RIT Capital Partners plc

Annual Report and Accounts 31 March 2006

RIT Capital Partners plc

Contents

Company Registration Number 2129188

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."

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."

RIT Capital Partners plc

AT 31 MARCH 2006

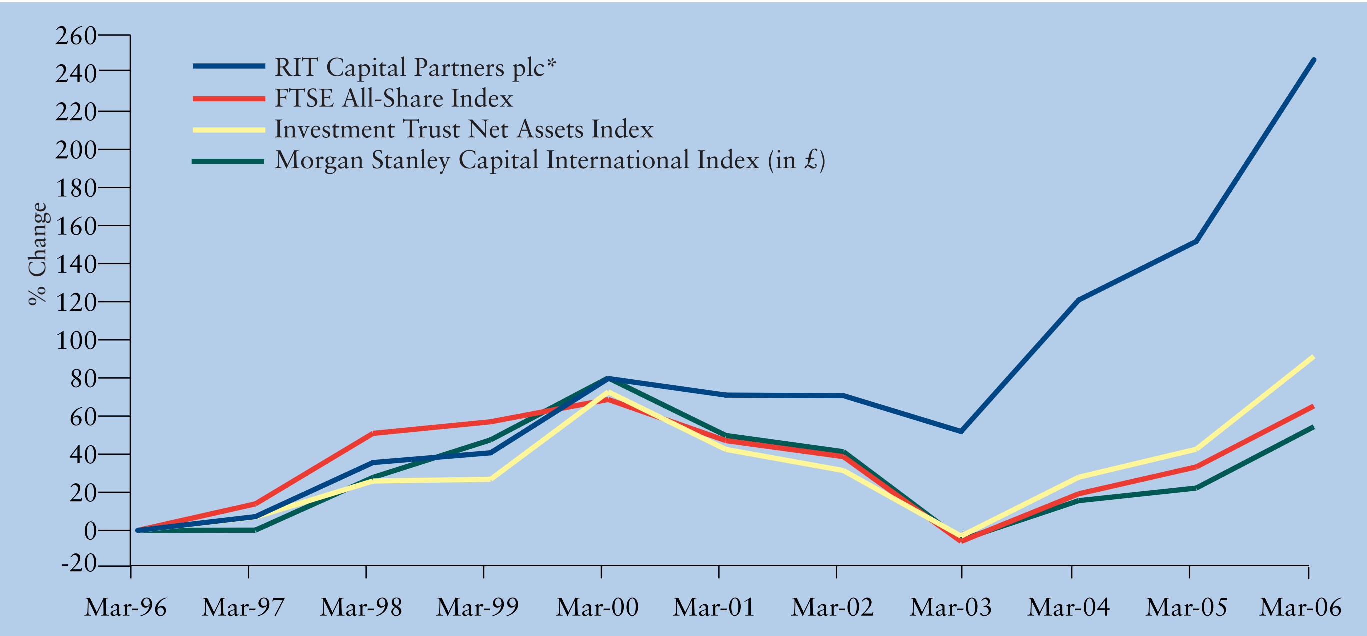
Financial Highlights

	31 March 2006	31 March 2005 Restated	% Change
Total Net Assets (£ million)	1,534.7	1,113.1	+37.9
Net Asset Value per Share	982.7p	712.7p	+37.9
Share Price	1,020.0p	694.0p	+47.0
Premium/(discount)	3.8%	(2.6)%	

Performance

	1 Year	5 Years	10 Years
RIT Capital Partners plc*	+37.9%	+102.9%	+247.0%
Morgan Stanley Capital International Index (in £)	+26.3%	+3.1%	+54.4%
FTSE All-Share Index	+24.0%	+12.4%	+65.3%
Investment Trust Net Assets Index	+34.2%	+34.4%	+91.4%

Performance against major indices over 10 years



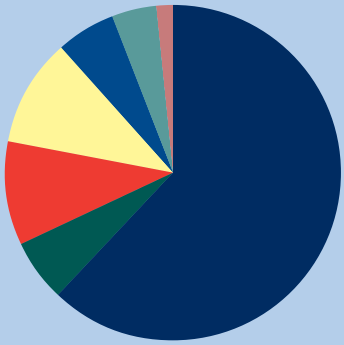
* In the above chart, RITCP's diluted net asset value per share has been computed in accordance with International Financial Reporting Standards ("IFRS") as at 31 March 2004, 31 March 2005 and 31 March 2006. Figures calculated in accordance with IFRS for the earlier reporting dates are not available.

Portfolio Analysis and Currency Exposure

AT 31 MARCH 2006

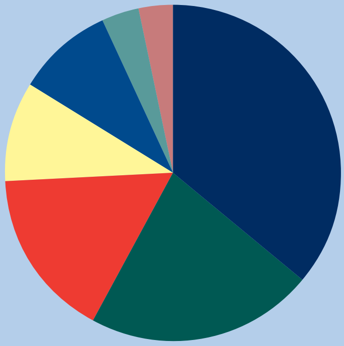
PORTFOLIO ANALYSIS BY ASSET CATEGORY

	£m	%
Quoted Investments	1,084.1	62.0
Hedge Funds	105.0	6.0
Long Equity Funds	174.4	10.0
Unquoted Investments	181.9	10.4
Private Equity Partnerships	100.1	5.7
Government Securities and Money Market Funds	75.3	4.3
Property	28.9	1.6
	1,749.7	100.0



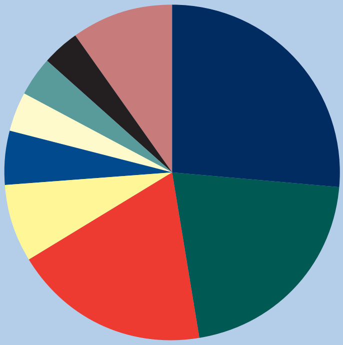
PORTFOLIO ANALYSIS BY COUNTRY/AREA

	£m	%
United States	630.2	36.0
Europe	383.1	21.9
United Kingdom	284.4	16.3
Far East	168.0	9.6
Japan	162.0	9.3
Canada	62.3	3.6
Other	59.7	3.3
	1,749.7	100.0

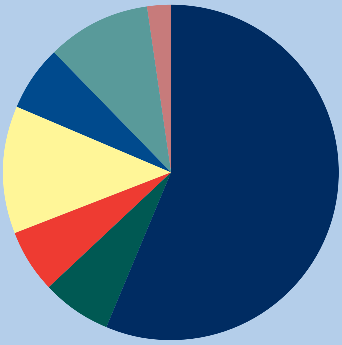


CURRENCY ANALYSIS OF NET ASSETS

	£m	%
Sterling	405.1	26.4
US Dollar	321.8	21.0
Japanese Yen	289.9	18.9
Euro	115.8	7.5
Swiss Franc	79.7	5.2
Singapore Dollar	57.8	3.8
Taiwan Dollar	58.0	3.8
Canadian Dollar	55.7	3.6
Other	150.9	9.8
	1,534.7	100.0

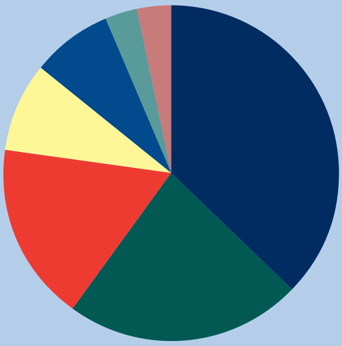


AT 31 MARCH 2005



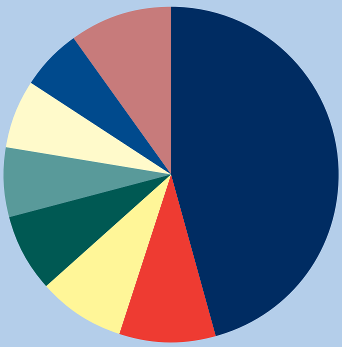
PORTFOLIO ANALYSIS BY ASSET CATEGORY

	£m	%
Quoted Investments	633.6	56.3
Hedge Funds	74.9	6.7
Long Equity Funds	69.3	6.1
Unquoted Investments	138.5	12.3
Private Equity Partnerships	71.4	6.3
Government Securities and Money Market Funds	113.0	10.0
Property	25.5	2.3
	1,126.2	100.0



PORTFOLIO ANALYSIS BY COUNTRY/AREA

	£m	%
United States	418.7	37.2
Europe	257.0	22.8
United Kingdom	193.3	17.2
Far East	96.8	8.6
Japan	88.0	7.8
Canada	35.1	3.1
Other	37.3	3.3
	1,126.2	100.0



CURRENCY ANALYSIS OF NET ASSETS

	£m	%
Sterling	509.3	45.7
Japanese Yen	103.7	9.3
Euro	93.7	8.4
US Dollar	83.6	7.5
Taiwan Dollar	74.3	6.7
Singapore Dollar	73.3	6.6
Swiss Franc	65.4	5.9
Other	109.8	9.9
	1,113.1	100.0

Chairman's Statement

In the year to 31 March 2006, your Company's net asset value per share increased by 37.9%, from 712.7p to 982.7p, its net worth by some £421 million, and its share price from 694p to 1,020p, a rise of 47%. Over the same period, the Morgan Stanley Capital International Index (in Sterling), the FTSE All-Share Index and the Investment Trust Net Assets Index increased by 26.3%, 24% and 34.2% respectively.

Over the last three years, stock market conditions have been favourable and the returns to shareholders exceptional: value creation of £870 million, a share price which has risen from 371.5p to 1,020p, an increase of 175%, while your company's net asset value per share has risen from 430.2p to 982.7p, an increase of 128%. It should come as no surprise therefore that the risk reward ratio of investing has become more difficult and challenging. Our reaction is to be more defensive and we have reduced our exposure since the year end by some £150 million through a combination of some share sales, a reduction in the amounts managed by some of our external managers and through the selling of stock market indices in the US, Europe and the Far East. We are not however unduly pessimistic and remain well positioned to take advantage of opportunities, particularly having put in place borrowings at low levels of interest rates. In August 2005 we completed a €150 million seven year loan with an effective interest rate of 3.732%. Taken together with our $150 million loan, which bears an interest rate of 3.93%, we have long-term borrowings equivalent to £191 million to add to our permanent capital.

After taking account of these defensive measures, your Company's exposure to stock markets amounted to 80% as of 25 May, the latest available date. Inevitably your Company's net asset value has not been immune from the recent decline in the stock markets. On 25 May the net asset value per share was 918p.

Asset Allocation

Set out below is our asset allocation at the year end.

	% of Portfolio at 31 March 2006	% of Portfolio at 31 March 2005
Quoted investments	**62.0**	56.3
Government securities and money market funds	**4.3**	10.0
Hedge funds	**6.0**	6.7
Long equity funds	**10.0**	6.1
Unquoted investments	**10.4**	12.3
Private equity partnerships	**5.7**	6.3
Property	**1.6**	2.3
	100.0	100.0

The principal change over the course of the year has been the increase in the quoted portfolio, both internally and externally managed. For the most part this reflects the favourable movement in the global equity market, but in addition your Company took advantage of the benign outlook and low interest rates to increase levels of investment exposure. We ended the year with an investment portfolio (excluding government securities and liquidity) equivalent to 109% of underlying net assets and with exposure to publicly traded equity markets of 89% (including hedge funds).

In terms of geographical exposure, the balance of the portfolio has not greatly changed from a year ago. On currencies, we have continued to diversify our currency exposure away from Sterling into the Asian currencies and the Swiss Franc. In addition, we continued to hedge a proportion of our US Dollar and Euro denominated holdings.

A more detailed analysis of your Company's portfolio and currency exposure can be found on pages 4 and 5.

Quoted Portfolio

At the year end, £1,084.1 million, or 62% of the portfolio, was held in quoted investments, compared with 56.3% a year earlier. About half of the quoted portfolio, amounting to £546 million, was managed internally, with a significant exposure to the energy and resource sectors which performed strongly during the period under review. Other internally managed investments also contributed, notably our holding in the UK electronic payment systems company, PayPoint, (a former component of the unquoted portfolio), and Deutsche Börse, which operates the German stock exchange.

The other half of the quoted portfolio, amounting to £538 million, was managed by external investment managers, who are listed on page 17 and with whom we have established long-term relationships. During the past year we have allocated resources to some new managers to give us additional exposure to a diverse range of geographies and sectors, including India, Japan, Canada, and US technology stocks.

Unquoted Portfolio

Last year, I commented on the number of successful realisations that we had made in the previous twelve months. In contrast, during the period now under review, we have been active in making new unquoted investments.

In April 2005 we acquired a 24.6% interest in Harbourmaster, an arranger and manager of collateralised debt and loan obligations, at a cost of £10.2 million. The valuation has been increased to £20.9 million at the year-end to reflect the company's excellent performance and a significant increase in its funds under management. In November, we invested £11.2 million as part of a consortium which acquired the Netherlands Investment Bank (NIB). In February, we invested £11.5 million in Access Point Medical, a US based company involved in the field of medical equipment which will be manufactured in China.

The only significant realisation during the period arose from a repayment of £20 million from our investment in Esporta, the health club operator.

Our exposure to unquoted investments and private equity partnerships is set out on pages 4 and 5. In total, these amounted to £282 million, or 16.1% of the portfolio at the year end. Of this, £181.9 million, or 10.4%, represents investments made directly by our management. The balance of £100.1 million, or 5.7%, is invested in limited partnerships managed by third parties. Our undrawn commitments to these externally managed partnerships amounted to £120.3 million at the year-end.

Dividend

We are proposing to pay a dividend of 3.1p per share on 19 July 2006 to shareholders on the register at 16 June 2006, the same level of dividend as last year. The focus of your Company remains one of achieving capital growth rather than increases in dividend income.

Outlook

The big question is whether the sharp setback in the stock markets which we have witnessed in May is a temporary correction after a long period of gains, or whether the bull market of the last three years has come to an end.

The accumulation of risk is clear: long-term interest rates have risen, equity prices in many areas have more than doubled over the last three years, global trading imbalances are potentially destabilising, particularly for the dollar, while the geopolitical situation, avian flu, the impact of climate change and the housing bubbles around the world all give cause for concern. Inflation may be subdued but high oil and commodity prices will inevitably affect both industrial and domestic costs. Against these negative factors, corporate profitability and cash flows remain strong and equity values are not unreasonable by historic standards, particularly in the USA. Growth continues throughout most of the major economies of the world and international policy makers well understand their common interest in ensuring that growth continues at a reasonable pace.

Although we have become more defensive and risk averse, on balance we feel that the outlook for stock markets remains positive, but we should not expect returns comparable to last year. We retain a significant exposure to equities through a portfolio which is highly diversified in terms of stocks and country risk as well as asset classes. We continue to identify interesting and potentially profitable opportunities through stock selection and through our access to exceptionally talented investment managers.

Rothschild

Rothschild
6 June 2006

Investment Portfolio

AT 31 MARCH 2006

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
QUOTED INVESTMENTS				
PayPoint	UK	Electronic Payment Systems	62.7	3.6
Deutsche Börse	Germany	German Stock Exchange	34.2	2.0
RHJ International	Japan	Investment Company with Japanese focus	30.7	1.7
Phelps Dodge	USA	Mining	29.5	1.7
World Trust Fund	Luxembourg	Investment Company	28.5	1.6
Venture Production	UK	Oil and Gas	23.9	1.3
Getty Images	USA	Stock Photography	23.6	1.3
British Energy Group	UK	Electricity Distribution	22.0	1.3
ConocoPhillips	USA	Oil and Gas	21.8	1.2
SIG Holding	Switzerland	Packaging Machinery	20.2	1.2
Merrill Lynch World Mining Trust	UK	Metals and Mining	12.1	0.7
Price Communications	USA	Cellular Telephone Systems	11.8	0.7
E.ON	Germany	Power and Gas	10.8	0.6
British Sky Broadcasting	UK	Television Broadcaster	10.8	0.6
Electricité de France	France	Electricity Distribution	10.3	0.6
AK Steel Holding	USA	Steel	9.8	0.6
Fuel Technology	USA	Air Pollution Technology	9.5	0.5
Xantrex Technology	Canada	Power Electronics	8.8	0.5
United States Steel	USA	Steel Producer	6.8	0.4
Pulte Homes	USA	Construction	6.4	0.4
Cemig	Brazil	Electricity Distribution	6.4	0.4
832 Other Quoted Investments			683.5	39.1
Total Quoted Investments			**1,084.1**	**62.0**
HEDGE FUNDS				
Atticus International	USA	Event-driven/Arbitrage	32.3	1.8
Cycladic Catalyst	Europe	European Equities	19.4	1.1
Tinicum Partners	USA	Arbitrage and Distressed Securities	15.6	0.9
Sofaer Capital Asian Hedge	Asia	Asian Securities	13.5	0.8
Parvus European Absolute Opportunities	Europe	European Equities	7.3	0.4
Lansdowne Macro Fund	Global	Global Equities and Debt Securities	6.5	0.4
Brant Point Fund International	USA	American Equities	5.6	0.3
Satellite Overseas Fund	USA	Arbitrage and Distressed Securities	4.8	0.3
Total Hedge Funds			**105.0**	**6.0**
LONG EQUITY FUNDS				
Tontine Capital Partners	USA	American Equities	34.6	2.0
Parvus European Opportunites	Europe	European Equities	19.0	1.1
TCI New Horizon	India	Indian Equities	14.9	0.8
MAC Japan 2 Unit Trust	Japan	Japanese Equities	14.8	0.8
Sloane Robinson Vista Emerging Markets	Global	Emerging Markets	14.3	0.8
iShares FTSE/Xinhua China 25 ETF	China	Chinese Equities	12.5	0.7
Atlantis Japan Opportunities	Japan	Japanese Equities	10.2	0.6
New Century Holdings	Russia	Russian Equities	9.9	0.6
Atlantis Asian Opportunities	Asia	Asian Equities	9.3	0.5
Africa Emerging Markets Fund	Africa	African Equities	8.7	0.5
10 Other Long Equity Funds			26.2	1.6
Total Long Equity Funds			**174.4**	**10.0**

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
UNQUOTED INVESTMENTS				
Robin Hood Holdings	Global	Generic Pharmaceuticals	26.4	1.5
Harbourmaster	Jersey	CDO Manager	20.9	1.1
The Economist Newspaper	UK	Publishing	16.8	1.0
United America Indemnity	USA	Casualty Insurance	13.7	0.8
Access Point Medical	USA	Medical Equipment	11.5	0.7
New NIB Partners LP	Netherlands	Investment Bank	11.4	0.6
MessageLabs Group	UK	E-mail Security Services	10.4	0.6
Clearbrook	UK	Investment Partnership	8.3	0.5
Eclipse Scientific	UK	Laboratory Analytical Services	7.6	0.4
Cortiva Group	USA	Education/Health Care	7.0	0.4
Fortress Investors	Germany	Residential Property	6.2	0.4
60 Other Unquoted Investments			41.7	2.4
Total Unquoted Investments			**181.9**	**10.4**

RITCP has some indirect holdings in listed investments which are categorised as unquoted because they are held via unquoted special purpose vehicles. This includes the above investment in United America Indemnity.

PRIVATE EQUITY PARTNERSHIPS				
Chrysalis Capital III	India	Unquoted Investments	7.7	0.4
Blumberg Capital I	USA	Unquoted Information Technology	7.7	0.4
SCI Asian Ventures	Asia	Unquoted Asian Investments	7.6	0.4
Sandler Capital Partners V	USA	Unquoted Telecommunications	7.1	0.4
RR Capital Partners	USA	Unquoted Investments	6.7	0.4
Lime Rock Partners II	USA	Unquoted Oil/Services	4.5	0.3
52 Other Private Equity Partnerships			58.8	3.4
Total Private Equity Partnerships			**100.1**	**5.7**
GOVERNMENT SECURITIES AND MONEY MARKET FUNDS				
Bundesrepublik 4 1/4 % 2006	Germany	Government Stock	17.5	1.0
US Treasury 2 3/4% 2006	UK	Government Stock	17.2	1.0
Bank Of America Global Fund	USA	Money Market Fund	11.6	0.7
Hamilton Fund	Ireland	Money Market Fund	10.3	0.6
Treasury 7 3/4% 2006	UK	Government Stock	10.1	0.6
4 Other Government Securities and Money Market Funds			8.6	0.4
Total Government Securities and Money Market Funds			**75.3**	**4.3**
PROPERTY				
Spencer House and other properties in St James's Place, London			**28.9**	**1.6**
Total Investments			**1,749.7**	**100.0**

Review of Principal Investments

Quoted Investments

At 31 March 2006 RITCP held £1,084.1 million of quoted investments, amounting to 62% of the portfolio. Details of the seven largest holdings in the quoted portfolio are set out below.

PayPoint

VALUATION AT 31 MARCH 2006: £62.7 MILLION (COST: £3.7 MILLION)

RITCP acquired its interest in PayPoint in 1999 when it was a private company. PayPoint owns and operates a network of electronic terminals in 14,000 shops throughout the UK and Ireland, which allow consumers to execute transactions, including the payment of household bills and the "topping-up" of credit onto pre-pay mobile telephones.

Since the company was floated in September 2004, its share price has increased by 293%. RITCP currently owns 12.3% of the company.

In the year to 31 March 2006 the company made pre-tax profits of £20.3 million on revenues of £120 million. This compares with the results for the year to 31 March 1999 (when RITCP made its investment), in which the company made a pre-tax loss of £15.5 million on revenues of £6.2 million.

Deutsche Börse

VALUATION AT 31 MARCH 2006: £34.2 MILLION (COST: £9.3 MILLION)

RITCP acquired its holding in February 2005, after the announcement of the proposals for Deutsche Börse to acquire the London Stock Exchange. Deutsche Börse encountered opposition to the acquisition from a number of its largest shareholders, who believed that the company's resources would be better employed in buying back its own shares. Deutsche Börse subsequently agreed not to proceed with the bid.

Since then, interest in this sector has increased as a result of moves towards a consolidation of some of the main European and American stock exchanges.

