

Report & Accounts

for the year ended 31 December 2020

RIT Capital Partners plc

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Company Highlights

Corporate Objective

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

Investment Policy

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

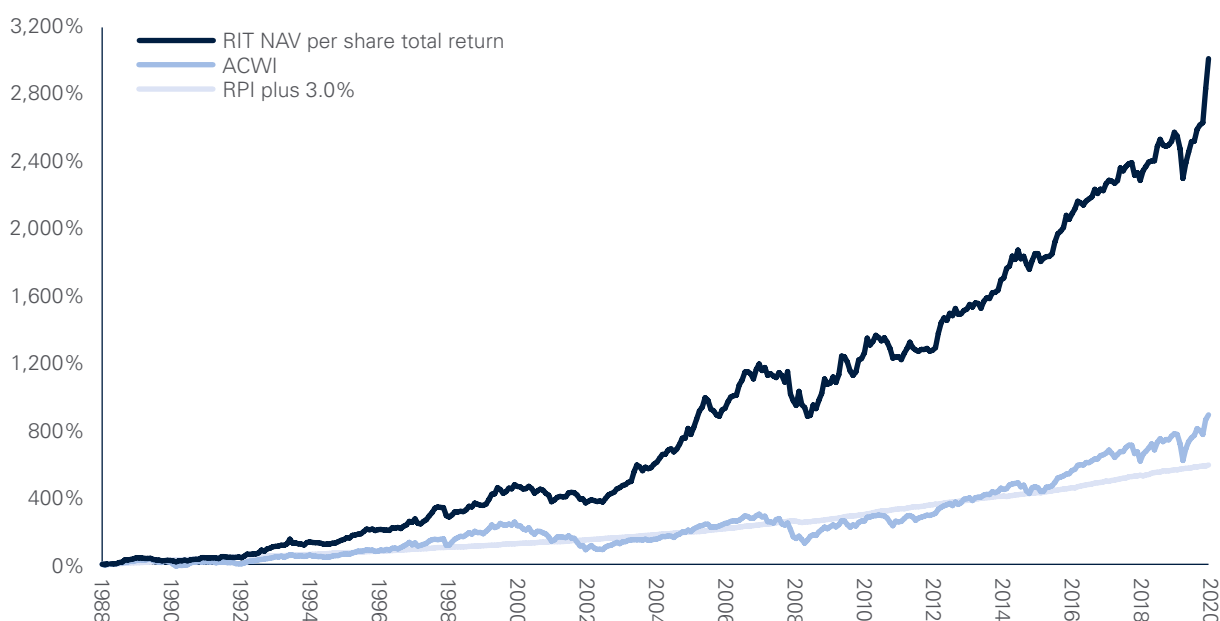
Performance for the year	2020
NAV per share total return	16.4%
Share price total return	-0.4%
RPI plus 3.0%	4.2%
MSCI All Country World Index (ACWI)	12.7%

Key data*	2020	2019	Change
NAV per share	2,292 pence	2,004 pence	14.4%
Share price	2,065 pence	2,115 pence	-2.4%
Premium/(discount)	-9.9%	5.5%	-15.4% pts
Net assets	£3,590 million	£3,146 million	14.1%
Gearing	4.4%	7.2%	-2.8% pts
Average net quoted equity exposure	43%	43%	-
Ongoing charges figure for the year	0.66%	0.68%	-0.02% pts
First interim dividend (April)	17.5 pence	17.0 pence	2.9%
Second interim dividend (October)	17.5 pence	17.0 pence	2.9%
Total dividend in year	35.0 pence	34.0 pence	2.9%

* 31 December unless otherwise stated.

Performance history	3 Years	5 Years	10 Years
NAV per share total return	31.5%	59.5%	114.9%
Share price total return	11.0%	34.1%	105.9%
RPI plus 3.0% per annum	15.9%	30.9%	72.5%
ACWI	29.6%	77.7%	158.9%

Performance since inception



A description of the terms used above and in the Strategic Report is set out in the Glossary and Alternative Performance Measures (APMs) section on page 98 and 99. The Group's designated APMs are the NAV per share total return, share price total return, gearing and the ongoing charges figure.

Strategic Report

Chairman's Statement



Sir James Leigh-Pemberton

2020 was a year characterised by extraordinary challenges for any investment company, and RIT was no exception. The pandemic required rapid and significant change in our Company's operations and ways of working, and created an exceptionally volatile investment climate. For much of the year, financial markets were driven by the impact on the global economy of the health crisis and the policy reactions to it. Stock market indices initially saw new highs in February, followed by the fastest correction in history and then a swift recovery, buoyed first by stimulus measures and monetary easing of exceptional scope and scale, and latterly by the approval of vaccination programmes. There was wide dispersion in the performance of regional indices, with the US and China up 18% and 17%, whereas the Eurozone and the UK were down by -3% and -11% respectively. Behind these headline index performances lay a complex and quickly changing pattern of asset price behaviour and capital flows. All of this resulted in a market environment which was difficult to navigate, with at times savage movements in most asset classes.

In a difficult environment such as this, the means by which your Company seeks to achieve its corporate objective are severely tested. The objective set by your Board for our Manager, J. Rothschild Capital Management Limited, is to protect shareholders from the worst excesses of market declines, but also to achieve healthy participation over the long term in market rises. The approach taken by JRCM to achieve this has to be sophisticated, dynamic and disciplined in each of the key areas of asset allocation, portfolio construction and security selection. While there may be times in the future when our performance does not meet our high expectations, I am pleased to report that 2020 was not one of them. RIT's net asset value per share ended the year at 2,292 pence, representing a NAV total return for the year (including dividends) of 16.4%. This compares to the Company's two principal KPIs for investment performance of RPI+3.0% per annum and the ACWI which were 4.2% and 12.7% respectively.

The Manager's Report provides detail in relation to performance and attribution, and it is pleasing to see a broad spread of strong results across the portfolio, with all of the key asset classes making a positive impact. These included allocations designed to capture long-term structural trends within our public and private positions, and those that target less correlated areas such as absolute return and real assets. The performance

In a difficult environment such as this ... I am pleased to report ... RIT's net asset value per share ended the year at 2,292 pence, representing a NAV total return for the year (including dividends) of 16.4%.

drivers also demonstrate the importance of our network of relationships which enable us to identify attractive investments, notably within the fast-evolving Chinese and other Asian economies, and to allocate funds to exceptional external managers. Our objective requires an approach to portfolio management which reflects a subtle balance between caution and opportunity. Caution has been and will continue to be one of our core watchwords, but we also recognise that market stresses provide opportunities for the astute deployment of capital, as we saw in March and October. The privilege of loyal shareholders and a permanent capital base allows us to take a long-term view, and to act decisively where we see fundamental value and the potential to deliver long-term growth in shareholders' capital.

Share capital

We are very much aware that the move in your Company's rating over the year to trade at a discount to the NAV, resulted in shareholders experiencing a flat overall return, lagging the growth in the NAV. However, the nature and composition of our investment portfolio means we do not publish a daily NAV. And so, the strong performance in December, well above many market estimates, was not reflected in the share price, resulting in a discount of 9.9% at year end. This discount narrowed since the year end, and as I mentioned to shareholders in August, we monitor the share price carefully, and bought back approximately 116,000 shares at a discount to NAV during the last three months of the year, benefiting shareholders. We intend to continue to take the opportunity to selectively purchase shares in the market when we judge that doing so is beneficial.

Dividend

We paid a final interim dividend of 17.5 pence per share in October, providing shareholders with a total dividend in 2020 of 35 pence per share. For 2021, we are intending to pay a dividend of 35.25 pence per share, an increase of 0.7% over the previous year, slightly above inflation. This

Chairman's Statement

will be paid in two equal instalments in April and October. Supported by our significant reserves, our policy remains to maintain or increase the annual dividend, as long as it does not come into conflict with your Company's core objective of capital preservation.

Governance

In light of the range of matters which we have had to address, the Board and its Committees have been busier than normal this year. We have an experienced and diverse Board who have all engaged with the increased frequency of Board and Committee meetings we felt it necessary to undertake. I would like to express my gratitude and appreciation to Board colleagues for their dedication, support and wise counsel over the year.

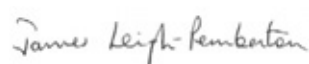
Your Board has worked closely to develop and refine our approach to responsible investing and other environmental, social and governance (ESG) matters, looking at how we continually integrate these considerations into our behaviour within both our operating businesses and our investment processes. JRCM is a signatory of the United Nations' Principles for Responsible Investment and we believe that this focus on sustainability is a natural component of how we approach our long-term objectives; for some time now, we have more explicitly incorporated ESG into our fundamental assessment of investments. We will continue to develop our approach in this area, which will necessarily evolve over time.

Finally, I would like to record our thanks to the team at JRCM. The combined challenges of major operational change and extremely demanding investment conditions have been met with admirable determination and success. Led by the JRCM Executive Committee, our employees have been unwavering in their efforts to

deliver returns for shareholders and to operate in a way that met our obligations to our regulators, counterparties and suppliers while prioritising the safety and well-being of colleagues. I am very aware of the difficulties that employees have had to operate under at times, and the acute personal challenges many of them and their families have had to face. Everyone in the Group has our sincere thanks for their dedication and professionalism.

Outlook

The pandemic has severely affected the lives of millions of people worldwide. The economic consequences, together with the extraordinary policy responses, will be an enduring feature of markets for some time to come. In the near term, these factors pose the question of whether the recovery in equity and credit markets is justified by underlying economic indicators. The spectre of inflation may well return and could meaningfully alter the investment landscape. These uncertainties are accentuated by a backdrop of significant political change and rapidly shifting societal expectations of the business community. We will continue to apply our tried and tested approach to asset allocation and diversified portfolio composition to protect our shareholders' capital and grow it over the medium term, and although we will be faced with many difficult questions, I am confident that our talented and dedicated team and unique global network provide us with a strong foundation on which to build an appropriate response.



Sir James Leigh-Pemberton
Chairman



Our Purpose, Strategy and Business Model

Purpose and strategic aims

We consider our purpose and strategic aims to be clearly set out in our Corporate Objective:

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

Our purpose as an investment company is to provide diversified portfolio management on behalf of our shareholders to achieve this objective.

However, as we differ from many conventional investment trusts who always aim to be fully invested in quoted equities, this section provides further clarification of what we are trying to achieve for shareholders over time.

The most important objective is long-term capital growth while preserving shareholders' capital. The essence of our investment approach is to protect and enhance shareholders' wealth.

There may be times when we will deliberately place protection of shareholders' funds ahead of growth but we believe that active management of equity exposure, combined with early identification of opportunities and themes, while investing across multiple asset classes, is more likely to lead to long-term outperformance.

We would seek therefore to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles. Indeed, since your Company's listing in 1988, we have participated in 73% of the market upside but only 38% of the market declines. This has resulted in our NAV per share total return compounding at 11.2% per annum, a meaningful outperformance of global equity markets. Over the same period the total return to shareholders was 11.7% per annum.

Investment approach

The strategic aims are expressed in more practical terms in our Investment Policy:

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

This policy guides our Manager and subsidiary, JRCM as it manages your portfolio. So, while we have a core equity bias, we typically invest your portfolio across multiple asset classes, geographies, industries and currencies. This has been the basis of our approach over many years – combining thematic investing with individual securities,

We would seek therefore to display healthy participation in up markets, and reasonable protection in down markets. Over time, this should allow us to compound ahead of markets throughout the cycles. Indeed, since your Company's listing in 1988, we have participated in 73% of the market upside but only 38% of the market declines.

and private investments with public stocks. The long-term success of your Company has been the result of active management of a distinctive blend of stocks, private investments, equity funds, real assets, and absolute return and credit, all overlaid with currency positioning and macro exposure management.

We believe the extent of our global reach and unique network allows us to maximise our ability to deploy capital effectively. Our Manager's in-house investment team works closely with core external managers, enabling us to invest in funds which may be closed to new investors, and cannot be accessed by a retail investor. In addition, this strong network provides access to intellectual capital, and co-investment opportunities. This aspect of our model is key to our ability to identify and deliver value from differing sectors, markets and assets. And while access to such specialist managers comes at a cost, it is an important part of the investment decision and, if warranted, is one that we are comfortable paying.

Above all, our approach is long term. The permanent capital structure of an investment trust compared to open-ended funds, means we do not suffer from liquidity-driven pressures to fund redemptions. We can therefore hold our investments in both public and private markets over an extended period and choose to realise them at the optimal time.

Another key facet of the investment approach is risk management. The Board establishes and oversees the risk appetite through regular monitoring of asset allocation and security limits. These are intended to allow JRCM to efficiently and effectively manage the portfolio in line with the Corporate Objective. The Manager has developed a sophisticated risk management approach, which incorporates quantitative and qualitative measures, and on which it reports regularly to the Board. The risk management tools assist in the construction of a portfolio designed to provide diversified sources of return and to monitor closely the performance of individual assets and the portfolio composition. Further information on risk management is set out on pages 17 to 21.

Our Purpose, Strategy and Business Model

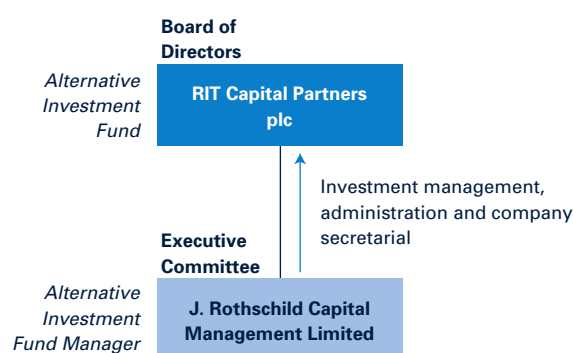
In summary, our flexible and distinctive model, with the freedom to utilise multiple asset classes and different investment structures, allows our Manager to deploy capital and manage risks as effectively as possible.

Further information in relation to the investment approach as well as portfolio attribution and returns is set out in the Manager's Report on pages 9 to 13.

Business model, culture and values

RIT Capital Partners plc is a listed investment company, approved by HM Revenue and Customs (HMRC) as an investment trust. It is a UK Alternative Investment Fund (AIF) in accordance with UK legislation effective from 1 January 2021 which replicates the European Union's Alternative Investment Fund Managers Directive (AIFMD).

Investment management, as well as administration and company secretarial, is delegated under a formal agreement to JRCM, a subsidiary of the Company. JRCM is separately regulated by the Financial Conduct Authority (FCA) as the UK Alternative Investment Fund Manager (AIFM) under the same UK rules. JRCM is governed by a separate board of directors – its Executive Committee. This committee is led by Francesco Goedhuis as Chairman and Chief Executive Officer, and is responsible for day-to-day operations (see page 26).



In addition, the Manager is also responsible for our subsidiary, Spencer House Limited (SHL). This company provides premises management for Spencer House and our other investment properties in St. James's. It also operates an events business.

I am responsible for the leadership of the Board, which is ultimately tasked with ensuring that we meet our Corporate Objective, and maintain high standards of corporate governance.

The main focus of the Board is on ensuring that the investment approach is suitable for achieving our Corporate Objective, and on monitoring the performance of the Manager. In order to do this, we receive regular

In summary, our flexible and distinctive model, with the freedom to utilise multiple asset classes and different investment structures, allows our Manager to deploy capital and manage risks as effectively as possible.

and detailed reports covering investment performance, risk, finance and operational matters.

The employees of our Manager and SHL are critical to our ability to meet all of the objectives of the Company. A key part of the monitoring of the Group is ensuring that the Manager is appropriately incentivised to deliver sustained, risk-adjusted returns and is able to attract, retain and develop a top quality team which operates in accordance with our core values within a culture of high performance.

Our core values of respect, dignity and integrity are evidenced by the Group's five business principles of collaboration, enterprise, efficiency, effective communication and professional ethics, which are regularly communicated and reinforced through the Group's recruitment and appraisal processes. JRCM monitors the health of its culture by assessing regularly how well these principles are being applied, and the Board receives regular reports on this topic.

The Group has a clear and proactive approach to regular employee engagement, which was particularly important during remote working and the many other challenges of 2020. The Corporate Governance Report on pages 27 to 39 provides more detail of these interactions.

We are firm believers in the benefits that cognitive diversity as well as diversity more generally, brings to decision-making, and seek to ensure this is reflected in our recruitment processes, both at Board level and within our subsidiaries. At the year end the Board comprised 10 Directors, of which seven were men and three women. Within our subsidiaries, the employee base comprised 40 men and 13 women.

Corporate governance

The Directors are responsible for compliance with applicable rules, regulations and guidance in relation to governance, in particular taking into account the matters set out in Section 172(1) of the Companies Act 2006, which guides our approach to strategy and decision making (see pages 31, 32 and 52). The Board recognises that its actions have lasting impacts and consequences for the future of the Company, its shareholders and other stakeholders, and approaches its responsibilities accordingly.

Our Purpose, Strategy and Business Model

The Board has a responsibility for ensuring that there are strong and healthy ties with all of our stakeholders, making sure that we consider their interests and acknowledge that the Group's interaction with them is fundamental to the long-term success of the business.

The Directors receive regular feedback and reports from the Manager on its investor relations activity, as well as from brokers and analysts, and our own shareholder interactions, to ensure that shareholders' views are well understood by the Board.

When it comes to our Corporate Objective, shareholders understandably focus on our investment performance. This informs the Board's desire to seek healthy, risk-adjusted returns over the long term and through the cycles, with careful attention to capital preservation, and mindful of the Company's reputation as a responsible fiduciary of shareholder capital. In assessing the right strategy to achieve these aims, the Board considers the ongoing suitability of the Investment Policy and, in particular, the approach taken by the Manager to execute on the policy.

Other areas considered by the Board where shareholder views were taken into account were the 2021 dividend and the approach to share buybacks (as discussed in my Chairman's Statement). In relation to the latter, shareholders' desire for lower volatility in the premium or discount to NAV at which your Company's shares trade, helped the Board to form a view on buying back shares accretively when trading at a discount, where we consider it to be in shareholders' interests. In addition, shareholder views informed the Board's decisions in relation to the cessation of contributions to the Honorary President (see page 34) and the redesignation of Jeremy Sillem as a non-independent Director following the 2020 AGM (see page 45).

The Group has relationships with a number of suppliers and service providers which play an important role in enabling us to operate our business efficiently. The Groups' overarching policy with respect to these relationships is that they should be managed so that they are both sustainable and mutually beneficial over the medium term, and deliver value for money for our shareholders (see page 32).

The Board believes that consideration of environmental, social and governance (ESG) factors is important for the delivery of sustainable financial returns from our portfolio, and for the protection of the value of our shareholders' capital. We are taking a proactive approach to this area, and are spending considerable time refining our approach, with advice from independent experts. Our Manager is a signatory of the United Nations' Principles for Responsible Investment (UNPRI) and ESG factors form part of the due diligence undertaken by JRCM prior to selecting investments. Within our own activities, we have always striven to act as good corporate citizens, to apply robust governance and to minimise our environmental

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impact. Further information is set out on pages 31, 32, 50 and 51.

Measuring performance and KPIs

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

The strategic aims highlighted on this and earlier pages, reflect the desire to produce real capital growth and to exceed markets over time. These are reflected in the following targets or key performance indicators (KPIs):

1. Absolute outperformance: NAV total return in excess of RPI plus 3.0% per annum;
2. Relative outperformance: NAV total return in excess of the MSCI All Country World Index (ACWI); and
3. Share price total return or total shareholder return (TSR).

The first two of these relate to our Manager's investment performance, with the RPI plus 3.0% KPI reflecting the desire to produce strong absolute returns, with a meaningful premium above inflation.

The second reflects our unconstrained global investment approach and the desire to outperform markets over the long term. Consistent with many investment companies, we currently use the ACWI, which we believe is an appropriate comparator for our global, unconstrained approach. More specifically, we use a blended index consisting of 50% of the ACWI measured in sterling (and exposed to currency risk) and 50% of the sterling-hedged ACWI.

While JRCM is tasked with managing the portfolio to deliver a NAV return, ultimately, the return to our shareholders is through share price growth and dividends. We therefore also consider the TSR as our third KPI.

Incentive structure

Our approach to remuneration incorporates the Directors' Remuneration Policy as well as specific structures within JRCM and SHL designed to attract, motivate and retain

Our Purpose, Strategy and Business Model

the high-quality individuals we need to deliver our long-term strategic aims and sustainable success.

The remuneration approach is designed to align with, and reinforce, these strategic aims.

The Group operates an Annual Incentive Scheme (AIS) for employees as well as longer-term share-based awards. The cap for total payments under the AIS is 0.75% of net assets. This approach is designed to measure and reward the Company's performance, and seek to provide an appropriate balance between shorter-term awards and longer-term incentives, as well as the need for robust risk management.

The AIS rewards investment outperformance as measured against two KPIs: RPI plus 3.0% and the ACWI. It also rewards wider achievements linked not to the NAV return, but to the Group's five business principles. The scheme is measured annually and includes longer-term features such as a three-year absolute 'high water mark' as well as significant deferral into the Company's shares, which vest over three years.

The second main aspect of the remuneration approach is a long-term incentive plan (LTIP). Following a review by the Remuneration Committee and with external advice, we are planning to use restricted share units (RSUs) for future awards, which we believe will further reinforce the alignment with shareholders.

Further details of remuneration are provided in the Directors' Remuneration Report on pages 44 to 48.

Shareholder communication and AGM

While this report forms a core part of the annual communication to shareholders, there are many additional ways to remain informed. Reflecting the nature of our portfolio, including the allocations to external managers (many of whom report monthly performance), we publish a monthly NAV as soon as reasonably practicable following the month end. Shareholders are encouraged to visit our website, www.ritcap.com, which provides regular updates of performance and exposure including our monthly factsheets. I hope to meet as many of you as possible at our AGM on 22 April, at Spencer House, though in light of the circumstances, as we had to do last year, this may again need to be conducted remotely. As normal, there will also be an opportunity on that occasion to hear directly from our Manager.

I would like to thank shareholders for their continuing loyalty and support. These are not things we take for granted, and I hope we will continue to justify them in the years to come.

Covid-19

Throughout this report, you will find discussion of the impact of the Covid-19 pandemic. This ongoing feature of our lives, means that perhaps more than ever, I would like to offer my sincere thanks to our employees and their families, as well as to our many advisers, counterparties and suppliers, who have worked so hard during 2020 in often difficult circumstances, and without whom we could not operate.

Sir James Leigh-Pemberton
Chairman



Manager's Report

Overview and performance highlights

In an unprecedented year, with global output estimated to decrease by 5% and extreme market volatility, we are delighted to have delivered a NAV total return for the year of 16.4%, outperforming both of our reference hurdles: RPI plus 3.0% which measured 4.2%, and our fully-invested equity index (ACWI) which returned 12.7%.

This year represented the ninth consecutive year of positive returns for the portfolio, including 2018 when global equity markets and many funds experienced negative performance. A healthy participation in market rises while shielding the portfolio from the worst excesses of market sell-offs is a hallmark of our strategic aims. As a result of this favourable asymmetric return profile we have been able to deliver equity-type returns with considerably less risk. For example, our three-year NAV total return of 31.5% has exceeded the strong market returns, though with lower volatility and reflecting an average net quoted equity exposure of 44%.

Notwithstanding the enormous swings during the year, global equity market indices finished with decent absolute returns. However, there was wide disparity across regions and sectors. Investors passively exposed to the FTSE 100 would have experienced their worst year in a decade, while those invested in the technology-heavy NASDAQ, their best. For the larger part of the year, investors sought top line growth at all costs, shunning businesses whose earnings are more dependent on economic growth. Positive vaccine news late in the year jolted cyclical stocks, with investors pricing in a recovery and a rapid re-opening of economies.

The year saw further cuts in interest rates, with negative or near zero rates across much of the developed world. With central bankers now accepting the prospect of above target inflation, longer maturity yields stayed well behaved in the face of an economic recovery.

Currency markets were also volatile, sensitive to both macroeconomic developments and geopolitical changes. Sterling was particularly affected by the pandemic as well as the developments surrounding Brexit.

In terms of asset allocation, we deployed relatively modest levels of market exposure, with net quoted equity averaging 43% of NAV. As is often the case, it was where this exposure was deployed, rather than the aggregate level, that proved more important for returns. The book was tilted towards Asian equities, particularly China, where we continued to see value opportunities from its expanding domestic market. We retained our allocations to healthcare, a sector whose reputation has seen a rehabilitation as a result of the vaccine efforts. Other themes reflected in the quoted equities portfolio over the course of the year included quality growth stocks, cyclical stocks and ESG-friendly stocks.

Our allocation to private investments often targets firms engaging in disruptive technologies in the US and Asia. We use our unique and extensive global network to invest either directly or indirectly through funds; with these allocations designed to allow us to capture pre-IPO value creation opportunities, which can be sizeable.

Asset allocation and portfolio contribution

Asset category	31 December 2020 % NAV	2020 Contribution %	31 December 2019 % NAV	2019 Contribution %
Quoted equity	48.4%	6.4% ¹	46.7%	12.7% ¹
Private investments	25.6%	9.8%	25.1%	2.4%
Absolute return and credit	22.5%	2.5%	22.9%	0.7%
Real assets	2.0%	0.5%	2.9%	0.9%
Government bonds and rates	0.0%	(0.1%)	1.2%	(0.1%)
Currency	1.2%	(0.6%) ²	1.3%	(3.1%) ²
Total investments	99.7%	18.5%	100.1%	13.5%
Liquidity, borrowings and other	0.3%	(2.1%) ³	(0.1%)	(1.5%) ³
Total	100.0%	16.4%	100.0%	12.0%
Average net quoted equity exposure ¹	43%		43%	

¹ The quoted equity contribution reflects the profits from the net quoted equity exposure held during the period as well as the costs of portfolio hedges. The exposure can differ from the % NAV as the former reflects notional exposure through derivatives as well as estimated adjustments for derivatives and/or liquidity held by managers.

² Currency exposure is managed centrally on an overlay basis, with the translation impact and the results of the currency hedging and overlay activity included in this category's contribution.

³ This category's contribution includes interest, mark-to-market movements in the fixed interest notes and expenses.

Manager's Report

Additionally, we continued to deploy significant capital to non-equity strategies, designed to act as portfolio diversifiers with low sensitivity to broad equity markets – including absolute return and credit as well as real assets.

We actively managed our sterling levels over the year, increasing our exposure in the final quarter and also using options to help hedge Brexit risks, before reducing the levels following the strong rally.

Overall the key drivers of performance for the year were:

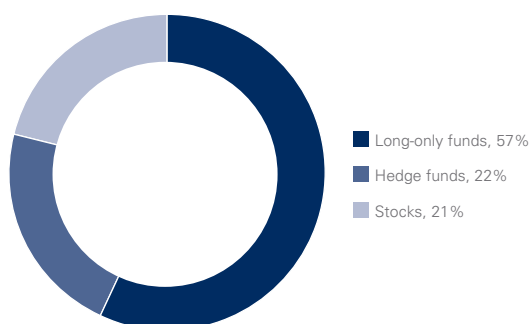
- strong performance from our quoted positions exposed to long-term structural themes;
- private investments were very well positioned to benefit from the technology trends in the US and Asia, within both our direct and fund portfolios;
- helpful contributions from our non-equity 'diversifiers' including our allocations to absolute return and credit, as well as real assets; and
- the main headwinds were assets with a more cyclical bias, which, notwithstanding a significant recovery in the fourth quarter, detracted from returns, as did the mark-to-market increase in our fixed-rate loan note liability, reflecting further declines in interest rates.

Quoted equity

This category includes directly held stocks, long-only funds, equity hedge funds and our equity exposure management positions.

The quoted equity portfolio had a good year contributing 6.4% to the overall NAV return.

Quoted equity portfolio by category



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

Direct stocks, having faced a challenging start, staged a strong comeback in the second half of the year. This book is now largely exposed to quality growth stocks – businesses with a proven model and the ability to

grow cash earnings in excess of GDP, while running conservative balance sheets. These businesses tend to do well in a volatile environment. The additions of Disney and Visa in the second half of 2020 are examples of such companies which performed well. The largest position, Acorn, is a former private investment, and holds underlying positions in two stocks: Keurig Dr Pepper and JDE Peets (which listed in May).

The main detractors were mostly cyclical companies which were significantly affected by the economic shutdown, such as Bookings and Citigroup. The bulk of the losses were mainly incurred during the first half of the year and were partially mitigated by the recovery and our addition of a basket of stocks in September, designed to benefit disproportionately from any positive vaccine news.

The long-only fund managers delivered excellent returns, well in excess of markets, largely driven by our allocation to Asian equities and particularly China. Key contributors included Springs Opportunities as well as Ward Ferry's Asian Smaller Companies fund. These managers benefited from owning innovative companies that are addressing the evolving demands of the Asian consumer, as well as from cyclical recovery stocks that rallied in response to the region's superior economic growth.

Our core holding in HCIF, a biotech specialist, continued to benefit from the strong absolute performance of the healthcare sector, with meaningful outperformance. One of our key ESG exposures, Lansdowne New Energy, benefited from the strong tailwinds in this area. More challenging areas were those managers exposed to non-Asian emerging markets, as well as value cyclicals, where, notwithstanding a strong rally, they did not recover fully from the March lows.

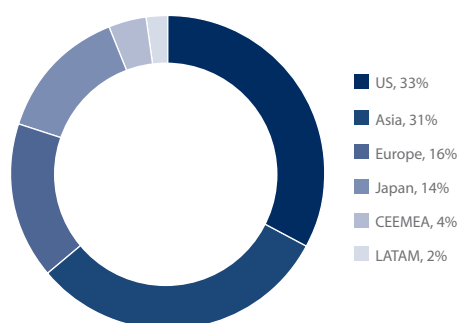
We made a number of new investments, including with Discerene, a manager which invests globally, pursuing a fundamental, contrarian and long-term value philosophy, and with whom we are working closely.

Hedge funds also delivered strong performance, particularly on a risk-adjusted basis, led by BlackRock European Hedge and our long-standing position in the Chinese fund, Gaoling. Early in the year, we allocated additional capital to Springs Global in a new diversified strategy focused on emerging Chinese hedge fund managers.

In terms of geographical allocation (as shown on page 11), our quoted equity book retains a meaningful exposure to China and Asia more generally.

Manager's Report

Quoted equity portfolio by geography



Note: CEEMEA denotes Central and Eastern Europe, Middle East and Africa. LATAM denotes Latin America.

We continue to retain a similar level in the US, and while this might appear low relative to global indices, it is worth noting that a significant proportion of our private investments are in the US.

