.5
Derivative financial instruments	14, 17	6.1	0.4
		3,012.9	2,825.3
Current assets			
Derivative financial instruments	17	35.0	15.0
Other receivables	18	178.6	90.5
Amounts owed by group undertakings		0.9	0.3
Tax receivable		0.1	0.2
Cash at bank		131.2	112.2
		345.8	218.2
Total assets		3,358.7	3,043.5
Current liabilities			
Borrowings	20	(275.0)	(258.9)
Derivative financial instruments	14, 17	(35.6)	(32.4)
Provisions	21	(0.9)	(0.5)
Other payables	22	(61.2)	(36.7)
Amounts owed to group undertakings		(128.5)	(128.6)
		(501.2)	(457.1)
Net current assets/(liabilities)		(155.4)	(238.9)
Total assets less current liabilities		2,857.5	2,586.4
Non-current liabilities			
Borrowings	20	(156.4)	(141.3)
Derivative financial instruments	14, 17	(4.0)	(0.8)
Provisions	21	(2.7)	(2.5)
Finance lease liability		(0.5)	(0.5)
Retirement benefit liability	11	(1.8)	–
		(165.4)	(145.1)
Net assets		**2,692.1**	**2,441.3**
Equity attributable to owners of the Company			
Share capital	23	155.4	155.4
Share premium	23	17.3	17.3
Capital redemption reserve	24	36.3	36.3
Own shares reserve	25	(14.4)	(13.0)
Share-based payment reserve	26	7.5	6.2
Capital reserve	27	2,471.6	2,213.8
Revenue reserve	28	1.1	7.6
Revaluation reserve	29	17.0	17.4
Other reserves	30	0.3	0.3
Total equity		**2,692.1**	**2,441.3**
Net asset value per ordinary share – basic	31	1,739p	1,579p
Net asset value per ordinary share – diluted	31	1,730p	1,573p

The financial statements on pages 48 to 53 were approved by the Board of Directors and authorised for issue on 27 February 2017.

Rothschild
Chairman

The notes on pages 54 to 77 form part of these financial statements.

Parent Company Balance Sheet

At 31 December £ million	Notes	2016	2015
Non-current assets			
Investments held at fair value	13, 14, 15	2,798.1	2,615.8
Investment property	16	35.5	33.7
Property, plant and equipment	10	28.4	29.2
Investments in subsidiary undertakings	32	165.6	164.8
Derivative financial instruments	14, 17	6.1	0.4
		3,033.7	2,843.9
Current assets			
Derivative financial instruments	14, 17	35.0	15.0
Other receivables	18	176.8	88.7
Amounts owed by group undertakings	19	1.0	0.3
Tax receivable		0.1	0.2
Cash at bank		125.0	104.9
		337.9	209.1
Total assets		3,371.6	3,053.0
Current liabilities			
Borrowings	20	(275.0)	(258.9)
Derivative financial instruments	14, 17	(35.6)	(32.4)
Provisions	21	(0.9)	(0.5)
Other payables	22	(51.2)	(25.6)
Amounts owed to group undertakings	19	(221.7)	(210.4)
		(584.4)	(527.8)
Net current assets/(liabilities)		(246.5)	(318.7)
Total assets less current liabilities		2,787.2	2,525.2
Non-current liabilities			
Borrowings	20	(156.4)	(141.3)
Derivative financial instruments	14, 17	(4.0)	(0.8)
Provisions	21	(2.7)	(2.5)
Finance lease liability		(0.5)	(0.5)
		(163.6)	(145.1)
Net assets		**2,623.6**	**2,380.1**
Equity attributable to owners of the Company			
Share capital	23	155.4	155.4
Share premium reserve	23	17.3	17.3
Capital redemption reserve	24	36.3	36.3
Capital reserve:			
At 1 January		2,200.3	2,044.1
Profit for the year		308.7	202.5
Dividends paid	33	(47.9)	(46.3)
Capital reserve at 31 December	27	2,461.1	2,200.3
Revenue reserve:			
At 1 January		(46.6)	(29.9)
Loss for the year		(16.9)	(16.7)
Revenue reserve at 31 December	28	(63.5)	(46.6)
Revaluation reserve at 31 December	29	17.0	17.4
Total equity		**2,623.6**	**2,380.1**

The financial statements on pages 48 to 53 were approved by the Board of Directors and authorised for issue on 27 February 2017.

Rothschild

Rothschild
Chairman

The notes on pages 54 to 77 form part of these financial statements.

Consolidated Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Own shares reserve	Share-based payment reserve	Capital reserve	Revenue reserve	Revaluation reserve	Other reserves	Total equity
Balance at 1 January 2015	155.4	17.3	36.3	(9.2)	6.2	2,066.8	12.4	14.2	0.2	2,299.6
Profit/(loss) for the year	–	–	–	–	–	195.8	(7.5)	–	–	188.3
Revaluation gain on property, plant and equipment	–	–	–	–	–	–	–	3.2	–	3.2
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	0.5	–	–	0.5
Deferred tax (charge)/credit allocated to actuarial loss	–	–	–	–	–	–	(0.3)	–	–	(0.3)
Reallocation of segregated account fees	–	–	–	–	–	(2.5)	2.5	–	–	–
Total comprehensive income/(expense) for the year	–	–	–	–	–	193.3	(4.8)	3.2	–	191.7
Dividends paid	–	–	–	–	–	(46.3)	–	–	–	(46.3)
Movement in Own shares reserve	–	–	–	(3.8)	–	–	–	–	–	(3.8)
Movement in Share-based payment reserve	–	–	–	–	–	–	–	–	–	–
Other reserves	–	–	–	–	–	–	–	–	0.1	0.1
Balance at 31 December 2015	**155.4**	**17.3**	**36.3**	**(13.0)**	**6.2**	**2,213.8**	**7.6**	**17.4**	**0.3**	**2,441.3**
Balance at 1 January 2016	155.4	17.3	36.3	(13.0)	6.2	2,213.8	7.6	17.4	0.3	2,441.3
Profit/(loss) for the year	–	–	–	–	–	305.7	(3.6)	–	–	302.1
Revaluation loss on property, plant and equipment	–	–	–	–	–	–	–	(0.4)	–	(0.4)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	–	(3.4)	–	–	(3.4)
Deferred tax (charge)/credit allocated to actuarial loss	–	–	–	–	–	–	0.5	–	–	0.5
Total comprehensive income/(expense) for the year	–	–	–	–	–	305.7	(6.5)	(0.4)	–	298.8
Dividends paid	–	–	–	–	–	(47.9)	–	–	–	(47.9)
Movement in Own shares reserve	–	–	–	(1.4)	–	–	–	–	–	(1.4)
Movement in Share-based payment reserve	–	–	–	–	1.3	–	–	–	–	1.3
Other reserves	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2016	**155.4**	**17.3**	**36.3**	**(14.4)**	**7.5**	**2,471.6**	**1.1**	**17.0**	**0.3**	**2,692.1**

The notes on pages 54 to 77 form part of these financial statements.

Parent Company Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2015	155.4	17.3	36.3	2,044.1	(29.9)	14.2	2,237.4
Profit/(loss) for the year	–	–	–	205.0	(19.2)	–	185.8
Revaluation gain on property, plant and equipment	–	–	–	–	–	3.2	3.2
Total comprehensive income/ (expense) for the year	–	–	–	205.0	(19.2)	3.2	189.0
Dividends paid	–	–	–	(46.3)	–	–	(46.3)
Reallocation of segregated account fees	–	–	–	(2.5)	2.5	–	–
Balance at 31 December 2015	**155.4**	**17.3**	**36.3**	**2,200.3**	**(46.6)**	**17.4**	**2,380.1**
Balance at 1 January 2016	155.4	17.3	36.3	2,200.3	(46.6)	17.4	2,380.1
Profit/(loss) for the year	–	–	–	308.7	(16.9)	–	291.8
Revaluation loss on property, plant and equipment	–	–	–	–	–	(0.4)	(0.4)
Total comprehensive income/ (expense) for the year	–	–	–	308.7	(16.9)	(0.4)	291.4
Dividends paid	–	–	–	(47.9)	–	–	(47.9)
Balance at 31 December 2016	**155.4**	**17.3**	**36.3**	**2,461.1**	**(63.5)**	**17.0**	**2,623.6**

The notes on pages 54 to 77 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statement

Year ended 31 December £ million	Notes	Consolidated Cash Flow 2016	 2015	Parent Company Cash Flow 2016	 2015
Cash flows from operating activities:					
Cash inflow/(outflow) before taxation and interest		97.0	82.6	92.6	70.8
Interest paid		(13.3)	(10.7)	(13.3)	(10.6)
Net cash inflow/(outflow) from operating activities	34	83.7	71.9	79.3	60.2
Cash flows from investing activities:					
Purchase of property, plant and equipment		0.1	–	–	–
Net cash inflow/(outflow) from investing activities		0.1	–	–	–
Cash flows from financing activities:					
Purchase of ordinary shares by Employee Benefit Trust[1]		(5.6)	(6.0)	–	–
Proceeds from borrowings		25.0	–	25.0	–
Repayments of borrowings		(53.7)	(158.2)	(53.7)	(158.2)
Proceeds from issue of loan notes		–	151.0	–	151.0
Equity dividend paid	33	(47.9)	(46.3)	(47.9)	(46.3)
Net cash inflow/(outflow) from financing activities		(82.2)	(59.5)	(76.6)	(53.5)
Increase/(decrease) in cash and cash equivalents in the year		1.6	12.4	2.7	6.7
Cash and cash equivalents at the start of the year		134.8	118.5	127.5	116.9
Effect of foreign exchange rate changes on cash and cash equivalents		34.1	3.9	34.1	3.9
Cash and cash equivalents at the year end		**170.5**	**134.8**	**164.3**	**127.5**
Reconciliation:					
Cash at bank		131.2	112.2	125.0	104.9
Money market funds (included in portfolio investments)		39.3	22.6	39.3	22.6
Cash and cash equivalents at the year end		**170.5**	**134.8**	**164.3**	**127.5**

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

The notes on pages 54 to 77 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

Accounting policies have been consistently applied other than where new policies have been adopted (as described in note 3).

