

Company Number: 2201053

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2017

THURSDAY



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COMPANIES HOUSE

J. ROTHSCHILD CAPITAL MANAGEMENT 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

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The Directors present the Report and Accounts of J. Rothschild Capital Management Limited (the “Company”) for the year ended 31 December 2017. The Company is the corporate secretary of RIT Capital Partners plc (“RITCP”) and its principal activity is the provision of investment management and administration services to RITCP.

Financial Results and Dividends

The net assets of the Company amounted to £64.7 million at 31 December 2017 (2016: £53.1 million). The profit for the year was £9.7 million (2016: £8.1 million). The Directors are satisfied with the performance of the business and do not recommend the payment of a dividend (2016: £nil). The performance of the business is measured most effectively by the Net Asset Value per share (“NAV”) of its parent company RITCP as this is the key driver of revenue and costs. The Company’s Directors are of the opinion that analysis using further Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business. At the year end RITCP’s diluted NAV per share was 1,839p (2016: 1,730p).

Future Developments

The Directors expect the current level of business and composition to continue for the foreseeable future. It is anticipated that any new activities announced by the Company’s parent may provide opportunities for further deployment of the Company’s investment expertise.

Directors

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

Lord Rothschild (Chairman)

F J Goedhuis (Chief Executive)

A W Jones

J A Kestenbaum

R Ruhman (Resigned 20 September 2017)

R M Sopher (Resigned 29 September 2017)

R Y Tabbouche

REPORT OF THE DIRECTORS (continued)

Creditors Payment Policy

The Company does not follow a specific code of practice in relation to the payment of its suppliers. The Company's policy is to agree with all its suppliers the terms of payment and conditions of business at the outset of its business transactions and, subject to the terms and conditions being met by the supplier, to make payment promptly on those terms. The Company's trade creditors at 31 December 2017 amounted to 5 days of purchases invoiced by suppliers during the year (2016: 5 days).

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The Directors 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Disclosure of Information to Auditors

In accordance with Section 418 of the Companies Act 2006, 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

Following a competitive tender process, the RITCP Board (having received a recommendation from the RITCP Audit and Risk Committee) has recommended that Ernst & Young ("EY") be appointed as the Group's auditor with effect from the 2018 RITCP Annual General Meeting. The Directors consequently anticipate EY being appointed for the 31 December 2018 year end.

Regulatory Disclosure

In accordance with the EU Capital Requirement Directive and corresponding Financial Conduct Authority rules, the Company is required to make a Pillar 3 disclosure. The Company has in place an Internal Capital Adequacy Assessment Process ("ICAAP") that informs the Pillar 3 disclosure which may be viewed, together with a separate remuneration disclosure, on the RITCP website at www.ritcap.com.

The Company's Country by Country Reporting under CRD IV can be viewed on the RITCP website at <http://www.ritcap.com/corporate-governance-codes>.

The Company is registered as a limited company and is incorporated in England and Wales, (Company Registration Number 2201053)

The Company policy on financial risk management is disclosed within the Strategic Report on page 5.

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

The financial statements on pages 8 to 39 were approved by the Board of Directors on ~~21~~22 March 2018 and signed on its behalf by:


A W Jones, Director

22 March 2018

STRATEGIC REPORT

Review of Business

The Company's principal activity is the provision of investment management and administration services to RITCP as well as acting as its corporate secretary. It is intended that this activity will continue for the foreseeable future. The services are provided under an Investment Management Agreement and the Company actively considers other revenue generating opportunities as they arise.

Under the Alternative Investment Fund Managers Directive ("AIFMD"), RITCP is classed as an Alternative Investment Fund ("AIF"). Accordingly, following implementation of AIFMD into United Kingdom law the Company is now compliant with the requirements of AIFMD.

The Company is authorised and regulated by the FCA and was approved as an Alternative Investment Fund Manager ("AIFM") on 4 September 2014.

Business Development and Performance

The financial performance of the Company is disclosed in the Report of the Directors on page 2.

The Company has continued to provide investment management, administrative and advisory services to its parent company and other entities.

At the year end, the Company Board, who are considered to be senior management, consisted of 5 Directors all of whom were men. The overall employee base is split between 32 men and 14 women.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the business are those arising from:

- the financial performance of RITCP, the Company's principal client, and a key driver of the level of revenue and variable costs;
- any future funding requirements of the RITCP Pension and Life Assurance Scheme; and
- ongoing regulatory risk.

As corporate secretary and provider of investment management and administrative services to its parent, RITCP, financial instruments held by the Company do not have a significant impact on the Company's financial position and performance. Such financial instruments that are held and the related risk management policies employed are shown in note 18 of these accounts.

On Behalf of the Board



A W Jones, Director

22 March 2018

Independent auditors' report to the members of J. Rothschild Capital Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, J. Rothschild Capital Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year 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.

