

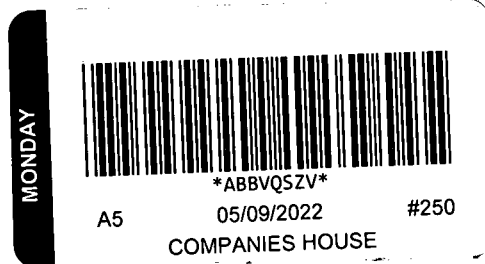
Company Number: 02201053

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2021



J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

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J ROTHSCILD CAPITAL MANAGEMENT LIMITED

COMPANY INFORMATION

Registered Office

27 St James's Place
London
SW1A 1NR

Independent Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Solicitor

Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

Banker

Lloyds Bank
City Office
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

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 2021.

Principal Activity

The Company’s principal activity is the provision of investment management and administration services to RIT Capital Partners plc (“RIT”). It also acts as corporate secretary of RIT.

Financial Results and Dividends

The net assets of the Company amounted to £102.5 million at 31 December 2021 (2020: £105.1 million). The loss for the year was £3.5 million (2020: profit £21.2 million), primarily due to a large increase in share-based payment expense, itself mainly as a result of a 33% increase in the RIT share price. The Company has ample reserves to absorb the loss and expects the sensitivity of the Company’s profits to be significantly reduced going forward, in part because of a change in the nature of the Company’s long-term incentive plans, which are now far less sensitive to movements in the RIT share price. Otherwise, the Directors are satisfied with the performance of the business and do not recommend the payment of a dividend (2020: £nil). The performance of the business can also be measured by reference to the Net Asset Value (“NAV”) per share of its parent company and client, RIT, as this is the key driver of revenue and variable costs. RIT’s NAV per share total return for 2021 was 23.6% (2020: 16.4%). 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 RIT’s diluted NAV per share was 2,794p (2020: 2,292p).

Future Developments

The Company continues to monitor the impact of COVID-19 on its business and that of its client, RIT. With restrictions eased, and in line with government guidelines, the Company has welcomed back its employees to the office and implemented a hybrid working policy. The Company remains in a position to adapt to any future government guidelines as employees are able to perform their roles efficiently, whether in the office or at home.

The significant reserves of the Company, degree of variable compensation costs together with the substantial reserves, liquidity and support of its parent, RIT, leave the Directors comfortable with the future prospects of the Company, its ability to access liquidity from RIT as required, its continued compliance with its regulatory capital requirements and its ability to continue as a going concern.

The Directors expect the current business 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.

In light of the Ukraine and Russia conflict the Directors can confirm that this has not had a material impact on the Group’s operations.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Going Concern

Having assessed the future developments of the business, the current socio-economic climate and the cash flow forecasts that have been prepared for the period to 30 June 2023, the Directors have obtained a letter of support from the Company's parent undertaking, RIT Capital Partner plc. This letter of support is to provide any necessary financial support to the Company in order to discharge its liabilities as they fall due. As at the date of the financial statements, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Directors

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

F J Goedhuis

A W Jones

J A Kestenbaum (resigned 4 March 2022)

R Y Tabbouche

Statement of Directors' Responsibilities in respect of the accounts

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

Company law requires the Directors to prepare accounts of the Company for each financial year. Under that law the Directors have prepared the accounts in accordance with UK adopted International Accounting Standards (UK adopted IAS) in conformity with the Companies Act 2006. Under company law the Directors must not approve the accounts 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 accounts, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted IAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable UK adopted IAS have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

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 accounts 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.

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 they 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

Ernst & Young LLP ("EY") have completed their fourth annual audit. The Directors anticipate EY being re-appointed for the 31 December 2022 year end.

Statement by the Directors in performance of their statutory duties in accordance with 172(1) CA 2006

The Directors consider, both individually and together, that they have acted in a way they consider, in good faith, is most likely to promote the success of the Company for the benefits of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2021. Details on Stakeholder engagement are disclosed at a Group level, this can be found in the Report and Accounts of RIT which is available on its website www.ritcap.co.uk.

Regulatory Disclosure

In accordance with The Capital Requirements (Amendment) (EU Exit) Regulations 2021 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 that informs the Pillar 3 disclosure which may be viewed, together with a separate remuneration disclosure, on the RIT website at www.ritcap.com.

The Company's Country by Country Reporting under CRD IV can be viewed on the RIT website. The Company is registered as a limited company and is incorporated in England and Wales, (Company Registration Number 02201053).

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

The Company policy on financial risk management is disclosed within note 18.

