

**Company Number: 2174139**

**RIT CAPITAL PARTNERS SECURITIES LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE NINE MONTH PERIOD ENDED**  
**31 DECEMBER 2012**

WEDNESDAY



\*A2BSPOUI\*

A16

03/07/2013

#346

COMPANIES HOUSE

---

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**Registered Office**

27 St James's Place  
London  
SW1A 1NR

**Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

**Solicitors**

Linklaters LLP  
1 Silk Street  
London  
EC2Y 8HQ

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### REPORT OF THE DIRECTORS

The Directors present the Report and Accounts of RIT Capital Partners Securities Limited (the "Company") for the nine month period ended 31 December 2012

#### **Business Review**

The Company is engaged in investment dealing. The loss after tax for the period was £10.3million, (31 March 2012 - profit £14.4m) as a result of unwinding historical dealing positions.

The principal risks and uncertainties facing the business are those arising from future directional movements in forward exchange rates and stock markets generally. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. These risks and uncertainties, which include those of the Company, are as disclosed in note 28 of the Report and Accounts of the parent Company RIT Capital Partners plc for the period ended 31 December 2012. Further information on the principal risks and uncertainties facing the Company are disclosed in note 9 of these accounts.

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

In line with the ultimate parent company the Company has moved to a 31 December year end. Accordingly these Report and Accounts are for the nine month period ended 31 December 2012. The comparative figures are for the year ended 31 March 2012. As such figures in the Report and Accounts may not be directly comparable.

#### **Financial Results and Dividends**

The income statement of the Company is set out on page 7. The Directors paid an interim dividend of £12.0m during the period (31 March 2012 - £nil).

#### **Future Developments**

The Directors expect the current business volumes and composition to decline considerably due to recent changes in legislation removing certain restrictions on the permitted activities of Investment Trusts. The Directors anticipate that a proportion of the activities carried out in the period (and in prior years) will continue within the parent company.

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### REPORT OF THE DIRECTORS (continued)

#### **Directors**

The Directors of the Company who were in office during the period and up to the date of signing the financial statements were

D J Haysey  
J A Kestenbaum  
A W Jones  
K E Thorpe  
C J Wise

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' 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 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 Company and of the profit or loss of the Company 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 International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### **Political Contributions and Charitable Donations**

During the period ended 31 December 2012, the Company made no charitable donations or political contributions (31 March 2012: £nil)

RIT CAPITAL PARTNERS SECURITIES LIMITED

REPORT OF THE DIRECTORS (continued)

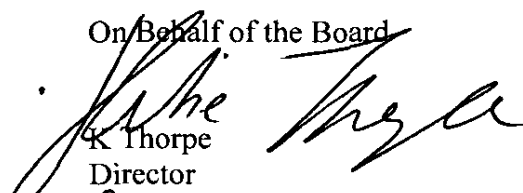
**Disclosure of Information to Auditors**

In accordance with Section 418, so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps necessary that he/she ought to have taken in their duty as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

On Behalf of the Board

  
K Thorpe  
Director  
25 June 2013

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF

### RIT CAPITAL PARTNERS SECURITIES LIMITED

We have audited the financial statements of RIT Capital Partners Securities Limited for the nine month period ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement 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

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

RIT CAPITAL PARTNERS SECURITIES LIMITED (continued)

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cash flows for the nine month period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

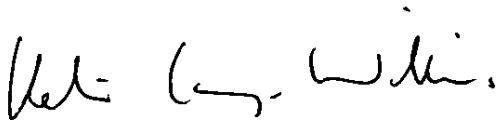
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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



Kelvin Laing-Williams (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

25 June 2013

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**INCOME STATEMENT**

**FOR THE PERIOD ENDED 31 DECEMBER 2012**

		<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>Note</b>	<b>£million</b>	<b>£million</b>
<b>Revenue</b>			
Gains/(losses) on derivative financial instruments held at fair value		(10.3)	13.7
<b>Gross profit/(loss)</b>		<u>(10.3)</u>	<u>13.7</u>
Administrative expenses	3	-	-
<b>Operating profit/(loss)</b>		<u>(10.3)</u>	<u>13.7</u>
<b>Profit/(loss) before taxation</b>		(10.3)	13.7
Taxation (charge)/credit	4	-	0.7
<b>Profit/(loss) for the period/year</b>		<u>(10.3)</u>	<u>14.4</u>