We have audited the financial statements, included within the Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet, the Income Statement, Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

22 March 2018

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Revenue	2	33,020	32,029
Gains on portfolio investments held at fair value		827	1,847
Exchange (losses)/gains		(24)	62
Operating profit		<u>33,823</u>	<u>33,938</u>
Operating expenses		(24,451)	(27,012)
Profit before tax	3	<u>9,372</u>	<u>6,926</u>
Tax credit	6	<u>329</u>	<u>1,154</u>
Profit for the year		<u>9,701</u>	<u>8,080</u>

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Profit for the year		9,701	8,080
<i>Other comprehensive income/(expense)</i>			
<i>Items that will not be reclassified subsequently to net income</i>			
Actuarial gain/(loss) in defined benefit pension plan	13	2,812	(3,354)
Deferred tax (charge)/credit allocated to actuarial gain/(loss)		(925)	480
Total other comprehensive income/(expense)		<u>1,887</u>	<u>(2,874)</u>
Total comprehensive income for the year		<u>11,588</u>	<u>5,206</u>

The amounts included above are net of tax where applicable; the effect of tax balances are disclosed in note 6.

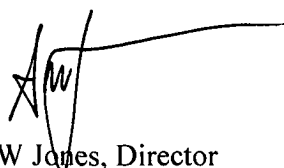
The notes on pages 12 to 39 form part of these accounts.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2017

		2017	2016
	Note	£'000	£'000
Non-current assets			
Investments held at fair value	7	20,654	18,270
Property, plant and equipment	8	283	349
Retirement benefit asset	13	1,762	-
Deferred tax asset	10	3,758	3,738
		<u>26,457</u>	<u>22,357</u>
Current assets			
Trade and other receivables	9	60,954	58,316
Cash and cash equivalents		4,414	2,249
		<u>65,368</u>	<u>60,565</u>
Current liabilities			
Trade and other payables	11	(19,282)	(20,978)
		<u>46,086</u>	<u>39,587</u>
Net current assets			
		<u>46,086</u>	<u>39,587</u>
Non-current liabilities			
Share-based payment liability	11	(7,201)	(6,994)
Retirement benefit liability	13	-	(1,813)
Deferred tax liability	10	(617)	-
		<u>(7,818)</u>	<u>(8,807)</u>
Net assets			
		<u>64,725</u>	<u>53,137</u>
Equity			
Share capital	12	6,250	6,250
Retained earnings		58,475	46,887
Total equity		<u>64,725</u>	<u>53,137</u>

The accounts were approved by the Board of Directors and authorised for issue on March 22 2018. They were signed on the Board's behalf by:



A W Jones, Director

Company number: 2201053

The notes on pages 12 to 39 form part of these accounts.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Retained earnings	Total equity
Year ended 31 December 2017	£'000	£'000	£'000
Balance at 1 January 2017	6,250	46,887	53,137
Profit for the year	-	9,701	9,701
Actuarial gain in defined benefit plan	-	2,812	2,812
Deferred tax charge allocated to actuarial gain	-	(925)	(925)
Total comprehensive income for the year	-	11,588	11,588
Balance at 31 December 2017	6,250	58,475	64,725

	Share capital	Retained Earnings	Total equity
Year ended 31 December 2016	£'000	£'000	£'000
Balance at 1 January 2016	6,250	41,681	47,931
Profit for the year	-	8,080	8,080
Actuarial loss in defined benefit plan	-	(3,354)	(3,354)
Deferred tax credit allocated to actuarial loss	-	480	480
Total comprehensive income for the year	-	5,206	5,206
Balance at 31 December 2016	6,250	46,887	53,137

The notes on pages 12 to 39 form part of these accounts.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Cash flows from operating activities	£'000	£'000
Profit before tax	9,372	6,926
Increase in receivables	(2,639)	(10,900)
(Decrease)/Increase in payables	(1,489)	6,651
Depreciation	81	84
Unrealised gain on investments	(827)	(1,847)
Increase in retirement benefit liability	(763)	(1,051)
Net cash generated from/(used in) operating activities	3,735	(137)
Cash flows from investing activities		
Purchase of investments	(11,771)	(5,622)
Sale of investments	10,215	4,884
Purchases of property, plant and equipment	(14)	(21)
Net cash used in investing activities	(1,570)	(759)
Net increase/(decrease) in cash and cash equivalents	2,165	(896)
Cash and cash equivalents at beginning of year	2,249	3,145
Cash and cash equivalents at the end of year	4,414	2,249

The notes on pages 12 to 39 form part of these accounts.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 periods presented, unless otherwise stated.

(i) Basis of Accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union, IFRS Interpretations Committee (“IFRS IC”) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company is domiciled in the United Kingdom.

These financial statements include the aggregated results and net assets of The J. Rothschild Capital Management Limited Employee Benefit Trust, which the Company funds and is considered to control under IFRS 10.