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 accounts on pages 11 to 42 were approved by the Board of Directors on 7 April 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A W Jones', with a long horizontal stroke extending to the right.

A W Jones, Director
7 April 2022

J ROTHSCILD CAPITAL MANAGEMENT LIMITED

STRATEGIC REPORT

Review of Business

The Company's principal activity is the provision of investment management and administration services to RIT. 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 UK Alternative Investment Fund Managers Regulations ("AIFMR"), RIT is classed as an Alternative Investment Fund, and the Company is compliant with the requirements of AIFMR.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and was approved as an Alternative Investment Fund Manager 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 and the Income Statement on page 11.

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 4 Directors all of whom were male. The overall employee base is split between 34 men and 12 women.

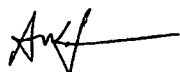
Principal Risks and Uncertainties

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

- the financial performance of RIT, 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 impacting the Company's operations.

As corporate secretary and provider of investment management and administrative services to its parent, RIT, 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 and are used to hedge the liability arising from share-based payment awards.

On Behalf of the Board



A W Jones, Director
7 April 2022

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

Independent auditor's report to the members of J Rothschild Capital Management Limited

Opinion

We have audited the financial statements of J Rothschild Capital Management Limited (the 'Company') for the year ended 31 December 2021 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 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 June 2023, at least 12 months from when the financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. 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.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

Independent auditor's report to the members of J Rothschild Capital Management Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained with the annual report.

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

J ROTHSCILD CAPITAL MANAGEMENT LIMITED

Independent auditor's report to the members of J Rothschild Capital Management Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework, being UK adopted International Accounting Standards, the Companies Act 2006 and relevant tax compliance legislations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Financial Conduct Authority (FCA) rules and regulations.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

***Independent auditor's report to the members of J Rothschild Capital Management Limited
(continued)***

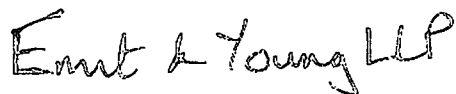
**Explanation as to what extent the audit was considered capable of detecting irregularities,
including fraud (continued)**

- ▶ We understood how J Rothschild Capital Management Limited is complying with those frameworks by making enquiries of management. We corroborated our understanding through our review of board minutes and relevant papers.
- ▶ We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We identified fraud and management override risks in relation to revenue recognition. Our audit procedures were performed to address the identified fraud risk.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management.

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

Use of our report

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



*Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
7 April 2022*

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Revenue	2	71,368	53,361
Gains/(losses) on investments held at fair value		4,042	74
Exchange gains/(losses)		3	(2)
Operating profit		75,413	53,433
Operating expenses		(76,155)	(33,116)
Profit/(loss) before tax	3	(742)	20,317
Tax credit/(charge)	6	(2,742)	847
Profit/(loss) for the year		(3,484)	21,164

All items in the above statement are derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Profit/(loss) for the year		(3,484)	21,164
<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	1,948	(832)
Deferred tax credit/(charge) allocated to actuarial gain/(loss)	10	(1,076)	107
Total other comprehensive income/(expense)		872	(725)
Total comprehensive income/(expense) for the year		(2,612)	20,439

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

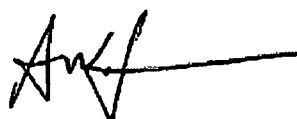
The notes on pages 15 to 42 form part of these accounts.

J ROTHSCILD CAPITAL MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Investments held at fair value	7	25,641	16,707
Property, plant and equipment	8	155	174
Retirement benefit asset	13	3,761	685
Deferred tax asset	10	-	2,742
		<u>29,557</u>	<u>20,308</u>
Current assets			
Trade and other receivables	9	129,359	82,630
Cash and cash equivalents		<u>11,982</u>	<u>36,146</u>
		141,341	118,776
Current liabilities			
Share-based payment liability	14	(18,648)	(7,174)
Trade and other payables	11	(25,133)	(20,261)
		<u>97,560</u>	<u>91,341</u>
Net current assets			
		<u>97,560</u>	<u>91,341</u>
Non-current liabilities			
Share-based payment liability	14	(23,347)	(6,343)
Deferred tax liability	10	<u>(1,316)</u>	<u>(240)</u>
		(24,663)	(6,583)
		<u>102,454</u>	<u>105,066</u>
Net assets			
		<u>102,454</u>	<u>105,066</u>
Equity			
Share capital	12	6,250	6,250
Retained earnings		<u>96,204</u>	<u>98,816</u>
Total equity		<u>102,454</u>	<u>105,066</u>

