RIT Capital Partners plc

Annual Report and Accounts 31 March 2007

RIT Capital Partners plc

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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 2007

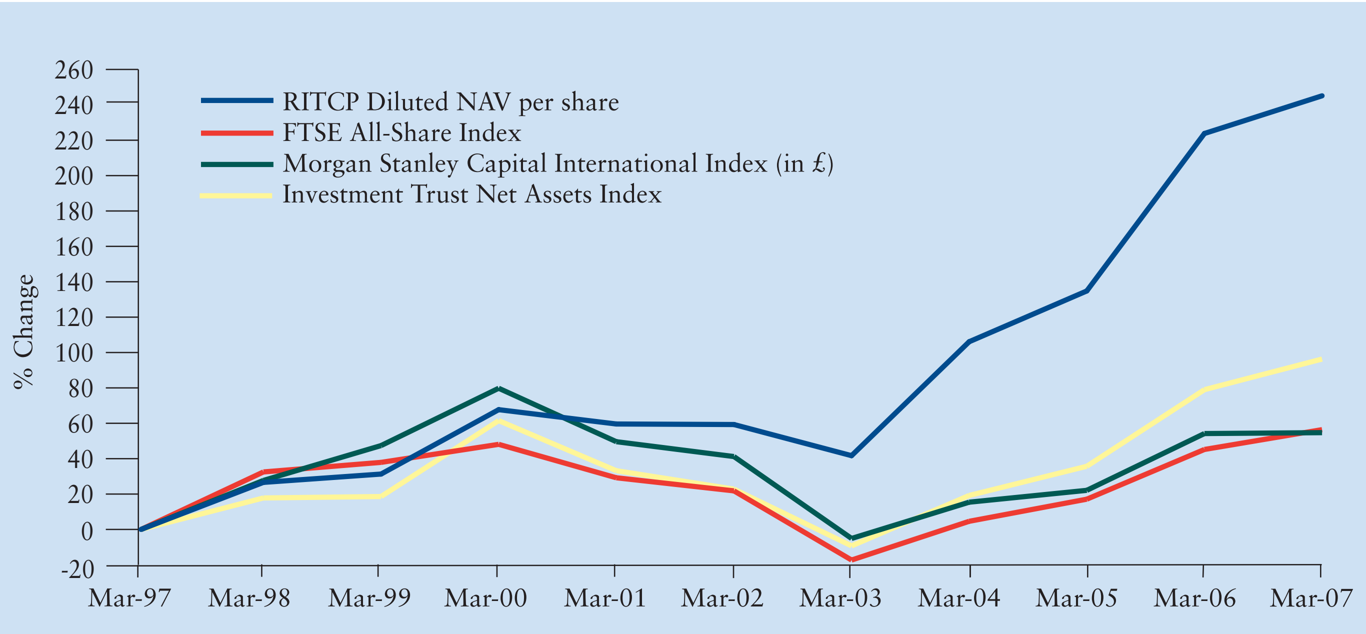
Financial Highlights

	31 March 2007	31 March 2006	% Change
Total Net Assets (£ million)	1,635.6	1,534.7	+6.6
Net Asset Value per Share	1,047.3p	982.7p	+6.6
Share Price	1,000.0p	1,020.0p	–2.0
(Discount)/premium	(4.5)%	3.8%	

Performance

	1 Year	5 Years	10 Years
RIT Capital Partners plc*	6.6%	116.7%	245.1%
Morgan Stanley Capital International Index (in £)	0.3%	9.5%	54.7%
FTSE All-Share Index	7.7%	28.4%	56.4%
Investment Trust Net Assets Index	9.7%	59.8%	96.3%

Performance against major indices over 10 years



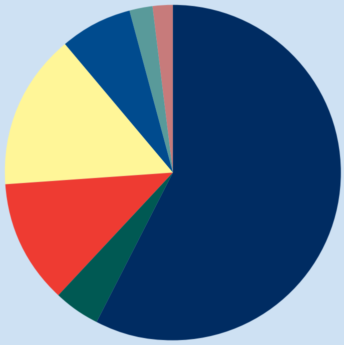
* In the above chart, RITCP's diluted net asset value per share has been computed in accordance with International Financial Reporting Standards ("IFRS") for all years since 31 March 2004. Figures calculated in accordance with IFRS for the earlier reporting dates are not available. At 31 March 2006 and 31 March 2007 diluted net asset value per share and net asset value per share were equivalent.

Portfolio Analysis and Currency Exposure

AT 31 MARCH 2007

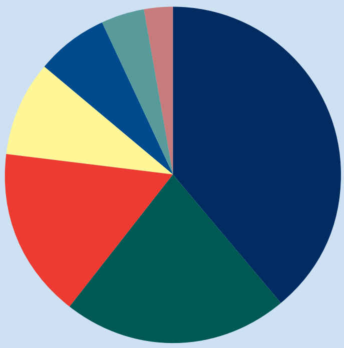
PORTFOLIO ANALYSIS BY ASSET CATEGORY

	£m	%
Quoted Investments	1,069.0	57.6
Hedge Funds	85.4	4.6
Long Equity Funds	218.7	11.8
Unquoted Investments	276.2	14.9
Private Equity Partnerships	131.2	7.1
Government Securities and Money Market Funds	38.8	2.1
Property	34.8	1.9
	1,854.1	100.0



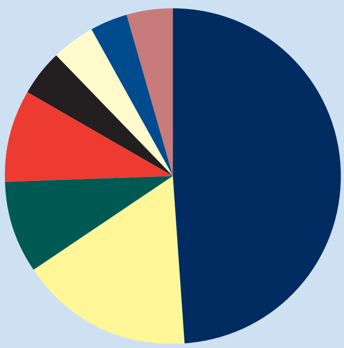
PORTFOLIO ANALYSIS BY COUNTRY/AREA

	£m	%
United States	721.4	38.9
Europe	406.5	21.9
United Kingdom	303.5	16.4
Far East	166.8	9.0
Japan	128.9	7.0
Canada	76.0	4.1
Other	51.0	2.7
	1,854.1	100.0

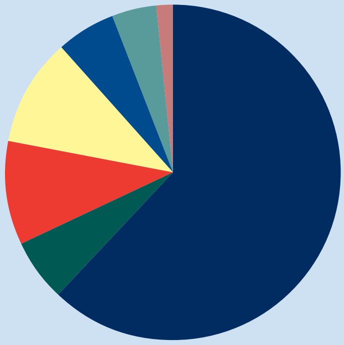


CURRENCY ANALYSIS OF NET ASSETS

	£m	%
Sterling	800.3	48.9
Euro	276.0	16.9
US Dollar	145.1	8.9
Japanese Yen	143.3	8.8
Canadian Dollar	73.4	4.5
Singapore Dollar	66.7	4.1
Swiss Franc	57.8	3.5
Taiwan Dollar	0.8	—
Other	72.2	4.4
	1,635.6	100.0

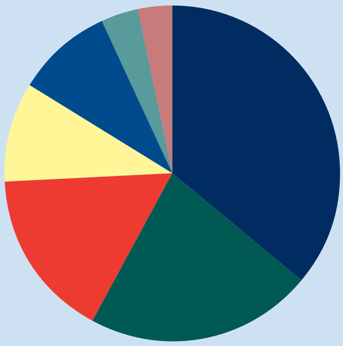


AT 31 MARCH 2006



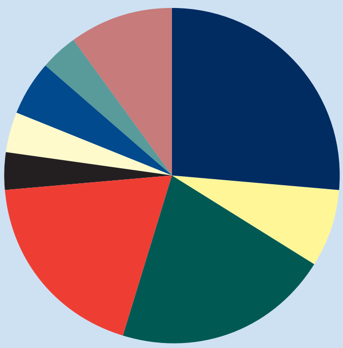
PORTFOLIO ANALYSIS BY ASSET CATEGORY

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

Chairman's Statement

In the year to 31 March 2007, your Company's net asset value per share increased by 6.6%, from 982.7p to 1,047.3p, and its net worth by some £101 million. In last year's Annual Report, I commented on the setback in markets which occurred in May 2006 and the marked accumulation of risk in a number of areas, stressing that shareholders should not expect returns comparable to the previous year, when the net asset value increased by 37.9%.