Private investments

The private investment portfolio represented 26% of net assets at the year end, of which 17% was held in third-party funds and 9% in direct investments. The asset class had a very strong year and contributed 9.8% to the overall NAV, 4.5% from direct and 5.3% from fund investments.

Coupang was the strongest contributor in the direct portfolio. The Korean e-commerce giant experienced strong revenue growth and a consequent revaluation from the general partner (GP) of the fund with which we co-invested in this company. It has been widely reported that Coupang is planning an IPO in the first half of 2021, and in February 2021 the company made a preliminary filing with the US Securities and Exchange Commission, updating this on 1 March 2021 (see note 33 for further details).

The portfolio also benefitted from realisations of two positions: CSL and Credit Karma. CSL was sold in the second half of the year at a sizeable uplift from its carrying value, and Credit Karma was taken over by Intuit with the transaction completing in December. These investments generated IRRs of 25% and 33% respectively. The aggregate contribution from both exits represented just under 1% of NAV.

The remainder of the portfolio saw modest uplifts driven by operational performance, with some investments facing headwinds from Covid-19. However, given the portfolio's tilt towards disruptive technologies, it also benefited from the acceleration in uptake of online activity.

During the year we made further investments including: a technology-enabled US insurance company, a US online consumer financial platform as well as a promising cloud

software business. Many of these are co-investments alongside GPs where we have established successful relationships.

The private funds portfolio benefitted from strong performance across many of our core holdings. The portfolio's targeted thematic exposure to technology resulted in healthy returns and was the main driver of the year's performance. Realisations continued throughout the year, with in excess of £93 million of distributions from these funds.

We made approximately £145 million of new commitments over the year to a range of private funds – many of whom are US firms where we have existing and successful relationships, and often with a venture or growth bias. Utilising our strong global network, we also made new commitments outside of the US to a mixture of well-established and emerging managers, including Sequoia Capital China and Firstminute, in Europe.

As normal, and reflecting this industry's well-known reporting lag, the bulk of our private fund positions as well as many of our direct private co-investments, are held at the GP's end-September fair valuations. These are the latest valuations available and were adjusted during the last quarter for subsequent investments/distributions and currency moves. We monitor any additional information or new valuations relating to 2020 up to publication of this report.

Absolute return and credit

The absolute return and credit book finished the year on a strong footing and contributed 2.5% to the overall NAV. The returns were broadly distributed across managers and sub-strategies, with all key funds delivering a positive return.

The book benefitted from timely additions to credit in the early part of the year when we used the market dislocation to opportunistically increase our allocation to the asset class. We invested both in Europe and the US through custom mandates with Tresidor and Farmstead.

Outside of credit, our macro managers performed well, delivering broadly uncorrelated returns throughout the year. Funds deploying 'market-neutral' strategies linked to corporate transactions were impacted in the first half of the year, however the strategy saw a turnaround in the second half, ending the year profitable.

Real assets

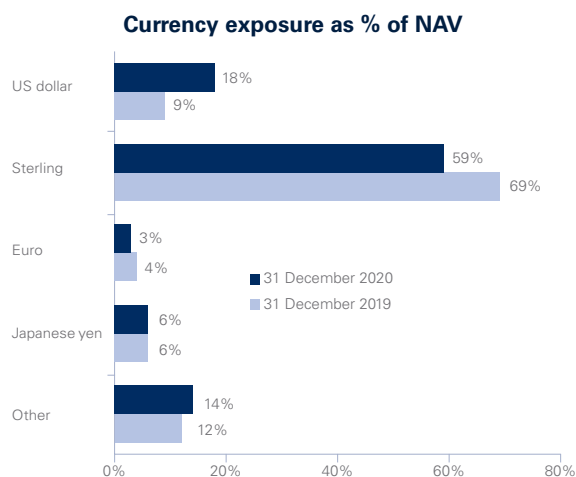
The real assets category contributed 0.5% for the year, mainly a reflection of our 4% in gold, which reached an all-time high in early August. Our St. James's investment properties detracted slightly as demand for office space fell, however, the residential nature of some of the properties was supportive.

Manager's Report

Currencies

2020 was an eventful year for currencies with a sharp increase in volatility as many investors expressed macroeconomic views through currency markets.

As a global investor, with often a relatively modest allocation to UK assets (and therefore low 'natural' sterling exposure) the value of sterling could have a sizeable impact on our net asset value. Over this year, we used currency hedges against the non-sterling exposure to maintain a historically high net weighting to sterling, which proved beneficial as the currency gained 15% against the US dollar from its March lows. Moreover, we increased our exposure to sterling with options in the latter part of the year to protect the portfolio from the possibility of a last-minute Brexit deal, as well as a more constructive global risk sentiment which we felt could put pressure on the US dollar. Following the strong rally in mid-December, we reduced sterling at the year end, and were gratified that our careful risk management kept the overall impact from translation to -0.6% of NAV over the year.



Note: The chart excludes exposure from currency options. Where available, the exposures in this chart are estimated by considering the underlying currency exposure of third-party funds rather than by the fund's currency of denomination.

Debt and leverage

At the year end, we held drawn borrowings of £189 million through our revolving credit facilities, with a further £185 million committed and undrawn.

The fair value of RIT's £151 million loan note liability increased over the year as gilt yields declined, triggering an accounting mark-to-market loss of approximately £15 million. While this adjustment has a temporary impact on fair value, it will ultimately reverse over the remaining life of the notes.

We also carefully use derivatives, mainly designed to both protect the NAV against unwanted exposures (for example currency hedging) as well as to enhance returns through efficient structuring.

Operations and costs

JRCM manages the Group on a day-to-day basis on behalf of the Board, providing investment management, administration and company secretarial services. At the year end, we employed 41 people in JRCM and 12 in our sister company, SHL.

SHL maintains and manages the investment property, including Spencer House as well as other properties in St James's, and also operates an events business, albeit this is currently in effective hibernation due to Covid-19 restrictions awaiting the ability to re-open.

It is our primary responsibility to guarantee the health and wellbeing of our staff. Over the year, the business followed government guidelines, with staff working remotely. It is pleasing to report that the transition to remote working was successful, with no disruption to the management or administration of the portfolio.

We would like to express our gratitude to all of our staff for their flexibility, dedication and professionalism over what was a very difficult and challenging year.

It is a priority for JRCM to minimise the effect of costs on NAV and shareholder returns. We therefore strive to manage the portfolio as efficiently as possible, taking into consideration the direct costs of the Group, as well as the fees charged by external fund managers.

In order to provide investors with information on the costs of RIT's own investment business, we calculate an ongoing charges figure (OCF) based on recommendations from the Association of Investment Companies (AIC). These assume no change in the composition or value of the portfolio (therefore excluding transaction costs and direct performance-related compensation) and excludes finance costs. For 2020, RIT's own OCF amounted to 0.66% (2019: 0.68%), with further information provided on page 98.

In addition to our Group costs, RIT's Investment Policy includes the allocation of part of the portfolio to third party managers, which have their own fees. These include long-only equity and hedge fund managers, as well as private equity and absolute return and credit funds. The managers' fee structure is a key consideration in our due diligence, with the investment decision made on the basis of expected returns, net of all fees. To assist shareholders, we estimate that the average annual management fees for external managers represent an additional 0.89% of average net assets (2019: 0.90%).

Manager's Report

This excludes performance fees/carried interest which are typically paid for outperformance against an index or an absolute hurdle, and deducted from the valuations we receive. Further information on fees is provided on page 49 and 50.

Outlook

As for 2021, we believe that financial markets will continue to reflect the balance between the pandemic's impact, the roll out and efficacy of the vaccines, and government and central banks' policy responses. If there are challenges to the vaccination programme, we are likely to see meaningful market volatility, given the degree of optimism we feel is already embedded in many asset prices. On the other hand, a smooth path to broader immunity, may also pose a risk for stocks as it is likely to bring us closer to the potential resurgence of inflation. Here, the combination of record monetary and fiscal stimulus, with a post pandemic economic recovery could result in the transmission of asset price inflation to price rises in the real economy.

As investors seek to adjust to such a change, they are likely to demand an additional risk premium. And at a time when much of the invested capital is premised on sustained low-rates and a lack of inflation pressures, a shift in the perception of these, could have a sizeable impact.

Our approach in this regard is to use thoughtful portfolio construction and a security selection process focusing on assets with asymmetric outcomes. We are likely to continue with our modest quoted equity exposure and diversified themes, and have undertaken some de-risking of some of the more frothy areas where we see risks of overstaying our welcome. Ultimately we will seek to continue to reinforce our approach which worked so well in 2020 – namely our belief that robust performance can only be driven by a resilient focus on our long-term convictions, excellent sourcing of investments, and a combination of discipline and agility around our portfolio construction.



Francesco Goedhuis
Chairman and Chief Executive Officer
J. Rothschild Capital Management Limited



Ron Tabbouche
Chief Investment Officer
J. Rothschild Capital Management Limited



Investment Portfolio

Investment portfolio as at 31 December 2020

Investment holdings	Country/region	Industry/description	Value of investments £ million	% of NAV
Quoted equity¹				
Stocks:				
Acorn ²	Global	Consumer staples	91.5	2.5%
Helios Towers	Africa	Communication services	43.3	1.2%
IQVIA Holdings	United States	Healthcare	37.9	1.1%
Walt Disney Company	United States	Communication services	33.5	0.9%
Alphabet	United States	Information technology	30.0	0.8%
Visa	United States	Information technology	25.6	0.7%
T-mobile	United States	Consumer discretionary	24.1	0.7%
Other stocks	–	–	70.0	2.0%
<i>Total stocks:</i>			355.9	9.9%
Long-only funds:				
HCIF Offshore	United States	All-cap, biotechnology	156.7	4.4%
Morant Wright ³	Japan	Small/mid-cap, value bias	151.5	4.2%
Springs Opportunities	China	All-cap, diversified	142.9	4.0%
Ward Ferry Asian Smaller Companies	Asia	Small/mid-cap, diversified	93.4	2.6%
BlackRock Emerging Markets	Emerging Markets	All-cap, value bias	80.5	2.2%
Lansdowne New Energy	Global	All-cap, clean energy	71.7	2.0%
Discerene ³	United States	All-cap, value bias	71.1	2.0%
Sand Grove UK	United Kingdom	All-cap, diversified	70.0	1.9%
Sumi Trust Japan	Japan	Small-cap, diversified	51.6	1.4%
Emerging India Focus	India	All-cap, diversified	51.1	1.4%
Brown Advisory LATAM ³	Latin America	All-cap, diversified	34.4	1.0%
Other long-only funds	–	–	30.7	0.9%
<i>Total long-only funds:</i>			1,005.6	28.0%
Hedge funds:				
BlackRock European Hedge Fund	Europe	All-cap, diversified	156.0	4.4%
Gaoling	China	All-cap, diversified	108.1	3.0%
Springs Global Strategic Partners	China	All-cap, diversified	62.3	1.7%
Tribeca	Global	All-cap, commodities	29.5	0.8%
Other hedge funds	–	–	17.5	0.5%
<i>Total hedge funds:</i>			373.4	10.4%
Derivatives:				
Global Value Basket	Global	Long, 0.4% notional	0.4	0.0%
SGX Nifty 50 Futures	India	Short, 0.7% notional	0.0	0.0%
iShares NASDAQ Biotech ETF Swap	United States	Short, 0.5% notional	0.2	0.0%
Other derivatives	–	–	5.3	0.1%
<i>Total derivatives:</i>			5.9	0.1%
Total quoted equity			1,740.8	48.4%

Investment Portfolio

Investment holdings	Country/region	Industry/description	Value of investments £ million	% of NAV
Private investments – direct:				
Coupang ⁴	Asia	Information technology	140.8	3.9%
KeepTruckin ⁴	United States	Information technology	44.5	1.2%
Age of Learning ⁴	United States	Information technology	13.6	0.4%
Hippo Insurance ⁴	United States	Information technology	12.0	0.3%
EQRx ⁴	United States	Healthcare	9.6	0.3%
Infinity Data Systems	United Kingdom	Information technology	8.5	0.2%
NerdWallet ⁴	United States	Information technology	7.8	0.2%
Brex ⁴	United States	Information technology	7.6	0.2%
Airtable	United States	Information technology	7.4	0.2%
Other private investments – direct	–	–	62.1	1.8%
Total private investments – direct			313.9	8.7%
Private investments – funds:				
Iconiq Funds	United States	Venture capital	155.1	4.3%
Thrive Capital Funds	United States	Venture capital	110.6	3.1%
Hillhouse Funds	China	Private equity	74.6	2.1%
BDT Capital Funds	United States	Private equity	50.9	1.4%
Ribbit Capital Funds	United States	Venture capital	18.7	0.5%
Mithril Funds	United States	Venture capital	13.4	0.4%
Arch Venture Funds	United States	Venture capital	12.4	0.3%
Eight Partners Funds	United States	Venture capital	11.7	0.3%
Other private investments – funds	–	–	160.5	4.5%
Total private investments – funds			607.9	16.9%
Absolute return and credit:				
Eisler Capital Fund	Global	Macro strategy	170.7	4.8%
Attestor Value Fund	Global	Distressed and special situations	116.5	3.2%
Tresidor Credit	Global	Distressed and special situations	83.6	2.3%
Elliott International	Global	Multi-strategy	83.2	2.3%
RIT US Value Partnership	Global	Multi-strategy	58.2	1.6%
Sand Grove Tactical	Global	Multi-strategy	53.1	1.5%
Caxton Dynamis	Global	Macro strategy	45.0	1.3%
Farmstead Fund	United States	Distressed and special situations	40.4	1.1%
Woodline Fund	Global	Multi-strategy	38.0	1.1%
Hein Park Investors	Global	Distressed and special situations	30.5	0.8%
LionTree Advisory Loan Note	Global	Corporate loan	29.4	0.8%
iShares Core GBP Corporate Bond Swap	United Kingdom	Credit, long 1.4% notional	0.1	0.0%
Other absolute return and credit	–	–	62.2	1.7%
Total absolute return and credit			810.9	22.5%
Real assets:				
Spencer House	United Kingdom	Investment property	30.8	0.9%
St. James's properties	United Kingdom	Investment property	27.0	0.8%
Gold Futures	United States	Long, 3.6% notional	5.3	0.1%
Other real assets	–	–	9.0	0.2%
Total real assets			72.1	2.0%
Government bonds and rates:				
Euro 30-year swap	Europe	Short, 4.8% notional ⁵	(2.2)	(0.0%)
Interest rate options	Global	Premium	0.8	0.0%
Total government bonds and rates			(1.4)	(0.0%)

Investment Portfolio

Investment holdings	Country/region	Industry/description	Value of investments £ million	% of NAV
Other investments:				
Currency forward contracts	Global	Forward currency contracts	38.6	1.1%
Currency options	Various	Premium	1.9	0.1%
Total other investments			40.5	1.2%
Total investments			3,584.7	99.7%
Liquidity:				
Liquidity	-	Cash at bank/margins	338.3	9.4%
Total liquidity			338.3	9.4%
Borrowings:				
ICBC ⁶	-	Revolving credit facility	(80.2)	(2.2%)
National Australia Bank loan	-	Revolving credit facility	(108.8)	(3.0%)
RIT Senior Notes	-	Fixed interest loan notes	(181.5)	(5.0%)
Total borrowings			(370.5)	(10.2%)
Other assets/(liabilities)	-	Various	37.9	1.1%
Total net asset value			3,590.4	100.0%

Note: where relevant, the portfolio positions are ordered by their notional exposure rather than fair value.

¹ The quoted equity category includes stocks (held directly and via co-investment vehicles), funds and derivatives. As a result, the liquidity of the individual positions may be influenced by market volumes as well as the redemption terms of the specific funds or co-investment vehicles.

² Acorn is a co-investment vehicle which holds the Group's interests in Keurig Dr Pepper and JDE Peet's and was reclassified from the direct private investment category to quoted equity at 30 June 2020.

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

⁴ These investments are held through co-investment vehicles managed by a GP.

⁵ In relation to interest rate derivatives the notional exposure is measured in units of a 10-year equivalent bond.

⁶ Industrial and Commercial Bank of China.



Principal Risks and Viability

Risk management and internal control

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

As an investment company, RIT is exposed to financial risks inherent in its portfolio, which are primarily market-related and common to any portfolio with significant exposure to equities and other financial assets. The ongoing portfolio and risk management includes an assessment of the macroeconomic and geopolitical factors that can influence market risk, as well as consideration of investment-specific risk factors.

Your Company's broad and flexible investment mandate allows the Manager to take a relatively unconstrained approach to asset allocation and utilise whatever action is considered appropriate in mitigating any attendant risks to the portfolio.

As described in the Manager's Report, the Covid-19 pandemic and the policy responses were some of the key drivers of markets throughout the year – one of the most volatile in history. While 2020 ultimately ended with global equity markets posting gains, many geographic markets, sectors and stocks saw declines, in some cases sizeable. The year whipsawed between record highs, rapid lows and a progressive recovery. It also saw a material rotation between the areas showing market leadership, ongoing geopolitical concerns and the impact of government and central bank policy responses to the pandemic. All of which necessitated a careful and structured approach to risk management.

In addition to equity markets, currencies were also a key focus. As a UK company with global investments, sterling's exchange rate can have an important impact on the NAV. 2020 was a particularly challenging year, with sterling's fortunes heavily influenced by the uncertainty surrounding the nature of the UK's exit from the transition stage of Brexit. The final deal announcement in late December 2020, saw sterling see its highest level against the US dollar for the year, which necessitated careful management. From an operational point of view, and in line with our expectations, the end of the Brexit transition period had no significant impact on our Manager's operations.

As a permanent capital vehicle, and unlike open-ended funds, we do not need to manage the portfolio to

meet redemptions. With sizeable assets relative to our modest borrowings and ongoing liabilities, as confirmed later in this section, we do not consider the Company's viability or going concern to represent principal risks. Nevertheless, and in particular at times of market stress, the Manager utilises a detailed, day-to-day liquidity risk management framework to help effectively manage the balance sheet, including careful monitoring of the banking covenants.

The Board sets the portfolio risk parameters within which JRCM operates. This involves an assessment of the nature and level of risk within the portfolio using qualitative and quantitative methods. Additional information in relation to market risk, liquidity risk and credit risk in accordance with IFRS 7 Financial Instruments, is shown in note 13 on pages 69 to 72.

Climate risk, and the ongoing development of the ESG movement, is becoming a key influencer of shareholder behaviour, corporate activity and governmental response. As such, it will continue to influence a number of our principal risk categories, whether in relation to the impact on markets for us as asset owners, or through our own operations and disclosures.

In terms of the Group's operations, again, as with the financial risks, these were dominated by the pandemic. The Manager switched quickly to remote working during March. Reflecting a combination of the nature of the industry, the robustness of the IT infrastructure, and the constructive, flexible and professional reaction from our employees, the Manager was able to continue without interruption. As a relatively small business, the ongoing risks to staff health and well-being receive an especially high focus and are carefully monitored.

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

The Board is responsible for the Group's system of internal controls and it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. Further information is provided in the Audit and Risk Committee Report on pages 40 to 43.

Principal Risks and Viability

Principal risks

The Board has carried out a robust assessment of the emerging and principal risks facing the Company, concluding that the principal risks remain as described below:

Financial risks	Mitigation
<p>Investment strategy risk</p> <p>As an investment company, a key risk is that the investment strategy, guided by the Investment Policy:</p> <p><i>"To invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available."</i></p> <p>does not deliver the Corporate Objective:</p> <p><i>"To deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time."</i></p>	<p>The Board is responsible for monitoring the investment strategy to ensure it is consistent with the Investment Policy and appropriate to meet the Corporate Objective. The Directors receive a detailed monthly report from the Manager to enable them to monitor investment performance, attribution and exposure. They also receive a comprehensive investment report from the JRCM CIO in advance of the quarterly Board meetings. In response to the Covid-19 pandemic, the Board and Audit and Risk Committee held ad hoc meetings focused on its impact on the investment portfolio and the Manager's operations, and ensuring that appropriate measures were in place.</p> <p>The overall risk appetite is set by the Board, with portfolio risk managed by JRCM within prescribed limits. This involves careful assessment of the nature and level of risk within the portfolio using qualitative and quantitative methods.</p> <p>The JRCM Investment Committee meets regularly to review overall investment performance, portfolio exposure and significant new investments.</p>
<p>Market risk</p> <p>RIT invests in a number of asset categories including stocks, equity funds, private investments, absolute return and credit, real assets, government bonds and derivatives. The portfolio is therefore exposed to the risk that the fair value of these investments will fluctuate because of changes in market prices.</p> <p>Consistent with the Investment Policy, the Group invests globally in assets denominated in currencies other than sterling as well as adjusting currency exposure to either seek to hedge and/or enhance returns. This approach exposes the portfolio to currency risk as a result of changes in exchange rates.</p> <p>In addition, the Group is exposed to the direct and indirect impact of changes in interest rates.</p>	<p>The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared regularly, and form the basis for the ongoing risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes (including during the year in relation to the impact of Covid-19), as well as assessing the underlying correlations amongst the separate asset classes.</p> <p>Exposure management is undertaken with a variety of techniques including using equity index futures and options to hedge or to increase equity exposure depending on overall macroeconomic and market views.</p> <p>Currency exposure is managed via an overlay strategy, typically using a combination of currency forwards and/or options to adjust the natural currency of the investments in order to achieve a desired net exposure. The geographic revenue breakdown for stocks as well as correlations with other asset classes are also considered as part of our hedging strategy.</p>

Principal Risks and Viability

Financial risks	Mitigation
<p>Liquidity risk</p> <p>Liquidity risk is the risk that the Group will have difficulty in meeting its obligations in respect of financial liabilities as they fall due.</p> <p>The Group has significant investments in and commitments to direct private investments and funds which are inherently illiquid. In addition, the Group holds investments with other third-party organisations which may require notice periods in order to be realised. Capital commitments could, in theory, be drawn with minimal notice. In addition, the Group may be required to provide additional margin to support derivative financial instruments.</p>	<p>The Group manages its liquid resources to ensure sufficient cash is available to meet its expected needs. It monitors the level of short-term funding, and balances the need for access to such funding and liquidity, with the long-term funding needs of the Group, and the desire to achieve investment returns. Covenants embedded within the banking facilities and long-term notes are monitored on an ongoing basis for compliance, and form part of the regular stress tests. The Manager further enhanced, and increased the frequency of, its monitoring of liquidity, borrowings and covenants during March as a result of the Covid-19 induced volatility.</p> <p>In addition, existing cash reserves, as well as the significant liquidity that could be realised from the sale or redemption of portfolio investments and undrawn, committed borrowings, could all be utilised to meet short-term funding requirements if necessary. As a closed-ended company, there is no requirement to maintain liquidity to service investor redemptions. The Depositary, BNP Paribas Securities Services (BNP) has separate responsibilities in monitoring the Company's cash flow.</p>
<p>Credit risk</p> <p>Credit risk is the risk that a counterparty to a financial instrument held by the Group will fail to meet an obligation which could result in a loss to the Group.</p> <p>Certain investments held within the absolute return and credit portfolio are exposed to credit risk, including in relation to underlying positions held by funds.</p> <p>Substantially all of the listed portfolio investments capable of being held in safe custody, are held by BNP as custodian and depositary. Bankruptcy or insolvency of BNP may cause the Group's rights with respect to securities held by BNP to be delayed.</p> <p>Unrealised profit on derivative financial instruments held by counterparties is potentially exposed to credit risk in the event of the insolvency of a broker counterparty.</p>	<p>The majority of the exposure to credit risk within the absolute return and credit portfolio is indirect exposure as a result of positions held within funds managed externally. These are typically diversified portfolios monitored by the third-party managers themselves, as well as through JRCM's ongoing portfolio management oversight.</p> <p>Listed transactions are settled on a delivery versus payment basis using a wide pool of brokers. Cash holdings and margin balances are also divided between a number of different financial institutions, whose credit ratings are regularly monitored.</p> <p>All assets held directly by the custodian are in fully segregated client accounts. Other than where local market regulations do not permit it, these accounts are designated in RIT's name. The custodian's most recent credit rating was A from Standard & Poor's (S&P).</p>
<p>Key person dependency</p> <p>In common with other investment trusts, investment decisions are the responsibility of a small number of key individuals within the Manager. If for any reason the services of these individuals were to become unavailable, there could be a significant impact on our business.</p>	<p>This risk is closely monitored by the Board, through its oversight of the Manager's incentive schemes (on which it has received external advice) as well as the succession plans for key individuals. The potential impact is also reduced by an experienced Board of Directors, with distinguished backgrounds in financial services and business.</p>

Principal Risks and Viability

Operational risks	Mitigation
<p>Legal and regulatory risk</p> <p>As an investment trust, RIT's operations are subject to wide ranging laws and regulations including in relation to the Listing Rules and Disclosure, Guidance and Transparency Rules of the FCA's Primary Markets function, the Companies Act 2006, corporate governance codes, as well as continued compliance with relevant tax legislation including ongoing compliance with the rules for investment trusts. JRCM is authorised and regulated by the FCA and acts as Alternative Investment Fund Manager.</p> <p>The financial services sector continues to experience regulatory change at national and international levels, including in relation to climate change. Failure to act in accordance with these laws and regulations could result in fines, censure or other losses including taxation or reputational loss.</p> <p>Co-investments and other arrangements with related parties may result in conflicts of interest.</p>	<p>The Operational Risk Committee of JRCM provides oversight of all legal, regulatory and other operational risks across the Group. This Committee reports key findings to the JRCM Executive Committee and the Audit and Risk Committee.</p> <p>JRCM employs a legal counsel and a compliance officer as well as other personnel with experience of legal, regulatory, disclosure and taxation matters. In addition, specialist external advisers are engaged in relation to complex, sensitive or emerging matters. For example, during 2020 the Group engaged external advisers in supporting its consideration of ESG matters.</p> <p>Where necessary, co-investments and other transactions are subject to review by the Conflicts Committee and/or the FCA.</p>
<p>Operational risk</p> <p>Operational risks are those arising from inadequate or failed processes, people and systems or other external factors.</p> <p>Key operational risks include reliance on third-party suppliers, dealing errors, processing failures, pricing errors, fraud, reliability of core systems and IT security issues.</p>	<p>Systems and control procedures are the subject of continued development and regular review. Further details on internal controls can be found in the Audit and Risk Committee Report on pages 40 to 43.</p> <p>Processes are in place to ensure the recruitment and ongoing training of appropriately skilled staff within key operational functions. Suitable remuneration policies are in place to encourage staff retention and the delivery of the Group's objectives over the medium term.</p> <p>Independent pricing sources are used where available and performance is subject to regular monitoring. In relation to more subjective areas such as private investments and property, the valuations are estimated by experienced staff and specialist external valuers using industry standard approaches, with the final decisions taken by the independent Valuation Committee, and subject to external audit as part of the year-end financial statements.</p> <p>A business continuity and disaster recovery plan is maintained, and was revised during 2020 to reflect the remote working protocols implemented to deal with the impact of the Covid-19 pandemic. Cyber security continues to receive an enhanced focus, with systems and processes designed to combat the ongoing risk developments in this area. Such processes are kept under regular review including ensuring effective firewalls, internet and email gateway security and anti-virus software. This is complemented with staff awareness programmes (including periodic mock phishing exercises) which monitor and test both the robustness of our systems as well as keeping staff alert to potential risks. During the year, the Group further enhanced its security protocols by introducing multi-factor authentication in relation to its upgraded remote working platform. The Group has specific insurance cover in place to cover information security and cyber risks.</p>

Principal Risks and Viability

Viability statement

In accordance with provision 36 of the AIC Code and as part of an ongoing programme of risk assessment, the Directors have assessed the prospects of the Group, to the extent that they are able, over a five-year period. As the Company is a long-term investor, the Directors have chosen a five-year period as this is viewed as sufficiently long term to provide shareholders with a meaningful view, without extending the period so far into the future as to undermine the exercise.

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

In making this assessment, the Directors have taken into consideration the emerging and principal risks and mitigants set out on the preceding pages and the impact these might have on the business model, future performance, solvency and liquidity. In addition, the Directors reviewed the following:

- the Group's current financial position (with total assets at the year end of approximately £4.0 billion);
- the nature, composition and liquidity profile of the investment portfolio (including the significant holdings of liquidity and the value of assets that could be realised within a relatively short time frame as well as over longer periods);
- the term structure and availability of borrowings (of which drawn borrowings at the year end totalled £370 million, with committed but undrawn facilities totaling £185 million);
- the ability to satisfy the associated loan covenants and meet the ongoing costs of the business and fund dividends; and
- the level of outstanding capital commitments (primarily to long-term private funds) and the ongoing distributions from this part of the portfolio.

As part of the approach, due consideration has been given to the uncertainty inherent in financial forecasts and, where applicable, reasonable sensitivities have been applied to the investment portfolio in moderate and severe stress situations, including in relation to equity market declines, currency movements, the imposition of restrictions on redemptions from external funds, and the level of capital calls in respect of existing commitments.

The stress scenarios under which the loan covenants would be breached involve severe equity market declines as well as historically high levels of capital calls, significantly in excess of what was experienced during the Covid-19 driven volatility in early 2020. However, this theoretical outcome does not take into account the Company's ability to adjust the portfolio composition to avoid a breach, and to work with its lenders in order to either avert a breach, or minimise the consequences. With current gearing of 4.4%, and in the absence of either a significant adverse change to the regulatory or taxation environment, it is difficult to reasonably envisage a situation which would threaten the ongoing viability of the Company over the five-year time frame.

Going concern

Having assessed the emerging and principal risks and the other matters considered in connection with the Viability Statement, and in particular the liquidity balances totaling £297 million and committed but undrawn borrowings of £185 million, and cash flow forecasts for the period to 30 June 2022, as well as what the Group considers its readily realisable securities of £265 million, and the amounts that could be realised from the remainder of the portfolio, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Strategic Report on pages 3 to 21 was approved by the Board and signed on its behalf by:

Sir James Leigh-Pemberton
Chairman

Governance

Board of Directors

Non-Executive Chairman (Independent)



Sir James Leigh-Pemberton

Sir James Leigh-Pemberton is non-executive Chairman having joined the Board of the Company as a non-executive Director in April 2019. He is Chairman of the Nominations Committee and a member of the Remuneration Committee and of the Valuation Committee. He previously served as an independent non-executive Director of the Company from 2004 to 2013.

Sir James joined UK Financial Investments (UKFI) in October 2013 as Chief Executive and in January 2014 was appointed Executive Chairman. On 1 April 2016 he became Non-Executive Chairman of UKFI. Following the merger of UKFI and UK Government Investments (UKGI), he became Deputy Chairman of UKGI.