The accounts were approved by the Board of Directors and authorised for issue on 7 April 2022. They were signed on the Board's behalf by:



A W Jones, Director
Company number: 02201053

The notes on pages 15 to 42 form part of these accounts.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Retained earnings	Total equity
Year ended 31 December 2021	£'000	£'000	£'000
Balance at 1 January 2021	6,250	98,816	105,066
Profit/(loss) for the year	-	(3,484)	(3,484)
Actuarial gain/(loss) in defined benefit pension plan	-	1,948	1,948
Deferred tax credit/(charge) allocated to actuarial gain/(loss)	-	(1,076)	(1,076)
Total comprehensive income for the year	-	(2,612)	(2,612)
Balance at 31 December 2021	6,250	96,204	102,454

	Share capital	Retained Earnings	Total equity
Year ended 31 December 2020	£'000	£'000	£'000
Balance at 1 January 2020	6,250	78,377	84,627
Profit/(loss) for the year	-	21,164	21,164
Actuarial gain/(loss) in defined benefit pension plan	-	(832)	(832)
Deferred tax credit/(charge) allocated to actuarial gain/(loss)	-	107	107
Total comprehensive income for the year	-	20,439	20,439
Balance at 31 December 2020	6,250	98,816	105,066

The notes on pages 15 to 42 form part of these accounts.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Profit/(loss) before tax	(742)	20,317
Decrease/(increase) in receivables	(46,729)	4,721
(Decrease)/increase in payables	33,350	13,391
Depreciation	19	22
Unrealised (gain)/loss on investments	(1,353)	(315)
Decrease/(increase) in retirement benefit asset	(3,076)	302
Actuarial gain/(loss) in defined benefit pension plan	1,948	(832)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	(16,583)	37,606
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of investments	(21,038)	(10,149)
Sale of investments	13,457	2,622
	<hr/>	<hr/>
Net cash from/(used in) investing activities	(7,581)	(7,527)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(24,164)	30,079
Cash and cash equivalents at beginning of year	36,146	6,067
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	11,982	36,146
	<hr/>	<hr/>

The notes on pages 15 to 42 form part of these accounts.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies

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

(i) Basis of Accounting

The accounts of the Company have been prepared the accounts in accordance with UK adopted International Accounting Standards (UK adopted IAS) in conformity with the Companies Act 2006. The Company is a private limited company and. is incorporated in England and Wales under the Companies Act. The registered office is shared with its parent and is shown in note 16.

These accounts 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 International Financial Reporting Standards (“IFRS”) 10.

Accounting policies have been consistently applied.

The accounts 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.

JRCM’s operations continued to be impacted by the COVID-19 pandemic with remote working being maintained for a large part of 2021. Despite these challenges JRCM has been able to continue its operations without significant disruption

In 2021 RIT Capital Partners plc (JRCM’s parent company) not only exceeded 2020’s performance but also, its two principal KPI’s (ACWI and RPI+3.0%). The net asset value performance of RIT Capital Partners plc has the most significant financial impact in respect of the Company’s future management fee income as this is calculated based on a percentage of assets under management of RIT.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

Having performed financial analysis, management believes regulatory capital requirements continue to be met and have sufficient liquidity to meet its liabilities for the period to 30 June 2023 and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

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 a Securities Commission it does not fall within the scope of IFRS 8.

In preparing the financial statements, the Directors have considered the impact of climate change insofar as they are reasonably able. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year, nor were they expected to have a significant impact on the Company's going concern or viability.

(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 classified at fair value through profit and loss but are also described in these accounts as investments held at fair value.

All investments are measured initially and, at subsequent reporting dates, at fair value. Fair value for quoted investments, is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Where there are securities classified 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.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

(iii) Foreign Currencies

Items included in the accounts 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.

(v) Cash and Cash Equivalents

Cash and cash equivalents on the balance sheet comprises cash balances and deposits held at call and short notice with banks, and cash equivalents with an original maturity of three months or less. Bank overdrafts where applicable are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

(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 three years for computer equipment and between three and 18 years for furniture and fittings.

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 (RITCP Pension and Life Assurance 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) Trade and Other Receivables/ Trade and Other Payables

Trade and 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 ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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's share incentive schemes, also known as the Annual Incentive Scheme (AIS), constitutes deferred shares, share appreciation rights (SARs) and restricted share units (RSUs).

AIS awards made in respect of the current and future financial years are structured such that 60% of individual amounts in excess of £250,000 (£150,000 for Directors) are paid in deferred shares of RIT 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. 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.