Accounting policies have been consistently applied. The following standards are mandatory for the Group’s accounting periods beginning on 1 January 2018:

- IFRS 9 Financial instruments – Classification and Measurement
- IFRS 15 Revenue from Contracts with Customers

The Directors have carefully considered the potential impact of these new standards on the Group’s accounts and financial position. None of the standards are expected to have a material impact in the period of initial application. This is because:

- i. the application of the existing accounting policy for trade and other receivables results in a position consistent with the expected credit loss model required under IFRS 9 due to the short-term nature of these balances;
- ii. the application of the existing accounting policy for trade and other payables results in a position entirely consistent with the initial recognition at fair value and subsequent measurement at amortised cost required under IFRS 9 due to the short-term nature of these balances;
- iii. the application of the existing accounting policy for investments (held at fair value) results in a position entirely consistent with that allowed under the fair value option of IFRS 9;
- iv. share-based payment balances are specifically excluded from IFRS 9; and
- v. The Company has contracts with customers that contain specified performance obligations, with discrete, short-term performance cycles, and recognises revenue only when all the performance obligations in a particular performance cycle are satisfied.

IFRS 16 Leases will be applicable to the financial year ending December 2019. The Directors will disclose their estimate of any effect this standard may have in the Report and Accounts for the financial year ended 31 December 2018.

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies (continued)

(i) Basis of Accounting (continued)

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. The principal accounting policies adopted are set out below.

The Company is considered to operate as a single segment. As the Company does not have debt or equity instruments that are traded on the public market and does not file accounts with the Securities and Exchange Commission it does not fall within the scope of IFRS 8.

(ii) 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 Company's investments are defined by IFRS as investments designated at fair value through profit and loss 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.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies (continued)

(ii) Investments (continued)

Where there are securities designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the year.

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

(iii) Foreign Currencies

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

Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All foreign exchange gains and losses are recognised in the income statement.

(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 year. 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 at 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 year 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.

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies (continued)

(v) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprises cash balances and deposits held at call and short notice with banks. Bank overdrafts where applicable are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

(vi) Property, Plant and Equipment

Property, plant and equipment is shown at cost less accumulated depreciation. It is calculated by the Company on a straight-line basis by reference to the 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 3 years for computer equipment, between 3 and 18 years for furniture and fittings and 4 years in respect of motor vehicles.

Work in progress comprises assets under construction or pending installation which are stated at cost and are not depreciated until ready for their intended use.

(vii) Pensions

J. Rothschild Capital Management Limited is a participating employer in the RITCP 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 Company accounts for its defined benefit retirement scheme by reference to IAS 19, Employee Benefits. For the defined benefit retirement scheme, the cost of benefits accruing during the year in respect of current and past services is charged to the income statement. The expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time are also recognised in the income statement. Actuarial gains and losses are recognised in the statement of comprehensive income. An actuarial valuation of the defined benefit retirement scheme is undertaken every three years as at 1 January and is updated as at each principal reporting date.

The valuation is carried out using the projected unit credit method of funding basis. The income statement also includes cost incurred in respect of defined contribution schemes and these costs comprise the contributions payable in the year.

(viii) 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.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies (continued)

(ix) Share-based Payments

In accordance with IFRS 2, Share-Based Payment, the Company is required to reflect in its Income Statement and Balance Sheet the effects of share-based payment transactions. The Company has two principal share-settled incentive schemes, the Annual Incentive Scheme (AIS) and the Share Appreciation Rights (SAR) Plan.

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

As settlement of awards is in the shares of the Company's parent, the SAR plan is classed in the accounts of the Company as a cash-settled scheme. The Company measured awards at fair value using a trinomial option valuation model. At each reporting date any changes to the fair value of existing awards are recognised in the profit or loss for the period to ensure that the cost recognised in profit or loss to date represents appropriately both the fair value and time apportionment of existing awards.

Shares required to settle the estimated future liabilities from grants or exercises under both schemes are purchased by an Employee Benefit Trust, which the Company considers itself to control under IFRS 10.

Further details of both incentive schemes can be found in the Report and Accounts of RITCP which is available on its website www.ritcap.co.uk or on request from the address in note 16 of these accounts.

(x) Revenue and Expenses

All revenue and expenses are accounted for on an accruals basis.

(xi) 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 Company'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 discussed on the following page.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies (continued)

(xi) Critical Accounting Assumptions and Judgements (continued)

Retirement benefit obligation

The determination of the pension cost and the defined benefit obligation of the Company's defined pension scheme depend on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth, longevity and the expected return on the scheme assets. Any changes in these assumptions will impact the carrying amount of the pension obligation. The expected return on scheme assets is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns. The Company determines the appropriate discount rate at the end of each period; 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 the actual experience or future changes in assumptions will be reflected in the 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 24 in the RIT Capital Partners plc accounts.