RHJ International

VALUATION AT 31 MARCH 2006: £30.7 MILLION (COST: £30.4 MILLION)

RITCP invested £30.4 million in RHJ International in March 2005 when the company was floated on the Belgian Stock Exchange. This initial public offering was novel in that it involved the listing of a company whose assets were formerly owned by a private equity fund. RHJ is a holding company which has interests in a number of businesses based in Japan. These companies operate in the automotive components, consumer electronics, consumer products, hospitality and media and entertainment industries. The Chief Executive Officer of RHJ is Tim Collins, who was instrumental in the acquisition and subsequent flotation of Shinsei Bank, one of RITCP's most successful recent investments. Lord Rothschild is a non-executive director of RHJ.

Phelps Dodge

VALUATION AT 31 MARCH 2006: £29.5 MILLION (COST: £19.1 MILLION)

Phelps Dodge is one of the world's leading producers of copper, molybdenum and associated products and holds substantial unexploited reserves of both metals. In the year ended 31 December 2005 the company had \$8.3 billion of revenues and net income of \$1.5 billion. The company has been a significant beneficiary of the steep rise in the price of copper in recent months. RITCP acquired its interest in July and September 2005.

World Trust Fund

VALUATION AT 31 MARCH 2006: £28.5 MILLION (COST: £17.7 MILLION)

The World Trust Fund is a closed-end investment company which invests internationally in other closed-end funds and investment trusts. The fund is managed by Lazard Asset Management and has an outstanding performance record. RITCP has a 19% interest in the fund, which had net assets of \$263.3 million at 24 May 2006. The majority of this interest was acquired in June 2005.

Venture Production

VALUATION AT 31 MARCH 2006: £23.9 MILLION
(COST: £2.3 MILLION)

RITCP invested a total of £4.7 million between 1999 and 2001 in this oil exploration and production company, when it was still unquoted. In March 2002, Venture successfully completed a flotation on the London Stock Exchange. Since the flotation the company's share price has increased by 302%.

Venture's strategy is to purchase interests in proven oil and gas fields which are generally considered to be too small or close to depletion to be exploited by larger oil companies. Using modern extraction methods, Venture aims to improve recovery rates and extend the lives of these fields, which are located in the North Sea.

At 31 March 2006 RITCP had a 2.8% interest in Venture.

Getty Images

VALUATION AT 31 MARCH 2006: £23.6 MILLION
(COST: £0.8 MILLION)

RITCP was one of the original investors when this company was formed in 1995 and retains a 0.9% interest. Getty Images is one of the leading international providers of contemporary and archival images and film to a range of professional users, including advertising and design agencies, publishers and broadcasters. Getty's strategy has been to consolidate the leading businesses and collections and to make images available via the internet.

In July 1996 the company was floated on the US NASDAQ market, placing a valuation of £14.5 million on RITCP's shareholding, compared with the original cost of £3.8 million in March 1995. At the time of the flotation, RITCP sold about half its holding and has subsequently reduced its holding further, realising total proceeds of some £14.5 million.

In the year ended 31 December 2005 revenues increased by 18% to $734 million and net income was up by 40% to $150 million, compared with the previous year.

Hedge and Long Equity Funds

Atticus International

VALUATION AT 31 MARCH 2006: £32.3 MILLION
(COST: £17.3 MILLION)

Atticus International is a hedge fund which specialises in event-driven investing, with a focus on risk arbitrage when market conditions are favourable for that strategy. RITCP made an investment of £21.1 million in this fund in December 2000 and redeemed part of its holding in July 2004.

Tontine Capital Partners

VALUATION AT 31 MARCH 2006: £34.6 MILLION
(COST: £21.2 MILLION)

Tontine Capital Partners ("TCP") is managed by Jeff Gendell, a US based value investor, who also manages a segregated account for RITCP with a value of £58.5 million.

TCP's focus is to invest in undervalued companies which are too small to be of interest to Wall Street, hedge funds or private equity firms. Its investments are generally acquired on a long-term view and sometimes involve structured transactions.

Unquoted Investments

The valuations of unquoted investments are reviewed twice a year by a valuation committee of non-executive Directors, the latest review being at 31 March 2006. However, if circumstances warrant, valuations are amended between these dates. Unquoted investments are initially valued at cost. Where a third party transaction has taken place, the implied value may be used as the basis of valuation, applying a discount (if appropriate) and taking into account the scale of the transaction and whether or not new money was raised. Where an investment is showing a trend of encouraging performance and the committee believes it to be undervalued, it may be revalued by reference to comparable listed companies, but applying an appropriate discount to take account of lack of marketability. Where an investment is showing poorer than expected performance, it may be valued downwards by reference to its latest accounts and its current trading performance. Each investment is reviewed on its own merits and therefore no predetermined valuation formula applies.

At 31 March 2006 RITCP held £181.9 million of unquoted investments, amounting to 10.4% of the portfolio. The two largest investments, which account for £47.3 million, are summarised below. No dividends were received from these investments.

Robin Hood Holdings

VALUATION AT 31 MARCH 2006: £26.4 MILLION
(COST: £23.5 MILLION)

Robin Hood Holdings is the holding company for the Arrow Group which manufactures and sells generic pharmaceuticals in the UK, France, Scandinavia, Germany, Canada, USA, Australia, New Zealand and elsewhere. RITCP invested £23.5 million between July 2003 and August 2005 in a mixture of debt and equity, and currently owns 8.5% of the company.

All of the companies in the group are majority owned other than a 38% interest held in Arrow Pharmaceuticals. During the year Arrow was merged with Sigma to create the largest integrated Australian pharmaceuticals company and at 31 March 2006 Robin Hood's holding in Sigma had a market value of £131 million.

Prior to the formation of Robin Hood, the same management team ran Amerpharm, which also manufactured generic pharmaceuticals. RITCP invested £9.3 million in Amerpharm in 1989 and received proceeds of £68.7 million when it was sold in 1995.

The group continues to show strong growth in revenues and the benefits of the recent substantial investment in research and development are now becoming evident; a significant collaboration between Robin Hood and the US company, King Pharmaceuticals, was announced in February this year for the right to use new versions of the heart drug Ramipril. During the year ended 31 December 2005, after taking account of substantial expenditure on research and development, the group incurred a loss of £20.3 million. The group had share capital and reserves at that date of £17.6 million (£207.4 million including shareholder loans).

Harbourmaster

VALUATION AT 31 MARCH 2006: £20.9 MILLION
(COST: £10.2 MILLION)

Harbourmaster acts as an arranger of collateralised debt/loan obligations. The company employs a specialist team of portfolio managers dedicated to analysing and monitoring senior secured loan participations and asset backed securities.

RITCP acquired a 24.6% interest in Harbourmaster in April 2005 at a cost of £10.2 million. The company has performed well since that interest was acquired and its assets under management have increased by 62% during the year ended 31 December 2005. During that year, Harbourmaster made profits of £11.1 million. As a result of the company's good performance, RITCP increased the valuation of the investment to £20.9 million.

Property

Spencer House and other Properties in St James's Place, London

VALUATION AT 31 MARCH 2006: £28.9 MILLION
(COST: £25.1 MILLION)

The properties are 12,13,15 and Spencer House, 27 St James's Place. They were professionally valued by Jones Lang LaSalle as at 31 March 2006 at open market value, on an existing use basis.

Spencer House is an 18th Century Grade I listed building overlooking Green Park. The principal State Rooms have been restored and the rest of the building has been converted into office accommodation. RITCP holds a 96 year lease that began on 25 December 1986 (with an option to renew for a further 24 years) at an annual rent of £85,000. St James's Place Administration Limited (a subsidiary of St James's Place Capital plc) leases the building from RITCP at an annual rent of £1.15 million, the lease expiring in the year 2013. RITCP operates a banqueting business for private and corporate clients which is based in the main State Rooms. These rooms are open to the public for guided tours on most Sundays.

The Company owns the freehold of 12 and 13 St James's Place which are let on a full repairing and insuring lease to Global Asset Management (UK) Limited for 25 years from 25 December 1984 with five-year upward only rent reviews. The current annual rent from these properties is £270,000.

In addition, RITCP also owns the freehold of 15 St James's Place, the majority of which is let under short-term arrangements.

The future minimum rental payments receivable under non-cancellable leases are as follows:

	31 March 2006	
	Group £'000	Company £'000
Within one year	2,818	2,049
Between two and five years	7,293	5,613
Beyond five years	10,048	3,738
	20,159	11,400

	31 March 2005	
	Group £'000	Company £'000
Within one year	2,130	1,999
Between two and five years	8,338	6,309
Beyond five years	11,618	4,888
	22,086	13,196

Board of Directors

Executive Directors

The Lord Rothschild, OM GBE FBA

Aged 70, he is Chairman of the Company's Board of Directors and the Nominations Committee. He was appointed a non-executive Director in 1988 and became an executive Director in 1996. He is also the Deputy Chairman and senior non-executive director of British Sky Broadcasting PLC, and a non-executive director of RHJ International.

Lord Rothschild began his career at N M Rothschild & Sons, where he subsequently ran the corporate finance department and became chairman of the executive committee. He left N M Rothschild & Sons in 1980 to develop RIT plc, a forerunner of RIT Capital Partners plc, and his interests in the financial sector. In addition to his career in finance, he has been involved in public service, including the arts and heritage fields, and philanthropy.

Duncan Budge

Aged 50, he was appointed an executive Director and Chief Operating Officer of the Company in 1995. He has been a director of J. Rothschild Capital Management Limited, a wholly-owned subsidiary of RIT Capital Partners plc, since 1988 and has represented the Company on the boards of a number of its investments. Prior to this, he spent six years with Lazard Brothers & Co Ltd.

David Haysey

David Haysey, 49, was appointed as Chief Investment Officer in August 2005 and as an executive Director of the Company in December 2005. Prior to joining RIT Capital Partners plc, he held senior positions at S.G. Warburg Securities and most recently at Deutsche Asset Management.

Non-Executive Directors (Non-Independent)

Mikael Breuer-Weil

Aged 42, he was appointed a non-executive Director in 1998. Since 1994 he has been the principal investment adviser to philanthropic foundations connected with Lord Rothschild's family interests. Prior to this, he spent eight years at Mercury Asset Management Group plc as an investment manager, including a period of secondment to Odyssey Partners L.P. in New York.

Nathaniel Rothschild

Aged 34, Mr Rothschild was appointed as a non-executive Director in 2004. He is the Co-chairman of Atticus Capital LP, a US based investment manager. Mr Rothschild joined Atticus in 1996. Prior to that he was an analyst in the mergers and acquisitions department at Gleacher & Co, a New York based investment bank.

Mr Rothschild is a member of the Belfer Center's International Council at Harvard's John F. Kennedy School of Government and the International Advisory Council of the Brookings Institute. He is a member of the International Advisory Board of the Barrick Gold Corporation. He was nominated as a "Young Global Leader" by the World Economic Forum in 2005.

Michael Sofaer

Aged 48, he was appointed a non-executive Director in 1999. He has been Managing Director and Principal of Sofaer Capital Inc. ("SCI") since its inception in 1986. He began his investment career as a securities analyst with Schroders in London before establishing the research department for Schroders Asia in Hong Kong, where he also managed two unit trusts. He founded First Pacific Fund Management in Hong Kong in 1983, where he pioneered hedged investing in Asia. SCI now manages seven hedge funds and three private equity funds.

Non-Executive Directors (Independent)

Charles Bailey
Aged 72, he is a chartered accountant and was appointed a non-executive Director in 1988. He is the Senior Independent Director and Chairman of the Audit, Remuneration and Conflicts, and Valuation Committees, as well as a member of the Nominations Committee. He is also a director of General Oriental Investments Limited, Antofagasta plc, and Atrium Underwriting plc and is a member of the audit committees of those companies.

Christopher Hohn
Mr Hohn, 39, was appointed as a non-executive Director in 2005. He is the portfolio manager of The Children's Investment Fund Management (UK) LLP, which he founded in 2003. He was formerly the portfolio manager leading the European event-driven investment strategy at Perry Capital, which he joined in 1996. Mr Hohn started his career with Coopers & Lybrand as a manager in the corporate finance division in 1989, prior to obtaining an MBA at Harvard Business School with high distinction. He then worked with Apax Partners from 1994 to 1995 prior to joining Perry Capital.

Mr Hohn is currently a director of The Children's Investment Fund Foundation (UK) and The Children's Investment Fund Management (UK) Limited.

Andrew Knight
Aged 66, he was appointed a non-executive Director in 1996 and is a member of the Audit, Nominations and Remuneration and Conflicts Committees. He is a director of News Corporation and Templeton Emerging Markets Investment Trust PLC. He is a former Editor of The Economist and served as Chief Executive of the Telegraph group, Chairman of News International and Deputy Chairman of Home Counties Newspapers Holdings plc until its acquisition by Eastern Counties Newspapers. He is a past Chairman of the Shipston Home Nursing and Jerwood charities, and founder of the SMA Trust to further research into spinal muscular atrophy.

Baron Lambert
Aged 76, he was appointed a non-executive Director in 1988 and is a member of the Audit, Nominations, Remuneration and Conflicts and Valuation Committees. He is President of the Board of Global Asset Management (Schweiz) AG and was President of Banque Bruxelles Lambert (Suisse) SA and a Member of the Board of Directors of Banque Bruxelles Lambert SA Belgium until 1997.

James Leigh-Pemberton
Aged 49, Mr Leigh-Pemberton was appointed as a non-executive Director in 2004. He has worked at Credit Suisse First Boston since 1994, holding positions as Head of Equity Syndicate, Head of Equity Capital Markets and from 2001 to 2004, Head of European Investment Banking. He is currently Chairman of European Investment Banking. Mr Leigh-Pemberton began his career at S.G. Warburg & Co, where he worked for fifteen years.

Michael Marks CBE
Aged 64, he is the Chairman of NewSmith Capital Partners LLP, which he founded in 2003. He was formerly co-Head of the Global Equities business of Merrill Lynch, which he joined in 1995, and where he subsequently held positions as Chief Operating Officer of Merrill Lynch Europe, Middle East and Africa and was subsequently named Executive Chairman. He was also Executive Vice President of Merrill Lynch & Co., Inc. Mr Marks began his career at Smith Bros. in 1958, where he became a director in 1975 and Chief Executive of Smith New Court in 1987. He is currently a non-executive director of Old Mutual plc and was, until 2004, a non-executive director of London Stock Exchange plc. He was appointed as a non-executive Director of RIT Capital Partners plc in 2004.

Committee Membership

Audit Committee
Charles Bailey (Chairman)
Andrew Knight
Baron Lambert
James Leigh-Pemberton

Nominations Committee
Lord Rothschild (Chairman)
Charles Bailey
Andrew Knight
Baron Lambert
James Leigh-Pemberton

Remuneration and Conflicts Committee
Charles Bailey (Chairman)
Andrew Knight
Baron Lambert
James Leigh-Pemberton

Valuation Committee
Charles Bailey (Chairman)
Baron Lambert

Directors' Report

The Directors present their annual Report and Accounts for the Company, covering the year ended 31 March 2006.

Status of Company

The Company is registered as a public company and is incorporated in England and Wales. The Company conducts its affairs so as to qualify for approval as an investment trust for tax purposes, confirmation of which has been received from HM Revenue & Customs for the year ended 31 March 2005. Approval for the year ended 31 March 2005 is subject to no subsequent enquiry being made under the Corporation Tax Self Assessment legislation. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 842 of the Taxes Act 1988. The Company is not a close company within the meaning of the Taxes Act 1988.

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

Directors

Biographies of the Directors holding office at the date of this report are shown on pages 13 and 14.

The following changes in the composition of the Board of Directors took place during the year ended 31 March 2006:

- On 1 August 2005, Mr Christopher Hohn was appointed as a Director.
- On 16 December 2005, Mr David Haysey was appointed as an Executive Director, having previously been appointed as Chief Investment Officer of RIT Capital Partners plc.

Results and Dividends

After taxation, the Group made a capital profit of £438.8 million and a revenue loss of £16.6 million during the year ended 31 March 2006.

The Board recommends the payment of a final dividend of 3.1p per share in respect of the year ended 31 March 2006 (year ended 31 March 2005: 3.1p), payable on 19 July 2006 to shareholders on the register at 16 June 2006. This dividend will absorb £4.8 million of distributable reserves.

The movements on capital reserve and consolidated revenue reserve are shown in notes 22 and 23 on pages 63 and 64.

Share Capital

Details of the authorised and issued share capital are shown in note 20 on page 63 of the accounts. During the year ended 31 March 2006, no ordinary shares were issued or repurchased. The existing authority for the repurchase of shares expires on 30 September 2006 and a replacement authority is to be proposed at the forthcoming annual general meeting, as explained in the Notice and Explanatory Notes on pages 84 and 87.

Net Asset Value

The net asset value of one ordinary share at 31 March 2006, before deducting the proposed dividend of 3.1p per share, was 982.7p.

Business Review

The Company invests with the object of achieving long-term capital growth.

The investment portfolio was valued at £1.7 billion at 31 March 2006. An analysis of these investments is contained in note 11 on pages 54 to 57.

The Company holds both listed and unlisted investments, mainly in the USA, Europe, the UK and the Far East.

The Chairman's Statement on pages 6 and 7 of this annual report contains a review of the Company's business in the year to 31 March 2006. Financial Highlights and Performance information is set out on page 3, and the portfolio and currency exposure is analysed on pages 4 and 5. The principal risks are as set out at the end of this Directors' Report on pages 19 to 21. The Directors consider that the Key Performance indicators most relevant to the Company are the three indices as set out under 'Performance' on page 3, compared with the movement in the Company's net asset value per share, also as set out on that page.

At the present time, the portfolio meets the requirements to enable the shares of the Company to be included as an investment within an Individual Savings Account ("ISA").

Principal Shareholders

The Directors are aware of the interests as at 25 May 2006 of the following companies, or the groups of which they are a member, in 3% or more of the ordinary issued share capital of the Company.

Shareholder	Number of shares	% of Share capital
Legal & General Investment Management Limited	5,682,280	3.64
Prudential plc	5,257,109	3.37

Other than the interests of Lord Rothschild and Nathaniel Rothschild which represent 17.17% and 4.05% respectively of the ordinary share capital of the Company at 30 May 2006 as set out below, the Directors are not aware of any other disclosable interest representing 3% or more of the shares of the Company.

Directors' Interests

The interests of the Directors at 31 March 2006 in the ordinary shares of the Company are shown below with comparatives as at 1 April 2005 or subsequent dates of appointment where applicable (where different) shown in brackets.

	Ordinary shares of £1 each		
Director	Beneficial	Non-beneficial	% of Share capital
The Lord Rothschild	**20,108,741**	**6,708,324**	**17.17**
	(20,106,931)	(6,708,324)	(17.17)
Charles Bailey	**10,500**	**—**	**0.01**
Mikael Breuer Weil	**—**	**—**	**—**
Duncan Budge	**45,139**	**5,000**	**0.03**
David Haysey	**5,000**	**—**	**0.003**
Andrew Knight	—	—	—
Christopher Hohn	—	—	—
Baron Lambert	**2,000**	**4,857**	**0.004**
	(2,000)	(—)	(0.001)
James Leigh-Pemberton	—	—	—
Michael Marks	**—**	**—**	**—**
Nathaniel Rothschild	**6,326,909**	**—**	**4.05**
Michael Sofaer	**—**	**—**	**—**

Included in the total of 20,108,741 shares of the Company owned beneficially by Lord Rothschild are 73,184 shares (31 March 2005: 73,184) held by the Company's Pension and Life Assurance Scheme, in which Lord Rothschild has a beneficial interest.

The above disclosures include a total of 2,789,002 shares in which both Lord Rothschild and Nathaniel Rothschild are interested either as trustees or beneficiaries of family trusts.

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

Requests from Directors and employees of the Group for permission to deal in the ordinary shares of the Company are referred to the Remuneration and Conflicts Committee, except in the case of small volume transactions requested by those other than Directors and senior executives, which are considered by the Group's Compliance Officer.

Except as stated below, under "Management and Administration" (as regards Lord Rothschild, Michael Sofaer and Nathaniel Rothschild), no Director has, or has had during the period under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries as defined by the Companies Act 1985 or in the terms laid down in the Listing Rules of the Financial Services Authority.

The Company maintained liability insurance for its Directors and Officers throughout the year.

Management and Administration

Details of the current investment managers who operate segregated accounts are shown below. The investment strategy of these managers, with the exception of Prospect Investment Management, is to invest mainly in listed securities which are included under the "Quoted Investments" section of the portfolio. The funds managed by Prospect Investment Management include listed securities amounting to £86.6 million.

Investment Manager	Area of expertise	Funds under management 31 March 2006 £'000
Prospect Investment Management	Unquoted investments	**121,671**
Sofaer Capital	Global equities	**69,997**
Lansdowne Partners	European equities	**62,348**
Findlay Park	Small to medium sized US companies	**59,686**
Tontine Overseas Associates	US equities	**58,545**
Southeastern Asset Management	Global equities	**41,915**
Meditor Capital Management	Medium sized European equities	**41,072**
Cycladic Capital Management	European equities	**40,672**
Morant Wright Management	Japanese equities	**31,857**
Baker Steel	Equities (gold and precious metals)	**29,060**
Cedar Rock Capital	Global equities	**28,736**
Edwards Capital Management	Global equities	**25,288**
Select Equity	US equities	**22,657**
Martin Currie	Asian equities	**21,485**
Horizon Investment Management	Asian equities	**21,270**
S Squared	Technology	**21,184**
Gluskin Sheff	Canadian equities	**14,895**
Summit Water	US equities	**10,482**

Funds under management comprise investments, liquidity and other assets. Additional details of the investment management fees payable to Sofaer Capital and Atticus Capital are shown below, as members of those firms' senior management are Directors of the Company. The other investment managers charge fees based on a percentage of the funds under management (in the range from 0.5% to 1.6% per annum) and, in certain cases, performance fees are charged where the increase in the value of the funds exceeds specified hurdles. The assets in the segregated account managed by Martin Currie

Management and Administration (continued)

include other funds separately managed by Martin Currie, but the fees charged by these funds are deducted from the investment management fee which would otherwise be payable to Martin Currie. None of the other amounts listed in the table above is invested in other funds managed by the investment managers themselves and therefore there is no double-counting of investment management fees. The investment management agreements can be terminated with notice periods of between one and six months. Apart from the right to receive accrued fees, the investment management agreements do not provide for any other payment on termination.