Historically, long-term incentive plan (LTIP) awards were made via SARs and performance shares. As settlement of awards is in the shares of the Company's parent, the SARs and performance shares are required under IFRS 2 to be treated in the accounts of the Company as cash-settled schemes. The Company measured awards at fair value using a trinomial option valuation model (SARs) and a monte carlo model (performance shares). 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. The expense is recognised from award date.

Following a review by the parent company's Remuneration Committee, it was decided that from 2021, future LTIP awards would be made using RSUs, with the first such award in March 2021. As part of the transition to RSUs, on 31 March 2021, staff members were given the option to convert their existing SARs and performance shares at fair value into RSUs, with the vast majority subsequently converted. This conversion was accounted for in accordance with IFRS 2 Share-based Payment.

RSUs are cash-settled awards accounted for in accordance with IFRS 2 and are measured at fair value using the share price at the grant date, adjusted for a two-year post-vesting sale restriction (there is an additional clawback adjustment for Directors). The expense is recognised over the three-year vesting period of the award. 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.

J ROTHSCILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

Shares required to settle the estimated future liabilities from grants or exercises under all 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 RIT which is available on its website www.ritcap.co.uk or in note 14 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 accounts 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 accounts are discussed below.

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 assets and liabilities

Management judgement is required in determining the deferred tax assets and liabilities to be recognised in the accounts. 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.

J ROTHSCILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

Share-based payments

The determination of the fair value of RSUs granted is calculated using the share price at grant date, adjusted for the two-year post vest sale restriction. The adjustment is calculated using the Finnerty Model, which is an option-based model used to estimate the difference in value between a freely-traded share and one subject to a lock-up.

(xii) Consolidation Exemption

The Company is a wholly-owned subsidiary of RIT and is included in its consolidated accounts which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated accounts 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.

2. Revenue

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

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	£'000	£'000
Revenue from parent undertaking	71,264	52,936
Other income	104	416
Interest receivable	-	9
	<u>71,368</u>	<u>53,361</u>

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

3. Profit or Loss Before Tax

Loss before taxation (2020: profit before taxation) is stated after charging £19,016 (2020: £21,483) in respect of depreciation.

Auditors' Remuneration

Fees borne by the parent were:

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	£	£
Statutory audit fee	51,384	41,458
Audit related assurance services	9,000	35,000
Other assurance services	2,500	5,000

4. Employee Remuneration, Benefits and Expenses

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	£'000	£'000
Wages and salaries	27,478	22,731
Social security costs	3,766	3,090
Other pension costs:		
Defined benefit scheme	(18)	(26)
Defined contribution plans	383	345
Share-based payments ¹	41,512	3,797
Total	<u>73,121</u>	<u>29,937</u>

¹Including related social security costs.

The average monthly number of employees during the year was 43 (2020: 40) all of whom were engaged in investment management and related supporting activities for both the current and prior year.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

5. Directors' Emoluments

Emoluments attributable to Directors' services to J Rothschild Capital Management Limited, in their role as Directors for the current and prior year comprise:

Directors' Emoluments	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Wages and salaries	12,257	9,446
Social security costs	1,752	1,351
Defined contribution pension expense	14	23
	<u>14,023</u>	<u>10,820</u>

No retirement benefits accrued to Directors in office in either year under a defined benefit pension scheme. Defined contribution payments were made on behalf of three Directors in both years. All Directors are entitled to share-based payment awards which are included in Note 14. In addition to the above cash awards the Directors received deferred remuneration, payable in shares vesting annually over the next three years, of £11,068,000 (2020: £10,453,000). The highest paid Director's cash emoluments and deferred award was £4,178,000 and £5,162,000 (2020: £3,504,000 and £4,179,000). No Director received compensation for loss of office or exercised SARs in 2021 or 2020.

6. Taxation

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Deferred tax charge/(credit)	2,742	(624)
Effect of changes in tax rate	-	(223)
Total tax charge/(credit)	<u>2,742</u>	<u>(847)</u>

The deferred tax charge in 2021 relates to derecognition of timing differences as it is considered unlikely that the unrecognised asset will be utilised in the foreseeable future, due to availability of group relief for nil charge in future years from RIT.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

6. Taxation (continued)

The Finance Act 2021 included an increase in the main corporation tax rate from the current 19% to 25% with effect from 1 April 2023. The tax charge/(credit) for the current and prior year differs from the effective rate of corporation tax in the UK for 2021 of 19% (2020: 19%). The differences are explained below:

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Profit before tax	(742)	20,317
Profit before tax at the standard rate of 19% (2020: 19%)	(141)	3,860
Effect of:		
Income not taxable	(768)	(14)
Disallowable expenses	2	7
Non-recognition of deferred tax assets	8,154	-
Share-based payments	(903)	(366)
Group relief	(3,604)	(4,113)
Adjustments in respect of prior years	2	2
Effect of changes in tax rate	-	(223)
Total tax charge/(credit)	2,742	(847)

7. Investments held at fair value

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Investments held at Fair Value		
Shares held in RIT Capital Partners plc	25,641	16,707

During the year the Employee Benefit Trust purchased 794,532 shares and disposed of 671,173 shares in RIT Capital Partners plc (2020: 529,800 and 139,901 respectively). At 31 December 2021 the Employee Benefit Trust owned 932,403 shares in RIT (2020: 809,044) with a share price at the year end of £27.50 (2020: £20.65).

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

8. Property, Plant and Equipment

	Furniture & fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2021	870	730	1,600
Additions	-	-	-
At 31 December 2021	870	730	1,600
Accumulated Depreciation			
At 1 January 2021	703	723	1,426
Charge for the year	16	3	19
At 31 December 2021	719	726	1,445
Net Book Value			
At 31 December 2021	151	4	155
At 31 December 2020	167	7	174

	Furniture & fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2020	870	730	1,600
Additions	-	-	-
At 31 December 2020	870	730	1,600
Accumulated Depreciation			
At 1 January 2020	688	716	1,404
Charge for the year	15	7	22
At 31 December 2020	703	723	1,426
Net Book Value			
At 31 December 2020	167	7	174
At 31 December 2019	182	14	196

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

9. Trade and Other Receivables

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Trade receivables	3	5
Amounts due from parent undertaking	128,941	82,211
Prepayments and accrued income	398	411
Other receivables	17	3
	<u>129,359</u>	<u>82,630</u>

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

10. Deferred Tax

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Balance at 1 January	2,502	1,548
(Charge)/credit to Income Statement	(2,742)	847
Credit/(charge) to Statement of Comprehensive Income	(1,076)	107
Balance at 31 December	<u>(1,316)</u>	<u>2,502</u>
Analysis of deferred tax asset/(liability):		
Accelerated capital allowances	-	174
Deferred tax on retirement benefit asset/(liability)	(1,316)	(240)
Deferred tax on share-based payments	-	2,568
Balance at 31 December	<u>(1,316)</u>	<u>2,502</u>
	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Deferred tax liability	(1,316)	(240)
Deferred tax asset	-	2,742
Balance at 31 December	<u>(1,316)</u>	<u>2,502</u>

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. Deferred Tax (continued)

No deferred tax assets have been offset against deferred tax liabilities. Deferred tax assets are recognised for tax timing differences to the extent that the realisation of future taxable profits is probable. No asset has been recognised on the timing differences, due to expectation of availability of group relief for nil charge in future years from RIT (2020: recognised at 19%). At the main corporation tax rate of 25% in force from 1 April 2023 the unrecognised deferred tax assets on share-based payments is £10,499k, and on capital allowances is £230k (2020: nil).

11. Current and Non-Current Liabilities

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Current liabilities	£'000	£'000
Trade payables	67	142
Accruals	24,849	19,998
Share-based payment liability	18,648	7,174
Other payables	217	121
Total current liabilities	<u>43,781</u>	<u>27,435</u>
Non-current liabilities	£'000	£'000
Share-based payment liability	23,347	6,343
Deferred tax liability	1,316	240
Total non-current liabilities	<u>24,663</u>	<u>6,583</u>

12. Share Capital

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Allotted, issued and fully paid:		
Equity interests		
6,250,000 (2020: 6,250,000) Ordinary shares of £1	6,250	6,250
Non-equity interests		
1 Special Rights Redeemable Preference Share (2020: 1)	-	-
Total share capital	<u>6,250</u>	<u>6,250</u>

The Company has issued 1 (2020: 1) Special Rights Redeemable Preference Share of £1 (2020: £1) which provides rights over the use of the "J Rothschild" name.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 asset recognised in the balance sheet represents the fair value of the Scheme’s assets as reduced by the present value of the defined benefit obligation (DBO). The cost of providing benefits is determined using the projected unit credit method.

It is estimated that the contributions payable to the Scheme during the year ending 31 December 2022 will be £1,110,000 (31 December 2021: £1,110,000).

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 Investments and administration of the Scheme to the Company. A corporate Trustee, Law Debenture Pension Trust Corporation plc, who is independent of the Group, was appointed in May 2019.