The performance in the first half of your Company's year was affected by the portfolio's defensive position as markets strengthened from their lows in June. Your Company's performance since the start of the calendar year has been encouraging, with net asset value per share increasing by 12.1% to 1,101.6p per share at 24 May 2007.

Although we are more concerned about market levels and risk than at this time last year, we remain well positioned to take advantage of opportunities. By 24 May our net assets had increased to £1,720.5 million and in addition we have put in place borrowings at relatively low levels of interest rates. We have recently added to these with the completion of a £150 million three year multi-currency loan, initially drawn in equal parts in Yen and US Dollars at effective rates of 1.745% and 5.5925% respectively. Taken together with our $150 million loan, which bears an interest rate of 3.93%, and our $150 million loan (at 3.732%), we have long-term borrowings equivalent to £328 million to add to our permanent capital.

Asset Allocation

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

	% of Portfolio at 31 March 2007	% of Portfolio at 31 March 2006
Quoted investments	**57.6**	62.0
Government securities and money market funds	**2.1**	4.3
Hedge funds	**4.6**	6.0
Long equity funds	**11.8**	10.0
Unquoted investments	**14.9**	10.4
Private equity partnerships	**7.1**	5.7
Property	**1.9**	1.6
	100.0	100.0

The principal change over the course of the year has been the increase in the unquoted portfolio, as a result of new investments and an increase in the valuations of our existing investments. We ended the year with an investment portfolio (excluding government securities and liquidity) equivalent to 111% of underlying net assets and with exposure to publicly traded equity markets of 84% (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 increased our Sterling and Euro exposure and reduced our exposure to the Yen and US Dollar. 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, £1,069.0 million, or 57.6% of the portfolio, was held in quoted investments, compared with 62.0% a year earlier. Of this amount, £571.8 million was managed internally. The balance, amounting to £497.2 million, was managed by external investment managers, who are listed on page 17. During the past year we have allocated resources to some new managers to give us additional exposure to a diverse range of sectors and geographies, including metals and mining, environmental stocks and US high growth businesses.

Unquoted Portfolio (Including Private Equity Partnerships and Property)

Our investments in this area have gone up over the year as a result of new investments made and increases in the valuations of our existing investments. During the year, the uplift in our directly held unquoted investments, after taking account of reductions in valuations, was £80.7 million, or the equivalent of 51.7p per share, contributing significantly to your Company's overall results. We have benefited from the excellent performance of Harbourmaster, a manager of collateralised debt/loan obligations which has seen its profits increase from £11.1 million to £17.6 million over the year and which now has £4.3 billion in assets under management. We increased the valuation of our holding in Harbourmaster by £20.7 million to £41.6 million. The other main contributor was our interest in Robin Hood Holdings, a generic pharmaceuticals company, whose carrying value has been increased by £18.0 million to £39.8 million as a result of strong growth in revenues and the launch of new products.

Our exposure to unquoted investments and private equity partnerships is set out on pages 4 and 5. In total, these amounted to £407.4 million, or 22.0% of the portfolio at the year end. Of this, £276.2 million, or 14.9%, represents investments made directly by our management. The balance of £131.2 million, or 7.1%, is invested in limited partnerships managed by third parties, compared with £100.1 million at 31 March 2006. Our undrawn commitments to these externally managed partnerships amounted to £168.9 million at the year-end.

This figure includes a £50 million commitment, announced at the interim stage, to Darwin Private Equity, a new fund established by three talented individuals from two leading private equity companies. We are cornerstone investors in this new firm, which will focus on the lower to middle market buyout sector.

The valuation of our investments in property was increased by £5.9 million to £34.8 million, or 1.9% of the portfolio, following a professional valuation.

Dividend

We are proposing to pay a dividend of 3.1p per share on 25 July 2007 to shareholders on the register at 15 June 2007, 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.

Board

In March we announced the retirement from the Board of Baron Lambert, who had served on the Board and its Committees since 1988. I would like, on behalf of the shareholders and his colleagues, to thank him for his substantial contribution and support over many years.

We also announced in March the appointment of John Elkann as an independent non-executive director, and I am delighted to welcome him to the Board. Aged 31, John Elkann is a Vice Chairman of IFIL, the Agnelli family investment company, and is also Vice Chairman of Fiat Group.

Outlook

We have witnessed four years of exceptional growth with most stock market indices at or close to their all time highs. Corporate earnings growth has been strong and stock market valuations of around 16 times prospective earnings for the MSCI World Index are not unreasonable. The International Monetary Fund forecasts a global growth of 5% for this year and if inflationary expectations of around 3.5% are realised, then it is by no means impossible that we will enjoy a fifth year of positive global markets for equities.

Paradoxically, while investors' appetite for risk has risen to new heights, the level of risk would seem to have become, if anything, more severe. This year's World Economic Forum's "Global Risk Report" groups risk into five categories – economic, environmental, geo-political, societal and technological. All categories affect investment, and stock markets have to take into account the risks of inflation, global imbalances, some slow-down in economic growth, "bubbles" – possibly China and other emerging markets, along with real estate and housing – and over-accommodating credit and risk management standards.

In the circumstances it is timely to remind ourselves of Ben Graham's famous words that in the short run the market is a "voting machine" but in the long run it is a "weighing machine". At the moment, we feel the balance is towards "voting" rather than "weighing". We have therefore decided in the past few weeks to make some reduction in our overall exposure to equities. Although stock markets and asset classes have become more correlated, we continue to believe in the merits of diversification. In the field of investment "the world is by no means flat"; indeed it is likely to become less "flat" and more challenging in the year ahead but we remain confident of our ability to find investment opportunities at attractive valuations.

Rothschild

Rothschild
31 May 2007

Investment Portfolio

AT 31 MARCH 2007

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
QUOTED INVESTMENTS				
PayPoint	UK	Electronic Payment Systems	48.3	2.6
ConocoPhillips	USA	Oil and Gas	41.8	2.3
ABN Amro	Netherlands	Banking	29.2	1.6
World Trust Fund	Luxembourg	Investment Company	25.9	1.4
Streettracks Gold	USA	Gold Bullion	23.1	1.3
RHJ International	Japan	Investment Company with Japanese focus	22.8	1.2
Newmont Mining	USA	Metal Mining	22.7	1.2
Intesa Sanpaolo	Italy	Banking	22.0	1.2
Electric Power Development	Japan	Electricity Generation	18.3	1.0
Norfolk Southern	USA	Railway Operator	16.0	0.9
Freeport-McMoran Copper & Gold	USA	Metal Mining	15.8	0.9
Evolution Group	UK	Stockbroking and Asset Management	15.7	0.9
Union Pacific	USA	Railway Operator	15.5	0.8
Venture Production	UK	Oil and Gas	14.9	0.8
Kazmunaigaz	Kazakhstan	Oil and Gas	14.7	0.8
AK Steel Holding	USA	Steel	13.6	0.7
Getty Images	USA	Stock Photography	13.6	0.7
BlueBay Asset Management	UK	Asset Management	12.2	0.7
British Sky Broadcasting	UK	Television Broadcaster	11.3	0.6
E.ON	Germany	Power and Gas	11.3	0.6
Xantrex Technology	Canada	Power Electronics	8.9	0.5
Banking Index Benchmark	India	Banking	8.6	0.5
Electricité de France	France	Electricity Generation	8.2	0.4
Ecobank Transnational	Nigeria	Banking	7.3	0.4
Cardpoint	UK	Cash Dispensing Machine Operator	6.3	0.3
Genmab	Denmark	Biotechnology	6.2	0.3
Continental	Germany	Tyres and Automotive Components	6.2	0.3
854 Other Quoted Investments			608.6	32.7
Total Quoted Investments			**1,069.0**	**57.6**
HEDGE FUNDS				
Atticus Global	USA	Event-driven/Arbitrage	35.7	1.9
Tinicum Partners	USA	Arbitrage and Distressed debt Securities	17.5	0.9
Parvus European Absolute Opportunities	Europe	European Equities	9.3	0.5
Cycladic Catalyst	Europe	European Equities	8.6	0.5
Sandstone Capital India	India	Indian Hedge Fund	7.4	0.4
Lansdowne Macro Fund	Global	Global Equities and Debt Securities	5.5	0.3
2 Other Hedge Funds			1.4	0.1
Total Hedge Funds			**85.4**	**4.6**
LONG EQUITY FUNDS				
Tontine Capital Partners	USA	American Equities	39.4	2.1
Parvus European Opportunities	Europe	European Equities	25.0	1.4
Martin Currie Taiwan Opportunities	Taiwan	Taiwanese Equities	17.1	0.9
Atlantis Japan Opportunities	Japan	Japanese Equities	16.8	0.9
Genus Dynamic Mining	Global	Mining and Metal Equities	16.1	0.9
Titan Partners	USA	American Equities	15.5	0.9
iShares MSCI South Korea Fund	South Korea	South Korean Equities	15.4	0.8
Impax Environmental Markets	Ireland	Equities with an environmental focus	15.2	0.8
Martin Currie China	China	Chinese Equities	13.4	0.7
TCI New Horizon	India	Indian Equities	13.3	0.7
Africa Emerging Markets Fund	Africa	African Equities	11.6	0.6
12 Other Long Equity Funds			19.9	1.1
Total Long Equity Funds			**218.7**	**11.8**