(xii) Consolidation Exemption

The Company is a wholly-owned subsidiary of RITCP and is included in its consolidated financial statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

(xiii) Capital

The Company seeks to maintain sufficient capital and reserves so as to be able to comply with its regulatory requirements.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Revenue

Revenue from parent undertaking represents the fees receivable for the provision of investment management and administrative services.

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Revenue from parent undertaking	32,048	31,013
Other income	970	1,012
Interest receivable	2	4
	<u>33,020</u>	<u>32,029</u>

3. Profit before Tax

Profit before taxation is stated after charging £81,000 (2016: £84,000) in respect of depreciation.

Auditors' Remuneration

Audit related fees of £34,200 were borne by the parent company (2016: £33,350).

4. Employee Benefit Expenses

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Wages and salaries	8,889	11,291
Social security costs	1,249	1,453
Other pension costs:		
Defined benefit scheme	133	44
Defined contribution plans	704	755
Share-based payments	10,604	10,540
	<u>21,579</u>	<u>24,083</u>

The average monthly number of employees during the year was 44 (2016: 48) all of whom were engaged in investment management and related supporting activities for both the current and prior year.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

5. Directors' Emoluments and Auditors' Remuneration

Emoluments attributable to Directors' services to J. Rothschild Capital Management Limited in their role as Directors comprise:

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Aggregate Directors' Emoluments	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Wages and salaries	5,094	7,408
Social security costs	695	1,015
Termination benefits	-	196
Defined contribution pension expense	33	110
	<u>5,822</u>	<u>8,729</u>

No retirement benefits accrued to Directors in office in either year under a defined benefit pension scheme. Defined contribution (or similar) payments were made on behalf of five Directors (2016: five). Five Directors are entitled to Share-based payment awards as at 31 December 2017 (2016: seven). The highest paid Director had aggregate emoluments of £1,457,513 (2016: £2,362,014) and exercised share-based payment awards of £3,417,964 during the year (2016: £284,250). No Director received compensation for loss of office (2016: one – £196,000).

During the year four Directors exercised SARs whose value is related to the price of shares of the parent company (2016: four).

6. Tax Credit

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Corporation tax charge	-	-
Adjustments in respect of prior years	-	-
Current tax charge	-	-
Deferred tax credit	(370)	(1,499)
Adjustments in respect of prior years	(2)	(7)
Effect of changes in tax rate	43	352
Total tax credit	<u>(329)</u>	<u>(1,154)</u>

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

6. Income Tax Credit (continued)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 19.25% (2016: 20%).

The tax credit for the year differs (2016: differs) from the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
	£'000	£'000
Profit before tax	9,372	6,926
Profit before tax at the standard rate of 19.25% (2016: 20%)	1,804	1,385
Effect of:		
Disallowable expenses	21	10
Pension contributions	(147)	(210)
Gains/losses not taxable	(159)	(370)
Share-based payments	(276)	(434)
Group relief	(1,613)	(1,880)
Adjustments in respect of prior years	(2)	(7)
Effect of changes in tax rate	43	352
Total tax credit	(329)	(1,154)

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Investments held at fair value

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Investments Held at Fair Value		
Shares held in RIT Capital Partners plc	20,654	18,270
	20,654	18,270

During the year the Employee Benefit Trust purchased 620,888 shares and disposed of 537,435 shares in RIT Capital Partners plc (2016: 329,278 and 293,082 respectively). At 31 December 2017 the Employee Benefit Trust owned 1,052,679 shares in RITCP (2016: 969,226) with a share price of £19.62 (2016: £18.85).

Other investments

At 31 December 2017 the Company has one wholly-owned subsidiary (2016: one) RIT Investments GP Limited (RIT GP), which is stated at cost. The Company has used the exemption from consolidation under Companies Act section 400 and IAS 27 and has not prepared consolidated accounts. RIT GP acts as general partner to certain investment partnerships and has share capital of £1. RIT GP is registered in Scotland and its registered address is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

8. Property, Plant and Equipment

	Furniture & fittings £'000	Computer equipment £'000	Motor vehicles £'000	Work in progress £'000	Total £'000
Cost					
At 1 January 2017	870	701	72	-	1,643
Additions	-	15	-	-	15
At 31 December 2017	870	716	72	-	1,658

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

8. Property, Plant and Equipment

	Furniture & fittings £'000	Computer equipment £'000	Motor vehicles £'000	Work in progress £'000	Total £'000
Accumulated Depreciation					
At 1 January 2017	632	622	40	-	1,294
Charge for the year	20	43	18	-	81
Disposals	-	-	-	-	-
At 31 December 2017	652	665	58	-	1,375

Net Book Value

At 31 December 2017	218	51	14	-	283
At 31 December 2016	238	79	32	-	349

	Furniture & fittings £'000	Computer equipment £'000	Motor vehicles £'000	Work in progress £'000	Total £'000
Cost					
At 1 January 2016	870	612	72	68	1,622
Additions	-	21	-	-	21
Disposals	-	68	-	(68)	-
At 31 December 2016	870	701	72	-	1,643

**Accumulated
Depreciation**

At 1 January 2016	612	575	23	-	1,210
Charge for the year	20	47	17	-	84
Disposals	-	-	-	-	-
At 31 December 2016	632	622	40	-	1,294

Net Book Value

At 31 December 2016	238	79	32	-	349
At 31 December 2015	258	37	49	68	412

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

9. Trade and Other Receivables

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Trade receivables	16	21
Amounts due from parent undertaking	60,601	57,923
Prepayments and accrued income	310	355
Other receivables	27	17
	<u>60,954</u>	<u>58,316</u>

Amounts due from parent undertakings and related parties are interest free and receivable on demand.