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 2020 by a qualified independent actuary, and this was updated to 31 December 2021 for the purposes of these disclosures.

This is a closed Scheme and so the age profile of the active membership is rising. 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;

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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; and
- Life expectancy and concentration risk: The majority of the Scheme's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the Scheme's liabilities, 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.

As a result of the most recent actuarial valuation performed as at 1 January 2020, the Company has agreed to pay contributions to the Scheme of £1,110,000 per annum for five years from 1 January 2021. The next actuarial valuation (as at 1 January 2023) will be performed in 2023.

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 accounts and the assumptions underlying the calculation of those costs are set out below.

Recognised in the income statement	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Defined contribution schemes	383	345
Defined contribution cost recognised in the income statement	383	345
Defined benefit scheme:		
Current service cost	-	-
Net interest on net defined benefit (asset)/liability	(18)	(26)
Defined benefit cost recognised in the income statement	(18)	(26)

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

13. Pension Commitments (continued)

Recognised in the Statement of Comprehensive Income	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	821	1,131
Actuarial (gain)/loss due to demographic assumption changes	(63)	(1,136)
Actuarial (gain)/loss due to liability assumption changes	(1,743)	2,526
Actuarial (gain)/loss arising during year	(985)	2,521
Return on Scheme assets greater than discount rate	(963)	(1,689)
Remeasurement effects recognised in the Statement of Comprehensive Income	(1,948)	832
Defined Benefit Cost	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Net interest on net defined benefit (asset)/liability	(18)	(26)
Remeasurement effects recognised in the Statement of Comprehensive Income	(1,948)	832
Total cost/(benefit)	(1,966)	806
Total pension cost/(benefit)	(1,583)	1,151

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

13. Pension Commitments (continued)

The assumptions used to determine the defined benefit cost over the reporting periods were per annum	At 31 Dec 2021	At 31 Dec 2020
Discount rate	1.45%	2.05%
Price inflation (RPI)	3.25%	3.25%
Rate of salary increase	n/a	n/a
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.20%	4.30%
Pension increases for deferred benefits	3.25%	3.25%

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

Changes in the DBO	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
DBO at end of prior year	27,957	25,562
Interest cost on the DBO	400	517
Actuarial (gain)/loss - experience	821	1,131
Actuarial (gain)/loss - demographic assumptions	(63)	(1,136)
Actuarial (gain)/loss - financial assumptions	(1,743)	2,526
Benefits paid from scheme assets	(676)	(643)
Total DBO	26,696	27,957

Changes in the scheme assets	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Opening fair value of the scheme assets	28,642	26,553
Interest income on scheme assets	418	543
Return on scheme assets greater than discount rate	963	1,689
Employer contributions	1,110	500
Benefits paid	(676)	(643)
Total Scheme assets	30,457	28,642

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Development of the Net Balance Sheet Position	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Net defined benefit (liability)/asset at end of prior year	685	991
Service cost		
Net interest on defined benefit (liability)/asset at end of prior year	18	26
Remeasurement effects recognised in the Statement of Comprehensive Income	1,948	(832)
Employer contributions	1,110	500
Net defined benefit asset/(liability)	<u>3,761</u>	<u>685</u>

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

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Discount rate	1.90%	1.45%
Price inflation (RPI)	3.70%	3.25%
Rate of salary increase	n/a	n/a
Pension increases for pre 6 April 1997 pension	4.00%	4.00%
Pension increases for post 6 April 1997 pension	4.30%	4.20%
Pension increases for deferred benefits (non GMP)	3.70%	3.25%
Scheme participation census date	31 December 2021	31 December 2020
Post retirement mortality assumption	SAPS (S3) ¹	SAPS (S3) ²

¹ SAPS 'S3' light series year of birth tables allowing for CMI 2020 projections and a 1.5% per annum long-term trend.

² SAPS 'S3' light series year of birth tables allowing for CMI 2019 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.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

13. Pension Commitments (continued)

	31 Dec 2021
	£'000
Defined benefit obligation	26,696

Significant Actuarial Assumptions at 31 December 2021	Assumption used for sensitivity	Sensitivity analysis	Revised DBO for each sensitivity £'000
Discount rate	1.40% p.a.	0.5% p.a. decrease	29,044
Price inflation (RPI)	4.20% p.a.	0.5% p.a. increase	27,036
Life expectancy	-	Increases by 1 year	27,930