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
UNQUOTED INVESTMENTS				
Harbourmaster	Jersey	CDO Manager	41.6	2.2
Robin Hood Holdings	Global	Generic Pharmaceuticals	39.8	2.2
Mercury Forex Certificate	Germany	Currency Derivatives	23.0	1.2
RDA Holding Co	USA	Publishing	21.4	1.2
The Economist Newspaper	UK	Publishing	19.4	1.1
New NIB Partners LP	Netherlands	Investment Bank	15.2	0.8
MessageLabs Group	UK	E-mail Security Services	12.9	0.7
United America Indemnity	USA	Casualty Insurance	11.7	0.6
Richbell	USA	Investment Company	11.2	0.6
Cycladic Capital	UK	Fund Manager	9.5	0.5
Banca Leonardo	Italy	Investment Bank	9.0	0.5
Clearbrook	UK	Investment Partnership	8.1	0.4
42 Other Unquoted Investments			53.4	2.9
Total Unquoted Investments			**276.2**	**14.9**
PRIVATE EQUITY PARTNERSHIPS				
SCI Asian Ventures	Asia	Unquoted Asian Investments	10.8	0.6
Chrysalis Capital III	India	Unquoted Investments	9.6	0.5
Blumberg Capital I	USA	Unquoted Information Technology	6.4	0.4
Sandler Capital Partners V	USA	Unquoted Telecommunications	6.3	0.3
RR Capital Partners	USA	Unquoted Investments	6.3	0.3
70 Other Private Equity Partnerships			91.8	5.0
Total Private Equity Partnerships			**131.2**	**7.1**
GOVERNMENT SECURITIES AND MONEY MARKET FUNDS				
Hamilton Fund	Ireland	Money Market Fund	18.0	0.9
Bank Of America Global Fund	USA	Money Market Fund	9.0	0.5
Treasury 8½% 2007	UK	Government Stock	5.0	0.3
US Treasury Zero 2007	USA	Government Stock	3.5	0.2
3 Other Government Securities and Money Market Funds			3.3	0.2
Total Government Securities and Money Market Funds			**38.8**	**2.1**
PROPERTY				
Spencer House and other properties in St James's Place, London			**34.8**	**1.9**
Total Investments			**1,854.1**	**100.0**

Review of Principal Investments

Quoted Investments

At 31 March 2007 RITCP held £1,069.0 million of quoted investments, amounting to 57.6% of the portfolio. Details of the five largest holdings in the quoted portfolio are set out below.

PayPoint

VALUATION AT 31 MARCH 2007: £48.3 MILLION
(COST: £3.3 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 17,500 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 244%. RITCP currently owns 10.8% of the company.

In the year to 31 March 2007 the company made pre-tax profits of £26.6 million on revenues of £157 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.

ConocoPhillips

VALUATION AT 31 MARCH 2007: £41.8 MILLION
(COST: £42.6 MILLION)

ConocoPhillips is one of the world's largest integrated oil and gas producers. Operating in 40 countries worldwide, it has interests in oil and gas exploration and production, refining, chemicals and plastics. Excluding state-owned entities, it is the sixth-largest in terms of proven reserves and is the fifth-largest refiner in the world. In the year to 31 December 2006 the company had revenues of $188.5 billion and net income of $15.5 billion.

ABN Amro

VALUATION AT 31 MARCH 2007: £29.2 MILLION
(COST: £20.0 MILLION)

ABN Amro is a globally diversified Dutch bank. In terms of assets it ranks 8th in Europe and 13th in the world. The company's business lines embrace personal and private banking, commercial banking, and corporate and institutional banking. In the year to 31 December 2006 net profit was Eur 4.78 billion. At the time of writing ABN Amro is subject to competing takeover bids: one from Barclays and one from a consortium comprising Royal Bank of Scotland, Fortis and Banco Santander.

World Trust Fund

VALUATION AT 31 MARCH 2007: £25.9 MILLION
(COST: £17.7 MILLION)

The World Trust Fund is a closed-end investment company which invests internationally in other closed-end funds and investments trusts. The fund is managed by Lazard Asset Management and has an outstanding long-term performance record. RITCP has a 19% interest in the fund, which had net assets of £151 million at 31 March 2007. The majority of this interest was acquired in June 2005.

Streettracks Gold Trust

VALUATION AT 31 MARCH 2007: £23.1 MILLION
(COST: £22.6 MILLION)

Streettracks Gold Trust is a US based Exchange Traded Fund which gives exposure to the price of gold bullion by holdings of physical gold. The Trust provides a liquid and cost effective way of gaining exposure to the bullion price. As at 31 March 2007 the Trust had total assets of $8.3 billion.

Hedge and Long Equity Funds

Tontine Capital Partners

VALUATION AT 31 MARCH 2007: £39.4 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 £57.6 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. RITCP made an investment of £21.2 million in this partnership in three tranches between October 2004 and December 2005.

Atticus Global

VALUATION AT 31 MARCH 2007: £35.7 MILLION
(COST: £17.3 MILLION)

Atticus Global is a hedge fund which invests primarily in event-driven, arbitrage and longer-term value-orientated situations. RITCP made an investment of £21.1 million in this fund in December 2000 and redeemed part of its holding in July 2004.

Parvus European Opportunities

VALUATION AT 31 MARCH 2007: £25.0 MILLION
(COST: £11.2 MILLION)

Parvus European Opportunities is managed by Edoardo Mercadante, a London-based specialist in European equities. RITCP made an investment of £11.2 million in the fund in October 2004. RITCP also has an investment of £9.3 million in Parvus European Absolute Opportunities, a hedge fund managed by Mr. Mercadante.

Unquoted Investments

The valuations of unquoted investments are reviewed twice a year by a valuation committee which is chaired by a non-executive Director, the latest review being at 31 March 2007. 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 2007 RITCP held £276.2 million of unquoted investments, amounting to 14.9% of the portfolio. The two largest investments, which account for £81.4 million, are summarised below. No dividends were received from these investments.

Harbourmaster

VALUATION AT 31 MARCH 2007: £41.6 MILLION
(COST: £10.2 MILLION)

Harbourmaster acts as a manager 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 69% during the year ended 31 December 2006 to £3.9 billion. During that year, Harbourmaster made profits of £17.6 million compared with £11.1 million for the previous year. As a result of the company's continuing good performance, RITCP increased the valuation of the investment to £41.6 million at 31 March 2007.

Robin Hood Holdings

VALUATION AT 31 MARCH 2007: £39.8 MILLION
(COST: £19.1 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. The company repaid some of its loan notes during the year.