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods. The Group has decided not to early adopt in the current year accounts:

Not yet endorsed:
- IFRS 9 Financial Instruments – Classification and Measurement
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application.

Other future developments include the International Accounting Standards Board (IASB) undertaking a comprehensive review of existing IFRSs. The Group will consider the financial impact of these new standards as they are finalised.

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

Basis of Consolidation

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

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

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

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

Presentation of Income Statement

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

Income

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

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

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

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

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

Notes to the Financial Statements

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

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

The following are presented as capital items:

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

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

Direct private investments are valued at management's best estimate of fair value in accordance with IFRSs having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British 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 General Partner 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 fair value through profit or loss exclude any related interest income, dividend income and finance cost. These items are disclosed separately in the financial statements.

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

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

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

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

Share-based Payment
In accordance with IFRS 2 Share-based Payment, the Group is required to reflect in its income statement and balance sheet the effects of share-based payment transactions. The Group has two principal share-settled incentive schemes: the AIS and the SAR Plan, details of which are set out on pages 34 and 35 of the Directors' Remuneration Report.

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

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

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

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

Notes to the Financial Statements

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. 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 Statement of Comprehensive Income. An actuarial valuation of the defined benefit retirement scheme is undertaken every three years as at 1 January and is updated as at each principal reporting date. The valuation is carried out using the projected unit credit method of funding basis. The income statement also includes costs incurred in respect of defined contribution schemes, comprising the contributions payable in the year.

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

Bank Borrowings
Interest-bearing bank loans and overdrafts are recorded initially at the proceeds received, net of direct issue costs and subsequently at fair value.

Loan Notes
Loan notes are recorded at fair value upon initial recognition and then classified as a financial liability at fair value through profit or loss. The fair value is calculated using a discounted cash flow model where the model uses fixed interest and redemption payments based on the underlying contractual cash flows. The discount rate adopted reflects the prevailing market rate for similar instruments. As a result, the determination of fair value requires considerable management judgement. Further details of the loan notes are provided on page 71.

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

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

Share Capital
Share capital is classified as equity.

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

- the valuation of private investments (see page 56 and note 14);
- the valuation of property (see pages 56 and 57, and note 16); and
- share-based payments (see page 56 and note 26).

Notes to the Financial Statements

2. Investment Income

£ million	2016	2015
Income from listed investments:		
Dividends	8.5	11.8
Interest	0.1	0.2
Income from unlisted investments:		
Dividends	7.3	4.8
Interest	5.0	2.5
Income from investment properties	2.2	1.8
Total investment income	**23.1**	**21.1**

3. Gains/(Losses) on Fair Value Investments

£ million	2016	2015
Gains/(losses) on fair value investments excluding segregated accounts	296.1	181.9
Gross gains/(losses) on segregated accounts	58.0	21.0
Segregated account fees - annual	(2.7)	(2.5)
Segregated account fees - performance	(0.4)	0.3
Gains/(losses) on fair value investments held in segregated accounts	54.9	18.8
Gains/(losses) on fair value investments	**351.0**	**200.7**

RIT's investment policy involves the allocation of part of the portfolio to external fund managers. The vast majority of these managers operate 'conventional' 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 Gain/Loss. At 31 December 2016, three funds were structured as 'segregated accounts' (disclosed within the Investment Portfolio on pages 12 to 14), where the managers separately invoice RIT for investment management. These 'direct' fees were previously disclosed in the Consolidated Income Statement as 'Investment Management Fees'. In order to provide a consistent presentation for all external fees, these have now been included within the Investment Gain/Loss as shown above. Further details on the typical fee structures for the external funds are set out in the Directors' Report on page 43.

4. Operating Expenses

£ million	2016	2015
Staff costs:		
Wages and salaries	14.3	16.0
Social security costs	1.9	2.1
Share-based payment costs (note 26)	4.0	2.4
Pension costs (note 11)	1.0	1.0
Total staff costs	21.2	21.5
Auditors' remuneration – audit fees	0.2	0.2
Auditors' remuneration – other	0.1	0.1
Depreciation	0.5	0.4
Lease payments	0.4	0.4
Other operating expenses	6.5	7.7
Total operating expenses	**28.9**	**30.3**

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

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 32 to 42.

The average monthly number of employees during the year was 72, of which 58 were employed in consolidated subsidiaries (2015: 74, of which 57 were employed in a consolidated subsidiary).

5. Other Disclosable Expenses

Services provided by the Company's auditors and its associates

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

£	2016	2015
Fees payable to the Company's auditors and its associates for the audit of the Parent Company and consolidated financial statements	109,300	105,700
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries	109,710	111,500
Audit-related assurance services	41,650	21,500
Tax compliance services	14,649	21,303
Other assurance services	–	4,500
Tax advisory services	8,000	20,000
Total	**283,309**	**284,503**

£	2016	2015
Fees payable to the Company's auditors in respect of the RITCP Pension and Life Assurance Scheme Audit	10,640	8,636
Total	**10,640**	**8,636**

Transaction costs

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

£ million	2016	2015
Purchases	0.7	1.2
Sales	0.8	1.3
Total	**1.5**	**2.5**

Notes to the Financial Statements

6. Business and Geographical Segments

For 2016 and 2015, the Group is considered to have four principal operating segments as follows:

Segment	Business	AUM £ million	Employees[1]
RIT Capital Partners plc	Investment trust	–	–
JRCM	Asset manager/ administration	2,692	46
GVQ	Asset manager	662	10
SHL	Events/premises management	–	14

[1] At 31 December 2016.

Key financial information for 2016 is as follows:

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

Key financial information for 2015 is as follows:

£ million	Income/ Gains[1]	Operating Expenses[1]	Profit[2]
RIT	221.7	(34.8)	186.9
JRCM	30.9	(20.9)	10.0
GVQ	6.1	(4.5)	1.6
SHL	3.4	(3.2)	0.2
Adjustments[3]	(33.1)	33.1	-
Total	**229.0**	**(30.3)**	**198.7**

[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	2016	2015
Interest on borrowings	10.3	8.6
Interest on swaps	2.1	1.4
Other finance costs	0.9	0.7
Finance costs	**13.3**	**10.7**

8. Taxation

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

	Year ended 31 December 2015		
£ million	Revenue	Capital	Total
UK corporation tax charge/(credit)	–	–	–
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	(0.7)	0.2	(0.5)
Effect of tax rate changes	0.2	–	0.2
Taxation charge/(credit)	**(0.5)**	**0.2**	**(0.3)**

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

The standard rate of corporation tax in the UK remains unchanged at 20% in 2016. Accordingly, the Company's profits for 2016 are taxed at an effective rate of 20%.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	Year ended 31 December 2016		
£ million	Revenue	Capital	Total
Profit/(loss) before tax	(2.7)	303.7	301.0
Tax at the standard UK corporation tax rate of 20%	(0.5)	60.7	60.2
Effect of:			
Capital items exempt from corporation tax	–	(77.2)	(77.2)
Dividend income not taxable	(2.9)	–	(2.9)
Change in tax rates	0.2	–	0.2
Expenses not deductible for tax purposes	0.2	–	0.2
Tax losses not recognised	2.1	16.5	18.6
Other items	(0.2)	–	(0.2)
Total tax charge/(credit)	**(1.1)**	**–**	**(1.1)**

	Year ended 31 December 2015		
£ million	Revenue	Capital	Total
Profit/(loss) before tax	(8.0)	196.0	188.0
Tax at the standard UK corporation tax rate of 20.25%	(1.6)	39.7	38.1
Effect of:			
Capital items exempt from corporation tax	–	(39.7)	(39.7)
Dividend income not taxable	(3.4)	–	(3.4)
Change in tax rates	0.2	–	0.2
Expenses not deductible for tax purposes	0.1	–	0.1
Tax losses not recognised	6.0	–	6.0
Other items	(1.8)	0.2	(1.6)
Total tax charge/(credit)	**(0.5)**	**0.2**	**(0.3)**

Notes to the Financial Statements

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

The basic earnings per ordinary share for 2016 is based on the profit of £302.1 million (2015: £188.3 million) and the weighted average number of ordinary shares in issue during the year of 154.4 million (2015: 154.5 million). The weighted average number of shares is adjusted for shares held in the EBT in accordance with IAS 33.

