

Report & Accounts  
for the nine month period ended 31 December 2012

## Overview

### 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

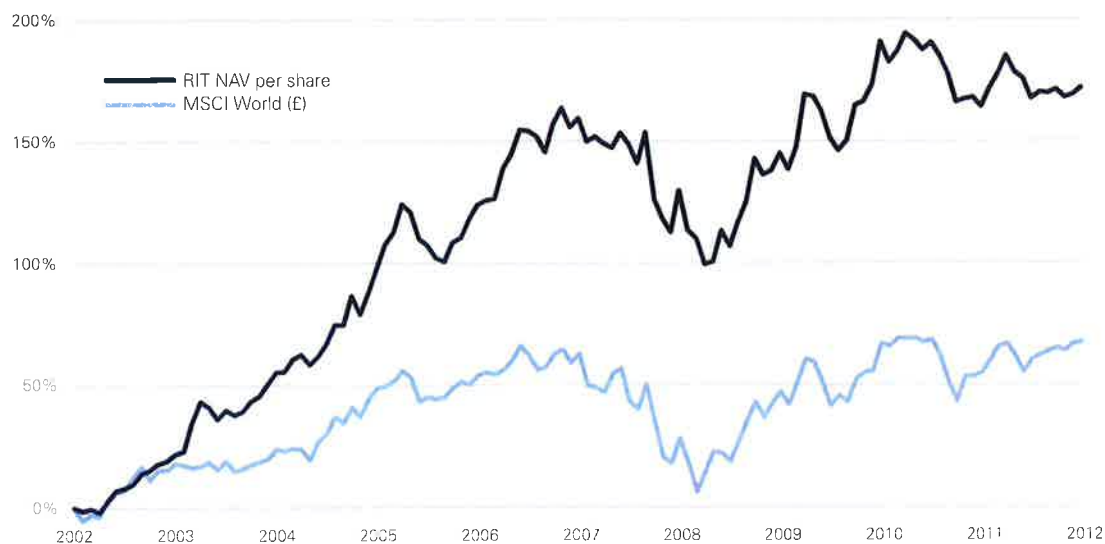
to invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

## Financial Summary

	31 December 2012	31 March 2012	% Change
Net assets <sup>1</sup>	£1,847m	£1,920m	(3.8)
Market capitalisation	£1,757m	£1,877m	(6.4)
Shares outstanding	155.4m	153.9m	1.0
NAV per share <sup>2</sup>	1,191.4p	1,249.3p	(4.6)
Share price	1,131.0p	1,220.0p	(7.3)
Discount	-5.1%	-2.3%	-
Dividend paid per share	28p	4p	600.0
Gearing (Debt/Net Assets)	8.2%	13.3%	-
Ongoing Charges (TER) <sup>3</sup>	1.02%	0.97%	-

	Percentage Change to Date			
	9 Months	1 Year	5 Years	10 Years
NAV per share total return	(2.4)	5.4	9.3	189.8
MSCI World (£) total return	2.2	10.6	15.0	104.5
Share price total return	(5.1)	(5.4)	14.2	218.7
NAV per share	(4.6)	2.9	4.8	171.8
MSCI World (£)	0.4	8.1	2.8	67.5
Share price	(7.3)	(7.6)	9.4	198.4

### 10 year NAV per share performance



<sup>1</sup> Net assets are after payment of a £43m dividend and £19m share issuance

<sup>2</sup> Unless otherwise stated NAV per share is diluted NAV per share taking into account the effect of Share Appreciation Rights and shares held in the Employee Benefit Trust

<sup>3</sup> The Ongoing Charges % replaces the Total Expense Ratio. The 31 December 2012 figure is an estimated annualised number

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RIT Capital Partners plc has changed its year end from 31 March to 31 December in order to bring the reporting cycle in line with the majority of the asset management industry.

This report is required to cover the nine months to 31 December 2012 with comparatives for the year ending 31 March 2012. The next report will cover the period 1 January to 31 December 2013.

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## Chairman's Statement

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**Lord Rothschild, OM GBE**

**O**ur new financial year starting on 1 January 2013 has seen our net asset value per share (NAV) at 31 January increase by 6.2% to 1,267p. For the first time in your Company's history net assets now exceed £2 billion while our most recent NAV on 22 February of 1,309p represents a new all time high.

These results have been achieved through the most perilous financial era of a lifetime. Throughout this period we have followed our objective of protecting your capital. The price has been, as I have referred to in previous statements to you, modest underperformance as we refused to put all your capital at risk when the economies of many areas, notably in Europe, have experienced moments of near collapse, and when political events in the Middle East and beyond have been so threatening. Over the nine months to the Company's new year end the NAV decreased by 2.4% on a total return basis, compared to a 2.2% increase in the MSCI. For the calendar year 2012 the NAV was 5.4% higher, in comparison with a 10.6% increase in the MSCI.

Sacrificing growth in value to insure against danger has been an uncomfortable process. But necessary. We have not abandoned the overall caution which the world economy, in my view, still demands. However our focus has shifted more towards growth. This is our long-term goal and the source of our long-term track record. Over the last 10 years your Company's NAV total return is 190% compared to the MSCI of 105%. A shareholder who invested in RIT at inception will have seen their share price increase by 11.4% per annum and the NAV per share by 10.4% without taking into account dividends paid.

For the moment, as Mr John Authers wrote in the Financial Times recently, "there is nowhere for asset prices to go but upwards". The central banks are creating money on an epic scale - the US Federal Reserve by \$85 billion a month upon a total US government debt that has already topped sixteen trillion dollars. The US yield curve is now steep. The Eurozone's central bank finally loosened its money tap during 2012. UK government debt, as a further example, will have doubled by 2017 from its high

level in 2010 when its current government was elected, pledged to impose "austerity". Japan's recently elected prime minister is dedicating himself to a Keynesian experiment.

All such official actions carry vast eventual risk. The snag being that nobody can tell you when that "eventual" moment will be or what political maelstrom might trigger it.

What we do recognise is that the existential risk appears to have reduced. This has allowed us to look beyond "risk on/risk off" to more fundamentally driven situations and identify investments which are attractively valued. As a consequence, our quoted equity exposure (including futures) increased from a cautious 51% in September to 61% by the year end and our overall investment exposure from 90% to 101%. Defensive hedges cost us money last year, as did our historically profitable gold positions. To reflect our increasing confidence in markets we reduced our hedges in the latter part of 2012.

Geographic diversity has always been a feature of your Company but our particular emphasis in the current year has been targeted at an improving US economy. This was implemented in a number of ways. We bought individual stocks which are particularly sensitive to the US cycle. By the year end around 48% of our net assets were in North America (predominately in the US) and our US Dollar exposure was 62%. We have given support to a new hedge fund with a particular focus on the financial sector which will be run by Gunnar Overstrom and sponsored by Corsair Capital. We have also become seed investors in Tekne, a high-tech fund set up by Beeneet Kothari which will give us increased exposure to the technology sector in the US.

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**F**or the first time in your Company's history total net assets now exceed £2 billion, which represents a new all time high. A shareholder who invested in RIT at inception will have seen their share price increase by 11.4% per annum.

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## Chairman's Statement

Our exposure to the Japanese stock market increased in the last quarter of 2012. We felt that the impact of reflationary policies against an undervalued stock market provided us with an exceptional investment opportunity. Equally these policies were negative for the currency and we took a net short Yen position.

In respect of Sterling, while our exposure was higher during the year we reduced it to 16% by the year end and we have reduced our position further in recent weeks.

On the portfolio itself we concluded that, over time, it had become too diversified and therefore we sold down small positions in stocks, increasing our focus on specific situations.

We are increasingly developing new investment ideas with the partner teams with whom we have forged relationships over the past year or so: Rockefeller & Co, Corsair Capital and the Edmond de Rothschild Group. The Board of our operating company, JRCM, has been strengthened through the additions of Reuben Jeffery, the Chief Executive of Rockefeller Financial, Rick Sopher of the Edmond de Rothschild Group and Lord Davies of Corsair Capital. In addition, Ignacio Jayanti of Corsair Capital has also joined the Board of JRCM as Vice Chairman. These changes are enabling us to increase co-operation with our partners and we believe will benefit our management team.

We expect each of these important relationships to be profitable in their own right. In addition, however, we have through them leveraged our sourcing of ideas and potential co-investments. These are early days. The private investments part of our business - a quarter of our invested capital - is in a period of consolidation following the stellar realisations of early 2012. This moment is being used by our direct investment team to develop joint ideas and investments with our partners. Direct private investments have been a very successful area for RIT over its history, however the returns can be lumpy and the investments typically have a longer cycle than other asset classes. Against rapid market increases, these assets do not re-price at the same rate. As a consequence your investment portfolio is likely to lag

markets when they are rising but to outperform markets when they are falling.

Risk continues. A global recovery largely built on printing money cannot be riskless. Yet you can see from this brief summary above that your Company has rarely been more active in repositioning itself. We will continue to remain vigilant to risks and opportunities, always keeping in mind that, at our core, we are an investor in equities.

And we shall continue what we started last year: to bolster your realised return through these still dangerous times by paying out a significantly larger dividend than was our wont in the days of apparently easy economic growth. During the coming year we intend to pay dividends of 14p in April and 14p in October.

Capital preservation remains critical to us. We are however confident, over longer than a single year, and with a fresh sense of purpose and investment alliances, that our signally loyal investor base will be rewarded by our other primary mission: continued growth.



**Rothschild**  
**6 March 2013**

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# Business Review

31 December 2012

## Investment Review

### December 2012 Overview

The Company's consolidated net assets at 31 December 2012 were £1,847.2 million (31 March 2012: £1,920.0 million). The change over the period is analysed below:

	Total gain/(loss) £ million
Quoted Equity – Internally Managed	9.7
Quoted Equity – Externally Managed	(5.2)
Unquoted Investments – Direct	(5.5)
Unquoted Investments – Funds	6.9
Real Assets	(11.2)
Absolute Return & Credit, Government Bonds and Currency	(15.3)
Net Liquidity, Borrowings and Other Movements	(7.5)
Expenses	(20.2)
Tax	(0.3)
Dividends	(43.0)
Issue of shares	18.8
<b>Change in Net Assets</b>	<b>(72.8)</b>

Note: Category returns include the impact of currency translation and derivatives which are employed either to hedge or selectively increase exposure. Government Bonds within the investment portfolio includes those with maturities of over one year or derivatives on such bonds. This category excludes short-dated government bonds held for liquidity.

Overall the performance of our quoted equity category in Sterling was a modest positive return with the internal book performing better than the external manager portfolio. The quoted equity category includes individual stocks as well as funds managed in-house and by external managers.

The unquoted portfolio overall was essentially flat over the period. In the direct category, the sale of Agora completed early in the period as expected. Modest write-downs on a few investments and the currency impact of a strengthening Pound offset gains on others. The unquoted funds portfolio was up slightly over the period.

The real assets category was negatively effected by the volatile gold price, and weakness in gold mining shares, which offset gains on investment property.

The absolute return category included gains from our active currency management and credit funds. However the majority of the portfolio insurance costs were booked here, which more than offset the positive performance.

We increased the dividend from 4p in August 2011 to 28p in August 2012, at a total cost of £43.0 million. During the period, the Company also issued new shares for £18.8 million to part finance the investments in EDRRIT (our investment with the Edmond de Rothschild Group) and Corsair Capital.

### Net Assets by Category

	31 December 2012 % Net Assets	31 March 2012 % Net Assets
Quoted Equity – Internally Managed	18.5	18.7
Quoted Equity – Externally Managed	44.2	45.0
Unquoted Investments – Direct	11.5	15.5
Unquoted Investments – Funds	14.6	13.7
Real Assets	5.5	5.8
Absolute Return & Credit, Government Bonds and Currency	2.9	7.2
Net Liquidity/ Borrowings and Other	2.8	(5.9)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Note: The above table excludes notional exposure through derivatives including, for example those relating to Nikkei futures, US banks and gold.

## Investment Review

Following the appointment of Ron Tabbouche as Investment Director in September, we made a number of significant changes to the portfolio. In an environment where we continue to find interesting investments, and where the returns on cash and 'safe' investments are negative in real terms, we increased our exposure to markets. We expect to continue this level of engagement for as long as valuations remain supportive.

As a result, our level of quoted equity market exposure increased from 51% at 30 September 2012 to 61% at 31 December (having been 60% at 31 March). This measure reflects notional exposure through the use of derivatives as well as the underlying positioning of many of our managers. The changes to equity market exposure had a consequential increase in our total investment exposure including unquoted equities and other assets, which increased from 90% at September to 101% at year end.

More important than the level of exposure was the nature of the changes we made to the underlying investments. We continue to emphasise the US. Over recent years our North American exposure has increased from 32% in March 2011 to 45% in March 2012 and the 48% shown below for December 2012.

The increase in the latter part of the financial period was targeted at assets we consider to be sensitive to the US cycle. In particular this included some larger single stock positions such as General Motors and AIG as well as a basket of US banks and a number of US-focused funds.

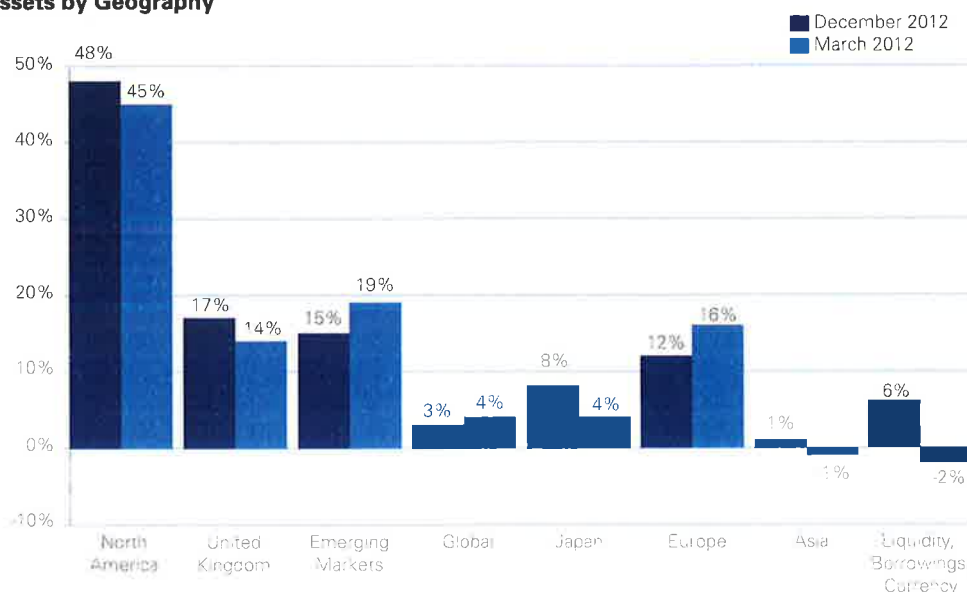
In Japan, we considered the reflationary policies would provide the long-awaited catalyst to unlock value growth in the market. Exposure was increased using Nikkei futures to avoid increasing Yen exposure where we remained bearish.

In addition we have been targeting an increased level of portfolio concentration. We exited certain stocks and redeemed some non-core managers, including those whose portfolio size or performance took them below critical mass.

The reduction in unquoted direct investments highlighted above reflects the sale of Agora which completed in the period.

We reduced our investments in credit funds partially funding a reduction in the drawn portion of our debt facility and an increase in net liquidity.

**Net Assets by Geography**

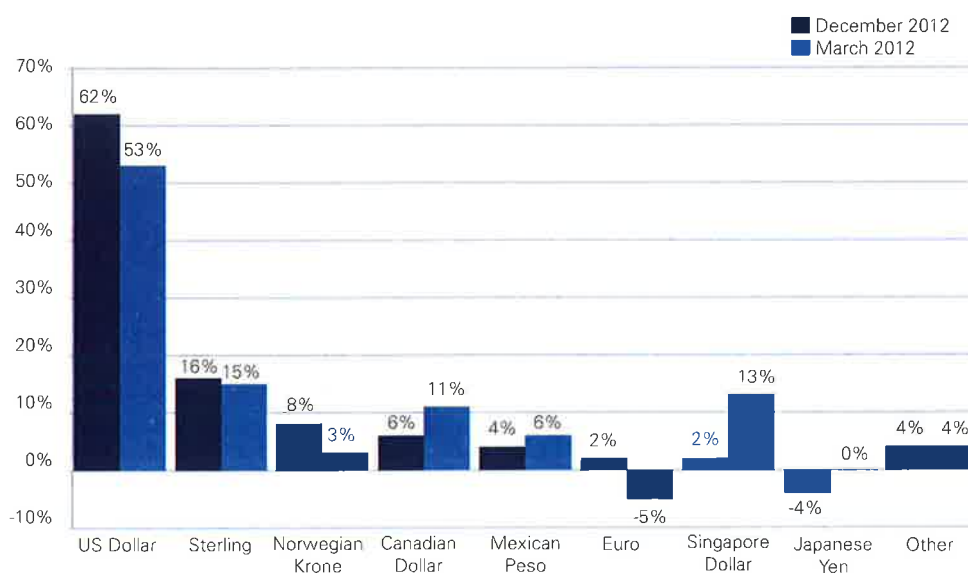


Note: This chart includes market exposure resulting from index futures



## Investment Review

### Net Assets by Currency



We continue to actively manage our currency exposure, taking into account both the net positioning on an absolute basis, and also relative to the weightings in the MSCI World Index.

The largest exposure was the US Dollar which we have viewed for some time as the “least bad” of the major currencies. We increased Euro exposure later in

the period and reduced our Yen exposure to a net short position. Our Sterling position was higher during the period but was reduced towards the end of the year and we continue to believe it could be vulnerable. Overall, the relative strength of Sterling, especially against the US Dollar, had a modest negative impact on returns.

### Investment Portfolio

£ million	Market value 31 March 2012	Additions/ transfers in	Disposals/ transfers out	Gains/ (losses)	Market value 31 December 2012
Quoted Equity – Internally Managed	359.9	129.7	(157.1)	9.7	342.2
Quoted Equity – Externally Managed	863.7	180.0	(222.4)	(5.2)	816.1
Unquoted Investments – Direct	298.1	93.6	(176.3)	(5.5)	209.9
Unquoted Investments – Funds	263.4	27.8	(29.1)	6.9	269.0
Real Assets	111.6	26.1	(25.3)	(11.2)	101.2
Absolute Return & Credit, Government Bonds and Currency	137.7	33.0	(101.0)	(15.3)	54.4
<b>Total Investments</b>	<b>2,034.4</b>	<b>490.2</b>	<b>(711.2)</b>	<b>(20.6)</b>	<b>1,792.8</b>

Note: Category gains/(losses) include the impact of currency translation and derivatives which are employed either to hedge or selectively increase exposure. Absolute Return & Credit, Government Bonds and Currency within the investment portfolio includes those with maturities of over one year or derivatives on such bonds. This category excludes short-dated government bonds held for liquidity. This table reflects management’s portfolio classification. It can be reconciled to the Consolidated Balance Sheet as set out on page 92.

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## Investment Review

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### Quoted Equity

Our quoted equity book represents £1,158 million or 63% of NAV. Of this £342 million is managed internally and £816 million held with third party managers (including £199 million in segregated accounts).

The internally managed portfolio was up £9.7 million over the period. It includes £230 million in RIT Global Quality, a segregated account run by David Haysey, as well as single stocks and derivatives. Global Quality performed broadly in line with markets over the period, up 1.9%. Other highlights include strong performances from Paypoint (up 33% over the period) and General Motors. The increase in our Japanese exposure in the last quarter was well timed. However some of our defensive hedges lost money in the rising markets.

The externally managed portfolio was down slightly over the period. While the underlying portfolio generated a small positive return, the impact of currency – in particular Sterling's strengthening – offset the gains.