All of the companies in the group are majority owned other than an interest held in its former associated company, Sigma, which is listed on the Australian stock exchange. During the year the company sold approximately 40% of its holding in Sigma and received proceeds of £45 million. The market value of the remaining holding in Sigma amounted to £77 million as at 31 March 2007.

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 last year to market the heart drug Ramipril and this has contributed to this year's profit. During the year ended 31 December 2006, after taking account of expenditure on research and development, the group made profits of £35.9 million. The group had share capital and reserves at that date of £74.9 million.

PROPERTY

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

VALUATION AT 31 MARCH 2007: £34.8 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 2007 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 2007	
	Group £ million	Company £ million
Within one year	2.0	1.5
Between two and five years	6.6	5.3
Beyond five years	7.0	2.3
	15.6	9.1

	31 March 2006	
	Group £ million	Company £ million
Within one year	2.8	2.1
Between two and five years	7.3	5.6
Beyond five years	10.1	3.7
	20.2	11.4

Board of Directors

Executive Directors

The Lord Rothschild, OM GBE

Aged 71, he is Chairman of the Company's Board of Directors and the Nominations Committee. He is also the Deputy Chairman and senior non-executive director of British Sky Broadcasting Group 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 51, 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, 50, 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 43, 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 35, 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.

Mr Rothschild has appointed Timothy Barakett as his Alternate Director. Mr Barakett is a Co-Chairman and an owner of Atticus Capital LP.

Michael Sofaer

Aged 49, 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 eight hedge funds and three private equity funds.

Non-Executive Directors (Independent)

Charles Bailey
Aged 73, 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.

John Elkann
Aged 31, Mr Elkann was appointed as a non-executive Director in March 2007. He is Vice-Chairman of Fiat Group and IFIL Investment SpA, Chairman of Itedi (publisher of La Stampa), a director of RCS Mediagroup and Banca Leonardo. Mr Elkann is a graduate of the Politecnico University in Turin.

Christopher Hohn
Mr Hohn, 40, was appointed as a non-executive Director in 2005. He is the founder and Senior Partner 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 67, 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.

James Leigh-Pemberton
Aged 50, 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 65, 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
James Leigh-Pemberton

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

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

Directors' Report

The Directors present their annual Report and Accounts for the Company, covering the year ended 31 March 2007.

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 2006. Approval for the year ended 31 March 2006 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.

On 14 March 2007, Baron Lambert resigned as a Director and John Elkann was appointed as a Director.

Results and Dividends

After taxation, the Group made a capital profit of £141.5 million and a revenue loss of £36.9 million during the year ended 31 March 2007.

The Board recommends the payment of a final dividend of 3.1p per share in respect of the year ended 31 March 2007 (year ended 31 March 2006: 3.1p), payable on 25 July 2007 to shareholders on the register at 15 June 2007. This dividend will reduce the Company's distributable reserves by £4.8 million.

The movements on capital reserve and consolidated revenue reserve are shown in notes 22 and 23 on pages 64 and 65.

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 2007, no ordinary shares were issued or repurchased. The existing authority for the repurchase of shares expires on 30 September 2007 and a replacement authority is to be proposed at the forthcoming annual general meeting, as explained in the Notice and Explanatory Notes on pages 79 and 82.

Net Asset Value

The net asset value of one ordinary share at 31 March 2007, before deducting the proposed dividend of 3.1p per share, was 1,047.3p.

Business Review

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

The investment portfolio was valued at £1.85 billion at 31 March 2007. An analysis of these investments is contained in note 11 on pages 54 to 58.

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 2007. 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").

Major Holders of Voting Rights

As at 31 March 2007, the following notifications had been received from the holders of 3% or more of the voting rights conferred through the direct or indirect holding of the Company's ordinary shares of £1 each. Such notifications were made pursuant to the Disclosure Rules and Transparency Rules of the Financial Services Authority ("FSA").

Major holders of voting rights	No. of voting rights Direct	Indirect	% of voting rights Direct	Indirect
Five Arrows Limited*	913,115	5,844,720	0.58	3.74
Kelvin Hudson & Helen Green*	9,301,619	—	5.96	—
Lady Rothschild*	4,941,590	—	3.16	—
Legal & General Group plc	5,270,459	—	3.37	—
Lord Rothschild*	11,003,037	—	7.05	—
Prudential plc group of companies	5,257,109	—	3.37	—
Saffrey Champness Partnership*	—	11,964,484	—	7.66
S.J.P. Trustee Company Limited*	5,762,809	—	3.69	—

*Some or all of these holdings form part of Lord Rothschild's interests disclosed below under Directors' Interests.

As at 25 May 2007, the above table remained unchanged save for the interest of Legal & General Group plc which had increased the number of its voting rights held to 5,404,371 (3.46%) and that of the Prudential plc group of companies, which had reduced the number of its voting rights held to 5,215,098 (3.33%).

Directors' Interests

The interests of the Directors at 31 March 2007 in the ordinary shares of the Company are shown below with comparatives as at 1 April 2006 or subsequent date of appointment where applicable (where different) shown in brackets.

Director	Ordinary shares of £1 each Beneficial	Non-beneficial	% of Share capital
The Lord Rothschild	20,075,671	6,439,934	16.98
	(20,108,741)	(6,708,324)	(17.17)
Charles Bailey	10,500	—	0.01
Mikael Breuer-Weil	—	—	—
Duncan Budge	40,139	10,000	0.03
John Elkann	—	—	—
David Haysey	5,000	—	0.003
Christopher Hohn	—	—	—
Andrew Knight	—	—	—
James Leigh-Pemberton	—	—	—
Michael Marks	—	—	—
Nathaniel Rothschild	6,326,909	—	4.05
Michael Sofaer	—	—	—

The above information is presented in compliance with the Listing Rules of the FSA, which require disclosure of directors' beneficial and non-beneficial share interests, as opposed to their control of voting rights as is the case for major holders under the FSA's

Disclosure and Transparency Rules, as explained above. Components of the interests of Lord Rothschild and Nathaniel Rothschild are held by family trusts. Accordingly, the names of the respective trustees are disclosed under Major Holders of Voting Rights, where any individual trust controls 3% or more of the Company's voting rights, whereas the directors themselves are disclosed under Directors' Interests.

Included in the total of 20,075,671 shares of the Company owned beneficially by Lord Rothschild are 73,184 shares (31 March 2006: 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 2,754,502 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 the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors. Requests from other Directors and employees of the Group 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 in 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 £63.8 million (these holdings were originally acquired as unquoted investments).

Investment Manager	Area of expertise	Funds under management 31 March 2007 £ million
Prospect Investment Management	Unquoted investments	89.9
Tontine Overseas Associates	US equities	57.6
Findlay Park	Small to medium sized US companies	56.8
Lansdowne Partners	European equities	55.6
Sofaer Capital	Global equities	52.0
Meditor Capital Management	European equities	45.0
Morant Wright Management	Japanese equities	42.2
Martin Currie	Asian equities	40.1
Cycladic Capital	European equities	38.9
Southeastern Asset Management	Global equities	34.4
Cedar Rock Capital	Global equities	33.0
Baker Steel	Equities (gold and precious metals)	26.8
Horizon Investment Management	Asian equities	22.9
S Squared	Technology	20.4
Indian Creek	US equities	17.5
Gluskin Sheff	Canadian equities	16.7
Summit Water	Equities (water industry focus)	14.1

Management and Administration (continued)

Funds under management comprise investments, liquidity and other assets. Additional details of the fees payable to Atticus Global and Sofaer 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 1.5% 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 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 had 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. This agreement was terminated on 31 December 2006 and replaced with a similar but more flexible cost-sharing arrangement. The agreement governed investment advisory and support services as provided by FAIM's personnel to the Company in return for a contribution to costs, which amounted to £1.19 million in the year to 31 March 2007 (year ended 31 March 2006: £1.59 million). The services included advice on investments, currencies, manager selection and general asset allocation. They did not include any investment management services. As the level of the fee covered the costs of the individuals who provided the services, FAIM's costs were covered, but it did not profit from the services provided. The level of the fees paid under the arrangements was monitored and scrutinised by the Company's Remuneration and Conflicts Committee to ensure that they reflected a true cost-sharing arrangement.