	31 Dec 2020
	£'000
Defined benefit obligation	27,957

Significant Actuarial Assumptions at 31 December 2020	Assumption used for sensitivity	Sensitivity analysis	Revised DBO for each sensitivity £'000
Discount rate	0.95% p.a.	0.5% p.a. decrease	30,579
Price inflation (RPI)	3.75% p.a.	0.5% p.a. increase	28,337
Life expectancy	-	Increases by 1 year	29,284

The weighted average duration of the DBO is 17 years (2020: 20 years). Further Scheme analysis is shown below:

Analysis of DBO participant category	31 Dec 2021	31 Dec 2020
	£'000	£'000
Deferred participants	4,533	4,665
Pensioners	22,163	23,292
Defined benefit obligation	<u>26,696</u>	<u>27,957</u>
Fair value of Scheme assets	<u>30,457</u>	<u>28,642</u>

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

13. Pension Commitments (continued)

Scheme asset breakdown			31 Dec 2021
	Quoted securities ¹	Other	Total
Equity securities	-	-	-
Fixed income and credit	99%	-	99%
Alternative investments	-	-	-
Cash and liquidity/other	-	1%	1%
	<u>99%</u>	<u>1%</u>	<u>100%</u>

Scheme asset breakdown			31 Dec 2020
	Quoted securities ¹	Other	Total
Equity securities	51%	-	51%
Fixed income and credit	38%	-	38%
Alternative investments	5%	-	5%
Cash and liquidity/other	-	6%	6%
	<u>94%</u>	<u>6%</u>	<u>100%</u>

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

14. Share-based Payments

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

During the year restricted share units (RSUs) were awarded for the first time. RSUs are commonly used long-term incentive awards that comprise awards of shares made to employees that will vest after a three-year service period and then are subject to a further two-year holding period. At the same time employees were offered the choice of converting LTIP awards (SARs and performance shares) into RSUs on a fair value equivalent basis, calculated using the methodologies adopted in previous years. This resulted in all performance shares and the vast majority of SARs converting into RSUs.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. Share-based Payments (continued)

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 19.8% (2020: 17.5%), dividend yield of 1.3% (2020: 1.9%) per annum, estimated holding period 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 RIT'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 total shareholder return of RIT exceeds the growth in the Retail Price Index plus three 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.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. Share-based Payments (continued)

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

Number (thousands)	2021	2020
Outstanding at the start of the year:		
SARs/performance shares	4,217	3,681
Deferred Shares	488	285
Total	4,705	3,966
Granted during the year:		
SARs/performance shares	-	1,654
RSUs	493	-
Deferred Shares	554	342
Total	1,047	1,996
Conversion during the year		
SARs/performance shares (surrendered)	(3,505)	-
RSUs (replacement)	1,151	-
	(2,354)	-
Exercised/vested during the year:		
SARs/performance shares	(263)	(2)
RSUs	(246)	-
Deferred Shares	(201)	(139)
Total	(710)	(141)
Lapsed/forfeited during the year:		
SARs/performance shares	(107)	(1,116)
RSUs	(1)	-
Deferred Shares	-	-
Total	(108)	(1,116)
Outstanding at the end of the year:		
SARs/performance shares	342	4,217
RSUs	1,397	-
Deferred Shares	841	488
Total	2,580	4,705
SARs exercisable at year end	53	174

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. Share-based Payments (continued)

The outstanding SARs at 31 December 2021 had exercise prices ranging between 1,579 pence and 1,965 pence (2020: 1,246 pence and 1,965 pence) with a weighted average of 1,718 pence (2020: 1,803 pence). The weighted average remaining contractual life of these SARs was 7.7 years (2020: 8.0 years). Included in the outstanding amount at year end were SARs representing a notional number of 53,000 shares (2020: 174,300), which had vested and were capable of being exercised. These had an exercise price of 1,958 (2020: range between 1,246 pence and 1,583 pence) which also represents the weighted average price (2020: 1,453 pence).

During the year ended 31 December 2021 the Company granted no SARs (2020: 884,250) and 493,397 RSUs (2020: nil). During the year the Company recognised an expense of £3.4 million (2020: expense £0.1 million) relating to SARs and performance shares, £27.1 million relating to RSUs, and an expense of £11.0 million (2020: expense £3.7 million) relating to deferred share awards. The provision reflected in the balance sheet is as follows:

	31 Dec 2021	31 Dec 2020
	£'000	£'000
Amounts falling due within one year	18,648	7,174
Amounts falling due in greater than one year	23,347	6,343
	<u>41,995</u>	<u>13,517</u>

15. Contingencies, Guarantees and Financial Commitments

As at 31 December 2021 the Company has no contingencies or guarantees (2020: nil). The only material financial commitment is the requirement to fund the RITCP Pension and Life Assurance Scheme referred 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 accounts. 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