The performance of each of the investment managers is reviewed regularly by the executive Directors and the Board as a whole. The terms of the contracts between the Company and those managers are also reviewed to ensure that they are still appropriate. In the opinion of the Directors, the continuing appointment of the investment managers listed above gives the Company access to the expertise of managers who specialise in particular asset classes or geographical areas and is therefore in the best interests of shareholders.

The majority of the remainder of the investment portfolio is managed by the Company's executive management.

First Arrow Investment Management Limited ('FAIM')

The Company has entered into a cost-sharing agreement with FAIM, an entity controlled by Lord Rothschild and his family interests and which manages his family's and some third party investments. The agreement governs investment advisory and support services as provided by FAIM's personnel to the Company in return for a contribution to costs, which amounted to £1.59 million in the year to 31 March 2006, or 0.115% per annum of RITCP`s assets (year ended 31 March 2005: £nil). The services cover advice on investments, currencies, manager selection and general asset allocation. They do not cover any investment management services. As the level of the fee covers the costs of the individuals who provide the services, FAIM's costs will be covered, but it will not profit from the services provided. The arrangements were recommended by the Company's Remuneration and Conflicts Committee to the Board for pre-approval following consultation with the Company's legal and financial advisers, Linklaters and JP Morgan Cazenove respectively, and the UK Listing Authority. The level of the fees under the arrangements will continue to be monitored by the Company's Remuneration and Conflicts Committee to ensure that it reflects the cost-sharing agreement. The Company is able to terminate the agreement on three months' notice. A copy of the agreement may be obtained from the Company Secretary at the Registered Office.

Sofaer Capital Inc

A segregated account has been managed by Sofaer Capital Inc. ("SCI") since September 1999. SCI is an international money management firm whose Principal is Michael Sofaer, a Director of the Company. SCI is paid an investment management fee equal to 1% of funds under management. The fee payable for the year ended 31 March 2006 was £599,581 (31 March 2005: £520,593).

The Company also has an investment of £13.5 million in Sofaer Capital Asian Hedge Fund whose investment adviser is SCI. The investment advisory fees are payable at a fixed rate of 1% per annum. of the net asset value of the fund and, in addition, there is an annual performance fee equal to 20% of the appreciation in value of the fund. The fund's accounting period ends on 31 December and during the year ended 31 December 2005 the total fees attributable to the Company's investment were £515,083 (31 December 2004: £141,021).

In addition, the Company is a limited partner in SCI Asian Ventures LP and the investment manager is SCI Asian Venture Managers Inc, which is controlled by SCI. During the year ended 31 March 2006, the Company paid investment management fees of £74,212 (31 March 2005: £161,618).

Management and Administration (continued)

Atticus International

The Company invested US$30 million in Atticus International, Ltd in December 2000. Atticus International is an offshore fund specialising in event-driven investing, with a focus on risk arbitrage when market conditions are favourable for that strategy. The investment management of the fund is provided by Atticus Capital LP. Nathaniel Rothschild, a director of the Company, is Co-Chairman and an owner of Atticus Capital LP. Timothy Barakett, alternate director to Nathaniel Rothschild, is also Chairman and an owner of Atticus Capital LP.

There is an annual performance fee of 10% of the appreciation in value in any one year. Payment of this fee is conditional on the growth in value of the assets under management exceeding 6% per annum and is subject to a "loss carry forward" arrangement. £1,046,816 was payable in respect of the year ended 31 March 2006 (31 March 2005: £497,704).

Performance Attribution Analysis

The increase in the Group's net asset value during the year was £421.6 million. This is analysed below.

	£'000	Pence per share
Quoted investments	294,807	188.8
Hedge funds	28,564	18.3
Long equity funds	57,404	36.8
Unquoted investments and property	52,815	33.8
Private equity partnerships	25,651	16.4
Government securities and money market funds	12,319	7.9
Currency hedging gains and dealing losses	(18,706)	(12.0)
Other movements	(26,438)	(16.9)
	426,416	273.1
Less: Dividend paid	(4,842)	(3.1)
Increase in net asset value	**421,574**	**270.0**

The other movements mainly comprise unallocated administrative expenses (£16.3 million), finance costs (£7.3 million), taxation (£7.9 million) and the profit on the interest rate swap (£4.1 million).

Derivatives and Other Financial Instruments

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

- investments including equity and non-equity shares and fixed income securities which are held in accordance with the Group's investment objectives;
- cash, liquid resources and short-term debtors and creditors that arise directly from the Group's investment activities; and
- derivative transactions undertaken by the Group to manage market risks and currency risks.

The main risks arising from the Group's financial instruments are market price risk, foreign currency risk and interest rate risk. The identification, mitigation and monitoring of these risks is undertaken by the executive Directors under the authority of the Board.

Derivatives and Other Financial Instruments (continued)

Market Price Risk

Market price risk arises from uncertainty about the future value of the Group's investments. It represents the potential loss the Group might suffer through holding market positions as the result of price movements and movements in exchange rates.

At the same time, the risk that the value of a financial instrument might change as a result of changes in market prices is one that is fundamental to the Group's objective, which is to deliver long-term capital growth while preserving shareholders' capital. The Group's investment portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Group's objective.

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

Short-term exposure to movements in exchange rates, caused by the buying and selling of investments for future settlement, is mitigated through entering into forward contracts.

Foreign Currency Risk

The Group's profits and net assets could be significantly affected by currency movements as a substantial proportion of the Group's assets and liabilities is denominated in currencies other than Sterling.

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

Part of the Company's currency exposure in respect of its US dollar and Euro investments is effectively hedged by way of the Company's long-term borrowings denominated in those currencies.

The Group's foreign currency exposures are analysed on pages 4 and 5.

Interest Rate Risk

The Group finances its operations mainly through its share capital and retained profits, including realised gains on investments. In addition, financing has been obtained through bank borrowings. The executive Directors continually monitor the Group's exposure to interest rate fluctuations and take appropriate action.

Changes in interest rates indirectly affect the fair value of the Group's investments in quoted and unquoted companies.

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

Credit and Investment Risk

The majority of the Group's assets comprise financial assets. Substantially all of the assets are subject to credit or investment risk. Exposure to any one entity is carefully monitored by the executive Directors and senior management. The Company complies with the requirement of the relevant tax legislation for an investment trust not to invest more than 15% of the total value of its investments in the securities of any one group at the time of the initial acquisition, or subsequent purchase. Investments in unquoted companies are by their nature subject to potential credit losses. Liquid investments (cash and cash equivalents) are divided between a number of different financial institutions, each of whose credit rating is assessed. The credit risk from other instruments such as derivatives is assessed on a case by case basis.

Liquidity Risk

The Group has significant investments in unquoted companies and private equity partnerships which are inherently illiquid. The Group manages its liquid resources to ensure sufficient cash is available to meet its contractual commitments. The Company has the power, under its Articles of Association, to take out borrowings, both short and long-term. The Company currently has a £25 million uncommitted unsecured loan facility with one of its principal banks.

Payment of Suppliers

It is the Company's payment policy to obtain the best terms for all business. The Company agrees the terms on which business will take place with its suppliers, and it is the Company's policy to abide by such terms. The Company had no trade creditors at the year end (31 March 2005: nil).

Political Contributions and Charitable Donations

During the year ended 31 March 2006, the Company made no charitable donations or political contributions.

Independent Auditors

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

With regard to the preparation of the Annual Report and Accounts of the Company for the year ended 31 March, 2006, the Directors have confirmed to the auditors that:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware; and
- they have taken the steps appropriate as executive Directors or as non-executive Directors, with or without Board committee responsibilities, in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By Order of the Board

J. Rothschild Capital Management Limited
Secretary
6 June 2006

Corporate Governance Report

The Directors present their Corporate Governance Report for the year ended 31 March 2006. Apart from certain matters reported below, the Directors believe that the Company has complied with the Combined Code on Corporate Governance annexed to the Listing Rules of the United Kingdom Listing Authority issued in July 2003 (the "Code") for the period under review.

The contents of this report are intended to address the subjects required under the Code, as well as providing a description of the Company's governance environment in general terms.

THE BOARD OF DIRECTORS

The Company is an investment trust managed by its Board of Directors (the "Board") currently comprising twelve Directors, three of whom are executive Directors, three of whom are non-independent non-executive Directors and the remaining six are independent non-executive Directors as determined by the Board. The full membership of the Board and the biographical details of each of the Directors are set out on pages 13 and 14.

The Board has a formal Schedule of Reserved Matters, which may be viewed on the Company's website – www.ritcap.co.uk. This is designed to prescribe the responsibilities of the Board in managing the Company's business within a framework of prudent and effective controls to facilitate assessment and management of risk.

The Board is responsible for setting the Company's strategic aims and ensuring that the necessary resources are in place to these ends, delegating as necessary to the Company's executive management. In general terms, the executive management of the Company is responsible for the implementation and execution of the Board's strategic directives relating to investment management, the Company's governance and administration.

The Board met formally on four occasions in the year ended 31 March 2006. Lord Rothschild, Mr Bailey, Mr Budge, Mr Breuer-Weil, Mr Knight, Baron Lambert, Mr Leigh-Pemberton, Mr Marks and Mr Rothschild attended each meeting; Mr Haysey and Mr Sofaer attended three meetings; and Mr Hohn attended two meetings. Messrs Haysey and Hohn only served as Directors for part of the year.

The non-executive Directors participate in discussions regarding the Company's strategy and performance. Such discussions may take place in meetings of the committees constituted by, and reporting to, the Board. There are four permanent committees, the composition of which is set out on page 14. Each such permanent committee has its own Terms of Reference which may be viewed on the Company's website. The permanent committees are as follows:

The Audit Committee

The Audit Committee is comprised of four non-executive Directors, all of whom are independent of the Company. It is chaired by Charles Bailey, a former Senior Partner at Price Waterhouse, a member of the audit committees of three other public companies, and whom the Board considers has appropriate financial experience. The Committee meets at least twice each year to review the Company's interim and annual financial statements, to consider reports thereon from the external audit process and to review any issues arising with the Company's management. It may meet on additional occasions should the need arise. The Committee also monitors the adequacy of the Group's accounting policies and financial reporting, which are discussed with the external auditors.

The Audit Committee also considers the external auditors' independence, objectivity and the cost effectiveness of the audit process. The Committee monitors the level of non-audit services provided to the Company by the auditors, assessing their objectivity in providing such services and ensuring that the independence of the audit team from the Company was not compromised. Non-audit services provided by PricewaterhouseCoopers LLP in the year ended 31 March 2006 were primarily in relation to accounting services and reporting on related party matters, with the nature of such services determined by reference to applicable UK professional and regulatory guidance.

The Committee also reviews the effectiveness of the Company's system of internal controls at least annually by reference to reports prepared and compiled by management. The remaining matters in the Audit Committee's Terms of Reference are considered as and when necessary.

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

The membership of the Committee is set out on page 14. The Committee met formally on two occasions in the year ended 31 March 2006. Mr Bailey, Mr Knight and Mr Leigh-Pemberton attended both meetings, Baron Lambert attended one meeting.

The Nominations Committee

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

The membership of the Committee is set out on page 14. The Committee met formally on one occasion in the year ended 31 March 2006. All five members of the Committee attended this meeting.

The Remuneration and Conflicts Committee

The Remuneration and Conflicts Committee is comprised of four non-executive Directors, all of whom are independent. The Committee meets at least once each year on a formal basis, and on additional occasions as may be required. Its primary responsibilities include the creation and maintenance of remuneration policies designed to attract, retain and motivate directors appropriately for a self-managed investment trust. This includes the review of the total remuneration packages of the executive Directors, ensuring an appropriate balance between fixed and performance-related elements. This exercise is conducted in part by reference to other companies of similar size and business objectives. The Remuneration and Conflicts Committee is empowered to seek the advice of external remuneration consultants as and when appropriate. The Committee is also responsible for monitoring the fees paid to the non-executive Directors, by reference to the roles and time commitment of each individual concerned.

It is also the responsibility of the Committee to determine the policy for the pension arrangements of the executive Directors and to monitor and pre-approve any arrangements entered into between the Company and any of its Directors or their connected interests.

The full membership of the Committee is set out on page 14. The Committee met formally on one occasion in the year ended 31 March 2006. All four members of the Committee attended this meeting.

The Valuation Committee

The Valuation Committee is comprised of two independent non-executive Directors, and meets at least twice each year on a regular basis and additionally as may be required. Its principal responsibility is to review the Company's unlisted investments so that they are presented in the annual and interim financial statements at a fair valuation.

The full membership of the Committee is set out on page 14. The Committee met formally on two occasions in the year ended 31 March 2006. Both members of the Committee attended these meetings.

CHAIRMAN WITH EXECUTIVE RESPONSIBILITIES

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

As Chairman, Lord Rothschild is responsible for the leadership of the Board and its effectiveness in dealing with the matters reserved for its decision. This includes ensuring that Directors are properly briefed on issues arising at board meetings. He is also responsible for ensuring effective communication with shareholders and for facilitating the full and effective contribution of the non-executive Directors.

BOARD BALANCE AND INDEPENDENCE

As described above, the Board is comprised of twelve Directors of whom three are executive, three are non-executive but not independent and six are non-executive and determined by the Board as independent. This balance is intended to limit the scope for an individual or small group of individuals to dominate the Board's decision-making. More than half of the Board, excluding the Chairman, is therefore comprised of non-executive Directors determined by the Board to be independent.

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

Of the six non-executive Directors determined by the Board to be independent, three do not meet one of the seven independence criteria set out in the Code, in that they have served on the Board more than nine years since the date of their first election. Mr Bailey, the Senior Independent Director, Mr Knight and Baron Lambert, the long serving Directors concerned, bring relevant experience and knowledge to the Board without which its effectiveness would be reduced. The Board believes that an in-depth knowledge of the Company's business derived from long service is an advantage, particularly in the circumstances of a self-managed investment trust and recommends the re-election of Mr Bailey, Mr Knight and Baron Lambert at the forthcoming annual general meeting.

APPOINTMENTS TO THE BOARD

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

Non-executive directors are not appointed for specified terms. Neither the Nominations Committee nor the Board considers that such contractual limitations would be in the best interests of the Company as a self-managed investment trust, in addition to the periodic re-election requirements that are in place.

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

INFORMATION AND PROFESSIONAL DEVELOPMENT

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

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

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

PERFORMANCE EVALUATION

The Code requires the Company to report on the means by which performance evaluation of the Board, its committees and its individual Directors has been conducted. The Board has determined that the completion of a confidential questionnaire by each of the Directors covering the processes, efficiency and composition of each of the Board, its committees and the Directors, followed by discussion of the summarised responses is the most appropriate for the Company's circumstances. This exercise was conducted between December 2005 and March 2006, when the responses were evaluated and considered by the Board and separately by the non-executive Directors in meeting without any executive Directors present.

RE-ELECTION OF DIRECTORS

The Company has complied with the Code requirements for each Director to stand for re-election at least once every three years and that any director serving more than nine years since first elected should stand for re-election annually.

The Directors retiring by rotation and standing for re-election at the forthcoming Annual General Meeting are as set out in the Notice of Meeting on pages 84 and 85, and the summary of AGM business contained in the Explanatory Notes on pages 87 and 88.

Following the performance evaluation of the Board described above, it is confirmed that the performance of each Director, including those standing for re-election, continues to be satisfactory and that each continues to demonstrate commitment in the role. The re-election of those Directors standing at the forthcoming annual general meeting is therefore recommended by the Board.

RELATIONS WITH SHAREHOLDERS

The Board and executive management maintain a dialogue with both institutional shareholders and analysts and also respond promptly to other shareholders' enquiries. Shareholders are invited to ask questions at the Annual General Meeting and, as far as is practicable, the Chairman of the Audit Committee, the Remuneration and Conflicts Committee, the Nominations Committee and the Valuation Committee will be available to answer any questions from shareholders.

The net asset value of the Company is disclosed on a monthly basis to the London Stock Exchange to enable shareholders and analysts to follow the progress of the Company. The Company also maintains a website at www.ritcap.co.uk where shareholders have access to the latest monthly financial data released by the Company, together with historical information and financial statements.

ACCOUNTABILITY AND AUDIT

Statement of the Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union which give a true and fair view of the state of affairs of the Company and the Group and of the total return of the Company and the Group for that year. In preparing those financial statements, the Directors are required to:

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

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control

The Board of Directors is responsible for the Group's system of internal control although it has delegated the supervision of the system to the Audit 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 executive management the implementation of the systems of internal control within an established framework applicable throughout the Group. The system of internal control is reviewed annually. The Board considers that the necessary procedures have been implemented to satisfy the requirements of the Financial Services Authority with respect to the Turnbull guidance "Internal Control: Guidance for Directors on the Combined Code" issued in September 1999 and as reviewed in 2005.

The Board has considered the need to establish a separate internal audit function. However, it was decided that the size and nature of the Group's activities do not currently merit the additional expense and operational complexity that an internal audit function would incur. This position is reviewed from time to time.

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial period and until the date of this report through the monitoring processes set out below.

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

Risk Management
The identification of major business risks is carried out by the Board in conjunction with the relevant executives. The mitigation and monitoring of risks identified is undertaken by the Board or the executive management as appropriate. Detailed portfolio valuations are undertaken every week and these form the basis for risk control decisions regarding equity exposure, liquidity, market price risk and exchange rate risk.

Social, Environmental and Ethical ('SEE') Responsibility
The Board is responsible for investment strategy and related questions of SEE policy. It has delegated the supervision of SEE related matters to the Audit Committee, and day-to-day responsibility resides with executive management. As as investment trust, the Board considers that the Company's direct SEE impact is low. However, SEE risk is considered on a case-by-case basis where management believes that investments made internally, as opposed to those made by external managers, would create an SEE risk exposure. Potential SEE risk is also considered in the selection of external investment managers.

Financial Reporting and Control Procedures
There is a budgeting system with an annual budget approved by the executive management. Monthly actual results are reviewed and reported against budget and reviewed regularly by the executive management.

The Group maintains guidelines in relation to the key controls exercised over its financial and operating affairs. Duties are segregated to the extent commensurate with the size of the Group's organisation and business environment.

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

Directors' Remuneration Report

Directors' Remuneration Report

This report details the remuneration paid to the Company's Directors including the Chairman, Lord Rothschild, the Chief Operating Officer, Duncan Budge and the Chief Investment Officer, David Haysey, for the year ended 31 March 2006.

Audited Sections of the Directors' Remuneration Report

The following sections of the Report have been audited: the Directors' remuneration table, the sections on the long-term incentive plan and pension contributions, and the executive Director's pension table.

Remuneration and Conflicts Committee

The remuneration packages of individual executive Directors are determined by the Remuneration and Conflicts Committee which comprises Charles Bailey as Chairman, Andrew Knight, Baron Lambert and James Leigh-Pemberton all of whom are considered by the Board to be independent, non-executive Directors. Lord Rothschild, Duncan Budge and David Haysey liaise closely with the Committee, although they do not take part in any discussions relating to decisions on their own terms and conditions of employment.

Determination of the remuneration of the non-executive Directors, within the limits imposed by the Articles of Association, is the responsibility of the Board as a whole. The Remuneration and Conflicts Committee is also responsible for the operation of the long-term incentive plan for executive Directors.

Remuneration Policy

The Company complied in the year under review with the provisions relating to Remuneration Committees incorporated in the Combined Code issued in July 2003 (the "Code").

The Remuneration and Conflicts Committee aims to set executive remuneration at an appropriate level to attract, retain and motivate Directors of requisite calibre. Any arrangements made to provide longer term incentives will aim to encourage and reward performance and to benefit shareholders. The Remuneration and Conflicts Committee aims to compare remuneration packages of similar financial institutions to the Company and models its decisions on the median position of those institutions. In setting policy and making decisions, the Remuneration and Conflicts Committee gives full consideration to the provisions on the design of performance-related remuneration set out in Schedule A of the Code.

Directors' Remuneration

Directors' remuneration for the year ended 31 March 2006 is shown below, with comparative figures for the previous year where applicable. Comparative figures for the individual Directors' emoluments are shown in brackets if they differ from the emoluments for the year ended 31 March 2006.

Director	Salaries and fees £	Bonuses £	Pension contributions £	Other benefits £	Total emoluments £
The Lord Rothschild	374,850	423,050	53,550	36,877	888,327
	(340,000)	(425,900)	(68,000)	(35,672)	(869,572)
Charles Bailey	34,500	—	—	—	34,500
	(31,000)	—	—	—	(31,000)
Mikael Breuer-Weil	20,000	—	—	—	20,000
Duncan Budge	262,500	311,350	99,750	23,328	696,928
	(250,000)	(313,400)	(87,500)	(21,316)	(672,216)
David Haysey	118,205	279,550	23,333	1,437	422,525
	(—)	(—)	(—)	(—)	(—)
Christopher Hohn	13,342	—	—	—	13,342
	(—)	(—)	(—)	(—)	(—)
Andrew Knight	27,000	—	—	—	27,000
Baron Lambert	30,000	—	—	—	30,000
	(25,000)	—	—	—	(25,000)
James Leigh-Pemberton	27,000	—	—	—	27,000
	(18,000)	—	—	—	(18,000)
Michael Marks	20,000	—	—	—	20,000
	(11,667)	—	—	—	(11,667)
Nathaniel Rothschild	20,000	—	—	—	20,000
	(12,500)	—	—	—	(12,500)
Michael Sofaer	—	—	—	—	—
Timothy Barakett	—	—	—	—	—
	(5,000)	—	—	—	(5,000)
31 March 2006	**947,397**	**1,013,950**	**176,633**	**61,642**	**2,199,622**
31 March 2005	740,167	739,300	155,500	56,988	1,691,955

The total cash payments received by two executive Directors during the year on their exercise of Share Appreciation Rights are disclosed under "Long-Term Incentive Plan" below.