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Profit/(loss) for the period/year	(10.3)	14.4
Other comprehensive income/(expense)	-	-
<b>Total comprehensive income/(expense) for the period/year</b>	<u>(10.3)</u>	<u>14.4</u>

The notes on pages 11 to 28 form part of these accounts

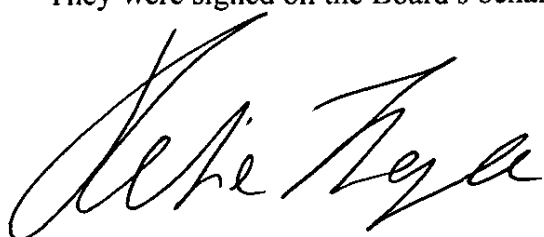


RIT CAPITAL PARTNERS SECURITIES LIMITED

BALANCE SHEET AT 31 DECEMBER 2012

			31 December 2012	31 March 2012
	Note	£million	£million	£million
<b>Current assets</b>				
Trade and other receivables	5	113.5		134.4
Derivative financial instruments	6	-		12.3
<b>Total assets</b>			113.5	146.7
<b>Current liabilities</b>				
Derivative financial instruments	6	-		(10.8)
Trade and other payables	7	(3.6)		(3.7)
<b>Total liabilities</b>			(3.6)	(14.5)
<b>Net assets</b>			109.9	132.2
<b>Equity</b>				
Share capital	8		90.0	90.0
Retained earnings			19.9	42.2
<b>Total equity</b>			109.9	132.2

The accounts were approved by the Board of Directors and authorised for issue on **25** June 2013  
They were signed on the Board's behalf by:



**K Thorpe**  
**Director**

Company number: 2174139

The notes on page 11 to 28 form part of these accounts.

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	<b>Share capital £million</b>	<b>Retained earnings £million</b>	<b>Total £million</b>
<b>Period ended 31 December 2012</b>			
Balance at 1 April 2012	90.0	42.2	132.2
Profit/(loss) for the period	-	(10.3)	(10.3)
Ordinary dividend paid	-	(12.0)	(12.0)
<b>Balance at 31 December 2012</b>	<b>90.0</b>	<b>19.9</b>	<b>109.9</b>
	<b>Share capital £million</b>	<b>Retained earnings £million</b>	<b>Total £million</b>
<b>Year ended 31 March 2012</b>			
Balance at 1 April 2011	90.0	27.8	117.8
Profit/(loss) for the year	-	14.4	14.4
Ordinary dividend paid	-	-	-
<b>Balance at 31 March 2012</b>	<b>90.0</b>	<b>42.2</b>	<b>132.2</b>

The notes on page 11 to 28 form part of these accounts

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**CASH FLOW STATEMENT**

**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	(10 3)	13 7
(Increase)/decrease/in trade and other receivables <sup>1</sup>	20 9	(2 8)
(Increase)/decrease in derivative financial instruments	1.5	(11 6)
Increase/(decrease) in trade and other payables	(0 1)	-
Taxation credit	-	0 7
In specie dividend <sup>1</sup>	(12 0)	-
	<u>-</u>	<u>-</u>
<b>Net cash generated from operating activities</b>		
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period/year	-	-
<b>Cash and cash equivalents at the end of the period/year</b>	<u>-</u>	<u>-</u>

<sup>1</sup>The consideration for the in specie dividend was a matching offset against an intercompany receivable in the period ending 31 December 2012.