Since December 2006, the Company has contributed to the overall employment costs of the individuals who continue to provide services on a basis proportionate to their time spent on matters relating to the Company. These arrangements continue to be monitored and scrutinised by the Company's Remuneration and Conflicts Committee.

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 2007 was £551,694 (31 March 2006: £599,581).

Until July 2006, the Company also had an investment of £14 million in Sofaer Capital Asian Hedge Fund whose investment adviser is SCI. The investment advisory fees were payable at a fixed rate of 1% per annum of the net asset value of the fund and, in addition, there was 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

Management and Administration (continued)

year ended 31 December 2006 the total fees attributable to the Company's investment were £292,536 (31 December 2005: £515,083).

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 2007, the Company paid investment management fees of £64,407 (31 March 2006: £74,212).

Atticus Global

The Company invested US$30 million in Atticus International, Ltd in December 2000. Atticus International, Ltd merged into Atticus Global, Ltd on 31 July 2006. Atticus Global, Ltd is an offshore fund and its strategy is to invest primarily in event-driven, arbitrage and longer-term value-orientated situations. 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. Fees amounting to £797,348 were payable in respect of the year ended 31 March 2007 (31 March 2006: £1,046,816).

Performance Attribution Analysis

The increase in the Group's net asset value during the year was £100.9 million. This is analysed below.

	£ million	Pence per share
Quoted investments	33.2	21.3
Hedge funds	4.2	2.7
Long equity funds	14.8	9.5
Unquoted investments	80.7	51.7
Property	5.9	3.8
Private equity partnerships	12.4	7.9
Government securities and money market funds	1.7	1.0
Currency hedging gains and dealing losses	10.1	6.5
Index futures hedging	(7.0)	(4.4)
Foreign exchange adjustments on investments and bank loans	(25.4)	(16.3)
Unallocated administrative expenses	(11.8)	(7.6)
Finance costs	(9.0)	(5.8)
Taxation	(1.5)	(1.0)
Other movements	(2.6)	(1.6)
	105.7	67.7
Less: Dividend paid	(4.8)	(3.1)
Increase in net asset value	100.9	64.6

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;

Derivatives and Other Financial Instruments (continued)

- 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.

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

Derivatives and Other Financial Instruments (continued)

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 the following uncommitted unsecured loan facilities:

Bank	Facility	Amount drawn
National Australia Bank	£50 million	£15 million
Calyon	£40 million	£40 million
Calyon	¥4 billion	¥4 billion

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 2006: nil).

Political Contributions and Charitable Donations

During the year ended 31 March 2007, 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.

Disclosure of Information to Auditors

With regard to the preparation of the Annual Report and Accounts of the Company for the year ended 31 March 2007, 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 Directors 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
31 May 2007

Corporate Governance Report

The Directors present their Corporate Governance Report for the year ended 31 March 2007. Apart from certain matters reported below, the Directors believe that the Company has complied with the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council (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 including the Chairman, 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 appropriate 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 2007. Lord Rothschild, Mr Breuer-Weil, Mr Budge, Mr Haysey, Mr Hohn, Mr Knight, Baron Lambert and Mr Leigh-Pemberton attended each meeting; Mr Bailey and Mr Sofaer attended three meetings; and Mr Marks and Mr Rothschild attended two meetings. Mr Elkann was appointed as a Director at the last meeting held during the year, which he did not attend.

The non-executive Directors participate in discussions regarding the Company's strategy and performance. They also meet on one occasion each year without any management representatives present to consider the conclusions of the annual Board evaluation exercise and the performance of the Chairman. In addition, there are three permanent committees. The composition of the three committees whose membership is referred to in the Code 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 referred to in the Code are as follows:

The Audit Committee

The Audit Committee is comprised of three non-executive Directors, all of whom are independent of the Company. It is chaired by Charles Bailey, a former Senior Partner at Price Waterhouse, who is also the chairman of the audit committees of two 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 2007 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 current membership of the Committee is set out on page 14. Baron Lambert resigned as a member of the Committee in March 2007. The Committee met formally on two occasions in the year ended 31 March 2007. Mr Bailey and Mr Knight attended both meetings; Baron Lambert and Mr Leigh-Pemberton attended one meeting.

The Nominations Committee

The Nominations Committee is comprised of four Directors, three of whom are independent and non-executive and the fourth is Lord Rothschild, who is the Chairman of the Committee. The Committee meets 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 also monitors 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 current membership of the Committee is set out on page 14. Baron Lambert resigned as a member of the Committee in March 2007. The Committee met formally on one occasion in the year ended 31 March 2007. All four members of the Committee then serving attended this meeting.

The Remuneration and Conflicts Committee

The Remuneration and Conflicts Committee is comprised of three 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, although the final determination of the fees payable to non-executive directors is a matter for the Board of Directors as a whole.

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, to ensure that any conflicts of interest are avoided or managed appropriately.

The current membership of the Committee is set out on page 14. Baron Lambert resigned as a member of the Committee in March 2007. The Committee met formally on one occasion in the year ended 31 March 2007. All four serving members of the Committee attended this meeting.

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 Committee and the Remuneration and Conflicts Committee are both 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 a 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, two 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 and Mr Knight, 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 and Mr Knight 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 appointment 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. Since periodic re-election requirements are in place, neither the Nominations Committee nor the Board consider that such contractual limitations would be in the best interests of the Company as a self-managed investment trust.

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, including detailed 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 February and March 2007, when the responses were evaluated and considered by the Board and separately by the non-executive Directors in a meeting without any executive Directors being 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 79 and 80, and the summary of AGM business contained in the Explanatory Notes on pages 82 and 83.

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 and the Nominations 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 income 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 revised 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 up to 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 2007.

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 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 June 2006 (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 2007 is shown below, with comparative total remuneration figures for the previous year.

Director	Salaries and fees £	Bonuses £	Pension contributions £	Other benefits £	Total remuneration 2006-2007 £	Total remuneration 2005-2006 £
The Lord Rothschild	369,495	175,734	—	113,582*	658,811	888,327
Charles Bailey	45,000	—	—	—	45,000	34,500
Mikael Breuer-Weil	20,000	—	—	—	20,000	20,000
Duncan Budge	271,688	129,481	—	136,919*	538,088	696,928
John Elkann	1,667	—	—	—	1,667	—
David Haysey	207,000	98,890	41,400	2,398	349,688	422,525
Christopher Hohn	20,000	—	—	—	20,000	13,342
Andrew Knight	27,000	—	—	—	27,000	27,000
Baron Lambert	30,000	—	—	—	30,000	30,000
James Leigh-Pemberton	27,000	—	—	—	27,000	27,000
Michael Marks	20,000	—	—	—	20,000	20,000
Nathaniel Rothschild	20,000	—	—	—	20,000	20,000
Michael Sofaer	—	—	—	—	—	—
31 March 2007	1,058,850	404,105	41,400	252,899	1,757,254	2,199,622

* Other benefits include payments in lieu of pension contributions – see 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 2007. For the current year, to 31 March 2008, Lord Rothschild's salary is £386,122 per annum (2006/7: £369,495 per annum), Duncan Budge's salary is £283,914 per annum (2006/7: £271,688 per annum) and David Haysey's salary is £216,315 (2006/7: £207,000 per annum).

Lord Rothschild received a salary supplement of 20% of his basic salary, amounting to £73,899 in the year ended 31 March 2007 (period from 1 January 2006 to 31 March 2006: £17,850). This is included in the 'other benefits' figure disclosed above. The supplement is equivalent to the value of his pension contributions foregone since his election 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 proportion to salary 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, or £114,109 for the year ended 31 March 2007.