£ million	2016	2015
Net revenue profit/(loss)	(3.6)	(5.0)
Net capital profit/(loss)	305.7	193.3
Total profit/(loss) for the year	**302.1**	**188.3**

	2016 pence	2015 pence
Revenue earnings/(loss) per ordinary share – basic	(2.3)	(3.2)
Capital earnings/(loss) per ordinary share – basic	198.0	125.1
Total earnings per share – basic	**195.7**	**121.9**

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 SAR awards at the average market price for the year.

million	2016	2015
Weighted average number of shares in issue	154.4	154.5
Weighted average effect of dilutive SARs	0.5	0.7
Total diluted shares	**154.9**	**155.2**

	2016 pence	2015 pence
Revenue earnings/(loss) per ordinary share – diluted	(2.3)	(3.2)
Capital earnings/(loss) per ordinary share – diluted	197.3	124.6
Total earnings per share – diluted	**195.0**	**121.4**

10. Property, Plant and Equipment

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

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2015	15.2	(2.6)	14.2	26.8
Additions	–	–	–	–
Disposals	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	3.2	3.2
Fair value at 31 December 2015	**15.2**	**(3.0)**	**17.4**	**29.6**

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

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2015	13.6	(1.4)	14.2	26.4
Additions	–	–	–	–
Disposals	–	–	–	–
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	3.2	3.2
Fair value at 31 December 2015	**13.6**	**(1.8)**	**17.4**	**29.2**

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

11. Pension Commitments

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

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

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

Notes to the Financial Statements

11. Pension Commitments (continued)

Description of Scheme characteristics and associated risks

The Scheme operates as a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 January 2014 by a qualified independent actuary, and this was updated to 31 December 2016 for the purposes of these disclosures.

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

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

The Scheme has recently adjusted its portfolio to include a portfolio of bonds that is a closer match to the liabilities. The impact of this is expected to decrease volatility of the Scheme funding level. As a result of the most recent actuarial valuation performed as at 1 January 2014, the sponsoring employer, JRCM, agreed to pay contributions to the Scheme of £1,095,000 per annum for five years from 1 April 2015. The next actuarial valuation will be as at 1 January 2017.

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 Consolidated Statement of Comprehensive Income are set out below.

Defined benefit cost £'000	2016	2015
Current service cost	81	89
Net interest on net defined benefit liability/(asset)	(37)	20
Remeasurement effects recognised in the SOCI	3,354	(535)
Total (credit)/expense	**3,398**	**(426)**

Recognised in the Consolidated Income Statement £'000	2016	2015
Defined contribution schemes	922	893
Defined benefit scheme:		
Current service cost	81	89
Net interest on net defined benefit asset/(liability)	(37)	20
Total pension cost recognised in the Consolidated Income Statement	**966**	**1,002**

Recognised in the Consolidated Statement of Comprehensive Income £'000	2016	2015
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	(31)	(60)
Actuarial (gain)/loss due to liability assumption changes	5,101	(324)
Return on Scheme assets (greater)/less than discount rate	(1,716)	(151)
Remeasurement effects recognised in the Consolidated Statement of Comprehensive Income	**3,354**	**(535)**
Total expense	**4,320**	**467**

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

	2016	2015
Discount rate	3.75%	3.65%
Price inflation (RPI)	3.30%	3.15%
Rate of salary increase	2.50%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.30%	4.30%
Pension increases for deferred benefits	3.30%	3.15%

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	2016	2015
DBO at end of prior year	19,800	20,011
Current service cost	81	89
Interest cost on the DBO	727	721
Actuarial (gain)/loss – experience	(31)	(64)
Actuarial (gain)/loss – financial assumptions	5,101	(320)
Benefits paid from scheme assets	(943)	(637)
Total DBO	**24,735**	**19,800**

Changes in Scheme assets £'000	2016	2015
Opening fair value of the Scheme assets	20,290	18,980
Expected return on assets	764	701
Actuarial gain/(loss)	1,716	151
Employer contributions	1,095	1,095
Benefits paid	(943)	(637)
Total Scheme assets	**22,922**	**20,290**

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	2016	2015
Net defined benefit asset/(liability) at end of prior year	490	(1,031)
Service cost	(81)	(89)
Net interest on defined benefit asset/(liability) at end of prior year	37	(20)
Remeasurement effects recognised in the SOCI	(3,354)	535
Employer contributions	1,095	1,095
Net defined benefit asset/(liability)	**(1,813)**	**490**

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

	2016	2015
Discount rate	2.55%	3.75%
Price inflation (RPI)	3.50%	3.30%
Rate of salary increase	2.00%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.30%
Pension increases for deferred benefits (non GMP)	3.50%	3.30%
Scheme participant census date	31 Dec 2016	31 Dec 2015
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	2016
Defined benefit obligation	24,735

Significant actuarial assumptions at 31 December 2016

£ million	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity
Discount rate	3.75% pa	0.5% pa decrease	27,340
Price inflation (RPI)	3.30% pa	0.5% pa increase	25,067
Life expectancy	–	increase by 1 year	24,984

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

Analysis of DBO by participant category £'000	2016
Active participants	1,383
Deferred participants	4,844
Pensioners	18,508
Defined benefit obligation	**24,735**

Fair value of Scheme assets	**22,922**

Scheme asset breakdown	Quoted securities[1]	Other	Total 2016
Equity securities	48%	3%	51%
Fixed income and credit	30%	10%	40%
Alternative investments	2%	2%	4%
Cash and liquidity/other	5%	0%	5%
Total	**85%**	**15%**	**100%**

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

12. Deferred Tax Asset

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

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Balance at start of year	2.1	–	1.8	0.4
Acquisition of subsidiary	–	–	0.3	–
(Debit)/credit to capital reserve	–	–	(0.2)	(0.2)
(Debit)/credit to revenue reserve	1.1	–	0.5	(0.2)
(Debit)/credit to Consolidated Statement of Comprehensive Income	0.5	–	(0.3)	–
Balance at end of year	**3.7**	**–**	**2.1**	**–**

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Analysis of deferred tax asset:				
LTIP	3.3	–	2.2	–
Accelerated capital allowances	0.1	–	0.1	–
Deferred tax on retirement benefit liability/(asset)	0.3	–	(0.2)	–
Balance at end of year	**3.7**	**–**	**2.1**	**–**

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

Notes to the Financial Statements

13. Investments

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Listed investments at fair value;				
Listed in UK[1]	207.4	207.4	316.6	316.6
Listed overseas[1]	1,225.1	1,225.1	1,295.8	1,295.8
Government securities and other liquidity	39.3	39.3	73.2	73.2
	1,471.8	1,471.8	1,685.6	1,685.6
Unlisted investments[2]	1,502.5	1,361.8	1,107.1	963.9
Fair value of investments	**2,974.3**	**2,833.6**	**2,792.7**	**2,649.5**
Investments held at fair value	2,938.8	2,798.1	2,759.0	2,615.8
Investment property	35.5	35.5	33.7	33.7
Fair value of investments	**2,974.3**	**2,833.6**	**2,792.7**	**2,649.5**

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

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

The movement in investment property during the year was a gain of £1.8 million (2015: gain of £3.5 million) as a result of the revaluation. There were no purchases or sales of investment property during the year.

During the period, the Group disposed of its direct private investment in Williams & Glyn for £39.9 million (of which £2.5 million was deferred and is expected to be received by early 2018). This compares to the investment's cost of £25.0 million and represents an uplift of £3.5 million over the carrying value at the end of 2015. Including previous interest receipts, this investment generated a total return of approximately 1.8x cost with a 21% IRR.

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, short and long-term borrowings.

The nature and extent of the financial instruments outstanding can be seen on the face of the balance sheet date 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 55 and 56. 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 to the Group position, Company-specific risk exposures are explained alongside those of the Group.

a. Market risk

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

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

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

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

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

a(i). Price risk

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

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

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

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

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

Notes to the Financial Statements

14. Financial Instruments (continued)

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

£ million	31 December 2016	31 December 2015
Exposure to quoted equity price risk	1,248.0	1,297.0
Exposure to other price risk	1,532.2	976.5
Total exposure to price risk	**2,780.2**	**2,273.5**

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	2016 Impact on profit & net assets	2015 Impact on profit & net assets
Quoted Equity	121.9	129.7
Other	150.2	97.7
Total	**272.1**	**227.4**

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

a(ii). Interest rate risk

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

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

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

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

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

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

	31 December 2015		
£ million	Floating rate	Fixed rate	Total
Portfolio investments – (debt securities)[1]	22.6	50.6	73.2
Cash	112.2	–	112.2
Borrowings	(258.9)	(141.3)	(400.2)
Subtotal	**(124.1)**	**(90.7)**	**(214.8)**
Derivative financial instruments (notional)	–	(227.6)	(227.6)
Total exposure	**(124.1)**	**(318.3)**	**(442.4)**

[1] In addition, the Group holds £232.9 million (31 December 2015: £239.9 million) in funds which predominantly invest in credit instruments. These provide indirect exposure to interest rate risk.

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

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

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

The Group has total borrowings with a fair value of £431.4 million outstanding at the year end (31 December 2015: £400.2 million). The credit facility comprising £275.0 million of this total incurs floating interest payments. The loan notes of £156.4 million (par value of £151.0 million) have fixed interest payments. Further details are provided in note 20.