10. Deferred Tax

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Balance at 1 January	3,738	2,104
Credit to Income Statement	329	1,154
(Charge)/credit to Statement of Comprehensive Income	(925)	480
Rounding	(1)	-
Balance at 31 December	<u>3,141</u>	<u>3,738</u>

Analysis of deferred tax asset/(liability):

Accelerated capital allowances	132	115
Deferred tax on retirement benefit (liability)/asset	(617)	308
Deferred tax on share-based payments	3,626	3,315
Balance at 31 December	<u>3,141</u>	<u>3,738</u>

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Deferred tax liability	(617)	-
Deferred tax asset	3,758	3,738
Balance at 31 December	<u>3,141</u>	<u>3,738</u>

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

10. Deferred Tax (continued)

No deferred tax assets have been offset against deferred tax liabilities. Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of future taxable profits is probable. These assets are recognised at the relevant 'substantively enacted' tax rate of 17% (2016: 17%).

11. Current and Non-Current Liabilities

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Current liabilities		
Trade payables	34	39
Accruals	4,746	6,875
Share-based payment liability	14,132	12,502
Other payables	370	1,514
Amount due to group undertakings	-	48
	<u>19,282</u>	<u>20,978</u>
Non-current liabilities		
Share-based payment liability	7,201	6,994
Deferred tax liability	617	-
Retirement Benefit Liability	-	1,813
	<u>7,818</u>	<u>8,807</u>

Amounts due to fellow group undertakings are interest free and are payable on demand.

12. Share Capital

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Allotted, issued and fully paid:		
Equity interests		
6,250,000 (2016: 6,250,000) Ordinary shares of £1	6,250	6,250
Non-equity interests		
1 Special Rights Redeemable Preference Share (2016: 1)	-	-
	<u>6,250</u>	<u>6,250</u>

The Company has issued one (2016: one) Special Rights Redeemable Preference Share of £1 (2016: £1) to The J. Rothschild Name Company Limited, an entity formed to protect the use of the corporate name J. Rothschild.

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Pension Commitments

The Company 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 year in which they occur. The retirement benefit liability recognised in the balance sheet represents the fair value of the Scheme’s assets as reduced by the present value of the defined benefit obligation (“DBO”). The cost of providing benefits is determined using the projected unit credit method.

It is estimated that the contributions payable to the Scheme during the year ending 31 December 2018 will be £500,000 (31 December 2017: 1,095,000).

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

Description of Scheme Characteristics and Associated Risks

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

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

- **Asset volatility:** The Scheme’s liabilities are calculated using a discount rate set with reference to corporate bond yields. If the Scheme’s assets underperform this yield, this may lead to a worsening of the funding position of the Scheme. The Scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term but give exposure to volatility and risk in the short term.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Pension Commitments (continued)

- Changes in bond yields: A decrease in corporate bond yields will increase the Scheme's liabilities although this will be partially offset by an increase in the value of the Scheme's bond holdings.
- Life expectancy and concentration risk: The majority of the Scheme's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the Scheme's liabilities, whilst inflationary increases result in higher sensitivity to changes in life expectancy. There is the risk that the members live longer than implied by current assumptions used. In particular, the majority of the Scheme's liabilities are held by a small number of members, and if these members live longer than assumed this could put strain on the funding of the Scheme.

The Scheme has adjusted its portfolio to include a portfolio of bonds that is a closer match to the liabilities. This is expected to decrease the volatility of the Scheme funding level. As a result of the most recent actuarial valuation performed as at 1 January 2017, the Company has agreed to pay contributions to the Scheme of £500,000 per annum for five years from 1 September 2017. The next actuarial valuation will be as at 1 January 2020.

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

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

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Recognised in the income statement		
Defined contribution schemes	704	755
Defined contribution cost recognised in the income statement	704	755
Defined benefit scheme:		
Current service cost	98	81
Net interest on net defined benefit liability/(asset)	35	(37)
Defined benefit cost recognised in the income statement	133	44

The current service cost includes £45,000 of trustee fees and other administrative expenses (2016: £42,000).