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 2007 amounted to £174,734 (year ended 31 March 2006: £422,050) and £128,481 (year ended 31 March 2006: £310,350) respectively. The bonus payable under the Plan to Mr Haysey in respect of the year ended 31 March 2007 amounted to £97,890 (31 March 2006: £137,950). 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 2006 (year ended 31 March 2006: £1,000). Mr Haysey also received a bonus of £1,000 in December 2006 (year ended 31 March 2006: £500). Mr Haysey was not entitled to a bonus in respect of the performance in the year to 31 March 2007 of a portfolio of global equities managed by him for the Company (period to 31 March 2006: £141,100). This 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.

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 2007 the amount accrued in respect of the SAR Plan participations of the Company's executive Directors was £2,832,690 (31 March 2006: £2,137,531). The lowest closing price of the Company's shares during the year was 862p and the highest was 1,060.5p. 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. All grants were made on 15 March 2007:

Date of grant	Notional no. of RITCP shares	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	127,795	939.0p	15 March 2010	14 March 2017
Duncan Budge	95,846	939.0p	15 March 2010	14 March 2017
David Haysey	69,222	939.0p	15 March 2010	14 March 2017

No Share Appreciation Rights granted to the Company's executive Directors vested during the year ended 31 March 2007.

No Share Appreciation Rights were exercised by the Company's executive Directors during the year ended 31 March 2007.

The following Share Appreciation Rights granted to the Company's executive Directors were outstanding on 31 March 2007:

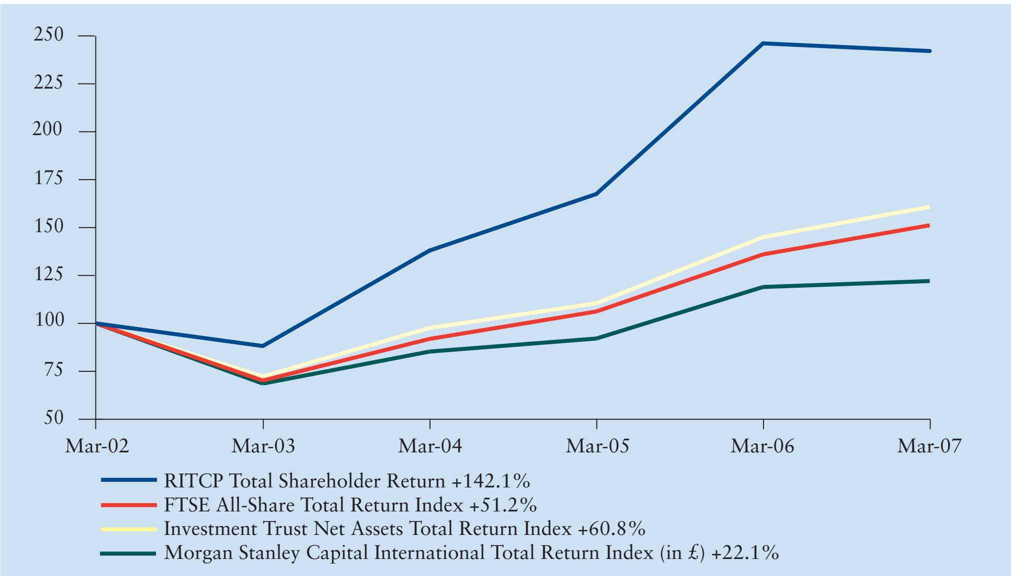
	Outstanding at 31 March 2007	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	152,672	786.0p	19 July 2008	18 July 2015
	121,827	985.0p	17 March 2009	16 March 2016
	127,795	939.0p	15 March 2010	14 March 2017
Duncan Budge	262,467	381.0p	26 March 2006	25 March 2013
	101,781	786.0p	19 July 2008	18 July 2015
	81,218	985.0p	17 March 2009	16 March 2016
	95,846	939.0p	15 March 2010	14 March 2017
David Haysey	124,922	800.5p	30 August 2008	29 August 2015
	60,913	985.0p	17 March 2009	16 March 2016
	69,222	939.0p	15 March 2010	14 March 2017

No sums were paid to the Directors in the year ended 31 March 2007 pursuant to exercises of Share Appreciation Rights (in the year ended 31 March 2006, Lord Rothschild received £6,269,015 and Mr Budge received £4,095,347, both sums subject to taxation and National Insurance contributions).

Performance Graph

In accordance with The Directors' Remuneration Report Regulations 2002, 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. No such contributions were made during the year under review (year ended 31 March 2006: £53,550). Duncan Budge was a defined benefit member of the RITCP Scheme for which the contribution rate was 47% of basic salary during the year ended 31 March 2006.

The Company paid pension contributions amounting to £41,400 for David Haysey, who is not a member of the RITCP Scheme, during the year ended 31 March 2007 (6 months ended 31 March 2006: £23,333).

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 2006 (£ per annum)	119,406
Change in accrued benefit due to inflation (£ per annum)	4,179
Accrued benefit at 31 March 2007 (£ per annum)	**123,585**
Transfer value at 31 March 2006	1,798,878
Increase in transfer value	127,982
Transfer value at 31 March 2007	**1,926,860**

The table below shows the Director's accrued pension position at the end of the financial year (a) had he left service on 31 March 2006 and (b) had he left service on 31 March 2007.

	£
Total accrued pension at 31 March 2007, assuming Director left service on 31 March 2006 (£ per annum)	123,705
Decrease in accrued pension during the year (£ per annum)	(120)
Total accrued pension at 31 March 2007, on Director's leaving Scheme (£ per annum)	**123,585**
Transfer value of the increase in accrued pension during the year (£)	**—**

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)	£5,000

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 specify 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 2007 and received £59,700 (year ended 31 March 2006: £55,850) 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.

Mr Budge is a non-executive director of World Trust Fund, a Luxembourg incorporated investment company whose shares are listed on the London Stock Exchange. RITCP's interests are represented by Mr Budge, who is entitled to fees of US$25,000 per annum in respect of his non-executive directorship. These fees are retained by Mr Budge.

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
31 May 2007
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 2007 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 2006 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 2007 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 2007 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

31 May 2007

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 2007	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	32.6	—	32.6
Other income	1	1.1	—	1.1
Losses on dealing investments held at fair value		(43.2)	—	(43.2)
Total income		(9.5)	—	(9.5)
Gains on portfolio investments held at fair value	22	-	116.0	116.0
Other capital items	22	-	28.4	28.4
		(9.5)	144.4	134.9
Expenses				
Administrative expenses	3	(11.1)	(1.4)	(12.5)
Investment management fees	5	(5.9)	(1.4)	(7.3)
Profit before finance costs and tax		(26.5)	141.6	115.1
Finance costs	6	(9.0)	—	(9.0)
Profit before tax		(35.5)	141.6	106.1
Taxation	7	(1.4)	(0.1)	(1.5)
Profit for the period		(36.9)	141.5	104.6
Earnings per ordinary share	9	(23.6)p	90.6p	67.0p

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 Companies. All items in the above statement derive from continuing operations.

The notes on pages 44 to 76 form part of these financial statements.

Consolidated Income Statement

For the year ended 31 March 2006	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	27.0	—	27.0
Other income	1	1.1	—	1.1
Losses on dealing investments held at fair value		(20.8)	—	(20.8)
Total income		7.3	—	7.3
Gains on portfolio investments held at fair value	22	—	461.8	461.8
Other capital items	22	—	1.9	1.9
		7.3	463.7	471.0
Expenses				
Administrative expenses	3	(11.0)	(8.4)	(19.4)
Investment management fees	5	(5.7)	(8.6)	(14.3)
Profit before finance costs and tax		(9.4)	446.7	437.3
Finance costs	6	(7.3)	—	(7.3)
Profit before tax		(16.7)	446.7	430.0
Taxation	7	0.1	(7.9)	(7.8)
Profit for the period		(16.6)	438.8	422.2
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 Companies. All items in the above statement derive from continuing operations.

The notes on pages 44 to 76 form part of these financial statements.