Before joining UKFI, Sir James was Managing Director and Chief Executive Officer of Credit Suisse in the UK, based in London. In this role, he was responsible for developing the Bank's client relationships in Private Banking, Investment Banking and Asset Management in the UK. He was also a member of the Credit Suisse Europe, Middle East & Africa (EMEA) Operating Committee. He joined Credit Suisse First Boston (CSFB) in 1994. Prior to joining CSFB, he was a Director of SG Warburg Securities, where he worked for 15 years.

In the 2019 New Year Honours List, Sir James received a knighthood for services to financial services, British industry and government.

Senior Independent Director



Philippe Costeletos

Philippe Costeletos joined the Board as a non-executive Director in July 2017 and became its Senior Independent Director in April 2019. He is Chairman of the Conflicts Committee and the Remuneration Committee and a member of the Nominations Committee, and the Valuation Committee.

He has over 30 years' of private investment and board governance experience and is Founder of Stemar Capital Partners, a private investment firm focused on building long-term investment platforms. Philippe was formerly Chairman of International of Colony Capital, a global real estate and investment management firm. Previously, he was Head of Europe at TPG, a leading global private investment firm and a member of TPG's Global Management and Investment Committees. Prior to that, Philippe was a Member of the Management Committee at Investcorp, a leading manager of alternative investment products. Previously, Philippe held positions at JP Morgan Capital, JP Morgan's Private Equity Group and Morgan Stanley.

Philippe is Chairman of Mistral Fertility and a board member of Digital Care, Vangest Group and Generation Home. He is a Senior Advisor to the Blackstone Group. Philippe is a member of the President's Council on International Activities at Yale University and the Yale Center for Emotional Intelligence Advisory Board. He graduated magna cum laude with a BA with distinction in Mathematics from Yale University and received an MBA from Columbia University.

Non-Executive Directors (Independent)



Maggie Fanari

Maggie Fanari joined the Board of the Company as a non-executive Director in April 2019 and is a member of the Conflicts Committee and the Remuneration Committee.

Maggie is a Managing Director of Ontario Teachers' Pension Plan heading the High Conviction Equities team's direct equities investments for Europe, the Middle East, and Africa. She is also responsible for supporting the build of the global strategy for Teachers' Innovation Platform (TIP) and the execution of that strategy in EMEA.

Maggie has been with Ontario Teachers' since 2006 and was based in Toronto until moving to London in 2015. Maggie has structured and executed on large-scale, partnership-driven minority investments in both public and private companies in multiple sectors globally. She started her career as an auditor at KPMG and previously worked in equity research at Scotia Capital.

Maggie is a Chartered Accountant and a CFA charterholder. She also holds a BBA from the Schulich School of Business at York University and ICD.D certification from the Institute of Corporate Directors.



Maxim Parr

Maxim Parr joined the Board as a non-executive Director in May 2020 and is a member of the Conflicts Committee and the Valuation Committee.

Maxim started his career at Jardine Matheson and has over 15 years' experience working in cross-border investment between Asia and Europe. Maxim lived in Beijing for well over a decade where, as Founder and CEO of Atlas Capital Group, he worked alongside FTSE 100 and European corporates on their China investment strategy in start-ups, growth capital and buyouts.

Working between Paris and Asia, Maxim is the Executive Chairman of nr2, a cross border technology investment platform.

Maxim graduated with First Class Honours from the School of Oriental and African Studies and was awarded the Stephen K Hassenfeld Fellowship to study at the Hopkins Nanjing Centre of the School of Advanced International Studies.

He is fluent in Mandarin and proficient in Cantonese, Russian, German and French.

Board of Directors

Non-Executive Directors (Independent)



André Perold

André Perold joined the Board of the Company as a non-executive Director in April 2018 and is a member of the Audit and Risk Committee.

André is Co-Founder, Managing Partner and Chief Investment Officer of HighVista Strategies, a Boston based investment firm. He is a board member of the Vanguard Group, the global investment company and also serves on the Investment Committee of the Partners Healthcare System and for the Museum of Fine Arts. He was previously the George Gund Professor of Finance and Banking at the Harvard Business School where he also held senior roles including Chair of the Finance Faculty and Senior Associate Dean.



Mike Power

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

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

Mike has held a number of other advisory positions, including the Financial Reporting Lab Advisory Committee at the Financial Reporting Council, and the Technical Development Committee of the Institute of Risk Management. In 2016 he was elected as a Fellow of the British Academy.



Jonathan Sorrell

Jonathan Sorrell joined the Board as a non-executive Director in May 2020 and is a member of the Audit and Risk Committee.

Jonathan Sorrell is President of Capstone, a global alternative investment management firm, having previously been President of Man Group plc. As President of Man Group, Jonathan had responsibility for global sales and marketing, certain investment businesses (Man Global Private Markets and Man Financial Risk Management), group strategy, and M&A. Previously, Jonathan was Chief Financial Officer of Man Group, having joined from Goldman Sachs where he was a Managing Director.



Amy Stirling

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

She is a Fellow of the ICAEW and is Chief Financial Officer of the Virgin Group. Further to the acquisition of Virgin Money by CYBG in October 2018, she was appointed as non-executive Director of Clydesdale Bank plc, CYBG plc and Virgin Money plc.

Until July 2017, Amy served as a Director and Chairman of the Audit Committee of Pets at Home Group plc. She also served as the Chief Financial Officer of TalkTalk Telecom Group plc until 2013, having been with the business since its start up as part of the Carphone Warehouse Group, which she joined in 2000.

Board of Directors

Non-Executive Directors (Non-Independent)



Hannah Rothschild CBE

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

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

Hannah is also a writer and filmmaker with a long standing career in the media. Her first novel, *The Improbability of Love* was published in the UK, US and ten other countries.

She has served as chair of the Trustees of the National Gallery, becoming the first woman to do so.

In the 2018 Queen's Birthday Honours, Hannah was appointed Commander of the Order of the British Empire (CBE) for services to the arts and to charity.



Jeremy Sillem

Jeremy Sillem is a non-independent non-executive Director. He joined the Board of the Company in April 2018 and is a member of the Nominations Committee.

He is Managing Partner and Founder of Spencer House Partners LLP, which provides corporate finance and strategic advice to asset and wealth management businesses.

From 2000 to 2004 he was Executive Chairman of Bear Stearns International in London, prior to which he had a 28-year career with Lazard in London and New York.

He was Chairman of BioPharma Credit plc, a listed investment trust, from its formation in 2016 until 2020.



J. Rothschild Capital Management

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

Chairman and Chief Executive Officer

Francesco Goedhuis

Executive Directors

Andrew Jones (Chief Financial Officer)

Jonathan Kestenbaum (Chief Operating Officer)

Ron Tabbouche (Chief Investment Officer)

The Executive Committee of JRCM comprises the above directors, led by Francesco Goedhuis. They are responsible for the day-to-day management of the business. The biographies of the Executive Committee members can be found below:



Francesco Goedhuis

Francesco Goedhuis is the Chairman and Chief Executive Officer, and also leads the Manager's private investment strategies. He joined JRCM as the Principal in Lord Rothschild's Office (the Company's Honorary President, founder and former Chairman) in 2010. Previously, he was in New York working for the Economics Nobel Laureate Robert Merton and the former Vice Chairman of J.P. Morgan, Roberto Mendoza at IFL, commercialising financial academic theory on both the buy and sell sides.



Andrew Jones

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



Jonathan Kestenbaum

Jonathan Kestenbaum is the Chief Operating Officer. He joined JRCM in 2011, having previously been Chief Executive of Five Arrows Limited. He is also an adviser to philanthropic foundations connected to Lord Rothschild and a non-executive director of WHAM. He was previously Chief Executive of the National Endowment for Science, Technology and the Arts. Prior to that he was Chief of Staff to the Chairman of Apax Partners, Sir Ronald Cohen. In January 2011 Jonathan was appointed to The House of Lords.



Ron Tabbouche

Ron Tabbouche is the Chief Investment Officer. He joined JRCM in 2012 having previously been the Head of Investments for Managed Portfolios at GAM. At the age of 26, he joined GAM's Investment Committee. Subsequently, he led the overall investment strategy of multi-billion dollar funds across a broad range of asset classes. Ron is an Adviser to the WHAM Investment Advisory Committee, and is also a Member of the Investment Committee of the Wolfson Foundation.

Corporate Governance Report

Introduction

The Directors present the Company's Corporate Governance Report. This describes our principal governance bodies, their composition, purpose and operation within the context of the Principles and Provisions of the Association of Investment Companies (AIC) Code of Corporate Governance (AIC Code) and the UK Corporate Governance Code (UK Code) of the Financial Reporting Council (FRC), which can be viewed at www.theaic.co.uk and www.frc.org.uk respectively.

The AIC Code, which has been endorsed by the FRC, adapts the Principles and Provisions of the UK Code to make them relevant for investment companies. The Board of Directors therefore considers the AIC Code to represent the most appropriate governance framework for the Company, while recognising that as a self-managed investment trust, aspects of the UK Code remain relevant. This report sets out how the Company has applied the relevant principles and provisions of the Codes during the financial year ending 31 December 2020.

Leadership

The Company has a non-executive Board, chaired by Sir James Leigh-Pemberton. The Board is collectively responsible for setting the Company's long-term strategic aims, and its ongoing business and investment strategies. The schedule of matters reserved for the Board may be viewed on the website, www.ritcap.com.

The day-to-day management of the business is delegated under a formal agreement to JRCM, the Company's subsidiary and Manager. JRCM is managed by its Executive Committee, led by its Chairman and CEO, Francesco Goedhuis. The JRCM Executive Committee attend the regular Board meetings and provide detailed reports on investment performance as well as all operational and financial matters of the Group. JRCM also attends and reports to all Board committee meetings. As a result of the Manager being a wholly-owned subsidiary of the Company, the Board considers that this approach provides the most effective means to constructively challenge and scrutinise all aspects of the Manager's performance. It ensures all Directors are regularly involved in the process, rather than delegating this responsibility to a selection of Directors through a separate management engagement committee.

As at the date of this Report, the Board comprised ten non-executive Directors, of which eight have been determined by the Board to be independent, with two non-independent. This balance is intended to limit the scope for an individual, or a small group of individuals, to dominate the Board's decision making.

The Company has in place a structure of five Board Committees, with clearly defined responsibilities. This structure of permanent Board Committees, together with the delegation of investment management, administration and company secretarial matters to the Manager, is considered by the Board as appropriate for a self-managed investment trust on an ongoing basis. The terms of reference of each of the permanent committees may be viewed at www.ritcap.com.

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

The Audit and Risk Committee

The Audit and Risk Committee Report is shown on pages 40 to 43.

The main features of the Group's internal controls and risk management are described in the Audit and Risk Committee Report on pages 40 to 43 and in Principal Risks and Viability on pages 17 to 21.

The Conflicts Committee

The Conflicts Committee meets at least once a year on a formal, scheduled basis and on other occasions as and when required. The Committee is chaired by the Senior Independent Director, Philippe Costeletos, and is comprised solely of independent Directors. Maxim Parr was appointed to the Committee on 26 May 2020. The Committee's principal responsibility is to monitor transactions with related parties (as described in note 17) and to ensure that potential conflicts of interest are avoided, or managed appropriately.

Corporate Governance Report

The Nominations Committee

The Nominations Committee meets at least twice each year and on additional occasions as required. The Committee is chaired by Sir James Leigh-Pemberton. In accordance with the AIC Code, the majority of its members are independent non-executive Directors. Its responsibilities include overseeing the process of the appointment of new Directors to the Board, overall Board composition, succession planning, monitoring progress on diversity and other matters set out in its terms of reference.

The Board had previously identified East Asia (and China in particular) and alternative asset managers as areas of expertise which could be enhanced and this was addressed during the year through the elections of Maxim Parr and Jonathan Sorrell as Directors. More generally, consideration of candidates from a diversity of backgrounds and experiences is a key feature of succession planning.

The Committee also reviews the designation of Directors as independent or non-independent. Pursuant to the 2020 AGM, the Company consulted with shareholders and as a consequence, in July 2020, the Committee re-designated Jeremy Sillem as a non-independent Director. At the same time, Jeremy Sillem stepped down as a member of both the Conflicts Committee and Remuneration Committee to comply with the requirements of their respective terms of reference and also (in respect of the Remuneration Committee) the AIC Code in relation to independent members. Further information on this can be found on page 34.

The Committee is mindful of Board balance, experience and diversity when considering appointments to the Board and its terms of reference acknowledges the benefits of diversity. The Committee is required to have due regard for this in any process for identifying suitable Board candidates, including considering candidates from a wide range of backgrounds. The Board utilises its broad range of business contacts to identify candidates for Director appointments on the basis of their potential contribution to the Company. During the year, the Company was advised by Russell Reynolds Associates to assist with this process. Russell Reynolds Associates has no other relationships with the Group and is therefore independent.

The Remuneration Committee

The Directors' Remuneration Report is shown on pages 44 to 48.

The Valuation Committee

The Valuation Committee comprises five Directors, all of whom are independent, and with appropriate experience. Maxim Parr was appointed to the Committee on 26 May 2020. The Committee plays a key role in providing the Board with assurance that the valuation process is rigorous and independently challenged.

The Committee is chaired by Mike Power. It meets at least twice each year and additionally as may be required. The Committee's principal responsibility is to review the Company's direct private and other investments to ensure that they are presented in the annual and half-yearly accounts at fair value. As a result of the inherent subjectivity of the valuation of private investments, these form a key area of focus for the Committee.

At each meeting, the Committee reviews a detailed report from the Manager which includes: a valuation report on each of the largest (above 0.20% of net assets) directly-held private investments, including information on the companies' performance and valuation and/or the GP's valuation where relevant; a sample and overall summary of the valuation of the smaller directly-held private investments; a valuation report from JLL in relation to the Company's investment properties; the valuation approach for the remainder of the portfolio, including an analysis of the Company's investments in private funds; and a valuation of the Company's loan notes.

As part of its review and challenge, the Committee considers: the consistency of the Manager's approach over time; the relevance and appropriateness of the valuation techniques adopted; and a review of the differences between the ultimate sale price and the most recent valuation for any assets sold during the period.

Corporate Governance Report

The current members of the five Board Committees are as follows:

Audit and Risk Committee

Amy Stirling (Chairman)
André Perold
Mike Power
Jonathan Sorrell

Conflicts Committee

Philippe Costeletos (Chairman)
Maggie Fanari
Maxim Parr

Nominations Committee

Sir James Leigh-Pemberton (Chairman)
Philippe Costeletos
Jeremy Sillem

Remuneration Committee

Philippe Costeletos (Chairman)
Maggie Fanari
Sir James Leigh-Pemberton

Valuation Committee

Mike Power (Chairman)
Philippe Costeletos
Sir James Leigh-Pemberton
Maxim Parr
Amy Stirling

Board and Committee attendance

The Board and Committee attendance of the Directors at meetings during the year is shown below. In each case the number of meetings attended is shown first, followed by the number of meetings that the Director was eligible to attend. Due to the impact of Covid-19, a number of Board and Committee meetings were held virtually.

	Board	Audit and Risk	Conflicts	Nominations	Remuneration	Valuation
Number of meetings held during the year	5	5	3	4	5	2
Chairman						
Sir James Leigh-Pemberton ¹	5/5	–	–	4/4	3/3	2/2
Non-executive Directors						
Philippe Costeletos ²	5/5	–	3/3	3/3	5/5	2/2
Maggie Fanari	5/5	–	3/3	–	5/5	–
Michael Marks ³	3/3	–	–	–	–	–
Maxim Parr ⁴	2/2	–	2/2	–	–	2/2
André Perold	5/5	5/5	–	–	–	–
Mike Power	5/5	5/5	–	–	–	2/2
Hannah Rothschild	5/5	–	–	–	–	–
Jeremy Sillem ⁵	5/5	3/3	1/1	4/4	3/3	–
Jonathan Sorrell ⁶	2/2	2/2	–	–	–	–
Amy Stirling	5/5	5/5	–	–	–	2/2
The Duke of Wellington ⁷	3/3	–	–	–	–	–

¹ Appointed as a member of the Remuneration Committee on 26 May 2020.

² Appointed as a member of the Nominations Committee on 26 May 2020.

³ Retired as a Director on 26 May 2020.

⁴ Elected as a Director and appointed as a member of the Conflicts Committee and the Valuation Committee on 26 May 2020.

⁵ Stepped down as a member of the Audit and Risk Committee on 26 May 2020 and the Conflicts Committee and Remuneration Committee on 10 July 2020.

⁶ Elected as a Director and appointed as a member of the Audit and Risk Committee on 26 May 2020.

⁷ Retired as a Director on 26 May 2020.

Corporate Governance Report

Effectiveness and evaluation

Many of the Directors have held or hold senior positions in the financial services industry, including at prominent investment banks or asset management companies. In addition, there are Directors with considerable experience beyond these areas, including general commercial organisations and academia. The biographies of the Directors and the JRCM Executive Committee on pages 23 to 26 demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims.

As described above, the process for the appointment of new Directors to the Board is the responsibility of the Nominations Committee, as is their induction and ensuring, on an ongoing basis, that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

JRCM provided relevant and timely information on the financial, legal and regulatory developments during 2020 in the papers and presentations provided at Board and Committee meetings.

The Board undertakes an annual review of its performance, its committees and each individual Director (including the Chairman) in accordance with the requirements of the AIC Code. The 2020 annual performance evaluation was led by Philippe Costeletos, the Senior Independent Director. The evaluation took the form of questionnaires, completed by Directors, assessing the performance and the effectiveness of the Chairman, Board and each of its Committees. The results were evaluated and considered by the Board as a whole. Key matters discussed included succession planning and diversity, and allocation of time to business and strategy topics at Board and committee meetings.

Overall, it was concluded that the Board and its committees operate effectively and that each Director continues to contribute effectively and demonstrates commitment to the role. The evaluation highlighted areas of focus for the next financial year, including further incorporating ESG into our investment processes and maintaining the effectiveness of the Board during the challenges presented by Covid-19.

In accordance with the Codes, all Directors (other than those retiring or standing for their first election) stand for re-election annually, subject of course to continued satisfactory performance. The re-election of Directors at the forthcoming AGM is therefore recommended by the Board.

Subject to his continued annual re-election, the Chairman's tenure is not intended to exceed nine years from the date of his appointment, in line with the relevant corporate governance expectations. Moreover, as part of the wider annual evaluation of the Board, length of service is a key consideration when assessing the general requirements to regularly refresh the membership, diversity and overall composition of the Board.

Accountability

The Board, acting where appropriate through the Audit and Risk Committee, is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk management and internal control systems, for setting corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor. These areas are further described in the Audit and Risk Committee Report on pages 40 to 43.



Corporate Governance Report

Relations with stakeholders

The Board recognises the benefits of engaging with our shareholders and other key stakeholders in order to ensure that we are aware, and can take account, of their views during Board discussions and when the Board makes decisions. As a result, the following processes and initiatives are in place.

Shareholders

- an ongoing dialogue with principal shareholders, proxy advisors and analysts is maintained and the Manager regularly reports to the Board on its shareholder and analyst meetings to ensure that the members of the Board understand shareholders' views of the Company. Moreover, the Chairman has engaged with major shareholders and will continue to do so each year;
- the Board is aligned with shareholders on the importance of ESG and has appointed a leading international sustainability consultancy to assist in this area. The Manager has become a signatory of the UN Principles for Responsible Investment as part of our commitment to further ESG integration;
- a regular review of the composition of our share register and receipt of feedback from our brokers, including in the form of an independent survey of shareholder views conducted by the brokers;
- a designated email account (investorrelations@ritcap.co.uk) for shareholders to communicate directly with the Group;
- the impact of Covid-19 meant that since March 2020, our shareholder engagement activities switched to virtual platforms. This included shareholder and analyst meetings held by video calls to enable us to continue engaging directly with shareholders and continue to be informed of their views. In light of the market turbulence caused at the onset of the pandemic, the Manager enhanced its shareholder communications, with a letter to all shareholders published at the end of the first quarter of the year following the extraordinary market turbulence at that time, and has also added a 'Manager Report' to the Half-Yearly Financial Report; and
- the 2020 AGM was held remotely to follow government guidelines and public health advice on restricting public gatherings. Shareholders were invited to access the AGM remotely and encouraged to submit questions to the Directors and the Manager in advance of the AGM and all questions submitted were directly addressed during the meeting.

Employees

- the swift and successful implementation of remote working measures and flexible working arrangements helped to ensure the health and well-being of our employees during the Covid-19 pandemic;
- employee communication has been a priority during remote working. Virtual 'town hall' meetings with the Group's employees were held and chaired by the Chairman (who is designated as the Director responsible for engagement with employees) as well as the Chief Executive Officer of JRCM. More generally, internal communication platforms were enhanced to accommodate remote working and regular communication was encouraged. This was also used to assess resource needs, administer employee feedback surveys, monitor sickness, employee support and address any specific individual challenges relating to home working;
- financial assistance to casual and agency staff whose roles were directly affected as a consequence of the closure of our offices during this period;
- an ongoing commitment to professional development and the nurturing of talent by giving employees the appropriate training, development and support they need and providing them with the opportunities to gain new skills to perform their roles effectively;
- support and investment in employees' health and well-being by providing a wide range of benefits that are regularly reviewed and updated;
- provision of a clear and independent whistleblowing process;
- a carefully structured performance management process is designed to reinforce the Group's overall strategy and culture;
- policies to ensure that we continue to provide a safe and healthy working environment where all our employees are treated with dignity and respect; and
- provision of an employee assistance programme providing confidential support on mental health issues.

Corporate Governance Report

Suppliers

- we place a high value on the relationships with a broad group of key suppliers and service providers including fund managers, our auditor and professional advisers, our custodian/depositary, bankers, trading counterparties, and brokers, and are committed to developing and maintaining sustainable and transparent working relationships over the long-term. Understanding our fund managers' approach to ESG forms part of the due diligence undertaken by JRCM prior to selecting investments; and
- while we ensure these relationships are subject to regular review and refreshed where necessary, equally some of the suppliers have worked with us for very many years. Effective management of our supplier relationships is critical to our ability to deliver on our broad mandate, and we utilise a combination of formal and informal feedback, directly and via our Manager.

Environment and the community

- we obtained carbon neutral status for our internal operations through participation in an accredited

scheme involving the planting of trees at primary schools to offset our carbon footprint;

- a 'zero to landfill' waste and recycling policy;
- encouraging employees to reduce their own environmental impact through a cycle to work scheme;
- procurement of all electricity usage in our property portfolio from renewable sources;
- facilitate employees taking advantage of 'Give As You Earn' for personal charitable donations; and
- various employee events to raise money for designated charities.

Compliance with the Codes

It is the Board's view that the Company has complied with both the principles and the relevant provisions of the Codes during the year.

The following table describes how the Board has applied the 17 principles of the AIC Code in practice.



Corporate Governance Report

AIC Code Principle	Application
A. A successful Company is led by an effective Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.	The Board considers the Company has continued to perform satisfactorily during the year, with a NAV per share total return of 16.4%. The annual internal Board evaluation, led by the Senior Independent Director, concluded that the Board continues to operate effectively. The Board is mindful of its contribution to the wider society and strives to meet its obligations through ensuring effective stakeholder engagement by the Group. Pages 31 and 32 of this Report illustrates initiatives contributing to the environment and wider society.
B. The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The Directors consider that the purpose and strategy are enshrined in the Company's Corporate Objective and Investment Policy, as described in the Strategic Report (pages 5 and 6). Our values underpin and govern our Group's operations and are based on integrity and respect for all our stakeholders. Together, our purpose, values and strategy foster a strong and healthy culture of honest and open communication and engagement between Directors and within the wider workforce of the Group, promoting fairness, equality and professional development. The Directors recognise the importance of their role in monitoring and assessing the Company's purpose, values and strategy, which are reinforced in meetings between the Directors and the Manager. Furthermore, the Manager provides quarterly updates to the Directors on how the Company's values and culture are being applied throughout the Group's operations and in the implementation of its strategy.
C. The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board receives from the Manager regular and detailed information in relation to the Company's investment performance as well as in relation to its finance and operational capability, including the annual budget. Performance is measured against, and the Manager rewarded by reference to, the published KPIs, as well as wider qualitative criteria including in relation to risk management, controls and promotion of the Group's values and business principles.

Corporate Governance Report

AIC Code Principle	Application
D. In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	<p>The Board receives regular reports from the Manager in relation to shareholder engagement as part of an extensive investor relations programme. Shareholders are encouraged to attend the AGM, where the Manager presents on investment performance and strategy (in respect of the 2020 AGM, where physical attendance was not possible, measures were put in place for shareholders to listen remotely and submit any question to the Board and Manager in advance of the meeting). Stakeholders are also able to access and review all key Company literature on its website (www.ritcap.com). Questions may be directed to the Board or the Manager, via the registered office or a dedicated email address (investorrelations@ritcap.co.uk).</p> <p>Further to the results of the shareholder resolutions at the 2020 AGM, the Company engaged directly with relevant shareholders to understand their concerns about the designation of Jeremy Sillem as an independent Director. The Board acknowledged these concerns and subsequently re-designated him as a non-independent Director in July 2020.</p> <p>The Manager also reports to the Board regularly on its broader stakeholder engagement, as set out on pages 31 and 32.</p>
F. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information.	<p>The Chairman encourages active participation at Board meetings, including setting the agenda items for discussion.</p> <p>The Board receives a comprehensive suite of regular information, including in-depth reports from the Manager of performance, attribution, transactions and exposures on a monthly and quarterly basis. The quarterly Board meetings also include detailed reports on the finance and operational activities of the Manager and Group, including costs, liquidity, risk, investor relations, PR, IT, regulatory, legal and compliance matters and HR. At these meetings, the Manager also provides a quarterly update on ESG integration, which is a standing agenda item.</p> <p>Furthermore, Board meetings provide the opportunity for the chairs of each Committee to present a summary of the activities of their Committee, with minutes from the meetings included in the Board papers.</p>

Note: the AIC Code does not include a Provision E.

Corporate Governance Report

AIC Code Principle	Application
G. The Board should consist of an appropriate combination of Directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	The Board has delegated responsibility to key Committees, as well as engaging the Manager under a formal investment management and services agreement. At 31 December 2020, the Board comprised an independent non-executive Chairman and nine non-executive Directors, of which seven are independent, and all are independent of the Manager, with a clear division of responsibilities between the Board and the Manager. As such, the Board considers that its decision making is not dominated by an individual or small group of individuals.
H. Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	The Directors consider they have sufficient time to meet Board responsibilities. While there is a standing meeting timetable for the Board and Committees, the Directors have participated in additional Board and Committee meetings as necessary, including ad hoc meetings of Board and Audit and Risk Committee during the year to address the Group's response to Covid-19. The Board and Committee meetings provide opportunities for detailed assessment of both the Manager's performance as well as reviewing performance of other key service providers (see page 32).
I. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Manager provides company secretarial services to the Company and, together with external specialist advisors, ensures that Board procedures and applicable rules and regulations are observed. Such services also include advice and support to the Board on all governance matters and on the discharge of Directors' duties. Directors are able to take independent external professional advice to assist with the performance of their duties at the Company's expense.
J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Appointments to the Board follow a careful process, led by the Nominations Committee who identify candidates to complement and enhance the collective skills, knowledge and experience of the Board. This process led to the elections of Maxim Parr and Jonathan Sorrell at the 2020 AGM and was based on a succession plan which included identifying candidates who would provide the necessary skills and experience to complement the existing Directors. More generally, diversity of gender, social and ethnic backgrounds are key considerations for the Board's succession planning.

Corporate Governance Report

AIC Code Principle	Application
K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	<p>Directors' varying backgrounds and wide-ranging experience, including in the investing world and financial services generally, as well as commercial businesses and academia, ensures broad cognitive diversity, which is viewed as key in assisting effective challenge and discipline. Biographies of the Board are set out on pages 23 to 25 and demonstrate the strength of experience in the areas required to provide effective strategic leadership and appropriate governance of the Company.</p> <p>The Board seeks to ensure an appropriate balance between continuity and experience, and the positive benefits from refreshing membership and the development of a diverse Board. During 2020, there were two new Directors elected. In addition, a number of Committees were refreshed with new members (see page 28).</p>
L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	<p>The Senior Independent Director led a formal and rigorous internal evaluation of the Board in 2020. Each Director completed a questionnaire which evaluated the performance of the Chairman, each Director, the Board as a whole and its Committees. Following this review, the performance of the Board, and each Director was considered to be satisfactory. During the year the Board identified East Asia (and China in particular) and alternative asset managers as areas of expertise which could be enhanced and this was addressed through the elections of Maxim Parr and Jonathan Sorrell as Directors at the 2020 AGM.</p>
M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	<p>The Board has delegated the assessment of the external audit function and the review of the integrity of the Annual Report and Accounts (ARA) and Half-Yearly Financial Report to the Audit and Risk Committee. EY has been auditor of the Group since 2018 and the Committee undertook an assessment of EY's performance in respect of the annual statutory audit of the Group for the year ended 31 December 2019, concluding that EY had performed satisfactorily (see page 43). The Audit and Risk Committee also performed a detailed review of the 2019 ARA, the 2020 Half-Yearly Financial Report and this 2020 ARA, as well as reviewing supporting papers from the Manager, in order to ensure the integrity of the statements (see page 40).</p>

Corporate Governance Report

AIC Code Principle	Application
N. The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.	The Audit and Risk Committee reviewed the financial and narrative statements within the 2019 and 2020 ARAs and 2020 Half-Yearly Financial Report, as well as supporting papers and evidence from the Manager in relation to this area. The Committee concluded that the published reports were consistent with the fair, balanced and understandable requirement and advised the Board accordingly. The Board considered the Committee's advice and its own review, before reaching the same conclusion.
O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Day-to-day risk management is undertaken by the Manager and overseen by the Audit and Risk Committee which receives detailed reports twice a year on the risk management and internal control functions. The Group's system of internal controls is administered by the Manager, and designed to manage as far as possible the principal risks of the Company. Further information can be found in the Principal Risks and Viability section of the Report on pages 17 to 21 and the Audit and Risk Committee Report on pages 40 to 43.
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	The Directors' remuneration policy was approved by shareholders at the 2020 AGM and is in accordance with the provisions of the Codes for non-executive Directors' remuneration. Directors receive fixed fees without any performance related elements. The Remuneration Committee also has oversight of the remuneration policies and practices within JRCM and SHL, and seeks to ensure these are tied to the strategy and long-term sustainable success of the Company, with clear links to the corporate KPIs (see pages 7 and 8).