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS

#### **1) Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

##### **(i) Basis of Accounting**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("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 Company's accounting period beginning on or after 1 April 2012 or later periods. The Company has decided not to early adopt them 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 (revised 2011)

IAS 28 Investments in Associates and Joint Ventures (revised 2011)

##### **Not yet endorsed:**

IFRS 1 (Amendment) First-time adoption of IFRS

IFRS 9 Financial instruments: classification and measurement

IAS 12 (Amendment) Income taxes

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### **(i) Basis of Accounting (continued)**

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 measurements: 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.

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. The principal accounting policies adopted are set out below.

#### **(ii) Foreign Currencies**

Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period in respect of those investments which are classified as fair value through profit or loss. All foreign exchange gains and losses are recognised in the income statement.

Items included in the financial statements are measured using Great British Pounds, the currency of the primary economic environment in which the entity operates ('the functional currency'). These accounts are presented in Great British Pounds, which is the Company's functional and presentational currency.

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### **(iii) Income**

Dividend income from investments is recognised when the shareholders' rights 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 Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a 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.

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 exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### **(iv) 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 income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not subject to tax or are not deductible for tax purposes. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 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.

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**(v) Derivative Financial Instruments**

Current asset investments including futures, options, and other derivative instruments, are stated in the balance sheet at fair value. The movements in fair value of trading positions are included in the income statement. Securities sold short are valued at their offer prices in accordance with IFRS.

The Company's activities expose it primarily to the financial risks of changes in equity market prices, foreign currency exchange rates and interest rates. The Company uses derivative financial instruments for trading purposes. The Company has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Company enters into the relevant contract and are derecognised on the date which it commits to their sale.

Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

**vi) Trade and Other Payables**

Other payables are not interest-bearing and are stated at their nominal value.

**vii) Trade and Other Receivables**

Trade and other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimates irrecoverable amounts.

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**2. Directors Emoluments and Auditors' Remuneration**

Emoluments attributable to Directors' services to RIT Capital Partners Securities Limited in their role as Directors comprise:

<b>Aggregate Directors' Emoluments</b>	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,750	5,000
Social security costs	518	690
Defined contribution plans	694	850
	<u>4,962</u>	<u>6,540</u>

There were no retirement benefits accrued to Directors (31 March 2012 1) under a defined benefit pension scheme and defined contribution payments were made on behalf of 5 Directors (31 March 2012 5) 5 Directors are entitled to share based payment awards (31 March 2012 5)

3 Directors exercised options in the parent Company during the period (31 March 2012: 1)

All amounts were borne by a fellow subsidiary undertaking.

**Auditors' Remuneration**

Audit related fees of £5,460 were borne by the parent Company (31 March 2012: £12,600)

**3. Administrative Expenses**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Investment management fees	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>



**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**4. Taxation**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Income tax charge/(credit)	-	(0.7)
Total tax charge/(credit)	-	(0.7)

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.

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Profit/(loss) before tax	(10.3)	13.7
Profit/(loss) before tax at the standard rate of 24% (31 March 2012 26%)	(2.5)	3.6
Losses not utilised or surrendered for no consideration	2.5	-
Utilisation of prior losses	-	(3.6)
Prior year adjustment	-	(0.7)
Total tax expense/(credit)	-	(0.7)

**5. Trade and Other Receivables**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Taxation	-	-
Amounts due from fellow group undertakings	0.1	0.1
Amounts due from parent undertaking	113.4	119.5
Broker receivables	-	1.5
Margin accounts	-	13.3
	113.5	134.4

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**6. Derivative Financial Instruments**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Derivative financial instruments	-	1.5
	-	1.5

**7. Trade and Other Payables**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
Amount due to group undertaking	3.6	3.7
	3.6	3.7

**8. Share Capital**

	<b>Period ended 31 December 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£million</b>	<b>£million</b>
<b>Allotted, issued and unpaid</b>		
90,000,000 (31 March 2012: 90,000,000)	90.0	90.0
Ordinary Shares of £1 each		

# RIT CAPITAL PARTNERS SECURITIES LIMITED

## NOTES TO THE ACCOUNTS (continued)

### **9. Financial Instruments**

As an investment dealing Company, financial instruments make up the vast majority of the Company's financial position and generate its performance. The Company holds investments in a variety of financial instruments in order to meet its objective to realise profits via its dealing activities. Asset allocation is determined by the Directors. The assets and liabilities include the following financial instruments:

- cash, liquid resources and short-term receivables and payables that arise directly from the Company's dealing activities, and
- derivative transactions

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company (which are integrated with those of the Group) are discussed below.