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Pension Commitments (continued)

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Recognised in the Statement of Comprehensive Income		
Defined benefit scheme:		
Actuarial loss/(gain) due to liability experience	95	(31)
Actuarial (gain)/loss due to liability assumption changes	(1,622)	5,101
Actuarial (gain)/loss arising during year	(1,527)	5,070
Return on Scheme assets greater than discount rate	(1,285)	(1,716)
Remeasurement effects recognised in the Statement of Comprehensive Income	(2,812)	3,354
	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Defined Benefit Cost		
Current service cost:	98	81
Net interest on net defined benefit liability/(asset)	35	(37)
Remeasurement effects recognised in the Statement of Comprehensive Income	(2,812)	3,354
Total cost/(benefit)	(2,679)	3,398
Total pension cost/(benefit)	(1,975)	4,153

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Pension Commitments (continued)

The assumptions used to determine the defined benefit cost over the reporting periods were per annum	At 31 Dec 2017	At 31 Dec 2016
Discount rate	2.55%	3.75%
Price inflation (RPI)	3.50%	3.30%
Rate of salary increase	2.00%	2.50%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.30%
Pension increases for deferred benefits	3.50%	3.30%

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

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Changes in the DBO		
DBO at end of prior year	24,735	19,800
Current service cost	98	81
Interest cost on the DBO	624	727
Actuarial loss/(gain) - experience	95	(31)
Actuarial gain - demographic assumptions	(1,187)	-
Actuarial (gain)/loss - financial assumptions	(435)	5,101
Benefits paid from scheme assets	(576)	(943)
Total DBO	23,354	24,735

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Changes in the scheme assets		
Opening fair value of the scheme assets	22,922	20,290
Interest income on scheme assets	589	764
Return on scheme assets greater than discount rate	1,285	1,716
Employer contributions	897	1,095
Benefits paid	(531)	(901)
Administrative costs paid	(45)	(42)
Total Scheme assets	25,117	22,922

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Pension Commitments (continued)

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

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Development of the Net Balance Sheet Position		
Net defined benefit (liability)/asset at end of prior year	(1,813)	490
Service cost	(98)	(81)
Net interest on defined benefit (liability)/asset at end of prior year	(35)	37
Remeasurement effects recognised in the Statement of Comprehensive Income	2,812	(3,354)
Employer contributions	896	1,095
Net defined benefit asset/(liability)	1,762	(1,813)

The assumptions used to determine the measurements at the reporting dates per annum

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Discount rate	2.65%	2.55%
Price inflation (RPI)	3.45%	3.50%
Rate of salary increase	3.00%	2.00%
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.35%	4.35%
Pension increases for deferred benefits (non GMP)	3.45%	3.50%
Scheme participation census date	31 December 2017	31 December 2016
Post retirement mortality assumption	SAPS ¹	SAPS ¹

¹ SAPS 'S2' light series year of birth tables allowing for CMI projections and a 1.5% per annum long-term trend.

Sensitivity analysis

In accordance with IAS 19 (Revised) the sensitivity of the defined benefit obligation to the relevant actuarial assumptions is shown below. In each case the changed sensitivity has been considered in isolation i.e. all other factors remaining constant.

NOTES TO THE ACCOUNTS (continued)FOR THE YEAR ENDED 31 DECEMBER 2017**13. Pension Commitments (continued)**

			31 Dec 2017
			£'000
Defined benefit obligation			23,354
Significant Actuarial Assumptions at 31 December 2017	Assumption used for sensitivity	Sensitivity analysis	Revised DBO for each sensitivity £'000
Discount rate	2.15% p.a.	0.5% p.a. decrease	25,609
Price inflation (RPI)	3.95% p.a.	0.5% p.a. increase	23,624
Life expectancy	-	Increases by 1 year	24,211

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

			31 Dec 2017
			£'000
Analysis of DBO participant category			
Active participants			1,409
Deferred participants			4,576
Pensioners			17,369
Defined benefit obligation			<u>23,354</u>
Fair value of Scheme assets			<u>25,117</u>
Scheme asset breakdown			31 Dec 2017
	Unquoted securities ¹	Other	Total
Equity securities	42%	9%	51%
Fixed income and credit	33%	6%	39%
Alternative investments	2%	3%	5%
Cash and liquidity/other	5%	-	5%
	<u>82%</u>	<u>18%</u>	<u>100%</u>

¹Classed as Level 2 assets under IFRS 13-Fair Value Measurement

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

14. Share-based Payments

The Company accounts for its share-based payment schemes as a cash settled share-based payment arrangement.

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 15% (2016: 15.7%), dividend yield of 1.6% (2016: 1.6%) per annum, contractual life of four and a half years, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historical data in respect of RITCP's share price.

Following the expiry of a three-year vesting period, participants in the SARs plan are entitled to exercise their SARs. This is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied. Currently the performance condition requires that the increase in the total shareholder return of RITCP exceeds the growth in the Retail Price Index plus 3 percentage points per annum over the three-year performance period.

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.