Corporate Governance Report

AIC Code Principle	Application
Q. A formal and transparent procedure for developing remuneration policy should be established. No director should be involved in deciding their own remuneration outcome.	As set out in the Directors' Remuneration Report on pages 44 to 48, Directors are paid on a fixed-fee basis, as recommended by the Remuneration Committee and approved by the Board. Such fees take account of the fees paid by other investment trusts and the advice of its remuneration consultant, Alvarez & Marsal.
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances.	<p>Directors are remunerated on the basis of a flat standard fee supplemented by additional Committee membership and chairmanship fees. There are no performance-related aspects to Directors' remuneration.</p> <p>In the oversight of JRCM and SHL's remuneration, Directors ensure that it is set by reference to the performance of the Company and individuals, relative to KPIs and individual objectives.</p>

In addition, as a self-managed investment trust, the Board has also considered the following principle from the UK Code:

UK Code Principle	Application
E. The Board should ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	<p>The Group's workforce, who are employed by JRCM and SHL, are subject to consistent standards of behaviour set out in an employee handbook and monitored by the Manager. All employees are expected to adhere to a standard of conduct based on respect, courtesy and dignity, adhering to the highest ethical standards. The employee handbook also contains policies on equal opportunities, anti-harassment, dignity at work, anti-corruption, whistleblowing, conflict management and the environment.</p> <p>Well-established whistleblowing procedures are in place in which employees have available direct lines of communication to the Chairman of the Audit and Risk Committee. More generally, our culture seeks to encourage honest and open communication across the Group.</p> <p>The impact of Covid-19 meant that most employees worked from home for the majority of the year. Measures were put in place to ensure an effective transition to remote working and also ensure ongoing support for employees during this time, including provision of IT equipment, flexible working, regular communications and monitoring of employee welfare.</p>

Corporate Governance Report

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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, and of the profit or loss of the Group and Parent Company for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, the Group financial statements are required to be prepared in accordance with international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and

enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that, following advice from the Audit and Risk Committee, the Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position, performance, business model and strategy. The Audit and Risk Committee had reviewed the draft Report and Accounts for the purpose of this assessment.

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

- the Parent Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit for the Company;
- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contains a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Corporate Governance Report was approved by the Board and signed on its behalf by:

Sir James Leigh-Pemberton
Chairman

Audit and Risk Committee Report

The Audit and Risk Committee

I am pleased to present the Audit and Risk Committee Report for 2020.

This year was a particularly challenging year in terms of the impact of Covid-19 on regular ways of working. The Committee would like to note its thanks and appreciation to the finance and compliance functions of the Manager for their professionalism and determination to maintain consistently high standards of reporting and control across the operations of the Group throughout the year.

Committee responsibility and composition

The Committee has oversight responsibilities delegated to it by the Board in three principal areas: financial reporting, risk management and the external audit. The responsibilities are set out in more detail in the Committee's terms of reference, which may be viewed at www.ricap.com.

The Committee currently comprises four Directors, each of whom is non-executive and independent of the Company. The Board is satisfied that I have requisite, recent and relevant financial experience to chair the Committee: I am a Fellow of the ICAEW, Chief Financial Officer of the Virgin Group and have held various executive and non-executive roles for public, private and governmental organisations, many of which were audit committee roles. I have also been a member of this Committee since 30 April 2015.

The three other members of the Committee at the year end also have recent and relevant financial experience. Mike Power is a Fellow of the ICAEW and Professor of Accounting at the London School of Economics and Political Science and André Perold is Chief Investment Officer of an investment management firm having previously been a professor of Finance and Banking at Harvard Business School.

In May 2020, Jeremy Sillem stood down as a member of the Committee and was replaced by Jonathan Sorrell. Jonathan is President of Capstone (a global asset manager) and formerly Chief Financial Officer of Man Group.

Our individual biographies are shown on page 24. I can confirm that the Board considers all members of the Committee to have sufficient recent and relevant financial experience so as to comply with the requirements of the 2019 AIC Code and the relevant aspects of the 2018 UK Code (together, the Codes).

Committee meetings and activity during the year

We met five times in 2020; two Committee meetings were held to review the Group's 2019 Annual Report and Accounts and the June 2020 Half-Yearly Financial Report.

Our review included the assessment and assurance that the annual reports, taken as a whole, were fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. For both the 2019 and 2020 annual reports, we were satisfied that this was the case and advised the Board accordingly.

We also considered the year-end reports from the external auditor and discussed matters arising with JRCM. The adequacy of the Group's accounting policies and financial reporting procedures are discussed with the external auditor at least annually. Following these discussions and our review of the annual reports, we concluded that the accounting policies are appropriate for the Company and take into account, where necessary, new accounting standards.

We held an additional committee meeting in April 2020 to understand and assess the impact of the Covid-19 pandemic on the Group which is discussed in detail below.

We held two further meetings, in May and November 2020, reviewing the effectiveness of the Group's risk management and internal controls, by reference to reports prepared by the Manager and its internal audit function.

We also reviewed the Group's whistleblowing procedures for staff to follow in the event that they might have any concerns about possible improprieties in matters of financial reporting or other matters. The procedures in place provide staff with direct access to the Committee, through myself as Chairman, and I can confirm that no issues were raised during the year.

We recently held the first meeting of 2021, focused on our review of the Group's 2020 Annual Report and Accounts.

In addition to the activities described above, significant matters we considered during the year are set out below:

Covid-19 response

At our April interim Committee meeting, we covered the specific areas below as those potentially most impacted by Covid-19:

- Business continuity; and
- Investment risk limits – relating to liquidity, covenant compliance and general risk limits.

Through our discussions we were satisfied that, having transitioned to full remote working, the Manager had been able to undertake all critical day-to-day functions and remain in compliance with FCA requirements. The

Audit and Risk Committee Report

Group's IT systems had performed well and all internal control procedures had continued to be applied with specific adaptations to enable controls to be effective remotely. The Manager noted that in certain cases, processes were taking longer to complete, though this did not result in any additional risk.

We noted the increase in frequency of both formal and informal communications with staff throughout the year in order to provide information and support in a remote working environment.

The Manager enhanced its daily monitoring of liquidity and borrowings in March given the volatility experienced in markets. While the Group has relatively modest borrowings compared to the value that could be realised from its total assets, nevertheless, at times of market stress, this focus on enhanced liquidity management is a key part of the Manager's role. We spent time throughout the year considering the impact of the different liquidity profiles of the portfolio investments, and the impact this might have on the ability to realise capital. We were satisfied that, even at times of significant stress, the ongoing viability of the Group was not at risk.

As part of its response to strengthen the control environment, the Manager increased the frequency of meetings of its own Operational Risk Committee (for which we receive and review minutes). Investment risk management continued to receive a high degree of focus by the Manager reflecting its overall approach to risk as an embedded feature of portfolio management, as well as the unusual degree of market and asset volatility.

Our ongoing assessment of the actual and potential impact of the pandemic continued throughout the year, with each meeting devoting time to review updates.

The valuation of direct private investments and other assets

Direct private investments comprise approximately 9% of net assets. By their very nature such investments merit individual attention when considering their fair value. The estimation of fair value requires the exercise of considerable judgement and in many instances the use of a range of valuation techniques, as well as a degree of reliance on external managers. This subjectivity means that there is a higher degree of uncertainty in such valuations compared with those of other assets.

We have considered the work of the Valuation Committee and the results of their discussions with both the Manager and the external auditor. We view the work as detailed, comprehensive and that the persons preparing the reports have sufficient and appropriate expertise through their experience and qualifications. Furthermore,

we believe that the process is planned and managed so as to devote adequate time and resource to preparation and review by both the Manager and the members of the Valuation Committee.

We also considered the work of the Valuation Committee as it relates to other assets in the portfolio. Here, the combination of detailed processes, rigorous analysis and, where relevant, external advice has provided comfort over the portfolio valuations. Two members of this Committee, myself included, also sit on the Valuation Committee. This Committee also receives an executive summary of the Manager's main valuation report as well as the minutes from the Valuation Committee.

Investment risk limits (IRLs)

The Board establishes and oversees the risk appetite through high-level asset allocation and security limits. These IRLs establish the parameters within which the Manager is normally expected to manage the portfolio on an ongoing basis. Over time these have been incrementally expanded to include areas of more granular portfolio management. As a result, we agreed with the Manager (and which was ultimately approved by the Board) to divide the limits between a smaller number of key Board IRLs, while delegating the remainder to JRCM as part of its ongoing portfolio management with the details of all limits continuing to be disclosed monthly to the Board in the Manager's investment report.

Operational due diligence

In November, the Committee met with the Manager's Operational Due Diligence Executive who presented on the process used to assess and monitor the operational robustness of current and potential third-party investment managers. The Committee discussed the impact of remote working on the effectiveness of due diligence and the responsiveness of managers to requests for further information. It was noted that this key function within the Manager was of increasing importance given the breadth of investment managers within the portfolio.

Post-Brexit environment

As a global investor, one of the many geopolitical factors which influenced market risk during 2020 was the end of the transition period following the United Kingdom's departure from the European Union. As neither of our operating subsidiaries have business activities within the European Union, there was no direct operational impact. The ongoing impact of the Brexit situation on market risk was considered as a normal part of portfolio management.

Audit and Risk Committee Report

Related party disclosures

Related party transactions are a common feature of commerce and business. The Group often takes advantage of opportunities offered to it, or services provided to it via many relationships built up over time (including those arising from Board members). Disclosure of such transactions is a requirement in order to allow shareholders and other users of the financial statements to assess the risks and opportunities facing the Group.

We consider the work of the Conflicts Committee in reviewing advisory services, co-investment transactions and any other similar arrangements with any related parties and have discussed with the Manager the systems and processes in place to identify, review, record and disclose such transactions. We note the importance the Board and the Manager place upon the work of the Conflicts Committee. We have reviewed the disclosures made in the financial statements regarding such transactions and consider that the necessary disclosures have been made.

Internal control

The Board of Directors is responsible for the Group's system of internal control although it has delegated the supervision of the system to this Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss.

The Board has delegated to the Manager the implementation and day-to-day management of the system of internal control within an established framework acceptable throughout the Group. The system of internal control is reviewed twice each year by the Committee, using a comprehensive report prepared by the Manager. The report outlines each of the principal risks and their management, covering all aspects of financial risks (including market risk, liquidity risk etc) and operational risk (including key man risk, information security risk etc) as is summarised in the Principal Risks and Viability section on pages 17 to 21. The relative importance of each principal risk is assessed by reference to the possible impact on the Group's net asset value or share price should a loss occur, alongside the likelihood of that loss occurring, taking into consideration the existing control environment.

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

Internal audit and compliance

As part of the review of the control environment, the Manager undertakes an internal audit of selected areas agreed with the Committee. The 2020 internal audits included reviews of liquidity management, derivative risk management and counterparty risk management with additional focus on new controls that have been implemented as a result of remote working. No material weaknesses were identified through the course of this review.

The Manager also reports to the Committee the results of its monitoring of external managers' compliance with the terms of their investment management arrangements, as well as periodically reviewing their own control procedures.

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

FRC review

The Conduct Committee of the FRC is a body authorised by the Secretary of State to review and investigate the annual accounts, strategic reports and directors' reports of public and large private companies for compliance with relevant reporting requirements. Their reviews are solely based on the contents of report and accounts without detailed knowledge of the specific businesses or underlying transactions, however they are conducted by staff who understand the relevant legal and accounting framework.

In September 2020 we received a letter from the Conduct Committee informing us that a review of the 2019 Report and Accounts had been performed. I am delighted to report that this letter stated that the FRC's review had raised no queries or concerns.

Audit and Risk Committee Report

External auditor

The external auditor is Ernst & Young LLP (EY), who have completed their third annual audit.

EY attended all meetings of the Committee relevant to them and provided reports on their audit approach and work undertaken, the quality and effectiveness of the Group's accounting records and their findings in connection with the Group's annual statutory audit for the year ended 31 December 2020. I have also had regular contact with the lead audit partner during the year.

The level of non-audit services provided to the Group by the auditor is subject to pre-approval in accordance with our policy on non-audit services and is monitored, as is the auditor's objectivity in providing such service, to ensure that the independence of the audit team from the Group is not compromised. Non-audit services provided by EY in 2020 totalled £40,000 for audit-related assurance work (regarding JRCM's regulated activities). Their selection for this work was based on cost efficiency and synergies with the audit process and these services are permitted by the FRC's revised Ethical Standard. Further

information on fees paid to the auditor is set out in note 5 to the financial statements.

The Committee considered EY's independence, objectivity, and the effectiveness of the audit process with the benefit of formal and informal feedback from the Manager and concluded satisfactorily on each of these points.

Amy Stirling
Chairman, Audit and Risk Committee



Directors' Remuneration Report

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

The objective of our approach to remuneration is to attract and retain talented Directors and senior executives in order to help deliver sustained superior returns for our shareholders over the long term.

Having successfully transitioned to a conventional, non-executive Board, and in line with the three-yearly timetable, the current Directors' Remuneration Policy was approved by shareholders with 99.9% of the vote at the 2020 AGM.

As well as the remuneration of RIT Directors, the Committee is also responsible for oversight of the remuneration policies associated with our operating subsidiaries – JRCM and SHL. Here, incentive schemes are in place, tailored to the respective businesses and we spent time during 2020 reviewing these to ensure they were appropriately structured and aligned with shareholders' interests.

The Directors' Remuneration Policy and Remuneration Report have been prepared in accordance with the Listing Rules of the FCA, the relevant sections of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 as amended in 2018. It also sets out how it has applied the principles of the Codes relevant to the Company.

Directors' Remuneration Policy

In accordance with the provisions of the AIC Code and the UK Code, non-executive Directors' remuneration reflects their duties and time commitments and is set at a reasonable level which is consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board's policy is that the fees paid to the non-executive Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by other investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy.

Furthermore, the Company's Articles of Association currently limit the aggregate base fees of the non-executive Directors (excluding the Chairman) to £400,000 per annum. The non-executive Directors receive base fees and Committee chairmanship and membership fees. They are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses.

There are no performance conditions relating to Directors' fees and they are not entitled to any long-term incentive or pension schemes. No compensation is payable on loss of office.

Committee structure and responsibilities

I have chaired the Committee since 22 July 2019, having previously served on it since 26 April 2018. As at 31 December 2020, the Committee included two further independent non-executive Directors: Sir James Leigh-Pemberton (who joined the Committee on 26 May 2020) and Maggie Fanari (who has been on the Committee since 25 April 2019). The Committee meets at least twice a year on a scheduled basis and additionally as may be required.

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

The overall fee structure is assessed in part by reference to other companies of similar size and business objectives. The Committee seeks information and advice as required, including from JRCM management.

The Remuneration Committee appointed a remuneration specialist from Alvarez & Marsal, to provide the Committee with advice. During the year, fees of approximately £22,500 were paid to Alvarez & Marsal and AON Hewitt (previous remuneration adviser) in respect of their advice. Alvarez & Marsal abides by the Remuneration Consultant's Code of Conduct which requires it to provide objective and impartial advice. It has no other relationships with the Group and is therefore independent.

In accordance with Chapter 6 of the Companies Act 2006, the Directors' Remuneration Policy applies to the Directors of the Company, all of whom are non-executives.

The Remuneration Committee also has oversight of the remuneration structures of JRCM and SHL. JRCM is a regulated entity whose remuneration arrangements are governed by the FCA's applicable Remuneration Codes.

Incentive structures

In accordance with the relevant principles of the Codes, the Remuneration Committee has sought to ensure that there is an appropriate Group-wide incentive structure to attract, motivate and retain the high-quality individuals we need to deliver our long-term strategic aims and sustainable success. The remuneration approach is designed to align with and reinforce these strategic aims.

Directors' Remuneration Report

The Group operates an Annual Incentive Scheme (AIS) for employees as well as longer-term share-based awards. The annual cap for total payments under the AIS is 0.75% of net assets. Our approach is designed to measure and reward the Company's performance, and seeks to provide an appropriate balance between shorter-term awards and longer-term incentives, as well as the need for robust risk management. Following an extensive review with our advisers during the year, we are satisfied with the suitability of the AIS in order to meet our objectives.

The scheme rewards investment outperformance as measured against two KPIs: RPI plus 3.0% and the ACWI. It also rewards wider achievements not directly linked to the NAV return. The AIS is measured annually and includes longer-term features such as a three-year absolute 'high water mark' as well as significant deferral into RIT shares (which vest over the subsequent three years).

We are satisfied that rewards are linked to the strong investment outperformance achieved in 2020. Decisions made by the Committee have followed a careful appraisal of Company performance and at all times aim to reinforce shareholder alignment, both through the link to our objectives and also the payment via shares.

The Remuneration Committee retains the ability to clawback elements of previous awards if necessary.

The second main aspect of the remuneration approach is a long-term incentive plan (LTIP). Here we also carefully considered the appropriate structures used for longer-term incentives, shareholder alignment and retention. With advice from Alvarez & Marsal, we have decided to switch from share appreciation rights (SARs) and performance shares to restricted share units (RSUs) for future awards. These have the advantages of reinforcing shareholder alignment and greater simplicity, in contrast to SARs which are used much less frequently in the market. The RSUs vest after three years and then have a further two-year lock up before the shares can be sold. They also incorporate qualitative performance standards, as well as malus and clawback features.

Consulting with shareholders

Where appropriate, the Committee is responsible for ensuring that there is pro-active engagement and consultation with major shareholders and shareholder representatives in respect of remuneration.

Further to the 2020 AGM in May, the Company consulted with a number of shareholders and proxy advisors regarding contributions that had been made towards the office and medical insurance costs of the Company's Honorary President, founder and former Chairman, Lord Rothschild. Based on these discussions, the Committee made a decision to cease these contributions from September 2020 and no further contributions are planned. No other payments were made to past Directors during the year.

We are grateful for the valuable comments, perspectives, and specific feedback provided. Our goal is to continue our dialogue with shareholders on a regular basis to ensure that our policies reflect good corporate governance and stay aligned with investor expectation.

External non-executive Directorships

Where a Directorship is accepted in furtherance of the Group's business, any fees received are remitted to the Group. If the appointment is not connected to the Group's business, the Director is permitted to retain any fees received.

Non-executive Directors' remuneration

The remuneration of the non-executive Chairman and Directors is determined by the Board as a whole. Non-executive fees are reviewed periodically by the Board with reference to market levels in comparably sized listed companies. The Board has discretion to periodically review and amend fee rates; the current fee rates are listed below:

Base fee:	
Non-executive Chairman ¹	£150,000
Non-executive Director	£30,000
Additional fees:	
Senior Independent Director fee	£7,500
Committee membership fees:	
Audit and Risk Committee	£6,000
Conflicts Committee	£3,000
Nominations Committee	£4,000
Remuneration Committee	£4,000
Valuation Committee	£6,000
Audit and Risk Committee Chairmanship ²	£10,000
All other Committees' Chairmanship fee (per committee) ²	£7,500

¹ The non-executive Chairman fee is inclusive of membership of Board Committees.

² The Committee Chairmanship fees are in addition to the Committee membership fees.

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

The letters of appointment for the non-executive Directors are available for inspection at the Company's registered office.

Annual report on remuneration

The annual report on remuneration will be put to an advisory shareholder vote at the 2021 AGM. The information on pages 46 to 47 has been audited where required under the regulations and is indicated as audited information where applicable.

Directors' Remuneration Report

Directors' remuneration – audited

Non-executive Director	Year ended 31 December 2020					
	Salary/ fees £	Bonus £	Taxable benefits £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Sir James Leigh-Pemberton	150,000	–	–	–	–	150,000
Directors						
Philippe Costeletos	67,895	–	–	–	–	67,895
Maggie Fanari	37,000	–	–	–	–	37,000
Michael Marks ¹	12,500	–	–	–	–	12,500
Maxim Parr ²	23,350	–	–	–	–	23,350
André Perold ³	36,000	–	7,714	–	–	43,714
Mike Power	49,500	–	–	–	–	49,500
Hannah Rothschild	30,000	–	–	–	–	30,000
Jeremy Sillem	40,215	–	–	–	–	40,215
Jonathan Sorrell ⁴	21,554	–	–	–	–	21,554
Amy Stirling	52,000	–	–	–	–	52,000
The Duke of Wellington ¹	12,500	–	–	–	–	12,500

¹ Michael Marks and the Duke of Wellington retired as Directors of the Company on 26 May 2020.

² Maxim Parr was appointed as a Director of the Company on 26 May 2020.

³ André Perold received £7,714 in benefits relating to travel from the US.

⁴ Jonathan Sorrell was appointed as a Director of the Company on 26 May 2020.

Note: Lord Rothschild, the Company's Honorary President, founder and former Chairman, received a contribution of £41,250 towards his office and medical insurance costs for the nine months up to and including September 2020, after which time these contributions ceased.

Director	Year ended 31 December 2019					
	Salary/ fees £	Bonus £	Taxable benefits ² £	Long-term incentive £	Pension allowance £	Total remuneration £
Chairman						
Sir James Leigh-Pemberton ¹	54,731	–	–	–	–	54,731
Lord Rothschild ³	200,962	–	33,538	–	37,500	272,000
Directors						
Philippe Costeletos	53,860	–	–	–	–	53,860
Maggie Fanari ⁴	25,188	–	–	–	–	25,188
Michael Marks	36,190	–	–	–	–	36,190
André Perold ⁵	36,000	–	29,817	–	–	65,817
Mike Power ⁶	49,500	–	–	–	–	49,500
Hannah Rothschild	30,000	–	–	–	–	30,000
Jeremy Sillem	44,065	–	–	–	–	44,065
Amy Stirling	52,000	–	–	–	–	52,000
The Duke of Wellington	44,269	–	–	–	–	44,269

¹ Sir James Leigh-Pemberton was appointed as a Director of the Company on 25 April 2019 and as non-executive Chairman on 1 October 2019.

² Taxable benefits include provision of a company car, health insurance, an annual health assessment and certain travel expenses.

³ Lord Rothschild retired as Chairman and Executive Director on 30 September 2019. His remuneration includes salary and benefits for the period served.

⁴ Maggie Fanari was appointed as a Director of the Company on 25 April 2019.

⁵ André Perold received £29,817 in benefits relating to travel.

⁶ Mike Power also received fees of £5,213 as a Trustee of the RITCP Pension and Life Assurance Scheme up to 15 May 2019, when he retired as a Trustee.

Directors' Remuneration Report

Fees

The total fees payable to Directors for the year was £532,514 (compared to £626,765 in the year ended 31 December 2019). This includes the Directors' base fees (subject to a cap) as well as committee fees.

The aggregate base fees of the non-executive Directors (excluding the Chairman) for the year was £270,924, which was within the £400,000 limit for such fees under the Company's Articles of Association.

The non-Executive Chairman's fee for 2021 remains at £150,000.

Statement of Directors' Shareholdings – audited

The interests of the Directors holding office at 31 December 2020 in the ordinary shares of the Company are shown below:

31 December 2020			
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of voting rights
Sir James Leigh-Pemberton	5,855	–	–
Philippe Costeletos	51,850	–	0.03%
Maggie Fanari	–	–	–
Maxim Parr	–	–	–
André Perold	–	–	–
Mike Power	1,202	–	–
Hannah Rothschild ¹	14,338,613	15,193,064	18.84%
Jeremy Sillem	14,979	–	0.01%
Jonathan Sorrell	2,429	–	–
Amy Stirling	2,058	–	–

¹ The majority of the beneficial interests shown in the table above for Hannah Rothschild are in respect of shares held via trusts or companies where she is either one of the beneficiaries or one of the individuals able to exert significant influence. Similarly, the non-beneficial interests are held through a charitable foundation where Hannah is one of the controlling trustees.

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

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Senior Independent Director. Requests from other Directors are referred to the Chairman or Senior Independent Director. Employees of the Group are subject to approval by the JRCM Executive Committee and/or JRCM's Compliance Officer.

Except as stated in note 17 to the financial statements no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the FCA Listing Rules.

Relative importance of spend on pay

The following table shows the year-on-year movement in total remuneration of all employees, compared to the dividends paid.

£ million	Year ended 31 December 2019	Year ended 31 December 2020	Change
Total staff costs	22.3	35.9	13.6
Dividends	52.6	54.7	2.1

Statement of shareholder voting

Votes in respect of the resolution to approve the Directors' Remuneration Report at the Company's AGM in May 2020 were cast as follows:

	Number of shares	% of votes cast
Votes cast in favour	54,665,997	86.9%
Votes cast against	8,175,770	13.1%
Total votes cast	62,841,767	100.0%
Votes withheld	17,029,086	–

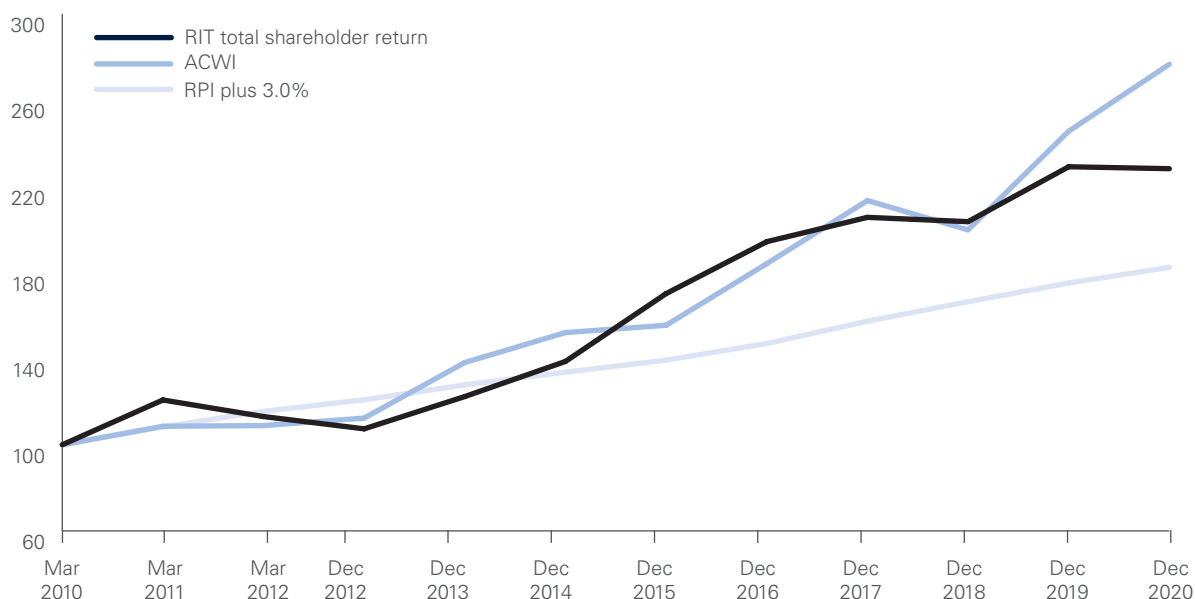
Votes in respect of the resolution to approve the Directors' Remuneration Policy at the Company's AGM in May 2020 were cast as follows:

	Number of shares	% of votes cast
Votes cast in favour	75,438,607	99.9%
Votes cast against	62,857	0.1%
Total votes cast	75,501,464	100.0%
Votes withheld	4,367,470	–

Directors' Remuneration Report

Performance graph

In accordance with the Directors' Remuneration Report regulations, a performance graph which measures the Company's TSR over the period from 31 March 2010 against that of a broad equity market index is shown below. This is calculated by reference to the Company's share price including dividend reinvestment. The Committee considers the ACWI to be the most suitable index for this purpose, being a KPI. In addition, the graph includes the Company's absolute return hurdle of RPI plus 3.0%. Further information can be found in the Company's Strategic Report.



Audit

The tables in this report on pages 46 to 47 have been audited by Ernst & Young LLP.

The Directors' Remuneration Report on pages 44 to 48 was approved by the Board and signed on its behalf by:

Philippe Costeletos
Chairman, Remuneration Committee

Directors' Report

Directors' Report: statutory and other disclosures

The Directors present their report and audited financial statements for the year ended 31 December 2020.

Business review and future developments page 3	Directors' remuneration.....page 44	Risk management and internal control page 17
Corporate governancepage 27	Directors' shareholdings.....page 47	
	Dividend.....page 3	

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

Status of Company

The Company is registered as a public company and is incorporated in the UK and registered in England and Wales (Company Registration Number 2129188). It conducts its affairs so as to qualify for approval as an investment trust for tax purposes, and has been accepted as an approved investment trust by HMRC, subject to continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 1158 of the Corporation Tax Act 2010.

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

Directors

The Directors at the date of this report are listed on pages 23 to 25.

During the year ended 31 December 2020:

Directorate changes

- Maxim Parr and Jonathan Sorrell were both elected as Directors by shareholders at the AGM held on 26 May 2020; and
- Michael Marks and the Duke of Wellington both retired as Directors on 26 May 2020.

Committee composition

- Maxim Parr was appointed as a member of the Conflicts Committee and Valuation Committee on 26 May 2020;
- Jonathan Sorrell was appointed to the Audit & Risk Committee on 26 May 2020;
- Philippe Costeletos was appointed to the Nominations Committee on 26 May 2020;
- Sir James Leigh-Pemberton was appointed to the Remuneration Committee on 26 May 2020; and
- Jeremy Sillem stepped down as a member of the Audit & Risk Committee on 26 May 2020 and the Conflicts and Remuneration Committees on 10 July 2020.

Corporate Objective

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

Investment Policy

The Company's Investment Policy is: *"to invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available."*

Asset allocation and risk diversification

The Group's assets continue to be allocated across a diversified range of asset classes, geographies, industries and currencies. There are no external restrictions on the allocation of assets. The portfolio is further diversified through the use of external managers with different mandates. Exposures are monitored and managed by JRCM under the supervision of the Board.

Gearing

The Company maintains structural gearing principally through fixed-rate private placement notes and revolving credit facilities. At 31 December 2020, the drawn indebtedness was £370 million with debt held at fair value, or £340 million with debt held at par value. This represented net gearing calculated in accordance with AIC guidance of 4.4%.

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

Further information is shown under debt and leverage on page 12.

Direct and indirect investment management fees

Consistent with the Investment Policy, the Company invests a significant proportion of the portfolio with external managers. The majority of the management and performance fees charged by such managers are incurred indirectly by the Company as they are included within the fund investment valuations and therefore form part of the investment return. Five fund investments are structured as segregated accounts. Here, the fees are incurred directly by the Company (see note 3 on page 64).

Directors' Report

Fees within the long-only equity funds, whether structured as segregated accounts or otherwise, typically involve a 1% per annum management fee and in some cases a performance fee for outperformance relative to a benchmark. The hedge funds and absolute return and credit funds are slightly higher – typically a 1% to 2% management fee and a 15% to 20% performance fee.