Interest rate risk sensitivity analysis

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

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

Notes to the Financial Statements

14. Financial Instruments (continued)

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

	2016 Impact on profit & net assets	2015 Impact on profit & net assets
Total	**35.5**	**8.3**

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

a(iii). Currency risk

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

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

Foreign currency exposure

Currency	2016 Net exposure % of NAV	2015 Net exposure % of NAV
US Dollar	62.0	63.0
Euro	3.7	(5.1)
Japanese Yen	2.8	3.5
Swiss Franc	2.0	–
Swedish Krona	1.9	–
South Korean Won	–	(3.0)
Australian Dollar	–	(3.0)
Chinese Renminbi	–	(3.4)
Other non-Sterling	3.6	0.6
Total	**76.0**	**52.6**

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.

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 2016, 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	2016 Impact on profit & net assets	2015 Impact on profit & net assets
US Dollar	(149.6)	(139.9)
Euro	(9.0)	11.3
Japanese Yen	(6.9)	(7.7)
Swiss Franc	(4.8)	0.1
Swedish Krona	(4.6)	–
South Korean Won	(0.1)	6.6
Australian Dollar	–	6.8
Chinese Renminbi	–	7.6
Other non-Sterling	(9.1)	(1.4)
Total	**(184.1)**	**(116.6)**

b. Credit risk

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

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

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

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

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

Credit risk exposure

£ million	2016	2015
Portfolio investments (debt securities)	69.9	73.2
Derivative financial instruments	41.1	15.4
Cash margin	89.0	52.4
Other receivables	89.6	38.4
Cash at bank	131.2	112.1
Maximum exposure to credit risk	**420.8**	**291.5**

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

Management has a review process in place that included an evaluation of a potential counterparty's ability to service and repay its debt. This is considered on a regular basis. With the exception of Other Receivables (where short-term credit ratings are not available) and HSH Nordbank (included within Portfolio Investments, with a long-term credit rating of Baa3 by Moody's), the counterparties are investment grade financial institutions with a short-term credit rating of A-3 or higher by S&P (2015: A-3).

14. Financial Instruments (continued)

On 7 July 2014, BNP Paribas Securities Services (BNPP) was appointed as custodian and depositary to the Company. As depositary under AIFMD, BNPP 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 BNPP as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was A in the most recent rating prior to 31 December 2016 (year ended 31 December 2015: 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.

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

The Group has two revolving credit facilities totalling £275.0 million and £151.0 million of long-term loan notes (details of which are disclosed in note 20).

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

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

	31 December 2015			
£ million	3 months or less	3-12 months	>1 year	Total
Current Liabilities:				
Bank loan/overdraft	258.9	–	–	258.9
Derivative financial instruments	32.4	–	–	32.4
Purchases for future settlement	7.6	–	–	7.6
Amounts owed to group undertakings	128.6	–	–	128.6
Non-current liabilities:				
Derivative financial instruments	–	–	0.8	0.8
Borrowings	–	–	141.3	141.3
Financial liabilities	**427.5**	**–**	**142.1**	**569.6**
Other non-financial liabilities	32.5	–	–	32.5
Total	**460.0**	**–**	**142.1**	**602.1**
Commitments	205.1	–	–	205.1
Total	**665.1**	**–**	**142.1**	**807.2**

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	2016	2015
Cash margin accounts	**89.0**	**52.4**

14.3 Derivative financial instruments

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

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

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

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

Notes to the Financial Statements

14. Financial Instruments (continued)

Details of the Group and Company's unsettled derivatives at 31 December 2016 and 31 December 2015 are:

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

As at 31 December 2015 £ million	Notional Amount	Group and Company Assets (Positive Fair Value)	Liabilities (Negative Fair Value)	Total Fair Value
Commodity derivatives	46.7	–	(0.5)	(0.5)
Currency derivatives	1,846.0	10.8	(24.9)	(14.1)
Equity derivatives	39.4	4.6	(7.2)	(2.6)
Fixed income derivatives	–	–	–	–
Interest rate derivatives	227.6	–	(0.6)	(0.6)
Total		**15.4**	**(33.2)**	**(17.8)**

Further information is shown in note 17.

14.4 IFRS 13 Fair value measurement classification

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

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

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

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

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

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

Level 1

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

Level 2

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

Level 3

The Group considers all Private Investments, whether direct or funds, (as described on page 13 of the Investment Review) as level 3 assets, as the valuations of these assets are not based on observable market data. Where other funds invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

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

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

Borrowings at 31 December 2016 comprise bank loans and senior loan notes. The bank loans are revolving credit facilities, and are typically drawn in tranches with a duration of three months. The loans are therefore short-term in nature, and their fair value approximates their nominal value. The loan notes were issued with tenors of between 10 and 20 years with a weighted average of 16 years. They are valued on a monthly basis using a discounted cash flow model where the discount rate is derived from the yield of similar tenor UK Government bonds, adjusted for any significant changes in either credit spreads or the perceived credit risk of the Company.

14. Financial Instruments (continued)

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

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

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

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

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

Movements in level 3 assets

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

During the period, investments in funds with a fair value of £142.2 million were reclassified from level 2 to level 3, and investments in funds with a fair value of £82.3 million were reclassified from level 3 to level 2. Both reclassifications were as a result of new financial information received during the period in respect of the underlying investments of the funds. There were no reclassifications into or out of level 1.

Further information in relation to the directly held private investment portfolio at 31 December 2016 is set out below:

Sector	Fair value £ million	Valuation methods/inputs
UK Commercial Property	35.5	Sales comparisons (£1,500 - £2,500/ft²); discounted expected rental values (£65 - £83/ft²)
Financials	51.9	P/E (19.4x), EV/Sales (3.4x), EV/AUM (2.1%), DCF (20% WACC)
Technology	128.0	EV/EBITDA (12.0x - 14.0x), EV/Sales 7.5x
Other (less than £3 million each)	22.4	Various methods
Total	**237.8**	

The remainder of the portfolio was valued using the following primary methods: Cost of recent investment (£47.3 million), and third party valuations (£54.1 million). The unconsolidated subsidiaries were valued at their fair value (representing their individual assets and liabilities) of £129.9 million.

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

The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2015:

As at 31 December 2015 £ million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Portfolio investments	602.6	1,374.4	651.9	2,628.9
Non-consolidated subsidiaries	–	–	130.1	130.1
Investments held at fair value	602.6	1,374.4	782.0	2,759.0
Derivative financial instruments	0.2	15.2	–	15.4
Total financial assets at fair value through profit or loss	**602.8**	**1,389.6**	**782.0**	**2,774.4**
Non-financial assets measured at fair value:				
Investment property	–	–	33.7	33.7
Financial liabilities at fair value through profit or loss:				
Borrowings	–	–	(400.2)	(400.2)
Derivative financial instruments	(1.9)	(31.3)	–	(33.2)
Total financial liabilities at fair value through profit or loss	**(1.9)**	**(31.3)**	**(400.2)**	**(433.4)**
Total net assets measured at fair value	**600.9**	**1,358.3**	**415.5**	**2,374.7**

Notes to the Financial Statements

14. Financial Instruments (continued)

Movements in level 3 assets

Year ended 31 December 2015 £ million	Investments held at fair value	Investment Property	Total
Opening Balance	745.5	30.2	775.7
Purchases	161.1	–	161.1
Sales	(156.1)	–	(156.1)
Realised gains through profit or loss	12.5	–	12.5
Unrealised gains through profit or loss	19.0	3.5	22.5
Reclassifications	–	–	–
Closing Balance	**782.0**	**33.7**	**815.7**

Further information in relation to the directly-held private investment portfolio at 31 December 2015 is set out below:

Sector	Fair value £ million	Valuation methods/inputs
UK Commercial Property	33.7	Sales comparisons (£1,600 - £2,250/ft^2); discounted expected rental values (£65 - £68/ft^2)
Financials	45.4	P/E (24.5x), EV/Sales (1.0x), EV/AUM (0.9%), DCF (20% WACC)
Technology	22.6	EV/EBITDA (12.0x)
Energy	5.8	EV/EBITDA (9.0x)
Other (less than £3 million each)	16.7	Various methods
Total	**124.2**	

The remainder of the portfolio was valued using the following primary methods: Cost of recent investment (£24.2 million), third party valuations (£42.4 million) and price of a recent financing round (£52.5 million). The unconsolidated subsidiaries were valued at their fair value (representing their individual assets and liabilities) of £130.1 million.

14.5 Capital management

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

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

The Company is subject to externally imposed capital requirements:

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

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

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

The Group's capital at 31 December 2016 and 31 December 2015 comprised:

£ million	2016	2015
Equity share capital	155.4	155.4
Retained earnings and other reserves	2,536.7	2,285.9
Net asset value	2,692.1	2,441.3
Borrowings	431.4	400.2
Total capital	3,123.5	2,841.5
Debt as a percentage of total capital	**13.8%**	**14.1%**

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 2016		31 December 2015	
£ million	Group	Company	Group	Company
Commitments[1]	**251.3**	**251.3**	**205.1**	**205.1**

[1] Principally uncalled commitments to private funds.

16. Investment Property

£ million	2016	2015
Rental income from investment properties	2.2	1.8
Direct operating expenses arising from investment properties that generated rental income during the year	(1.5)	(1.4)

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

Period £ million	2016	2015
Within one year	0.4	0.4
Between one and five years	1.3	1.5
Over five years	8.2	8.5

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

Period £ million	2016	2015
Within one year	1.0	1.0
Between one and five years	4.1	4.6
Over five years	2.0	0.7

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

16. Investment Property (continued)

RIT leases Spencer House from the Spencer Trustees (the Trustees). The terms of this lease include provisions such that: any assignment or sale of the lease can occur only with the consent of the Trustees, limits on event frequency and that the Trustees retain certain (de minimis) usage rights over the 'fine rooms'. RIT is required to externally redecorate every three years and to internally redecorate every seven years. The property is open to the public for viewing every Sunday, except during January and August. The investment property portfolio is valued by JLL on a six-monthly basis in accordance with Valuation – Professional Standards issued by the Royal Institution of Chartered Surveyors on the basis of open market value. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2016.