Within this portfolio the most profitable areas included our emerging market, biotech and global managers. Detractors to performance were our technology and energy themes.

Across the internal and external public equity books we have sought to have fewer, more impactful positions. During the latter part of the year we have therefore actively reduced the number of positions.

### Unquoted Equity

At the period end, unquoted investments totalled £479 million or 26% of net assets, down from 29% in March. This was mainly due to the completion of the Agora sale in May 2012, having been revalued to the agreed proceeds at 31 March.

The portfolio is divided between direct investments of £210 million and £269 million held in third-party funds.

Our unquoted direct portfolio lost £5.5 million over the period. This was as a result of currency translation as well as modest write-downs on some of the smaller investments offsetting modest valuation gains on others.

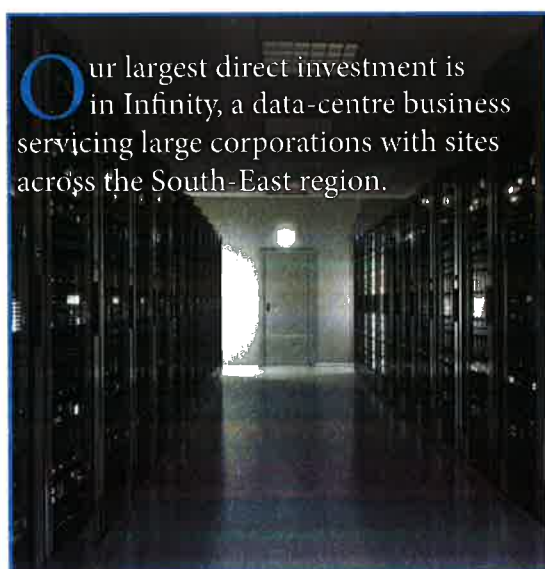
Our largest direct investment is in Infinity, valued at £40.4 million at the period end (equivalent to cost). This is a data-centre business servicing large corporations with sites across the South-East region. The business is in growth phase, with future growth and profitability supported by long-term contracts.

During the period we made significant new investments in Rockefeller Financial, EDRRIT (our co-investment with the Edmond de Rothschild Group), and Corsair Capital (the financials private equity business). Follow-on investments were made in a number of companies including Infinity and Tamar, the early stage renewable energy business.

We received further disposal proceeds from our successful exit from Robin Hood, and transferred our investment in BTG Pactual to the quoted equity portfolio following its IPO.

The unquoted fund portfolio was up £6.9 million over the period, net of currency translation. Our largest investments remain with Augmentum, Xander and Darwin. Augmentum is a private equity business investing in growth business in the e-commerce and technology sectors. It is headed by Tim Levene and we believe this portfolio remains well placed to deliver value opportunities in this sector. Darwin is a UK private equity manager focused on mid-market investments. Xander is an Indian real estate private equity business led by Sid Yog. The business has grown significantly since we first invested, notwithstanding some difficult market conditions.

On our joint venture in China with the Creat group, the changes in the Chinese government have delayed receipt of the regulatory approvals necessary to release investors' funds. Our partner, Creat, remains confident this approval will be received.



## Investment Review

We have demonstrated over many years a successful track record in unquoted investments – in particular on the direct side. This remains core to our investment philosophy. We continue to see attractive opportunities which we evaluate rigorously before deploying capital, taking into account our overall portfolio construction.

### Real Assets

This category accounts for around 5% of our net assets. It includes our investment properties (such as Spencer House), commodities, and certain mining funds. As noted we suffered an £11.2 million loss in the period under review, largely from a subdued and volatile gold price and the poor performance of gold mining shares.

We continue to believe gold has an important place in our portfolio as a hedge in a world facing the prospect of currency wars and the risk of increased inflationary pressure.

Our investment property portfolio increased in value over the period.

### Absolute Return & Credit, Government Bonds and Currency

This category represented approximately 3% of our net assets, reduced from 7% at the start of the financial period. The decrease is mainly due to the redemption of credit funds. This category experienced a loss of £15.3 million. This reflected gains from our credit investments and currency management offset by losses on hedges put in place to provide portfolio protection in the event of significant market downturns.

### Borrowings and Liquidity

Our overall liquidity position has changed from net borrowings of £107 million to net liquidity of £51 million over the period. We also repaid part of our US Dollar credit facility. This reduced our outstanding borrowings from £250 million to £148 million. The borrowings are held through a revolving facility (due December 2013) which can be redrawn with minimal notice. While the interest costs were an inevitable drag on performance, we remain of the view that the ability to deploy leverage at historically low interest rates is beneficial to our investment approach.

### Portfolio Risk Management

RIT has provided investors with capital preservation and growth, earned over a long history. We shift our emphasis between these and risk management is always a critical factor in our portfolio management.

We are fundamentally an equity Company with exposure to market movements. We do however, seek to adjust the levels of exposure and its nature, when we consider it is necessary and prudent.

### Ongoing Charges

The AIC published guidance in May 2012 in relation to the calculation of "Ongoing Charges" as a percentage of net assets (to replace the Total Expense Ratio or TER). The Ongoing Charges for the period were £16.1 million, equivalent to £18.8 million on an estimated annualised basis. This is a small reduction to the comparable figure of £18.9 million for the year ended 31 March 2012. Our Ongoing Charges as a percentage of average net assets was 1.02% as set out below and in more detail on page 93.

	December 2012	March 2012
<b>Ongoing Charges</b>	<b>1.02%</b>	<b>0.97%</b>
Performance fees	0.17%	0.13%
Ongoing Charges including performance fees	1.19%	1.10%

In accordance with the AIC methodology, we have excluded the cost of our Spencer House banqueting subsidiary and other items that do not directly relate to the investment management activity, and have treated the cost of our performance related compensation schemes as analogous to performance fees.

Further details of your Group's investments can be found in the Investment Portfolio overleaf.



# Investment Portfolio

## Investment Portfolio as at 31 December 2012

Investment holdings	Country	Description	Value of Investment £ million	% of NAV
<b>Quoted Equity – Internally Managed</b>				
RIT Global Quality <sup>1,2</sup>	Global	Global equities	230.4	12.5%
Paypoint	United Kingdom	Electronic payment systems	23.8	1.3%
General Motors	United States	Automobile manufacturers	20.9	1.1%
American International Group	United States	Financial services	20.6	1.1%
Other Internally Managed <sup>3</sup>			46.5	2.5%
<b>Total Quoted Equity - Internally Managed</b>			<b>342.2</b>	<b>18.5%</b>
<b>Quoted Equity – Externally Managed</b>				
BB Life Sciences	United States	US biotechnology	55.3	3.0%
Findlay Park <sup>1</sup>	United States	US equities	54.4	3.0%
Cedar Rock Capital	Global	Global equities	49.1	2.7%
Titan Partners	United States	US growth	37.1	2.0%
Gaoling	China	Long/short Chinese equities	37.0	2.0%
Viking Long Fund III	Global	Global equities	35.7	1.9%
Independent Franchise Partners – Global	Global	Global equities	35.7	1.9%
Seligman Technology <sup>1</sup>	United States	Technology	29.7	1.6%
Morant Wright <sup>1</sup>	Japan	Japanese equities	28.9	1.6%
Tekne Offshore	Global	Technology	27.3	1.5%
Lansdowne Developed Markets	Global	Global equities	25.8	1.4%
BlackRock Frontiers <sup>1</sup>	Emerging Asia	Emerging market equities	23.5	1.3%
Horizon Capital <sup>1</sup>	Emerging Asia	Asian equities	23.0	1.2%
Findlay Park Mexico <sup>1</sup>	Mexico	Mexican equities	22.4	1.2%
Lansdowne Developed Markets Strategic	United Kingdom	Global equities	21.2	1.1%
BlackRock European Hedge Fund	Europe	Long/short Europe	21.2	1.1%
Findlay Park Latin America	Latin America	Latin American domestic growth	20.9	1.1%
Brant Point	United States	Long/short US equities	19.6	1.1%
Independent Franchise Partners – US	United States	US equities	19.4	1.1%
Egerton Capital	Europe	European equities	19.2	1.0%
Tontine Capital Overseas Fund II	United States	Global equities	17.6	1.0%
GLG Technology	Global	Technology	17.2	0.9%
RXZ Brazil <sup>1</sup>	Brazil	Emerging market equities	16.9	0.9%
Other Externally Managed			158.0	8.6%
<b>Total Quoted Equity – Externally Managed</b>			<b>816.1</b>	<b>44.2%</b>
<b>Unquoted investments – Direct</b>				
Infinity Data Systems	United Kingdom	Data centres	40.4	2.2%
Rockefeller & Co, Inc	United States	Financial services	30.8	1.8%
Dropbox	United States	Cloud technology	15.4	0.8%
EDRRIT	United Kingdom	Financial services	14.0	0.8%
Helios Towers	Africa	Cellular communication infrastructure	13.0	0.7%
Genagro	Brazil	Agricultural real estate	11.7	0.6%
Other Unquoted Direct			84.6	4.6%
<b>Total Unquoted Investments – Direct</b>			<b>209.9</b>	<b>11.5%</b>

<sup>1</sup> These funds are operated as segregated accounts, managed internally or externally on behalf of the Group.

<sup>2</sup> This fund has a diversified portfolio with the largest holdings being Reckitt Benckiser £10.7 million, UK Gilt £9.8 million and British American Tobacco £7.8 million.

<sup>3</sup> This balance includes a further holding in Reckitt Benckiser of £8.8 million.



## Investment Portfolio

Investment holdings	Country	Description	Value of Investment £ million	% of NAV
<b>Unquoted Investments – Funds</b>				
Augmentum I	United Kingdom	International growth capital	34.7	1.9%
Xander Funds	India	Indian real estate private equity	31.4	1.7%
Darwin Private Equity I	United Kingdom	UK mid-market private equity	28.5	1.5%
Summit Water Development	United States	Water rights	18.9	1.0%
Hony Capital Funds	China	Chinese private equity	18.3	1.0%
Pomona Capital Funds	United States	Secondaries	12.4	0.7%
Crestview Partners Funds	United States	US private equity	11.6	0.6%
Other Unquoted Funds			113.2	6.2%
<b>Total Unquoted Investments – Funds</b>			<b>269.0</b>	<b>14.6%</b>
<b>Real Assets</b>				
BlackRock Gold & General Fund	Global	Gold and precious metal equities	34.1	1.8%
Spencer House	United Kingdom	Investment property	24.0	1.3%
Baker Steel <sup>1</sup>	Global	Gold and precious metal equities	21.0	1.1%
Other Real Assets			22.1	1.3%
<b>Total Real Assets</b>			<b>101.2</b>	<b>5.5%</b>
<b>Absolute Return &amp; Credit, Government Bonds and Currency</b>				
JPS Credit Opportunities	United States	Credit fund	20.5	1.1%
Fortress Credit Opportunities	United States	Distressed credit fund	14.5	0.8%
Virgin America Senior Notes	United States	Loan note	11.5	0.6%
Other Absolute Return & Credit, Government Bonds and Currency			7.9	0.4%
<b>Total Absolute Return &amp; Credit, Government Bonds and Currency</b>			<b>54.4</b>	<b>2.9%</b>
<b>Total Investments</b>			<b>1,792.8</b>	<b>97.2%</b>
<b>Liquidity</b>				
US Treasury Bill	United States	Government bond	52.3	2.8%
UK Gilts	United Kingdom	Government bond	36.1	1.9%
Other Liquidity			113.4	6.1%
<b>Total Liquidity</b>			<b>201.8</b>	<b>10.8%</b>
<b>Borrowings</b>				
National Australia Bank loan	United States	US Dollar credit facility	(147.8)	(8.0%)
US Dollar Interest Rate Swap	United States	Floating to fixed swap	(3.4)	(0.2%)
<b>Total Borrowings</b>			<b>(151.2)</b>	<b>(8.2%)</b>
<b>Other assets/(liabilities)</b>			<b>3.8</b>	<b>0.2%</b>
<b>Total Net Asset Value</b>			<b>1,847.2</b>	<b>100.0%</b>

Note: The above table excludes notional exposure through derivatives, including for example those relating to Nikkei futures at 5.8% of NAV, US banks 1.0% and gold 4.4%.



# Governance

31 December 2012

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## Board of Directors

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### Chairman

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**Lord Rothschild, OM GBE**

Jacob Rothschild has chaired RIT since its flotation in 1988. He is also Chairman of the Nominations Committee.

Having left NM Rothschild & Sons in 1980, Jacob developed the business of RIT's predecessor companies, co-founding companies in money management, insurance and investment, including Global Asset Management and St James's Place Capital plc. He served as Deputy Chairman of BSkyB Plc for five years, to 2008. He serves on the International Advisory Board of Blackstone plc and

on a number of family office advisory boards as well as chairing his own family's office. He is also the Honorary Vice Chairman of La Campagnie Financière Saint-Honoré, the holding company of the Edmond de Rothschild Group.

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

### Non-Executive Directors (Independent)

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**John Cornish**

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

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

During the period, he was appointed as a non-executive director of J Rothschild Capital Management Limited (JRCM), a wholly-owned subsidiary of the Company. The Board has determined that he is independent, as his appointment is to monitor the activities of JRCM as the representative of RIT's independent directors.



**Lord Douro**

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

He has broad experience in banking and finance, having served as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is currently a director of Compagnie Financière Richemont, Sanofi-Aventis and was until 2011 a director of Pernod Ricard and Abengoa Bio-Energia. He is currently a member of the International Advisory Board of Abengoa SA. He is Chairman of Richemont Holdings (UK) Limited. He is also Chairman of the Council of King's College, London. He was a member of the European Parliament from 1979 to 1989.



## Board of Directors

### Non-Executive Directors (Independent)



**Michael Marks CBE**

Michael Marks joined the Board of the Company as non-executive Director in September 2004 and became its Senior Independent Director in July 2010.

He is the Chairman of NewSmith Capital Partners LLP, which he founded in 2003. He was formerly Co-Head of the Global Equities business of Merrill Lynch, which he joined in 1995 and where he subsequently held positions as Chief Operating Officer of Merrill Lynch Europe, Middle East and Africa. He was subsequently named Executive Chairman. He was also Executive Vice President of Merrill Lynch & Co., Inc. Michael began his career at Smith Bros. in 1958, where he became a director in 1975 and Chief Executive of Smith New Court in 1987. He was a non-executive director of Old Mutual plc from February 2004 to May 2007 and a non-executive director of London Stock Exchange plc until 2004.



**Lord Myners CBE**

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

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



**James Leigh-Pemberton**

James Leigh-Pemberton joined the Board of the Company as non-executive Director in August 2004 and is a member of the Audit and Risk, Conflicts, Nominations and Remuneration Committees.

He has worked at Credit Suisse since 1994, holding positions as Head of Equity Syndicate, Head of Equity Capital Markets and from 2001 to 2004, Head of European Investment Banking. He is currently Chief Executive Officer of Credit Suisse, UK. James began his career at S.G. Warburg & Co, where he worked for fifteen years.



**Sandra Robertson**

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

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

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## Board of Directors

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### Non-Executive Directors (Non-Independent)

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**Jean Laurent-Bellue**

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

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

Previously, he was a member of the Executive Board of Clinvest (the Investment Banking arm of the Crédit Lyonnais) and worked at Crédit Commercial de France where he led both the Corporate Finance and Equity Investments divisions. He is a member of the KPMG Supervisory Board in France.

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.

### Honorary Vice Chairman

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**Baroness Ariane de Rothschild**

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

She holds various board positions across the Edmond de Rothschild Group, including Banque Privée Edmond de Rothschild, Holding Edmond de Rothschild, Holding Benjamin & Edmond de Rothschild Pregny, La Compagnie Financière Edmond de Rothschild Banque, La Compagnie Financière Saint-Honoré, Siaci Saint-Honoré, Banque Privée Edmond de Rothschild Europe (Luxembourg) 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 European operations from Paris, France.

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

# J Rothschild Capital Management

J Rothschild Capital Management Limited (JRCM) is a wholly-owned subsidiary of RIT and acts as RIT's manager. Directors of JRCM are listed below:

## Chairman

Lord Rothschild

## Vice Chairman

Ignacio Jayanti

## Non-Executive Directors

John Cornish  
Lord Davies  
Reuben Jeffery  
Andrew Knight  
Hannah Rothschild  
James Rothschild  
Rick Sopher  
Bill Winters

## Executive Directors

Francesco Goedhuis (Head of Strategic Investments)  
David Haysey (Head of Public Equities)  
Andrew Jones (Chief Financial Officer)  
Jonathan Kestenbaum (Chief Operating Officer)  
Ron Tabbouche (Investment Director)  
Graham Thomas (Head of Private Investments)

Day-to-day management of the business is delegated to an Executive Committee chaired by Graham Thomas. The biographies of the Vice Chairman and the Executive Committee can be found below.



**Ignacio Jayanti**

Ignacio Jayanti is Vice Chairman of JRCM. He is also the President of Corsair Capital, an alternative asset management firm focused on investing in global financial services. Before spinning off Corsair from J.P. Morgan in 2006, Ignacio was a Managing Director at J.P. Morgan and President of Corsair. From 1993 to 1999, he was also a senior member of the Investment Banking Department of J.P. Morgan, where he headed the Emerging Markets Financial Institutions group. He is a director of MPC Capital AG.



**Graham Thomas**

Graham Thomas is Chairman of the Executive Committee and Head of Private Investments. He was previously the head of the Standard Bank Group's global Principal Investment Management division, which was established in 2008 under his leadership. He joined Standard Bank from MidOcean Partners in London. Prior to that, he was at Goldman Sachs which he joined in 1993.



**Francesco Goedhuis**

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



**Andrew Jones**

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



**Jonathan Kestenbaum**

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



**Ron Tabbouche**

Ron Tabbouche is the Investment Director. He was previously the Head of Investments for Managed Portfolios at GAM. At the age of 26, he joined GAM's Investment Committee, working with Gilbert de Botton, its co-founder. More recently, he led the overall investment strategy of multi-billion dollar funds across a broad range of asset classes. He is also the principal investment adviser to philanthropic foundations connected to Lord Rothschild.

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# Corporate Governance Report

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## Introduction

The Directors present the Company's Corporate Governance Report. The biographies of the Directors and executive management on the pages immediately preceding this Report demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims. Many of the Directors hold or have held senior director positions at prominent investment banks, asset management companies or audit firms specialising in the asset management industry. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations.

This report is split into two sections. This first section describes the Company's principal governance bodies, their composition, purpose and operation. The second section (starting on page 87) covers the other aspects of the Company's governance prescribed under the UK Corporate Governance Code 2010 (the Code) to which the Company is subject and which may be viewed at [www.frc.org.uk](http://www.frc.org.uk). The Directors believe that the Company has complied with the provisions of the Code throughout the period, except as described on pages 87 and 88.

## The Board of Directors

The Company is an investment trust managed by its Board of Directors (the Board) currently comprising eight Directors. Of these, the Chairman is executive, Jean Laurent-Bellue is non-independent and non-executive and the remaining six are independent non-executive Directors.

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

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

The Board met formally twice in the nine month period ended 31 December 2012. The attendance of the Directors holding office on 31 December 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Rothschild	2	2
Michael Marks	2	2
John Cornish	2	2
Lord Douro	2	2
Jean Laurent-Bellue	2	2
James Leigh-Pemberton	2	2
Lord Myners	2	2
Sandra Robertson	2	1

The non-executive Directors participate in discussions regarding the Company's strategy and performance. They also meet once a year without executive management present to consider the conclusions of the annual Board evaluation exercise and the performance of the Chairman.