Private equity fees are structured differently and will usually have a 1% to 2% annual charge (often based on commitments in early years and declining over time with realisations), as well as a 20% carried interest above an 8% hurdle.

Aggregate management fees (excluding performance fees and net of fee rebates) for the external funds for 2020 have been estimated at 0.89% of RIT's total average net assets (2019: 0.90%).

Share capital

At 31 December 2020, the issued share capital comprised 156,848,065 £1 ordinary shares, of which 116,040 were held by the Company in treasury following a series of share buy backs undertaken during the year. Further details are shown in note 20 on page 78.

No £1 ordinary shares were issued during the year and the existing shareholder authorities given to the Company at the last AGM to allot and purchase shares will expire at the conclusion of the Company's forthcoming AGM scheduled for 22 April 2021. At the AGM, shareholders will be asked to renew these authorities, as explained in the separate Notice of the meeting.

Major holders of voting rights

As at 31 December 2020, the following notifications had been received from the holders of 3% or more of the voting rights conferred through the direct or indirect holding of the Company's ordinary shares of £1 each.

31 December 2020			
Major holders of voting rights ¹	Total number of shares	% of voting rights ⁵	Direct or indirect
Lord Rothschild ^{2,3}	19,415,083	12.39	Indirect
Hannah Rothschild ²	15,193,064	9.69	Indirect
The Rothschild Foundation ²	15,181,204	9.68	Direct
Five Arrows Limited ⁴	6,757,835	4.31	Direct

¹ The above table does not include Lord Rothschild's or Hannah Rothschild's direct voting rights in shares in the Company which are below the notifiable threshold.

² As Lord Rothschild and Hannah Rothschild are trustees of the Rothschild Foundation, the above notifiable interests include the same 15,181,204 shares held by this charity (which also represent Hannah Rothschild's non-beneficial interests on page 47 under Directors' shareholdings).

³ Part of Lord Rothschild's holdings include entities where Hannah Rothschild is one of the beneficiaries, and therefore the relevant shares also form part of her beneficial interests on page 47.

⁴ Lord Rothschild and Hannah Rothschild have an indirect beneficial interest in the shares of the Company held by Five Arrows Limited.

⁵ The total interests notified to the Company that directly relates to, and is overseen by, the family offices of Lord Rothschild and Hannah Rothschild (including shares in which Lord Rothschild and Hannah Rothschild do not have voting rights conferred through a direct or indirect holding) is 21.10%.

As at 26 February 2021, the voting rights in the above table remained unchanged.

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

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

Corporate responsibility

The Board is responsible for ensuring that appropriate standards of corporate responsibility are adopted within the Group, with day-to-day responsibility residing with our Manager.

Within our own Group activities, we have always sought to ensure we act as good corporate citizens through minimising our environmental impact, and robust corporate governance reinforced with an awareness of our social responsibility.

In respect of the environment the Board considers our direct impact is low. The Company considers the largest environmental impact is the emissions from business travel, and from our premises. Where possible, executives will only travel where alternatives such as video conference facilities are not practical. In relation to its premises, page 32 sets out how the Company monitors and has taken steps to reduce its emissions and maximise the recycling of materials.

Total energy consumption for the year ended 31 December 2020 was 297,987 kWh.

Greenhouse gas emissions required to be reported in respect of the years ended 31 December 2020 and 2019 were as follows:

Source	CO ₂ (tonnes)	Intensity ratio: CO ₂ (tonnes) per FTO ¹
2020:		
Scope 1 Gas	15	0.2
Scope 2 Electricity	51	0.7
Total	66	0.9

Source	CO ₂ (tonnes)	Intensity ratio: CO ₂ (tonnes) per FTO ¹
2019:		
Scope 1 Gas	39	0.7
Scope 2 Electricity	91	1.7
Total	130	2.4

¹ Full-time occupant.

Directors' Report

Our greenhouse gas emissions are calculated for the Group under the financial control approach and in accordance with ISO 14064-1: 2018 standard using the 2020 conversion factors developed by the Department for Environment, Food & Rural Affairs.

The Group operates an ethics policy which applies to all staff, including in relation to social and human rights issues. The Board is also supportive of moves towards greater diversity. At the year end, the RIT Board consisted of ten Directors, seven of whom were men and three of whom were women. The overall employee base is divided between 40 men and 13 women.

Further information on how ESG factors are considered in terms of how we engage with our stakeholders is set out in our Corporate Governance Report.

Diversity

As part of the Group's diversity policy, recruitment processes are in place to allow us to monitor the diversity of Board candidates and job applicants, ensuring we are attracting potential candidates from a variety of backgrounds. Further initiatives that we have in place to support diversity include a flexible working policy, enhanced maternity leave as well as adoption and shared parental leave.

JRCM is participating in the '#10000BlackInterns programme' initiative and will offer internships in the summer of 2021 to black students in the United Kingdom as a way of attracting a more diverse range of talent to the asset management sector.

Modern slavery

We do not tolerate slavery or human trafficking and we are committed to acting ethically and with integrity in all our business dealings and relationships. In accordance with the Modern Slavery Act 2015, JRCM publishes a Modern Slavery Statement annually which may be viewed on the Company's website: www.ritcap.com.

Engagement and stewardship

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

Save for voting rights on the Company's investments held in segregated accounts (managed by external managers who have control on the voting of those shares) the Manager's investment department determines voting on resolutions of directly-held investee companies and funds. It does not use proxy advisors.

In line with the Engagement and Stewardship Policy, the Manager will exercise the Company's vote on items where it is in the long-term interest of the Company and its shareholders. In addition, as a signatory of the UNPRI, we also commit to be active owners and incorporate ESG issues into our stewardship policies and practices.

In 2020, the Company generally voted in favour of resolutions for investee companies in which it held a publicly notifiable interest. Monitoring of directly-held investments is also carried out by JRCM's investment department which is responsible for elevating any matters of concern to the JRCM Investment Committee. Active intervention appropriate for the circumstances will be considered where it is in the Company's best interests and aligned with the commitments set out in the previous paragraph.

Cross holdings

The FCA Listing Rules also require closed-ended investment companies to disclose quarterly all of their investments in *"other listed closed-ended investment funds ... which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds."*

The Group discloses such investments when necessary, but does not restrict its own investment policies in this manner.

Annual General Meeting

The Company's AGM is scheduled to be held on 22 April 2021 at 12:00. Further details will be sent out in the notice of AGM to be circulated to shareholders and made available on the Company's website: www.ritcap.com, in due course.

Auditor

EY has expressed its willingness to continue in office as the Company's external auditor. Resolutions to reappoint EY and to authorise the Directors to set their remuneration will be proposed at the forthcoming AGM.

Other

The Company seeks to agree the best possible terms on which business will take place with its suppliers. It is the Company's policy to abide by such terms.

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

Directors' Report

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 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 2020 (see pages 7 and 28).

Disclosure of information to the auditor

With regard to the preparation of the Report and Accounts of the Company for the year ended 31 December 2020, the Directors have confirmed to the auditor that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Listing Rules disclosures

There are no disclosures required under Listing Rule 9.8.4.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015

Information on subsidiaries that is required to be disclosed under the above regulations is disclosed in note 29.

Disclosable information in respect of other investments is contained in note 32.

Statement under the disclosure and transparency rules

Each of the Directors, whose names and functions are listed on pages 23 to 25 confirm that, to the best of their knowledge:

- the Parent Company's financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report, together with the Corporate Governance Report and the Directors' Report, contained in the Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

The Directors' Report on pages 49 to 52 was approved by the Board and signed on its behalf by:

Sir James Leigh-Pemberton
Chairman



Financial Statements

for the year ended 31 December 2020

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

Year ended 31 December		2020			2019		
£ million	Notes	Revenue	Capital	Total	Revenue	Capital	Total
Investment income	2	14.6	–	14.6	33.0	–	33.0
Other income		8.1	–	8.1	8.6	–	8.6
Gains/(losses) on fair value investments	3	–	518.5	518.5	–	365.9	365.9
Gains/(losses) on monetary items and borrowings		–	21.7	21.7	–	(14.2)	(14.2)
		22.7	540.2	562.9	41.6	351.7	393.3
Expenses							
Operating expenses	4, 5	(20.6)	(22.8)	(43.4)	(24.8)	(5.2)	(30.0)
Profit/(loss) before finance costs and tax	6	2.1	517.4	519.5	16.8	346.5	363.3
Finance costs	7	(3.3)	(13.2)	(16.5)	(4.1)	(16.3)	(20.4)
Profit/(loss) before tax		(1.2)	504.2	503.0	12.7	330.2	342.9
Taxation	8	–	0.9	0.9	–	(0.6)	(0.6)
Profit/(loss) for the year		(1.2)	505.1	503.9	12.7	329.6	342.3
Earnings/(loss) per ordinary share – basic	9	(0.8p)	323.2p	322.4p	8.2p	212.9p	221.1p
Earnings/(loss) per ordinary share – diluted	9	(0.8p)	321.8p	321.0p	8.2p	212.6p	220.8p

The total column of this statement represents the Group's consolidated income statement, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the AIC. All items in the above statement derive from continuing operations.

Consolidated statement of comprehensive income

Year ended 31 December		2020			2019		
£ million	Notes	Revenue	Capital	Total	Revenue	Capital	Total
Profit/(loss) for the year		(1.2)	505.1	503.9	12.7	329.6	342.3
Revaluation gain/(loss) on property, plant and equipment	10	–	(1.8)	(1.8)	–	(1.8)	(1.8)
Actuarial gain/(loss) in defined benefit pension plan	11	(0.8)	–	(0.8)	(0.8)	–	(0.8)
Deferred tax (charge)/credit allocated to actuarial loss	12	0.1	–	0.1	0.1	–	0.1
Total comprehensive income/(expense) for the year		(1.9)	503.3	501.4	12.0	327.8	339.8

The notes on pages 60 to 83 form part of these financial statements.

Consolidated Balance Sheet

At 31 December £ million	Notes	2020	2019
Non-current assets			
Investments held at fair value	13, 14	3,520.2	3,086.1
Investment property	13, 15	37.8	36.1
Property, plant and equipment	10	23.6	24.2
Deferred tax asset	12	2.5	1.5
Retirement benefit asset	11	0.7	1.0
Derivative financial instruments	13	0.3	0.7
		3,585.1	3,149.6
Current assets			
Derivative financial instruments	13	57.3	50.4
Other receivables	16	105.3	172.2
Cash at bank		296.8	61.1
		459.4	283.7
Total assets		4,044.5	3,433.3
Current liabilities			
Borrowings	18	(189.0)	(50.0)
Derivative financial instruments	13	(4.5)	(2.9)
Other payables	19	(63.5)	(55.3)
Amounts owed to group undertakings		(5.3)	(3.3)
		(262.3)	(111.5)
Net current assets/(liabilities)		197.1	172.2
Total assets less current liabilities		3,782.2	3,321.8
Non-current liabilities			
Borrowings	18	(181.5)	(166.4)
Derivative financial instruments	13	(5.4)	(7.9)
Provisions		(1.1)	(1.4)
Lease liability		(3.8)	(0.5)
		(191.8)	(176.2)
Net assets		3,590.4	3,145.6
Equity attributable to owners of the Company			
Share capital	20	156.8	156.8
Share premium	21	45.7	45.7
Capital redemption reserve	22	36.3	36.3
Own shares reserve	23	(15.3)	(7.8)
Capital reserve	25	3,350.1	2,894.1
Revenue reserve	26	5.1	7.0
Revaluation reserve	27	11.7	13.5
Total equity		3,590.4	3,145.6
Net asset value per ordinary share – basic	28	2,303p	2,007p
Net asset value per ordinary share – diluted	28	2,292p	2,004p

The financial statements on pages 54 to 59 were approved by the Board and authorised for issue on 1 March 2021.

Sir James Leigh-Pemberton
 Chairman

The notes on pages 60 to 83 form part of these financial statements.

Parent Company Balance Sheet

At 31 December £ million	Notes	2020	2019
Non-current assets			
Investments held at fair value	13, 14	3,450.7	3,036.4
Investment property	13, 15	37.8	36.1
Property, plant and equipment	10	23.4	24.0
Investments in subsidiary undertakings	29	75.6	55.9
Derivative financial instruments	13	0.3	0.7
		3,587.8	3,153.1
Current assets			
Derivative financial instruments	13	57.3	50.4
Other receivables	16	104.9	171.7
Cash at bank		260.6	55.0
		422.8	277.1
Total assets		4,010.6	3,430.2
Current liabilities			
Borrowings	18	(189.0)	(50.0)
Derivative financial instruments	13	(4.5)	(2.9)
Other payables	19	(43.4)	(45.4)
Amounts owed to group undertakings	17	(87.4)	(90.1)
		(324.3)	(188.4)
Net current assets/(liabilities)		98.5	88.7
Total assets less current liabilities		3,686.3	3,241.8
Non-current liabilities			
Borrowings	18	(181.5)	(166.4)
Derivative financial instruments	13	(5.4)	(7.9)
Provisions		(1.1)	(1.4)
Lease liability		(3.8)	(0.5)
		(191.8)	(176.2)
Net assets		3,494.5	3,065.6
Equity			
Share capital	20	156.8	156.8
Share premium	21	45.7	45.7
Capital redemption reserve	22	36.3	36.3
Capital reserve:			
At 1 January		2,910.9	2,633.5
Profit for the year		526.9	330.0
Treasury shares purchase		(2.3)	–
Dividends paid	30	(54.7)	(52.6)
Capital reserve at 31 December	25	3,380.8	2,910.9
Revenue reserve:			
At 1 January		(97.6)	(95.9)
Loss for the year		(39.2)	(1.7)
Revenue reserve at 31 December	26	(136.8)	(97.6)
Revaluation reserve	27	11.7	13.5
Total equity		3,494.5	3,065.6

The Company's total profit for the year was £485.9 million (2019: £326.5 million).

The financial statements on pages 54 to 59 were approved by the Board and authorised for issue on 1 March 2021.

Sir James Leigh-Pemberton

Chairman

The notes on pages 60 to 83 form part of these financial statements.

Consolidated Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Own shares reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2019	155.4	17.3	36.3	(13.4)	2,624.3	(5.0)	15.3	2,830.2
Profit/(loss) for the year	–	–	–	–	329.6	12.7	–	342.3
Revaluation gain/(loss) on property, plant and equipment	–	–	–	–	–	–	(1.8)	(1.8)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	(0.8)	–	(0.8)
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	0.1	–	0.1
Total comprehensive income/(expense) for the year	–	–	–	–	329.6	12.0	(1.8)	339.8
Dividends paid	–	–	–	–	(52.6)	–	–	(52.6)
Movement in own shares reserve	–	–	–	5.6	–	–	–	5.6
Movement in share-based payment reserve	–	–	–	–	(7.2)	–	–	(7.2)
Share issuance	1.4	28.4	–	–	–	–	–	29.8
Balance at 31 December 2019	156.8	45.7	36.3	(7.8)	2,894.1	7.0	13.5	3,145.6
Balance at 1 January 2020	156.8	45.7	36.3	(7.8)	2,894.1	7.0	13.5	3,145.6
Profit/(loss) for the year	–	–	–	–	505.1	(1.2)	–	503.9
Revaluation gain/(loss) on property, plant and equipment	–	–	–	–	–	–	(1.8)	(1.8)
Actuarial gain/(loss) in defined benefit plan	–	–	–	–	–	(0.8)	–	(0.8)
Deferred tax (charge)/credit allocated to actuarial gain	–	–	–	–	–	0.1	–	0.1
Total comprehensive income/(expense) for the year	–	–	–	–	505.1	(1.9)	(1.8)	501.4
Dividends paid	–	–	–	–	(54.7)	–	–	(54.7)
Purchase of treasury shares	–	–	–	–	(2.3)	–	–	(2.3)
Movement in own shares reserve	–	–	–	(7.5)	–	–	–	(7.5)
Movement in share-based payments	–	–	–	–	7.9	–	–	7.9
Balance at 31 December 2020	156.8	45.7	36.3	(15.3)	3,350.1	5.1	11.7	3,590.4

The notes on pages 60 to 83 form part of these financial statements.

Parent Company Statement of Changes in Equity

£ million	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Balance at 1 January 2019	155.4	17.3	36.3	2,633.5	(95.9)	15.3	2,761.9
Profit/(loss) for the year	–	–	–	330.0	(1.7)	–	328.3
Revaluation gain/(loss) on property, plant and equipment	–	–	–	–	–	(1.8)	(1.8)
Total comprehensive income/(expense) for the year	–	–	–	330.0	(1.7)	(1.8)	326.5
Dividends paid	–	–	–	(52.6)	–	–	(52.6)
Share issuance	1.4	28.4	–	–	–	–	29.8
Balance at 31 December 2019	156.8	45.7	36.3	2,910.9	(97.6)	13.5	3,065.6
Balance at 1 January 2020	156.8	45.7	36.3	2,910.9	(97.6)	13.5	3,065.6
Profit/(loss) for the year	–	–	–	526.9	(39.2)	–	487.7
Revaluation gain/(loss) on property, plant and equipment	–	–	–	–	–	(1.8)	(1.8)
Total comprehensive income/(expense) for the year	–	–	–	526.9	(39.2)	(1.8)	485.9
Dividends paid	–	–	–	(54.7)	–	–	(54.7)
Purchase of treasury shares	–	–	–	(2.3)	–	–	(2.3)
Balance at 31 December 2020	156.8	45.7	36.3	3,380.8	(136.8)	11.7	3,494.5

The notes on pages 60 to 83 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statement

Year ended 31 December £ million	Notes	Consolidated cash flow		Parent Company cash flow	
		2020	2019	2020	2019
Cash flows from operating activities:					
Cash inflow/(outflow) before taxation and interest		172.3	155.9	147.5	175.0
Interest paid		(16.4)	(20.4)	(16.4)	(20.4)
Net cash inflow/(outflow) from operating activities	31	155.9	135.5	131.1	154.6
Cash flows from investing activities:					
Sale/(purchase) of property, plant and equipment		(0.2)	(0.2)	(0.2)	(0.2)
Investments in subsidiary undertakings		–	–	(15.4)	(7.5)
Net cash inflow/(outflow) from investing activities		(0.2)	(0.2)	(15.6)	(7.7)
Cash flows from financing activities:					
Repayment of borrowings		(295.0)	(225.0)	(295.0)	(225.0)
Drawing of borrowings		445.0	–	445.0	–
Purchase of ordinary shares by EBT ¹		(10.1)	(7.1)	–	–
Purchase of ordinary shares into treasury		(2.3)	–	(2.3)	–
Equity dividend paid	30	(54.7)	(52.6)	(54.7)	(52.6)
Net cash inflow/(outflow) from financing activities		82.9	(284.7)	93.0	(277.6)
Increase/(decrease) in cash in the year		238.6	(149.4)	208.5	(130.7)
Cash at the start of the year		61.1	210.9	55.0	186.1
Effect of foreign exchange rate changes on cash		(2.9)	(0.4)	(2.9)	(0.4)
Cash at the year end		296.8	61.1	260.6	55.0
Reconciliation:					
Cash at bank		296.8	61.1	260.6	55.0
Cash at the year end		296.8	61.1	260.6	55.0

¹ Shares are disclosed in the own shares reserve on the consolidated balance sheet.

The notes on pages 60 to 83 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

The consolidated financial statements of the Group and Company are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Company is domiciled in the United Kingdom.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of financial instruments (including derivatives), investment properties held at fair value through profit or loss (FVPL) and property, plant and equipment held at fair value. In making this going concern assumption the Directors have taken into account the closed-ended nature of the Company, its existing cash balances (£297 million) and monitoring procedures, its borrowing capacity (£185 million facilities committed and undrawn), as well as the value of investments which could be realised to fund liabilities, and covenants as well as cash flow forecasts for the period to 30 June 2022 and uncalled commitments (£256 million). Further details can be found on page 21.

The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies (the SORP) issued by the Association of Investment Companies (AIC) in October 2019, is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis which complies with the recommendations of the SORP.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Board has concluded that the Company, being the parent entity of the Group, continues to meet the particular characteristics of an 'Investment Entity'. The 'Investment Entity' amendment to IFRS 10 Consolidated Financial Statements requires that:

- (i) the single subsidiary (JRCM), that is not itself an investment entity, which provides investment management services to the Group, is consolidated on a line-by-line basis with balances between the parent and this subsidiary eliminated; and
- (ii) all other subsidiaries are accounted for as investments held at FVPL.

In the financial statements of the Parent, investments in non-consolidated subsidiaries are carried at fair value and the consolidated subsidiary is carried at cost less any provision for impairment made in accordance with IAS 36 Impairment of Assets. Impairment tests are carried out twice each year concurrent with the Group's principal reporting dates.

The financial statements of the subsidiaries are prepared at the same reporting date using consistent accounting policies. Control is achieved where the Company has all of the following;

- (i) power over the investee;

- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect the amount of the Company's returns.

Both the Group and Company hold investments in associates and joint ventures at fair value as allowed by IAS 28 Investments in Associates and Joint Ventures.

Presentation of income statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the consolidated income statement between items of a revenue and capital nature has been presented within the consolidated income statement and the consolidated statement of comprehensive income (SOCl).

Income

Dividend income from investments is recognised when the right to receive payment has been established and this is normally the ex-dividend date.

UK dividend income is recorded at the amount receivable. Overseas dividend income is shown net of withholding tax under investment income.

Interest and other income is accrued on a time basis.

Rental income from investment properties under short-term leases is accounted for on a straight-line basis, over the lease term.

Allocation between capital and revenue

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

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

Notes to the Financial Statements

- costs incurred in connection with aborted portfolio investment transactions are also allocated to capital.

The following are also presented as capital items:

- gains and losses on the realisation of investments, including foreign exchange differences;
- increases and decreases in the valuation of investments held at the year end, including foreign exchange differences;
- realised and unrealised gains and losses on derivatives transactions of a capital nature; and
- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies.

Finance costs

Finance costs on borrowings are accounted for on an accruals basis and are settled at the end of each contractual period. Finance costs on derivatives are settled in line with the underlying contract.

Finance costs are allocated in the ratio 20:80 to the revenue and capital columns of the income statement.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates, i.e. its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in sterling which is the functional currency of the Company, and the presentational currency of the Group. Transactions in currencies other than sterling are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. All foreign exchange gains and losses are recognised in the consolidated income statement.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited to the consolidated income statement or SOCI, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned. All investments are measured initially and at subsequent reporting dates at fair value and classified in accordance with IFRS as 'fair value through profit or loss' (FVPL). Unrealised changes in the fair value of these investments are recognised in the consolidated income statement as capital items. The realised gain or loss arising on the disposal of investments is determined as the difference between the sale proceeds and the carrying amount of the asset at the beginning of the year and is recognised in the consolidated income statement. Transaction costs are included within gains or losses on these investments.

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. Investments in externally-managed funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant fund administrator or investment manager.

In respect of private investments, or where the market for a financial instrument is not active, fair value is estimated by using appropriate valuation techniques and often involves significant judgement and estimation uncertainty. For direct private investments held through co-investment vehicles managed by a GP, as well as private funds managed by a GP, the estimated fair value is based on the most recent valuation provided by the GP. These valuations are normally prepared quarterly and usually received within three months of the relevant valuation date. Depending on the timing of the finalisation of the half-year and year-end report and accounts, it is likely that the majority of these assets are valued at the previous quarter end. Where this is the case, the valuations are adjusted for subsequent investments, distributions and currency moves. Further, in light of the intrinsic valuation uncertainty, where information is received after the year end which relates to conditions present at the year end, an adjustment will be considered if it would be likely to have a material impact on the valuation. Ultimately these valuations are dependent on the reasonableness of the fair value estimation by the GP. The valuations are reviewed periodically by the Manager, and in the absence of contrary information, are assumed to be reliable. A review is also conducted annually in respect of the valuation bases of the investee funds to confirm these are in accordance with fair value standards.

Where the Manager has sufficient information to undertake its own valuations, these will be prepared having regard to the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Private Equity and Venture Capital Association. The inputs into the valuation methodologies adopted include observable data such as historical earnings or cash flows as well as more subjective data such as earnings forecasts or discount

Notes to the Financial Statements

rates. At period ends, all of the valuations are subject to review, adjustment as appropriate and ultimately approval by the Company's independent Valuation Committee.

The gains and losses on financial assets classified at FVPL exclude any related interest income, dividend income and finance costs where these items are separately identifiable.

These items are disclosed separately in the financial statements.

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

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

Cash at bank

Cash at bank in the balance sheet comprises cash balances and deposits.

Provisions

A provision is recognised in the balance sheet when the Group or Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Share-based payment

In accordance with IFRS 2 Share-based Payment, the Group is required to reflect in its income statement and balance sheet the effects of share-based payment transactions. The Group's share-settled incentive schemes include the AIS (in part), SARs and performance shares.

AIS awards are structured such that 60% of individual amounts in excess of £150,000 to £250,000 (with the lower amount for senior management) are paid in deferred shares of the Company which vest equally over the three years following the award. Deferred shares are valued using the prevailing market price at award. The expense is recognised over the year the award relates to and the following three years.

SARs are equity-settled awards accounted for in accordance with IFRS 2. Annual awards are typically made and are measured at the

fair value at grant date using a trinomial option valuation model. The cost is then recognised through the capital column of the income statement over the three-year vest period.

Periodic awards of performance shares have also been made. These are conditional awards of shares subject to performance conditions. They are accounted for as equity settled in accordance with IFRS 2. The awards are fair valued at grant using a Monte Carlo model and the resulting cost of an award is then recognised through the capital column of the income statement over the vest period particular to that award.

Shares required to meet the estimated future requirements from grants or exercises under all schemes, are purchased by an EBT, which is consolidated by the Group. The cost of own shares held at the end of the year by the EBT is reflected in the Group's own shares reserve on the consolidated balance sheet.

The movement in equity arising under IFRS 2 Share-based Payment is applied to the capital reserve, reflecting the nature of the Group's share-based payment awards.

Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation, save as detailed below. Depreciation is calculated by the Group on a straight-line basis by reference to original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between three and five years for the majority of assets except for the Company's leasehold interest in 27 St James's Place for which the estimated useful life is 64 years. The proportion of this asset occupied by the Group is accounted for at fair value under the revaluation model allowed by IAS 16 Property, Plant and Equipment, which is intended to ensure that the carrying value of the asset is never substantially different to its fair value. Changes in fair value are reflected in the SOCI and a separate revaluation reserve. The proportion of property assets not occupied by the Group is accounted for as investment properties at fair value. Determination of fair value requires significant judgement and external advisers are used.

Pensions

JRCM is a participating employer in the Group's non-contributory, funded, defined benefit retirement scheme which is closed to new members and the assets of which are held in a trustee-administered fund. There are no longer any active members of this scheme.

The Group accounts for this defined benefit retirement scheme by reference to IAS 19 Employee Benefits. The cost of benefits accruing during the year in respect of past service is charged to the income statement and allocated to revenue. The net interest on the net defined benefit liability or asset is recognised in the income statement. Actuarial gains and losses and the return on plan assets,

Notes to the Financial Statements

excluding amounts included in the net interest on the net defined benefit liability or asset, are recognised in the SOCI. An actuarial valuation of the defined benefit retirement scheme is undertaken every three years as at 1 January and is updated as at each principal reporting date. The valuation is carried out using the projected unit credit method of funding basis. The income statement also includes costs incurred in respect of defined contribution schemes, comprising the contributions payable in the year.

Other receivables/other payables

Other receivables/other payables do not carry any interest, are short-term in nature and are carried at amortised cost. Application of the expected credit loss model to receivables has had an immaterial impact on their carrying value. The carrying value of receivables and payables approximates to their fair value.

Bank borrowings

Interest-bearing bank loans are recorded initially at the proceeds received and subsequently at fair value. The fair value is calculated as the amount to replace the facility which is equal to par.

Loan notes

Loan notes are classified as a financial liability at FVPL and are measured initially and subsequently at fair value with movements in fair value taken to the income statement as a capital item. The fair value is calculated with a discounted cash flow model using the fixed interest and redemption payments based on the underlying contractual cash flows. The discount rate adopted reflects the prevailing market rate for similar instruments. As a result, the determination of fair value requires management judgement. Further details of the loan notes are provided on page 78.

Dividends

The Company recognises interim dividends in the year in which they are paid.

Share capital and share premium

Share capital is classified as equity. Share premium reflects the excess of the consideration received on issuing shares over the nominal value of those shares, net of issue costs.

Treasury shares

The cost of repurchasing shares into treasury, including all related costs, is dealt with in the Statement of Changes in Equity and deducted from the Capital Reserve.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager and Board to exercise judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or complexity and where assumptions and estimates are significant to the consolidated financial statements, are in relation to the valuation of private investments (see pages 61 and 62 and note 13) and property (see page 62 and notes 10 and 15).

Notes to the Financial Statements

2. Investment income

£ million	2020	2019
Income from listed investments:		
Dividends	8.1	11.4
Income from unlisted investments:		
Dividends	2.1	5.7
Interest	2.3	13.4
Income from investment properties	2.1	2.5
Total investment income	14.6	33.0

Operating expenses include costs incurred by JRCM in managing RIT's assets, property costs from the Group's property portfolio, as well as costs which are recharged to third parties. Further information is provided in note 6.

The figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 44 to 48.

The average monthly number of employees during the year was 52 (2019: 56) of which 40 (2019: 43) were employed by JRCM and 12 (2019: 13) were employed by SHL.

3. Gains/(losses) on fair value investments

£ million	2020	2019
Gains/(losses) on fair value investments excluding segregated accounts	503.2	349.0
Gross gains/(losses) on segregated accounts	19.5	18.7
Segregated account fees - annual	(1.7)	(1.8)
Segregated account fees - performance	(2.5)	–
Gains/(losses) on fair value investments held in segregated accounts	15.3	16.9
Gains/(losses) on fair value investments	518.5	365.9

The Company's investment policy involves the allocation of part of the portfolio to external fund managers. The vast majority of these managers operate funds where the fees are charged within the fund. These 'indirect' investment management and performance fees are therefore automatically reflected within the valuations received from the administrators or managers, and form part of the investment gains/(losses). At 31 December 2020, five funds (31 December 2019: four) were structured as segregated accounts (disclosed within the Investment Portfolio on pages 14 to 16), where the managers separately invoice the Company for investment management. In order to provide a consistent presentation for all external fees, these are included within the gain/(losses) on fair value investments as shown above. Further details on the typical fee structures for the external funds are set out in the Directors' Report on page 49 and 50.