17. Derivative Financial Instruments

	31 December 2016		31 December 2015	
£ million	Group	Company	Group	Company
Non-current assets	6.1	6.1	0.4	0.4
Current assets	35.0	35.0	15.0	15.0
Current liabilities	(35.6)	(35.6)	(32.4)	(32.4)
Non-current liabilities	(4.0)	(4.0)	(0.8)	(0.8)
Total	**1.5**	**1.5**	**(17.8)**	**(17.8)**

Derivative financial instruments are stated at fair value.

18. Other Receivables

	31 December 2016		31 December 2015	
£ million	Group	Company	Group	Company
Cash margin	89.0	89.0	52.4	52.4
Amounts receivable	26.7	26.5	26.4	26.2
Prepayments and accrued income	4.3	2.7	3.1	1.5
Sales for future settlement	58.6	58.6	8.6	8.6
Total	**178.6**	**176.8**	**90.5**	**88.7**

The carrying amount of other receivables approximates their fair value, due to their short-term nature. At 31 December 2016, £26.5 million of the above related to unsettled investment subscriptions (as at 31 December 2015: £24.5 million).

19. Related Party Transactions

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

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

During the year, the Group transacted with 11 entities classified as related to Lord Rothschild and/or Hannah Rothschild as a result of their having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24 Related Party Disclosures.

The Group has arrangements with these related parties covering the provision and receipt of investment advisory, administrative and curatorial services. Under these arrangements the Group received £660,287 (2015: £856,559) and paid £277,972 (2015: £278,050).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services charged by the Group for 2016 amounted to £274,794 (2015: £263,976).

During the year, the cost to the Group in respect of rent, rates and services for the Chairman's (which is located in a property owned by a related party) was £90,628 (2015: £87,538).

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group in 2016 for rent was £58,201 (2015: £45,398).

The balance due by the Group to the parties related to Lord Rothschild and/or Hannah Rothschild at 31 December 2016 was £59,191 (year ended 31 December 2015: £41,657) and the balance due to the Group from the related parties was £9,147 (31 December 2015: £204,143).

At 31 December 2016 the Group was owed a balance of £1,704 by Lord Rothschild in regard to property maintenance. This was invoiced on 16 December 2016 and received in full on 6 January 2017. Over the year the Group earned £4,998 from Lord Rothschild for these and related services.

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

Other

For the year ended 31 December 2016 the Company received £67,882 in Director's fees from investee companies for the services of senior management (2015: £58,590), as well as £4.3 million dividend income from EDRRIT, an associate (2015: £2.9 million).

Group undertakings

JRCM acts as the Company's manager, administrator and corporate secretary. During 2016, the charge for these services amounted to £31.0 million (2015: £29.3 million). During the year SHL earned revenues of £0.1 million from JRCM (2015: £0.2 million) and revenues of £1.6 million from the Company (2015: £1.6 million) for the provision of office and property management services. GVQ incurred rent charges of £0.2 million from the Company (2015: £0.1 million).

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

	Amounts owed by Group Undertakings	
£ million	2016	2015
RIT Capital Partners Securities Limited	–	–
Atlantic and General Investment Trust Limited	–	–
J. Rothschild Capital Management Limited	–	–
RIT Capital Partners Associates Limited	–	–
J. Rothschild Capital Management US, Inc	0.4	0.3
RIT Investments LP	–	–
Other	0.6	–
Total	**1.0**	**0.3**

Notes to the Financial Statements

19. Related Party Transactions (continued)

£ million	Amounts owed to Group Undertakings 2016	2015
RIT Capital Partners Securities Limited	(111.2)	(114.8)
Atlantic and General Investment Trust Limited	(25.0)	(20.1)
J. Rothschild Capital Management Limited	(57.9)	(46.8)
RIT Capital Partners Associates Limited	(9.8)	(11.5)
J. Rothschild Capital Management US, Inc	–	–
RIT Investments LP	(17.0)	(17.2)
Other	(0.8)	–
Total	**(221.7)**	**(210.4)**

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in note 11. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2016 (31 December 2015: £nil).

Directors and key management personnel

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

£ million	2016	2015
Short-term employee benefits	4.7	5.1
Other long-term employee benefits	3.8	4.8
Post-employment benefits	0.1	0.2
Share-based payment	3.0	1.6
Total	**11.6**	**11.7**

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

The JRCM CIO also received remuneration in his capacity as the CIO of Windmill Hill Asset Management (WHAM), the investment manager of philanthropic foundations connected to Lord Rothschild and Hannah Rothschild. The JRCM COO also receives fees for his roles as non-executive director of WHAM and consultant to said foundations.

20. Borrowings

£ million	Group and Company 2016	2015
Unsecured loans payable within one year:		
Revolving credit facilities	275.0	258.9
Unsecured loans payable in more than one year:		
Fixed rate loan notes	156.4	141.3
Total borrowings	**431.4**	**400.2**

At 31 December 2016 the Company had two fully-drawn revolving credit facilities of £150 million with National Australia Bank and £125 million with Commonwealth Bank of Australia. These are both flexible as to currency, duration and number of drawdowns, and bear interest linked to the three-month LIBOR rate (or equivalent) relevant to the drawn currency. As they are drawn in tranches with tenors less than one year they are classified within current liabilities. No bank loans are held within subsidiaries. The overall effective interest rate on these borrowings is 1.78% (2015: 1.77%).

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 weighted average interest rate payable on these notes is 3.45% and their remaining weighted average tenor is 14.2 years.

Overall, the weighted average interest rate at the end of the year was 2.38%.

21. Provisions

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

Group and Company £ million	Nature of provision Indemnity	Investments	Total
1 January 2015	0.7	2.2	2.9
Additional provision	0.5	0.2	0.7
Amounts reversed	–	(0.5)	(0.5)
Amounts utilised	(0.1)	–	(0.1)
31 December 2015	**1.1**	**1.9**	**3.0**

No provisions for liabilities and charges have been made in consolidated subsidiary entities in the current year (2015: £nil). Provisions in respect of investments include £0.9 million (as at 31 December 2015: £0.5 million) which are expected to settle within the next 12 months. It is anticipated that all of the other provisions noted above will be settled more than 12 months after the balance sheet date.

Indemnity provision

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

Investment provision

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

22. Other Payables

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Accruals and deferred income	12.3	2.5	13.5	2.7
Amounts payable to related parties	–	–	0.1	–
Other creditors	36.3	36.1	15.5	15.3
Purchases for future settlement	12.6	12.6	7.6	7.6
Total	**61.2**	**51.2**	**36.7**	**25.6**

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

23. Share Capital and Share Premium

£ million	2016	2015
Allotted, issued and fully paid:		
155,351,431 Ordinary Shares of £1 each (31 December 2015: 155,351,431)	155.4	155.4

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

On July 2012 the Company issued 1,516,179 shares for consideration of 1,239p per share resulting in share premium of £17.3 million. The share premium is not distributable.

24. Capital Redemption Reserve

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Balance at start of year	36.3	36.3	36.3	36.3
Movement during the year	–	–	–	–
Balance at end of year	**36.3**	**36.3**	**36.3**	**36.3**

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

25. Own Shares Reserve

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Balance at start of year – cost	(13.0)	–	(9.2)	–
Own shares acquired	(5.6)	–	(6.0)	–
Own shares transferred	4.2	–	2.2	–
Balance at end of year – cost	**(14.4)**	**–**	**(13.0)**	**–**

The JRCM SAR Plan is an equity-settled scheme under IFRS 2. In addition, certain awards under the AIS are partially made in deferred shares. During 2016 the Group, via an EBT, acquired shares of the Company at a cost of £5.6 million (2015: £6.0 million) to hedge future SAR exercises and the vesting of deferred share and similar awards. During 2016, £4.2 million of such shares were used to settle employee exercises (2015: £2.2 million).

At 31 December 2016 the EBT held 969,226 shares in the Company (31 December 2015: 933,030) with a market value of £18.3 million (2015: £15.7 million). The Own Shares Reserve is not distributable.

26. Share-based Payment Reserve

£ million	31 December 2016 Group	31 December 2016 Company	31 December 2015 Group	31 December 2015 Company
Balance at start of year	6.2	–	6.2	–
Share-based payment expense	4.0	–	2.4	–
Transfer to retained reserves	(2.7)	–	(2.4)	–
Balance at end of year	**7.5**	**–**	**6.2**	**–**

Details of SAR awards are disclosed below:

Date of grant £ million	2016	2015
15 March 2007	–	0.9
13 March 2009	2.2	1.8
24 June 2009	0.1	0.3
30 March 2011	0.1	0.2
2 December 2011	–	0.1
8 June 2012	0.1	0.3
2 July 2012	0.8	0.6
8 March 2013	1.2	2.2
7 March 2014	4.3	2.8
31 August 2014	1.3	0.8
2 March 2015	3.3	1.5
2 March 2016	2.4	–
Intrinsic value of all SARs	15.8	11.5
Intrinsic value of all SARs vested as at 31 December	**4.5**	**4.2**

The Company has used a trinomial option valuation model to estimate the fair value of the SARs awarded in the year. The inputs to the model included the following: expected volatility of 15.7% (31 December 2015: 15.9%), dividend yield of 1.6% (31 December 2015: 2.0%) per annum, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historical data in respect of RIT's share price. The vesting requirements are set out in the section headed Long-Term Incentive Plan in the Directors' Remuneration Report on page 35. To allow for the effects of early exercise and staff turnover, it was assumed that the majority of the SARs, in terms of value, would be exercised four and a half years after the relevant grant dates.