Consolidated Balance Sheet

	Notes	31 March 2007 £ million	31 March 2006 £ million
Non-current assets			
Investments held at fair value	11	1,819.3	1,720.8
Investment property	11	34.8	28.9
Property, plant and equipment	13	0.3	0.2
Derivative financial instruments	26	5.4	4.1
Retirement benefit asset	28	1.7	1.4
Deferred tax asset	15	2.3	2.4
		1,863.8	1,757.8
Current assets			
Dealing investments held at fair value	16	0.3	2.7
Sales for future settlement		8.0	10.9
Other receivables	14	6.7	11.9
Tax receivable		0.5	0.2
Cash at bank	14	131.6	65.1
		147.1	90.8
Total assets		2,010.9	1,848.6
Current liabilities			
Bank loans and overdrafts		(151.1)	(67.2)
Securities sold short		(2.2)	(9.5)
Purchases for future settlement		(21.3)	(21.5)
Tax payable		(0.4)	(0.3)
Other payables	17	(11.6)	(10.1)
		(186.6)	(108.6)
Net current liabilities		(39.5)	(17.8)
Total assets less current liabilities		1,824.3	1,740.0
Non-current liabilities			
Bank loans	18	(178.2)	(191.0)
Provisions	19	(10.5)	(14.3)
		(188.7)	(205.3)
Net assets		1,635.6	1,534.7
Equity attributable to equity holders			
Called up share capital	20	156.2	156.2
Capital redemption reserve	21	34.0	34.0
Cash flow hedging reserve		5.4	4.1
Foreign currency translation reserve	24	(0.2)	0.1
Capital reserve-realised	22	1,193.3	932.1
Capital reserve-unrealised	22	301.2	420.8
Revenue reserve	23	(54.3)	(12.6)
Total shareholders' equity		1,635.6	1,534.7
Net asset value per ordinary share		1,047.3p	982.7p

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2007. They were signed on the Board's behalf by:

Rothschild

Rothschild
Director

Duncan Budge

Duncan Budge
Director

The notes on pages 44 to 76 form part of these financial statements.

Balance Sheet of the Parent Company

	Notes	31 March 2007 £ million	31 March 2006 £ million
Non-current assets			
Investments held at fair value	11	1,689.6	1,698.5
Investment property	11	34.8	28.9
Investments in subsidiary undertakings	12	55.2	35.2
Derivative financial instruments	26	5.4	4.1
Deferred tax asset	15	2.9	1.9
		1,787.9	1,768.6
Current assets			
Amounts owed by group undertakings	29	70.2	39.8
Sales for future settlement		8.0	10.9
Other receivables	14	5.2	10.9
Tax receivable		0.5	0.2
Cash at bank	14	90.1	43.8
		174.0	105.6
Total assets		1,961.9	1,874.2
Current liabilities			
Bank loans and overdrafts		(148.3)	(67.1)
Purchases for future settlement		(21.3)	(21.4)
Other payables	17	(3.9)	(6.3)
Amounts owed to group undertakings	29	(14.3)	(44.5)
		(187.8)	(139.3)
Net current liabilities		(13.8)	(33.7)
Total assets less current liabilities		1,774.1	1,734.9
Non-current liabilities			
Bank loans	18	(178.2)	(191.0)
Provisions	19	(10.3)	(14.0)
		(188.5)	(205.0)
Net assets		1,585.6	1,529.9
Equity attributable to equity holders			
Called up share capital	20	156.2	156.2
Capital redemption reserve	21	34.0	34.0
Cash flow hedging reserve		5.4	4.1
Capital reserve-realised	22	1,171.6	909.2
Capital reserve-unrealised	22	213.4	420.7
Revenue reserve	23	5.0	5.7
Total shareholders' equity		1,585.6	1,529.9

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2007. They were signed on the Board's behalf by:

Rothschild
Director

Duncan Budge
Director

The notes on pages 44 to 76 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2007	**Share capital £ million**	**Capital redemption reserve £ million**	**Cash flow hedging reserve £ million**	**Foreign currency translation reserve £ million**	**Capital reserve £ million**	**Revenue reserve £ million**	**Minority interests £ million**	**Total £ million**
Balance at 31 March 2006	156.2	34.0	4.1	0.1	1,352.9	(12.6)	—	1,534.7
Profit for the period	—	—	—	—	141.6	(36.9)	—	104.7
Cash flow hedges								
Gains/(losses) taken to equity	—	—	1.5	—	—	—	—	1.5
Transferred to the income statement for the period	—	—	(0.2)	—	—	—	—	(0.2)
Exchange movements arising on consolidation	—	—	—	(0.3)	—	—	—	(0.3)
Ordinary dividend paid	—	—	—	—	—	(4.8)	—	(4.8)
Balance at 31 March 2007	**156.2**	**34.0**	**5.4**	**(0.2)**	**1,494.5**	**(54.3)**	**—**	**1,635.6**

Year ended 31 March 2006	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Minority interests £ million	Total £ million
Balance at 31 March 2005	156.2	34.0	—	—	914.2	8.8	0.1	1,113.3
Profit for the period	—	—	—	—	438.7	(16.6)	—	422.1
Cash flow hedges								
Gains/(losses) taken to equity	—	—	3.5	—	—	—	—	3.5
Transferred to the income statement for the period	—	—	0.6	—	—	—	—	0.6
Disposal of subsidiaries	—	—	—	—	—	—	(0.1)	(0.1)
Exchange movements arising on consolidation	—	—	—	0.1	—	—	—	0.1
Ordinary dividend paid	—	—	—	—	—	(4.8)	—	(4.8)
Balance at 31 March 2006	156.2	34.0	4.1	0.1	1,352.9	(12.6)	—	1,534.7

The notes on pages 44 to 76 form part of these financial statements.

Parent Company Statement of Changes in Equity

Year ended 31 March 2007	**Share capital £ million**	**Capital redemption reserve £ million**	**Cash flow hedging reserve £ million**	**Capital reserve £ million**	**Revenue reserve £ million**	**Total £ million**
Balance at 31 March 2006	156.2	34.0	4.1	1,329.9	5.7	1,529.9
Profit for the period	—	—	—	55.1	4.1	59.2
Cash flow hedges						
Gains/(losses) taken to equity	—	—	1.5	—	—	1.5
Transferred to the income statement for the period	—	—	(0.2)	—	—	(0.2)
Ordinary dividend paid	—	—	—	—	(4.8)	(4.8)
Balance at 31 March 2007	**156.2**	**34.0**	**5.4**	**1,385.0**	**5.0**	**1,585.6**

Year ended 31 March 2006	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2005	156.2	34.0	—	887.7	7.8	1,085.7
Profit for the period	—	—	—	442.2	2.7	444.9
Cash flow hedges						
Gains/(losses) taken to equity	—	—	3.5	—	—	3.5
Transferred to the income statement for the period	—	—	0.6	—	—	0.6
Ordinary dividend paid	—	—	—	—	(4.8)	(4.8)
Balance at 31 March 2006	156.2	34.0	4.1	1,329.9	5.7	1,529.9

The notes on pages 44 to 76 form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Cash outflow from Operating Activities	25	(9.0)	(145.5)
Investing Activities			
Purchase of property, plant and equipment	13	(0.2)	(0.2)
Sale of property, plant and equipment		—	0.1
Net cash outflow from Investing Activities		(0.2)	(0.1)
Financing Activities			
Increase in term loan		—	103.4
Equity dividend paid	8	(4.8)	(4.8)
Minority interests		—	(0.1)
Net cash (outflow)/inflow from Financing Activities		(4.8)	98.5
Decrease in cash and cash equivalents in the period		(14.0)	(47.1)
Cash and cash equivalents at the start of the period		27.0	77.4
Effect of foreign exchange rate changes		(2.2)	(3.3)
Cash and cash equivalents at the period end		10.8	27.0
Reconciliation:			
Cash at bank		131.6	65.1
Money market funds (included in portfolio investments)		30.3	29.1
Bank loans and overdrafts		(151.1)	(67.2)
Cash and cash equivalents at the period end		10.8	27.0

The notes on pages 44 to 76 form part of these financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Cash outflow from Operating Activities	25	(26.8)	(149.6)
Net cash outflow from Investing Activities		—	—
Financing Activities			
Increase in term loan		—	103.4
Equity dividend paid	8	(4.8)	(4.8)
Net cash (outflow)/inflow from Financing Activities		(4.8)	98.6
Decrease in cash and cash equivalents in the period		(31.6)	(51.0)
Cash and cash equivalents at the start of the period		5.9	60.2
Effect of foreign exchange rate changes		(2.2)	(3.3)
Cash and cash equivalents at the period end		(27.9)	5.9
Reconciliation:			
Cash at bank		90.1	43.8
Money market funds (included in portfolio investments)		30.3	29.2
Bank loans and overdrafts		(148.3)	(67.1)
Cash and cash equivalents at the period end		(27.9)	5.9

The notes on pages 44 to 76 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 2007 have been presented on this basis.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 7 Financial Instruments: Disclosures
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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 Companies ("AIC") 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 AIC, 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.