Details of the share options outstanding during the year are as follows:

	31 Dec 2017 Notional no. of shares	31 Dec 2017 Weighted average strike price (p)	Weighted average share price at exercise (p)
Outstanding at 1 January 2017	3,247,165	1,397.9	-
Granted	1,033,357	1,891.0	-
Exercised	(856,663)	1,314.1	1,918.1
Lapsed/forfeited	(82,937)	1,725.2	-
Outstanding at 31 December 2017	3,340,922	1,563.8	

NOTES TO THE ACCOUNTS (continued)FOR THE YEAR ENDED 31 DECEMBER 2017**14. Share-based Payments (continued)**

	31 Dec 2016 Notional no. of shares	31 Dec 2016 Weighted average strike price (p)	Weighted average share price at exercise (p)
Outstanding at 1 January 2016	3,058,530	1,304.6	-
Granted	812,600	1,583.0	-
Exercised	(577,516)	1,157.1	1,707.4
Lapsed/forfeited	(46,449)	1,482.2	-
Outstanding at 31 December 2016	<u>3,247,165</u>	<u>1,398.0</u>	

The outstanding SARs at 31 December 2017 had exercise prices ranging between 796 pence and 1,891 pence (2016: 796 pence and 1,583 pence) with a weighted average of 1,563 pence (2016: 1,398 pence). The weighted average remaining contractual life of these SARs was 7.4 years (2016: 7.5 years). Included in the outstanding amount at year end were SARs representing a notional number of 685,559 shares (2016: 556,571), which had vested and were capable of being exercised. These had exercise prices ranging between 796 pence and 1,314 pence (2016: 796 pence and 1,314 pence) with a weighted average of 1,123 pence (2016: 1,076 pence).

During the year ended 31 December 2017 the Company granted 1,033,357 SARs (2016: 812,600) and the weighted average fair value of those SARs was 142 pence (2016: 182 pence). During the year the Company recognised an expense of £5.8 million (2016: expense £6.6 million) relating to SARs and an expense of £4.8 million (2016: expense £3.9 million) relating to deferred share and similar awards. The provision reflected in the balance sheet is as follows:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Amounts falling due within one year	14,132	12,502
Amounts falling due in greater than one year	<u>7,201</u>	<u>6,994</u>
	<u>21,333</u>	<u>19,496</u>

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

15. Contingencies, Guarantees and Financial Commitments

As at 31 December 2017 the Company has no contingencies or guarantees (2016: nil). Financial commitments include the requirement to fund the RITCP Pension and Life Assurance Scheme refer to note 13 in these accounts.

16. Ultimate Parent Undertaking

The Company's ultimate parent undertaking and controlling party is RIT Capital Partners plc, 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.

17. Related Party Transactions

During the year ended 31 December 2017, the Company transacted with eleven entities classified as related to Lord Rothschild as a result of him having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24.

The Company has arrangements with these related parties covering the provision and receipt of investment advisory, administrative and support services.

	2017	2016	2017	2016
	Revenue	Revenue	Expenses	Expenses
	£'000	£'000	£'000	£'000
Related Party Transactions	665	734	345	458

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

17. Related Party Transactions (continued)

The amounts due from/to related parties at year end are disclosed below:

	2017	2016	2017	2016
	Receivable	Receivable	Payable	Payable
	£'000	£'000	£'000	£'000
Due from/to Related Parties	4	2	1	60

For the year ended 31 December 2017 the Company received £90,888 in director's fees from investee companies for the services of senior management (2016: £80,941). The Company does not hold any security in respect of the above balances due from related parties.

Transactions with RIT Capital Partners plc

The Company provides investment management and administrative services to RITCP and is also its corporate secretary. During the year ended 31 December 2017 the charge for these administrative services amounted to £32.0 million (2016: £31.0 million). At year end there were no amounts due from senior management (2016: £nil).

RITCP Pension and Life Assurance Scheme

The Company's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in note 13. There were no amounts owing to or by the pension scheme to the Company, or any Subsidiary, at 31 December 2017 (2016: £nil).

Key management personnel

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

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

17. Related Party Transactions (continued)

Key management personnel's emoluments	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Short-term benefits	3,795	4,611
Other long-term benefits	1,994	3,812
Termination benefits	-	196
Post-employment benefits	33	110
Share-based payment	8,671	7,634
	<u>14,493</u>	<u>16,363</u>

18. Financial Instruments and Risk Management

As the corporate secretary and provider of investment management and administrative services to its parent, RITCP, financial instruments do not have a significant impact on the Company's financial position and performance. The nature and extent of the financial instruments outstanding at the balance sheet date are set out below. All investments are held at fair value through the profit and loss account, ("FVPL").

Other receivables mainly comprise balances due from parent company, which is considered to have limited credit risk.