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

# Corporate Governance Report

## Committee Membership

### Audit and Risk Committee

John Cornish (Chairman)  
James Leigh-Pemberton  
Lord Myners

### Nominations Committee

Lord Rothschild (Chairman)  
Lord Douro  
James Leigh-Pemberton  
Michael Marks

### Remuneration Committee

Lord Douro (Chairman)  
John Cornish  
James Leigh-Pemberton  
Michael Marks

### Conflicts Committee

Lord Douro (Chairman)  
John Cornish  
James Leigh-Pemberton  
Michael Marks

### Valuation Committee

John Cornish (Chairman)  
Lord Myners  
Sandra Robertson

## The Audit and Risk Committee

The Audit and Risk Committee comprises three non-executive Directors, all of whom are independent of the Company. It is chaired by John Cornish, a former partner at Deloitte LLP. John is the Chairman of the audit committees of three other public companies, and is considered by the Board to have appropriate financial experience.

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

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

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

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

The Committee monitors the adequacy of the Group's accounting policies and financial reporting, which are discussed with the external auditors, Pricewaterhouse Coopers LLP. The Committee also considers the external auditors' independence, objectivity and the cost effectiveness of the audit process. The level of non-audit services provided to the Group by the auditors is monitored as is the

auditors' objectivity in providing such services to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by PricewaterhouseCoopers LLP in the period ended 31 December 2012 were primarily in relation to corporate advisory and taxation services. Further information is contained in note 4 of the Financial Statements.

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

Further information relating to the operation of the Committee and its role in risk management is included on page 89.

The Committee met formally on three occasions in the nine month period ended 31 December 2012 with attendance as follows:

Member	No. of meetings invited to attend	No. of meetings attended
John Cornish	3	3
James Leigh-Pemberton	3	3
Lord Myners	3	3

## The Conflicts Committee

The Conflicts Committee meets at least once a year on a formal, scheduled basis and on other occasions as and when required. The Committee is chaired by Lord Douro. The Committee's principal responsibilities cover proposed co-investment or related party transactions and the approval of cost sharing arrangements with parties related to Lord Rothschild or any other Director (as described in note 30). The Committee is responsible for monitoring and pre-approving any arrangements entered into between the Group and any of its Directors, or their connected interests, to ensure that any conflicts of interest are avoided or pre-approved and managed appropriately.

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# Corporate Governance Report

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The attendance record of the members in the nine month period to 31 December 2012 was as follows:

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

## The Nominations Committee

The Nominations Committee comprises four Directors, three of whom are independent and non-executive and the fourth is Lord Rothschild, who is the Chairman of the Committee. The Committee meets at least once a year on a formal basis, and on additional occasions as required. Its remit, as set out in its Terms of Reference, includes leading the process for appointments to the Board, to ensure that appointments are made on merit and against objective criteria and to review the suitability of those Directors who are standing for re-election. The Committee also monitors the composition of the Board on an ongoing basis, with a view to succession planning, Board diversity and the maintenance of an appropriate balance of skills and experience within the Company and on the Board.

Appropriate Board diversity in all its forms is important to ensure the optimum range of perspective in decision making. The policy of the Nominations Committee in refreshing the composition of the Board is to consider Board diversity, including on grounds of gender, as central to its Director selection process, alongside the relevance and appropriateness of candidates' experience.

The attendance record of the members of the Committee in the nine month period to 31 December 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Rothschild	2	2
Lord Douro	2	2
James Leigh-Pemberton	2	1
Michael Marks	2	2

## The Valuation Committee

At 31 December 2012, the Valuation Committee comprised three Directors, all of whom were independent non-executive Directors. The Committee is chaired by John Cornish. The Committee meets at least twice each year and additionally as may be required. Its principal responsibility is to review the Company's unquoted investments to ensure they are presented in the annual and half-yearly accounts at fair value.

The Committee met formally on two occasions in relation to the nine month period ended 31 December 2012, with attendance as follows:

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

## The Remuneration Committee

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

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

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

The attendance of the members at the two meetings of the Committee in the nine month period to 31 December 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Douro	2	2
John Cornish	2	2
James Leigh-Pemberton	2	2
Michael Marks	2	2

The Chairman of the Remuneration Committee presents the Directors Remuneration Report on pages 21 to 26.

Additional disclosures relating to the Group's corporate governance arrangements are contained in the second part of this Report, which starts on page 87.

# Directors' Remuneration Report

## Introduction from Remuneration Committee Chairman

I am pleased to present the Directors' Remuneration Report for the nine month period to 31 December 2012.

The objective of our remuneration policy is to retain and incentivise talented individuals to deliver sustained superior returns for our shareholders. The Committee is responsible for the operation of the Annual Incentive Scheme (AIS) and Share Appreciation Rights (SAR) Plan.

The AIS has performance requirements measured over a three year period. On a trailing three year basis, RIT's growth in total net assets did not exceed its benchmark. Therefore while RIT's net assets increased by £194 million over the three year period, no bonus payments have been made to Executive Directors of the Company under this scheme.

The Company continues to operate the SAR Plan. Individual awards under the SAR Plan are subject to a cap. There is also an overall limit of 1% of NAV on the aggregate of annual incentive payments and SAR awards in any year. As no AIS payments were made for the financial year, the total variable pay was well below the prescribed limit.

In the nine month period a private equity carried interest scheme was introduced, providing long-term incentives to executive management and members of the investment team. This arrangement allows those in the scheme to participate in any outperformance of investments included in the scheme after allowing for all expenses and a hurdle rate of 8% per annum.

We believe that this Remuneration Report provides a clear explanation of the Committee's policies and their alignment with shareholders' interests. Those items which are audited are highlighted within the title.

## Change of financial year end

As stated on page 1, the Company has changed its financial year end to 31 December. Remuneration information contained in this report is in respect of the nine month period ended 31 December 2012.

## Components of Executive Director remuneration

The remuneration of the Executive Directors comprises the following:

	Purpose	Key features
<b>FIXED PAY</b>		
<b>Basic salary</b>	Reflects market value of the individual, their skills, experience and performance	<ul style="list-style-type: none"> <li>Reviewed annually with any changes effective on 1 January</li> <li>Benchmarked against asset management sector</li> <li>Base salary reviews take into account pay increases for other employees below Executive Director level</li> </ul>
<b>Pension and other benefits</b>	Competitive pension and benefits	<ul style="list-style-type: none"> <li>Defined contribution pension/cash allowance only</li> </ul>
<b>VARIABLE PAY</b>		
<b>Annual Incentive Scheme</b>	Rewards superior investment performance relative to a benchmark	<ul style="list-style-type: none"> <li>Annual bonuses are paid from a pool. The size of the pool is based on RIT's sustained relative investment performance, measured over the three years ending with the relevant bonus year</li> <li>All bonuses exceeding £150,000 are deferred into RIT shares</li> <li>Payments may be subject to clawback</li> </ul>
<b>Long-Term Incentive Plan (LTIP)</b>	Rewards sustained share price appreciation	<ul style="list-style-type: none"> <li>SARs, settled in shares</li> <li>Exercisable after 3 years, subject to a performance condition</li> </ul>

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# Directors' Remuneration Report

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## **FIXED PAY**

### **Base Salary**

Base salaries are reviewed by the Remuneration Committee following the end of each financial period against market comparators and peer group remuneration.

Following the Remuneration Committee's review after the period end on 31 December 2012, the base salary of the Chairman has been set at £448,640 per annum (31 March 2012: £438,768 per annum).

This represents an increase of 2.25%, which is consistent with the average percentage increases awarded to other employees, which are considered and taken into account by the Committee.

### **Pensions**

The Group's defined benefit pension scheme closed to new members in 1997. Lord Rothschild has no accrued defined benefit entitlement under the scheme and he receives a cash allowance of 20% of base salary, in lieu of pension contributions.

The Group makes payments to defined benefit schemes on behalf of staff.

### **Other Benefits**

In addition to base salary, the Executive Directors received a bonus of £1,000 that was paid to all staff in December 2012 (December 2011: £1,000).

The Executive Directors are entitled to the use of a company car, private medical and other insurances.

## **VARIABLE PAY**

### **Annual Incentive Scheme**

As described in the Company's 31 March 2012 Directors' Remuneration Report, the Remuneration Committee implemented an Annual Incentive Scheme (AIS) in the year ended 31 March 2012. This provides better alignment with the Company's objectives, is more consistent with market practice in the investment management sector and is partly payable in deferred shares.

Under the AIS, a bonus pool is created for participants based on the Company's trailing three year total net asset growth, relative to the growth in the MSCI World Index (in Sterling).

The Remuneration Committee has set the participation rate at 5% of such outperformance. Individual awards made from the pool are based on personal performance, taking account of contribution to investment performance, overall management, development of the Company, adherence to prudent risk management and regulatory compliance controls. In common with the practice amongst many asset managers, there is no explicit cap on the size of individual awards. However, the Remuneration Committee applies a cap of 1% of net assets to the aggregate of all incentive payments.

The first £150,000 of any individual award is paid in cash. Any bonus award in excess of £150,000 is in the form of conditional, deferred shares of the Company. This helps generate additional incentive for, and alignment with, sustained performance delivered for shareholders.

Any awards paid in deferred shares will vest in two tranches: 50% after a year and 50% after two years, subject to remaining in service.

On a trailing three year basis, RIT's growth in total net assets did not exceed its benchmark. Therefore while RIT's net assets increased by £194 million over the three year period, no bonus payments have been made to Executive Directors of the Company under this scheme for performance to 31 December 2012 (31 March 2012: £nil). Certain discretionary awards were made to members of JRCM executive management, based on a rigorous assessment of personal performance in the period.



# Directors' Remuneration Report

## Performance Graph

In accordance with the Directors' Remuneration Report Regulations a performance graph which measures the Company's total shareholder return over the last five years against that of a broad equity market index is shown below. This is calculated by reference to the Company's share price, including dividend reinvestment. The Committee considers the MSCI World Total Return Index (in Sterling) to be the most suitable index for this purpose.

### Total Shareholder Return Against Relevant Index



## Long-Term Incentive Plan – Audited

The J Rothschild Capital Management SAR plan was last approved by shareholders of the Company on 17 July 2008. The SAR Plan provides for the grant of SARs over a number of shares in the Company.

Following the expiry of a three year vesting period, participants in the SAR Plan are entitled to exercise their SARs and receive a payment equal to the growth in value of the notional shares over the vesting period.

However, the exercise of a SAR is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied.

The performance condition applied to SAR awards requires that the increase in the Company's total shareholder return (TSR) exceeds the growth in the Retail Price Index plus 3 percentage points per annum over the three year performance period. 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.

The policy of the Remuneration Committee is to apply a cap on individual annual grants under the SARs Plan of 4x base salary (measured as the value at grant of the shares notionally under option).

# Directors' Remuneration Report

The following SARs granted to the Chairman were outstanding on 31 December 2012:

Outstanding at 31 December 2012	Grant price	Date from which first exercisable	Expiry date
115,016	939.0p	15 March 2010	14 March 2017
201,792	796.0p	13 March 2012	12 March 2019
150,400	1,068.0p	26 March 2013	25 March 2020
100,000	1,314.0p	31 March 2014	30 March 2021
125,000 <sup>1</sup>	1,243.0p	2 July 2015	1 July 2022

<sup>1</sup> Granted in the period

The above SARs will be settled in ordinary shares of the Company.

The lowest closing price of the Company's shares during the period was 1,096p and the highest was 1,310p.

## Clawback

For awards granted after 1 April 2011, all annual incentive and long-term incentive payments are subject to clawback provisions which provide scope for the Company to recover value from awards in the event of a material mis-statement of the Company's results or in the event of dismissal for gross misconduct.

## Executive Shareholding Requirements

Executive Directors are expected to build and retain a substantial personal shareholding in the Company's shares. As at 31 December 2012, these beneficial holdings represented a very significant multiple of base salary for Lord Rothschild.

## Directors' Service Contracts

Lord Rothschild has a service agreement with J Rothschild Capital Management Limited (JRCM), dated 29 April 1996.

The service agreement of Lord Rothschild can be terminated on not less than twelve months' written notice. It provides for benefits-in-kind in line with normal company practice, including pension provision, private health insurance and a company car. The agreement does not specify compensation payable in the event of early termination.

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.

A payment of £110,800 was made to Mr Breuer-Weil during the period in lieu of notice. No vested and unexercised SARs were held by Mr Breuer-Weil on the date of his retirement as a Director. All SARs that had yet to vest lapsed in full.

The following SARs held by the Company's Executive Directors lapsed unexercised during the period:

Director	Date of grant	Notional no. of RIT shares	Grant price	Date lapsed
Mikael Breuer-Weil	26 March 2010	63,193 <sup>1</sup>	1,068.0p	11 October 2012
Mikael Breuer-Weil	31 March 2011	150,000 <sup>1</sup>	1,314.0p	11 October 2012
Mikael Breuer-Weil	2 July 2012	104,586 <sup>1</sup>	1,243.0p	11 October 2012

<sup>1</sup> Lapsed on resignation

The following SARs held by the Company's Executive Directors were exercised during the period:

Director	Date of grant	Notional no. of RIT shares	Grant price	Exercised price	Date vested
Mikael Breuer-Weil	13 March 2009	84,786	796.0p	1,238.0p	19 June 2012

No SARs held by the Company's Executive Directors vested during the nine month period under review.

No payments were made to third parties for Directors' services during the period

## Directors' Remuneration Report

### Non-Executive Directors

The remuneration of the non-executive Directors is determined by the Board as a whole. Non-executive remuneration is in accordance with the provisions of the Articles of Association, currently limiting the total fees payable to non-executive Directors to £400,000 per annum. The Board applied the following structure for the determination of the annual fees of the non-executive Directors throughout the period ended 31 December 2012:

Basic fee	£25,000
Senior Independent Director fee	£5,000
Committee membership fees:	
Audit and Risk Committee	£5,000
Conflicts Committee	£3,000
Nominations Committee	£3,000
Remuneration Committee	£3,000
Valuation Committee	£6,000
Committee Chairmanship fee (per committee)	£5,000

The Company's non-executive Directors' fee payments totalled £232,236 in the nine month financial period ended 31 December 2012.

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

### Directors' Remuneration – Audited

Director	Salaries and fees £	Bonuses £	Nine months ended 31 December 2012		Total remuneration £	Year to 31 March 2012
			Other benefits £	Pension Contribution <sup>1</sup> £		Total remuneration <sup>2</sup> £
<b>Chairman</b>						
Lord Rothschild	329,076	1,000	33,100	65,815	428,991	560,519
<b>Executive Director</b>						
Mikael Breuer-Weil <sup>3</sup>	177,225	–	115,147	38,675	331,047	397,022
<b>Non-Executive Directors</b>						
John Cornish <sup>4</sup>	42,750	–	–	–	42,750	52,000
Lord Douro	33,000	–	–	–	33,000	44,000
Jean Laurent-Bellue	18,750	–	–	–	18,750	1,042
James Leigh-Pemberton	29,250	–	–	–	29,250	39,000
Michael Marks	29,250	–	–	–	29,250	39,000
Lord Myners	27,000	–	–	–	27,000	36,000
Sandra Robertson	23,250	–	–	–	23,250	31,000
Rick Sopher <sup>5</sup>	14,493	–	–	–	14,493	25,000
Bill Winters <sup>5</sup>	14,493	–	–	–	14,493	12,500

<sup>1</sup> Includes payments in lieu of pension contributions

<sup>2</sup> Comparative remuneration is in respect of the twelve months to 31 March 2012

<sup>3</sup> Mikael Breuer-Weil retired as a Director on 26 July 2012 and as an employee of the Group on 11 October 2012.

<sup>4</sup> Fees include £3,750 paid by JRCM following his appointment in October 2012. Non-executive directors of JRCM receive a basic fee of £15,000 per annum.

<sup>5</sup> Retired as Directors of the Company on 26 July 2012. Fees include £3,750 paid by JRCM, a subsidiary, following their appointment as directors in October 2012.

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## Directors' Remuneration Report

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### **Chairman's External Non-Executive Directorships**

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.

On behalf of the Board of Directors



**Douro**

**6 March 2013**

**Chairman, Remuneration Committee**



# Financial Statements

for the nine month period ended 31 December 2012

# Consolidated Income Statement and Consolidated Statement of Comprehensive Income

## Consolidated Income Statement

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

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

## Consolidated Statement of Comprehensive Income

For the period ended 31 December 2012	Notes	Revenue £ million	Capital £ million	Total £ million
<b>Profit/(loss) for the period</b>		(19.2)	(26.4)	(45.6)
<b>Other comprehensive income/(expense):</b>				
Actuarial loss in defined benefit pension plan	29	(1.4)	—	(1.4)
<b>Total comprehensive income/(expense) for the period</b>		<b>(20.6)</b>	<b>(26.4)</b>	<b>(47.0)</b>

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

The notes on pages 36 to 77 form part of these financial statements.

# Consolidated Income Statement and Consolidated Statement of Comprehensive Income

## Consolidated Income Statement

For the year ended 31 March 2012	Notes	Revenue £ million	Capital £ million	Total £ million
<b>Income</b>				
Investment income	1	27.8	—	27.8
Other income		3.0	—	3.0
Gains/(losses) on dealing investments held at fair value		13.8	—	13.8
		44.6	—	44.6
Gains/(losses) on portfolio investments held at fair value		—	(61.1)	(61.1)
Exchange gains/(losses) on monetary items and borrowings		—	(2.6)	(2.6)
		44.6	(63.7)	(19.1)
<b>Expenses</b>				
Administrative expenses	3,4	(18.3)	(2.0)	(20.3)
Investment management fees	3,5	(3.8)	(0.5)	(4.3)
<b>Profit/(loss) before finance costs and tax</b>		22.5	(66.2)	(43.7)
Finance costs	6	(12.1)	—	(12.1)
<b>Profit/(loss) before tax</b>		10.4	(66.2)	(55.8)
Taxation	7	1.3	(0.4)	0.9
<b>Profit/(loss) for the year</b>		<b>11.7</b>	<b>(66.6)</b>	<b>(54.9)</b>
<b>Earnings per ordinary share - basic</b>	9	<b>7.6p</b>	<b>(43.3p)</b>	<b>(35.7p)</b>
<b>Earnings per ordinary share - diluted</b>	9	<b>7.6p</b>	<b>(43.3p)</b>	<b>(35.7p)</b>

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

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012	Notes	Revenue £ million	Capital £ million	Total £ million
<b>Profit/(loss) for the year</b>		11.7	(66.6)	(54.9)
<b>Other comprehensive income/(expense):</b>				
Actuarial profit/(loss) in defined benefit pension plan	29	(2.8)	—	(2.8)
<b>Total comprehensive income/(expense) for the year</b>		<b>8.9</b>	<b>(66.6)</b>	<b>(57.7)</b>

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

The notes on pages 30 to 77 form part of these financial statements.