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

Notes to the Financial Statements

26. Share-based Payment Reserve (continued)

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 1 January 2015	2,787,614	1,210	–
Granted	936,843	1,522	–
Exercised	(631,427)	1,207	1,585
Lapsed/forfeited	(34,500)	1,355	–
Outstanding at 31 December 2015	**3,058,530**	**1,305**	**–**

The outstanding SARs at 31 December 2016 had exercise prices ranging between 796p and 1,583p (31 December 2015: 796p to 1,522p) with a weighted average of 1,398p (31 December 2015: 1,305p). The weighted average remaining contractual life of these SARs was 7.5 years (31 December 2015: 7.5 years). Included in the outstanding amount at year end were SARs representing a notional number of 556,571 shares (31 December 2015: 638,330 shares), which had vested and were capable of being exercised. These had exercise prices ranging between 796p and 1,314p with a weighted average of 1,076p (31 December 2015: 796p to 1,314p: weighted average 1,017p).

During the year the Company granted 812,600 SARs (2015: 936,843) and the weighted average fair value of each of those SARs was 127p (2015: 98p). The Company recognised an expense of £1.1 million (2015: £1.1 million) arising from awards made under the SAR plan and an expense of £2.9 million (2015: £1.3 million) for deferred share and similar awards. The Share-based Payment Reserve is not distributable.

27. Capital Reserve

	31 December 2016		31 December 2015	
£ million	Group	Company	Group	Company
Balance at start of year	2,213.8	2,200.3	2,066.8	2,044.1
Gains/(losses) for the year	312.9	315.9	201.5	210.7
Dividend paid	(47.9)	(47.9)	(46.3)	(46.3)
Performance fees	–	–	0.3	0.3
Other capital items	(7.2)	(7.2)	(5.8)	(5.8)
Taxation	–	–	(0.2)	(0.2)
Reallocation	–	–	(2.5)	(2.5)
Total capital return	257.8	260.8	147.0	156.2
Balance at end of year	**2,471.6**	**2,461.1**	**2,213.8**	**2,200.3**

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

£ million	2016	2015
Capital Reserve:		
In respect of investments realised	1,656.8	1,440.0
In respect of investments held	804.3	760.3
Balance at end of year	**2,461.1**	**2,200.3**

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

28. Revenue Reserve

	31 December 2016		31 December 2015	
£ million	Group	Company	Group	Company
Balance at start of year	7.6	(46.6)	12.4	(29.9)
Profit/(loss) for the year	(3.6)	(16.9)	(7.5)	(19.2)
Actuarial gain/(loss)	(3.4)	–	0.5	–
Deferred tax (charge)/credit	0.5	–	(0.3)	–
Reallocation	–	–	2.5	2.5
Balance at end of year	**1.1**	**(63.5)**	**7.6**	**(46.6)**

As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate income statement or statement of comprehensive income. The Company's revenue loss after tax amounted to £16.9 million (2015: revenue loss £19.2 million). The Company's total profit for the year was £291.8 million (2015: £185.8 million profit).

29. Revaluation Reserve

	31 December 2016		31 December 2015	
£ million	Group	Company	Group	Company
Balance at start of year	17.4	17.4	14.2	14.2
Revaluation gain/(loss) on property, plant and equipment	(0.4)	(0.4)	3.2	3.2
Balance at end of year	**17.0**	**17.0**	**17.4**	**17.4**

The Revaluation Reserve is not distributable.

30. Other Reserves

	31 December 2016		31 December 2015	
£ million	Group	Company	Group	Company
Balance at start of year	0.3	–	0.2	–
Movement during the year	–	–	0.1	–
Balance at end of year	**0.3**	**–**	**0.3**	**–**

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

Notes to the Financial Statements

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

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

31 December	2016	2015
Net assets (£ million)	2,692.1	2,441.3
Number of shares in issue (million)	155.4	155.4
Own shares (million)	(0.6)	(0.8)
Subtotal (million)	154.8	154.6
Effect of dilutive potential ordinary shares in respect of SARs (million)	0.8	0.6
Diluted shares (million)	**155.6**	**155.2**

31 December	2016 pence	2015 pence
Net asset value per ordinary share – basic	1,739	1,579
Net asset value per ordinary share – diluted	1,730	1,573

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

32. Investments in Subsidiary Undertakings

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

£ million	Shares	Loans	Total
Carrying value at 1 January 2015	122.4	40.4	162.8
Additions	1.8	–	1.8
Disposals	–	–	–
Exchange movement in year	–	0.2	0.2
Reclassification	–	–	–
Carrying value at 31 December 2015	**124.2**	**40.6**	**164.8**

At 31 December 2016 the Company held investments in the following subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

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

Following the adoption of IFRS 10 the Group consolidates the two subsidiaries below:

Name	Issued share capital
JRCM	£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
GVQ	£800,000 divided into 80,000,001 ordinary shares of £0.01 each

Following the adoption of IFRS 10 the Group holds the following subsidiaries at fair value at 31 December 2016:

Name	Principal place of business	Ownership interest
Atlantic and General Investment Trust Limited[1,2]	England	100.0%
Augmentum 1 LP[1]	England	98.0%
RIT Capital Partners Arbitrage[1,3]	England	100.0%
RIT Capital Partners Associates Limited[1,2]	England	100.0%
RIT Capital Partners Securities Limited[1,4]	England	100.0%
RIT Capital Partners Trading Limited[1,2]	England	100.0%
Spencer House Limited[1,2]	England	100.0%
The St. James's Venture Capital Fund Limited[1,2]	England	100.0%
Hornwood Investments NV[5]	Curaçao	100.0%
RIT Carry LP[6]	Scotland	100.0%
RIT Investments GP Limited[3,6]	Scotland	100.0%
RIT Investments LP[6]	Scotland	100.0%
J. Rothschild Capital Management US Inc[7]	United States	100.0%
RIT Investments US Inc[3,7]	United States	100.0%

1 Principal place of business: 27 St James's Place, London SW1A 1NR.

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

3 Held indirectly.

4 Dormant, with aggregate capital and reserves at 31 December 2016 of £109.7 million.

5 Registered office: Schottegatweg Oost 44, Willemstad, Curaçao.

6 Principal place of business: 50 Lothian Road, Edinburgh EH3 9WJ.

7 Registered office: 103 Foulk Road, Suite 200, Wilmington, Delaware 19803, USA.

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

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

Notes to the Financial Statements

33. Dividend

	2016 Pence per share	2015 Pence per share	2016 £ million	2015 £ million
Dividends paid in year	**31.0**	**30.0**	**47.9**	**46.3**

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

On 1 March 2016 the Board declared a first interim dividend of 15.5p per share in respect of the year ended 31 December 2016 that was paid on 27 April 2016. A second interim dividend of 15.5p per share was declared by the Board on 15 August 2016 and paid on 28 October 2016.

The Board declares the payment of a first interim dividend of 16.0p per share in respect of the year ending 31 December 2017. This will be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

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

£ million	Group 2016	2015
Profit/(loss) before dividend and interest income, finance costs and taxation	293.4	179.3
Dividend income	15.8	16.6
Interest income	5.1	2.8
Profit/(loss) before finance costs and taxation	**314.3**	**198.7**
(Increase)/decrease in other receivables	(88.1)	(45.5)
Increase/(decrease) in other payables	24.5	28.5
Other movements	4.6	1.1
FX (gains)/losses on repayment and drawing of borrowings	59.9	4.5
Purchase of investments held at fair value	(1,455.6)	(1,498.1)
Sale of investments held at fair value	1,677.4	1,581.6
(Gains)/losses on fair value investments	(440.0)	(188.2)
Interest paid	(13.3)	(10.7)
Net cash inflow/(outflow) from operating activities	**83.7**	**71.9**

£ million	Company 2016	2015
Profit/(loss) before dividend and interest income, finance costs and taxation	284.1	177.4
Dividend income	15.8	16.6
Interest income	5.1	2.8
Profit/(loss) before finance costs and taxation	**305.0**	**196.8**
(Increase)/decrease in other receivables	(88.8)	(44.1)
Increase/(decrease) in other payables	36.9	29.5
Other movements	1.2	(1.3)
FX (gains)/losses on repayment and drawing of borrowings	59.9	4.5
Purchase of investments held at fair value	(1,455.7)	(1,498.1)
Sale of investments held at fair value	1,677.1	1,581.0
(Gains)/losses on fair value investments	(443.0)	(197.5)
Interest paid	(13.3)	(10.6)
Net cash inflow/(outflow) from operating activities	**79.3**	**60.2**

35. Material Investments and Other Disclosures

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

Disclosed below are the ten largest investments in the portfolio at 31 December 2016 and 31 December 2015 (excluding investments in non-consolidated subsidiaries):