4. Operating expenses

£ million	2020	2019
Staff costs:		
Wages and salaries	18.9	12.4
Social security costs	2.4	1.7
Share-based payment costs (note 24)	14.3	7.5
Pension costs (note 11)	0.3	0.7
Total staff costs	35.9	22.3
Auditor's remuneration (note 5)	0.3	0.3
Depreciation	0.4	0.4
Lease payments	0.4	0.4
Other operating expenses	6.4	6.6
Total operating expenses	43.4	30.0

5. Other disclosable expenses

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

£ thousand	2020	2019
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	163	158
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	68	67
Audit-related assurance services	40	45
Total	271	270

Transaction costs

The following transaction costs represent commissions paid on the purchase and sale of listed investments and are included within gains/(losses) on fair value investments:

£ million	2020	2019
Purchases	0.8	0.6
Sales	0.6	0.7
Transaction costs	1.4	1.3

Furthermore, £0.2 million of professional fees (2019: £0.3 million) incurred on purchases of investments are included within gains/(losses) on fair value investments.

Notes to the Financial Statements

6. Business and geographical segments

For 2020 and 2019, the Group is considered to have three principal operating segments, all based in the UK, as follows:

Segment	Business	AUM £ million ¹	Employees ¹
RIT	Investment trust	–	–
JRCM	Investment manager/ administration	3,590	41
SHL	Events/premises management	–	12

¹ At 31 December 2020

Key financial information for 2020 is as follows:

£ million	Net assets	Income/ gains ¹	Operating expenses ¹	Profit ²
RIT	3,494.6	561.1	(56.4)	504.7
JRCM	102.0	53.4	(38.1)	15.3
SHL	0.8	1.9	(2.4)	(0.5)
Adjustments ³	(7.0)	(53.5)	53.5	–
Total	3,590.4	562.9	(43.4)	519.5

Key financial information for 2019 is as follows:

£ million	Net assets	Income/ gains ¹	Operating expenses ¹	Profit ²
RIT	3,065.6	389.4	(41.2)	348.2
JRCM	86.2	39.5	(25.1)	14.4
SHL	1.2	4.1	(3.4)	0.7
Adjustments ³	(7.4)	(39.7)	39.7	–
Total	3,145.6	393.3	(30.0)	363.3

¹ Includes intra-group income and expenses.

² Profit before finance costs and tax.

³ Consolidation adjustments in accordance with IFRS 10 Consolidated Financial Statements.

7. Finance costs

£ million	2020	2019
Interest on borrowings	11.3	9.9
Interest on swaps	4.5	9.7
Other finance costs	0.7	0.8
Finance costs	16.5	20.4

8. Taxation

£ million	Year ended 31 December 2020		
	Revenue	Capital	Total
UK corporation tax charge/(credit)	–	(0.9)	(0.9)
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	–	(0.9)	(0.9)
Effect of tax rate changes	–	–	–
Taxation charge/(credit)	–	(0.9)	(0.9)

£ million	Year ended 31 December 2019		
	Revenue	Capital	Total
UK corporation tax charge/(credit)	–	0.6	0.6
Current tax charge/(credit)	–	–	–
Deferred tax charge/(credit)	–	0.6	0.6
Effect of tax rate changes	–	–	–
Taxation charge/(credit)	–	0.6	0.6

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

The tax charge for the year differs from the effective rate of corporation tax in the UK for 2020 of 19% (2019: 19%). The differences are explained below:

£ million	Year ended 31 December 2020		
	Revenue	Capital	Total
Profit/(loss) before tax	(1.2)	504.2	503.0
Tax at the standard UK corporation tax rate of 19%	(0.2)	95.8	95.6
Effect of:			
Capital items exempt from corporation tax	–	(98.1)	(98.1)
Dividend income not taxable	(1.2)	–	(1.2)
Expenses not deductible for tax purposes	0.1	–	0.1
Tax losses not recognised	–	1.3	1.3
Other items	1.3	0.1	1.4
Total tax charge/(credit)	–	(0.9)	(0.9)

£ million	Year ended 31 December 2019		
	Revenue	Capital	Total
Profit/(loss) before tax	12.7	330.2	342.9
Tax at the standard UK corporation tax rate of 19%	2.4	62.7	65.1
Effect of:			
Capital items exempt from corporation tax	–	(69.3)	(69.3)
Dividend income not taxable	(1.3)	–	(1.3)
Expenses not deductible for tax purposes	–	0.5	0.5
Tax losses not recognised	–	7.0	7.0
Other items	(1.1)	(0.3)	(1.4)
Total tax charge/(credit)	–	0.6	0.6

Notes to the Financial Statements

9. Earnings/(loss) per ordinary share – basic and diluted

The basic earnings per ordinary share for 2020 is based on the profit of £503.9 million (2019: profit of £342.3 million) and the weighted average number of ordinary shares in issue during the period of 156.3 million (2019: 154.8 million). The weighted average number of shares is adjusted for shares held in the employee benefit trust and in treasury in accordance with IAS 33.

£ million	2020	2019
Net revenue profit/(loss)	(1.2)	12.7
Net capital profit/(loss)	505.1	329.6
Total profit/(loss) for the year	503.9	342.3

pence	2020	2019
Revenue earnings/(loss) per ordinary share – basic	(0.8)	8.2
Capital earnings/(loss) per ordinary share – basic	323.2	212.9
Total earnings per share – basic	322.4	221.1

The diluted earnings per ordinary share for the period is based on the weighted average number of ordinary shares in issue during the period adjusted for the effect of all dilutive share-based payment awards.

Weighted average (million)	2020	2019
Number of shares in issue	156.8	155.4
Own shares	(0.5)	(0.6)
Basic shares	156.3	154.8
Effect of share-based payment awards	0.7	0.2
Diluted shares	157.0	155.0

pence	2020	2019
Revenue earnings/(loss) per ordinary share – diluted	(0.8)	8.2
Capital earnings/(loss) per ordinary share – diluted	321.8	212.6
Earnings per ordinary share – diluted	321.0	220.8

10. Property, plant and equipment

The Group's property, plant and equipment as at 31 December 2020 was £23.6 million (2019: £24.2 million).

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2020	15.7	(5.0)	13.5	24.2
Additions	1.6	–	–	1.6
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(1.8)	(1.8)
Fair value at 31 December 2020	17.3	(5.4)	11.7	23.6
Of which:				
Property – leasehold	14.0	(3.9)	11.7	21.8

Group £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2019	15.5	(4.6)	15.3	26.2
Additions	0.2	–	–	0.2
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(1.8)	(1.8)

Fair value at 31 December 2019	15.7	(5.0)	13.5	24.2
Of which:				
Property – leasehold	14.0	(3.5)	13.5	24.0

The Company's property, plant and equipment as at 31 December 2020 was £23.4 million (2019: £24.0 million).

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2020	14.0	(3.5)	13.5	24.0
Additions	1.6	–	–	1.6
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(1.8)	(1.8)

Fair value at 31 December 2020	15.6	(3.9)	11.7	23.4
Of which:				
Property – leasehold	14.0	(3.9)	11.7	21.8

Company £ million	Cost	Accumulated depreciation	Revaluation	Net book/fair value
At 1 January 2019	13.8	(3.1)	15.3	26.0
Additions	0.2	–	–	0.2
Charge for depreciation	–	(0.4)	–	(0.4)
Revaluation gain/(loss)	–	–	(1.8)	(1.8)

Fair value at 31 December 2019	14.0	(3.5)	13.5	24.0
Of which:				
Property – leasehold	14.0	(3.5)	13.5	24.0

The fair value at both year ends predominantly relates to the proportion of the leasehold interest in 27 St. James's Place occupied by the Group. The property valuations are based on JLL's valuations at the respective year ends.

11. Pension commitments

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

Under IAS 19 Employee Benefits, actuarial gains and losses are recognised in full in the SOCI 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.

The Scheme is administered under a Trust Deed and Rules. The Trustees are responsible for agreeing a funding plan with JRCM such that any deficit in the scheme is expected to be eliminated, and for agreeing a Statement of Investment Principles that the Scheme adopts in order to achieve its aim of providing retirement benefits.

Notes to the Financial Statements

11. Pension commitments (continued)

The trustees have delegated the day-to-day investment management responsibility to GAM Investments and administration of the Scheme to JRCM. 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, for the purposes of these disclosures.

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

As a result of the most recent actuarial valuation performed as at 1 January 2020, the sponsoring employer, JRCM, agreed to pay contributions to the Scheme of £1,110,000 per annum for four and a half years from 1 January 2021 (previously £500,000 per annum). The next actuarial valuation will be as at 31 December 2022.

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

The costs associated with the Scheme, their recognition in the financial statements, the assumptions underlying the calculation of those costs and their disclosure in the consolidated income statement or SOCI are set out below.

Defined benefit cost		
£ thousands	2020	2019
Current service cost	–	54
Net interest on defined benefit asset	(26)	(45)
Remeasurement effects recognised in the SOCI	832	818
Total cost/(credit)	806	827

Recognised in the consolidated income statement		
£ thousands	2020	2019
Defined contribution schemes	319	736
Defined benefit scheme:		
Current service cost	–	54
Net interest on defined benefit liability	(26)	(45)

Total pension cost recognised in the Consolidated Income Statement	293	745
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Recognised in the SOCI		
£ thousands	2020	2019
Defined benefit scheme:		
Actuarial (gain)/loss due to liability experience	1,131	10
Actuarial (gain)/loss due to liability assumption changes	2,526	3,304
Actuarial (gain)/loss due to demographic assumption changes in DBO	(1,136)	–
Return on Scheme assets (greater)/less than discount rate	(1,689)	(2,496)

Remeasurement effects recognised in the SOCI	832	818
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Total expense	1,125	1,563
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The Scheme's assets and liabilities are shown below together with the actuarial assumptions used.

Changes in the DBO		
£ thousands	2020	2019
DBO at end of prior year/period	25,562	22,384
Current service cost	–	54
Interest cost on the DBO	517	638
Actuarial (gain)/loss - demographic experience	1,131	10
Actuarial (gain)/loss - demographic assumptions	(1,136)	–
Actuarial (gain)/loss - financial assumptions	2,526	3,304
Benefits paid from scheme assets	(643)	(828)
Total DBO	27,957	25,562

Changes in Scheme assets		
£ thousands	2020	2019
Opening fair value of the Scheme assets	26,553	23,702
Interest income on Scheme assets	543	683
Return on Scheme assets greater/(less) than discount rate	1,689	2,496
Employer contributions	500	500
Benefits paid	(643)	(828)
Total Scheme assets	28,642	26,553

Notes to the Financial Statements

11. Pension commitments (continued)

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

Development of the net balance sheet position £ thousands	2020	2019
Net defined benefit asset at end of prior year	991	1,318
Service cost	–	(54)
Net interest on defined benefit asset at end of prior year	26	45
Remeasurement efforts recognised in the SOCI	(832)	(818)
Employer contributions	500	500
Net defined benefit asset	685	991

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

	2020	2019
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 (non Guaranteed Minimum Pension)	3.25%	3.25%
Scheme participant census date	31 December 2020	31 December 2019
Post retirement mortality assumption-source	SAPS ¹	SAPS ¹

¹ Self-administered Pension Scheme light series year of birth tables allowing for Continuous Mortality Investigation projections and a 1.5% per annum long-term trend.

Sensitivity analysis

In accordance with IAS 19 (revised), the sensitivity of the DBO to the relevant actuarial assumptions is shown below. In each case the changed assumption has been considered in isolation (i.e. all other factors remain constant).

£ thousands	2020	2019
DBO	27,957	25,562

Significant actuarial assumptions at 31 December 2020:

£ thousands	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity
Discount rate	0.95% pa	0.5% pa decrease	30,579
Price inflation (RPI)	3.75% pa	0.5% pa increase	28,337
Life expectancy	–	Increase of 1 year	29,284

Significant actuarial assumptions at 31 December 2019:

£ thousands	Assumptions used for sensitivity analysis	Sensitivity analysis	Revised DBO for each sensitivity
Discount rate	1.55% pa	0.5% pa decrease	27,964
Price inflation (RPI)	3.75% pa	0.5% pa increase	25,930
Life expectancy	–	Increase of 1 year	26,592

The weighted average duration of the DBO is 18 years. Further Scheme analysis is shown below.

Analysis of DBO by participant category £ thousands	2020	2019
Deferred participants	4,665	4,269
Pensioners	23,292	21,293
DBO	27,957	25,562

The fair value of Scheme assets of £28.6 million is analysed in the table below (2019: £26.6 million).

Scheme asset breakdown	Quoted securities ¹	Other	Total 2020
Equities securities	51%	–	51%
Fixed income and credit	38%	–	38%
Alternative investments	5%	–	5%
Cash and liquidity/other	–	6%	6%
	94%	6%	100%

Scheme asset breakdown	Quoted securities ¹	Other	Total 2019
Equity securities	51%	–	51%
Fixed income and credit	39%	3%	42%
Alternative investments	5%	–	5%
Cash and liquidity/other	–	2%	2%
	95%	5%	100%

¹ Classified as Level 2 assets under IFRS 13.

12. Deferred tax asset

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

£ million	2020	2019
Balance at start of year	1.5	2.0
(Debit)/credit to consolidated income statement	0.9	(0.6)
(Debit)/credit to SOCI	0.1	0.1
Balance at end of year	2.5	1.5

Notes to the Financial Statements

12. Deferred tax asset (continued)

The deferred tax asset is analysed below:

£ million	2020	2019
Share-based payments	2.5	1.7
Capital allowances	0.2	0.1
Retirement benefit liability/(asset)	(0.2)	(0.3)
Balance at end of year	2.5	1.5

The Group had carried forward tax losses of £333 million at 31 December 2020 (2019: £325 million) that have not been recognised as a deferred tax asset, as it is unlikely that the unrecognised asset will be utilised in the foreseeable future.

13. Financial instruments

As an investment company, financial instruments make up the vast majority of the Group's assets and liabilities and generate its performance.

Financial instruments comprise securities, derivatives and other investments, cash, short-term receivables and payables, and short and long-term borrowings.

The nature and extent of the financial instruments outstanding can be seen on the face of the balance sheet and the risk management policies employed by the Group and Company are set out below.

The Group's policy for determining the fair value of investments (including private investments) is set out on pages 61 and 62. In relation to receivables, payables and short-term borrowings, the carrying amount is viewed as being a reasonable approximation of fair value.

13.1 Financial risk management

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

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

13.1.1 Market risk

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

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

- **Interest rate risk**

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

- **Currency risk**

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

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

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

The Manager may seek to reduce or increase the portfolio's exposure to stock markets, interest rates and currencies by utilising derivatives such as index futures, options, swaps and currency forward contracts. These instruments are used for the purpose of hedging some or all of the existing exposure within the portfolio to those currencies or particular markets, as well as to enable increased exposure when deemed appropriate. With respect to equity, foreign exchange and interest rate options, the notional exposure presented in this note is adjusted to reflect the sensitivity of the option to movements in the underlying security.

13.1.2 Price risk

Price risk may affect the value of the quoted and private investments held by the Group.

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

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

The Group's exposure to quoted equity price risk (also described as net quoted equity exposure) can be assumed to be equivalent to the quoted equity investments in the investment portfolio adjusted for:

- Notional exposure from quoted equity derivatives;
- Estimated cash balances held by external managers; and
- Estimated net equity exposure from hedge fund managers.

Other price risk exposure relates to investments in private investments, absolute return and credit, and real assets, adjusted for the notional exposure from commodity derivatives.

£ million	31 December 2020	31 December 2019
Exposure to quoted equity price risk ¹	1,497.7	1,331.6
Exposure to other price risk	1,809.3	1,612.2
Total exposure to price risk	3,307.0	2,943.8

¹ Quoted equity price risk represented 42% of year-end net assets (2019: 42%).

Notes to the Financial Statements

13. Financial instruments (continued)

Price risk sensitivity analysis

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

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

	2020	2019
£ million	Impact on profit and net assets	Impact on profit and net assets
Quoted equity	149.8	133.2
Other	180.9	161.2
Total	330.7	294.4

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

13.1.3 Interest rate risk

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

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

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

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

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

31 December 2020			
£ million	Floating rate	Fixed rate	Total
Portfolio investments – debt securities ¹	–	37.7	37.7
Cash	296.8	–	296.8
Borrowings	(189.0)	(181.5)	(370.5)
Total²	107.8	(143.8)	(36.0)

31 December 2019			
£ million	Floating rate	Fixed rate	Total
Portfolio investments – debt securities ¹	–	77.4	77.4
Cash	61.1	–	61.1
Borrowings	(50.0)	(166.4)	(216.4)
Total²	11.1	(89.0)	(77.9)

¹ In addition, the Group holds £366.8 million (2019: £232.7 million) in funds which predominantly invest in credit instruments. These provide indirect exposure to interest rate risk.

² In addition, the Group holds £402.2 million (2019: £2.6 million) notional exposure to interest rate derivatives.

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

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

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

The Group has total borrowings with a fair value of £370.5 million outstanding at the year end (2019: £216.4 million). The revolving credit facility comprising £189.0 million of this total incurs floating interest payments. The loan notes with a fair value of £181.5 million (par value of £151.0 million) have fixed interest payments. Further details are provided in note 18.

Interest rate risk sensitivity analysis

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

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

Notes to the Financial Statements

13. Financial instruments (continued)

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

£ million	2020 Impact on profit and net assets	2019 Impact on profit and net assets
Total	12.7	8.4

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

13.1.4 Currency risk

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

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

Foreign currency exposure

Currency	2020 Net exposure % of NAV	2019 Net exposure % of NAV
US dollar	29.7	17.6
Japanese yen	5.6	5.7
Euro	4.4	6.1
Swiss franc	–	0.3
Other non-sterling	1.4	1.2
Total¹	41.1	30.9

¹ Amounts in the above table are based on the carrying value of all foreign currency denominated assets and liabilities and the underlying notional amounts of forward currency contracts. It does not take into account any estimates of 'look-through' exposure from our fund investments.

Currency risk sensitivity analysis

The sensitivity of the Group's net assets and profit in regard to changes in key currencies is illustrated below. This is based on an assumed 10% strengthening of sterling relative to the foreign currencies as at 31 December 2020, and assumes all other variables are held constant. A 10% weakening is assumed to produce an equal and opposite effect.

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

£ million	2020 Impact on profit and net assets	2019 Impact on profit and net assets
US dollar	(94.9)	(55.5)
Japanese yen	(20.3)	(17.9)
Euro	(8.5)	(19.4)
Swiss franc	–	(1.1)
Other non-sterling	(5.1)	(3.6)
Total	(128.8)	(97.5)

13.1.5 Credit risk

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

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

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

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

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

Credit risk exposure

£ million	2020	2019
Portfolio investments – debt securities ¹	37.7	77.4
Derivative financial instruments ²	57.6	51.1
Cash margin	43.9	75.5
Other receivables	61.4	96.7
Cash at bank	296.8	61.1
Total³	497.4	361.8

¹ Debt securities held within portfolio investments include a private loan note issued by LionTree Advisory Holdings LLC.

² Represents the fair value of assets held by counterparties.

³ In addition to the table above, the Group holds a credit index derivative with a notional exposure of £137.5 million, designed to provide some protection against the deterioration of general investment grade credit.

The credit quality of certain financial assets that are not past due, where the risk of loss is primarily that a counterparty fails to meet an obligation, can be assessed by reference to external credit ratings.

Notes to the Financial Statements

13. Financial instruments (continued)

The Manager has a review process in place that included an evaluation of a potential counterparty's ability to service and repay its debt. This is considered on a regular basis. Cash margins and other receivables comprise mainly balances with counterparties which are investment grade financial institutions with a short-term credit rating by S&P of A-2 or higher (2019: A-2).

BNP is the custodian and depositary to the Company. As custodian, substantially all of the listed portfolio investments and cash at bank are held by BNP. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was A in the most recent rating prior to 31 December 2020 (2019: A).

As depositary under AIFMD, the main obligation of BNP is the safeguarding of those custodied assets on behalf of the RIT shareholder. The depositary is liable for the loss of financial instruments held in custody, other than under limited circumstances. As a result of this obligation, the depositary maintains oversight of all transactions undertaken by the AIFM (JRCM) on behalf of the AIF (RIT). This includes reviewing all cash movements, receiving copies of internal sign-off documentation and key legal agreements, and oversight and review of key procedures and controls.

13.1.6 Liquidity risk

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

In addition to the Group's liquidity balances and committed but undrawn borrowings, the investment portfolio includes a substantial amount of assets which would be expected to be realised within a relatively short time frame, depending on market conditions. This will include stocks (unless held via a co-investment fund or subject to a lock-up), government bonds and derivatives. Other investments can be realised over varying timeframes depending on the nature of the investment and/or the legal terms governing disposal. Investments in externally-managed equity and hedge funds have redemption periods which typically range from daily to quarterly and longer, depending in part on the underlying nature of the portfolio holdings. There is also a risk in stress situations of the funds imposing additional restrictions or 'gates' on redemptions (as happened in particular to hedge funds during the global financial crisis). Direct private and private fund investments are inherently less liquid, and while there is a secondary market, participants will often experience discounts to fair value, in particular at times of stress.

JRCM manages the Group's liquid resources in line with a liquidity risk framework overseen by the Board. This establishes a minimum level of liquidity available to meet expected contractual commitments, including ongoing costs, margin calls and capital calls (from funds with a commitment/drawdown structure - see note 14). The Manager monitors the level of short-term funding, and balances the need for access to short-term funding, with the long-term funding needs of the Group.

The Group has three revolving credit facilities with a total capacity of £385 million (£189 million drawn at the year end and £185 million committed and undrawn) and £151 million of long-term loan notes (details of which are disclosed in note 18).

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

£ million	31 December 2020			Total
	3 months or less	3-12 months	>1 year	
Current liabilities:				
Bank loan/overdraft	189.0	–	–	189.0
Derivative financial instruments	4.5	–	–	4.5
Purchases for future settlement	3.1	–	–	3.1
Amounts owed to Group undertakings	5.3	–	–	5.3
Non-current liabilities:				
Derivative financial instruments	–	–	5.4	5.4
Borrowings	–	4.8	199.8	204.6
Lease liability	–	0.4	4.3	4.7
Financial liabilities	201.9	5.2	209.5	416.6
Other non-financial liabilities	63.1	0.4	2.9	66.4
Subtotal	265.0	5.6	212.4	483.0
Commitments	256.0	–	–	256.0
Total	521.0	5.6	212.4	739.0

£ million	31 December 2019			Total
	3 months or less	3-12 months	>1 year	
Current liabilities:				
Bank loan/overdraft	50.0	–	–	50.0
Derivative financial instruments	2.9	–	–	2.9
Purchases for future settlement	9.0	–	–	9.0
Amounts owed to Group undertakings	3.3	–	–	3.3
Non-current liabilities:				
Derivative financial instruments	–	–	7.9	7.9
Borrowings	–	4.8	209.6	214.4
Lease liability	–	–	10.2	10.2
Financial liabilities	65.2	4.8	227.7	297.7
Other non-financial liabilities	54.9	0.4	2.9	58.2
Subtotal	120.1	5.2	230.6	355.9
Commitments	210.8	–	–	210.8
Total	330.9	5.2	230.6	566.7

13.2 Collateral

Collateral in the form of cash margin is posted by the Group in relation to certain derivative transactions, transacted under the auspices of the International Swaps and Derivatives Association. The Group does not hold collateral from other counterparties.

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

£ million	2020	2019
Cash margin	43.9	75.5

Notes to the Financial Statements

13. Financial instruments (continued)

13.3 Derivative financial instruments

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

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

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

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

Details of the unsettled derivatives at 31 December 2020 and 31 December 2019 are:

As at 31 December 2020 £ million	Notional ¹ amount	Group and Company		Total fair value
		Assets (positive fair value)	Liabilities (negative fair value)	
Commodity derivatives	128.4	5.3	–	5.3
Credit derivatives	189.1	0.1	(3.1)	(3.0)
Currency derivatives	2,300.3	44.6	(4.1)	40.5
Equity derivatives	80.8	6.4	–	6.4
Fixed income derivatives	102.9	0.5	(0.4)	0.1
Interest rate derivatives	315.9	0.7	(2.3)	(1.6)
Total		57.6	(9.9)	47.7

As at 31 December 2019 £ million	Notional ¹ amount	Group and Company		Total fair value
		Assets (positive fair value)	Liabilities (negative fair value)	
Commodity derivatives	108.3	4.1	–	4.1
Credit derivatives	309.4	–	(7.9)	(7.9)
Currency derivatives	2,087.7	44.9	(2.5)	42.4
Equity derivatives	42.1	2.1	(0.4)	1.7
Fixed income derivatives	–	–	–	–
Interest rate derivatives	2.6	–	–	–
Total		51.1	(10.8)	40.3

¹ Long and short notional exposure has been netted.

13.4 IFRS 13 fair value measurement classification

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

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

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

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

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

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

Level 1

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

Level 2

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

Notes to the Financial Statements

13. Financial instruments (continued)

Level 3

The Group considers all private investments, whether direct or funds, (as described in the Investment Portfolio on page 15) as level 3 assets, as the valuations of these assets are not typically based on observable market data. Where other funds invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

Private fund investments as well as direct co-investments are held at fair values provided by the GPs managing those funds/co-investments, and are subject to periodic review by the Manager. The remaining directly-held private investments are valued on a semi-annual basis using techniques including a market approach, income approach and/or cost approach. The valuation process involves the investment functions of the Manager who prepare the proposed valuations, which are then subject to review by the finance function, with the final valuations being presented to the independent Valuations Committee of which the Audit and Risk Committee chair is also a member. The specific techniques used will typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry specific methodologies. The acquisition cost, if determined to be fair value, may be used to calibrate inputs to the valuation. The valuations will often reflect a synthesis of a number of distinct approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the company's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Borrowings at 31 December 2020 comprise bank loans and senior loan notes. The bank loans are revolving credit facilities paying floating interest, and are typically drawn in tranches with a duration of three or six months. The loans are therefore short-term in nature, and their fair value approximates their nominal value. The loan notes were issued with tenors of between 10 and 20 years with a weighted average of 16 years. They are valued on a monthly basis using a discounted cash flow model where the discount rate is derived from the yield of similar tenor UK Government bonds, adjusted for any significant changes in either credit spreads or the perceived credit risk of the Company.

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

On a semi-annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties and property, plant and equipment held at fair value. Further information is shown in note 15.

The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2020:

As at 31 December 2020

£ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	538.7	1,749.4	1,162.6	3,450.7
Non-consolidated subsidiaries	–	–	69.5	69.5
Investments held at fair value	538.7	1,749.4	1,232.1	3,520.2
Derivative financial instruments	5.8	51.8	–	57.6
Total financial assets at FVPL	544.5	1,801.2	1,232.1	3,577.8
Non-financial assets measured at fair value:				
Investment property	–	–	37.8	37.8
Property, plant and equipment	–	–	23.6	23.6
Total non-financial assets measured at fair value	–	–	61.4	61.4
Financial liabilities at FVPL:				
Borrowings	–	–	(370.5)	(370.5)
Derivative financial instruments	(0.3)	(9.6)	–	(9.9)
Total financial liabilities at FVPL	(0.3)	(9.6)	(370.5)	(380.4)
Total net assets measured at fair value	544.2	1,791.6	923.0	3,258.8
Other non-current assets				3.2
Cash at bank				296.8
Other current assets				105.3
Other current liabilities				(68.8)
Other non-current liabilities				(4.9)
Net assets				3,590.4

Movements in level 3 assets

Year ended 31 December 2020 £ million	Investments held at fair value	Properties	Total
Opening balance	1,132.6	60.3	1,192.9
Purchases	279.3	3.2	282.5
Sales	(347.4)	–	(347.4)
Realised gains/(losses) through profit or loss	48.9	–	48.9
Unrealised gains/(losses) through profit or loss	250.6	0.1	250.7
Unrealised gains/(losses) through other comprehensive income	–	(1.8)	(1.8)
Transfer out of level 3	(131.9)	–	(131.9)
Other	–	(0.4)	(0.4)
Closing balance	1,232.1	61.4	1,293.5

Notes to the Financial Statements

13. Financial instruments (continued)

During the year, a direct private investment with a fair value of £91.5 million was reclassified from level 3 to level 2. This reflected the fact that, following an IPO, its main underlying investments were listed. This is now disclosed in the Investment Portfolio (on page 14) within quoted equity. Investments in funds with a fair value of £40.4 million were transferred from level 3 to level 2 as a result of new financial information received during the year in respect of the underlying investments of the funds. In addition, a quoted equity stock was reclassified from level 2 to level 1 as a result of a lock-up expiring that previously prevented the ability to sell the position.

Level 3 assets

Further information in relation to the directly-held private investments is set out in the following table. This summarises the portfolio by the primary method or approach used in fair valuing the asset. As we seek to employ a range of valuation methods and inputs in the valuation process, selection of a primary method is subjective, and designed primarily to assist the subsequent sensitivity analysis.

Primary valuation method/approach £ million	2020	2019
Third-party valuations	202.5	126.9
Market multiples	48.7	85.1
Recent financing round ¹	47.7	93.3
Discounted cash flow	14.0	17.3
Agreed sale/offer	–	5.2
Other industry metrics ¹	1.0	3.9
Total	313.9	331.7

¹ Included within these methods are directly-held private investments held within the non-consolidated subsidiaries with a total of £4.0 million (2019: £1.0 million).

For companies with positive earnings, we seek to utilise an earnings multiple approach, typically using EBITDA or similar. The earnings multiple is assessed by reference to similar listed companies or transactions involving similar companies. When an asset is undergoing a sale and the price has been agreed but not yet completed or an offer has been submitted, we use the agreed or offered price, often with a final discount to reflect the risks associated with the transaction completing or any price adjustments. Other methods employed include discounted cash flow analysis and industry metrics such as multiples of assets under management or revenue, where market participants use these approaches in pricing assets. Where we have co-invested alongside a GP, we typically utilise the GP's latest available valuation, consistent with our approach to private funds.

The following table provides a sensitivity analysis of the valuation of directly-held private investments, and the impact on net assets:

Primary valuation method	Sensitivity analysis
Third-party valuations	A 5% change in the value of these assets would result in a £10.1 million or 0.28% (2019: £6.3 million, 0.20%) change in net assets.
Market multiples	Assets in this category are valued using a multiple of 10.2x for EV/Sales and 3.7x for EV/revenue. If the multiple used for valuation purposes is increased or decreased by 5% then the net assets would increase/decrease by £0.6 million or 0.02% (2019: £4.6 million, 0.14%).
Recent financing round	A 5% change in the value of these assets would result in a £2.4 million or 0.07% change in net assets (2019: £4.7 million, 0.15%).
Discounted cash flow	Assets in this category are valued using a weighted average cost of capital range of 5% - 30%. A 1% point increase/decrease in the underlying discount rate would result in a decrease/increase in the net assets of £1.4 million or 0.04% (2019: £2.5 million, 0.08%).
Agreed sale/offer	A 5% change in the value of these assets would impact the net assets by £nil or (2019: £0.3 million, 0.01%).
Other industry metrics	A 5% change in the value of these assets would result in a £0.1 million or 0.001% (2019: £0.2 million, 0.01%) change in net assets.