#### **(i) Categories of Financial Assets and Financial Liabilities**

	<b>As at 31 December 2012</b>			
	<b>Loans &amp; receivables £million</b>	<b>FVPL (held for trading) £million</b>	<b>Non financial assets £million</b>	<b>Total £million</b>
<b>Financials assets</b>				
Derivative financial instruments	-	-	-	-
Amounts due from fellow subsidiary undertakings	-	-	0.1	0.1
Parent undertaking	-	-	113.4	113.4
Cash and cash equivalents	-	-	-	-
Other receivables	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>113.5</b>	<b>113.5</b>

	<b>As at 31 March 2012</b>			
	<b>Loans &amp; receivables £million</b>	<b>FVPL (held for trading) £million</b>	<b>Non financial assets £million</b>	<b>Total £million</b>
<b>Financials assets</b>				
Derivative financial instruments	-	12.3	-	12.3
Amounts due from fellow subsidiary undertakings	-	-	0.1	0.1
Parent undertaking	-	-	119.5	119.5
Cash and cash equivalents	-	-	-	-
Other receivables	14.8	-	-	14.8
<b>Total assets</b>	<b>14.8</b>	<b>12.3</b>	<b>119.6</b>	<b>146.7</b>

# **RIT CAPITAL PARTNERS SECURITIES LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

	<b>As at 31 December 2012</b>			
<b>Financial liabilities</b>	<b>Amortised cost £million</b>	<b>FVPL (held for trading) £million</b>	<b>Other liabilities £million</b>	<b>Total £million</b>
Bank overdraft	-	-	-	-
Derivative financial instruments	-	-	-	-
Amounts due from fellow subsidiary undertakings	-	-	3.6	3.6
Other payables	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>3.6</b>	<b>3.6</b>

	<b>As at 31 March 2012</b>			
<b>Financial liabilities</b>	<b>Amortised cost £million</b>	<b>FVPL (held for trading) £million</b>	<b>Other liabilities £million</b>	<b>Total £million</b>
Bank overdraft	-	-	-	-
Derivative financial instruments	-	10.8	-	10.8
Amounts due from fellow subsidiary undertakings	-	-	3.7	3.7
Other payables	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>10.8</b>	<b>3.7</b>	<b>14.5</b>

The Company's policy for determining the fair value of investments is set out on page 14

In relation to receivables, payables and any short-term borrowings the carrying amount is a reasonable approximation of fair value. No financial assets or liabilities were reclassified by the Company during the period 31 December 2012 (31 March 2012: £nil)

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### **(ii) Financial Risk Management**

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The identification, mitigation and monitoring of these risks is undertaken by the Directors and is described in more detail below. The objectives, policies and processes for managing risks have not changed since the previous accounting period.

##### **a. Market Risk**

The fair value or future cash flows of a financial instrument held by the Company may fluctuate as a result of changes in market prices. This market risk comprises three types of risk:

- **Price Risk (b. below)**

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 (c. below)**

The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

- **Currency Risk (d. below)**

The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

##### *Management of Market Risk*

Management of market risk is fundamental to the Company's dealing objective and the dealing portfolio is continually monitored to ensure an appropriate balance of risk and reward. Exposure to any one entity is monitored by the Directors.

From time to time, the Company may seek to reduce or increase its exposure to stock market by taking positions in index futures and options relating to one or more stock markets. These instruments are used 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 investments held by the Company.

##### *Management of Price Risk*

The Directors continually monitor the Company's exposure to price risk and take appropriate action to mitigate the risk.