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

£ million	2015
HCIF Offshore	120.6
Lansdowne Developed Markets Strategic	97.5
BlackRock European Hedge Fund	96.7
Attestor Value Fund	72.5
Gaoling UK Feeder Fund	72.1
Cedar Rock Capital Fund	71.6
Martin Currie Japan	69.0
Viking Long Fund III	66.7
Trian Partners SPV	58.2
Palestra Capital	54.1
Total	**779.0**

35. Material Investments and Other Disclosures (continued)

Disclosed below for the period ends are:

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

31 December 2016 Name	Place of registration	Fair value £ million	Ownership interest
Eisler Capital Fund Ltd, R Shares	Cayman Islands	140.5	92.0%
HCIF Offshore LP	Cayman Islands	131.8	10.8%
Martin Currie Japan Absolute Return Fund, Class A	Cayman Islands	87.8	63.7%
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	81.2	32.3%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	68.9	100.0%
MR Argent Offshore Fund CB 02 LP	Cayman Islands	64.0	70.2%
Three Corner Offshore L/S Fund Ltd, Class C	Cayman Islands	62.6	37.1%
Farmstead Offshore Fund Ltd, Class B	Cayman Islands	48.8	13.6%
ENA Opportunity Offshore Fund Ltd, Class B	Cayman Islands	43.9	73.4%
Rockefeller Financial Services, B Shares	Delaware, USA	42.8	35.0%
Blue Mountain Credit Alternatives Fund Ltd, Class S	Cayman Islands	41.4	16.3%

31 December 2015 Name	Place of registration	Fair value £ million	Ownership interest
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	96.7	35.5%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	72.1	80.2%
Cedar Rock Capital Fund	Ireland	71.6	22.0%
Martin Currie Japan Hedge Fund, Class A	Cayman Islands	69.0	59.0%
Trian Partners SPV	Cayman Islands	58.2	99.6%
Palestra Capital Offshore Fund Ltd, Class A	Cayman Islands	54.1	13.6%
Three Corner Offshore L/S Fund Ltd, Class C	Cayman Islands	52.2	69.4%
Tekne Offshore Fund Ltd, Class D	Cayman Islands	44.3	59.7%
Trian Partners Co-Investment Opportunities Fund	Cayman Islands	41.0	11.8%
JPS Credit Opportunities Fund (Cayman) Ltd, Series C	Cayman Islands	38.6	24.4%

All of the above investments are held at Fair Value through Profit or Loss (FVPL).

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

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

In a number of cases the Group owns more than 50% of a particular class of shares issued by an investee company or partnership interests totalling more than 50%. The Group does not consider these holdings, although greater than 50%, 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. In view of the above, and the nature of the fund investments, we do not have the access to, and therefore the ability to disclose, information on capital, reserves or profits for the fund vehicle. Accordingly we make no such disclosure.

The Group has chosen to account for associated companies which they hold for investment purposes at FVPL in accordance with IAS 28.

Due to circumstances particular to the investments in the following table, the Directors consider the Group does have significant influence over them.

Name	Place of registration	2016 Proportion of share class held	2015 Proportion of share class held
EDRRIT Ltd £1 Ord B shares	England & Wales	49.0%	49.0%
Infinity SDC Ltd 1p Ord shares	England & Wales	23.9%	23.9%
Tamar Energy Ltd 1p Investor shares	England & Wales	22.6%	20.3%

Notes to the Financial Statements

36. Related Undertakings

Further to the disclosures in notes 32 (Investments in Subsidiary Undertakings) and 35 (Material Investments and Other Disclosures), the following is a list of significant related undertakings of the Group as at 31 December 2016 pursuant to the requirements of Statutory Instrument 2015 No. 980 The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. All entities below are classified as significant holdings (greater than 20% interest in a class of shares or partnership).

Name	Place of registration	Registered address	% interest
BlackRock Capital Markets Partners (Offshore) LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	25.0%
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY-1104	32.3%
Blumberg Capital Ventures 1 LP	Delaware, USA	580 Howard Street, Suite 401, San Fransicso, California 94105	56.1%
Cyrus Lightyear Fund LP	Cayman Islands	89 Nexus Way, Grand Cayman KY1-9007	70.1%
Darwin Private Equity I LP	Edinburgh, Scotland	50 Lothian Road, Festival Square, Edinburgh EH3 9WJ	23.9%
Dukes Investment Ltd	Cayman Islands	87 Mary Street, George Town, Grand Cayman KY1-9005	50.0%
EDRRIT Ltd	England & Wales	4 Carlton Gardens, London SW1Y 5AA	49.0%
Eisler Capital Fund Ltd, R Shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	92.0%
Emso Opportunity Strategies Fund 1 Ltd, Class USD	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	59.0%
ENA Opportunity Offshore Fund Ltd, Class B	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	73.4%
Firebird Mongolia Fund (Cayman) Ltd, Class A	Cayman Islands	PO Box 847, George Town, Grand Cayman. KY1-1103	30.7%
Firebird New Russia Fund Ltd, Class A1	Cayman Islands	PO Box 847, George Town, Grand Cayman KY1-1103	78.0%
FPG International Holdings II LP	Cayman Islands	27 Hospital Road, George Town, Grand Cayman KY1-9008	52.9%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	100.0%
Green Park Ventures LP	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	49.9%
ICQ CS Debt Fund LP	Cayman Islands	PO Box 2681, Hutchins Drive, Grand Cayman KY1-1111	50.0%
ICQ CS Main Fund LP	Cayman Islands	PO Box 2681, Hutchins Drive, Grand Cayman KY1-1111	44.2%
ICQ Holdings 6 LLC	Delaware, USA	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	100.0%
Infinity SDC Ltd	England & Wales	500-600 Witan Gate West, Milton Keynes, Buckinghamshire MK9 1SH	23.9%
Martin Currie Japan Absolute Return Fund, Class A	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	63.7%
Media Technology Ventures IV LP	California, USA	185 Berry Street, Suite 3600, San Francisco, California 94107	38.5%
MR Argent Offshore Fund CB 02 LP	Cayman Islands	27 Hospital Road, George Rown, Grand Cayman KY1-9008	70.2%
MSD European Opportunity Fund Ltd, Class AA1-1	Cayman Islands	PO Box 484, 68 West Bay Road, Grand Cayman KY1-1106	74.2%
MSD Mortgage Partners Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	100.0%
Rockefeller Financial Services Inc, Class B non-voting shares	Delaware, USA	10 Rockefeller Plaza, Floor 3, New York, New York 10020	35.0%
RR Capital Partners LP	Delaware, USA	One Maritime Plaza, Suite 2100, San Francisco, California 94111	20.5%
Tamar Energy Ltd	England & Wales	52 Jermyn Street, London SW1Y 6LX	22.6%
Three Corner Offshore L/S Fund Ltd, Class C	Cayman Islands	PO Box 2681, Grand Cayman KY1-1111	37.1%
Tinicum Partners LP	New York, USA	One Maritime Plaza, Suite 2100, San Francisco, California 94111	20.3%
Trian Partners Ltd, Class 5YOER	Cayman Islands	PO Box 31113, Gardenia Court, Grand Cayman KY1-1205	88.3%
Xander Seleucus LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	43.3%
Xander Seleucus II LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	41.9%
Xander Seleucus Retail LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	48.8%

Independent Auditors' Report

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

Report on the financial statements

Our opinion

In our opinion:

- RIT Capital Partners plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Report & Accounts, comprise:

- the Consolidated and Parent Company Balance Sheets as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Cash Flow Statements for the year then ended;
- the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Report & Accounts, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Our audit approach

Context

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

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

Overview

- Overall Group materiality: £47.1 million which represents 1.75% of net assets.

- The Group comprises an Investment Company and its subsidiaries, managing a widely diversified portfolio. The Group financial statements are a consolidation of 17 entities including J Rothschild Capital Management Limited (the 'Manager') and the Parent Company.
- We audited the financial statements of nine subsidiaries and the Parent Company which together account for 100% of the Group's income, 100% of its profit before tax, and 99% of net assets.
- We tailored the scope of our audit taking into account the types of investments within the Group, the accounting processes and controls, and the industry in which the Group operates.

- Valuation of direct private investments.
- Valuation of other investments namely investments in funds (levels 2 & 3), investment property and derivatives.
- Income recognition for gains/losses on fair value investments.
- Related party transactions.