Basic Salary, Salary Supplements and Bonus

Basic salaries for the executive Directors are reviewed annually by the Remuneration and Conflicts Committee and the last review was at 31 March 2006. For the current year, to 31 March 2007, Lord Rothschild's salary is £369,495 per annum (2005/6: £357,000 per annum), Duncan Budge's salary is £271,688 per annum (2005/6: £262,500 per annum) and David Haysey's salary is £207,000 (2005/6: £200,000 annualised).

Lord Rothschild received a salary supplement of 20% of his basic salary with effect from 1 January 2006, amounting to £17,850 in the year ended 31 March 2006. This is included in the salary figure disclosed above. The supplement is equivalent to the value of his pension contributions foregone from that date on his electing to opt out from the Company's pension scheme following advice received ahead of the pension tax reforms that came into force on 6 April 2006. The salary supplement shall continue to be paid at the same rate in future. For similar reasons, Mr Budge elected for the Group to cease making contributions on his behalf into the defined benefit section of the RITCP Pension and Life Assurance Scheme, with effect from 6 April 2006. From that date Mr Budge has received a salary supplement equivalent to 42% of his basic salary.

The Board of Directors, on the recommendation of the Remuneration and Conflicts Committee, has adopted an Executive Bonus Plan. The Plan provides that each executive Director, and such other participants as may be determined by the Remuneration and Conflicts Committee, shall be entitled to an annual bonus. The amount payable under the Executive Bonus Plan is calculated by reference to the Company's three-year moving average outperformance over the three most relevant total return indices. The indices are currently the FTSE All-Share Total Return Index, the Investment Trust Net Assets Total Return Index and the Morgan Stanley Capital International Total Return Index (expressed in Sterling). The percentage of salary payable as a bonus rises on a straight line basis from 0% to 100%, if the average annual outperformance is between 0% and 7%. Thereafter, the percentage of salary payable as a bonus rises from 100% in a straight line to the maximum bonus payable under the Plan of 125%, if the average annual outperformance is between 7% and 10%. The bonuses payable under the Plan to Lord Rothschild and Mr Budge in respect of the year ended 31 March 2006 amounted to £422,050 (year ended 31 March 2005: £425,000) and £310,350 (year ended 31 March 2005: £312,500) respectively. The bonus payable under the Plan to Mr Haysey in respect of the year ended 31 March 2006 amounted to £137,950, reflecting the fact that Mr Haysey joined the Company on 30 August 2005. In addition to the bonus entitlements under the Executive Bonus Plan, Lord Rothschild and Mr Budge both received a £1,000 bonus which was paid to the Group's employees in December 2005 (year ended 31 March 2005: £900). Mr Haysey, having been appointed during the year, received a bonus of £500 in December 2005. Mr Haysey was also entitled to a bonus of £141,100 in respect of the performance in the period to 31 March 2006 of a portfolio of global equities managed by him for the Company. His entitlement is calculated on the same basis as the Executive Bonus Plan outlined above, with the exception that it is calculated by reference to the performance of the portfolio against the three indices since the date on which he began managing the portfolio, rather than the three-year moving average. This entitlement has also been adjusted to reflect the fact that Mr Haysey joined the Company on 30 August 2005. In future, Mr Haysey's entitlement will be calculated by reference to the annual performance of these indices.

Long-term Incentive Plan

The adoption of a Share Appreciation Rights plan (the "SAR Plan") was approved by shareholders on 10 July 1996, as it constituted a related party transaction under Stock Exchange rules, given the participations of Lord Rothschild and Duncan Budge. Under the SAR Plan, participants are entitled to elect to receive a cash bonus. The amount of the bonus will represent the increase, since the date of grant, in the Company's share price multiplied by the notional number of shares. This is, however, conditional on any increase in the share price, plus dividends paid, exceeding the increase in the Retail Price Index plus 3% per annum for any three year period between the date of grant and the tenth anniversary thereof. The Board, on the recommendation of the Remuneration and Conflicts Committee, resolved in March 2005 that the performance condition relating to any further grants after that date under the SAR Plan shall apply only to the fixed three year period from the date of grant.

As at 31 March 2006 the amount accrued in respect of the SAR Plan participations of the Company's executive Directors was £2,137,531 (31 March 2005: £6,811,604). The lowest closing price of the Company's shares during the year was 686.5p and the highest was 1035p. Should a participant leave his employment involuntarily at any time, the bonus accrued to the relevant date will be payable, subject to there being no grounds for non-payment arising out of negligence or other misconduct.

The following grants of Share Appreciation Rights were made to the Company's executive Directors during the year:

Date of grant	Notional no. of RITCP shares	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild				
19 July 2005	152,672	786.0p	19 July 2008	18 July 2015
17 March 2006	121,827	985.0p	17 March 2009	16 March 2016
Duncan Budge				
19 July 2005	101,781	786.0p	19 July 2008	18 July 2015
17 March 2006	81,218	985.0p	17 March 2009	16 March 2016
David Haysey				
30 August 2005	124,922	800.5p	30 August 2008	29 August 2015
17 March 2006	60,913	985.0p	17 March 2009	16 March 2016

The following Share Appreciation Rights granted to the Company's executive Directors vested during the year ended 31 March 2006:

Date of grant	Notional no. of RITCP shares	Grant price	Date from which first exercisable	Price on vesting
Lord Rothschild				
26 March 2003	262,467	381.0p	26 March 2006	1,008.0p
Duncan Budge				
26 March 2003	262,467	381.0p	26 March 2006	1,008.0p

The following Share Appreciation Rights were exercised by the Company's executive Directors during the year:

	Notional no. of RITCP shares	Date of exercise	Exercise price	Grant price
Lord Rothschild	587,371	13 January 2006	934.0p	340.5p
Lord Rothschild	228,833	13 January 2006	934.0p	437.0p
Lord Rothschild	262,467	27 March 2006	1,008.0p	381.0p
Duncan Budge	300,000	14 June 2005	758.0p	340.5p
Duncan Budge	287,371	13 January 2006	934.0p	340.5p
Duncan Budge	228,833	13 January 2006	934.0p	437.0p

The following Share Appreciation Rights granted to the Company's executive Directors were outstanding on 31 March 2006:

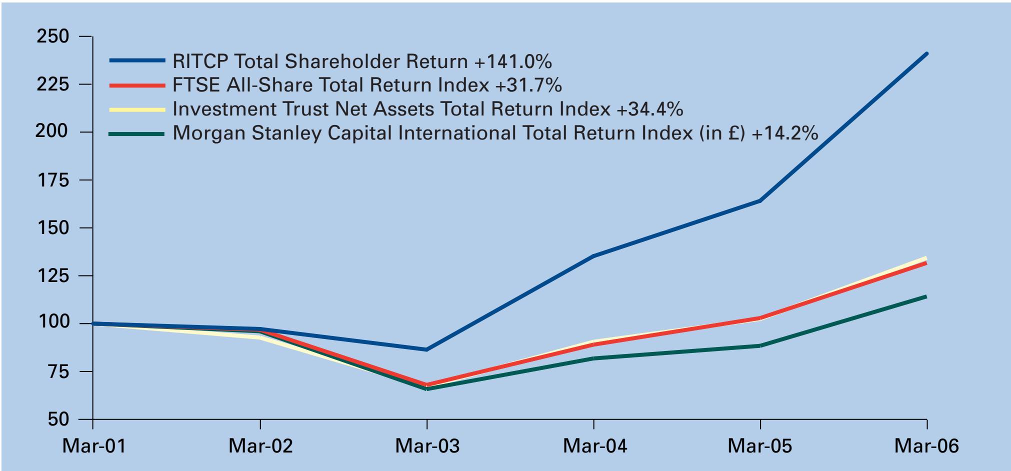
	Outstanding at 31 March 2006	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	152,672	786.0p	19 July 2008	18 July 2015
	121,827	985.0p	17 March 2009	16 March 2016
Duncan Budge	262,467	381.0p	26 March 2006	25 March 2013
	101,781	786.0p	19 July 2008	18 July 2015
	81,218	985.0p	17 March 2009	16 March 2016
David Haysey	124,922	800.5p	30 August 2008	29 August 2015
	60,913	985.0p	17 March 2009	16 March 2016

The total sums received by Lord Rothschild and Mr Budge on their exercise of Share Appreciation Rights in the year ended 31 March 2006 amounted to £6,269,015 (year ended 31 March 2005: £nil) and £4,095,347 (year ended 31 March 2005: £nil) respectively, prior to taxation and National Insurance contributions.

Performance Graph

In accordance with the regulations made under the Companies Act 1985, it is necessary to include a performance graph which measures the Company's total shareholder return (calculated by reference to the Company's share price, including dividend reinvestment) against that of a broad equity market index. For this purpose the Committee considers that the Morgan Stanley Capital International Total Return Index (in Sterling), the FTSE All-Share Total Return Index and the Investment Trust Net Assets Total Return Index are the most suitable indices for comparative purposes. The graph below therefore compares the Company's total shareholder return to that of these three indices over the last 5 years.

Total Shareholder Return Against Major Indices



Pension Contributions

The policy of the Remuneration and Conflicts Committee is to facilitate a range of pension arrangements for executive Directors which take account of their age, personal circumstances and arrangements in force on joining the Company. Lord Rothschild and Duncan Budge are members of the RITCP Pension and Life Assurance Scheme, (the "RITCP Scheme"). However, on their receiving advice ahead of the implementation of new pensions legislation in April 2006, contributions to the Scheme on their behalf ceased with effect from 31 December 2005 and 6 April 2006 respectively. Within the RITCP Scheme, money purchase arrangements are in place for Lord Rothschild, to which the Company contributed at the rate of 20% of basic salary, until 31 December 2005. Such contributions amounted to £53,550 during the year under review (year ended 31 March 2005: £68,000). Duncan Budge is a defined benefit member of the RITCP Scheme for which the contribution rate was 35% of basic salary and the rate was increased to 47% for the period from 1 January 2006 to 31 March 2006.

The Company paid pension contributions amounting to £23,333 for David Haysey, who is not a member of the RITCP Scheme, between the date of his employment on 30 August 2005 and the end of the financial year.

No pension provision is made for the non-executive Directors.

Executive Directors' Pensions

Duncan Budge is the only executive Director who is a member of the defined benefit section of the Company's pension scheme. The table below gives details of the movements in his potential benefits and transfer values during the year.

	£
Accrued benefit at 31 March 2005 (£ per annum)	108,195
Change in accrued benefit due to inflation (£ per annum)	11,211
Accrued benefit at 31 March 2006 (£ per annum)	**119,406**
Transfer value at 31 March 2005	1,170,471
Increase in transfer value	628,407
Transfer value at 31 March 2006	**1,798,878**

The table below shows the Director's accrued pension position at the end of the financial year (a) had he left the Scheme on 31 March 2005 and (b) had he left the Scheme on 31 March 2006.

	£
Total accrued pension at 31 March 2006, assuming Director left service on 31 March 2005 (£ per annum)	111,116
Increase in accrued pension during the year (£ per annum)	8,290
Total accrued pension at 31 March 2006, on Director's leaving Scheme (£ per annum)	**119,406**
Transfer value of the increase in accrued pension during the year (£)	**124,839**

The transfer value is a liability of the pension scheme rather than an amount due to be paid to the executive Director or a liability of the Company.

Non-executive Directors

The remuneration of the non-executive Directors is determined by the Board as a whole, in accordance with the provisions of the Articles of Association, which limit the aggregate fees payable to non-executive Directors to £300,000 per annum. Non-executive Directors do not take part in discussions on their own remuneration. The Board, on the recommendation of the Remuneration and Conflicts Committee, applied the following structure for the determination of the annual fees of the non-executive directors throughout the year:

Basic fee	£20,000
Committee membership fees:	
Audit Committee	£3,000
Nominations Committee	£1,000
Remuneration and Conflicts Committee	£3,000
Valuation Committee	£3,000
Committee Chairmanship fee (per committee)	£1,500

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

Directors' Service Contracts

It is the policy of the Remuneration and Conflicts Committee not to grant service contracts with notice periods in excess of one year. The terms and conditions of the Directors' service contracts are detailed below and are reviewed as required.

Lord Rothschild, Duncan Budge and David Haysey each have service agreements with J. Rothschild Capital Management Limited.

Lord Rothschild's service agreement is dated 29 April 1996, but was initially with an associated company and originally dated 20 October 1993. The agreement can be terminated, *inter alia*, by either party giving the other not less than twelve months' written notice. It provides for benefits in kind in line with normal company practice, including pension provision, private health insurance and a company car. The agreement determined on Lord Rothschild's 65th birthday and is currently on a rolling one year basis. The agreement does not specify compensation payable in the event of early termination.

Duncan Budge's service agreement is dated 29 August 1996, but was originally with an associated company and dated 6 August 1985. The agreement can be terminated, *inter alia*, by either party giving the other not less than twelve months' written notice and will automatically terminate on his 60th birthday. It provides for benefits in kind in line with normal company practice, including pension provision, life assurance, permanent health insurance, private health insurance and a company car. The agreement does not specify compensation payable in the event of early termination.

David Haysey's service agreement is dated 30 August 2005. It can be terminated, *inter alia*, by either party giving not less than twelve months' written notice. It provides for benefits in kind in line with normal company practice. The agreement does not specificy compensation in the event of early termination.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service, age and the performance of the relevant executive, including the duty to mitigate his own loss, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, such as illness.

Executive Directors' External Non-executive Directorships

Lord Rothschild served as the Senior Independent Director of British Sky Broadcasting Group plc throughout the year ended 31 March 2006 and received £55,850 (year ended 31 March 2005: £45,048) for his services. Such fees were retained by Lord Rothschild.

Lord Rothschild is also a non-executive Director of RHJ International, and is entitled to fees of €100,000 per annum. He is also entitled to an annual fee of €25,000 as a member of the nomination and remuneration committee. These fees are retained by Lord Rothschild.

No other fees are paid to the executive Directors in respect of external non-executive directorships.

Termination Payments and Payments to Third Parties

No payments were made to a Director of the Company for termination of employment nor were any payments made to third parties for Directors' services during the year.

On behalf of the Board of Directors
Charles Bailey
6 June 2006
Chairman, Remuneration and Conflicts Committee

Report of the Independent Auditors

To the Members of RIT Capital Partners plc

We have audited the consolidated and parent company accounts (the "accounts") of RIT Capital Partners plc for the year ended 31 March 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Change in Shareholders' Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Review of Principal Investments that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, the Investment Portfolio, the Review of Principal Investments, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the consolidated accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit and cash flows for the year then ended;
- the parent company accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2006 and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the accounts.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
32 London Bridge Street, London SE1 9SY
6 June 2006

Notes:

(a) The financial statements are published on the RIT Capital Partners plc website www.ritcap.co.uk. The maintenance and integrity of the 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.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

For the year ended 31 March 2006	Notes	Revenue return £'000	Capital return £'000	Total £'000
Income				
Investment income	1	27,014	—	27,014
Other income	1	1,156	—	1,156
Losses on dealing investments held at fair value		(20,790)	—	(20,790)
Total income		7,380	—	7,380
Gains on portfolio investments held at fair value	22	—	461,763	461,763
Other capital items	22	—	1,952	1,952
		7,380	463,715	471,095
Expenses				
Administrative expenses	3	(11,025)	(8,376)	(19,401)
Investment management fees	5	(5,717)	(8,625)	(14,342)
Profit before finance costs and tax		(9,362)	446,714	437,352
Finance costs	6	(7,296)	—	(7,296)
Profit before tax		(16,658)	446,714	430,056
Taxation	7	79	(7,946)	(7,867)
Profit for the period		(16,579)	438,768	422,189
Profit attributable to minority interests		—	—	—
Profit attributable to equity shareholders		(16,579)	438,768	422,189
		(16,579)	438,768	422,189
Earnings per ordinary share	9	(10.6)p	280.9p	270.3p

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

The notes on pages 44 to 81 form part of these financial statements.

Consolidated Income Statement

Restated for the year ended 31 March 2005	Notes	Revenue return £'000	Capital return £'000	Total £'000
Income				
Investment income	1	20,838	—	20,838
Other income	1	350	—	350
Losses on dealing investments held at fair value		(12,644)	—	(12,644)
Total income		8,544	—	8,544
Gains on portfolio investments held at fair value	22	—	146,038	146,038
Other capital items	22	—	8,999	8,999
		8,544	155,037	163,581
Expenses				
Administrative expenses	3	(6,096)	(4,042)	(10,138)
Investment management fees	5	(4,860)	(5,347)	(10,207)
Profit before finance costs and tax		(2,412)	145,648	143,236
Finance costs	6	(3,308)	—	(3,308)
Profit before tax		(5,720)	145,648	139,928
Taxation	7	(374)	1,241	867
Profit for the period		(6,094)	146,889	140,795
Profit attributable to minority interests		—	91	91
Profit attributable to equity shareholders		(6,094)	146,798	140,704
		(6,094)	146,889	140,795
Earnings per ordinary share	9	(3.9)p	93.9p	90.0p

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

The financial statements for the year ended 31 March 2005 have been restated to take account of the transition to IFRS. Further information on the restated income statement, balance sheets and cash flow statement is contained in Notes 30 to 34.

The notes on pages 44 to 81 form part of these financial statements.

Consolidated Balance Sheet

	Notes	31 March 2006 £'000	31 March 2005 Restated £'000
Non-current assets			
Investments held at fair value	11	**1,720,815**	1,100,755
Investment property	11	**28,889**	25,489
Property, plant and equipment	13	**236**	214
Derivative financial instruments	26	**4,062**	—
Retirement benefit asset	28	**1,433**	734
Deferred tax asset	15	**2,370**	8,736
		1,757,805	1,135,928
Current assets			
Dealing investments held at fair value	16	**2,645**	—
Sales for future settlement		**10,900**	20,026
Other receivables	14	**11,893**	12,365
Tax receivable		**238**	26
Cash at bank	14	**65,081**	70,416
		90,757	102,833
Total assets		**1,848,562**	1,238,761
Current liabilities			
Bank loans and overdrafts		**(67,244)**	(7,829)
Securities sold short		**(9,517)**	(7,893)
Purchases for future settlement		**(21,442)**	(7,596)
Tax payable		**(331)**	—
Other payables	17	**(10,073)**	(8,580)
		(108,607)	(31,898)
Net current (liabilities)/assets		**(17,850)**	70,935
Total assets less current liabilities		**1,739,955**	1,206,863
Non-current liabilities			
Bank loans	18	**(190,957)**	(79,304)
Provisions	19	**(14,302)**	(14,303)
		(205,259)	(93,607)
Net assets		**1,534,696**	1,113,256
Equity attributable to equity holders			
Called up share capital	20	**156,178**	156,178
Capital redemption reserve	21	**33,978**	33,978
Cash flow hedging reserve		**4,062**	—
Foreign currency translation reserve	24	**113**	(52)
Capital reserve-realised	22	**932,107**	757,544
Capital reserve-unrealised	22	**420,867**	156,662
Revenue reserve	23	**(12,609)**	8,812
Total shareholders' equity		**1,534,696**	1,113,122
Minority interest in equity		**—**	134
Total equity		**1,534,696**	1,113,256
Net asset value per ordinary share		**982.7p**	712.7p

The financial statements were approved by the Board of Directors and authorised for issue on 6 June 2006. They were signed on the Board's behalf by:

Rothschild Duncan Budge

Rothschild
Director

Duncan Budge
Director

The notes on pages 44 to 81 form part of these financial statements.

Balance Sheet of the Parent Company

	Notes	31 March 2006 £'000	31 March 2005 Restated £'000
Non-current asssets			
Investments held at fair value	11	1,698,499	1,043,589
Investment property	11	28,889	25,489
Investments in subsidiary undertakings	12	35,207	39,112
Derivative financial instruments	26	4,062	—
Deferred tax asset	15	1,885	7,065
		1,768,542	1,115,255
Current assets			
Amounts owed by group undertakings	29	39,860	26,992
Sales for future settlement		10,867	20,002
Other receivables	14	10,901	11,545
Tax receivable		238	184
Cash at bank	14	43,842	53,230
		105,708	111,953
Total assets		1,874,250	1,227,208
Current liabilities			
Bank loans and overdrafts		(67,079)	(7,829)
Purchases for future settlement		(21,442)	(7,101)
Other payables	17	(6,317)	(4,233)
Amounts owed to group undertakings	29	(44,484)	(28,972)
		(139,322)	(48,135)
Net current (liabilities)/assets		(33,614)	63,818
Total assets less current liabilities		1,734,928	1,179,073
Non-current liabilities			
Bank loans	18	(190,957)	(79,304)
Provisions	19	(14,052)	(14,053)
		(205,009)	(93,357)
Net assets		1,529,919	1,085,716
Equity attributable to equity holders			
Called up share capital	20	156,178	156,178
Capital redemption reserve	21	33,978	33,978
Cash flow hedging reserve		4,062	—
Capital reserve-realised	22	909,289	736,098
Capital reserve-unrealised	22	420,699	151,609
Revenue reserve	23	5,713	7,853
Total shareholders' equity		1,529,919	1,085,716

The financial statements were approved by the Board of Directors and authorised for issue on 6 June 2006. They were signed on the Board's behalf by:

Rothschild Duncan Budge

Rothschild
Director

Duncan Budge
Director

The notes on pages 44 to 81 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2006	Share capital £'000	Capital redemption reserve £'000	Cash flow hedging reserve £'000	Foreign currency translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Minority interests £'000	Total £'000
Balance at 31 March 2005	156,178	33,978	—	(52)	914,206	8,812	134	1,113,256
Profit for the period	—	—	—	—	438,768	(16,579)	—	422,189
Cash flow hedges								
Gains taken to equity	—	—	3,531	—	—	—	—	3,531
Transferred to the income statement for the period	—	—	531	—	—	—	—	531
Disposal of subsidiaries	—	—	—	—	—	—	(134)	(134)
Exchange movements arising on consolidation	—	—	—	165	—	—	—	165
Ordinary dividend paid	—	—	—	—	—	(4,842)	—	(4,842)
Balance at 31 March 2006	**156,178**	**33,978**	**4,062**	**113**	**1,352,974**	**(12,609)**	**—**	**1,534,696**

Year ended 31 March 2005 restated	Share capital £'000	Capital redemption reserve £'000	Cash flow hedging reserve £'000	Foreign currency translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Minority interests £'000	Total £'000
Balance at 31 March 2004	156,848	33,308	—	—	771,085	19,768	43	981,052
Profit for the period	—	—	—	—	146,798	(6,094)	91	140,795
Exchange movements arising on consolidation	—	—	—	(52)	—	—	—	(52)
Ordinary dividend paid	—	—	—	—	—	(4,862)	—	(4,862)
Purchase of own shares	(670)	670	—	—	(3,677)	—	—	(3,677)
Balance at 31 March 2005	156,178	33,978	—	(52)	914,206	8,812	134	1,113,256

The notes on pages 44 to 81 form part of these financial statements.