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

*Exposure to Price Risk*

The Company's exposure to pricing risk based on its derivatives exposure and short securities is set out below

	<b>31 December 2012 £million</b>	<b>31 March 2012 £million</b>
Derivatives subject to price risk	-	-
Exposure to price risk	-	-

*Price Risk Sensitivity Analysis*

The sensitivity of the Company's net assets and profit loss in regard to changes in market prices is illustrated below. This is based on an assumed 10% increase in the fair value of the investments and assumes all other variables are held constant. A 10% decrease is assumed to produce an equal and opposite effect.

	<b>31 December 2012 Impact on P/L &amp; Net Assets £million</b>	<b>31 March 2012 Impact on P/L &amp; Net Assets £million</b>
Price risk sensitivity	-	-

**c. Interest Rate Risk**

The Company finances its operations mainly through its share capital and retained profits. Changes in interest rates have a direct impact on the fair value or future cash flows of the Company's cash and cash equivalents and overdraft.

*Management of Interest Rate Risk*

The Directors continually monitor the Company's exposure to interest rate fluctuations. 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.

# **RIT CAPITAL PARTNERS SECURITIES LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

### *Exposure to Interest Rate Risk*

The Company's exposure of financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are re-set) and fixed interest rates (giving fair value interest rate risk when rates are re-set) is shown below

	<b>2013</b>			<b>2012</b>		
	<b>Floating £million</b>	<b>Fixed £million</b>	<b>Total £million</b>	<b>Floating £million</b>	<b>Fixed £million</b>	<b>Total £million</b>
Derivative financial instruments	-	-	-	-	0.6	0.6
Other receivables	-	-	-	13.3	-	13.3
Exposure to interest rate risk	-	-	-	13.3	0.6	13.9

Exposures vary throughout the period as a consequence of changes in the composition of the net assets of the Company arising out of dealing and risk management processes

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

### *Interest Rate Risk Sensitivity Analysis*

The approximate sensitivity of the Company's net assets and profit and loss 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 is not affected by a change in interest rates
- all other variables are held constant

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

	<b>31 December 2012</b>	<b>31 March 2012</b>
	<b>Impact on P/L &amp; Net Assets £million</b>	<b>Impact on P/L &amp; Net Assets £million</b>
Interest rate sensitivity	-	0.3

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**d. Currency Risk**

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

*Management of Currency Risk*

The Company enters into forward currency as a means of limiting or increasing its exposure to particular currencies.

*Exposure to Currency Risk*

The currency exposure of the Company's net assets at the period end is set out below

**Currency  
Exposure**

	<b>31 December 2012 £million</b>	<b>31 March 2012 £million</b>
Sterling	109.9	(93.5)
US Dollar	-	(170.8)
Japanese Yen	-	(19.2)
Euro	-	(155.9)
Swiss Franc	-	-
Singapore Dollar	-	242.1
Chinese Renminbi	-	-
Canadian Dollar	-	-
Other	-	329.5
Total	109.9	132.2



## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### *Currency Risk Sensitivity Analysis*

The sensitivity of the Group's net assets and profit and loss 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 2012 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 exchange contracts that offset the effects of changes in currency exchange rates.

Currency	31 December 2012	31 March 2012
	Impact on P/L and Net Assets £million	Impact on P/L and Net Assets £million
Sterling	-	-
US Dollar	-	15.5
Japanese Yen	-	1.7
Euro	-	14.2
Swiss Franc	-	-
Singapore Dollar	-	(22.0)
Chinese Renminbi	-	-
Canadian Dollar	-	-
Other	-	(30.0)
Total	-	(20.6)

#### **e. Credit Risk**

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

#### *Management of Credit Risk*

This risk is managed as follows.

- The vast majority of the Company transactions are settled on a delivery versus payment basis.
- Using a large number of brokers.
- Liquid investments (cash and cash equivalents) are divided between a number of different financial institutions.