# Consolidated Balance Sheet

	Notes	31 December 2012 £ million	31 March 2012 £ million
<b>Non-current assets</b>			
Investments held at fair value	11	1,801.4	2,024.1
Investment property	11	46.1	40.4
Property, plant and equipment	13	0.2	0.3
Deferred tax asset	15	2.7	2.7
		1,850.4	2,067.5
<b>Current assets</b>			
Derivative financial instruments	16, 28	25.0	27.2
Sales for future settlement		66.9	7.7
Other receivables	14	25.6	31.5
Tax receivable		0.5	0.9
Cash at bank		66.4	75.1
		184.4	142.4
<b>Total assets</b>		2,034.8	2,209.9
<b>Current liabilities</b>			
Borrowings	18	(147.8)	(250.1)
Purchases for future settlement		(4.5)	(8.1)
Derivative financial instruments	16, 28	(20.2)	(13.8)
Provisions	19	(1.2)	(0.9)
Tax payable		(0.2)	(0.1)
Other payables	17	(5.9)	(4.8)
		(179.8)	(277.8)
<b>Net current assets/(liabilities)</b>		4.6	(135.4)
<b>Total assets less current liabilities</b>		1,850.0	1,932.1
<b>Non-current liabilities</b>			
Derivative financial instruments	16, 28	–	(4.7)
Provisions	19	(5.4)	(5.6)
Finance lease liability		(0.5)	(0.5)
Retirement benefit liability	29	(1.9)	(1.3)
		(7.8)	(12.1)
<b>Net assets</b>		<b>1,847.2</b>	<b>1,920.0</b>
<b>Equity attributable to owners of company</b>			
Share capital	20	155.4	153.9
Share premium	20	17.3	–
Capital redemption reserve	21	36.3	36.3
Own shares reserve	25	(6.4)	(5.8)
Share based payment reserve	26	4.7	5.7
Foreign currency translation reserve	24	0.2	0.2
Capital reserve	22	1,609.4	1,666.8
Revenue reserve	23	30.3	62.9
<b>Total equity</b>		<b>1,847.2</b>	<b>1,920.0</b>
<b>Net asset value per ordinary share – basic</b>	10	<b>1,192.4p</b>	<b>1,251.7p</b>
<b>Net asset value per ordinary share – diluted</b>	10	<b>1,191.4p</b>	<b>1,249.3p</b>

The financial statements on pages 28 to 77 were approved by the Board of Directors and authorised for issue on 6 March 2013. They were signed on the Board's behalf by:

*Ronchild*      *NBthchild*

**Rothschild**  
Chairman

The notes on pages 36 to 77 form part of these financial statements.



## Parent Company Balance Sheet

	Notes	31 December 2012 £ million	31 March 2012 £ million
<b>Non-current assets</b>			
Investments held at fair value	11	1,787.2	2,009.5
Investment property	11	46.1	40.4
Investments in subsidiary undertakings	12	132.4	134.5
Deferred tax asset	15	1.4	0.9
		1,967.1	2,185.3
<b>Current assets</b>			
Derivative financial instruments	16, 28	25.0	14.9
Sales for future settlement		66.9	7.7
Other receivables	14	24.8	16.9
Amounts owed by group undertakings	30	2.1	–
Tax receivable		0.5	0.8
Cash at bank		62.2	70.6
		181.5	110.9
<b>Total assets</b>		2,148.6	2,296.2
<b>Current liabilities</b>			
Borrowings	18	(147.8)	(250.1)
Purchases for future settlement		(4.5)	(8.1)
Derivative financial instruments	16, 28	(20.2)	(3.0)
Provisions	19	(1.2)	(0.9)
Other payables	17	(2.0)	(2.9)
Amounts owed to group undertakings	30	(172.9)	(176.2)
		(348.6)	(441.2)
<b>Net current assets/(liabilities)</b>		(167.1)	(330.3)
<b>Total assets less current liabilities</b>		1,800.0	1,855.0
<b>Non-current liabilities</b>			
Derivative financial instruments	16, 28	–	(4.6)
Provisions	19	(5.4)	(5.6)
Finance lease liability		(0.5)	(0.5)
		(5.9)	(10.7)
<b>Net assets</b>		<b>1,794.1</b>	<b>1,844.3</b>
<b>Equity attributable to owners of company</b>			
Share capital	20	155.4	153.9
Share premium	20	17.3	–
Capital redemption reserve	21	36.3	36.3
Capital reserve	22	1,583.9	1,640.1
Revenue reserve	23	1.2	14.0
<b>Total equity</b>		<b>1,794.1</b>	<b>1,844.3</b>

The financial statements on pages 28 to 77 were approved by the Board of Directors and authorised for issue on 6 March 2013. They were signed on the Board's behalf by:

**Rothschild**  
Chairman

The notes on pages 36 to 77 form part of these financial statements.

## Consolidated Statement of Changes in Equity

	Share capital £ million	Capital redemption reserve £ million	Own shares reserve £ million	Share based payment reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Share premium £ million	Total equity £ million
Balance at 1 April 2011	153.9	36.3	—	—	0.2	1,733.4	60.2	—	1,984.0
Profit/(loss) for the year	—	—	—	—	—	(66.6)	11.7	—	(54.9)
Actuarial gain/(loss) in defined benefit plan	—	—	—	—	—	—	(2.8)	—	(2.8)
<b>Total Comprehensive income/(expense) for the year</b>	—	—	—	—	—	(66.6)	8.9	—	(57.7)
Dividends paid	—	—	—	—	—	—	(6.2)	—	(6.2)
Movement in Own shares reserve	—	—	(5.8)	—	—	—	—	—	(5.8)
Movement in Share based payment reserve	—	—	—	5.7	—	—	—	—	5.7
Shares issued	—	—	—	—	—	—	—	—	—
<b>Balance at 31 March 2012</b>	<b>153.9</b>	<b>36.3</b>	<b>(5.8)</b>	<b>5.7</b>	<b>0.2</b>	<b>1,666.8</b>	<b>62.9</b>	<b>—</b>	<b>1,920.0</b>
Balance at 1 April 2012	153.9	36.3	(5.8)	5.7	0.2	1,666.8	62.9	—	1,920.0
Profit/(loss) for the period	—	—	—	—	—	(26.4)	(19.2)	—	(45.6)
Actuarial gain/(loss) in defined benefit plan	—	—	—	—	—	—	(1.4)	—	(1.4)
<b>Total Comprehensive income/(expense) for the period</b>	—	—	—	—	—	(26.4)	(20.6)	—	(47.0)
Dividends paid	—	—	—	—	—	(31.0)	(12.0)	—	(43.0)
Movement in Own shares reserve	—	—	(0.6)	—	—	—	—	—	(0.6)
Movement in Share based payment reserve	—	—	—	(1.0)	—	—	—	—	(1.0)
Shares issued	1.5	—	—	—	—	—	—	17.3	18.8
<b>Balance at 31 December 2012</b>	<b>155.4</b>	<b>36.3</b>	<b>(6.4)</b>	<b>4.7</b>	<b>0.2</b>	<b>1,609.4</b>	<b>30.3</b>	<b>17.3</b>	<b>1,847.2</b>

The notes on pages 36 to 77 form part of these financial statements.

## Parent Company Statement of Changes in Equity

	Share capital £ million	Capital redemption reserve £ million	Capital reserve £ million	Revenue reserve £ million	Share premium £ million	Total equity £ million
Balance at 1 April 2011	153.9	36.3	1,706.6	(5.7)	–	1,891.1
Profit/(loss) for the year	–	–	(66.5)	25.9	–	(40.6)
<b>Total Comprehensive income/(expense) for the year</b>	–	–	(66.5)	25.9	–	(40.6)
Dividends paid	–	–	–	(6.2)	–	(6.2)
Shares issued	–	–	–	–	–	–
<b>Balance at 31 March 2012</b>	<b>153.9</b>	<b>36.3</b>	<b>1,640.1</b>	<b>14.0</b>	<b>–</b>	<b>1,844.3</b>
Balance at 1 April 2012	153.9	36.3	1,640.1	14.0	–	1,844.3
Profit/(loss) for the period	–	–	(25.2)	(0.8)	–	(26.0)
<b>Total Comprehensive income/(expense) for the period</b>	–	–	(25.2)	(0.8)	–	(26.0)
Dividends paid	–	–	(31.0)	(12.0)	–	(43.0)
Shares issued	1.5	–	–	–	17.3	18.8
<b>Balance at 31 December 2012</b>	<b>155.4</b>	<b>36.3</b>	<b>1,583.9</b>	<b>1.2</b>	<b>17.3</b>	<b>1,794.1</b>

The notes on pages 36 to 77 form part of these financial statements.

# Consolidated Cash Flow Statement

	Notes	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
<b>Operating activities:</b>			
Cash inflow/(outflow) before taxation and interest		137.8	28.6
Taxation received/(paid)		0.1	(1.7)
Interest paid		(6.1)	(8.3)
<b>Net cash inflow/(outflow) from operating activities</b>	27	131.8	18.6
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(0.1)	(0.1)
Sale of property, plant and equipment		0.1	–
<b>Net cash inflow/(outflow) from investing activities</b>		–	(0.1)
<b>Financing activities:</b>			
Purchase of ordinary shares by Employee Benefit Trust <sup>1</sup>		(2.3)	(5.8)
Repayment of borrowings		(103.4)	–
Equity dividend paid	8	(43.0)	(6.2)
<b>Net cash inflow/(outflow) from financing activities</b>		(148.7)	(12.0)
Increase/(decrease) in cash and cash equivalents in the period/year		(16.9)	6.5
<b>Cash and cash equivalents at the start of the period/year</b>		<b>103.0</b>	<b>99.1</b>
Effect of foreign exchange rate changes on cash and cash equivalents		2.7	(2.6)
<b>Cash and cash equivalents at the period/year end</b>		<b>88.8</b>	<b>103.0</b>
<b>Reconciliation:</b>			
Cash at bank		66.4	75.1
Money market funds (included in portfolio investments)		22.4	27.9
<b>Cash and cash equivalents at the period/year end</b>		<b>88.8</b>	<b>103.0</b>

<sup>1</sup> Shares are disclosed in 'own shares reserve' on the consolidated balance sheet.

The notes on pages 36 to 77 form part of these financial statements.

## Parent Company Cash Flow Statement

	Notes	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
<b>Operating activities:</b>			
Cash inflow/(outflow) before taxation and interest		131.3	37.0
Taxation received/(paid)		0.1	(1.7)
Interest paid		(6.1)	(8.3)
<b>Net cash inflow/(outflow) from operating activities</b>	27	125.3	27.0
<b>Investing activities:</b>			
Purchase of property, plant and equipment		–	–
Sale of property, plant and equipment		–	–
<b>Net cash inflow/(outflow) from investing activities</b>		–	–
<b>Financing activities:</b>			
Repayment of borrowings		(103.4)	–
Equity dividend paid	8	(43.0)	(6.2)
<b>Net cash inflow/(outflow) from financing activities</b>		(146.4)	(6.2)
Increase/(decrease) in cash and cash equivalents in the period/year		(21.1)	20.8
<b>Cash and cash equivalents at the start of the period/year</b>		<b>98.5</b>	<b>80.3</b>
Effect of foreign exchange rate changes on cash and cash equivalents		7.2	(2.6)
<b>Cash and cash equivalents at the period/year end</b>		<b>84.6</b>	<b>98.5</b>
<b>Reconciliation:</b>			
Cash at bank		62.2	70.6
Money market funds (included in portfolio investments)		22.4	27.9
<b>Cash and cash equivalents at the period/year end</b>		<b>84.6</b>	<b>98.5</b>

The notes on pages 30 to 77 form part of these financial statements.

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## Group Accounting Policies

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### Basis of Accounting

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods. The Group has decided not to early adopt in the current period accounts:

#### Endorsed:

- IFRS 7 (Amendment) Financial Instruments: on offsetting financial assets and financial liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair Value measurement
- IAS 19 (Amendment) Employee benefits
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

#### Not yet endorsed:

- IFRS 1 (Amendment) First-time adoption of IFRS
- IFRS 9 Financial instruments – classification and measurement
- IAS 12 (Amendment) Income taxes

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

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

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

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

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

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

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

The financial statements of the subsidiaries are prepared the same reporting date using consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

# Group Accounting Policies

## Presentation of Income Statement

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

## Income

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

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

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

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

Income from investment properties is accounted for on an accruals basis.

## Expenses

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

- Expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are allocated to revenue where there is an indirect connection.

- Investment management fees are considered to be indirect costs and are therefore allocated to revenue. Performance fees are allocated to capital as they arise as a result of the capital performance of the relevant investment portfolio.
- The Group has in force certain incentive arrangements whereby fees payable are based entirely on the increase in the values of certain investments. The cost of these incentive arrangements is considered to be a direct cost of enhancing the value of these investments and is therefore allocated to capital.
- The Group has in force long-term incentive arrangements for the executive management, and employees, whereby they receive additional remuneration based entirely on any increase in the Company's share price. The primary objective of the Company is to deliver long-term capital growth for its investors. The costs of these arrangements derive principally from the capital performance of the Group and consequently the Directors consider it appropriate to allocate the costs of these arrangements in their entirety to capital.
- The Group has adopted an Annual Incentive Scheme (AIS). Under the AIS, a bonus pool is created for participants based on the Company's trailing three year total net asset value growth, relative to the growth in the MSCI World index (in Sterling). The amount of the bonus is dependent on the capital performance of the Group; therefore the Directors consider it appropriate to charge any bonus paid under this scheme to capital.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Costs incurred in connection with aborted portfolio investment transactions are also allocated to capital.

## Finance Costs

Finance costs are accounted for on an effective yield basis. Since these costs are considered to be an indirect cost of maintaining the value of the investments they are allocated in full to revenue.

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# Group Accounting Policies

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## Foreign Currencies

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

## Taxation

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

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

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

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

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

## Investments

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

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

All investments are designated upon initial recognition as held at fair value and, except as noted below, are measured at subsequent reporting dates at fair value. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in externally managed funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager. Changes in the fair value of all investments held at fair value are recognised in the consolidated income statement as a capital item. On disposal, realised gains and losses are also recognised in the consolidated income statement. Transaction costs, including bid-offer spreads, are included within gains or losses on investments held at fair value.

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



## Group Accounting Policies

In respect of unquoted instruments, 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, referenced to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique may also be utilised.

The gains and losses on financial assets designated at fair value through profit or loss exclude any related interest income, dividend income and finance cost. These items are disclosed separately in the financial statements.

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

### Cash at Bank

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

### Cash Equivalents

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

### Provisions

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

### Share Based Payments

In accordance with IFRS 2, Share Based Payment, the Group is required to reflect in its Income Statement and Balance Sheet the effects of share-based payment transactions. The Group has two share settled incentive schemes, the Annual Incentive Scheme (AIS) and the Share Appreciation Rights (SAR) Plan, details of which are set out on pages 23 and 24 of the Directors' Remuneration Report.

Any bonus payments in excess of £150,000 under the AIS are deferred into shares, the cost of which is spread over the service period.

Following a change in the rules of the SAR Plan on 22 September 2011 it now meets the definition of an equity-settled scheme under IFRS 2. All awards after this date are measured at the fair value at grant date using a trinomial option valuation model. The cost is then recognised through the income statement over the service period. Grants prior to 22 September 2011 were fair valued as at that date, any residual costs continue to be amortised through the income statement in line with the un-expired service period.

Shares required to settle the estimated future liabilities from grants or exercises under both schemes are purchased by an Employee Benefit Trust which is consolidated by the Group under SIC 12 Consolidation – Special Purpose Entities. The cost of own shares held at the end of the period by the Employee Benefit Trust are reflected in the Group's Own Shares Reserve on the consolidated balance sheet.

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# Group Accounting Policies

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## Property, Plant And Equipment

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

## Pensions

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

The Group accounts for its defined benefit retirement scheme by reference to IAS 19, Employee Benefits. For the defined benefit retirement scheme, the cost of benefits accruing during the period 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 principle 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 period.

## Other Receivables/Other Payables

Other receivables/payables do not carry any interest and are short-term in nature: they are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

## Bank Borrowings

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

## Derivative Financial Instruments

Derivative financial instruments, including futures, options and other derivative instruments, are stated in the balance sheet at fair value. The movements in fair value of dealing investments held by RIT Capital Partners Securities Limited are included in the revenue return column of the income statement. For other derivatives that are capital in nature, the associated change in value is presented as a capital item in the income statement. The Group has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Group enters into the relevant contract, and are derecognised on the date which it commits to their sale. Securities sold short are valued at their offer prices in accordance with IAS 39.

## Allocation to Capital

All expenses and interest payable are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, the statement of comprehensive income and the statement of changes in equity.

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 period 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
- the cost of purchasing ordinary shares for cancellation.

# Group Accounting Policies

## Critical Accounting Assumptions and Judgements

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

### Unquoted Investments

Unquoted investments are valued at management's best estimate of fair value in accordance with IFRS having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association. The principles which the Group applies are set out on pages 38 to 39. The inputs into the valuation methodologies adopted include observable historical data such as earnings or cash flow as well as more subjective data such as earnings forecasts or discount rates. As a result of this, the determination of fair value requires significant management judgement.

### Retirement Benefit Obligation

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

### Deferred Tax Asset

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

### Share Based Payments

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

# Notes to the Financial Statements

## 1. Investment Income

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Income from listed investments:		
Dividends	8.0	11.7
Interest	1.4	5.6
Income from unlisted investments:		
Dividends	0.6	7.4
Interest	—	1.5
Income from investment properties	1.2	1.5
Interest receivable	—	0.1
<b>Total investment income</b>	<b>11.2</b>	<b>27.8</b>

## 2. Business and Geographical Segments

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

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

## 3. Expenses

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Administrative expenses (excluding staff costs)	6.0	8.1
Staff costs (see below)	10.5	12.2
<b>Total administrative expenses</b>	<b>16.5</b>	<b>20.3</b>
Management fees <sup>1</sup>	2.6	3.8
Performance fees <sup>1</sup>	1.1	0.5
<b>Total investment management fees <sup>1</sup></b>	<b>3.7</b>	<b>4.3</b>
<b>Total expenses</b>	<b>20.2</b>	<b>24.6</b>

<sup>1</sup> For investment managers operating segregated accounts

The above expenses include certain items that do not directly relate to investment management activities as well as costs which are recharged to third parties. An assessment of the costs associated with the operation of the investment company is set out on page 93.

## Notes to the Financial Statements

### Staff Costs

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Wages and salaries	7.2	9.2
Social security costs	0.9	1.4
Share based payment cost (note 26)	1.7	1.1
Pension costs (note 29)	0.7	0.5
<b>Staff costs included in administrative expenses</b>	<b>10.5</b>	<b>12.2</b>

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 21 to 26. They include the cost of the Group's long-term incentive plan which is charged to the share based payment reserve upon award.

The average monthly number of employees during the period was 74 (31 March 2012: 74), including 17 people employed in the banqueting business of Spencer House and the related security function (31 March 2012: 20).

### 4. Other Disclosable Expenses

Administrative expenses include the following:

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

### Services provided by the Company's auditor and its associates

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

	Period ended 31 December 2012 £	Year ended 31 March 2012 £
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	104,425	100,470
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	69,325	69,500
Audit-related assurance services	39,220	82,350
Services related to corporate finance transactions	230,000	140,324
Tax compliance services	21,623	8,100
	<b>464,593</b>	<b>400,744</b>
	Period ended 31 December 2012 £	Year ended 31 March 2012 £
Fees payable in respect of the RITCP Pension and Life Assurance Scheme		
Audit	9,200	8,600
	<b>9,200</b>	<b>8,600</b>

## Notes to the Financial Statements

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

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Purchases	0.8	1.9
Sales	0.8	2.1
<b>Transaction costs</b>	<b>1.6</b>	<b>4.0</b>

### 5. Investment Management Fees

Details of the current investment managers who operate segregated accounts and the associated fee arrangements are described in the Business Review on pages 5 to 11 and the Directors' Report on page 83.