Parent Company Statement of Changes in Equity

Year ended 31 March 2006	Share capital £'000	Capital redemption reserve £'000	Cash flow hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2005	156,178	33,978	—	887,707	7,853	1,085,716
Profit for the period	—	—	—	442,281	2,702	444,983
Cash flow hedges						
Gains taken to equity	—	—	3,531	—	—	3,531
Transferred to the income statement for the period	—	—	531	—	—	531
Ordinary dividend paid	—	—	—	—	(4,842)	(4,842)
Balance at 31 March 2006	**156,178**	**33,978**	**4,062**	**1,329,988**	**5,713**	**1,529,919**

Year ended 31 March 2005	Share capital £'000	Capital redemption reserve £'000	Cash flow hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2004	156,848	33,308	—	764,541	11,688	966,385
Profit for the period	—	—	—	126,843	1,027	127,870
Ordinary dividend paid	—	—	—	—	(4,862)	(4,862)
Purchase of own shares	(670)	670	—	(3,677)	—	(3,677)
Balance at 31 March 2005	156,178	33,978	—	887,707	7,853	1,085,716

The notes on pages 44 to 81 form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 March 2006 £'000	Year ended 31 March 2005 Restated £'000
Cash outflow from Operating Activities	25	(145,461)	(15,769)
Investing Activities			
Purchase of property, plant and equipment	13	(178)	(81)
Sale of property, plant and equipment		56	19
Net cash outflow from Investing Activities		(122)	(62)
Financing Activities			
Buy-back of ordinary shares		—	(3,677)
Increase in term loan		103,488	—
Equity dividend paid	8	(4,842)	(4,862)
Minority interests		(134)	91
Net cash inflow/(outflow) from Financing Activities		98,512	(8,448)
Decrease in cash and cash equivalents in the period		(47,071)	(24,279)
Cash and cash equivalents at the start of the period		77,443	101,925
Effect of foreign exchange rate changes		(3,419)	(203)
Cash and cash equivalents at the period end		26,953	77,443
Reconciliation:			
Cash at bank		65,081	70,416
Money market funds (included in portfolio investments)		29,116	14,856
Bank loans and overdrafts		(67,244)	(7,829)
Cash and cash equivalents at the period end		26,953	77,443

The notes on pages 44 to 81 form part of these financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Cash outflow from Operating Activities	25	(149,605)	(13,644)
Net cash outflow from Investing Activities		—	—
Financing Activities			
Buy-back of ordinary shares		—	(3,677)
Increase in term loan		103,488	—
Equity dividend paid	8	(4,842)	(4,862)
Net cash inflow/(outflow) from Financing Activities		98,646	(8,539)
Decrease in cash and cash equivalents in the period		(50,959)	(22,183)
Cash and cash equivalents at the start of the period		60,257	82,643
Effect of foreign exchange rate changes		(3,419)	(203)
Cash and cash equivalents at the period end		5,879	60,257
Reconciliation:			
Cash at bank		43,842	53,230
Money market funds (included in portfolio investments)		29,116	14,856
Bank loans and overdrafts		(67,079)	(7,829)
Cash and cash equivalents at the period end		5,879	60,257

The notes on pages 44 to 81 form part of these financial statements.

Group Accounting Policies

Accounting Policies

Basis of Accounting

All listed companies in the European Union ("EU") are required to present their consolidated financial statements for accounting periods beginning on or after 1 January 2005 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. Therefore, the Group's consolidated financial statements for the year ended 31 March 2006 have been presented on this basis with IFRS comparatives. Reconciliations have been provided on certain key figures to UK Generally Accepted Accounting Principles ("UK GAAP"), and these, together with the explanation of the resulting changes in accounting policies, are set out in notes 30 to 34 inclusive.

The Group's transition date for the adoption of IFRS, including the implementation of IAS 32 and IAS 39 dealing with financial instruments, is 1 April 2004. This transition date has been selected in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Group is required to apply its IFRS accounting policies retrospectively to determine its opening IFRS balance sheet as at the transition date of 1 April 2004 and the comparative information for the period ended 31 March 2005.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties. The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice ("SORP"), Financial Statements of Investment Trust Companies, issued by the Association of Investment Trust Companies ("AITC") in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis which complies with the recommendation 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 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of Income Statement

In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented within the income statement. In accordance with the Company's status as an investment trust, net capital profits may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 of the Taxes Act 1988.

Income

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

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

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

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

Underwriting commission is recognised as earned.

Expenses

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

- Expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are allocated to revenue where there is an indirect connection.
- Investment management fees are considered to be indirect costs and are therefore allocated to revenue. Performance fees are allocated to capital as they arise as a result of the capital performance of the relevant investment portfolio.
- The Group has in force certain incentive arrangements whereby fees payable are based entirely on the increase in the values of certain investments. The cost of these incentive arrangements is considered to be a direct cost of enhancing the value of these investments and is therefore allocated to capital.
- The Group has in force long-term incentive arrangements for the executive Directors of RITCP, and for other senior executives, whereby they receive additional remuneration based entirely on any increase in the Company's share price subject to a performance condition. The primary objective of the Company is to deliver long-term capital growth for its investors. The costs of these arrangements derive principally from the capital performance of the Group and consequently the Directors consider it appropriate to allocate the costs of these arrangements in their entirety to capital.
- The Group has an Executive Bonus Plan for the executive Directors whereby they receive a bonus calculated by reference to the Company's three-year moving average outperformance over three key total return indices. The amount of the bonus depends principally on the capital performance of the Group and therefore the Directors consider it appropriate to charge the whole of the bonus to capital.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Costs incurred in connection with abortive portfolio investment transactions are also allocated to capital.

Finance Costs

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

Foreign Currencies

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other 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 842 of the Taxes Act 1988 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 obtain approval for the foreseeable future, the Company has not provided current or deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

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

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

Investments

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

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

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

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such unquoted equity instruments, they are carried at cost, subject to any provision for impairment.

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

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

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on the professional valuation made as of each reporting date. Valuation surpluses and deficits arising in the period are included in the income statement. The gain or loss arising on the disposal of a property is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the period and is recognised in the income statement.

Dealing Investments
Current asset investments held by the dealing subsidiary undertaking, including futures, options and other derivative instruments, are stated in the balance sheet at fair value. The movements in fair value of trading positions are included in the revenue return column of the income statement. Securities sold short are valued at their offer prices in accordance with IFRS.

Cash and Cash Equivalents
Cash at bank in the consolidated balance sheet comprises cash balances and deposits held at call and short notice with banks. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement. Short-term highly liquid investments with original maturities of three months or less are also included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement.

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

Share-Based Payments
In accordance with IFRS 2, Share-based payment, a charge is required for all share-based payments which includes the long-term incentives provided under the Company's Share Appreciation Rights Plan ("SARs"). The cost of granting these SARs to employees and Directors is recognised through the income statement. The Company has used the binomial option valuation model and the resulting value is amortised through the income statement over the vesting periods of the relevant SARs. The charge is reversed if it appears likely that the performance criteria will not be met.

Property, Plant and Equipment
Tangible fixed assets are shown at cost less depreciation. Depreciation is provided on all property, plant and equipment. It is calculated by the Group on a straight line basis by reference to original cost, estimated useful life and residual value. The period of estimated useful life for this purpose is between three and four years.

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

The Group accounts for its defined benefit retirement scheme by reference to IAS 19, Employee benefits. For the defined benefit retirement scheme, the cost of benefits accruing during the year in respect of current and past service is charged to the income statement and allocated to revenue. The expected return on the scheme's assets, actuarial gains and losses and the increase in the present value of the scheme's liabilities arising from the passage of time are also recognised in the income statement. An actuarial valuation of the defined benefit retirement scheme is undertaken every three years as at 1 January and is updated as at each 31 March and 30 September during the intervening valuation dates. The valuation is carried out using the projected unit method of funding basis. The income statement also includes costs incurred in respect of defined contribution schemes and these costs comprise the contributions payable in the year.

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

Bank Borrowings
Interest-bearing bank loans and overdrafts are recorded initially at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on

an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other Payables

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

Derivative Financial Instruments and Hedge Accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. From time to time, the Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The dealing subsidiary may also use derivative financial instruments for trading purposes.

The Group has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Group enters into the relevant contract, and are derecognised on the date which it commits to their sale.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. The amount in equity is released to income when the forecast transaction impacts profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity for cash flow hedges is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss in the period.

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the financial instrument is not classified at fair value through profit or loss.

Allocation to Capital

All expenses and interest payable are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement and the statement of changes in equity, all expenses have been presented as revenue items except as listed below:

The following are presented as realised capital items:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature
- the cost of purchasing ordinary shares for cancellation.

The following are presented as unrealised capital items:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Critical Accounting Assumptions And Judgements

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

Unquoted investments

Unquoted investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association, the principles of which are set out on page 11. This determination requires significant management judgement.

Retirement benefit obligation

The determination of the pension cost and the defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth, longevity and the expected return on scheme assets. Any changes in these assumptions will impact the carrying amount of the pension obligation. The expected return on scheme assets is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year; this is the interest rate that is used to calculate the present value of the estimated future cash outflows expected to be required to settle the pension obligation. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent accounting periods.

Deferred tax asset

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

Long-term incentive plan

The carrying amount of the provision in respect of the long-term incentive plan depends on a number of assumptions which are set out in note 19.

Notes to the Financial Statements

1. Investment Income

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Income from listed investments:		
Dividends	13,947	7,096
Interest	2,965	4,437
Income from unlisted investments:		
Dividends	3,359	1,534
Interest	2,063	4,452
Income from investment properties	1,435	1,049
Interest receivable	3,245	2,270
	27,014	20,838

Other Income

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Underwriting commission	266	—
Other fee income	890	350
	1,156	350

2. Business and Geographical Segments

The Group operates from the UK and is engaged in a single business segment of investing in equity and debt securities, issued by companies operating and generating revenue worldwide, and therefore the Group only has a single business segment and a single geographical segment. Accordingly no segmental reporting is provided.

3. Administrative Expenses

Administrative expenses include the following:

	Year ended 31 March 2006 £'000	Restated Year ended 31 March 2005 £'000
Staff costs (see note 4 below)	12,142	7,334
Auditors' remuneration – audit fees	123	123
Auditors' remuneration – IFRS conversion	46	—
Auditors' remuneration – other fees	19	4
Depreciation	111	103

Administrative expenses for the year ended 31 March 2006 include £704,000 (31 March 2005: £956,000) of property and staff related costs which are recharged to third parties. These recharges are included in "other income" and "income from investment properties" in accordance with accounting practice. The net administrative expenses for the year ended 31 March 2006 are £18,697,000 (31 March 2005: £9,182,000). Of the total audit fee, £105,000 (31 March 2005: £105,000) relates to the audit of the parent company's consolidated accounts. Other fees paid to the auditors were in respect of accounting services and reporting on related party matters. The auditors also provided due diligence work on the acquisition of an investment and their fee of £14,000, together with other transaction costs, has been capitalised as part of the cost of the investment (31 March 2005: £nil).

Details of the transaction costs incurred on the purchase and sale of investments are set out below.

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Purchases	2,732	1,237
Sales	2,911	1,421
	5,643	2,658

Transaction costs, including bid-offer spreads, are included within gains on investments held at fair value.

4. Staff Costs

	Year ended 31 March 2006 £'000	Restated Year ended 31 March 2005 £'000
Wages and salaries	3,469	2,897
Executive bonus plan	1,011	738
Social security costs	536	444
Long-term incentive plan (Note 19)	7,235	3,181
Pension costs-defined benefit scheme (Note 28)	(398)	(175)
Pension costs-defined contribution plans (Note 28)	289	249
	12,142	7,334

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 28 to 34. They include the movement in the provision for the Group's long-term incentive plan and the amounts payable under the Executive Bonus Plan which are charged to capital reserve.

The average number of employees during the year was 64 (31 March 2005: 59). Included in this figure are 21 people employed in respect of the banqueting business of Spencer House and the related security function (31 March 2005: 20).

5. Investment Management Fees

Details of the current investment managers who operate segregated accounts are shown in the Directors' Report on page 17.

6. Finance Costs

	Year ended 31 March 2006		Year ended 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Interest payable on bank borrowings	6,729	6,774	3,285	3,285
Interest rate swap payments	531	531	—	—
Amortisation of issue costs of bank loans	36	36	23	23
	7,296	7,341	3,308	3,308

7. Taxation

	Year ended 31 March 2006 Revenue £'000	Year ended 31 March 2006 Capital £'000	Year ended 31 March 2006 Total £'000
UK corporation tax (credit)/charge	(730)	1,050	320
Adjustment in respect of prior years	(49)	(28)	(77)
Overseas taxation	1,258	320	1,578
Double taxation relief	—	(320)	(320)
Current tax charge	479	1,022	1,501
Deferred tax (credit)/charge	(558)	7,086	6,528
Adjustment in respect of prior years	—	(162)	(162)
Taxation (credit)/charge	(79)	7,946	7,867

	Restated Year ended 31 March 2005 Revenue £'000	Restated Year ended 31 March 2005 Capital £'000	Restated Year ended 31 March 2005 Total £'000
UK corporation tax (credit)/charge	(211)	371	160
Adjustment in respect of prior years	(79)	138	59
Overseas taxation	723	161	884
Double taxation relief	—	(161)	(161)
Current tax charge	433	509	942
Deferred tax credit	(43)	(1,750)	(1,793)
Adjustment in respect of prior years	(16)	—	(16)
Taxation charge/(credit)	374	(1,241)	(867)

The deferred tax charge/(credit) in both the current and prior year relate to the origination and reversal of timing differences.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 30% (31 March 2005: 30%). The differences are explained below:

	Year ended 31 March 2006 Revenue £'000	Year ended 31 March 2006 Capital £'000	Restated Year ended 31 March 2005 Revenue £'000	Restated Year ended 31 March 2005 Capital £'000
Profit before tax	(16,658)	446,714	(5,720)	145,648
Tax at the standard UK corporation tax rate of 30% (31 March 2005: 30%)	(4,997)	134,014	(1,716)	43,694
Effect of:				
Capital items exempt from corporation tax	—	(125,878)	—	(44,854)
UK dividend income not taxable	(1,342)	—	(679)	—
Double tax relief not available	864	—	508	—
Expenses not deductible for tax purposes	46	—	15	172
Non-taxable income	—	—	(3)	—
Losses not utilised	5,398	—	2,345	—
Prior year (credit)/charge	(49)	(190)	(95)	138
Other	1	—	(1)	(391)
Total tax (credit)/expense	(79)	7,946	374	(1,241)

The tax (credit)/expense in the capital column primarily relates to (i) valuation changes in respect of taxable investments in non-qualifying offshore funds and (ii) tax deductible expenses, including performance investment management fees, charges arising under the Group's long-term incentive plan and the cost of the Executive Bonus Plan.

8. Dividend

	2006 Pence per share	2005 Pence per share	2006 £'000	2005 £'000
Final dividend paid	3.1	3.1	4,842	4,862

The above amounts were recognised as distributions to equity holders in the relevant periods. In addition, the Directors have proposed a final dividend in respect of the financial year ended 31 March 2006 of 3.1p per share which will absorb £4.8 million of shareholders' funds. It will be paid on 19 July 2006 to shareholders on the register at 16 June 2006. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The dividend payable in respect of the year ended 31 March 2006, which is the basis on which the requirements of Section 842 of the Taxes Act 1988 are considered, amounted to £4.842 million (31 March 2005: £4.842 million).

9. Earnings per Ordinary Share

The earnings per ordinary share for the year ended 31 March 2006 is based on the net gain of £422.2 million (year ended 31 March 2005: £140.7 million as restated) and the weighted average number of ordinary shares in issue during the period of 156.2 million (year ended 31 March 2005: 156.4 million).

The earnings per ordinary share figure detailed above can be further analysed between revenue and capital as set out below:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 Restated £'000
Net revenue loss	(16,579)	(6,094)
Net capital profit	438,768	146,798
	422,189	140,704

	Pence per share	Pence per share
Revenue loss per ordinary share	(10.6)	(3.9)
Capital earnings per ordinary share	280.9	93.9
	270.3	90.0

10. Net Asset Value per Ordinary Share

The net asset value per ordinary share as at 31 March 2006 is based on the net assets attributable to the equity shareholders of £1,534.7 million (31 March 2005: £1,113.1 million as restated) and the number of ordinary shares in issue at 31 March 2006 of 156.2 million (31 March 2005: 156.2 million).

11. Investments

	31 March 2006		31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Listed investments at market value				
Listed in UK	193,154	193,154	113,151	113,151
Listed overseas	890,994	890,994	520,494	505,183
Government securities and other liquidity	75,342	75,342	113,048	113,048
	1,159,490	1,159,490	746,693	731,382
Unlisted investments at Directors' valuation	590,214	567,898	379,551	337,696
	1,749,704	1,727,388	1,126,244	1,069,078
Portfolio investments	1,720,815	1,698,499	1,100,755	1,043,589
Investment property	28,889	28,889	25,489	25,489
Fair value of investments	1,749,704	1,727,388	1,126,244	1,069,078

Unlisted investments comprise unquoted investments, investment property, hedge funds, long equity funds and private equity partnerships.

Investment movements:

	Group				
	Quoted £'000	Unquoted and property £'000	Funds and partnerships £'000	Other securities £'000	Total £'000
Cost at 31 March 2005	493,272	173,500	190,175	113,741	970,688
Appreciation/(depreciation) at 31 March 2005	140,373	(9,545)	25,421	(693)	155,556
Valuation at 31 March 2005	633,645	163,955	215,596	113,048	1,126,244
Reclassifications	722	10,580	(11,302)	—	—
Additions	918,698	78,027	142,504	302,932	1,442,161
Disposals	(698,207)	(73,336)	(65,205)	(340,526)	(1,177,274)
Revaluation	229,290	31,551	97,844	(112)	358,573
Valuation at 31 March 2006	1,084,148	210,777	379,437	75,342	1,749,704
Cost at 31 March 2006	759,519	210,982	255,479	75,454	1,301,434
Appreciation/(depreciation) at 31 March 2006	324,629	(205)	123,958	(112)	448,270

Investment properties were valued at 31 March 2006 by Jones Lang LaSalle in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value.

Funds and partnerships comprise hedge funds, long equity funds and private equity partnerships. Other securities comprise government securities and investments in money market funds.

11. Investments (continued)

	Company				
	Quoted £'000	Unquoted and property £'000	Funds and partnerships £'000	Other securities £'000	Total £'000
Cost at 31 March 2005	483,271	153,733	167,016	113,741	917,761
Appreciation/(depreciation) at 31 March 2005	135,063	10,192	6,755	(693)	151,317
Valuation at 31 March 2005	618,334	163,925	173,771	113,048	1,069,078
Reclassifications	722	10,580	(11,302)	—	—
Additions	918,698	78,027	160,937	302,932	1,460,594
Disposals	(682,896)	(73,336)	(59,179)	(340,526)	(1,155,937)
Revaluation	229,290	31,581	92,894	(112)	353,653
Valuation at 31 March 2006	**1,084,148**	**210,777**	**357,121**	**75,342**	**1,727,388**
Cost at 31 March 2006	**759,519**	**191,215**	**253,348**	**75,454**	**1,279,536**
Appreciation/(depreciation) at 31 March 2006	**324,629**	**19,562**	**103,773**	**(112)**	**447,852**

The fair value of the portfolio investments as at 31 March 2005 has been restated in accordance with IFRS.

Unquoted investments:

During the year ended 31 March 2006, including the effect of currency movements, there were upward valuations of unquoted investments totalling £32.0 million (31 March 2005: £27.9 million) and reductions in value totalling £3.9 million (31 March 2005: £3.7 million). The more significant changes are summarised below:

Investment	Original cost £'000	Valuation at 31 March 2005 £'000	Additions £'000	Disposals £'000	Appreciation/ (depreciation) £'000	**Valuation at 31 March 2006 £'000**
Robin Hood Holdings	23,535	18,951	5,708	—	1,752	**26,411**
Harbourmaster	10,211	—	10,211	—	10,706	**20,917**
The Economist Newspaper	1,482	14,535	—	—	2,280	**16,815**
United America Indemnity	6,191	10,386	—	—	3,317	**13,703**
Access Point Medical	11,477	—	11,477	—	53	**11,530**
New NIB Partners LP	11,233	—	11,233	—	160	**11,393**
MessageLabs Group	4,800	8,200	—	—	2,150	**10,350**
Clearbrook	8,173	—	8,173	—	151	**8,324**
Eclipse Scientific	4,000	4,000	—	—	3,560	**7,560**
Cortiva Group	7,721	4,634	3,057	—	(657)	**7,034**
Fortress Investors	4,156	4,195	—	—	1,982	**6,177**
MGt	2,000	2,000	—	—	2,470	**4,470**
Esporta	7,715	12,700	—	(10,840)	(1,860)	**—**
Orthoworld	5,538	2,600	—	—	—	**2,600**

The original cost represents the acquisition cost of the relevant investment after taking account of additions and disposals during the year.