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

**RIT CAPITAL PARTNERS SECURITIES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

*Exposure to Credit Risk*

The maximum exposure to credit risk at 31 December 2012 was

	<b>31 December 2012 £million</b>	<b>31 March 2012 £million</b>
Derivative financial instruments	-	12 3
Amounts due from		
Parent undertaking	113 4	119 5
Fellow subsidiary undertakings	0 1	0 1
Other receivables	-	13 3
Maximum exposure to credit risk	<u>113.5</u>	<u>145 2</u>

The credit risk associated with these balances is not considered significant, as most are with group entities

**f. Liquidity Risk**

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

*Management of Liquidity Risk*

The Company manages its liquid resources to ensure sufficient cash is available to meet all of its contractual commitments.

*Exposure to Liquidity Risk*

Liquidity risk is not viewed as significant as a substantial proportion of the Company's net assets are in cash or are due from its parent Company. In addition, the majority of the Company's liabilities are due to group companies.

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### **(iii) Collateral**

Collateral is posted by the Company in relation to derivative transactions. These are transacted under ISDA and may require collateral to be posted from time to time. The Company does not hold collateral from other counterparties.

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

	<b>31 December 2012 £million</b>	<b>31 March 2012 £million</b>
Cash collateral	-	13.3

#### **(iv) Derivative Financial Instruments**

The Company holds the following derivative instruments

- Futures and forward contracts relating to foreign currency and market indices
- Options relating to foreign currency, market indices and equities
- Swaps relating to interest rates (cash flow hedge)

As explained above, the Company uses derivatives to selectively increase exposure where desired. The notional amount of certain types of financial instruments provides a basis for comparison with instruments recognized 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 their terms. The aggregate contractual notional amount of derivative financial instruments on hand, 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 Company's derivatives unsettled at 31 December 2012 are

	<b>Notional amount £million</b>	<b>Assets (positive fair value) £million</b>	<b>Liabilities (negative fair value) £million</b>	<b>Total fair value £million</b>
<b>As at 31 December 2012</b>				
Forward currency contracts	-	-	-	-
Options	-	-	-	-
Government Bond	-	-	-	-
Absolute Return	-	-	-	-
<b>Total</b>		-	-	-

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

	Notional amount £million	Assets (positive fair value) £million	Liabilities (negative fair value) £million	Total fair value £million
<b>As at 31 March 2012</b>				
Forward currency contracts	1,487.5	8.7	(10.8)	(2.1)
Options	2.8	2.8	-	2.8
Government Bond	44.7	0.2	-	0.2
Absolute Return	33.1	0.6	-	0.6
<b>Total</b>		<b>12.3</b>	<b>(10.8)</b>	<b>1.5</b>

#### **(v) Securities Sold Short**

No securities were sold short as at 31 December 2012 (31 March 2012 £nil). The losses which may be incurred on a short sale are theoretically unlimited, whereas losses from purchases cannot exceed the total amount invested

#### **(vi) Capital Management**

The Company's primary objective in relation to the management of capital is to ensure its ability to continue as a going concern

The Company's capital at 31 December 2012 comprises

	31 December 2012 £million	31 March 2012 £million
Equity share capital	90.0	90.0
Retained earnings and other reserves	19.9	42.2
<b>Total Capital</b>	<b>109.9</b>	<b>132.2</b>

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

#### **10. Parent Undertaking**

The Company's ultimate parent undertaking and controlling party is RIT Capital Partners plc ("RITCP"), a Company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements

Copies of the group accounts of RIT Capital Partners plc may be obtained from the Company Secretary, RIT Capital Partners plc, 27, St James's Place, London SW1A 1NR

## RIT CAPITAL PARTNERS SECURITIES LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### **11. Related Party Transactions**

During the period RITCP paid tax and received investment proceeds on behalf of the Company

Amounts due to/from subsidiaries are shown in note 5 and 7 respectively. Amounts due from RITCP are shown in note 5. The amounts due to and from other group companies are payable/receivable on demand and are not secured. These amounts bear no interest and hence fair value is deemed to equal book cost.

#### **12. Interim Dividend**

During the period an in specie dividend of £12,000,000 was paid (31 March 2012 £Nil)

#### **13. Company Information**

The Company is incorporated in England and Wales under the Companies Act. The registered office is shared with its parent and is shown in note 10.