### 6. Finance Costs

	Period ended 31 December 2012 Group £ million	Year ended 31 March 2012 Group £ million
Interest payable on bank borrowings	5.8	8.3
Interest rate swap (income)/expense	(1.2)	3.7
Other finance costs	0.1	0.1
<b>Finance costs</b>	<b>4.7</b>	<b>12.1</b>

### 7. Taxation

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

	Year ended 31 March 2012		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge/(credit)	0.2	(1.6)	(1.4)
Adjustment in respect of prior years	—	—	—
Overseas taxation	0.1	—	0.1
Current tax charge/(credit)	0.3	(1.6)	(1.3)
Deferred tax charge/(credit)	(1.6)	2.0	0.4
<b>Taxation charge/(credit)</b>	<b>(1.3)</b>	<b>0.4</b>	<b>(0.9)</b>

## Notes to the Financial Statements

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

The tax charge for the period differs from the standard rate of corporation tax in the UK of 24% (31 March 2012: 26%). The differences are explained below:

	Period ended 31 December 2012			Year ended 31 March 2012		
	Revenue £ million	Capital £ million	Total £ million	Revenue £ million	Capital £ million	Total £ million
(Loss)/profit before tax	(18.5)	(26.8)	(45.3)	10.4	(66.2)	(55.8)
Tax at the standard UK corporation tax rate of 24% (31 March 2012: 26%)	(4.4)	(6.4)	(10.8)	2.7	(17.2)	(14.5)
Effect of:						
Capital items exempt from corporation tax	—	6.0	6.0	—	17.2	17.2
Dividend income not taxable	(4.5)	—	(4.5)	(6.5)	—	(6.5)
Change in tax rates	—	—	—	0.1	0.4	0.5
Expenses not deductible for tax purposes	0.2	—	0.2	(0.2)	—	(0.2)
Utilisation of tax losses	7.3	—	7.3	3.3	—	3.3
Other items	2.0	—	2.0	—	—	—
Adjustment in respect of prior years	0.1	—	0.1	(0.7)	—	(0.7)
<b>Total tax charge/(credit)</b>	<b>0.7</b>	<b>(0.4)</b>	<b>0.3</b>	<b>(1.3)</b>	<b>0.4</b>	<b>(0.9)</b>

In December 2012 the Chancellor of the Exchequer announced that the UK Corporation Tax rate would be reduced to 23% from 1 April 2013 and by 1% per annum to 21% by 1 April 2014. As these changes to the main rate were not substantively enacted at the Balance Sheet date, their impact is not included within the deferred tax balance as at 31 December 2012.

### 8. Dividend

	Period ended 31 December 2012 Pence per share	Year ended 31 March 2012 Pence per share	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
<b>Dividends paid in period/year</b>	<b>28.0</b>	<b>4.0</b>	<b>43.0</b>	<b>6.2</b>

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

The Board declares the payment of a first interim dividend of 14.0p per share in respect of the year ended 31 December 2013. This will be paid on 26 April 2013 to shareholders on the register on 5 April 2013.

## Notes to the Financial Statements

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

The basic earnings per ordinary share for the period ended 31 December 2012 is based on the net loss of £45.6 million (31 March 2012: £54.9 million) and the weighted average number of ordinary shares in issue during the period of 154.2 million (31 March 2012: 153.7 million).

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Net revenue profit/(loss)	(19.2)	11.7
Net capital profit/(loss)	(26.4)	(66.6)
	<b>(45.6)</b>	<b>(54.9)</b>

	Pence per share	Pence per share
Revenue earnings per ordinary share – basic	(12.4)	7.6
Capital earnings per ordinary share – basic	(17.2)	(43.3)
	<b>(29.6)</b>	<b>(35.7)</b>

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

	Period ended 31 December 2012	Year ended 31 March 2012
Weighted average number of shares in issue (million)	154.2	153.7
Weighted average effect of dilutive SARs (million)	–	0.3
	<b>154.2</b>	<b>154.0</b>

	Pence per share	Pence per share
Revenue earnings per ordinary share – diluted	(12.4)	7.6
Capital earnings per ordinary share – diluted	(17.2)	(43.3)
	<b>(29.6)</b>	<b>(35.7)</b>



## Notes to the Financial Statements

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

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

	31 December 2012	31 March 2012
Net assets (£ million)	1,847.2	1,920.0
Number of shares in issue (million)	155.4	153.9
Own shares (million)	(0.5)	(0.5)
	154.9	153.4
Effect of dilutive potential ordinary shares SARs (million)	0.1	0.3
<b>Diluted shares</b>	<b>155.0</b>	<b>153.7</b>
	31 December 2012 Pence per share	31 March 2012 Pence per share
Net asset value per ordinary share – basic	1,192.4	1,251.7
Net asset value per ordinary share – diluted	1,191.4	1,249.3

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

### 11. Investments

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Listed investments at fair value:				
Listed in UK	230.3	230.3	208.2	206.1
Listed overseas	880.7	879.9	946.6	938.8
Government securities and other liquidity	120.1	120.1	125.6	124.9
	1,231.1	1,230.3	1,280.4	1,269.8
Unlisted investments <sup>1</sup>	616.4	603.0	784.1	780.1
<b>Fair value of investments</b>	<b>1,847.5</b>	<b>1,833.3</b>	<b>2,064.5</b>	<b>2,049.9</b>
Investments at fair value	1,801.4	1,787.2	2,024.1	2,009.5
Investment property	46.1	46.1	40.4	40.4
<b>Fair value of investments</b>	<b>1,847.5</b>	<b>1,833.3</b>	<b>2,064.5</b>	<b>2,049.9</b>

<sup>1</sup> Unlisted investments comprise unquoted direct investments, unquoted funds, investment property, credit and real asset funds.

Investment properties were valued at 31 December 2012 by Jones Lang LaSalle in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value. The movement in investment property during the period was a gain of £5.7 million (31 March 2012: gain of £4.9 million) as a result of the revaluation.

# Notes to the Financial Statements

## 11. Investments (continued)

Disclosed below are:

- Details of investments in which the Group had a material interest of over 3% at 31 December 2012 of the allotted shares of any class; and
- Details of interests of 10% or more in any class of share or unit in an investment fund, or holdings which are material.

Name	% Held	Market value £ million
Andor Opportunity Offshore Fund	22.0%	24.8
Baker Brothers Life Sciences	1.6%	55.3
Baker Steel Resources Trust Ltd	10.8%	11.8
BlackRock Gold & General Fund	2.7%	34.1
BlackRock European Hedge Fund Ltd, Class I	54.0%	21.2
Blumberg Capital I LP	56.5%	1.6
Brant Point Fund International	47.2%	19.6
Cedar Rock Capital Fund	5.9%	49.1
Criterion Horizons Offshore Fund, Class A	4.3%	15.4
Criterion Vista Offshore Fund, Class A	35.4%	14.1
Cyrus Partners III LP	47.0%	11.5
Darwin Private Equity I LP	23.9%	28.5
Egerton European Dollar Fund, Class E	61.6%	19.2
Findlay Park Latin America Fund	32.8%	20.9
Firebird Aurora Fund	13.2%	10.9
Firebird Mongolia Fund	13.2%	10.3
FVP Offshore III LP	14.1%	0.4
Gaoling UK Feeder Fund, Class A	80.2%	37.0
GLG Technology Equity Fund, Class C	44.4%	16.5
GLG Technology Fund, Class G	29.0%	17.2
Independent Franchise Partners Global Equity Fund	9.1%	35.7
Independent Franchise Partners US Equity Fund	15.8%	19.4
Infinity SDC Ltd <sup>1</sup>	27.2%	40.4
JPS Credit Opportunities Fund	13.9%	20.5
Lansdowne Developed Markets Long Only Fund Ltd, Class A	48.0%	25.8
Lansdowne Developed Markets Strategic Investment Fund Class N	5.5%	21.2
Media Technology Ventures IV B	38.0%	1.2
Rockefeller Financial Services, Inc <sup>1</sup>	36.8%	30.8
Sageview Capital Partners	11.4%	6.3
Strategic Recovery Fund	11.8%	3.0
Summit Water Development	15.5%	18.9
Tekne Offshore Fund Ltd, Class D	46.4%	27.3
Tinicum Capital Partners II LP	23.2%	11.8
Titan Partners LP	10.3%	37.1
Tontine Capital Overseas Fund II		
Class A	41.5%	17.5
Class S	0.2%	0.1
UCAP European Equity Fund	35.0%	10.2
Viking Long Fund III Ltd	4.0%	35.7
Xander Seleucus LP (Feeder)	100.0%	3.7
Xander Seleucus II LP (Feeder)	96.6%	5.2
Xander Seleucus Retail LP (Feeder)	90.2%	22.0
21st Century Communications	44.9%	0.1

<sup>1</sup>Unquoted direct investment

## Notes to the Financial Statements

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

### 12. Investments In Subsidiary Undertakings

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

	Shares £ million	Loans £ million	Total £ million
Carrying value at 1 April 2011	125.0	17.9	142.9
Additions	6.4	11.0	17.4
Disposals	—	(26.4)	(26.4)
Exchange movement in year	—	0.6	0.6
<b>Carrying value at 31 March 2012</b>	<b>131.4</b>	<b>3.1</b>	<b>134.5</b>

At 31 December 2012 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

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

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 December 2012 will be annexed to the Company's next annual return filed with the Registrar of Companies.

Name	Issued share capital
<b>Investment holding</b>	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 ordinary shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into 2 ordinary shares of £1 each
The Successor Investment Funds	£674,518 divided into 674,518 ordinary shares of £1 each
<b>Administration and services</b>	
J Rothschild Capital Management Limited	£6,250,001 divided into 6,250,000 ordinary shares of £1 each and one special share of £1 held by The J Rothschild Name Company Limited
<b>Investment dealing</b>	
RIT Capital Partners Securities Limited	£90,000,000 divided into 90,000,000 ordinary shares of £1 each

# Notes to the Financial Statements

## 13. Property, Plant And Equipment

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

Group	Cost £ million	Accumulated depreciation £ million	Net book value £ million
<b>Property, plant, equipment and vehicles</b>			
At 1 April 2011	1.5	(1.1)	0.4
Additions	0.1	—	0.1
Disposals	(0.3)	0.3	—
Charge for depreciation	—	(0.2)	(0.2)
<b>At 31 March 2012</b>	<b>1.3</b>	<b>(1.0)</b>	<b>0.3</b>

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

## 14. Other Receivables

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Accounts receivable	24.1	23.7	29.8	15.4
Amounts owed by related parties (all trading balances)	—	—	—	—
Prepayments and accrued income	1.5	1.1	1.7	1.5
	<b>25.6</b>	<b>24.8</b>	<b>31.5</b>	<b>16.9</b>

The Directors consider that the carrying amount of other receivables approximates their fair value, due to their short term nature.

## Notes to the Financial Statements

### 15. Deferred Tax Asset

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

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of period/year	2.7	0.9	3.1	2.9
(Debit)/credit to capital reserve	0.4	0.4	(2.0)	(1.9)
(Debit)/credit to revenue reserve	(0.4)	0.1	1.6	(0.1)
<b>Balance at end of period/year</b>	<b>2.7</b>	<b>1.4</b>	<b>2.7</b>	<b>0.9</b>

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Analysis of deferred tax asset:				
Deferred management fees	1.0	1.0	0.8	0.8
Long-term incentive plan	0.6	—	1.3	—
Other timing differences	0.4	0.4	0.1	—
Accelerated capital allowances	0.2	—	0.2	0.1
Deferred tax on retirement benefit asset	0.5	—	0.3	—
<b>Balance at end of period/year</b>	<b>2.7</b>	<b>1.4</b>	<b>2.7</b>	<b>0.9</b>

### 16. Derivative Financial Instruments

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Current assets	25.0	25.0	27.2	14.9
Current liabilities	(20.2)	(20.2)	(13.8)	(3.0)
Non-current liabilities	—	—	(4.7)	(4.6)
	<b>4.8</b>	<b>4.8</b>	<b>8.7</b>	<b>7.3</b>

Derivative financial instruments are stated at fair value.

### 17. Other Payables

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Accruals and deferred income	5.6	2.0	4.4	2.6
Amounts payable to related parties	—	—	—	—
Other creditors	0.3	—	0.4	0.3
	<b>5.9</b>	<b>2.0</b>	<b>4.8</b>	<b>2.9</b>

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

## Notes to the Financial Statements

### 18. Borrowings

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
Unsecured loans payable within one year:				
US Dollar 400 million three year credit facility	147.8	147.8	250.1	250.1
<b>Total bank loans and overdrafts</b>	<b>147.8</b>	<b>147.8</b>	<b>250.1</b>	<b>250.1</b>

On 22 December 2010 the Company signed a three year US Dollar 400 million credit facility with National Australia Bank. The facility was drawn in full on 6 January 2011. While the facility may be drawn under terms flexible as to amount and timing, any amounts borrowed must contractually be repaid within three months (and therefore is disclosed within current liabilities) even though the loan is viewed as providing medium-term structural gearing. The facility pays variable interest linked to three-month US Dollar LIBOR. Following the drawdown, the Company entered into a series of interest rate swaps with the effect of fixing the interest rate at an average of 3.43% until December 2013. No bank loans are held within subsidiaries (31 March 2012: £nil). On 6 July 2012 the Company repaid \$160.0 million of this facility.

### 19. Provisions

Group and Company	1 April 2012 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 December 2012 £ million
Nature of provision:					
Indemnity	1.5	—	—	(0.1)	1.4
Investments	4.9	1.0	—	(0.8)	5.1
Property	0.1	—	—	—	0.1
	<b>6.5</b>	<b>1.0</b>	<b>—</b>	<b>(0.9)</b>	<b>6.6</b>

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

Provisions in respect of investments include £1.2 million (31 March 2012: £0.9 million) which are expected to settle within the next twelve months.

It is anticipated that all of the other provisions noted above will be settled more than twelve months after the balance sheet date.

#### Indemnity provision

In 1991 the Company acquired an investment in Newmont Mining and at the same time effected a disposal of its indirect interest in Cavenham Forest Industries Inc (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 between 2013 and 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.

#### Property

The Group has a short leasehold interest in a property which is being sub-let to a third party. The net income receivable is less than the annual outgoings and, based on a professional valuation, the Group has recognised a provision of £0.1 million as at 31 December 2012 (31 March 2012: £0.1 million).

## Notes to the Financial Statements

### 20. Share Capital and Share Premium

	31 December 2012 £ million	31 March 2012 £ million
Allotted, issued and fully paid:		
155,382,241 Ordinary Shares of £1 each (31 March 2012: 153,866,062)	155.4	153.9

The Company has one class of ordinary shares which carry no right to fixed income. On 25 July 2012 the Company issued 1,516,179 shares (year ended 31 March 2012: nil) for consideration of £12.39 per share resulting in share premium of £17.3 million.

### 21. Capital Redemption Reserve

	Period ended 31 December 2012 Group £ million	Company £ million	Year ended 31 March 2012 Group £ million	Company £ million
Balance at start of period/year	36.3	36.3	36.3	36.3
Movement during the period/year	–	–	–	–
<b>Balance at end of period/year</b>	<b>36.3</b>	<b>36.3</b>	<b>36.3</b>	<b>36.3</b>

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

### 22. Capital Reserve

	Period ended 31 December 2012 Group £ million	Company £ million	Year ended 31 March 2012 Group £ million	Company £ million
Balance at start of period/year	1,666.8	1,640.1	1,733.4	1,706.6
Gains on portfolio investments held at fair value and exchange losses on monetary items and borrowings	(24.0)	(22.4)	(63.7)	(64.0)
Dividend paid	(31.0)	(31.0)	–	–
Performance fees	(1.1)	(1.1)	(0.5)	(0.5)
Other capital items	(1.7)	(1.7)	(2.0)	(2.0)
Taxation	0.4	–	(0.4)	–
Total capital return	(57.4)	(56.2)	(66.6)	(66.5)
<b>Balance at end of period/year</b>	<b>1,609.4</b>	<b>1,583.9</b>	<b>1,666.8</b>	<b>1,640.1</b>

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

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

	Period ended 31 December 2012 Company £ million	Year ended 31 March 2012 Company £ million
Capital reserve – distributable		
in respect of investments sold	1,394.3	1,452.9
in respect of listed investments held	63.0	59.1
Capital reserve – non-distributable	126.6	128.1
<b>Balance at end of period/year</b>	<b>1,583.9</b>	<b>1,640.1</b>

## Notes to the Financial Statements

### 23. Revenue Reserve

	Period ended 31 December 2012		Year ended 31 March 2012	
	Group	Company	Group	Company
	£ million	£ million	£ million	£ million
Balance at start of period/year	62.9	14.0	60.2	(5.7)
Profit/(loss) for the period/year	(19.2)	(0.8)	11.7	25.9
Dividend paid	(12.0)	(12.0)	(6.2)	(6.2)
Actuarial gain/(loss)	(1.4)	–	(2.8)	–
<b>Balance at end of period/year</b>	<b>30.3</b>	<b>1.2</b>	<b>62.9</b>	<b>14.0</b>

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 £0.8 million, this included £12.0 million of dividend income from subsidiary companies. The Company's revenue profit for the year ended 31 March 2012 was £25.9 million.

### 24. Foreign Currency Translation Reserve

	Period ended 31 December 2012		Year ended 31 March 2012	
	Group	Company	Group	Company
	£ million	£ million	£ million	£ million
Balance at start of period/year	0.2	–	0.2	–
Current period translation adjustment	–	–	–	–
<b>Balance at end of period/year</b>	<b>0.2</b>	<b>–</b>	<b>0.2</b>	<b>–</b>

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

### 25. Own Shares Reserve

	Period ended 31 December 2012		Year ended 31 March 2012	
	Group	Company	Group	Company
	£ million	£ million	£ million	£ million
Balance at start of period/year – cost	(5.8)	–	–	–
Own shares acquired	(2.3)	–	(5.9)	–
Own shares disposed	1.7	–	0.1	–
<b>Balance at end of period/year – cost</b>	<b>(6.4)</b>	<b>–</b>	<b>(5.8)</b>	<b>–</b>

The Group's SAR Plan is an equity-settled scheme under IFRS 2. During the period ended 31 December 2012 the Group acquired shares of the Company at a cost of £2.3 million (year ended 31 March 2012: £5.9 million) using an Employee Benefit Trust, to allow future exercises to be settled in the shares of the Company. During the period ended 31 December 2012 £1.7 million of such shares were used to settle employee exercises (year ended 31 March 2012: £0.1 million). At 31 December 2012 the Trust held 517,529 shares in the Company (31 March 2012: 471,775). At 31 December 2012 the market value of these shares was £6.4 million (31 March 2012: £5.8 million).

### 26. Share Based Payment Reserve

	Period ended 31 December 2012		Year ended 31 March 2012	
	Group	Company	Group	Company
	£ million	£ million	£ million	£ million
Balance at start of period/year	5.7	–	–	–
Transfer from provisions	–	–	4.8	–
Share based payment expense	0.7	–	1.0	–
Transfer to retained earnings	(1.7)	–	(0.1)	–
<b>Balance at end of period/year</b>	<b>4.7</b>	<b>–</b>	<b>5.7</b>	<b>–</b>



## Notes to the Financial Statements

Date of grant	31 December 2012 £ million	31 March 2012 £ million
25 March 2004	–	0.1
30 March 2005	–	–
15 March 2006	–	–
15 March 2007	0.2	0.6
27 March 2008	–	0.1
17 September 2008	–	–
13 March 2009	0.9	2.2
24 June 2009	0.2	0.5
19 October 2009	0.1	0.1
26 March 2010	0.2	0.6
30 March 2011	–	–
20 September 2011	–	–
2 December 2011	–	–
8 June 2012	–	–
2 July 2012	–	–
20 September 2012	–	–
Intrinsic value of all SARs	1.6	4.2
<b>Intrinsic value of all SARs vested as at 31 December/March</b>	<b>1.4</b>	<b>3.0</b>

The Company has used a trinomial option valuation model to estimate the fair value of the SARs. The inputs to the model included the following: expected volatility of 20% (31 March 2012: 20%), dividends of 28.0p (31 March 2012: 4.0p) per annum, contractual life of ten years, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historic data in respect of RIT's share price. The vesting requirements are set out in detail in the section headed Long-Term Incentive Plan in the Directors' Remuneration Report on page 23. To allow for the effects of early exercise and staff turnover, it was assumed that the majority of the SARs, in terms of value, would be exercised four and a half years after the relevant grant dates. Weighted average exercise prices are calculated as the sum of all prices of SAR exercises divided by number of SARs exercised.