The investment property and property, plant and equipment with an aggregate fair value of £61.4 million (2019: £60.3 million) were valued using a third-party valuation provided by JLL. The properties were valued using weighted average capital values of £1,652 per square foot (2019: £1,709) developed from rental yields and supported by market transactions. A £25 per square foot increase/decrease in capital values would result in a £0.8 million increase/decrease in fair value (2019: £0.8 million increase/decrease).

The non-consolidated subsidiaries are held at their fair value of £69.5 million (2019: £49.7 million) representing £63.4 million of portfolio investments (2019: £43.5 million) and £6.1 million of remaining assets and liabilities (2019: £6.2 million). A 5% change in the value of these assets would result in £3.5 million or 0.1% (2019: £2.5 million, 0.08%) change in net assets.

The remaining investments held at fair value and classified as level 3 were funds valued using third-party valuations from a GP, administrator or fund manager totalling £852.7 million (2019: £752.2 million). A 5% change in the value of these assets would result in a £42.6 million or 1.19% (2019: £37.6 million, 1.20%) change in net assets.

In aggregate, the sum of the direct private investments, investment property, property, plant and equipment, non-consolidated subsidiaries and the remaining fund investments represents the total level 3 assets of £1,293.5 million (2019: £1,192.9 million).

Notes to the Financial Statements

13. Financial instruments (continued)

The following table analyses the Group's assets and liabilities within the fair value hierarchy, at 31 December 2019:

As at 31 December 2019 £ million	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Portfolio investments	457.2	1,496.3	1,082.9	3,036.4
Non-consolidated subsidiaries	–	–	49.7	49.7
Investments held at fair value	457.2	1,496.3	1,132.6	3,086.1
Derivative financial instruments	4.1	47.0	–	51.1
Total financial assets at FVPL	461.3	1,543.3	1,132.6	3,137.2
Non-financial assets measured at fair value:				
Investment property	–	–	36.1	36.1
Property, plant and equipment	–	–	24.2	24.2
Total non-financial assets measured at fair value	–	–	60.3	60.3
Financial liabilities at FVPL:				
Borrowings	–	–	(216.4)	(216.4)
Derivative financial instruments	–	(10.8)	–	(10.8)
Total financial liabilities at FVPL	–	(10.8)	(216.4)	(227.2)
Total net assets measured at fair value	461.3	1,532.5	976.5	2,970.3
Other non-current assets				2.5
Cash at bank				61.1
Other current assets				172.2
Other current liabilities				(58.6)
Other non-current liabilities				(1.9)
Net assets				3,145.6

Movements in level 3 assets

Year ended 31 December 2019 £ million	Investments held at fair value	Properties	Total
Opening balance	1,029.0	61.6	1,090.6
Purchases	196.7	0.2	196.9
Sales	(139.0)	–	(139.0)
Realised gains/(losses) through profit or loss	8.2	–	8.2
Unrealised gains/(losses) through profit or loss	57.9	0.6	58.5
Unrealised gains/(losses) through other comprehensive income	–	(1.8)	(1.8)
Transfer in to level 3	57.5	–	57.5
Transfer out of level 3	(77.7)	–	(77.7)
Other	–	(0.3)	(0.3)
Closing balance	1,132.6	60.3	1,192.9

13.5 Capital management

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

- to deliver long-term capital growth for its shareholders, while preserving shareholders' capital;
- to deliver for shareholders increases in capital value in excess of the relevant indices over time through an appropriate balance of equity capital and gearing; and
- to ensure the Group's ability to continue as a going concern.

The Company is subject to externally imposed capital requirements:

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

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

In addition, JRCM is subject to capital requirements imposed by the FCA and must ensure that it has sufficient capital to meet these requirements. JRCM was compliant with those capital requirements throughout the year.

The Group's capital at 31 December 2020 and 31 December 2019 comprised:

£ million	2020	2019
Equity share capital	156.8	156.8
Retained earnings and other reserves	3,433.6	2,988.8
Net asset value	3,590.4	3,145.6
Borrowings	370.5	216.4
Total capital	3,960.9	3,362.0

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

14. Financial commitments

Financial commitments to invest additional funds which have not been provided for are as follows:

	31 December 2020		31 December 2019	
£ million	Group	Company	Group	Company
Commitments	256.0	256.0	210.8	210.8

The financial commitments are principally uncalled commitments to private funds, which are typically established as 10-year funds with a 5-year investment period, and are diversified across multiple funds and vintage years.

Notes to the Financial Statements

15. Investment property

£ million	2020	2019
Rental income from investment properties	2.1	2.5
Direct operating expenses arising from investment properties that generated rental income during the year	(1.5)	(1.4)
Cash outflow from leases	(0.5)	(0.4)

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

£ million	2020	2019
Within one year	0.4	0.2

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

£ million	2020	2019
Within one year	1.3	1.4
Between one and two years	1.0	0.9
Between two and three years	0.3	0.9
Between three and four years	–	–
Between four and five years	–	–
Over five years	–	–

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

The Company leases Spencer House from the Spencer Trustees (the Trustees). The terms of this lease include provisions such that: any assignment or sale of the lease can occur only with the consent of the Trustees, there are limits on event frequency and that the Trustees retain certain (de minimis) usage rights over the 'fine rooms'. The Company is required to externally redecorate every three years and to internally redecorate every seven years. The property is typically open to the public for viewing every Sunday, except during August. The investment property portfolio is valued by JLL on a six-monthly basis in accordance with current RICS Valuation – Global Standards 2017, published by the Royal Institution of Chartered Surveyors, on the basis of open market value. The most recent valuation, which reflects the factors highlighted above, was undertaken as at 31 December 2020.

16. Other receivables

£ million	31 December 2020		31 December 2019	
	Group	Company	Group	Company
Cash margin	43.9	43.9	75.5	75.5
Amounts receivable	1.2	1.2	1.3	1.2
Prepayments and accrued income	5.1	4.7	4.0	3.6
Sales for future settlement	39.8	39.8	53.7	53.7
Unsettled investment subscriptions	15.3	15.3	37.7	37.7
Total	105.3	104.9	172.2	171.7

The carrying amount of other receivables approximates their fair value, due to their short-term nature.

17. Related party transactions

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

Transactions with Hannah Rothschild or parties related to her

During the current and prior year the Group transacted with entities classified as related to Hannah Rothschild as a result of her having significant influence over them, a beneficial interest in them, or otherwise in accordance with IAS 24.

The Group has cost-sharing arrangements with these related parties covering the provision and receipt of administrative as well as investment advisory, support and supply services. Under these arrangements the Group received £456,792 (31 December 2019: £513,512) and paid £225,006 (31 December 2019: £308,338).

Certain of these related parties occupy office space in St James's Place which is owned or leased by the Group. The rent, rates and services charged by the Group for the year ended 31 December 2020 amounted to £322,862 (31 December 2019: £386,753).

During the year, the contribution by the Group in respect of the Company's founder and previous Chairman's office and private medical costs was £41,250 (31 December 2019: £13,750). These payments ceased on 30 September 2020.

Certain activities of the Group are carried out in properties owned by related parties. The cost to the Group for the rent was £4,749 in the year ended 31 December 2020 (31 December 2019: £29,548).

The balance due by the Group to the parties related to Hannah Rothschild at 31 December 2020 was £nil (31 December 2019: £16,500) and the balance due to the Group from the related parties was £6,789 (31 December 2019: £18,399).

Other

The Company has an agreement with Spencer House Partners, of which Jeremy Sillem is a member, for the provision of corporate finance advisory services. Over 2020 RIT has incurred expenses of £170,000 in respect of these services (2019: £170,000). Spencer House Partners rents space in one of the Company's properties and over the same period paid rent of £178,857 (2019: £183,038).

Law Debenture Trust, a related party to a director of JRCM for part of 2020, received fees for the provision of pension trustee services of £51,192 (2019: £17,369).

During the year JRCM senior management subscribed £50,000 pari passu alongside the Company's £50,000 investment in JRCM (London) LLP, a subsidiary.

Group undertakings

JRCM acts as the Company's manager, administrator and corporate secretary. During the year ended 31 December 2020, the charge for these services from JRCM to the Company amounted to £52.9 million (2019: £39.0 million). JRCM incurred rent charges of £580,000 (2019: £580,000) from the Company. During the year Spencer House Limited (also a wholly-owned subsidiary of the Company) earned revenues of £94,007 from JRCM (2019: £85,901) and £1,569,481 from the Company (2019: £1,595,339).

Notes to the Financial Statements

17. Related party transactions (continued)

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

£ million	Amounts owed by Group undertakings	
	2020	2019
Total	–	–

£ million	Amounts owed to Group undertakings	
	2020	2019
JRCM	(82.3)	(86.8)
RIT Capital Partners Associates Limited	–	–
J. Rothschild Capital Management US, Inc	(5.1)	(3.3)
Other subsidiaries	–	–
Total	(87.4)	(90.1)

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in note 11. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 December 2020 (31 December 2019: £nil).

Directors and key management personnel

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

£ million	2020	2019
Short-term employee benefits	11.5	6.9
Share-based payment	11.4	6.5 ¹
Total	22.9	13.4

¹ This includes the costs associated with the accelerated vesting of Lord Rothschild's remaining share-based payment awards on his retirement.

The Group has no ultimate controlling party.

18. Borrowings

£ million	Group and Company	
	2020	2019
Unsecured loans payable within one year:		
Revolving credit facilities	189.0	50.0
Unsecured loans payable in more than one year:		
Fixed rate loan notes	181.5	166.4
Total borrowings	370.5	216.4

At 31 December 2020 the Company had three revolving credit facilities (RCFs): a £150 million three-year facility with National Australia Bank agreed in December 2019, a £150 million five-year facility with Commonwealth Bank of Australia agreed in December 2018 and a £85 million three-year facility with Industrial and Commercial Bank of China agreed in December 2019. These are

flexible as to currency, duration and number of drawdowns, and bear interest linked to the LIBOR rate (or equivalent) relevant to the period and currency drawn. As they are drawn in tranches with tenors less than one year they are classified within current liabilities. The fair value and par value of the drawn borrowings is £189 million (2019: £50 million). A change in interest rates is not expected to have a significant impact on the fair value of the RCFs. No bank loans are held within subsidiaries. The weighted average interest rate on the RCFs at the year end was 1.76% (2019: 2.32%).

On 1 June 2015 the Company issued £151.0 million of fixed rate loan notes with tenors between 10 and 20 years and coupons from 3.00% to 3.56%. These notes are held at fair value and pay interest on a semi-annual basis. The fair value of this debt at the end of the year was £181.5 million (2019: £166.4 million) calculated using a discount rate of 1.32% (2019: 2.41%). A 5% increase / decrease in the underlying discount rate would result in an increase / decrease in net assets of £1.1 million (2019: £1.9 million) or 0.03% (2019: 0.06%). The weighted average interest rate payable on these notes is 3.45% and their remaining weighted average tenor is 10.2 years.

The overall weighted average interest rate on the borrowings at the year end was 2.49% (2019: 3.17%).

19. Other payables

£ million	31 December 2020		31 December 2019	
	Group	Company	Group	Company
Accruals	24.3	4.3	10.4	0.8
Other creditors	36.1	36.0	35.9	35.6
Purchases for future settlement	3.1	3.1	9.0	9.0
Total	63.5	43.4	55.3	45.4

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

20. Share capital

£ million	2020		2019	
	Shares in issue	Nominal value of total shares in issue	Shares in issue	Nominal value of total shares in issue
Allotted, issued and fully paid:				
At 1 January	156,848,065	156.8	155.4	
Issue of new ordinary shares	–	–	1.4	
At 31 December	156,848,065	156.8	156.8	

The Company has one class of ordinary shares which carry no right to fixed income. The share capital is not distributable.

In the year to 31 December 2020 116,040 shares were bought back and held in treasury (2019: nil).

No £1 ordinary shares were issued during the year (2019: 1,496,634).

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21. Share premium

£ million	2020	2019
At 1 January	45.7	17.3
Issue of new ordinary shares	–	28.4
At 31 December	45.7	45.7

No share premium arose during the year (2019: £28.4 million on issue of shares). The share premium is not distributable.

22. Capital redemption reserve

	2020		2019	
£ million	Group	Company	Group	Company
Balance at start of year	36.3	36.3	36.3	36.3
Movement during the year	–	–	–	–
Balance at end of year	36.3	36.3	36.3	36.3

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

23. Own shares reserve

£ million	2020	2019
Opening cost	(7.8)	(13.4)
Own shares acquired	(10.1)	(7.1)
Own shares transferred	2.6	12.7
Closing cost	(15.3)	(7.8)

The Group has established an Employee Benefit Trust (EBT) which purchases shares in order to meet the anticipated value of equity settled, share-based awards. At the year end, the EBT held 809,044 shares with a cost of £15.3 million and market value of £16.7 million (2019: 419,145 shares, cost £7.8 million, market value £8.9 million). The own shares reserve is not distributable.

24. Share-based payments

The Group utilises share-based awards for employees, the vast majority of which are equity-settled and designed to align the interests of employees with those of shareholders.

Employee awards include share appreciation rights (SARs) and performance shares (both of which vest based on market-based performance conditions and subject to continued service). The performance conditions are designed to reinforce the Company's KPIs – SARs vest based on RIT's TSR exceeding RPI+3% and performance shares are divided into two tranches, with proportionate vesting based on the extent to which the TSR outperforms RPI+3% or the ACWI.

In addition, 60% of annual bonuses over £150,000 (for JRCM directors) or £250,000 (for other employees) are made in deferred shares which vest over three years (based on a service condition).

The total expense for share-based awards, including related social security costs, recognised in the consolidated income statement was £14.3 million (2019: £7.5 million) of which £5.0 million related to SARs and performance shares, and £9.3 million relating to deferred shares.

The movement in share-based awards is as follows:

Number (thousand)	2020	2019
Outstanding at the start of the year:		
SARs/performance shares	3,681	4,209
Deferred shares	285	357
Total	3,966	4,566
Granted during the year:		
SARs/performance shares	1,654	897
Deferred shares	342	253
Total	1,996	1,150
Exercised during the year:		
SARs/performance shares	(2)	(1,084)
Deferred shares	(139)	(288)
Total	(141)	(1,372)
Lapsed/forfeited during the year:		
SARs/performance shares	(1,116)	(341)
Deferred shares	–	(37)
Total	(1,116)	(378)
Outstanding at the end of the year:		
SARs/performance shares	4,217	3,681
Deferred shares	488	285
Total	4,705	3,966
SARs exercisable at year end	174	176
Intrinsic value exercisable at year end (£ million)	1.1	0.9

For share-based awards granted during the year, the weighted average fair value was 720 pence (2019: 570 pence). The main assumptions adopted in the valuation of the share-based awards with performance conditions attached (SARs/performance shares) were:

Valuation methodology	Monte Carlo ¹	Trinomial ²
Share price at issue (pence)	1,806	1,806
Exercise price (pence)	–	1,579
Expected volatility pa ³	18.2%-26.9%	17.5%
Expected life (years)	1-7	4.5
Dividend yield	1.94%	1.94%
Risk-free rate ⁴	0.49%-0.58%	0.52%

¹ Used to estimate the fair value of performance shares.

² Used to estimate the fair value of SARs.

³ Expected volatility was estimated using the historical share price volatility over a period matching the expected life of the awards.

⁴ The risk-free rate uses the sterling benchmark swap curve for a duration matching the expected life of the awards.

Share-based awards with only service conditions attached (deferred shares) were valued using the prevailing market price.

Notes to the Financial Statements

25. Capital reserve

£ million	31 December 2020		31 December 2019	
	Group	Company	Group	Company
Balance at start of year	2,894.1	2,910.9	2,624.3	2,633.5
Gains/(losses) for the year	540.2	540.2	351.7	351.5
Dividend paid	(54.7)	(54.7)	(52.6)	(52.6)
Other capital items	(30.4)	(15.6)	(28.7)	(21.5)
Taxation	0.9	–	(0.6)	–
Total capital return	456.0	469.9	269.8	277.4
Balance at end of year	3,350.1	3,380.8	2,894.1	2,910.9

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

£ million	2020	2019
Capital reserve:		
in respect of investments realised	2,233.8	2,114.5
in respect of investments held	1,147.0	796.4
Balance at end of year	3,380.8	2,910.9

26. Revenue reserve

£ million	31 December 2020		31 December 2019	
	Group	Company	Group	Company
Balance at start of year	7.0	(97.6)	(5.0)	(95.9)
Profit/(loss) for the year	(1.2)	(39.2)	12.7	(1.7)
Actuarial gain/(loss)	(0.8)	–	(0.8)	–
Deferred tax (charge)/credit	0.1	–	0.1	–
Balance at end of year	5.1	(136.8)	7.0	(97.6)

As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate income statement or statement of comprehensive income. The Company's revenue loss after tax amounted to £39.2 million (2019: loss £1.7 million). The Company's total profit for the year was £485.9 million (2019: £326.5 million profit).

27. Revaluation reserve

£ million	31 December 2020		31 December 2019	
	Group	Company	Group	Company
Balance at start of year	13.5	13.5	15.3	15.3
Revaluation gain/(loss) on property, plant and equipment	(1.8)	(1.8)	(1.8)	(1.8)
Balance at end of year	11.7	11.7	13.5	13.5

The revaluation reserve is not distributable.

28. Net asset value per ordinary share – basic and diluted

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

31 December	2020	2019
Net assets (£ million)	3,590.4	3,145.6
Number of shares in issue (million)	156.8	156.8
Own shares adjustment (million) ¹	(0.9)	(0.1)
Basic shares (million)	155.9	156.7
Effect of share-based payment awards (million)	0.8	0.2
Diluted shares (million)	156.7	156.9

¹ EBT and treasury shares.

31 December	2020 pence	2019 pence
Net asset value per ordinary share – basic	2,303	2,007
Net asset value per ordinary share – diluted	2,292	2,004

29. Investments in subsidiary undertakings

£ million	Shares
Carrying value at 1 January 2020	55.9
Additions	15.4
Disposals	–
Other movements in year	4.3
Carrying value at 31 December 2020	75.6

£ million	Shares
Carrying value at 1 January 2019	54.1
Additions	7.5
Disposals	(8.9)
Other movements in year	3.2
Carrying value at 31 December 2019	55.9

Investments in subsidiary undertakings are stated at cost or fair value where appropriate.

At 31 December 2020 the Company held investments in the following subsidiaries, which, unless otherwise stated, are wholly-owned, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

In accordance with IFRS 10 the Group consolidates the subsidiary below:

Name	Issued share capital
JRCM ¹	£6,250,001 divided into 6,250,000 ordinary shares of £1 each and one special share of £1 held by The J. Rothschild Name Company Limited

¹ Registered office and principal place of business: 27 St James's Place, London SW1A 1NR.

Notes to the Financial Statements

29. Investments in subsidiary undertakings (continued)

In accordance with IFRS 10 the Company and Group holds the following subsidiaries at fair value at 31 December 2020:

Name	Principal place of business	Ownership interest
Spencer House Limited ^{1,5}	England	100%
RIT US Value Partnership LP ^{1,6}	England	100%
RIT Investments GP Limited ^{2,3,5}	Scotland	100%
J. Rothschild Capital Management US Inc ^{4,5}	United States	100%
RIT Investments US Inc ^{3,4,5}	United States	100%
RIT US Holdings LLP ^{3,4,6}	United States	100%

¹ Registered office and principal place of business: 27 St James's Place, London SW1A 1NR.

² Registered office and principal place of business: 50 Lothian Road, Edinburgh EH3 9WJ.

³ Held indirectly.

⁴ Registered office: 251 Little Falls Drive, Wilmington, Delaware 19808, USA.

⁵ Ownership interest is ordinary shares.

⁶ Ownership interest is partnership capital.

For all of the above the proportion of voting rights held is equivalent to the ownership interest.

There are no significant restrictions arising from any contractual arrangements or regulatory requirements that would affect the ability of any of the above entities to transfer funds to or repay loans made by the Company.

During 2020 the Company subscribed for £50,000 partnership capital into JRCM (London) LLP whose registered office and principal place of business is 27 St. James's Place, London, SW1A 1NR. A commitment of £50,000 remains at the year end.

There are no other current commitments or contractual arrangements to provide financial support to any of the entities above other than in the normal course of business (e.g. funding of investment transactions/capital calls). The Company has not assisted any of the above entities in obtaining financial support in any way over the year and has no current intentions to do so.

30. Dividends

	2020 Pence per share	2019 Pence per share	2020 £ million	2019 £ million
Dividends paid in year	35.0	34.0	54.7	52.6

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

On 4 March 2020 the Board declared a first interim dividend of 17.5 pence per share in respect of the year ended 31 December 2020 that was paid on 30 April 2020. A second interim dividend of 17.5 pence per share was declared by the Board on 4 August 2020 and paid on 30 October 2020.

The Board declares the payment of a first interim dividend of 17.625 pence per share in respect of the year ending 31 December 2021. This will be paid on 30 April 2021 to shareholders on the register on 6 April 2021, and funded from the accumulated capital profits.

31. Reconciliation of profit/(loss) before finance costs and taxation to net cash inflow/(outflow) from operating activities

£ million	Group	
	2020	2019
Profit/(loss) before dividend and interest income, finance costs and taxation	507.0	332.8
Dividend income	10.2	17.1
Interest income	2.3	13.4
Profit/(loss) before finance costs and taxation	519.5	363.3
(Increase)/decrease in other receivables	66.9	76.3
Increase/(decrease) in other payables	8.2	3.8
Other movements	(18.8)	(47.5)
(Gains)/losses on borrowings	15.1	11.3
Realised foreign exchange (gains)/losses on repayments and drawings of borrowings	(33.0)	–
Purchase of investments held at fair value	(1,328.1)	(775.0)
Sale of investments held at fair value	1,518.9	818.7
(Gains)/losses on fair value investments	(576.4)	(295.0)
Interest paid	(16.4)	(20.4)
Net cash inflow/(outflow) from operating activities	155.9	135.5

£ million	Company	
	2020	2019
Profit/(loss) before dividend and interest income, finance costs and taxation	491.8	318.2
Dividend income	10.2	17.1
Interest income	2.3	13.4
Profit/(loss) before finance costs and taxation	504.3	348.7
(Increase)/decrease in other receivables	66.8	76.5
Increase/(decrease) in other payables	(2.0)	2.7
Other movements	(59.6)	(25.5)
(Gains)/losses on borrowings	15.1	11.3
Realised foreign exchange (gains)/losses on repayments and drawings of borrowings	(33.0)	–
Purchase of investments held at fair value	(1,297.3)	(760.0)
Sale of investments held at fair value	1,529.6	816.4
(Gains)/losses on fair value investments	(576.4)	(295.1)
Interest paid	(16.4)	(20.4)
Net cash inflow/(outflow) from operating activities	131.1	154.6

Reconciliation of liabilities arising from financing activities:

£ million	2019	Non-cash changes in fair value ¹	Net drawdowns	2020
Borrowings – current	(50.0)	11.0	(150.0)	(189.0)
Borrowings – non-current	(166.4)	(15.1)	–	(181.5)
Total	(216.4)	(4.1)	(150.0)	(370.5)

¹ Including currency translation.

Notes to the Financial Statements

32. Material investments and related undertakings

Further information regarding investments is shown here.

Disclosed below are the ten largest investments in the portfolio (excluding investments in non-consolidated subsidiaries) shown at fair value:

As at 31 December 2020	£ million
Eisler Capital Fund	170.7
HCIF Offshore	156.7
BlackRock European Hedge Fund	156.0
Springs Opportunities	142.9
Coupang	140.8
Attestor Value Fund	116.5
Gaoling	108.1
Ward Ferry Asian Smaller Companies	93.4
Acorn	91.5
Tresidor Credit	83.6
Total	1,260.2

As at 31 December 2019	£ million
HCIF Offshore	151.2
Eisler Capital Fund	149.9
Acorn	117.1
BlackRock European Hedge Fund	112.7
Attestor Value Fund	111.3
Elliott International	101.2
Springs Opportunities	100.2
BlackRock Emerging Markets	94.9
Gaoling	70.8
Ward Ferry Asian Smaller Companies	59.4
Total	1,068.7

Further to the disclosures in note 29 (investments in subsidiary undertakings), the table on the following page shows a list of significant related undertakings of the Group as at 31 December 2020. For the investments shown the principal place of business is considered to be the place of registration and the proportion of voting rights held is considered to be the ownership interest.

The Directors do not consider that any of the portfolio investments shown in the table on the following page fall within the definition of an associated company (aside from the entities noted below the table) as the Group does not exercise significant influence over their operating and financial policies as it is a passive investor.

In a number of cases the Group owns more than 50% of a particular class of shares or partnership interest. The Group does not consider these holdings, although greater than 50%, provide control of the investee entities concerned as firstly the Group's position as a passive investor in these entities acts as a substantive barrier to its exercising any power over the investee and secondly the nature of the Group's holding does not give it the ability to direct the relevant activities of the investee because it does not control or participate in the governing bodies of these entities.

Unconsolidated structured entities

The Group holds interests in closed-ended limited partnerships which invest in underlying companies or securities for the purposes of capital appreciation. The Group, alongside the other limited partners, makes commitments to finance the investment programme of the relevant GP or manager, who may draw down this committed amount either upfront or over a period of years. The table below shows the Group's carrying value of such investments and represents the maximum exposure to loss.

£ million	2020	2019
Total¹	1,460	1,140

¹ Included within Investments held at fair value.

The list of significant related undertakings on page 83 is pursuant to the requirements of Companies Act 2006, Statutory Instrument 2015 No. 980 The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, IFRS and the SORP.

Disclosed on page 83 for the year ended 31 December 2020 are:

- Entities classified as significant holdings (20% or greater interest in a class of shares or partnership);
- Material investee undertakings in which the Group had an interest of over 3% of the allotted shares of any class; and
- Material investment funds in which the Group had an interest of 10% or more in any class of share or unit.

All the investments in the table on page 83 are held at FVPL.

Notes to the Financial Statements

32. Material investments and related undertakings (continued)

Investment Name	Place of registration	Registered address	Fair value £ million	% interest
1992 Co-Invest (Offshore) LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	15.7	49.7%
AC530 Offshore Fund Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	5.4	42.8%
BlackRock Emerging Markets Flexible Fund, Class R	Ireland	2 Ballsbridge Park, Ballsbridge, Dublin 4	80.5	100.0%
BlackRock European Hedge Fund Ltd, Class I	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	156.0	41.5%
Blumberg Capital I LP	Delaware, USA	580 Howard Street, Suite 401, San Francisco, California 94105	2.9	56.1%
BX-B Ribbit Opportunity IV, LLC	Delaware, USA	1209 Orange Street, Wilmington, Delaware 19801	6.9	22.9%
BX-C Ribbit Opportunity IV, LLC	Delaware, USA	1209 Orange Street, Wilmington, Delaware 19801	0.7	29.2%
Caxton Dynamis Limited	Virgin Islands	Maples Corporate Services, PO Box 173, Road Town, Tortola	45.0	100.0%
Darwin Private Equity I LP	Scotland	50 Lothian Road, Festival Square, Edinburgh EH3 9WJ	4.5	23.9%
Dukes Investments Ltd ¹	Cayman Islands	87 Mary Street, George Town, Grand Cayman KY1-9005	0.0	49.9%
Eisler Capital Fund Ltd, R Shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	170.7	53.9%
Emerging India Focus Funds- Class E	Mauritius	5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis	51.1	33.4%
Firebird New Russia Fund Ltd, Class A1	Cayman Islands	PO Box 897, Windward 1, Grand Cayman KY1-1103	2.2	25.4%
Gaoling UK Feeder Fund Ltd, Class A	Cayman Islands	27 Hospital Road, George Town, Grand Cayman, KY1-9008	108.1	74.0%
Green Park Ventures LP	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005	0.1	49.9%
Hein Park Offshore Investors Ltd, Class F	Cayman Islands	27 Hospital Road, George Town, Grand Cayman, KY1-9008	30.5	36.0%
ICQ Holdings 6 LLC	Delaware, USA	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	49.5	100.0%
Infinity SDC Ltd ¹	England & Wales	500-600 Witan Gate West, Milton Keynes MK9 1SH	8.5	23.9%
JNE Fund Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	0.7	100.0%
Lansdowne Developed Markets Strategic Investment Fund DIS Limited, Class N Relative GBP Designated Investment shares	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	2.0	34.5%
Lansdowne NE Fund, Unhedged Non-Restricted absolute shares	Ireland	32 Molesworth Street, Dublin 2	71.7	70.0%
Media Technology Ventures IV LP	California, USA	185 Berry Street, Suite 3600, San Francisco, California 94107	1.5	38.5%
RR Capital Partners LP	Delaware, USA	One Maritime Plaza, Suite 2100, San Francisco, California 94111	0.2	20.5%
Sand Grove Tactical Fund LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	53.1	67.6%
Sand Grove UK Tactical Portfolio	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	70.0	100.0%
Social Capital Public Equity Partners Offshore Fund Ltd	Cayman Islands	Floor 4, Willow House, Cricket Square, PO Box 268, Grand Cayman KY1-1104	2.1	31.8%
Springs Global Strategic Partners Fund- Anchor Class	Ireland	2nd Floor, 2 Custom House Plaza, Harbourmaster Place, Dublin 1	62.3	100.0%
Springs Opportunities Fund LP, Series A	Cayman Islands	4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010	142.9	54.8%
Japan Small Cap Fund	Ireland	Block 5, Harcourt Centre, Harcourt Road, Dublin 2	51.6	20.0%
Tangible Segregated Portfolio of the South Africa Alpha SPC	Cayman Islands	103 South Church Street, George Town, Grand Cayman, KY1-1002	11.3	20.6%
Tresidor Credit Opportunities Fund	Ireland	2nd Floor, 2 Custom House Plaza, Harbourmaster Place, Dublin 1	83.6	100.0%
TRG Select Opportunities Fund, Ltd	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104	12.6	41.4%
Tribeca Global Natural Resources Feeder Fund Class A Participating Shares Unrestricted	Cayman Islands	27 Hospital Road, George Town, Grand Cayman, KY1-9008	29.5	62.3%
Westcap Strategic Operator Fund, L.P.	Cayman Islands	94 Solaris Avenue, PO Box 1348, Grand Cayman, KY1-1108	7.6	49.4%
Xander Seleucus II LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	0.5	41.9%
Xander Seleucus LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	0.1	43.3%
Xander Seleucus Retail LP	Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104	1.2	48.8%

¹ The Directors consider these entities, in which it holds ordinary shares, as associated companies as the Group has significant influence due to circumstances particular to the investment. The Group has chosen to account for associated companies held for investment purposes at FVPL in accordance with IFRS 9.