11. Investments (continued)

Details of investments in which the Group had an interest of 10% or more at 31 March 2006 of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

	Class of share capital	% Held	Aggregate capital and reserves £'000	Profit/(loss) after tax £'000
Listed Investments				
Blueheath	Ordinary Shares	14.7	11,580	(6,227)
PayPoint	Ordinary Shares	12.3	13,235	5,848
The World Trust Fund	Ordinary Shares	19.0	114,792	17,706
(incorporated in Luxembourg)				
Unlisted Investments				
Access Point Medical	B Preferred Shares	66.7	4,344	(5,275)
(incorporated in the USA)				
Atticus International	Class A Common Shares	62.2	148,732	26,359
(incorporated in the British Virgin Islands)				
Brant Point	Class A Shares	20.1	74,659	9,424
(incorporated in Bermuda)				
Cortiva Group	B Preferred Shares	44.4	12,022	(5,224)
(incorporated in the USA)	C Preferred Shares	50.0		
Cycladic Catalyst Fund	Founders A Shares	100.0	242,109	32,640
(incorporated in the Cayman Islands)				
Cycladic Capital (Cayman)	Ordinary Shares	35.0	1,485	2,041
(incorporated in the Cayman Islands)				
Cycladic Capital Management	Ordinary Shares	35.0	2,156	2,732
	Preference Shares	100.0		
Eclipse Scientific	Preference Shares	53.3	8,627	538
FVP Offshore III	Preference Shares	14.1	9,819	641
(incorporated in Bermuda)				
H-G Holdings	A Ordinary Shares	20.5	18,726	71
(incorporated in the USA)	B Ordinary Shares	21.1		
Harbourmaster Capital (Holdings)	B1 Ordinary Shares	24.6	5,120	11,060
(incorporated in Jersey)				
MessageLabs Group	A Preferred Shares	48.0	5,537	(3,640)
MGt	Ordinary Shares	13.3	3,925	1,876
Orthoworld	Ordinary Shares	43.0	5,528	21
Sofaer Capital Asian Hedge	Shares	30.1	47,022	6,036
(formed under the laws of the Cayman Islands)				
UK Specialist Hospitals	A Ordinary Shares	50.0	(1,604)	(1,602)
	A Preference Shares	50.0		
Vibration Technology	B Ordinary Shares	26.6	4,314	(2,353)
	D Ordinary Shares	18.7		
	F Ordinary Shares	28.2		

Unless otherwise stated, all of the above companies are incorporated in the UK. The Group also owns 66.7% of the participating shares of Ardsley Investments Ltd; this company was recently incorporated in Mauritius and has not yet produced its financial statements.

11. Investments (continued)

	% Held	Aggregate capital and reserves £'000	Profit/(loss) after tax £'000
Partnership Interests			
Blumberg Capital I (formed under the laws of Delaware, USA)	56.1	12,961	2,629
RR Capital Partners (formed under the laws of New York, USA)	16.7	40,244	8,453
Sandler Capital Partners V (formed under the laws of Delaware, USA)	10.3	76,686	8,921
SCI Asian Ventures (formed under the laws of the British Virgin Islands)	100.0	7,586	1,941
Tinicum Capital Partners (formed under the laws of Delaware, USA)	95.2	1,611	3,621
Tinicum Partners (formed under the laws of New York, USA)	22.8	68,348	8,375
21st Century Communications (formed under the laws of Delaware, USA)	42.8	933	(73)

In addition, the Group had a holding of 3% or more at 31 March 2006 in the following investments:

	Class of share capital	% Held
Listed Investments		
AXS-One	Common Stock	5.9
Champps Entertainment	Common Stock	4.6
Euromicron	Ordinary Shares	3.3
Fuel Technology	Common Stock	5.0
Galahad Gold	Ordinary Shares	4.6
Insignia Solutions	Common Stock	4.7
Jackspeed	Ordinary Shares	3.0
Medisana	Ordinary Shares	3.6
Xantrex Technology	Common Shares	7.3
Unlisted Investments		
The Economist Newspaper	Ordinary Shares	5.0
Esporta Group	B Ordinary Shares	6.3
Robin Hood Holdings	Ordinary Shares	8.5

The Directors do not consider that any of the portfolio investments held at fair value fall within the definition of associated or subsidiary undertakings as the Group does not exercise significant influence over their operating and financial policies.

12. Investments in Subsidiary Undertakings

	Shares £'000	Loans £'000	Total £'000
Cost at 31 March 2005	36,466	2,646	39,112
Additions	10,070	—	10,070
Disposals	(14,562)	—	(14,562)
Exchange movement in year	350	237	587
Cost at 31 March 2006	**32,324**	**2,883**	**35,207**

At 31 March 2006 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company. The Company owned 99% of the issued share capital of FPSH Coinvestment Fund II, LLC ("FPSH") which had a 31 December accounting reference date. The minority interests in the consolidated balance sheet related to the 1% of FPSH not held by the Company. The movement in the minority interests comprised 1% of the profit accruing to FPSH. FPSH was liquidated during the year.

The Company purchased a majority interest in Lighthouse Acquisitions LLP in April 2005 and this partnership was subsequently dissolved in September 2005.

Investments in group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 March 2006 will be annexed to the Company's next annual return.

Name	Issued share capital
Investment Holding	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 Ordinary Shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into 2 Ordinary Shares of £1 each
Administration and Services	
J. Rothschild Capital Management Limited	£6,250,001 divided into 6,250,000 Ordinary Shares of £1 each and one Special Share of £1 held by The J. Rothschild Name Company Limited
Investment Dealing	
RIT Capital Partners Securities Limited	£200,000 divided into 200,000 Ordinary Shares of £1 each (held by a subsidiary)

13. Property, Plant and Equipment

Group	Cost £'000	Depreciation £'000	Net book value £'000
Plant, equipment and vehicles			
At 31 March 2005	674	(460)	214
Additions	178	—	178
Disposals	(118)	73	(45)
Charge for depreciation	—	(111)	(111)
At 31 March 2006	**734**	**(498)**	**236**

14. Other Current Assets

	31 March 2006 Group £'000	31 March 2006 Company £'000	31 March 2005 Group £'000	31 March 2005 Company £'000
Trade debtors	3,242	2,912	1,963	1,417
Amounts owed by related parties (all trading balances)	386	292	228	103
Prepayments and accrued income	8,265	7,697	10,174	10,025
	11,893	10,901	12,365	11,545

Included in prepayments and accrued income is £5.4 million falling due after more than one year (31 March 2005: £8.1 million).

The Directors consider that the carrying amount of other receivables approximates their fair value.

Cash at bank comprises bank balances and cash held by the Group including short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Group's principal financial assets are its investment portfolio, bank balances and cash and other receivables, which represent the Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk and its exposure is spread over a number of counterparties.

15. Deferred Tax Asset

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

	Year ended 31 March 2006		Restated Year ended 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	8,736	7,065	6,928	5,875
(Charge)/credit to capital reserve	(6,924)	(5,899)	1,749	686
Credit to revenue reserve	558	719	59	504
Balance at end of year	2,370	1,885	8,736	7,065
Analysis of deferred tax asset:				
Unutilised tax losses	13,865	13,570	12,542	9,021
Deferred management fees	2,150	2,150	710	710
Long-term incentive plan	923	923	2,309	2,309
Pension contributions	510	—	772	—
Other timing differences	(313)	(324)	(3)	(3)
Unrealised profit on offshore funds	(13,732)	(13,732)	(6,750)	(4,268)
Accelerated capital allowances	(603)	(702)	(624)	(704)
Deferred tax re retirement benefit asset	(430)	—	(220)	—
Balance at end of year	2,370	1,885	8,736	7,065

The Group has revenue tax losses of £45.2 million (31 March 2005: £41.8 million) which are available for offset against future taxable profits (including profits on offshore hedge funds). The unrealised profits on such funds amounted to £45.8 million as at 31 March 2006 (31 March 2005: £22.5 million).

15. Deferred Tax Asset (continued)

The Company has investments in several offshore hedge funds which have an aggregate market value of £117.8 million as at 31 March 2006. The original cost of these investments was £73.2 million and the Company considers that the taxable profits which will be subsequently generated by the realisation of these investments will be greater than the amount of its revenue tax losses. Accordingly, the Company considers that it is appropriate to recognise the deferred tax asset in its financial statements.

The dealing subsidiary has tax losses amounting to £28.9 million at 31 March 2006 (31 March 2005: £10.9 million). No deferred tax asset has been recognised in respect of these losses because of uncertainty as to the timing and magnitude of future taxable profits arising from the same trade.

At the balance sheet date, the aggregate amount of potential deferred tax on temporary timing differences associated with the undistributed earnings of foreign subsidiaries for which deferred tax liabilities have not been recognised was £0.6 million (31 March 2005: £3.3 million). No liability has been recognised in respect of these differences because the Group is in position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

16. Dealing Investments

	31 March 2006		31 March 2005	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Unlisted investments	**2,645**	**—**	—	—

Dealing investments are stated at fair value.

17. Other Payables

	31 March 2006		31 March 2005	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Accruals and deferred income	**6,897**	**4,324**	8,348	4,059
Amounts payable to related parties	**1,009**	**1,009**	135	135
Other creditors	**2,167**	**984**	97	39
	10,073	**6,317**	8,580	4,233

The carrying value of the Group's other payables approximates their fair value.

18. Bank Loans Falling Due After More Than One Year

	31 March 2006		31 March 2005	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Unsecured loans repayable between 2-7 years not by instalments				
US$150 million repayable on 21 July 2008	**86,424**	**86,424**	79,304	79,304
Euro 150 million repayable on 1 August 2012	**104,533**	**104,533**	—	—
	190,957	**190,957**	79,304	79,304

The US$150 million loan bears a fixed rate of interest of 3.93% per annum. In August 2005 the Company completed a €150 million seven year loan at a variable interest rate equal to Euro LIBOR plus a margin of 0.70% per annum. At the same time, as part of its interest rate management strategy, the Company entered into an interest rate swap for a notional principal amount of €150 million maturing in 2012. Under this swap, the Company receives interest on a variable basis and pays interest fixed at a rate of 3.032% per annum.

19. Provisions for Liabilities and Charges

	Group				
	31 March 2005 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	**31 March 2006 £'000**
Nature of provision:					
Indemnity	2,000	103	—	(103)	**2,000**
Investments	2,963	7,365	(4)	(2,698)	**7,626**
Litigation	1,000	479	—	(479)	**1,000**
Property	250	—	—	—	**250**
Long-term incentive plan	8,090	7,235	—	(11,899)	**3,426**
	14,303	15,182	(4)	(15,179)	**14,302**

	Company				
	31 March 2005 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	**31 March 2006 £'000**
Nature of provision:					
Indemnity	2,000	103	—	(103)	**2,000**
Investments	2,963	7,365	(4)	(2,698)	**7,626**
Litigation	1,000	479	—	(479)	**1,000**
Long-term incentive plan	8,090	7,235	—	(11,899)	**3,426**
	14,053	15,182	(4)	(15,179)	**14,052**

Unless otherwise stated, it is anticipated that all of the above provisions will be settled more than twelve months after the balance sheet date.

Indemnity Provision

In 1991 the Company acquired an investment in Newmont Mining and at the same time effected a disposal of its indirect interest in Cavenham Forest Industries Inc ("CFI"). As part of these arrangements the Company indemnified the purchaser of CFI against certain ongoing costs being incurred by that company. The relevant indemnified costs are expected to be incurred between 2006 and 2027 and the indemnity provision has been based on the Company's share of the projected costs.

Investment Provision

The Company owns several investments which were acquired under arrangements whereby part of the profit eventually realised on their disposal would be paid to certain third parties. The provision has been computed by reference to the carrying value of the underlying investments. As at 31 March 2006, £0.3 million of this provision relates to the costs of certain individuals seconded from First Arrow Investment Management Limited (31 March 2005: £nil). It is expected that this provision of £0.3 million will be settled within the next twelve months.

Litigation

As mentioned in note 27, litigation proceedings are in process against the Company relating to its investment in H-G Holdings Inc. A provision of £1 million has been recognised for the estimated legal costs of defending the action which are likely to be incurred over the next one or two years.

Property

The Group has a short leasehold interest in a property which is being sub-let to a third party. The net income receivable is less than the annual outgoings and, based on a professional valuation, the Group has recognised a provision of £250,000 as at 31 March 2006 (31 March 2005: £250,000).

19. Provisions for Liabilities and Charges (continued)

Long-term Incentive Plan

This provision represents amounts accrued under a long-term incentive arrangement structured in the form of a Share Appreciation Rights Plan ("SAR"). In accordance with the rules of the plan, certain Directors and employees are entitled to a bonus calculated by reference to a notional number of shares in the Company. The bonus amount payable would be equal to the increase, since the date of grant of the relevant SARs, in the Company's share price multiplied by the notional number of shares, provided the relevant performance conditions are met; the provision also includes the corresponding employer's national insurance liability. The SAR can be exercised between the third and tenth anniversaries of the date of grant. The provision can be analysed by reference to the date of grant of the relevant SARs as set out below:

	31 March 2006 £'000	Restated 31 March 2005 £'000
Date of grant		
30 March 1999	—	4,724
22 March 2000	—	1,342
22 March 2002	—	110
26 March 2003	1,892	1,871
31 March 2003	441	247
12 August 2003	404	178
25 March 2004	153	42
30 March 2005	225	11
19 July 2005	672	—
30 August 2005	309	—
7 October 2005	50	—
17 March 2006	126	—
Intrinsic value of all SARs	4,272	8,525
Less: Adjustment required to compute the provision on the IFRS 2-basis	(846)	(435)
Carrying amount of SAR provision	3,426	8,090
Intrinsic value of those SARs which had vested as at 31 March	2,333	6,176

The Company has used a binomial option valuation model to estimate the fair value of the SARs. The inputs to the model included the following: expected volatility of 14%, dividends of 3.1p per share per annum, contractual life of ten years, and a risk-free interest rate of 4.5%. Expected volatility has been estimated based on relevant historic data in respect of RITCP's share price. The vesting requirements are set out in detail in the section headed Long-term Incentive Plan in the Directors' Remuneration Report on page 30. To allow for the effects of early exercise, it was assumed that the majority of the SARs, in terms of value, would be exercised three and a half years after the relevant vesting dates.

During the year ended 31 March 2006, the Company granted 721,770 SARs (31 March 2005: 58,784) and the weighted average fair value of those SARs was £3.41 (31 March 2005: £4.02). The Company recognised total expenses of £7.235 million (31 March 2005: £3.181 million) arising from the SAR long-term incentive plan.

20. Called Up Share Capital

	31 March 2006 £'000	31 March 2005 £'000
Authorised		
320 million Ordinary Shares of £1 each	320,000	320,000
Allotted, issued and fully paid		
156,178,167 Ordinary Shares of £1 each (31 March 2005: 156,178,167)	156,178	156,178

During the year ended 31 March 2005 the Company purchased 670,000 Ordinary Shares for cancellation, representing 0.4% of its share capital.

The Company has one class of ordinary shares which carry no right to fixed income.

21. Capital Redemption Reserve

	Year ended 31 March 2006		Year ended 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	33,978	33,978	33,308	33,308
Movement during the year	—	—	670	670
Balance at end of year	33,978	33.978	33,978	33,978

22. Capital Reserve

	Year ended 31 March 2006		Restated Year ended 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	914,206	887,707	771,085	764,541
Realised gains on disposal of investments	103,190	109,912	16,305	6,614
Movement on revaluation of investments held at the year end	358,573	353,652	129,733	120,262
Performance fees	(8,625)	(8,625)	(5,347)	(5,347)
Other capital items	(6,424)	(6,759)	4,866	4,622
Taxation	(7,946)	(5,899)	1,241	692
Total capital return	438,768	442,281	146,798	126,843
Cost of share buy-backs	—	—	(3,677)	(3,677)
Balance at end of year	1,352,974	1,329,988	914,206	887,707

Other capital items include profits arising on forward currency contracts, exchange movements and movements on provisions.

22. Capital Reserve (continued)

The balance on capital reserve at the end of the year can be further analysed as:

	31 March 2006		Restated 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Realised gains/(losses)				
Listed investments	768,780	751,663	645,539	636,088
Unlisted investments	295,816	277,890	245,167	231,210
	1,064,596	1,029,553	890,706	867,298
Other	(132,489)	(120,264)	(133,162)	(131,200)
	932,107	909,289	757,544	736,098
Unrealised gains/(losses)				
Listed investments	324,517	324,517	139,680	134,370
Unlisted investments	123,753	123,335	15,876	16,947
	448,270	447,852	155,556	151,317
Other	(27,403)	(27,153)	1,106	292
	420,867	420,699	156,662	151,609
Balance at end of year	1,352,974	1,329,988	914,206	887,707

23. Revenue Reserve

	Year ended 31 March 2006		Restated Year ended 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	8,812	7,853	19,768	11,688
Dividend paid	(4,842)	(4,842)	(4,862)	(4,862)
(Loss)/profit for the year	(16,579)	2,702	(6,094)	1,027
Balance at end of year	(12,609)	5,713	8,812	7,853

The Group's capital reserve includes an amount of £20.2 million which could be paid by way of a dividend to the Company and this amount would augment the distributable revenue reserves of the Company. As permitted by Section 230 of the Companies Act 1985, the Company has not published a separate income statement. The Company's revenue return after tax amounted to £2.7 million (31 March 2005: £1.0 million).

24. Foreign Currency Translation Reserve

	Year ended 31 March 2006		Restated Year ended 31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	(52)	—	—	—
Current year translation adjustment	165	—	(52)	—
Balance at end of year	113	—	(52)	—

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

25. Reconciliation of Consolidated Profit Before Finance Costs and Taxation to Cash Outflow from Operating Activities

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 Restated £'000
Profit before dividend and interest income, finance costs and taxation	411,773	123,447
Dividend income	17,306	8,630
Interest income	8,273	11,159
Profit before finance costs and taxation	437,352	143,236
Decrease/(increase) in other debtors	472	(2,267)
Increase in other creditors	1,493	1,415
(Increase)/decrease in dealing assets	(1,516)	4,140
Other movements	23,618	(4,217)
Purchase of investments held at fair value	(1,406,169)	(961,250)
Sale of investments held at fair value	1,269,694	953,357
Gains on investments held at fair value	(461,763)	(146,038)
Taxation paid	(1,382)	(860)
Interest paid	(7,260)	(3,285)
Net cash outflow from Operating Activities	(145,461)	(15,769)

Reconciliation of Parent Company Profit Before Finance Costs and Taxation to Cash Outflow from Operating Activities

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Profit before dividend and interest income, finance costs and taxation	433,572	111,178
Dividend income	17,387	8,680
Interest income	7,730	10,832
Profit before finance costs and taxation	458,689	130,690
Decrease/(increase) in other debtors	644	(3,510)
Increase/(decrease) in other creditors	2,084	(692)
Other movements	27,167	4,192
Purchase of investments held at fair value	(1,402,263)	(945,247)
Sale of investments held at fair value	1,236,182	931,760
Gains on investments held at fair value	(463,564)	(126,876)
Taxation paid	(1,239)	(687)
Interest paid	(7,305)	(3,274)
Net cash outflow from Operating Activities	(149,605)	(13,644)

Other movements comprise foreign exchange movements and movements on provisions.

26. Derivatives and Other Financial Instruments

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

- investments including equity and non-equity shares and fixed income securities which are held in accordance with the Group's investment objectives;
- cash, liquid resources and short-term debtors and creditors that arise directly from the Group's investment activities; and
- derivative transactions undertaken by the Group to manage market risks and currency risks.

The main risks arising from the Group's financial instruments are market price risk, foreign currency risk and interest rate risk. The identification, mitigation and monitoring of these risks is undertaken by the executive Directors under the authority of the Board.

Market Price Risk

Market price risk arises from uncertainty about the future value of the Group's investments. It represents the potential loss the Group might suffer through holding market positions as the result of price movements and movements in exchange rates.

At the same time, the risk that the value of a financial instrument might change as a result of changes in market prices is one that is fundamental to the Group's objective, which is to deliver long-term capital growth while preserving shareholders' capital. The Group's investment portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Group's objective.

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

Short-term exposure to movements in exchange rates, caused by the buying and selling of investments for future settlement, is mitigated through entering into forward contracts.

Foreign Currency Risk

The Group's profits and net assets could be significantly affected by currency movements as a substantial proportion of the Group's assets and liabilities is denominated in currencies other than Sterling.

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

Part of the Company's currency exposure in respect of its US dollar and Euro investments is effectively hedged by way of the Company's long-term borrowings denominated in those currencies.

Interest Rate Risk

The Group finances its operations mainly through its share capital and retained profits, including realised gains on investments. In addition, financing has been obtained through bank borrowings. The executive Directors continually monitor the Group's exposure to interest rate fluctuations and take appropriate action.

Changes in interest rates indirectly affect the fair value of the Group's investments in quoted and unquoted companies.

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

Credit and Investment Risk

The majority of the Group's assets comprise financial assets. Substantially all of the assets are subject to credit or investment risk. Exposure to any one entity is monitored by the executive Directors and senior management. The Company complies with the requirement of the relevant tax legislation for an investment trust not to invest more than 15% of the total value of its investments in the securities of any one group at the time of the initial acquisition, or subsequent purchase. Investments in unquoted companies are by their nature subject to potential credit losses. Liquid investments (cash and cash equivalents) are divided between a number of different financial institutions, each of whose credit rating is assessed. The credit risk from other instruments such as derivatives is assessed on a case by case basis.

26. Derivatives and Other Financial Instruments (continued)

Liquidity Risk

The Group has significant investments in unquoted companies and private equity partnerships which are inherently illiquid. The Group manages its liquid resources to ensure sufficient cash is available to meet its contractual commitments. The Company has the power, under its Articles of Association, to take out borrowings, both short and long-term. The Company currently has a £25 million uncommitted unsecured loan facility with one of its principal banks.