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 1 April 2012	2,238,443	1,062.0	–
Granted	623,087	1,184.0	–
Exercised	(438,108)	844.0	1,247.5
Lapsed/forfeited	(411,825)	1,236.0	–
<b>Outstanding at 31 December 2012</b>	<b>2,011,597</b>	<b>1,112.0</b>	

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 1 April 2011	2,219,563	1,041.2	–
Granted	261,967	1,234.3	–
Exercised	(70,527)	877.4	1,250.1
Lapsed/forfeited	(172,560)	1,130.6	–
<b>Outstanding at 31 March 2012</b>	<b>2,238,443</b>	<b>1,062.0</b>	

The outstanding SARs at 31 December 2012 had exercise prices ranging between 796p and 1,314p (31 March 2012: 575p to 1,314p) with a weighted average of 1,112.0p (31 March 2012: 1,062.0p). The weighted average remaining contractual life of these SARs was 7.8 years (31 March 2012: 7.8 years). Included in the outstanding amount at period end were SARs representing a notional number of 566,271 shares (31 March 2012: 835,018 shares), which had vested and were capable of being exercised. These had exercise prices ranging between 796p and 1,146p with a weighted average of 881.8p (31 March 2012: 575p to 1,146p: weighted average 860.8p).

During the period the Company granted 623,087 SARs (year ended 31 March 2012: 261,967) and the weighted average fair value of those SARs was 103.5p (31 March 2012: 167.0p). The Company recognised an expense of £0.7 million (31 March 2012: £2.0 million) arising from awards made under the SAR plan.

## Notes to the Financial Statements

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

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Profit/(loss) before dividend and interest income, finance costs and taxation	(50.6)	(70.0)
Dividend income	8.6	19.1
Interest income	1.4	7.2
<b>Profit/(loss) before finance costs and taxation</b>	<b>(40.6)</b>	<b>(43.7)</b>
(Increase)/decrease in other receivables	5.9	23.9
Increase/(decrease) in other payables	1.1	(2.4)
(Increase)/decrease in sales for future settlement	(59.2)	3.6
Increase/(decrease) in purchases for future settlement	(3.6)	(2.5)
Other movements	4.4	(12.3)
Purchase of investments held at fair value	(1,258.4)	(2,293.9)
Sale of investments held at fair value	1,492.7	2,350.4
(Gains)/losses on investments held at fair value	(4.5)	5.5
Taxation received/(paid)	0.1	(1.7)
Interest paid	(6.1)	(8.3)
<b>Net cash inflow/(outflow) from Operating Activities</b>	<b>131.8</b>	<b>18.6</b>

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

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Profit/(loss) before dividend and interest income, finance costs and taxation	(43.4)	(88.1)
Dividend income	20.5	54.4
Interest income	1.3	7.0
<b>Profit/(loss) before finance costs and taxation</b>	<b>(21.6)</b>	<b>(26.7)</b>
(Increase)/decrease in other receivables	(7.9)	(10.2)
Increase/(decrease) in other payables	(0.8)	(28.8)
(Increase)/decrease in sales for future settlement	(59.2)	3.6
Increase/(decrease) in purchases for future settlement	(3.6)	(2.5)
Other movements	9.1	14.0
Purchase of investments held at fair value	(1,225.5)	(2,243.9)
Sale of investments held at fair value	1,441.6	2,326.0
(Gains)/losses on investments held at fair value	(0.8)	5.5
Taxation received/(paid)	0.1	(1.7)
Interest paid	(6.1)	(8.3)
<b>Net cash inflow/(outflow) from Operating Activities</b>	<b>125.3</b>	<b>27.0</b>

## Notes to the Financial Statements

### 28. Financial Instruments

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

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

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

#### 28.1 Categories of financial assets and financial liabilities

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

Group As at 31 March 2012					
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Non financial assets £ million	Total £ million
Investments held at fair value	–	2,024.1	–	–	2,024.1
Investment property	–	–	–	40.4	40.4
Property, plant and equipment	–	–	–	0.3	0.3
Derivative financial instruments	–	–	27.2	–	27.2
Deferred tax asset	–	–	–	2.7	2.7
Sales for future settlement	7.7	–	–	–	7.7
Other receivables	31.5	–	–	–	31.5
Tax receivable	–	–	–	0.9	0.9
Cash at bank	75.1	–	–	–	75.1
<b>Total assets</b>	<b>114.3</b>	<b>2,024.1</b>	<b>27.2</b>	<b>44.3</b>	<b>2,209.9</b>

## Notes to the Financial Statements

### 28. Financial Instruments (continued)

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

Financial assets	Company As at 31 March 2012			
	Loans & receivables £ million	FVPL (initial recognition) £ million	Non financial assets £ million	Total £ million
Investments held at fair value	—	2,009.5	—	2,009.5
Investment property	—	—	40.4	40.4
Investment in subsidiary undertakings	—	—	134.5	134.5
Derivative financial instruments	—	14.9	—	14.9
Deferred tax asset	—	—	0.9	0.9
Sales for future settlement	7.7	—	—	7.7
Other receivables	16.9	—	—	16.9
Amounts owed by group undertakings	—	—	—	—
Tax receivable	—	—	0.8	0.8
Cash at bank	70.6	—	—	70.6
<b>Total assets</b>	<b>95.2</b>	<b>2,024.4</b>	<b>176.6</b>	<b>2,296.2</b>

## Notes to the Financial Statements

	Group As at 31 December 2012			Total £ million
	Amortised cost £ million	FVPL (initial recognition) £ million	Non financial liabilities £ million	
Financial liabilities				
Bank loans and overdrafts due within one year	147.8	—	—	147.8
Purchases for future settlement	4.5	—	—	4.5
Tax payable	—	—	0.2	0.2
Other payables	5.9	—	—	5.9
Provisions	—	—	6.6	6.6
Derivative financial instruments	—	20.2	—	20.2
Retirement benefit liability	—	—	1.9	1.9
Finance lease liability	—	—	0.5	0.5
<b>Total liabilities</b>	<b>158.2</b>	<b>20.2</b>	<b>9.2</b>	<b>187.6</b>

	Group As at 31 March 2012			Total £ million
	Amortised cost £ million	FVPL (initial recognition) £ million	Non financial liabilities £ million	
Financial liabilities				
Bank loans and overdrafts due within one year	250.1	—	—	250.1
Purchases for future settlement	8.1	—	—	8.1
Tax payable	—	—	0.1	0.1
Other payables	4.8	—	—	4.8
Provisions	—	—	6.5	6.5
Derivative financial instruments	—	18.5	—	18.5
Retirement benefit liability	—	—	1.3	1.3
Finance lease liability	—	—	0.5	0.5
<b>Total liabilities</b>	<b>263.0</b>	<b>18.5</b>	<b>8.4</b>	<b>289.9</b>

# Notes to the Financial Statements

## 28. Financial Instruments (continued)

Financial liabilities	Amortised cost £ million	Company As at 31 December 2012		Total £ million
		FVPL (initial recognition) £ million	Non financial liabilities £ million	
Bank loans and overdrafts due within one year	147.8	–	–	147.8
Purchases for future settlement	4.5	–	–	4.5
Other payables	2.0	–	–	2.0
Amounts owed to group undertakings	172.9	–	–	172.9
Provisions	–	–	6.6	6.6
Derivative financial instruments	–	20.2	–	20.2
Finance lease liability	–	–	0.5	0.5
<b>Total liabilities</b>	<b>327.2</b>	<b>20.2</b>	<b>7.1</b>	<b>354.5</b>

Financial liabilities	Amortised cost £ million	Company As at 31 March 2012		Total £ million
		FVPL (initial recognition) £ million	Non financial liabilities £ million	
Bank loans and overdrafts due within one year	250.1	–	–	250.1
Purchases for future settlement	8.1	–	–	8.1
Other payables	2.9	–	–	2.9
Amounts owed to group undertakings	176.2	–	–	176.2
Provisions	–	–	6.5	6.5
Derivative financial instruments	–	7.6	–	7.6
Finance lease liability	–	–	0.5	0.5
<b>Total liabilities</b>	<b>437.3</b>	<b>7.6</b>	<b>7.0</b>	<b>451.9</b>

The Group's policy for determining the fair value of investments (including unquoted investments) is set out on pages 38 and 39.

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

The fair value of the loans was estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. As at 31 December 2012 this amounted to £147.8 million (31 March 2012: £250.1 million).

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

### 28.2 Financial risk management

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

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

## Notes to the Financial Statements

### **a. Market risk**

The fair value or future cash flows of a financial instrument 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 will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk)
- **Interest rate risk**  
The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates
- **Currency risk**  
The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates

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

#### ***Management of market risk***

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

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

### **b. Price risk**

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

#### ***Management of price risk***

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

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

#### ***Exposure to price risk***

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

	31 December 2012 £ million	31 March 2012 £ million
<b>Exposure to price risk</b>	<b>1,875.8</b>	<b>1,959.4</b>

# Notes to the Financial Statements

## 28. Financial Instruments (continued)

As at the period end, the Group's exposure to listed equities (after adjusting for index futures) and unquoted investments represented 101.5% of net assets (31 March 2012: 102.1%).

### Price risk sensitivity analysis

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

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

	31 December 2012	31 March 2012
	Impact on IS & net assets £ million	Impact on IS & net assets £ million
<b>Total</b>	<b>187.6</b>	<b>195.9</b>

### c. Interest rate risk

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

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

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

### Management of interest rate risk

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

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

### Exposure to interest rate risk

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

	31 December 2012			31 March 2012		
	Floating Rate £ million	Fixed Rate £ million	Total £ million	Floating Rate £ million	Fixed Rate £ million	Total £ million
Portfolio investments (debt securities) <sup>1</sup>	22.4	98.3	120.7	27.9	97.9	125.8
Derivative financial instruments	—	(3.4)	(3.4)	—	(4.6)	(4.6)
Cash	66.4	—	66.4	75.1	—	75.1
Bank loans and overdrafts due within one year	—	(147.8)	(147.8)	—	(250.1)	(250.1)
<b>Total Exposure</b>	<b>88.8</b>	<b>(52.9)</b>	<b>35.9</b>	<b>103.0</b>	<b>(156.8)</b>	<b>(53.8)</b>

<sup>1</sup>In addition the Group also holds £57.3 million (31 March 2012: £135.0 million) in credit funds, which hold assets subject to fair value impact due to interest rate changes. These provide indirect exposure to interest rate risk.



# Notes to the Financial Statements

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

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

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

The Group has total borrowings of £147.8 million outstanding at the period end (31 March 2012: £250.1 million). The credit facility comprising this total incurs fixed interest payments (through the operation of interest rate swaps). Further details are provided in note 18.

## **Interest rate risk sensitivity analysis**

The approximate sensitivity of the Group's net assets and income statement (IS) in regard to changes in interest rates is illustrated below. This is based on an assumed 200 basis point annualised increase in prevailing interest rates at the balance sheet date applied to the floating rate assets and liabilities and the following assumptions:

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

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

A 200 basis point decrease is assumed to produce an equal and opposite impact.

	31 December 2012	31 March 2012
	Impact on IS & net assets £ million	Impact on IS & net assets £ million
<b>Total</b>	<b>1.8</b>	<b>2.1</b>

## **d. Currency risk**

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

### **Management of currency risk**

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

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

## Notes to the Financial Statements

### 28. Financial Instruments (continued)

#### *Exposure to currency risk*

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

Currency	Group 31 December 2012		
	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,120.4	23.5	1,143.9
Sterling	535.3	(238.3)	297.0
Norwegian Krone	0.5	153.8	154.3
Canadian Dollar	18.6	85.4	104.0
Mexican Peso	19.1	52.2	71.3
Euro	41.9	(8.0)	33.9
Singapore Dollar	0.1	32.7	32.8
Brazilian Real	13.1	15.0	28.1
Swiss Franc	14.0	—	14.0
Swedish Krona	11.0	—	11.0
Danish Krone	10.2	—	10.2
Australian Dollar	7.0	—	7.0
Korean Won	—	—	—
Japanese Yen	43.5	(110.5)	(67.0)
Other	9.9	(3.2)	6.7
<b>Total</b>	<b>1,844.6</b>	<b>2.6</b>	<b>1,847.2</b>

Currency	Group 31 March 2012		
	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,188.8	(175.6)	1,013.2
Sterling	441.5	(153.6)	287.9
Norwegian Krone	2.3	62.5	64.8
Canadian Dollar	36.6	171.7	208.3
Mexican Peso	13.8	94.0	107.8
Euro	72.3	(171.3)	(99.0)
Singapore Dollar	7.3	242.1	249.4
Brazilian Real	—	—	—
Swiss Franc	24.1	—	24.1
Swedish Krona	—	—	—
Danish Krone	—	—	—
Australian Dollar	10.8	0.2	11.0
Korean Won	15.6	—	15.6
Japanese Yen	71.1	(63.3)	7.8
Other	33.6	(4.5)	29.1
<b>Total</b>	<b>1,917.8</b>	<b>2.2</b>	<b>1,920.0</b>

## Notes to the Financial Statements

Currency	Company 31 December 2012		
	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,116.0	23.5	1,139.5
Sterling	486.4	(238.3)	248.1
Norwegian Krone	0.5	153.8	154.3
Canadian Dollar	18.6	85.4	104.0
Mexican Peso	19.1	52.2	71.3
Euro	41.9	(8.0)	33.9
Singapore Dollar	0.1	32.7	32.8
Brazilian Real	13.1	15.0	28.1
Swiss Franc	14.0	—	14.0
Swedish Krona	11.0	—	11.0
Danish Krone	10.2	—	10.2
Australian Dollar	7.0	—	7.0
Hong Kong Dollar	—	—	—
Japanese Yen	43.5	(110.5)	(67.0)
Other	10.1	(3.2)	6.9
<b>Total</b>	<b>1,791.5</b>	<b>2.6</b>	<b>1,794.1</b>

Currency	Company 31 March 2012		
	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US Dollar	1,163.9	9.7	1,173.6
Sterling	393.5	57.0	450.5
Norwegian Krone	—	—	—
Canadian Dollar	36.2	—	36.2
Mexican Peso	—	—	—
Euro	71.7	(15.4)	56.3
Singapore Dollar	—	—	—
Brazilian Real	11.8	(4.6)	7.2
Swiss Franc	—	—	—
Swedish Krona	—	—	—
Danish Krone	11.0	—	11.0
Australian Dollar	10.8	(1.3)	9.5
Hong Kong Dollar	6.1	—	6.1
Japanese Yen	71.1	(44.0)	27.1
Other	66.7	0.1	66.8
<b>Total</b>	<b>1,842.8</b>	<b>1.5</b>	<b>1,844.3</b>

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

# Notes to the Financial Statements

## 28. Financial Instruments (continued)

### Currency Risk Sensitivity Analysis

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

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

Currency	31 December 2012 Impact on IS & Net Assets £ million	31 March 2012 Impact on IS & Net Assets £ million
US Dollar	(104.0)	(92.1)
Norwegian Krone	(14.0)	(5.9)
Canadian Dollar	(9.5)	(18.9)
Mexican Peso	(6.5)	(9.8)
Euro	(3.1)	9.0
Singapore Dollar	(3.0)	(22.7)
Brazilian Real	(2.6)	—
Swiss Franc	(1.3)	(2.2)
Swedish Krona	(1.0)	—
Danish Krone	(0.9)	—
Australian Dollar	(0.6)	(1.0)
Japanese Yen	6.1	(0.7)
Korean Won	—	(1.4)
Other	(0.6)	(2.6)
<b>Total</b>	<b>(141.0)</b>	<b>(148.3)</b>

### e. Credit risk

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

#### Management of credit risk

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

- The vast majority of the Group's transactions are settled on a delivery versus payment basis
- Use of a large number of brokers
- Liquid investments (cash and cash equivalents) are divided between a number of different financial institutions
- The majority of the portfolio investments exposed to credit risk relate to highly rated government securities

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

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

## Notes to the Financial Statements

### *Credit quality of financial assets*

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

	31 December 2012 £ million	31 March 2012 £ million
<b>Portfolio investments (debt securities)</b>		
AAA	51.1	41.3
AA+	52.3	–
AA	–	84.5
A-1+	17.3	–
	<b>120.7</b>	<b>125.8</b>
<b>Derivative financial instruments</b>		
A-1+	1.4	–
A-1	18.3	21.0
A-2	5.3	6.2
	<b>25.0</b>	<b>27.2</b>
<b>Other receivables</b>		
A-1	4.7	1.0
A-2	4.7	26.9
Other	16.2	3.6
	<b>25.6</b>	<b>31.5</b>
<b>Sales for future settlement</b>		
A-1	0.1	6.7
A-2	0.1	0.2
Other*	66.7	0.8
	<b>66.9</b>	<b>7.7</b>
<b>Cash at bank</b>		
A-1	66.2	75.1
Other*	0.2	–
	<b>66.4</b>	<b>75.1</b>
<b>Maximum exposure to credit risk</b>	<b>304.6</b>	<b>267.3</b>

\* Short term credit ratings not available. No defaults noted as trading counterparties.

Substantially all of the listed portfolio investments are held by Bank of New York Mellon as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was AA- in the most recent rating prior to 31 December 2012.

# Notes to the Financial Statements

## 28. Financial Instruments (continued)

### f. Liquidity risk

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

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

### Management of liquidity risk

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

### Exposure to liquidity risk

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

The Group has a credit facility totalling US Dollar 400 million (details of which are disclosed in note 18).

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

	31 December 2012				31 March 2012			
	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million
Current liabilities:								
Bank loan/overdraft	147.8	–	–	147.8	250.1	–	–	250.1
Derivatives	16.8	3.4	–	20.2	13.8	–	–	13.8
Other liabilities	11.8	–	–	11.8	12.9	–	–	12.9
Non-current liabilities:								
Derivatives	–	–	–	–	–	–	4.7	4.7
<b>Total</b>	<b>176.4</b>	<b>3.4</b>	<b>–</b>	<b>179.8</b>	<b>276.8</b>	<b>–</b>	<b>4.7</b>	<b>281.5</b>
Commitments	153.9	–	–	153.9	137.7	–	–	137.7
<b>Total</b>	<b>330.3</b>	<b>3.4</b>	<b>–</b>	<b>333.7</b>	<b>414.5</b>	<b>–</b>	<b>4.7</b>	<b>419.2</b>

### 28.3 Collateral

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

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

	31 December 2012 £ million	31 March 2012 £ million
<b>Cash collateral provided by RIT in relation to derivative contracts</b>	<b>9.4</b>	<b>26.6</b>

## Notes to the Financial Statements

### 28.4 Derivative financial instruments

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

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

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

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

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

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

	Group			
	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
As at 31 March 2012				
Bond futures	44.7	0.3	–	0.3
Commodity futures	–	–	–	–
Commodity options	–	–	–	–
Contract for difference	1.9	0.6	(1.1)	(0.5)
Credit default swaps	81.3	1.1	(0.1)	1.0
Currency options	2.8	2.8	–	2.8
Forward currency contracts	1,619.4	10.1	(10.8)	(0.7)
Index futures	49.6	2.7	(1.8)	0.9
Equity index options	9.4	9.4	–	9.4
Equity index swaps	–	–	–	–
Interest rate swaps	577.8	0.2	(4.7)	(4.5)
<b>Total</b>		<b>27.2</b>	<b>(18.5)</b>	<b>8.7</b>

# Notes to the Financial Statements

## 28. Financial Instruments (continued)

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

As at 31 March 2012	Notional amount £ million	Company		Total fair value £ million
		Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	
Commodity futures	—	—	—	—
Commodity options	—	—	—	—
Contract for difference	1.9	0.6	(1.1)	(0.5)
Credit default swaps	50.0	0.5	—	0.5
Currency options	—	—	—	—
Forward currency contracts	131.9	1.6	(0.1)	1.5
Index futures	49.6	2.7	(1.8)	0.9
Equity index options	9.4	9.4	—	9.4
Equity index swaps	—	—	—	—
Interest rate swaps	577.8	0.1	(4.6)	(4.5)
<b>Total</b>		<b>14.9</b>	<b>(7.6)</b>	<b>7.3</b>

### 28.5 IFRS 7 classification

IFRS 7 requires the Group to classify its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. These are as follows:

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

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Where adjustments have been required to quoted prices to arrive at fair value, or where a market price is available but the market is not considered active, the Group has classified these investments as level 2.