33. Event after the reporting period

On 1 March 2021, one of the Company's direct private investments – Coupang – published an amended pre-IPO filing with the US Securities and Exchange Commission. This filing included an initial estimate of the pricing range for a planned IPO. The actual price achieved on any future IPO will depend on a number of factors, including market conditions and investor demand at that time.

Independent Auditor's Report

RIT Capital Partners plc

Independent Auditor's Report to the Members of RIT Capital Partners plc

Report on the audit of the Financial Statements

Opinion

In our opinion:

- ▶ RIT Capital Partners plc's (the "Group") Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- ▶ the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union ("IFRS");
- ▶ the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RIT Capital Partners plc which comprise:

<i>Group</i>	<i>Parent Company</i>
Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year to 31 December 2020	Parent Company Balance Sheet as at 31 December 2020
Consolidated Balance Sheet as at 31 December 2020	Parent Company Statement of Changes in Equity for the year to 31 December 2020
Consolidated Statement of Changes in Equity for the year to 31 December 2020	Consolidated and Parent Company Cash Flow Statement for the year to 31 December 2020
Consolidated and Parent Company Cash Flow Statement for the year to 31 December 2020	
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	
The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the Parent Company financial statements, as applied in accordance with section 408 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 below. We are independent of the Group and Parent 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 as applied to listed public interest entities, 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.

Independent Auditor's Report to the Members of RIT Capital Partners plc

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. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- ▶ obtaining an understanding of the Directors' process and controls for determining the appropriateness of the use of the going concern basis. This included discussions with J. Rothschild Capital Management Limited (the "Manager") on the governance structure and protocols around the going concern assessment and corroborating our understanding with the Audit and Risk Committee;
- ▶ obtaining the Directors' going concern assessment, including cashflow forecasts and covenant calculations, covering the period to 30 June 2022, at least twelve months from the date of signing this audit opinion;
- ▶ reviewing the Group's cashflow forecasts and stress tests, assessing the completeness of the severe scenarios that consider the key risks identified by the Group. We considered the appropriateness of the methods used to calculate the cashflow forecasts and covenant calculations and determined through inspection and review of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity;
- ▶ obtaining the Group's reverse stress tests and identifying the factors that would lead to the Group utilising all liquidity or breaching financial covenants during the going concern period;
- ▶ considering the actions the Group can take to mitigate the impact of the reverse stress test scenarios. This included evaluating the company's ability to prevent a breach of financial covenants using mitigating actions if required, such as the repayment of long term borrowings. We also verified credit facilities available to the Group by obtaining third party confirmations;
- ▶ reviewing the liquidity and regulatory capital position of the Group, including an assessment of the liquidity profile of the Group's portfolio;
- ▶ enquiring of the Manager as to the impact of COVID-19 on the business and reviewing board minutes & key regulatory documents for risks, events or contrary evidence that may impact the Group's ability to continue as a going concern; and
- ▶ reviewing the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 Group and Parent Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 30 June 2022, at least twelve months from when the financial statements were authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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 Group's ability to continue as a going concern.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Overview of our audit approach

Key audit matters

- ▶ Risk of inaccurate recognition of investment income and gains/(losses) on investments held at fair value.
- ▶ Risk of incorrect valuation of direct private investments.
- ▶ Risk of incorrect valuation of illiquid fund investments.
- ▶ Risk of incomplete or inaccurate related party disclosures.

Our key audit matters are consistent with those identified for the 2019 audit.

Audit scope

- ▶ The Group is principally managed from one location in London. All core functions, including finance and operations, are located in London.
- ▶ The Group comprises one consolidated subsidiary and seven subsidiaries held at fair value. Monitoring and control over the operations of these subsidiaries, including those located overseas, is centralised in London.
- ▶ The London based Group audit team directly performed audit procedures on all items material to the Group and Parent Company financial statements.

This approach is consistent with the 2019 audit.

Materiality

- ▶ Overall Group materiality of £35.9m which represents 1% of net assets.

This approach is consistent with the 2019 audit.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

The investment portfolio balance is the most material part of the Consolidated Balance Sheet. Monitoring and control over the valuation of investments is exercised by the Manager centrally in London, and as such is audited wholly by the London based Group audit team. Monitoring and control over the operations of the subsidiaries within the Group is centralised in London. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above. There were no component audit teams.

In establishing our audit approach, we considered the type of audit procedures required to be performed and the audit evidence required to obtain sufficient and appropriate audit evidence as a basis of our opinion on the Group. As a result of COVID-19, the audit fieldwork was executed remotely. All audit evidence was received electronically and there were no on-site visits. All meetings with the Manager and the Directors were conducted virtually and all audit queries were discussed over video conferencing with audit evidence transferred via a secure Portal site. The audit team encountered no difficulties in connecting virtually with the Manager or the Directors and were able to execute the audit fieldwork effectively.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	Our response to the risk
<p>Risk of inaccurate recognition of investment income and gains/(losses) on investments held at fair value (£533.1 million, 2019: £398.9 million)</p> <p><i>Refer to the Audit and Risk Committee Report (pages 40 to 43); Accounting policies (pages 60 to 63); and Notes 2 and 3 of the Consolidated Financial Statements (page 64)</i></p> <p>The Group's revenue consists of investment income and gains/(losses) on investments held at fair value.</p> <p>The accuracy of recognition and measurement of revenue is important to the Group's financial statements.</p> <p>Shareholder expectations may place pressure on the Manager to influence the recognition of revenue. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.</p>	<p>We obtained an understanding of the Manager's processes and controls around the investment income process and valuation process to ascertain whether realised and unrealised gains/(losses) and investment income are appropriately calculated by performing walkthroughs in which we evaluated the design and implementation of controls.</p> <p>For gains/(losses) on investments held at fair value, on a sample basis, we have:</p> <ul style="list-style-type: none"> ▶ recalculated the unrealised gains/(losses), considering the procedures performed on the valuations where relevant; ▶ agreed purchases and sales of investments during the year to trade tickets, call and distributions notices, and to the corresponding cash movements in bank statements; and ▶ recalculated realised gains/(losses) from disposals of investments in the year. <p>For investment income, on a sample basis, we have:</p> <ul style="list-style-type: none"> ▶ agreed dividend income to an independent source and to corresponding receipts in bank statements; ▶ agreed distributions received to the notices from the fund managers and to bank statements to gain assurance over occurrence, measurement and appropriate classification; ▶ agreed accrued income at the period end to post year end bank statements and notices received from the fund managers or an external source for occurrence and measurement; ▶ recalculated interest income based on the terms of underlying agreements; ▶ tested the completeness of income receipts by verifying that any income declared during the period, per an independent source, has been correctly recorded as an income receipt; and ▶ recalculated income from investment properties based on the terms of the underlying agreements.

Key observations communicated to the Audit and Risk Committee

Our audit procedures did not identify any material matters regarding the recognition of investment income and gains/(losses) on investments held at fair value.

All transactions tested have been recognised in accordance with contractual terms and IFRS.

Based on our procedures performed we had no further matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	Our response to the risk
<p>Risk of incorrect valuation of direct private investments (£313.9 million, 2019: £331.7 million)</p> <p><i>Refer to the Audit and Risk Committee Report (pages 40 to 43); Accounting policies (pages 60 to 63); and Note 13 of the Consolidated Financial Statements (pages 69 to 76)</i></p> <p>The valuations of direct private investments are material, complex and include estimates and significant judgments.</p> <p>The valuations are determined by the Manager and the final valuations are reviewed and approved by the Valuation Committee. The valuation of direct private investments are based on the nature of the underlying business which has been invested in. The methods used include:</p> <ul style="list-style-type: none"> ▶ applying a multiple to earnings and revenues; ▶ using a discounted cash flow model; and ▶ using recent transaction prices and recent offers. 	<p>We obtained an understanding of the Manager's processes and controls for determining the fair valuation of direct private investments by performing a walkthrough in which we evaluated the design and implementation of controls. This included reviewing the governance structure and protocols around oversight of the valuation process and corroborating our understanding by attending Valuation Committee meetings.</p> <p>We assessed the Manager's valuation methodology against applicable reporting frameworks, including IFRS and the International Private Equity and Venture Capital ("IPEV") Guidelines. We sought explanations from the Manager where there were judgments applied in its application of the guidelines and assessed their appropriateness.</p> <p>On a sample basis, we corroborated the key inputs into the valuation models and performed the following procedures on key judgments made by the Manager. We have:</p> <ul style="list-style-type: none"> ▶ challenged the appropriateness of assumptions made by the Manager in the application of the valuation models; ▶ assessed the suitability of earnings multiples by considering the appropriateness of the selected comparable companies, including adjustments made to reflect the differences between these and the investee company; ▶ challenged the appropriateness of discount rates applied in discounted cash flow models; ▶ tested the mathematical accuracy of the valuation models; ▶ compared the fair valuation to recently completed market transactions or recent offers, where relevant; and ▶ where a valuation was prepared by a third-party manager or general partner, obtained independent confirmation of the most recently available valuation. <p>With the assistance of our valuation specialists:</p> <ul style="list-style-type: none"> ▶ we formed an independent range for the key assumptions used in the valuation of a sample of direct private investments, with reference to relevant industry and market valuation considerations; ▶ we derived a range of fair values using our assumptions and other qualitative risk factors; and ▶ we compared these ranges to the Manager's fair values and discussed our results with both the Manager and the Audit and Risk Committee. <p>We discussed with the Manager the rationale for any differences between the exit prices of investments realised during the year and the prior year fair value, to further verify the reasonableness of the current year valuation models and methodology adopted by the Manager.</p> <p>We considered the impact of COVID-19 throughout the procedures performed on the valuation of direct private investments, by challenging whether the valuation methodologies and assumptions used remained appropriate.</p>

Key observations communicated to the Audit and Risk Committee

All valuations tested were found to be carried in accordance with IFRS and the IPEV Guidelines.

The valuations of the two most material direct private investments prepared by the Manager which were reviewed by our valuations specialists were within the independently calculated reasonable ranges.

Through our back testing of exit prices we gained an understanding of the differences between the exit prices of investments realised during the year and the prior year fair value. We did not identify any realisations of direct private investments with a significant movement from the prior year fair value.

Based on our procedures performed we had no material matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Risk	Our response to the risk
<p>Risk of incorrect valuation of illiquid fund investments (£1,392.9 million, 2019: £1,176.7 million)</p> <p><i>Refer to the Audit and Risk Committee Report (pages 40 to 43); Accounting policies (pages 60 to 63); and Note 13 of the Consolidated Financial Statements (pages 69 to 76)</i></p> <p>The valuations of illiquid fund investments are material to the financial statements. The valuations can include estimates and significant judgments, as they are often based on fair valuations of the underlying direct private investments, for which there may be limited observable information available.</p> <p>The valuations of illiquid fund investments are determined by the governing bodies of the underlying funds, typically including the underlying fund managers. The valuations are provided to the Group and assessed by the Manager, who make any adjustments they deem appropriate, for example for transactions between the date of the valuation provided and the reporting date.</p>	<p>We obtained an understanding of the Manager's processes and controls for reviewing the fair valuation of illiquid fund investments by performing a walkthrough in which we evaluated the design and implementation of controls.</p> <p>We discussed with the Manager the processes around their oversight of the valuations performed by the underlying funds and corroborated our understanding by attending Valuation Committee meetings.</p> <p>On a sample basis, we have:</p> <ul style="list-style-type: none"> ▶ confirmed the most recently available fund valuation to third party statements, including from the general partner, fund manager or fund administrator; ▶ assessed prior year valuations which were based on unaudited net asset statements by reference to their respective audited financial statements. We then investigated and obtained explanations for all material movements; ▶ obtained and assessed the due diligence performed by the Manager for new fund investments invested in the year; and ▶ where the most recently available fund valuation is not at the valuation date, we reviewed the Manager's approach to address the timing difference and challenged any adjustments made to the last valuation received. Where applicable, we corroborated these adjustments by agreeing any cash flows between the date of the fund valuation and the valuation date to supporting documentation. <p>We challenged the Manager on the IFRS 13 levelling classification of the illiquid fund portfolio, focusing on those which are considered to be subjective. We selected a sample of Level 2 investment fund holdings, for which the judgment is made considering the nature of the underlying investments of the fund, and reviewed their financial statements to confirm the appropriate levelling classification.</p> <p>During the post year end period, we monitored the receipt by the Manager of updated valuation statements and other financial information relevant to the valuation of the illiquid fund investments, to ensure no material differences arose.</p>

Key observations communicated to the Audit and Risk Committee

The valuation of the illiquid fund investments was found to be reasonable and materially in accordance with IFRS.

We did not identify any material issues when comparing prior year valuations which were based on unaudited net asset statements to their respective audited financial statements.

Based on our procedures performed we had no matters to report to the Audit and Risk Committee.

Independent Auditor's Report to the Members of RIT Capital Partners plc

<i>Risk</i>	<i>Our response to the risk</i>
<p>Risk of incomplete or inaccurate related party disclosures</p> <p><i>Refer to the Audit and Risk Committee Report (pages 40 to 43); Accounting policies (pages 60 to 63); and Note 17 of the Consolidated Financial Statements (pages 77 and 78)</i></p> <p>Due to the number and nature of the Group's related party transactions, there is a risk that the list of related party transactions identified by the Manager is not complete. This is a key focus of the Group's Conflicts Committee.</p>	<p>We obtained an understanding of the Manager's processes and controls surrounding the identification of related parties and related party transactions by performing a walkthrough.</p> <p>We inspected the Manager's list of related parties and related party transactions for completeness, considering our knowledge gained throughout the current and prior year audits.</p> <p>We obtained and reviewed:</p> <ul style="list-style-type: none"> ▶ the materials and minutes of the Group's Conflicts Committee who monitor all arrangements with related parties, including the Conflicts Committee Report for the period which details relevant members of the Rothschild family as well as Directors and company affiliates of the Rothschild family; ▶ the minutes of the Board of Directors and all sub-committees for any conflict of interest declarations; and ▶ the population of journal entries for evidence of undisclosed related parties, haphazardly testing a sample of journal entries to assess the completeness of the related parties disclosures. <p>We agreed related party transactions disclosed in the notes to the financial statements to supporting documentation provided by the Manager.</p> <p>We obtained representations from the Directors regarding the completeness and accuracy of related party disclosure.</p> <p>We verified the accuracy and completeness of the related party disclosures within the financial statements for compliance with IFRS and the Listing Rules.</p>
<i>Key observations communicated to the Audit and Risk Committee</i>	
<p>Our audit procedures did not identify any material inconsistencies between the reported related parties and our testing throughout our audit. We did not identify any issues from our review of financial statements with respect to the accuracy and completeness of related party disclosures. Based on our procedures performed, we had no matters to report to the Audit and Risk Committee.</p>	

Independent Auditor's Report to the Members of RIT Capital Partners plc

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £35.9 million (2019: £31.5 million), which is 1% (2019: 1%) of net assets. We believe that net assets provides us with a consistent year on year basis for determining materiality, and is the most relevant measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be £34.9 million (2019: £30.7 million), which is 1% (2019: 1%) of net assets.

We calculated materiality during the planning stage of the audit and then during the course of our audit, we reassessed initial materiality based on 31 December 2020 net assets, and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £26.9 million (2019: £23.0 million). We have set performance materiality at this percentage based on the fact that there were no material prior year misstatements, that the internal control environment is consistent with the prior year and there have been no significant changes in circumstances.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £1.8 million (2019: £1.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, set out on pages 1 to 52 and 96 to 102, including the Strategic Report (including sections on: Chairman's Statement, Our Purpose, Strategy & Business Model, Manager's Report, Investment Portfolio and Principal Risks and Viability), Governance (including sections on: Board of Directors, J. Rothschild Capital Management, Corporate Governance Report, Audit and Risk Committee Report, Directors' Remuneration Report and Directors' Report) and Other Information (including sections on: Investment Portfolio Reconciliation, Glossary and Alternative Performance Measures, Historical Information and Financial Calendar, Investor Information and Directory), other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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 there is 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.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- ▶ the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority ("the FCA Rules"), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- ▶ information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- ▶ the Strategic Report or the Directors' Report; or
- ▶ the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- ▶ Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 21;
- ▶ Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 21;
- ▶ Directors' statement on fair, balanced and understandable set out on page 39;
- ▶ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- ▶ the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 17; and
- ▶ the section describing the work of the Audit and Risk Committee set out on page 40

Independent Auditor's Report to the Members of RIT Capital Partners plc

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, 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 Group and Parent 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 Group or the Parent 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 below, 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 company 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 (IFRS, the Companies Act 2006, the AIC code, the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may influence the determination of the amounts and disclosures in the financial statements including the Listing Rules of the UK Listing Authority.
- ▶ We understood how RIT Capital Partners plc is complying with those frameworks by making enquiries of the Manager, including the Legal Manager and Company Secretary, Chief Financial Officer, Head of Compliance and Internal Audit and also the Non-Executive Directors including the Chair of the Audit and Risk Committee and Valuation Committee. We corroborated our understanding through our review of board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies.
- ▶ We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with Directors and the Manager to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by Directors and the Manager to manage NAV per share or the NAV per share total return. We identified fraud and management override risks in relation to revenue recognition and estimation uncertainty relating to the valuation of illiquid investments. Our audit procedures stated above in the 'Key audit matters section' of this Auditor's report were performed to address each 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; enquiries of senior management; and focused testing, as referred to in the key audit matters section above.
- ▶ The Group operates in the wealth and asset management industry which is a regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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.

Independent Auditor's Report to the Members of RIT Capital Partners plc

Other matters we are required to address

- ▶ We were appointed by the Company on 26 April 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.
- ▶ The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2018 to 31 December 2020.
- ▶ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- ▶ The audit opinion is consistent with the report of the Audit and Risk Committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent 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
1 March 2021

Notes:

1. The maintenance and integrity of the RIT Capital Partners plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Other Information

31 December 2020

Investment Portfolio Reconciliation

Investment portfolio reconciliation

The following table shows a summary reconciliation between the amounts reported within the Investment Portfolio, as shown on pages 14 to 16, and the 31 December 2020 consolidated balance sheet, as shown on page 55:

£ million	31 December 2020						Consolidated balance sheet
	Quoted equity	Private investments	Absolute return and credit	Real assets	Other investments	Net liquidity/borrowing/other	
Non-current assets							
Portfolio investments at fair value	1,769.5	916.7	755.5	9.0	–	–	3,450.7
Non-consolidated subsidiaries	0.1	5.1	58.2	–	–	6.1	69.5
Investments held at fair value	1,769.6	921.8	813.7	9.0	–	6.1	3,520.2
Investment property	–	–	–	37.8	–	–	37.8
Property, plant and equipment	–	–	–	23.4	–	0.2	23.6
Deferred tax asset	–	–	–	–	–	2.5	2.5
Retirement benefit asset	–	–	–	–	–	0.7	0.7
Derivative financial instruments	–	–	–	–	0.3	–	0.3
	1,769.6	921.8	813.7	70.2	0.3	9.5	3,585.1
Current assets							
Derivative financial instruments	6.4	–	0.1	5.3	45.5	–	57.3
Other receivables	0.1	–	0.3	–	–	104.9	105.3
Cash at bank	3.2	–	–	–	–	293.6	296.8
	9.7	–	0.4	5.3	45.5	398.5	459.4
Total assets	1,779.3	921.8	814.1	75.5	45.8	408.0	4,044.5
Current liabilities							
Borrowings	–	–	–	–	–	(189.0)	(189.0)
Derivative financial instruments	–	–	–	–	(4.5)	–	(4.5)
Other payables	(38.5)	–	–	–	–	(25.0)	(63.5)
Amounts owed to group undertakings	–	–	–	–	–	(5.3)	(5.3)
	(38.5)	–	–	–	(4.5)	(219.3)	(262.3)
Net current assets/(liabilities)	(28.8)	–	0.4	5.3	41.0	179.2	197.1
Total assets less current liabilities	1,740.8	921.8	814.1	75.5	41.3	188.7	3,782.2
Non-current liabilities							
Borrowings	–	–	–	–	–	(181.5)	(181.5)
Derivative financial instruments	–	–	(3.2)	–	(2.2)	–	(5.4)
Provisions	–	–	–	–	–	(1.1)	(1.1)
Finance lease liability	–	–	–	(3.4)	–	(0.4)	(3.8)
	–	–	(3.2)	(3.4)	(2.2)	(183.0)	(191.8)
Net assets	1,740.8	921.8	810.9	72.1	39.1	5.7	3,590.4

Glossary and Alternative Performance Measures

Glossary

Within this Annual Report and Accounts, we publish certain financial measures common to investment trusts. Where relevant, these are prepared in accordance with guidance from the AIC, and this glossary provides additional information in relation to them.

Alternative performance measures (APMs): APMs are numerical measures of the Company's current, historical or future financial performance, financial position or cash flows, other than financial measures defined or specified in the Company's applicable financial framework – namely IFRS and the AIC SORP. They are denoted with an * in this section.

Gearing*: Gearing is a measure of the level of debt deployed within the portfolio. The ratio is calculated in accordance with AIC guidance as total assets, net of cash, divided by net assets and expressed as a 'net' percentage, e.g. 110% would be shown as 10%.

£ million	2020	2019
Total assets	4,044.5	3,433.3
Less: cash	(296.8)	(61.1)
Sub total	3,747.7	3,372.2
Net assets	3,590.4	3,145.6
Gearing	4.4%	7.2%

Leverage: Leverage, as defined by the Alternative Investment Fund Managers Directive (AIFMD), is any method which increases the exposure of the portfolio, whether through borrowings or leverage embedded in derivative positions or by any other means.

MSCI All Country World Index: The MSCI All Country World Index is a total return, market capitalisation-weighted equity index covering major developed and emerging markets. Described in this report as the ACWI or the ACWI (50% £), this is one of the Company's KPIs or reference hurdles and, since its introduction in 2013, has incorporated a 50% sterling measure. This is calculated using 50% of the ACWI measured in sterling and therefore exposed to translation risk from the underlying foreign currencies. During 2020 we slightly amended the calculation for the remaining 50%. This now uses a sterling hedged ACWI from 1 January 2015 (from when this is readily available). This incorporates hedging costs, which the portfolio also incurs, to protect against currency risk and is an investable index. Prior to this date it uses the index measured in local currencies. Before December 1998, when total return indices were introduced, the index is measured using a capital-only version.

Net asset value (NAV) per share: The NAV per share is calculated by dividing the total value of all the assets of the trust less its liabilities (net assets) by the number of shares outstanding. Unless otherwise stated, this refers to the diluted NAV per share, with debt held at fair value.

NAV total return*: The NAV total return for a period represents the change in NAV per share, adjusted to reflect dividends paid during the period. The calculation assumes that dividends are reinvested in the NAV at the month end following the NAV going ex-dividend. The NAV per share at 31 December 2020 was 2,292 pence, an increase of 288 pence, or 14.4%, from 2,004 pence at the previous year end. As dividends totalling 35 pence per share were paid during the year, the effect of reinvesting the dividends in the NAV is 2.0%, which results in a NAV total return of 16.4%.

Net quoted equity exposure: This is the estimated level of exposure that the trust has to listed equity markets. It includes the assets held in the quoted equity category of the portfolio adjusted for the notional exposure from quoted equity derivatives, as well as estimated cash balances held by externally-managed funds and estimated exposure levels from hedge fund managers.

Notional: In relation to derivatives, this represents the estimated exposure that is equivalent to holding the same underlying position through a cash security.

Ongoing charges figure (OCF)*: As a self-managed investment trust with operating subsidiaries, the calculation of the Company's OCF requires adjustments to the total operating expenses. In accordance with AIC guidance, the main adjustments are to remove performance-related compensation from JRCM, as this is analogous to a performance fee for an externally-managed trust.

£ million	2020	2019
Operating expenses	43.4	30.0
JRCM direct performance-related compensation	(22.8)	(8.8)
Other adjustments	(0.1)	(0.7)
Ongoing charges	20.5	20.5
Average net assets	3,115	3,000
OCF	0.66%	0.68%

In addition to the above, managers charge fees within the external funds (and in a few instances directly to RIT in relation to segregated accounts). We have estimated that, based on average NAV across the year and annual management fee rates per fund (excluding performance fees), these represent an additional 0.89% of average net assets (2019: 0.90%).

Glossary and Alternative Performance Measures

Premium/discount: The premium or discount (or rating) is calculated by taking the closing share price on 31 December 2020 and dividing it by the NAV per share at 31 December 2020, expressed as a net percentage. If the share price is above/below the NAV per share, the shares are said to be trading at a premium/discount.

RPI: The RPI refers to the United Kingdom Retail Price Index as calculated by the Office for National Statistics and published monthly. It is used as a measure of inflation in one of the Company's KPIs RPI + 3.0% per annum.

Share price total return or total shareholder return (TSR)*: The TSR for a period represents the change in the share price adjusted to reflect dividends paid during the period. Similar to calculating a NAV total return, the calculation assumes the dividends are notionally reinvested at the daily closing share price following the shares going ex-dividend. The share price on 31 December 2020 closed at 2,065 pence, a decrease of 50 pence, or 2.4%, from 2,115 pence at the previous year end. Dividends totalling 35 pence per share were paid during the year, and the effect of reinvesting the dividends in the share price is 2.0%, which results in a TSR of -0.4%. The TSR is one of the Company's KPIs.

Historical Information and Financial Calendar

Historical information

	Diluted net assets £ million	Diluted NAV per share pence	Closing share price pence	Premium/ (discount) %	Diluted earnings per share pence	Dividend per share pence
02 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.7
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.6
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.4
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.1
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.1
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.6
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.7
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.6
31 March 1997	586.1	303.5	242.5	(20.1)	172	1.8
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.0
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.2
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.1
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.1
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.1
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.1
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.1
31 March 2005	1,113.1	712.7	694	(2.6)	90.0	3.1
31 March 2006	1,534.7	982.7	1,020	3.8	270.3	3.1
31 March 2007	1,635.6	1,047.3	1,000	(4.5)	67.0	3.1
31 March 2008	1,690.0	1,091.6	1,147	5.1	50.6	4.0
31 March 2009	1,350.5	874.3	831	(5.0)	(205.2)	7.5
31 March 2010	1,815.7	1,180.1	1,082	(8.3)	306.3	4.0
31 March 2011	1,984.0	1,289.4	1,307	1.4	111.7	4.0
31 March 2012	1,920.0	1,249.3	1,220	(2.3)	(35.7)	4.0
31 December 2012	1,847.2	1,191.4	1,131	(5.1)	(29.6)	28.0
31 December 2013	2,146.0	1,383.6	1,260	(8.9)	215.7	28.0
31 December 2014	2,299.6	1,483.0	1,397	(5.8)	129.8	29.4
31 December 2015	2,441.3	1,572.5	1,681	6.9	121.4	30.0
31 December 2016	2,692.1	1,730	1,885	9.0	195.0	31.0
31 December 2017	2,858.3	1,839	1,962	6.7	142.4	32.0
31 December 2018	2,830.2	1,821	1,910	4.9	17.5	33.0
31 December 2019	3,145.6	2,004	2,115	5.5	220.8	34.0
31 December 2020	3,590.4	2,292	2,065	(9.9)	321.0	35.0

Notes:

1. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
2. Prior to 31 March 2000, the diluted net assets were measured on the assumption that all convertible stock was converted at the balance sheet date. By 31 March 2000, all convertible stock had been converted or redeemed.
3. Dividends per share represent the amounts paid in the relevant financial year or period.
4. Since 31 March 2005 the closing share price has been displayed to the nearest pence and from 31 December 2016 the diluted net assets per share has been disclosed to the nearest pence.

Financial Calendar

22 April 2021, 11:00 am: Annual General Meeting.
 30 April 2021: Payment of interim dividend of 17.625 pence per ordinary share to shareholders on the register on 6 April 2021.

Investor Information

Share price information

The Company's £1 ordinary shares are listed on the London Stock Exchange and may be identified using the following codes:

TIDM: RCP LN
SEDOL: 0736639 GB
ISIN: GB0007366395

The closing price of the shares is published in the Financial Times and The Daily Telegraph. Daily and 15 minute delay share price information is displayed on the Company's website: www.ritcap.com, as well as numerous online platforms.

Registrar

The Company's registrar may be contacted as follows:

Computershare Investor Services PLC
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Bristol BS99 6ZZ
Tel: 0370 703 6307
Overseas: +44 370 703 6307

Shareholders may contact the registrar should they need to notify a change of name or address, or have a query regarding the registration of their holding or the payment of a dividend. Shareholders who wish to have dividends credited directly to their bank account rather than paid by cheque may do so by arrangement with the registrar. Shareholders may also arrange with the registrar to have their dividend payment invested in additional RIT Capital Partners plc ordinary shares purchased in the market.

Registered holders of ordinary shares of RIT Capital Partners plc may elect to receive communications from the Company electronically as an alternative to receiving hard copy accounts and circulars. This facility is provided by the registrar and shareholders will need to go online at www.investorcentre.co.uk and select the 'eComms' signup section to participate. To complete the registration process shareholders will need their postcode or country of residence, along with their shareholder reference number (as shown on their share certificates or dividend advices). Shareholders will also be asked to agree to the terms and conditions for electronic communication.

Registered shareholders also have the facility to check their shareholding, change their address or update their bank mandate instruction by registering to become a member of 'Investorcentre'.

Regardless of whether shareholders sign up for 'eComms' or become a member of 'Investorcentre', they are able to cast proxy votes in respect of general meetings electronically if they wish by using the link provided on their proxy form or in their email notification.

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Warning to shareholders

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To find out more about share fraud or 'boiler room' scams please visit the website of the Financial Conduct Authority, <https://www.fca.org.uk/scamsmart>.

Please note that you cannot buy or sell the shares of RIT Capital Partners plc directly with us, and we will never contact you with offers to buy or sell shares, nor will our registrar, Computershare. In the event that you are contacted we strongly recommend that you review the FCA website above and follow the necessary steps. Please do report any company making unsolicited calls to the FCA using the form that can be found via the above link.