Currency exposure

A significant proportion of the Group's net assets is denominated in currencies other than Sterling. The currency exposure of the Group's net assets at the year end is set out below:

	Group		Company	
Currency	**31 March 2006 £'000**	31 March 2005 £'000	**31 March 2006 £'000**	31 March 2005 £'000
Sterling	**405,082**	509,299	**746,461**	815,143
US Dollar	**321,831**	83,592	**387,270**	102,638
Japanese Yen	**289,865**	103,710	**90,958**	49,260
Euro	**115,835**	93,661	**111,671**	33,403
Swiss Franc	**79,651**	65,396	**30,723**	16,157
Singapore Dollar	**57,835**	73,271	**4,327**	3,700
Taiwan Dollar	**58,032**	74,325	**4,751**	4,971
Canadian Dollar	**55,703**	32,266	**55,703**	16,953
Other	**150,862**	77,602	**98,055**	43,491
	1,534,696	1,113,122	**1,529,919**	1,085,716

The amounts shown above take into account the effect of forward currency contracts and other derivatives entered into.

Net fair values of derivative financial instruments

The net fair values of derivatives and designated cash flow hedges at the balance sheet date were:

	Group		Company	
Currency	**31 March 2006 £'000**	31 March 2005 £'000	**31 March 2006 £'000**	31 March 2005 £'000
Contracts with positive fair values:				
Interest rate swap (cash flow hedge)	**4,062**	—	**4,062**	—
Forward exchange currency contracts	**1,756**	7,853	**—**	7,853
Put options-market indices	**2,645**	—	**—**	—
Call options-market indicies	**14,200**	—	**14,200**	—
Contracts with negative fair values:				
Forward exchange currency contracts	**(9,466)**	(3,568)	**(9,055)**	—
Credit default swap	**(1,437)**	(349)	**—**	—
Index futures	**—**	(341)	**—**	(341)

Details of the interest rate swap are disclosed in Note 18. The gain of £4.062 million has been deferred in equity and this gain will reverse in the income statement during the next six years (being the life of the swap). The fair value of the swap is recognised as a non-current asset in the balance sheet.

The fair value of securities sold short by the dealing subsidiary as at 31 March 2006 amounted to £9.517 million (31 March 2005: £7.893 million). The losses which may be incurred on a short sale are theoretically unlimited, whereas losses from purchases cannot exceed the total amount invested.

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and the liability simultaneously.

26. Derivatives and Other Financial Instruments (continued)

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group at the year end is shown below:

	Group 31 March 2006			
Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	Total £'000
US Dollar	51,211	34,248	755,528	840,987
Euro	14,583	25,771	298,652	339,006
Sterling	18,484	20,640	233,688	272,812
Yen	4,311	—	104,895	109,206
Canadian Dollar	587	—	55,450	56,037
Swiss Franc	107	—	38,555	38,662
Other	8,662	—	120,524	129,186
	97,945	80,659	1,607,292	1,785,896
Add: Other non-interest bearing assets				62,666
Total assets per the consolidated balance sheet				1,848,562

The floating rate financial assets comprise short-term deposits, current accounts and investments in money market funds.

The US Dollar fixed rate financial assets include £17.2 million of US Treasury Bills earning interest at 2.75% per annum until June 2006 and £1.4 million of US Treasury Bills earning interest at 3.75% per annum until March 2007. In addition, there is £15.6 million of loan notes earning interest at 2% per annum until December 2028.

The Euro denominated fixed rate financial assets comprise £17.5 million of German Government Bonds earning interest at 4.25% per annum until August 2006 and a loan note of £8.3 million earning interest at 4% per annum.

The Sterling fixed rate financial assets include £10.1 million of UK Treasury Stock earning interest at 7.75% per annum until September 2006. In addition, there is £2.3 million of loan notes earning interest at 10% per annum which are redeemable in tranches on various dates between June 2006 and June 2010. The balance mainly comprises £4.0 million of convertible preference shares accruing a dividend of 8% per annum.

Other financial assets comprise equity shares and other instruments which neither pay interest nor have a maturity date.

	Group 31 March 2005			
Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	Total £'000
US Dollar	34,704	64,520	464,245	563,469
Euro	27,743	40,925	187,066	255,734
Sterling	20,047	23,772	143,588	187,407
Yen	3,106	—	46,640	49,746
Canadian Dollar	15	—	32,388	32,403
Swiss Franc	442	—	18,118	18,560
Other	2,654	—	61,198	63,852
	88,711	129,217	953,243	1,171,171
Add: Other non-interest bearing assets				67,590
Total assets per the consolidated balance sheet				1,238,761

The floating rate financial assets comprised short-term deposits, current accounts and investments in money market funds.

26. Derivatives and Other Financial Instruments (continued)

The US Dollar fixed rate financial assets included £53.3 million of US Treasury Bills earning interest of 2.25% per annum until April 2006, and £11.0 million of loan notes earning interest of 2% per annum until December 2028. The balance comprised £0.2 million of preference shares accruing a dividend of 0.9% per annum until April 2009.

The Euro denominated fixed rate financial assets mainly comprised £39.9 million of German Government Bonds; £19.4 million earning interest of 5% per annum until February 2006 and £20.5 million earning interest of 5% per annum until May 2005. They also included £1.0 million of zero coupon corporate bonds.

The Sterling fixed rate financial assets included £5.1 million of UK Treasury Stock; £2.7 million earning interest of 8.5% per annum until December 2005 and £2.4 million earning interest of 9.5% per annum until April 2005. They also included a secured loan note of £9.0 million earning interest of 12.5% per annum until December 2007, and an unsecured loan note of £14.9 million (valued at £3.7 million) earning interest of 10% per annum until December 2012. A further loan note of £1.9 million is included, earning interest of 10% per annum and is redeemable in tranches on various dates between June 2006 and June 2010. The balance comprised £4.0 million of convertible shares accruing a dividend of 8% per annum.

Other financial assets comprised equity shares and other instruments which neither paid interest nor had a maturity date.
The interest rate profile of the Company is shown below:

	31 March 2006			
Currency	**Floating rate financial assets £'000**	**Fixed rate financial assets £'000**	**Other financial assets £'000**	**Total £'000**
US Dollar	**41,620**	**34,248**	**733,212**	**809,080**
Euro	**5,600**	**25,771**	**298,652**	**330,023**
Sterling	**16,426**	**20,640**	**233,688**	**270,754**
Yen	**4,181**	**—**	**104,895**	**109,076**
Canadian Dollar	**587**	**—**	**55,450**	**56,037**
Swiss Franc	**—**	**—**	**38,555**	**38,555**
Other	**8,292**	**—**	**120,524**	**128,816**
	76,706	**80,659**	**1,584,976**	**1,742,341**
Add: Other non-interest bearing assets				**131,909**
Total assets per Company balance sheet				**1,874,250**

	31 March 2005			
Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	Total £'000
US Dollar	29,030	64,520	440,387	533,937
Euro	19,763	40,925	169,100	229,788
Sterling	18,081	23,772	143,558	185,411
Yen	3,108	—	46,640	49,748
Canadian Dollar	15	—	17,076	17,091
Swiss Franc	4	—	18,118	18,122
Other	1,524	—	61,198	62,722
	71,525	129,217	896,077	1,096,819
Add: Other non-interest bearing assets				130,389
Total assets per Company balance sheet				1,227,208

26. Derivatives and Other Financial Instruments (continued)

Fair values of financial liabilities

	Group and Company			
	31 March 2006 Book value £'000	31 March 2006 Fair value £'000	31 March 2005 Book value £'000	31 March 2005 Fair value £'000
Long-term borrowings	190,957	214,675	79,304	86,202

Fair values other financial liabilities

	Group			
Short-term borrowings	67,244	67,244	7,829	7,829
Securities sold short	9,517	9,517	7,893	7,893
Purchases for future settlement	21,442	21,442	7,596	7,596
Tax payable	331	331	—	—
Other payables	10,073	10,073	8,580	8,580
	108,607	108,607	31,898	31,898

Short-term borrowings are denominated in a number of currencies and bear interest rates based on LIBOR or other equivalents appropriate to the relevant currency of the borrowing.

The short-term borrowings and the other short-term financial liabilities have a maturity of less than twelve months and the fair values are assumed to approximate to their book values. In the case of long-term borrowings due in more than one year, for disclosure purposes the fair values have been estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

Details of the maturity dates of the long-term borrowings are set out in Note 18.

The fair value of the Company's other financial liabilities are assumed to approximate to their book values.

27. Contingencies, Guarantees and Financial Commitments

Contingencies, guarantees and financial commitments which have not been provided for are as follows:

	31 March 2006		31 March 2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Commitments to provide additional funds (principally private equity partnerships)	120,285	120,285	71,298	71,298

In November 1997 proceedings were issued in the New York Courts against a total of ten defendants, including the Company, by Richbell Information Services Inc. ("RIS") and certain connected entities. The proceedings relate to the Company's investment in H-G Holdings Inc. and a loan made to RIS by the Company's wholly-owned subsidiary, Atlantic and General Investment Trust Limited ("AGIT"). The claim against all of the defendants was for approximately US$240 million. On 15 March 2002 the New York Court dismissed the proceedings in their entirety at their initial stage for failure to state a claim upon which relief could be granted. On 1 April 2002 the plaintiffs filed an appeal against that dismissal. On 23 September 2003 the New York Appellate Court affirmed the dismissal of the proceedings as to thirty causes of action included in the claim and as to AGIT. The New York Appellate Court reinstated three of the causes of action as to seven of the defendants, including the Company, and referred the matter back to the New York Court for further proceedings with respect to those three causes of action.

Based upon legal advice received, the Directors do not believe that the proceedings will have a material effect on the financial position of the Company.

28. Pension Commitments

J. Rothschild Capital Management Limited has pension commitments in respect of its participation in the RITCP Pension and Life Assurance Scheme. The Scheme has two parts: a defined benefit section which is closed to new members and money purchase arrangements which have been set up for Lord Rothschild. The assets of the Scheme are held in a separate trustee administered fund.

The Group has adopted the revised version of International Accounting Standard 19, Employee Benefits ("IAS 19"), published in December 2004. Actuarial gains and losses are recognised in full in the income statement in the period 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. The cost of providing benefits is determined using the projected unit method.

The employer contribution rate to the Scheme for the period from 1 April 2005 to 31 December 2005 was 35% of pensionable salaries and the rate was increased to 47% for the period from 1 January 2006 to 31 March 2006. The corresponding rate for the previous year was 35%. A special contribution of £3.4 million was made in March 2005 to extinguish the deficit in the Scheme at that time. The funding rate in respect of the money purchase scheme was 20% of pensionable salary up to 31 December 2005 and the funding of this section of the Scheme was discontinued thereafter by mutual agreement (31 March 2005: 20%). No changes have been made to these funding rates to date.

Two members opted out of the Scheme in respect of pensionable service after 5 April 2006 and, accordingly, it is estimated that the contributions payable to the Scheme during the year ending 31 March 2007 will be reduced to £0.2 million (31 March 2006: £0.3 million). Since the defined benefit Scheme is closed to new entrants, the service cost as a percentage of pensionable salary, calculated using the projected unit method, is expected to increase as the current membership approaches retirement.

In accordance with the requirements of IAS 19 this note discloses the main financial assumptions made in valuing the liabilities of the defined benefit scheme and the fair value of the assets held. The full actuarial valuation of the scheme which was carried out as at 1 January 2005 was updated to 31 March 2006 by a qualified independent actuary.

The main financial assumptions are shown in the following tables:

	At 31 March 2006	At 31 March 2005
Discount rate	4.90%	5.40%
Rate of increase in salaries	4.25%	4.25%
Rate of increase in payment of all pensions	4.00%	4.00%
Inflation assumption	3.00%	2.90%

The mortality assumptions employed as at 31 March 2006 are based on the tables set out below and include allowance for future improvements in life expectancy (by projecting past improvement rates to calendar year 2030 for current active members and deferred pensioners, and to calendar year 2010 for current pensioners).

Member status	Pre-Retirement	Post-Retirement
Active	AM 92(males) /AF 92(females)	PMA92C30(males) /PMA92C30(females)
Deferred	AM 92(males) /AF 92(females)	PMA92C30(males) /PMA92C30(females)
Pensioners	N/A	PMA92C10(males) /PMA92C10(females)

It is assumed that 70% of members are married as at the date of death.

As at 31 March 2006, the expected rate of return on the Scheme's assets was 8.9% per annum (31 March 2005: 7.4% per annum). This rate is equal to the weighted average of the long-term expected rates of return on each of the asset classes that the Scheme was invested in at 31 March 2006.

28. Pension Commitments (continued)

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

	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006 £'000	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005 £'000
Equities	9.00%	10,304	9.00%	4,978
Alternative investments	9.00%	2,907	9.00%	2,489
Corporate bonds	5.25%	322	5.25%	126
Cash	4.00%	145	4.00%	3,493
Fair value of the Scheme's assets		13,678		11,086
Present value of the Scheme's liabilities		(12,245)		(10,352)
Surplus in the Scheme		1,433		734

The fair value of the assets of the defined contribution section of the Scheme, representing investments providing money purchase benefits, together with the related liabilities, have both been excluded from the figures disclosed above. As at 31 March 2006, these assets and liabilities amounted to £5.153 million (31 March 2005: £7.068 million).

The defined benefit section of the Scheme does not invest in the Company's ordinary shares (31 March 2005: nil) or in any property occupied by the Group, or any other assets used by the Group (31 March 2005: nil). The money purchase section of the Scheme held ordinary shares in the Company valued at £0.7 million as at 31 March 2006 (31 March 2005: £0.5 million).

The (credit)/expense for retirement benefit costs comprise the following:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Defined benefit scheme		
Employer's current service cost	397	409
Interest on pension liabilities	571	576
Expected return on Scheme assets	(818)	(602)
Actuarial gains	(548)	(558)
	(398)	(175)
Money purchase scheme	54	68
Personal pension schemes	235	181
Total (credit)/expense recognised in the income statement	(109)	74

The above (credit)/expense is included in administrative expenses in the income statement. The actual return on Scheme assets was £2.6 million (31 March 2005: £0.6 million).

Five year history

	31 March 2006 £'000	31 March 2005 £'000	31 March 2004 £'000	31 March 2003 £'000	31 March 2002 £'000
Fair value of the Scheme's assets	13,678	11,086	6,890	4,805	5,498
Present value of the Scheme's liabilities	(12,245)	(10,352)	(10,263)	(9,924)	(7,878)
Surplus/(deficit) in the Scheme	1,433	734	(3,373)	(5,119)	(2,380)

28. Pension Commitments (continued)

The analysis of experience gains and losses is as follows:

	31 March 2006 £'000	31 March 2005 £'000	31 March 2004 £'000	31 March 2003 £'000
Experience gains/(losses) on Scheme liabilities	157	705	164	(263)
Experience gains/(losses) on Scheme assets	1,775	12	1,119	(1,893)

The corresponding information in respect of 2002 is not available.

Reconciliation of fair value of the Scheme's assets	31 March 2006 £'000	31 March 2005 £'000
Opening fair value of the Scheme's assets	11,086	6,890
Expected return on Scheme assets	818	602
Actuarial gains	1,775	12
Employer's contributions	301	3,932
Benefits paid	(230)	(286)
Other disbursements	(72)	(64)
Closing fair value of the Scheme's assets	13,678	11,086

Reconciliation of the present value of the defined benefit obligation	31 March 2006 £'000	31 March 2005 £'000
Opening defined benefit obligation	10,352	10,263
Employer's current service cost	397	409
Interest on pension liabilities	571	576
Experience gains arising on Scheme liabilities	(157)	(705)
Changes in assumptions underlying the Scheme liabilities	1,384	159
Benefits paid	(230)	(286)
Other disbursements	(72)	(64)
Opening defined benefit obligation	12,245	10,352

29. Related Party Transactions

In this note, individuals and entities associated with Lord Rothschild and Mr Nathaniel Rothschild are referred to as J. Rothschild related parties.

Lord Rothschild

In the normal course of its business, the Company and its subsidiaries have entered into a number of transactions with J. Rothschild related parties. As described more fully on page 18, the Company has entered into a cost-sharing agreement with First Arrow Investment Management Limited ("FAIM"), an entity controlled by Lord Rothschild and his family interests and which manages his family's and some third party investments. The cost of the services provided by FAIM during the year ended 31 March 2006 was £1,587,660 (year ended 31 March 2005: £nil). The balance of this amount that remained payable to FAIM at 31 March 2006 was £949,449 (31 March 2005: £nil).

In addition, certain individuals were seconded from FAIM to the Company during the year and the employment cost of these individuals amounted to £1,525,904 (year ended 31 March 2005: £264,916). The balance of this amount that remained payable to FAIM at 31 March 2006 was £367,161 (31 March 2005: £nil).

J. Rothschild related parties occupy office space in St James's Place, which is owned by the Company or leased by a subsidiary of the Company. The rent, rates and services charged by the Company and its subsidiary for the year ended 31 March 2006 amounted to £96,711 (year ended 31 March 2005: £114,880) and £442,190 (year ended 31 March 2005: £294,511) respectively.

29. Related Party Transactions (continued)

During the year, a subsidiary of the Company contributed £47,372 in respect of rent, rates and services towards the cost of the Chairman's office which is located in a property owned by J. Rothschild related parties (year ended 31 March 2005: £41,061).

The Group provides a number of services to J. Rothschild related parties. These include IT support and other general office services for which a subsidiary of the Company has charged £147,340 to the J. Rothschild related parties during the year ended 31 March 2006 (year ended 31 March 2005: £120,699).

Mr Nathaniel Rothschild

The following related party transactions occurred in respect of Mr Nathaniel Rothschild.

J. Rothschild related parties occupy office space at 27 St James's Place, which is owned by the Company. The rent, rates and services charged by the Company for the year ended 31 March 2006 amounted to £149,705 (year ended 31 March 2005: £199,497).

The Company's related party transactions with Atticus International, Ltd, an offshore fund, are described on page 19, in view of Nathaniel Rothschild's interest in Atticus Capital LP, the investment manager of this fund.

The amounts owing by and to the J. Rothschild related parties at the year end are disclosed in Notes 14 and 17 respectively.

Other

Other related party transactions are disclosed on pages 18 and 19 of the Directors' Report.

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

Subsidiary Companies

J. Rothschild Capital Management Limited, a wholly-owned subsidiary of the Company, provides administrative services to the Company and is also its corporate secretary. During the year ended 31 March 2006, the charge for these administrative services amounted to £4.958 million (year ended 31 March 2005: £9.012 million).

Another wholly-owned subsidiary, Atlantic and General Investment Trust Limited, transferred several investments at their market value of £42.666 million to the Company during the year (31 March 2005: £nil).

The Company has provided a guarantee to a bank in respect of the bank borrowings and other indebtedness of its wholly-owned subsidiary, RIT Capital Partners Securities Limited. There was no relevant indebtedness at 31 March 2006 (31 March 2005: £nil).

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

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	31 March 2006 £'000	31 March 2005 £'000	**31 March 2006 £'000**	31 March 2005 £'000
RIT Capital Partners Securities Limited	39,860	11,959	—	—
Atlantic and General Investment Trust Limited	—	15,033	(27,678)	—
J. Rothschild Capital Management Limited	—	—	(10,370)	(9,321)
RIT Capital Partners Associates Limited	—	—	(3,136)	(3,267)
RIT Capital Partners Media Inc.	—	—	(2,680)	(2,404)
FPSH Coinvestment Fund II,LLC	—	—	—	(13,257)
Other	—	—	(620)	(723)
	39,860	26,992	(44,484)	(28,972)

Additional loans to subsidiaries are disclosed in Note 12; these mainly comprise amounts due from RIT Capital Partners Associates Limited.

29. Related Party Transactions (continued)

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 28. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 March 2006 (31 March 2005: £nil)

Directors and key management personnel

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

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Salaries	**1,222**	974
Bonus	**1,109**	786
Benefits in kind	**86**	73
Long-term incentive plan (IFRS 2 basis)	**6,099**	2,689
Pension expense	**986**	282
	9,502	4,804

In the case of members of the defined benefit pension scheme, the pension cost is represented by the increase in the transfer value of the pension rights during the year. For defined contribution members, the cost is equal to the annual amount of the employer's pension contribution.

30. Restatement of Consolidated Balances as at 31 March 2005

(a) Restatement of consolidated balances as at 31 March 2005

On 1 April 2005 the Group adopted International Financial Reporting Standards. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, the following analysis shows a reconciliation of net assets and profit as previously reported under the applicable UK Accounting Standards and the SORP as at 31 March 2005 to the restated net assets and profit under IFRS as reported in these financial statements.