The Group considers all unquoted direct investments and unquoted funds (as described on page 8 of the Investment Review) as level 3 assets, as the valuations of these assets are not based on observable market data. Where funds within the absolute return & credit and real asset categories invest into illiquid stocks, these are also considered by the Group to be level 3 assets.



## Notes to the Financial Statements

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

As at 31 December 2012	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total FVPL £ million
Investments held at fair value	611.0	652.4	538.0	1,801.4
Derivative financial instruments	–	25.0	–	25.0
<b>Financial assets at fair value through profit and loss</b>	<b>611.0</b>	<b>677.4</b>	<b>538.0</b>	<b>1,826.4</b>
Derivative financial instruments	–	(20.2)	–	(20.2)
<b>Financial liabilities at fair value through profit and loss</b>	<b>–</b>	<b>(20.2)</b>	<b>–</b>	<b>(20.2)</b>
<b>Net financial assets at fair value through profit and loss</b>	<b>611.0</b>	<b>657.2</b>	<b>538.0</b>	<b>1,806.2</b>
Net other assets				41.0
<b>Net asset value</b>				<b>1,847.2</b>

Note: During the period the Group transferred assets with a fair value of £126.3 million from Level 1 to Level 2 given the values are derived from indirect observable inputs. All transfers are deemed to occur at the end of the reporting period.

### Movements in level 3 assets

Period ended 31 December 2012	Opening balance £ million	Purchases £ million	Sales £ million	Gains through profit & loss during the period £ million	Reclassifi- cations £ million	Closing balance £ million
Investments held at fair value:						
Quoted Equity	2.0	0.4	–	(0.5)	–	1.9
Unquoted Equity	561.4	121.4	(205.3)	1.4	–	478.9
Absolute Return & Credit	134.6	12.2	(93.9)	4.3	–	57.2
	<b>698.0</b>	<b>134.0</b>	<b>(299.2)</b>	<b>5.2</b>	<b>–</b>	<b>538.0</b>

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

As at 31 March 2012	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total FVPL £ million
Investments held at fair value	781.4	544.7	698.0	2,024.1
Derivative financial instruments	–	27.2	–	27.2
<b>Financial assets at fair value through profit and loss</b>	<b>781.4</b>	<b>571.9</b>	<b>698.0</b>	<b>2,051.3</b>
Derivative financial instruments	–	(18.5)	–	(18.5)
<b>Financial liabilities at fair value through profit and loss</b>	<b>–</b>	<b>(18.5)</b>	<b>–</b>	<b>(18.5)</b>
<b>Net financial assets at fair value through profit and loss</b>	<b>781.4</b>	<b>553.4</b>	<b>698.0</b>	<b>2,032.8</b>
Net other liabilities				(112.8)
<b>Net asset value</b>				<b>1,920.0</b>

# Notes to the Financial Statements

## 28. Financial Instruments (continued)

### Movements in level 3 assets

Year ended 31 March 2012	Opening balance £ million	Purchases £ million	Sales £ million	Gains through profit & loss during the year £ million	Reclassifi- cations £ million	Closing balance £ million
Investments held at fair value:						
Quoted Equity	66.3	2.3	(42.0)	(11.0)	(13.6)	2.0
Unquoted Equity	526.8	239.1	(243.4)	38.9	—	561.4
Absolute Return & Credit	20.0	119.6	(8.5)	3.5	—	134.6
	<b>613.1</b>	<b>361.0</b>	<b>(293.9)</b>	<b>31.4</b>	<b>(13.6)</b>	<b>698.0</b>

### 28.6 Capital management

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

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

The Company is subject to externally imposed capital requirements:

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

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

In addition, one of the Company's subsidiaries is subject to capital requirements imposed by the Financial Services Authority and that subsidiary must ensure that it has sufficient capital to meet the requirements as set out by the Financial Services Authority. The subsidiary was in compliance with those capital requirements throughout the period.

The Group's capital at 31 December 2012 and 31 March 2012 comprises:

	31 December 2012 £ million	31 March 2012 £ million
Equity share capital	155.4	153.9
Retained earnings and other reserves	1,691.8	1,766.1
Net asset value	1,847.2	1,920.0
Bank loans	147.8	250.1
Total capital	1,995.0	2,170.1
<b>Debt as a percentage total capital</b>	<b>7.4%</b>	<b>11.5%</b>

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

# Notes to the Financial Statements

## 29. Pension Commitments

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

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

It is estimated that the contributions payable to the Scheme during the year ending 31 December 2013, will be £1.1 million as compared to £0.8 million paid during the period ended 31 December 2012.

In accordance with the requirements of IAS 19 this note discloses the main financial assumptions made in valuing the liabilities of the defined benefit scheme and the fair value of the assets held. A full actuarial valuation of the scheme was carried out as at 1 January 2011 by a qualified independent actuary, this resulted in an increase of contributions payable of £0.3 million.

The main financial assumptions are shown in the following tables:

	At 31 December 2012	At 31 March 2012
Discount rate	4.55%	5.15%
Rate of increase in salaries	2.50%	3.00%
Rate of increase in payment of pensions accrued before 5 April 1997	4.00%	4.00%
Rate of increase in payment of pensions accrued after 6 April 1997	4.25%	4.30%
Inflation assumption (Retail Price Index)	2.95%	3.20%

The mortality assumptions employed as at 31 December 2012 for active and deferred members are based on the pre-retirement mortality assumptions of 'AM/FC00'. Post retirement assumptions for active members, deferred members and pensioners are based on the Self-Administered Pension Schemes (SAPS) light series year of birth table and includes allowance for future improvements in life expectancy in line with the Actuarial Profession's Continuous Mortality Investigation (CMI) projections with a long-term trend of 1.5% per annum long-term trend.

It is assumed that 80% of members are married as at the date of death (31 March 2012: 80%).

The fair value of the assets held by the defined benefit scheme, the long-term expected rate of return on each class of assets and the value of the Scheme's liabilities assessed on the assumptions described above are shown in the following table:

	Long-term rate of return expected at 31 December 2012	Value at 31 December 2012 £ million	Long-term rate of return expected at 31 March 2012	Value at 31 March 2012 £ million
Equities	8.00%	10.5	8.00%	9.6
Alternative investments	5.00%	1.3	6.00%	1.6
Corporate bonds	4.00%	2.5	4.00%	1.9
Cash	2.00%	0.2	2.00%	0.1
Fair value of the Scheme's assets		14.5		13.2
Present value of the Scheme's liabilities		(16.4)		(14.5)
<b>Surplus/(deficit) in the Scheme</b>		<b>(1.9)</b>		<b>(1.3)</b>

The deficit of the Scheme at 31 December 2012 was £1.9 million (31 March 2012: deficit £1.3 million).

The Scheme does not invest in the Company's ordinary shares (31 March 2012: nil) or in any property occupied by the Group, or any other assets used by the Group (31 March 2012: nil).

## Notes to the Financial Statements

### 29. Pension Commitments (continued)

The retirement benefit cost comprises the following:

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Defined contribution scheme	0.7	0.7
Defined benefit scheme;		
Employer's current service cost	0.1	0.2
Interest on pension liabilities	0.6	0.8
Expected return on Scheme assets	(0.7)	(1.2)
Expense recognised in income statement <sup>1</sup>	0.7	0.5
Actuarial losses/(gains)	1.4	2.8
Expense recognised in statement of comprehensive income	1.4	2.8
<b>Total pension expense</b>	<b>2.1</b>	<b>3.3</b>

<sup>1</sup> Included in administrative expenses

The actual return on Scheme assets was £0.8 million (31 March 2012: negative £0.3 million).

#### Recent history of the Scheme

	31 December 2012 £ million	31 March 2012 £ million	31 March 2011 £ million	31 March 2010 £ million	31 March 2009 £ million
Fair value of the Scheme's assets	14.5	13.2	15.2	13.7	11.0
Present value of the Scheme's liabilities	(16.4)	(14.5)	(14.7)	(13.7)	(11.5)
<b>Surplus/(deficit) in the Scheme</b>	<b>(1.9)</b>	<b>(1.3)</b>	<b>0.5</b>	<b>–</b>	<b>(0.5)</b>

The analysis of experience gains and losses is as follows:

	31 December 2012 £ million	31 March 2012 £ million	31 March 2011 £ million	31 March 2010 £ million	31 March 2009 £ million
Experience gains/(losses) on Scheme liabilities	–	–	0.2	–	(0.4)
Experience gains/(losses) on Scheme assets	0.1	(1.5)	–	1.7	(3.2)

	31 December 2012 £ million	31 March 2012 £ million
Reconciliation of the fair value of the Scheme's assets		
Opening fair value of the Scheme's assets	13.2	15.2
Expected return on Scheme assets	0.7	1.2
Actuarial gains/(losses)	0.1	(1.5)
Employer's contributions	0.8	0.8
Disbursements	(0.3)	(2.5)
<b>Closing fair value of the Scheme's assets</b>	<b>14.5</b>	<b>13.2</b>

## Notes to the Financial Statements

	31 December 2012 £ million	31 March 2012 £ million
Reconciliation of the present value of the defined benefit obligation		
Opening defined benefit obligation	14.5	14.7
Employer's current service cost	0.1	0.2
Interest on pension liabilities	0.6	0.8
Experience (gains)/losses arising on Scheme liabilities	–	–
Changes in assumptions underlying the Scheme liabilities	1.5	1.2
Disbursements and past service benefits	(0.3)	(2.4)
<b>Closing defined benefit obligation</b>	<b>16.4</b>	<b>14.5</b>

Implementation of the new IAS 19 (2011) standard would have the following effects:

- There will be no change to the Balance Sheet position
- The pension expense recognised in the Income Statement would increase by £197,000 (for the nine month period ended 31 December 2012)
- There will be no change to the approach taken to recognising gains and losses in the Statement of Comprehensive Income but the nature of the gain or loss on assets will change

### 30. Related Party Transactions

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

#### Transactions with parties related to Lord Rothschild

During the period, the Group transacted with eight entities classified as related to Lord Rothschild as a result of his having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24.

The Group has cost-sharing arrangements with these related parties covering the provision and receipt of administrative as well as investment advisory and support services. Under these arrangements the Group paid £66,035 (31 March 2012: £173,382) and received £985,963 (31 March 2012: £845,946).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services charged by the Group for the period ended 31 December 2012 amounted to £135,210 (31 March 2012: £173,504).

During the period, the Group contributed £70,835 in respect of rent, rates and services towards the cost of the Chairman's office which is located in a property owned by a related party (31 March 2012: £56,920).

Certain activities of the Group are carried out in properties owned by related parties. The Group paid rent of £43,687 in the period ended 31 December 2012 (31 March 2012: £77,072).

The balance due by the Group to the parties related to Lord Rothschild at 31 December 2012 was £nil (31 March 2012: £nil), and the balance due to the Group from the related parties was £4,500 (31 March 2012: £nil).

#### Other

No related parties occupied office space at 27 St James's Place, which is leased by the Group, during the period ended 31 December 2012. The rent, rates and services charged by the Group for the period ended 31 December 2012 was £nil (31 March 2012 was £38,192). No amounts were outstanding at the period end (31 March 2012: £nil).

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

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

## Notes to the Financial Statements

### 30. Related Party Transactions (continued)

#### Group Undertakings

JRCM, a wholly-owned subsidiary of the Company, acts as its manager and provides administrative services to the Company and is also its corporate secretary. During the period ended 31 December 2012, the charge for these administrative services amounted to £15.9 million (31 March 2012: £17.8 million). During the period Spencer House Limited (also a wholly-owned subsidiary of the Company), earned revenues of £17,414 from JRCM (31 March 2012: £23,274).

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

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

	Amounts owed by Group Undertakings		Amounts owed to Group Undertakings	
	31 December 2012 £ million	31 March 2012 £ million	31 December 2012 £ million	31 March 2012 £ million
RIT Capital Partners Securities Limited	–	–	(113.5)	(119.6)
Atlantic and General Investment Trust Limited	–	–	(20.1)	(20.1)
J Rothschild Capital Management Limited	–	–	(25.4)	(21.8)
RIT Capital Partners Associates Limited	–	–	(10.1)	(8.6)
RIT Capital Partners Media Inc.	2.1	–	(1.7)	(3.8)
Other	–	–	(2.1)	(2.3)
	<b>2.1</b>	<b>–</b>	<b>(172.9)</b>	<b>(176.2)</b>

#### 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 period are disclosed in note 29. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2012 (31 March 2012: £nil).

#### Directors and key management personnel

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

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Salaries and other short-term employee benefits	3.7	3.4
Termination benefits	0.1	–
Post-employment benefits	0.2	0.5
Share based payments made on exercise	0.9	0.8
	<b>4.9</b>	<b>4.7</b>

Two persons classed as key management personnel are members of the carried interest scheme set up in the period ended 31 December 2012.

For the period ended 31 December 2012, post employment benefits relate to defined contribution pension scheme payments. For the year ended 31 March 2012 £0.1 million was in relation to a Director in the defined benefit pension scheme who retired in the year. The remainder was defined contribution payments.

## Notes to the Financial Statements

### Conflicts Committee

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

- Infinity SDC Limited. Follow-on financing in which both the Company and Mr Marks participated as existing shareholders.
- Tekne Offshore Fund. Investments of Lord Douro and Mr Marks alongside the Company in the fund's launch.
- Renshaw Bay Real Estate Finance Fund. Investment in the fund's launch by Bill Winters, a director of a subsidiary of RIT and therefore a related party, alongside the Company.

### 31. Financial Commitments

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

	31 December 2012		31 March 2012	
	Group £ million	Company £ million	Group £ million	Company £ million
<b>Commitments to provide additional funds<sup>1</sup></b>	<b>153.9</b>	<b>153.9</b>	<b>137.7</b>	<b>137.7</b>

<sup>1</sup> Principally un-called commitments to unquoted funds.

### 32. Investment Property

	Period ending 31 December 2012 £ million	Year ending 31 March 2012 £ million
Rental income from investment properties	1.2	1.5
Direct operating expenses arising from investment properties that generated rental income during the period	(0.8)	(1.0)

All investment properties held by the Group generate rental income.

RIT leases Spencer House from the Spencer Trustees ("the Trustees"). The terms of this lease include provisions such that any assignment or sale of the lease can occur only with the consent of the Trustees, limits on event frequency and that the Trustees retain certain (de minimis) usage rights over the fine rooms. RIT is required to externally redecorate every 3 years and to internally redecorate every 7 years. The property is open to the public for viewing every Sunday, except during January and August. The investment property portfolio is valued by Jones Lang LaSalle on a six monthly basis in accordance with guidelines established by the Royal Institution of Chartered Surveyors. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2012.

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

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We have audited the financial statements of RIT Capital Partners plc for the nine month period ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements, the Group Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 89, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## **Scope of the audit of the financial statements**

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. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion:

- 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 2012 and of the Group's loss and Group's and Parent Company's cash flows for the period then ended;
- the Group financial statements have been properly prepared in accordance with 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.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

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



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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

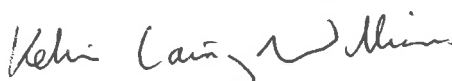
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 91, in relation to going concern;
- the parts of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.



Kelvin Laing-Williams (Senior Statutory Auditor)  
for and on behalf of



**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**

**London**

6 March 2013



# Other Information

31 December 2012

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# Directors' Report

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## Business Review

The Directors present their Report for the Group and Company, covering the nine month period ended 31 December 2012. The Company's principal activity is that of an investment trust.

## Net Asset Value

The diluted net asset value of one ordinary share at 31 December 2012, was 1,191.4p (31 March 2012: 1,249.3p).

## Corporate Governance

The Corporate Governance report forms part of the Directors' Report and is presented in two parts on pages 18 to 20, and 87 to 91.

## Results and Dividends

After taxation, the Group made a capital loss of £26.4 million, revenue loss of £19.2 million, and a total loss of £45.6 million during the period ended 31 December 2012.

The Board has declared an interim dividend of 14p per share payable on 26 April 2013 to shareholders on the register at 5 April 2013. The interim dividend will reduce the Company's distributable reserves by approximately £22 million all of which will be charged against the Company's capital reserve.

The movements on Company and consolidated capital and revenue reserves are shown in notes 22 and 23 on pages 53 and 54.

## 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."

An analysis of the investments is contained in the Investment Review and the Investment Portfolio on pages 5 to 11. The Group holds both listed and unlisted investments.

## Asset Allocation

The Board currently intends to continue to allocate the Group's assets predominantly amongst internally and externally managed quoted equities, unquoted direct investments, unquoted fund investments, real assets, absolute return and credit, government bonds, currencies and money market funds.

During the period there were no restrictions on the relative allocation of assets amongst these classes and the maximum allocation of any single asset class is therefore 100%.

The Group uses derivatives to hedge various risk exposures and also to increase exposure to movements in individual securities, markets and currencies where desired.

The investment trust restrictions incumbent on the Company have been revised from 1 April 2012 and consequently the Company has additional flexibility when allocating assets to certain classes.

The allocation amongst these asset categories at 31 March 2012 and 31 December 2012 is shown on page 5.

## Risk Diversification

The Group's investment portfolio is diversified by asset class, industry sector, geography and currency.

Overall exposures in each case are monitored and managed by JRCM's executive management under the supervision of the Board.

The portfolio is further diversified through the selection of external managers with different mandates.

## Directors' Report

### Gearing

The Company maintains structural gearing principally through a revolving credit facility.

At 31 December 2012, the Sterling equivalent of the indebtedness was £147.8 million, against total assets of £2,034.8 million, or 7%.

This percentage may fluctuate as permitted under the financial covenants of the revolving credit facility agreement.

The maximum indebtedness the Company is empowered to incur under its Articles of Association is five times its adjusted capital and reserves.

### Use of External Managers

In accordance with the Group's investment policy, management of certain assets including quoted equity funds, real asset funds, absolute return and credit funds and unquoted funds is delegated to external managers.

The continuing appointment of external investment managers gives the Company access to expertise in particular asset classes or geographical areas. A number of these managers operate segregated accounts on behalf of the Company.

Fees associated with the management of the segregated accounts are disclosed as investment management fees in the income statement. These fees are charged based on a percentage of the funds under management (in the range from 1.0% to 1.5% per annum). In certain cases, performance fees are charged where the increase in the value of the funds exceeds specified hurdles.

The investment management agreements for segregated accounts can be terminated with notice periods of between thirty days and three months.

Apart from the right to receive accrued fees, these investment management agreements do not provide for any other payment on termination.

The terms of the contracts between the Company and those managers are also reviewed to ensure that they are still appropriate.

The performance of each of the external managers is reviewed regularly by the Board as well as JRCM's executive management.

### Key Information

The Chairman's Statement and Business Review on pages 2 to 11 contain a review of the Group's business in the period to 31 December 2012.

Financial highlights and performance information is set out in the Overview section, and the portfolio and currency exposure is analysed on pages 5 to 7.

The principal risks are as set out in note 28 on pages 57 to 72 and in the Corporate Governance Report on page 89.

The Directors consider that the key performance indicator most relevant to the Group is the MSCI World Index in Sterling, compared with the movement in the Group's net asset value per share, as set out in the Overview section.

### Status of Company

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

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

The Company has been accepted as an approved investment trust by HM Revenue & Customs from 1 April 2012, subject to continuing to meet eligibility conditions.

The Directors are of the opinion that, since that date, 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.

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## Directors' Report

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### Directors

Biographies of the Directors holding office at the date of this report are shown on pages 14 to 16.

Micky Breuer-Weil, Rick Sopher and Bill Winters did not stand for re-election at the Company's Annual General Meeting on 26 July 2012.