For the year ended 31 December 2021 the Company received no Director's fees from investee companies for the services of senior management (2020: £nil). Law Debenture Trust Corporation plc, a related party to a Director of the Company for part of 2020 received fees for the provision of pension trustee services during that period only of £51,192.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

17. Related Party Transactions (continued)

Transactions with RIT Capital Partners plc

The Company provides investment management and administrative services to RIT and is also its corporate secretary. During the year ended 31 December 2021 the charge for these administrative services amounted to £71.3 million (2020: £52.9 million). Similarly, the Company paid rent to RIT of £580,000 (2020: £580,000). Amounts paid to a fellow subsidiary of RIT, Spencer House Limited, for office management and related services were £74,961 (2020: £94,006).

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 2021 (2020: £nil).

Key management personnel

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

Key management personnel's emoluments	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Short-term benefits	14,009	10,797
Post-employment benefits	14	23
Share-based payment	31,425	3,341
Total	<u>45,448</u>	<u>14,161</u>

Related undertakings

At 31 December 2021 the Company has one wholly-owned subsidiary (2020: 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 an investment partnership and has share capital of £1 (2020: £1). RIT GP is registered in Scotland and its registered address is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

18. Financial Instruments and Risk Management

As the corporate secretary and provider of investment management and administrative services to its parent, RIT, financial instruments do not have a significant direct 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 very limited credit risk.

Financial Assets as at 31 December 2021	Amortised Cost	FVPL	Non-financial Assets	Total
	£'000	£'000	£'000	£'000
Investments held at fair value	-	25,641	-	25,641
Property, plant and equipment	-	-	155	155
Cash and cash equivalents	11,982	-	-	11,982
Retirement benefit asset	-	-	3,761	3,761
Deferred tax asset	-	-	-	-
Other receivables	128,961	-	-	128,961
	140,943	25,641	3,916	170,500

Financial Assets as at 31 December 2020	Amortised Cost	FVPL	Non-financial Assets	Total
	£'000	£'000	£'000	£'000
Investments held at fair value	-	16,707	-	16,707
Property, plant and equipment	-	-	174	174
Cash and cash equivalents	36,164	-	-	36,164
Retirement benefit asset	-	-	685	685
Deferred tax asset	-	-	2,742	2,742
Other receivables	82,219	-	-	82,219
	118,365	16,707	3,601	138,673

None of the above are considered to be impaired.

J ROTHSCCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

18. Financial Instruments and Risk Management (continued)

Categories of financial assets and financial liabilities

Financial liabilities as at 31 December 2021	Amortised Cost	FVPL	Non- financial Liabilities	Total
	£'000	£'000	£'000	£'000
Share-based payment liability	-	41,995	-	41,995
Deferred tax liability	-	-	1,316	1,316
Trade and other payables	25,133	-	-	25,133
	<u>25,133</u>	<u>41,995</u>	<u>1,316</u>	<u>68,444</u>

Financial liabilities as at 31 December 2020	Amortised Cost	FVPL	Non- financial Liabilities	Total
	£'000	£'000	£'000	£'000
Share-based payment liability	-	13,517	-	13,517
Deferred tax liability	-	-	240	240
Trade and other payables	20,261	-	-	20,261
	<u>20,261</u>	<u>13,517</u>	<u>240</u>	<u>34,018</u>

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

- investments in quoted equities; and
- 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 RIT 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.

J ROTHSCHILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

18. Financial Instruments and Risk Management (continued)

The value of the pension scheme asset is exposed to market risk. If the value were to be 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 2021 of £25,641,083 (2020: £16,706,858) is exposed to price risk. A 10% decrease in the fair value of the investments would result in a £2,564,108 reduction in profits and net assets (2020: £1,670,686). 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 RIT 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; and
- 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.

The Company's capital at 31 December 2021 and 31 December 2020 comprised:

£'000	2021	2020
Equity share capital	6,250	6,250
Retained earnings and other reserves	96,204	98,816
Total capital	102,454	105,066

Further information regarding policies of the group for risk management can be found in note 13 of the RIT Report and Accounts.

J ROTHSCILD CAPITAL MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

18. Financial Instruments and Risk Management (continued)

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:

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

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.

All of the investments held by the Company at a value of £25,641,083 (2020: £16,706,858) met the definition of a level 1 asset under the revision to IFRS 13.

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 (2020: none).

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

19. Subsequent Events

There are no significant events subsequent to the reporting date and prior to the date of signing of this report to be disclosed.