	Notes	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Non-current assets				
Investments held at fair value	1	1,101,857	(1,102)	1,100,755
Investment property		25,489	—	25,489
Property, plant and equipment		214	—	214
Retirement benefit asset	2	—	734	734
Deferred tax asset	3	—	8,736	8,736
		1,127,560	8,368	1,135,928
Current assets				
Sales for future settlement		20,026	—	20,026
Other receivables		12,365	—	12,365
Tax receivable		26	—	26
Deferred tax asset	3	9,205	(9,205)	—
Cash at bank		70,416	—	70,416
		112,038	(9,205)	102,833
Total assets		1,239,598	(837)	1,238,761
Current liabilities				
Bank loans and overdrafts		(7,829)	—	(7,829)
Securities sold short	1	(7,879)	(14)	(7,893)
Purchases for future settlement		(7,596)	—	(7,596)
Other payables		(8,580)	—	(8,580)
Proposed dividend	4	(4,842)	4,842	—
		(36,726)	4,828	(31,898)
Net current assets		75,312	(4,377)	70,935
Total assets less current liabilities		1,202,872	3,991	1,206,863
Non-current liabilities				
Bank loans		(79,304)	—	(79,304)
Provisions	5	(14,738)	435	(14,303)
		(94,042)	435	(93,607)
Pension asset	2	514	(514)	—
Net assets		1,109,344	3,912	1,113,256
Equity attributable to equity holders				
Called up share capital		156,178	—	156,178
Capital redemption reserve		33,978	—	33,978
Foreign currency translation reserve	6	—	(52)	(52)
Capital reserve-realised		757,544	—	757,544
Capital reserve-unrealised	1,5	157,578	(916)	156,662
Revenue reserve	1,4,6	3,932	4,880	8,812
Total shareholders' equity		1,109,210	3,912	1,113,122
Minority interest in equity		134	—	134
Total equity		1,109,344	3,912	1,113,256

Notes to the reconciliation:

1. Quoted investments are designated as held at fair value under IFRS and are carried at bid prices whereas previously, under UK GAAP, they were carried at mid prices.The aggregate difference is a downward revaluation of £1.1 million and this also decreases retained earnings by the same amount.
2. In accordance with UK GAAP, the retirement benefit asset was previously disclosed in the balance sheet net of attributable deferred taxation. The rules contained in IAS 19, Employee benefits, now require the deferred taxation to be recorded separately. In addition, actuarial gains and losses were previously recorded in the Consolidated Statement of Total Recognised Gains and Losses: under IAS 19, these items are now recognised in the Consolidated Income Statement.
3. The deferred tax asset was previously included in current assets. In accordance with IFRS, it has now been reclassified as a non-current asset and the restated amount now includes the deferred tax liability attributable to the retirement benefit asset. The deferred tax balance has also been reduced because of a reduction in the SAR provision referred to below.
4. Under UK company law, companies were required to provide for their proposed dividend in advance of the dividend being declared and approved at the Annual General Meeting. Under IAS 37, Provisions, contingent liabilities and contingent assets, the proposed dividend can no longer be provided for in the year end balance sheet since, at that date, the dividend did not represent a liability of the Company. At 31 March 2005 accrued dividends of £4.8 million were removed from other liabilities.
5. Under IFRS 2, Share-based payment, a charge is required for all share-based payments which includes the long-term incentives provided under the Company's Share Appreciation Rights Plan ("SARs").The charge in the Consolidated Income Statement is now based on the difference between the fair value of the SARs from one balance sheet date to the next. Under UK GAAP, the profit and loss charge was based on the difference between the exercise price and the market price of RITCP's shares at the relevant balance sheet date.
6. In accordance with IFRS, a foreign currency translation reserve has now been recognised in respect of the exchange movements arising on consolidation since 31 March 2004.

(b) Reconciliation of the Statement of Total Return to the Consolidated Income Statement for the year ended 31 March 2005

Under IFRS, the Consolidated Income Statement is the equivalent of the Consolidated Statement of Total Return reported previously.

	Notes	2005 £'000	Earnings per share (impact in pence)
Total transfer to reserves per the Consolidated Statement of Total Return		138,267	
Add back dividends paid and proposed	1	4,842	—
Investments held at fair value changed from mid to bid basis at 31 March 2004	2	(693)	(0.4)
Investments held at fair value changed from mid to bid basis at 31 March 2005	2	(1,116)	(0.7)
Adjustment to SAR provision	3	30	—
Actuarial gain on pension scheme	4	558	0.4
Deferred tax adjustment attributable to the above	5	(1,184)	(0.8)
Net profit per the Consolidated Income Statement		140,704	(1.5)

Notes to the reconciliation:

1. Ordinary dividends declared and paid during the period are dealt with through the Consolidated Statement of Changes in Equity.
2. The investment portfolios are required to be valued at fair value under IFRS. In previous periods certain discounts were applied to the valuation of some quoted investments to take account of their illiquidity: these discounts have now been removed in accordance with IAS 39. The restated values differ from the previous valuations by £0.7 million and £1.1 million respectively.
3. As mentioned above, the charge in respect of the SAR incentive plan has been reduced pursuant to the new IFRS 2 accounting treatment.
4. The actuarial gain on the pension scheme was previously recorded in the Consolidated Statement of Recognised Gains and Losses.
5. This adjustment comprises the aggregate of the deferred tax adjustment relating to the SARs provision and the movement in deferred tax relating to the pension scheme (which was previously recorded in the Consolidated Statement of Recognised Gains and Losses).

31. Summary Reconciliation of the Change in Consolidated Equity at 1 April 2004

	Notes	1 April 2004 £'000
UK GAAP equity (as previously reported)		975,389
Proposed dividend	1	4,862
Investments held at fair value changed from mid to bid basis	2	693
Adjustment to SAR provision	3	405
Reduction in deferred tax asset arising from the change to the SAR provision	4	(297)
IFRS – increase in equity		5,663
IFRS equity		981,052

Notes to the reconciliation:

1. Under UK company law, companies were required to provide for their proposed dividend in advance of the dividend being declared and approved at the Annual General Meeting. Under IAS 37, the dividend cannot be provided for in the year end balance sheet since, at that date, the dividend did not represent a liability. Accrued dividends of £4.9 million have therefore been removed from other liabilities as at 31 March 2004.
2. Quoted investments are designated as held at fair value under IFRS and are carried at bid prices whereas previously, under UK GAAP, they were carried at mid prices. As at 31 March 2004, certain discounts were applied to the valuation of some quoted investments to take account of their illiquidity: these discounts have therefore been removed in accordance with IAS 39. The aggregate difference was an upward revaluation of £0.7 million and this also increased equity by the same amount.
3. Under IFRS 2, Share-based payment, a charge is required for all share-based payments which includes the long-term incentives provided under the Company's Share Appreciation Rights Plan ("SARs"). The SAR provision is now based on the fair value of the SARs using a binomial option valuation model whereas previously the provision was calculated by reference to the difference between the exercise price and the market price of RITCP's shares at the balance sheet date.
4. The deferred tax attributable to the SARs is calculated by reference to their intrinsic value (amortised as appropriate during the term of the three year vesting period).The reduction in the deferred tax asset at 31 March 2004 amounted to £0.3 million.

32. Consolidated Cash Flow Reconciliations

Reconciliation of the Consolidated Cash Flow Statement for the year ended 31 March 2005

	Notes	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Cash outflow from operating activities	1	(3,731)	(12,038)	(15,769)
Servicing of finance	1	(3,285)	3,285	—
Taxation	1	(860)	860	—
Net cash inflow from financial investment	1	51,970	(51,970)	—
Net cash outflow from capital expenditure		(62)	—	(62)
Equity dividend paid	2	(4,862)	4,862	—
Net cash inflow before management of liquid resources and financing		39,170	(55,001)	(15,831)
Net cash inflow from management of liquid resources	3	(63,310)	63,310	—
Net cash outflow from financing	2	(3,586)	(4,862)	(8,448)
Decrease in cash	4	(27,726)	3,447	(24,279)

Notes to the reconciliation:

1. Bank interest paid, tax paid and the cash flows from investments (excluding money market funds) have now been analysed within operating activities.
2. Ordinary dividends paid are now analysed within financing.
3. The cash flows arising from the purchase and sale of government securities are now analysed within operating activities.
4. This adjustment represents the inclusion of money market funds in cash and cash equivalents.

33. Restatement of Parent Company Balances as at 31 March 2005

Restatement of parent company balances as at 31 March 2005

On 1 April 2005 the Group adopted International Financial Reporting Standards. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, the following analysis shows a reconciliation of net assets as previously reported under the applicable UK Accounting Standards and the SORP as at 31 March 2005 to the restated net assets under IFRS as reported in these financial statements.

	Notes	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Non-current assets				
Investments held at fair value	1	1,044,691	(1,102)	1,043,589
Investment property		25,489	—	25,489
Investments in subsidiary undertakings		39,112	—	39,112
Deferred tax asset	2	—	7,065	7,065
		1,109,292	5,963	1,115,255
Current assets				
Amounts owed by group undertakings		26,992	—	26,992
Sales for future settlement		20,002	—	20,002
Other receivables		18,859	(7,314)	11,545
Tax receivable	2	184	—	184
Cash at bank		53,230	—	53,230
		119,267	(7,314)	111,953
Total assets		1,228,559	(1,351)	1,227,208
Current liabilities				
Bank loans and overdrafts		(7,829)	—	(7,829)
Purchases for future settlement		(7,101)	—	(7,101)
Other payables		(4,233)	—	(4,233)
Amounts owed to group undertakings		(28,972)	—	(28,972)
Proposed dividend	3	(4,842)	4,842	—
		(52,977)	4,842	(48,135)
Net current assets		66,290	(2,472)	63,818
Total assets less current liabilities		1,175,582	3,491	1,179,073
Non-current liabilities				
Bank loans		(79,304)	—	(79,304)
Provisions	4	(14,488)	435	(14,053)
		(93,792)	435	(93,357)
Net assets		1,081,790	3,926	1,085,716
Equity attributable to equity holders				
Called up share capital		156,178	—	156,178
Capital redemption reserve		33,978	—	33,978
Capital reserve-realised		736,098	—	736,098
Capital reserve-unrealised	1,4	152,525	(916)	151,609
Revenue reserve	1,3	3,011	4,842	7,853
Total shareholders' equity		1,081,790	3,926	1,085,716

33. Restatement of Parent Company Balances as at 31 March 2005 (continued)

Notes to the reconciliation:

1. Quoted investments are designated as held at fair value under IFRS and are carried at bid prices whereas previously, under UK GAAP, they were carried at mid prices.The aggregate difference is a downward revaluation of £1.1 million and this also decreases retained earnings by the same amount.
2. The deferred tax asset was previously included in current assets. In accordance with IFRS, it has now been reclassified as a non-current asset. The deferred tax balance has also been reduced because of a reduction in the SAR provision referred to below.
3. Under UK company law, companies were required to provide for their proposed dividend in advance of the dividend being declared and approved at the Annual General Meeting. Under IAS 37, the proposed dividend can no longer be provided for in the year end balance sheet since, at that date, the dividend did not represent a liability of the Company. At 31 March 2005 accrued dividends of £4.8 million were removed from other liabilities.
4. Under IFRS 2, Share-based payment, a charge is required for all share-based payments which includes the long-term incentives provided under the Company's Share Appreciation Rights Plan ("SARs").The charge in the Consolidated Income Statement is now based on the difference between the fair value of the SARs from one balance sheet date to the next. Under UK GAAP, the profit and loss charge was based on the difference between the exercise price and the market price of RITCP's shares at the relevant balance sheet date.

34. Summary Reconciliation of the Change in Parent Company Equity at 1 April 2004

	Notes	1 April 2004 £'000
UK GAAP equity (as previously reported)		960,714
Proposed dividend	1	4,862
Investments held at fair value changed from mid to bid basis	2	701
Adjustment to SAR provision	3	405
Reduction in deferred tax asset arising from the change to the SAR provision	4	(297)
IFRS – increase in equity		5,671
IFRS equity		966,385

Notes to the reconciliation:

1. Under UK company law, companies were required to provide for their proposed dividend in advance of the dividend being declared and approved at the Annual General Meeting. Under IAS 37, the dividend cannot be provided for in the year end balance sheet since, at that date, the dividend did not represent a liability. Accrued dividends of £4.9 million have therefore been removed from other liabilities as at 31 March 2004.
2. Quoted investments are designated as held at fair value under IFRS and are carried at bid prices whereas previously, under UK GAAP, they were carried at mid prices. As at 31 March 2004, certain discounts were applied to the valuation of some quoted investments to take account of their illiquidity: these discounts have therefore been removed in accordance with IAS 39. The aggregate difference was an upward revaluation of £0.7 million and this also increased equity by the same amount.
3. Under IFRS 2, Share-based payment, a charge is required for all share-based payments which includes the long-term incentives provided under the Company's Share Appreciation Rights Plan ("SARs"). The SAR provision is now based on the fair value of the SARs using a binomial option valuation model whereas previously the provision was calculated by reference to the difference between the exercise price and the market price of RITCP's shares at the balance sheet date.
4. The deferred tax attributable to the SARs is calculated by reference to their intrinsic value (amortised as appropriate during the term of the three year vesting period).The reduction in the deferred tax asset at 31 March 2004 amounted to £0.3 million.

Historical Information

	Diluted net assets £'000	Diluted net assets per share p	Mid-market share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 August 1988	280,522	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344,356	134.2	114.0	(15.1)	29.3	1.65
31 March 1990	333,996	131.0	97.0	(26.0)	(2.5)	2.64
31 March 1991	317,985	131.7	92.0	(30.1)	0.7	2.44
31 March 1992	305,502	140.7	85.2	(39.4)	6.6	1.15
31 March 1993	385,884	181.1	117.0	(35.4)	40.5	1.15
31 March 1994	468,567	221.6	171.0	(22.8)	41.5	1.51
31 March 1995	450,170	213.4	174.0	(18.5)	(8.1)	1.58
31 March 1996	560,752	283.2	223.0	(21.3)	63.3	1.65
31 March 1997	586,066	303.5	242.5	(20.1)	17.2	1.82
31 March 1998	737,487	384.1	327.0	(14.9)	81.5	2.00
31 March 1999	759,674	398.6	341.0	(14.5)	14.6	2.20
31 March 2000	811,386	509.0	439.0	(13.8)	100.2	3.10
31 March 2001	759,774	484.3	436.5	(9.9)	(28.8)	3.10
31 March 2002	758,275	483.4	424.5	(12.2)	2.2	3.10
31 March 2003	674,705	430.2	371.5	(13.6)	(50.2)	3.10
31 March 2004	981,052	628.2	577.5	(8.1)	195.9	3.10
31 March 2005	1,113,122	712.7	694.0	(2.6)	90.0	3.10
31 March 2006	**1,534,696**	**982.7**	**1,020.0**	**3.8**	**270.3**	**3.10**

Notes:

1. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
2. Prior to 31 March 2000, the diluted net assets were arrived at on the assumption that all convertible stock was converted at the balance sheet date.
3. The earnings per share is the fully diluted earnings per share, based on the profit after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted earnings per share exceeded the undiluted earnings per share the latter figure has been shown in accordance with standard accounting practice.
4. The figures for 2004 and 2005 have been restated following the adoption of International Financial Reporting Standards. Figures calculated in accordance with IFRS for the earlier reporting dates are not available. The earnings per share figure for the year ended 31 March 2004 has not been adjusted.

Shareholder Information

Analysis of Ordinary Shareholders

As at 31 March 2006 the Company's ordinary share capital was held as follows:

	Holders	%	Shares held	%
Analysis by category				
Individuals	9,046	74.22	16,973,894	10.87
Insurance Companies	56	0.46	821,049	0.53
Banks and Nominees	2,354	19.30	127,723,539	81.78
Investment Trusts	64	0.53	6,496,398	4.16
Pension Funds	12	0.10	52,954	0.03
Other Corporate Bodies	656	5.39	4,110,333	2.63
Totals	**12,188**	**100.00**	**156,178,167**	**100.00**

	Holders	%	Shares held	%
Analysis by numbers of shares				
1 – 9	81	0.66	287	0.00
10 – 49	272	2.23	8,116	0.00
50 – 99	301	2.46	22,455	0.01
100 – 499	2,504	20.54	749,935	0.48
500 – 999	2,558	20.99	1,848,801	1.18
1,000 – 1,999	2,850	23.38	3,953,712	2.54
2,000 – 2,999	1,292	10.60	3,060,393	1.97
3,000 – 3,999	638	5.24	2,159,381	1.38
4,000 – 4,999	382	3.14	1,671,287	1.07
5,000 – 9,999	660	5.43	4,394,861	2.81
10,000 –24,999	333	2.74	4,886,406	3.13
25,000 –49,999	109	0.89	3,825,106	2.45
50,000 –99,999	76	0.62	5,130,233	3.28
100,000 and above	132	1.08	124,467,194	79.70
Totals	**12,188**	**100.00**	**156,178,167**	**100.00**

Financial Calendar

Announcement of final results for the year ended 31 March 2006	30 May 2006
Annual General Meeting	13 July 2006
Payment of dividend on ordinary shares Final dividend of 3.1 pence	19 July 2006 to shareholders on the register at 16 June 2006

Annual General Meeting

Notice is hereby given that the Annual General Meeting of RIT Capital Partners PLC will be held at The Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS on 13 July 2006 at 11.00 a.m. Gentlemen attending are requested to wear a jacket and tie in order to comply with the rules of The Royal Automobile Club. The meeting will be held for the following purposes:

Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions, each of which is proposed as an ordinary resolution:

1. To approve the Directors' Report and Accounts for the year ended 31 March 2006;
2. To approve the Directors' Remuneration Report for the year ended 31 March 2006;
3. To declare a final dividend of 3.1p per ordinary share;
4. To re-elect Charles Bailey as a Director;
5. To re-elect Mikael Breuer-Weil as a Director;
6. To re-elect David Haysey as a Director;
7. To re-elect Christopher Hohn as a Director;
8. To re-elect Andrew Knight as a Director;
9. To re-elect Baron Lambert as a Director;
10. To re-elect Lord Rothschild as a Director;

11 To re-elect Michael Sofaer as a Director: and

12. To reappoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions, which will be proposed as Special Resolutions:

13. THAT the authority conferred upon the Directors by Article 11(A) of the Company's Articles of Association (authority to allot, and to make offers or agreements to allot, relevant securities) be hereby extended for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2007 and 30 September 2007; AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £52,059,389.
14. THAT the power conferred upon the Directors by Article 11(B) of the Company's Articles of Association (power to allot, or make offers or agreements to allot, equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment) be hereby renewed for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2007 and 30 September 2007.
15. THAT the Company be authorised to purchase up to an aggregate of 23,411,107 ordinary shares of £1 each of the Company (or such a number of ordinary shares as represents 14.99% of the Company's issued capital at the date of the Meeting, whichever is less) at a price (exclusive of expenses) which is:

    (a) not less than £1 per share;

    (b) not more than 5% above the arithmetical average of the middle-market quotations (as derived from the Daily Official List of the London Stock Exchange) for the five business days preceding any such purchase;

    AND THAT the authority conferred by this Resolution shall expire on 30 September 2007 (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

By order of the Board

J. Rothschild Capital Management Limited
Secretary

Registered office:
27 St James's Place
London SW1A 1NR
6 June 2006

Copies of the amended Memorandum and Articles of Association of the Company, together with copies of the Directors' service contracts with the Company and the Register of Director's Interests are available for inspection by any person at the Company's registered office during normal business hours on any weekday (Saturdays and Bank Holidays excepted) until 13 July 2006 and will be available at the place of the AGM from 15 minutes prior to and during the AGM.

Notes

1. A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
3. To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must either be (a) deposited at the Company's registrars - Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8FB not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, or (b) lodged using the CREST Proxy Voting Service.
4. Entitlement to attend and vote at the meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members at 11th day of July at 6.00 p.m. or, if the meeting is adjourned, no later than 6.00 p.m. on the date two days prior to the date of the adjourned meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting services provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in the Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Explanatory Notes

Resolution 1 – Report and Accounts

The Directors of the Company are required by company law to present the accounts, the Directors' report and the auditors' report on the accounts to the meeting.

Resolution 2 – Directors' Remuneration Report

The Directors' Remuneration Report Regulations 2003 require that the Directors' Remuneration Report be put to a vote by shareholders. The Report is set out on pages 28 to 34 of the Annual Report and Accounts.

Resolution 3 – Dividend

A final dividend can only be paid after the shareholders at a General Meeting have approved it. A final dividend of 3.1 pence per ordinary share is proposed.

Resolutions 4 to 11 – Re-election of directors

All Directors have to stand for re-election at least once every 3 years, but are eligible for re-election. Directors also adhere to the Board's policy that any Director who has served as such for nine or more years and who is not retiring by rotation, shall nonetheless stand for re-election at each annual general meeting.

David Haysey and Christopher Hohn were both appointed as Directors since the last Annual General Meeting and, under the Articles of Association, are required to retire and seek re-election by the shareholders.

Special notice is given with respect to the retirement and re-election of Lord Rothschild, who has attained the age of 70.

The re-election of each of the Directors standing is recommended by the Board, which confirms, following their annual performance review, that each such Director's performance continues to be satisfactory.

Resolution 12 – Reappointment and remuneration of the auditors

Company law requires all companies, at each general meeting at which accounts are laid, to appoint auditors who will remain in office until the next general meeting at which accounts are laid. The Board, having accepted the recommendation of the Audit Committee, propose that PricewaterhouseCoopers LLP be reappointed as the Company's auditors.

Resolution 13 – Renewal of Directors' authority to allot shares

This resolution (which will be proposed as a special resolution and requires the approval of three quarters of the votes cast at the meeting) will, if approved, allow the Directors to allot ordinary shares in RIT Capital Partners plc. This authority will last until the next Annual General Meeting or, if earlier, 30 September 2007.

The maximum amount that can be allotted under this authority is £52,059,389.

Resolution 14 – Disapplication of pre-emption rights

This special resolution will renew the Directors' authority to allot shares for cash, free from the pre-emption restrictions set out in the Companies Act 1985. This authority will expire at the end of the Annual General Meeting in 2006, or on 30 September 2006 if earlier.

The Directors intend to observe the institutional guidelines in respect of allotment of shares for cash. These presently require that the annual authority should not exceed 5% of the issued share capital and that no more than 7.5% of the issued ordinary share capital should be allotted for cash on a non pre-emptive basis in any rolling three-year period.

Resolution 15 – Purchase of own shares

This resolution will be proposed as a special resolution and will allow RIT Capital Partners plc to make market purchases of up to 23,411,107 of its own ordinary shares (or such a number of ordinary shares as represents 14.99% of the Company's issued capital at the date of the meeting, whichever is less) at prices not less than £1 per share and not more than five per cent above the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for the five business days preceding such a purchase.

The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 permit companies to hold any of their own shares which they have purchased as Treasury Shares as an alternative to cancelling them. Accordingly, if the Company were to purchase any of its own shares under the authority conferred by this resolution, the Directors may consider holding them as Treasury Shares or the Directors may cancel the shares. Such a decision will be made by the Directors at the time of purchase on the basis of the Company's and shareholders' best interests.

The Directors currently have no intention of exercising the authority conferred in this resolution and will only purchase shares after taking account of the overall financial position of the Company and whether the effect will be to increase net asset value per share, and if it is in the best interests of shareholders as a whole.

Advisers

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