The process for the appointment and replacement of Directors is set out on page 87.

### Share Capital

Details of the issued share capital are shown in note 20 on page 53.

During the period ended 31 December 2012, 1,516,179 ordinary shares were issued; no ordinary shares were repurchased for cancellation.

The existing authority for the repurchase of shares expires at the Company's Annual General Meeting on 16 April 2013.

A replacement authority is to be proposed at the forthcoming Annual General Meeting, as explained in the separate Notice of the meeting.

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

### 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.

### Comparatives

RIT Capital Partners plc has changed its year end from 31 March to 31 December in order to bring the reporting cycle in line with the majority of the asset management industry. The report and accounts are required to cover the nine months to 31 December 2012 with comparatives for the year ending 31 March 2012. As such figures in the financial statements may not be directly comparable.

## Directors' Report

### Major Holders of Voting Rights

As at 31 December 2012, 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. Such notifications were made pursuant to the Disclosure Rules and Transparency Rules of the Financial Services Authority (FSA).

Major holders of voting rights	31 December 2012			
	No. of voting rights		% of voting rights	
	Direct	Indirect	Direct	Indirect
Five Arrows Limited*†	913,115	5,844,720	0.59	3.80
Investec Wealth & Investment Limited	5,579,008	—	3.59	—
Lord Rothschild*	16,311,771	4,387,070	10.60	2.85
The Rothschild Foundation*	11,708,839	—	7.54	—

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

† includes shares held by a subsidiary

As at 28 February 2013, the above table remained unchanged save for the interest of Investec Wealth & Investment Limited, which had increased the number of its voting rights held to 5,928,356 (3.82%).

### Directors' Interests

The interests of the Directors holding office at 31 December 2012 in the ordinary shares of the Company are shown below:

Ordinary shares of £1 each	31 December 2012		% of Share capital
	Beneficial	Non-beneficial	
Lord Rothschild	12,100,181	16,095,909	18.15
John Cornish	8,281	—	0.01
Lord Douro	25,000	85,000	0.07
Jean Laurent-Bellue	—	—	—
James Leigh-Pemberton	—	—	—
Michael Marks	—	—	—
Lord Myners	10,000	—	0.01
Sandra Robertson	—	—	—

The above information is presented in compliance with the Listing Rules of the Financial Services Authority (FSA), which require disclosure of Directors' beneficial and non-beneficial share interests, as opposed to their control of voting rights as is the case for major holders under the FSA's Disclosure and Transparency Rules.

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

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors.

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

Except as stated in note 30 to the financial statements no Director has, or has had during the period 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 FSA.

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# Directors' Report

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## Stewardship Code

The Company supports the applicable principles of the Stewardship Code published by The Financial Reporting Council.

The Company's Stewardship Policy may be viewed on its website.

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

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

Active intervention appropriate for the circumstances will be considered where it is in the Company's best interests.

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

## Takeover Directive

Section 992 of the Companies Act 2006 requires certain disclosures to be made in relation to the EU Takeover Directive.

Note 20 on page 53 provides disclosure of the Company's share capital.

The significant direct and indirect holdings in the Company's shares are disclosed on page 85.

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.

## Annual General Meeting

The Company's Annual General Meeting will be held on Tuesday 16 April 2013 at 11:00 am at Spencer House, 27 St James's Place, London SW1A 1NR.

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

## Independent Auditors

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

## Other

It is the Company's payment policy to obtain the best terms. The Company agrees the terms on which business will take place with its suppliers, and it is the Company's policy to abide by such terms. The Company had no trade payables at the period end (31 March 2012: nil).

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

## Future Developments

A commentary on the future development of the Group is contained in the Chairman's Statement on pages 2 and 3.

## Disclosure of Information to Auditors

With regard to the preparation of the Report and Accounts of the Company for the period ended 31 December 2012, 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.

## Statement under the UKLA Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 14 to 16 confirm that, to the best of their knowledge:

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

By Order of the Board

**J Rothschild Capital Management Limited**  
Company Secretary

**6 March 2013**



## Corporate Governance Report – Additional Disclosures

This second section of the Corporate Governance report also forms part of the Directors' Report and covers the additional disclosures required under the Disclosure and Transparency Rules of the UK Listing Authority and the UK Corporate Governance Code 2010.

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

- A.2.1 – Chairman has executive responsibilities
- B.2.3 – Non-executive directors are not appointed for specified terms
- B.2.4 – External search consultancies and open advertising are not used in the appointment of non-executive directors

### Chairman with Executive Responsibilities

Lord Rothschild is both Chairman of the Board and an Executive Director. The Board recognises that this is at variance with the recommendations of the Code, which are concerned with the potential problems of combining the running of the Board with the executive responsibility for the running of the Company. The Board believes that the current arrangements are appropriate for a self-managed investment trust and are in the best interests of the Company and its shareholders on an ongoing basis. The Company has in place a structure of permanent committees, described on pages 19 and 20, which are designed to devolve responsibility and control of certain key areas of Board responsibility away from the Chairman. The Audit and Risk Committee, the Conflicts Committee, the Remuneration Committee and the Valuation Committee are comprised entirely of independent non-executive Directors. Whilst the Nominations Committee is chaired by Lord Rothschild, independent non-executive Directors represent a majority of its members. The Board is therefore of the view that the Company is not at risk from a concentration of power caused by the Chairman having executive responsibilities and believes that Lord Rothschild is well qualified for both roles.

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

### Board Balance and Independence

The Board is comprised of eight Directors of whom one is executive, one is non-independent and non-executive and six are non-executive and independent. This balance is intended to limit the scope for an individual, or a small group of individuals, to dominate the Board's decision-making. More than half of the Board, excluding the Chairman, therefore comprise non-executive Directors determined by the Board to be independent.

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

### Appointments to the Board

The Nominations Committee is responsible for the process of appointment of new Directors to the Board. The Board, through the Nominations Committee, recognises the need to consider, on an ongoing basis, the appointment of new Directors to bring fresh impetus, diversity and objectivity. Such appointments will be made on merit and ability to devote such time as is necessary to the position, as described in each Director's letter of appointment. The Committee will also be mindful of succession planning and board balance and diversity, including on grounds of gender, when recommending future appointments to the Board. Neither open advertising nor external search consultancies have been used for non-executive Director appointments in the past, as the Board and Nominations Committee identify and assess candidates on the basis of their potential contribution to the Company.

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

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

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## Corporate Governance Report – Additional Disclosures

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### Information and Professional Development

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information through the Company Secretary, JRCM. This is effected through regular oral and written communication, including detailed papers provided for each of the Company's scheduled Board and Board committee meetings. Such communication is intended to update Directors' knowledge and familiarity with the Company and its business, to enable them to fulfil their respective roles on the Board or its committees. The Directors have access to the Company Secretary for advice and services. The Chairman, the Nominations Committee and the Company Secretary have formulated a full, formal and tailored induction process for new Directors on their joining the Board.

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

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

### Performance Evaluation

The Code requires the Company to report on the means by which performance evaluation of the Board, its committees and its individual Directors has been conducted. In the period to 31 December 2012, an external review by Armstrong Bonham Carter (ABC) covering the processes, efficiency and composition of each of the Board, its committees and the Directors was completed. 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. The Group has no other relationships with ABC, which is therefore independent. Under the Code, the evaluation of the boards of FTSE 350 companies is required to be externally facilitated at least every three years.

### Re-Election of Directors

The UK Corporate Governance Code incorporates a requirement that all directors of FTSE 350 companies should be put forward for re-election every year. All Directors of the Company stood for election or re-election at the Company's 2012 Annual General Meeting and this will be repeated at the 2013 Annual General Meeting. The Notice of Annual General Meeting is contained in a separate document circulated to shareholders, which may be viewed on the Company's website: [www.ritcap.com](http://www.ritcap.com).

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

- They both remain senior, full time executives at financial services organisations unconnected to RIT
- They do not receive any other remuneration from the Group other than their Directors' fees
- There are no relationships or circumstances likely to affect their judgement
- Both continue to challenge objectively and robustly question management

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

### Relations with Shareholders

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

Apart from when the Company is in a closed period, its net asset value is disclosed on a monthly basis to the London Stock Exchange to enable shareholders and analysts to follow the progress of the Company. The Company also maintains a website at [www.ritcap.com](http://www.ritcap.com) where shareholders have access to the latest monthly financial data released by the Company, together with historical information and financial statements.

## Corporate Governance Report – Additional Disclosures

### Accountability and Audit

#### Statement of Directors' Responsibilities

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

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

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

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

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

### Principal Risks and their Management

The principal risks facing RIT incorporate both financial risks and operational risks. The ongoing process for identifying, evaluating and managing these risks is the responsibility of the Board and the Audit and Risk Committee in conjunction with the relevant executives.

As an investment company, RIT is exposed to financial risks inherent in its portfolio which are primarily market-related and common to any portfolio predominantly invested in equities. These financial risks include market risk (price risk, interest rate risk and currency risk), credit risk and liquidity risk. Details of the overall approach to portfolio risk management, the specific categories of financial risks and their management are set out in the Investment Review on page 9 and in note 28 on pages 57 to 72.

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

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

Operational risks include those related to legal, regulatory, taxation and other areas where internal or external factors could result in financial or reputational loss.

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

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## Corporate Governance Report – Additional Disclosures

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### **Principal Risks and their Management (continued)**

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

The Audit and Risk Committee, working with the Chief Risk Officer, is responsible for ensuring that an appropriate system of risk management and internal controls is in place. This is described in more detail on page 19. As part of this approach, an internal audit of selected areas is undertaken on an annual basis. Where required improvements are identified, timetables are agreed for implementing these and progress is monitored against these timetables. Further information is set out below.

### **Internal Control**

The Board of Directors is responsible for the Group's system of internal control although it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. The Board has delegated to JRCM's executive management the implementation of the system of internal control within an established framework applicable throughout the Group. The system of internal control is reviewed at least annually. The Board considers that the necessary procedures have been implemented to satisfy the requirements of the Financial Services Authority with respect to the Turnbull guidance 'Internal Control: Guidance for Directors on the Combined Code' issued in September 1999 and revised in 2005.

As part of the review of the control environment, an internal audit of selected areas is undertaken. This is performed on an annual basis and follows a rolling program targeting key areas. The precise scope and depth of the remit will continue to be reviewed and, as appropriate, expanded. Clear and direct reporting lines between those conducting the reviews and the Chairman of the Audit and Risk Committee have been established to maximise the independence of the function from JRCM's executive management.

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

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial period and up to the date of this report through the monitoring processes set out below. During the course of its review of the system of internal controls, the Audit and Risk Committee has not identified or been apprised of any failings or weaknesses which it has determined to be significant.

### **Control Environment**

The Group has established an organisational structure which allocates defined levels of authority and reporting responsibility in respect of the operational, compliance, financial and taxation affairs of the Group to a small number of senior executives who meet regularly to discuss matters of importance to the Group.

### **Social, Environmental and Ethical (SEE) Responsibility**

The Board is responsible for the SEE policy of the Group. It has delegated the supervision of SEE related matters to the Audit and Risk Committee. Day-to-day responsibility resides with JRCM's executive management. The Company's Corporate Objective and Investment Policy does not incorporate SEE requirements or restrictions. As an investment trust, the Board considers that the Company's direct SEE impact is low. The Company monitors and has taken steps to reduce its impact on the environment, including the monitoring and reduction of emissions from its premises and the recycling of materials. The Group operates an ethics policy which applies to executive management and staff.

### **Financial Reporting and Control Procedures**

The Group operates a budgeting system. An annual budget is prepared by JRCM executive management and approved by the Board. Monthly actual results are reported against budget and reviewed regularly by JRCM's executive management.

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.

## Corporate Governance Report – Additional Disclosures

### Statement on Going Concern

The Directors have assessed the ability of the Company and the Group to continue as a going concern with reference to guidance issued by the Financial Reporting Council in October 2009. The Company and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 and 3. Further details of the financial position of the Company and the Group can be found in the Investment Review and the Investment Portfolio on pages 5 to 11. In addition, note 28 to the financial statements includes details of the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As at the period end the Group had cash at bank of £66.4 million, money market funds of £22.4 million and government bonds of £88.4 million. In addition to these liquidity balances the Group held quoted equities of £1,117.4 million. The Group's borrowings totalled £147.8 million under a facility that expires in December 2013.

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

## Investment Portfolio Reconciliation

The following table shows a reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 10 to 11, to the Consolidated Balance Sheet, as shown on page 30:

	Quoted Equity – Internally Managed £ million	Quoted Equity – Externally Managed £ million	Unquoted Direct £ million	Unquoted Funds £ million	Real Assets £ million	Absolute Return & Credit, Government Bonds and Currency £ million	Net Liquidity/ Borrowing/ Other £ million	31 December 2012 Consolidated Balance Sheet £ million
<b>Non current assets</b>								
Investments held at FV	312.4	805.0	209.9	269.0	55.2	57.3	92.6	1,801.4
Investment property	–	–	–	–	46.1	–	–	46.1
Property, plant and equipment	–	–	–	–	–	–	0.2	0.2
Retirement benefit asset	–	–	–	–	–	–	–	–
Deferred tax asset	–	–	–	–	–	–	2.7	2.7
	312.4	805.0	209.9	269.0	101.3	57.3	95.5	1,850.4
<b>Current assets</b>								
Derivative financial instruments	10.3	13.8	–	–	–	0.9	–	25.0
Sales for future settlement	–	–	–	–	–	–	66.9	66.9
Other receivables	1.4	0.7	–	–	–	–	23.5	25.6
Tax receivable	–	–	–	–	–	–	0.5	0.5
Cash at bank	18.1	11.1	–	–	–	–	37.2	66.4
	29.8	25.6	–	–	–	0.9	128.1	184.4
<b>Total assets</b>	342.2	830.6	209.9	269.0	101.3	58.2	223.6	2,034.8
<b>Current liabilities</b>								
Borrowings	–	–	–	–	–	–	(147.8)	(147.8)
Purchases for future settlement	–	–	–	–	–	–	(4.5)	(4.5)
Derivative financial instruments	–	(12.9)	–	–	(0.1)	(3.8)	(3.4)	(20.2)
Provisions	–	–	–	–	–	–	(1.2)	(1.2)
Tax payable	–	–	–	–	–	–	(0.2)	(0.2)
Other payables	–	(1.6)	–	–	–	–	(4.3)	(5.9)
	–	(14.5)	–	–	(0.1)	(3.8)	(161.4)	(179.8)
<b>Net current assets/(liabilities)</b>	29.8	11.1	–	–	(0.1)	(2.9)	(33.3)	4.6
<b>Total assets less current liabilities</b>	342.2	816.1	209.9	269.0	101.2	54.4	62.2	1,855.0
<b>Non-current liabilities</b>								
Derivative financial instruments	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	(5.4)	(5.4)
Finance lease liability	–	–	–	–	–	–	(0.5)	(0.5)
Retirement benefit liability	–	–	–	–	–	–	(1.9)	(1.9)
	–	–	–	–	–	–	(7.8)	(7.8)
<b>Net Assets</b>	<b>342.2</b>	<b>816.1</b>	<b>209.9</b>	<b>269.0</b>	<b>101.2</b>	<b>54.4</b>	<b>54.4</b>	<b>1,847.2</b>
Comprising:								
Total Investments (pages 7 and 11)	342.2	816.1	209.9	269.0	101.2	54.4	–	1,792.8
Total Liquidity, Borrowings & Other Assets/(liabilities) (page 11)	–	–	–	–	–	–	54.4	54.4
<b>Net Assets</b>	<b>342.2</b>	<b>816.1</b>	<b>209.9</b>	<b>269.0</b>	<b>101.2</b>	<b>54.4</b>	<b>54.4</b>	<b>1,847.2</b>



## Ongoing Charges

The AIC published new guidance in May 2012 in relation to the calculation of 'Ongoing Charges'. These are designed to reflect solely the costs associated with the operation of the Company as a collective investment fund.

The Group's total expenses include the cost of the profitable Spencer House banqueting subsidiary as well as other costs which are recharged to third parties. In accordance with the AIC methodology we have adjusted for these as well as one-off items or other items that do not directly relate to the investment activity. We have treated the cost of our compensation schemes as analogous to performance fees.

As a result of the change in year end, the Ongoing Charges % has been estimated using the nine month expenses of £20.2 million, adjusted to remove those costs which do not meet the AIC definition and to reflect an estimate of a full-year total. The adjusted total costs are £18.8 million as set out below:

	Period ended 31 December 2012 £ million	Year ended 31 March 2012 £ million
Total expenses	20.2	24.6
Adjustment to remove costs in accordance with the AIC methodology	(4.1)	(5.7)
Ongoing charges in period	16.1	18.9
Adjustment to estimate annualised costs <sup>1</sup>	2.7	—
Ongoing charges	18.8	18.9
Average net assets	1,838.1	1,952.0
<b>Ongoing charges</b>	<b>1.02%</b>	<b>0.97%</b>
Performance fees <sup>2</sup>	0.17%	0.13%
Ongoing charges including performance fees	1.19%	1.10%

<sup>1</sup> The estimate of annual costs takes into account non-recurring items.

<sup>2</sup> Performance fees include those paid to managers running segregated accounts as well as the cost of the Company's direct performance related compensation schemes.

# Historical Information and Financial Calendar

## Historical Information

	Diluted net assets £ million	Diluted net assets per share p	Closing share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.65
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.64
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.44
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.15
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.15
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.51
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.58
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.65
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.82
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.00
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.20
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.10
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.10
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.10
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.10
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.10
31 March 2005	1,113.1	712.7	694.0	(2.6)	90.0	3.10
31 March 2006	1,534.7	982.7	1,020.0	3.8	270.3	3.10
31 March 2007	1,635.6	1,047.3	1,000.0	(4.5)	67.0	3.10
31 March 2008	1,690.0	1,091.6	1,147.0	5.1	50.6	4.00
31 March 2009	1,350.5	874.3	831.0	(5.0)	(205.2)	7.50
31 March 2010	1,815.7	1,180.1	1,082.0	(8.3)	306.3	4.00
31 March 2011	1,984.0	1,289.4	1,307.0	1.4	111.7	4.00
31 March 2012	1,920.0	1,249.3	1,220.0	(2.3)	(35.7)	4.00
<b>31 December 2012</b>	<b>1,847.2</b>	<b>1,191.4</b>	<b>1,131.0</b>	<b>(5.1)</b>	<b>(29.6)</b>	<b>28.00</b>

## Notes:

1. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
2. Prior to 31 March 2000, the diluted net assets were arrived at on the assumption that all convertible stock was converted at the balance sheet date. By 31 March 2000, all convertible stock had been converted or redeemed.
3. The earnings per share is the fully diluted earnings per share, based on the profit after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted earnings per share exceeded the undiluted earnings per share the latter figure has been shown in accordance with standard accounting practice.
4. Dividends per share represent the amounts paid in the relevant financial period or year.

## Financial Calendar

Annual General Meeting

Tuesday 16 April 2013 at 11:00 a.m.

Payment of interim dividend  
of 14 pence per ordinary share

26 April 2013, to shareholders on the  
register on 5 April 2013



## Advisers

### COMPANY SECRETARY AND REGISTERED OFFICE

#### **J Rothschild Capital Management Limited**

(a wholly-owned subsidiary of RIT)

27 St James's Place

London SW1A 1NR

### INDEPENDENT AUDITORS

#### **PricewaterhouseCoopers LLP**

7 More London Riverside

London SE1 2RT

### SOLICITORS

#### **Linklaters LLP**

One Silk Street

London EC2Y 8HQ

### STOCKBROKER

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### ADVISERS TO THE REMUNERATION COMMITTEE

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### REGISTRARS AND TRANSFER OFFICE

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### AIC

The Company is a member of the Association of Investment Companies

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