Categories of financial assets and financial liabilities

Financial Assets as at 31 December 2017	Loans & Receivables	FVPL	Non- financial Assets	Total
	£'000	£'000	£'000	£'000
Investments held at fair value	-	20,654	-	20,654
Property, plant and equipment	-	-	283	283
Cash and cash equivalents	4,414	-	-	4,414
Retirement benefit asset	-	-	1,762	1,762
Deferred tax asset	-	-	3,758	3,758
Other receivables	60,645	-	-	60,645
	<u>65,059</u>	<u>20,654</u>	<u>5,803</u>	<u>91,516</u>

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

18. Financial Instruments and Risk Management (continued)

Categories of financial assets and financial liabilities

Financial Assets as at 31 December 2016	Loans & Receivables	FVPL	Non-financial Assets	Total
	£'000	£'000	£'000	£'000
Investments held at fair value	-	18,270	-	18,270
Property, plant and equipment	-	-	349	349
Cash and cash equivalents	2,249	-	-	2,249
Retirement benefit asset	-	-	-	-
Deferred tax asset	-	-	3,738	3,738
Other receivables	57,962	-	-	57,962
	<u>60,211</u>	<u>18,270</u>	<u>4,087</u>	<u>82,568</u>

None of the above are considered to be impaired.

Categories of financial assets and financial liabilities

Financial liabilities as at 31 December 2017	Amortised Cost	FVPL	Non-financial Liabilities	Total
	£'000	£'000	£'000	£'000
Share-based payment liability	-	-	21,333	21,333
Retirement benefit liability	-	-	-	-
Deferred tax liability	-	-	617	617
Other payables	5,160	-	-	5,160
	<u>5,160</u>	<u>-</u>	<u>21,950</u>	<u>27,110</u>

Financial liabilities as at 31 December 2016	Amortised Cost	FVPL	Non-financial Liabilities	Total
	£'000	£'000	£'000	£'000
Share-based payment liability	-	-	19,496	19,496
Retirement benefit liability	-	-	1,813	1,813
Deferred tax liability	-	-	-	-
Other payables	8,476	-	-	8,476
	<u>8,476</u>	<u>-</u>	<u>21,309</u>	<u>29,785</u>

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

18. Financial Instruments and Risk Management (continued)

The Company's assets and liabilities include the following financial instruments:

- investments in limited liability partnerships
- investments in quoted equities
- cash, overdrafts and trade and other receivables and trade and other payables that arise directly from the Company's activities

The vast majority of the trade and other receivables are due from RITCP and are therefore not viewed as subject to significant credit risk. The Company benefits from RIT's liquidity management procedures and seeks to hold cash balances necessary only for short-term working capital on its own account.

The value of the pension scheme liability is exposed to market risk. If the value were to be further eroded by deteriorating market conditions, the Company may be requested to increase the level of its contributions by the Trustees of the scheme.

The fair value of investments at 31 December 2017 of £20,654,000 (2016: £18,270,000) is exposed to price risk. A 10% decrease in the fair value of the investments would result in a £2,065,400 reduction in profits and net assets (2016: £1,827,000). A 10% rise in fair value would have exactly the opposite effect. In each case the impact of fair value changes is considered only for the financial instruments balance.

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. The financial instruments subject to market risk are the RITCP shares held in the EBT asset. However, any gain or loss due to market changes will be offset by an opposing movement in the Share-based payment liability. The Company has a strategy in place to ensure sufficient shares are held to match predicted vestings.

Capital management is considered at a group wide basis. The primary objectives in relation to the management of the Company's capital are:

- the ability to continue as a going concern;
- the ability to meet all regulatory capital requirements

The Company is subject to externally imposed capital requirements imposed by the FCA and must ensure that it has sufficient capital to meet these requirements. J. Rothschild Capital Management was in compliance with the FCA's capital requirements throughout the year.

J. ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

18. Financial Instruments and Risk Management (continued)

The Company's capital at 31 December 2017 and 31 December 2016 comprised:

£'000	2017	2016
Equity share capital	6,250	6,250
Retained earnings and other reserves	58,475	46,887
Total capital	64,725	53,137

Further information regarding policies of the group for risk management can be found in note 34 of the RITCP Report and Accounts.

In accordance with IFRS 13 the Company is required 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company 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.

Of the investments held by the Company £20,654,000 (2016: £18,270,000) met the definition of a level 1 asset. The remainder met the definition of a level 3 asset under the revision to IFRS 13 as the inputs are not based upon observable market data.

Movements in Level 3 Investments:

The Company does not hold any material investments which meet the definition of a level 3 asset. There have been no reclassifications of investments during the year (2016: none).

There is no material foreign currency exposure related to any of the Company's assets.

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

19. Significant Holdings

The Company has limited partner interests in Darwin Private Equity LLP (33.34%) and Darwin General Partnership LP (33.34%), both of which are registered in the United Kingdom and whose principal place of business is 15 Bedford Street, London, WC2E 9HE and 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ respectively.

20. 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 16.