The scope of our audit and our areas of focus

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

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

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

Area of focus	*How our audit addressed the area of focus*
Valuation of direct private investments Refer to page 29 (Audit and Risk Committee Report), pages 55 to 56 (Accounting Policies) and page 67 (notes). We focused on the valuation of direct private investments as the valuations are material, complex and include estimates and significant judgements. The valuation of direct private investments are determined by management and the Directors and are based on the nature of the underlying business which it has been invested in. The methods used include: • Applying a multiple to earnings; • Using a discounted cash flow model; • Using recent transaction prices and recent offers; and • Using underlying asset valuations.	We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used by management in determining the fair value of the investment portfolio. For direct private investments, we were able to: • compare valuations to recently completed transactions; • assess the validity of valuation models that applied comparable quoted company earnings multiples by assessing the adjustments made to reflect the differences between the quoted company and the investee company, and checking earnings data from audited financial statements, unaudited management accounts and/or forecasts for the investee entities; • assess the valuation models that applied a discounted cash flow analysis by agreeing forecasts input into the model to supporting management accounts and analysing the discount rate applied;

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

Area of focus	*How our audit addressed the area of focus*
	• obtain satisfactory explanations when challenging the assumptions made by management in the applicable valuation models; • test the mathematical accuracy of the valuation models; and • read Valuation Committee papers and meeting minutes where the valuations of these investments were discussed and agreed. This, together with our knowledge of the investee entities and the International Private Equity and Venture Capital Valuation Guidelines, enabled us to discuss with and challenge management and Directors as to the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that management's valuations of direct private investments were supported by the available evidence, and in particular that the assumptions used were appropriate based on the investees' circumstances, and actual and expected financial performance.
Valuation of other investments namely investments in funds (levels 2 & 3), investment property and derivatives Refer to pages 55 to 56 (Accounting Policies) and page 67 (notes). The valuation of investments in funds (level 2 & 3) are determined by the underlying fund manager. The valuations are provided to the Group and assessed by management. The valuations of level 3 funds are material, complex and include estimates and significant judgements as these funds consist of direct private investments. The valuations of level 2 funds are material and are the most significant part of the investment portfolio. We also focused on the valuation of investment properties and derivatives as the valuation assumptions used to fair value these investments do not have observable market inputs that reflect quoted prices in active markets, and are more subjective.	For investments in funds (level 2 & 3), we were able to: • confirm the latest available fund valuation with underlying fund managers or administrators; and • test transactions since the date of the latest available fund valuation where the valuation used by management was not coterminous with the Balance Sheet date. For investments in level 3 funds we were also able to: • assess prior year valuations which were based on unaudited net asset statements by reference to their respective audited financial statements; and • for new fund investments invested in the year, we obtained and assessed the due diligence performed by management. No material misstatements were identified by our testing of investments in funds (levels 2 & 3). For investment property, we were able to: • compare the valuation methodology to the best practice set out in the RICS Valuation – Professional Standards January 2014 ('the Red Book'); • assess the explanations for the assumptions made by management in the valuation; and

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

Area of focus	*How our audit addressed the area of focus*
	• test the mathematical accuracy of the valuation models and verify the inputs into the models by agreeing them to third party sources where applicable. For derivatives, we were able to: • re-calculate the valuation of derivatives using independent pricing sources; and • check valuation assumptions to broker statements. No material misstatements were identified by our testing of investments in funds (levels 2 and 3), investment property and derivatives.
Income recognition for gains/losses on fair value investments Refer to pages 55 to 56 (Accounting Policies) and page 58 (notes). We focused on the accuracy and completeness of income recognition relating to gains/losses on fair value investments. Gains/losses on investments represent changes in the fair value of investments over the financial year and gains/losses made on the disposal of investments. Fair value movements that are unrealised are based on the change in investment valuations. Valuations other than listed investments are subjective. This, combined with the size of the gains/losses on fair value investments, made this an area of focus.	Our testing over the gains/losses on fair value investments included: • obtaining an understanding of, and then testing the valuation process as set out in the areas of focus above, to ascertain whether unrealised gains/losses were appropriately calculated; • agreeing purchases and sales of investments during the period to a sample of trade tickets, call and distributions notices, and bank statements; • recalculating gains and losses based on the valuation movement in investments over the year; and • assessing journal entries relating to investment gains/losses for any entries not covered in our testing as set out above. No material misstatements were identified by our testing.

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Area of focus	*How our audit addressed the area of focus*
Related party transactions Refer to page 30 (Audit and Risk Committee Report) and pages 70 to 71 (notes). We focused on this area due to the nature and number of related party transactions. The complexity and extent of these arrangements means that there is a risk that not all related party transactions are identified and disclosed in the financial statements.	Our testing over related parties included: • assessing management's process for identifying related parties and related party transactions, which included maintaining up to date records of parties related to the Group and to the Group's Board of Directors; • evaluating management's listing of related parties and related parties transactions for completeness based on our knowledge gained from the audit; • reading minutes of the Conflicts Committee, a Group of independent non-executive Directors who monitor all arrangements with related parties; • testing related party transactions to supporting documentation; • obtaining written confirmation from the Parent Company of the list of all related parties; and • performing scanning analytics for possible additional related party transactions. We found no unidentified related parties or inconsistencies between the reported related party transactions and our testing in this area or the rest of our audit.

How we tailored the audit scope

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

We audited the Parent Company and 9 significant subsidiaries of the Group, which together account for 100% of the Group's income, 100% of its profit before tax, and 99% of its net assets. This, together with procedures performed over the consolidation, has provided the evidence we need for our opinion on the Group financial statements.

Materiality

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

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

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

Overall Group materiality	£47.1 million (2015: £42.7 million).
How we determined it	1.75% of net assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the Group, and this is also a generally accepted auditing benchmark used for companies in this industry.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £2.3 million (2015: £2.1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 18, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' Report, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

ISAs (UK & Ireland) reporting

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

• information in the Report & Accounts is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 28, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Report & Accounts taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Report & Accounts on page 29, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 15 of the Report & Accounts, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Report & Accounts that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 18 of the Report & Accounts, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

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

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

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

What an audit of financial statements involves

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

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

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

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

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

In addition, we read all the financial and non-financial information in the Report & Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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

London
27 February 2017

Other Information
31 December 2016

RIT Capital Partners plc

Other Information

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, to the 31 December 2016 Consolidated Balance Sheet, as shown on page 49:

£ million	Quoted Equity	Private Investments	Absolute Return & Credit	Real Assets	Other Investments	Other	Consolidated Balance Sheet
Non-current assets							
Portfolio investments at fair value	1,467.9	680.8	636.0	24.2	–	–	2,808.9
Non-consolidated subsidiaries	–	–	–	–	–	129.9	129.9
Investments held at fair value	1,467.9	680.8	636.0	24.2	–	129.9	2,938.8
Investment property	–	–	–	35.5	–	–	35.5
Property, plant and equipment	–	–	–	28.4	–	0.4	28.8
Deferred tax asset	–	–	–	–	–	3.7	3.7
Derivative financial instruments	–	–	–	–	6.1	–	6.1
	1,467.9	**680.8**	**636.0**	**88.1**	**6.1**	**134.0**	**3,012.9**
Current assets							
Derivative financial instruments	9.9	–	–	0.7	24.4	–	35.0
Other receivables	1.9	–	–	–	–	176.7	178.6
Tax receivable	–	–	–	–	–	0.1	0.1
Cash at Bank	20.0	–	–	–	–	111.2	131.2
	31.8	–	–	0.7	24.4	288.0	344.9
Total assets	**1,499.7**	**680.8**	**636.0**	**88.8**	**30.5**	**422.0**	**3,357.8**
Current liabilities							
Borrowings	–	–	–	–	–	(275.0)	(275.0)
Derivative financial instruments	(3.9)	–	–	(6.8)	(24.9)	–	(35.6)
Provisions	–	–	–	–	–	(0.9)	(0.9)
Other payables	–	(36.1)	–	–	–	(25.1)	(61.2)
Amounts owed to group undertakings	–	–	–	–	–	(127.6)	(127.6)
	(3.9)	(36.1)	–	(6.8)	(24.9)	(428.6)	(500.3)
Total assets less current liabilities	**1,495.8**	**644.7**	**636.0**	**82.0**	**5.6**	**(6.6)**	**2,857.5**
Non-current liabilities							
Borrowings	–	–	–	–	–	(156.4)	(156.4)
Derivative financial instruments	–	–	–	–	(4.0)	–	(4.0)
Provisions and finance lease liability	–	–	–	–	–	(3.2)	(3.2)
Retirement benefit liability	–	–	–	–	–	(1.8)	(1.8)
	–	–	–	–	(4.0)	(161.4)	(165.4)
Net assets	**1,495.8**	**644.7**	**636.0**	**82.0**	**1.6**	**(168.0)**	**2,692.1**

Ongoing Charges

As a self-managed investment trust owning operating subsidiaries, the calculation of RIT's OC% requires adjustments to the total Operating Expenses figure. The main adjustments are to remove the costs incurred within GVQ (which manages its own AUM) and to remove amounts related to compensation which are directly performance-related and therefore analogous to performance fees for externally managed trusts.

£ million	2016	2015
Operating expenses	28.9	30.3
Less: GVQ's costs	(3.8)	(4.5)
Less: JRCM direct performance-related compensation	(7.2)	(6.7)
Less: other adjustments	(0.7)	(1.3)
Ongoing charges	17.2	17.8
Average net assets	2,519	2,409
Ongoing charges %	**0.68%**	**0.74%**

In addition to the above, fees are charged by managers within the external funds and in a few instances directly to RIT (in relation to segregated accounts). We have estimated that, based on average NAV across the year and annual fee rates per fund, these represent 1.17% of average net assets (2015: 1.04%).

Historical Information and Financial Calendar

Historical Information

	Diluted net assets £ million	Diluted net assets per share p	Closing share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
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**

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 will be disclosed in this table to the nearest pence.

Financial Calendar

27 April 2017; 11:00 a.m.:	Annual General Meeting.
28 April 2017:	Payment of interim dividend of 16.0 pence per ordinary share to shareholders on the register on 7 April 2017.

Directory

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Warning to Shareholders

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

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

27 St James's Place London SW1A 1NR

RIT Capital Partners plc