Subsidiaries
Investments in subsidiaries are carried at cost less any provision for impairment made in accordance with IAS 36, Impairment of assets. Impairment tests are carried out twice each year as at 30 September and 31 March.

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 which the Group applies 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 2007 £ million	Year ended 31 March 2006 £ million
Income from listed investments:		
Dividends	16.0	13.9
Interest	2.4	3.0
Income from unlisted investments:		
Dividends	5.5	3.4
Interest	2.7	2.1
Income from investment properties	1.5	1.4
Interest receivable	4.5	3.2
	32.6	27.0

Other Income

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Underwriting commission	—	0.2
Other fee income	1.1	0.9
	1.1	1.1

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 2007 £ million	Year ended 31 March 2006 £ million
Staff costs (see note 4 below)	6.3	12.1
Auditors' remuneration – audit fees	0.1	0.1
Auditors' remuneration – IFRS conversion	—	0.1
Auditors' remuneration – other	0.1	—
Depreciation	0.1	0.1

Administrative expenses for the year ended 31 March 2007 include £0.8 million (31 March 2006: £0.7 million) 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 2007 are £11.7 million (31 March 2006: £18.7 million). The total audit fee amounts to £134,000 (31 March 2006: £123,000) of which £119,000 (31 March 2006: £105,000) relates to the audit of the parent company's consolidated accounts. Other fees of £66,000 (31 March 2006: £18,000) were payable to the auditors in respect of taxation and accounting services, and reporting on related party matters.

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

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Purchases	2.5	2.7
Sales	2.8	2.9
	5.3	5.6

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

4. Staff Costs

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Wages and salaries	4.2	3.5
Executive bonus plan	0.4	1.0
Social security costs	0.5	0.5
Long-term incentive plan (Note 19)	0.9	7.2
Pension costs-defined benefit scheme (Note 28)	—	(0.4)
Pension costs-defined contribution plans (Note 28)	0.3	0.3
	6.3	12.1

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 70 (31 March 2006: 64). Included in this figure are 24 people employed in respect of the banqueting business of Spencer House and the related security function (31 March 2006: 21).

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 2007		Year ended 31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Interest payable on bank borrowings	9.1	8.7	6.7	6.8
Interest rate swap (receipts)/payments	(0.2)	(0.2)	0.5	0.5
Amortisation of issue costs of bank loans	0.1	0.1	0.1	0.1
	9.0	8.6	7.3	7.4

7. Taxation

	Year ended 31 March 2007		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge	—	0.2	0.2
Adjustment in respect of prior years	—	(0.1)	(0.1)
Overseas taxation	1.3	0.2	1.5
Double taxation relief	—	(0.2)	(0.2)
Current tax charge	1.3	0.1	1.4
Deferred tax charge	0.1	0.3	0.4
Adjustment in respect of prior years	—	(0.3)	(0.3)
Taxation charge	1.4	0.1	1.5

	Year ended 31 March 2006		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax (credit)/charge	(0.7)	1.0	0.3
Adjustment in respect of prior years	(0.1)	—	(0.1)
Overseas taxation	1.3	0.3	1.6
Double taxation relief	—	(0.3)	(0.3)
Current tax charge	0.5	1.0	1.5
Deferred tax (credit)/charge	(0.6)	7.1	6.5
Adjustment in respect of prior years	—	(0.2)	(0.2)
Taxation (credit)/charge	(0.1)	7.9	7.8

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 2006: 30%). The differences are explained below:

	Year ended 31 March 2007		Year ended 31 March 2006	
	Revenue £ million	Capital £ million	Revenue £ million	Capital £ million
Profit before tax	(35.5)	141.5	(16.7)	446.7
Tax at the standard UK corporation tax rate of 30% (31 March 2006: 30%)	(10.6)	42.5	(5.0)	134.0
Effect of:				
Capital items exempt from corporation tax	—	(42.0)	—	(125.9)
UK dividend income not taxable	(1.6)	—	(1.3)	—
Double tax relief not available	0.9	—	0.9	—
Expenses not deductible for tax purposes	0.1	—	—	—
Losses not utilised	12.6	—	5.4	—
Prior year credit	—	(0.4)	(0.1)	(0.2)
Total tax charge/(credit)	1.4	0.1	(0.1)	7.9

The tax charge/(credit) 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

	2007 Pence per share	2006 Pence per share	2007 £ million	2006 £ million
Final dividend paid	3.1	3.1	4.8	4.8

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 2007 of 3.1p per share which will absorb £4.8 million of shareholders' funds. It will be paid on 25 July 2007 to shareholders on the register at 15 June 2007. 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 2007, which is the basis on which the requirements of Section 842 of the Taxes Act 1988 are considered, amounts to £4.8 million (31 March 2006: £4.8 million).

9. Earnings per Ordinary Share

The earnings per ordinary share for the year ended 31 March 2007 is based on the net gain of £104.6 million (year ended 31 March 2006: £422.2 million) and the weighted average number of ordinary shares in issue during the period of 156.2 million (year ended 31 March 2006: 156.2 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 2007 £ million	Year ended 31 March 2006 £ million
Net revenue loss	(36.9)	(16.6)
Net capital profit	141.5	438.8
	104.6	422.2

	Pence per share	Pence per share
Revenue loss per ordinary share	(23.6)	(10.6)
Capital earnings per ordinary share	90.6	280.9
	67.0	270.3

10. Net Asset Value per Ordinary Share

The net asset value per ordinary share as at 31 March 2007 is based on the net assets attributable to the equity shareholders of £1,635.6 million (31 March 2006: £1,534.7 million) and the number of ordinary shares in issue at 31 March 2007 of 156.2 million (31 March 2006: 156.2 million).

11. Investments

	31 March 2007		31 March 2006	
	Group £ million	**Company £ million**	Group £ million	Company £ million
Listed investments at market value				
Listed in UK	**169.9**	**169.9**	193.2	193.2
Listed overseas	**899.1**	**899.1**	891.0	891.0
Government securities and other liquidity	**38.8**	**38.8**	75.3	75.3
	1,107.8	**1,107.8**	1,159.5	1,159.5
Unlisted investments at Directors' valuation	**746.3**	**616.6**	590.2	567.9
	1,854.1	**1,724.4**	1,749.7	1,727.4
Portfolio investments	**1,819.3**	**1,689.6**	1,720.8	1,698.5
Investment property	**34.8**	**34.8**	28.9	28.9
Fair value of investments	**1,854.1**	**1,724.4**	1,749.7	1,727.4

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

Investment movements:

	Group				
	Quoted £ million	Unquoted and property £ million	Funds and partnerships £ million	Other securities £ million	Total £ million
Cost at 31 March 2006	759.5	211.0	255.5	75.4	1,301.4
Appreciation/(depreciation) at 31 March 2006	324.6	(0.2)	124.0	(0.1)	448.3
Valuation at 31 March 2006	1,084.1	210.8	379.5	75.3	1,749.7
Reclassifications	0.9	(0.9)	—	—	—
Additions	980.2	81.8	200.6	252.6	1,515.2
Disposals	(1,016.1)	(42.5)	(181.5)	(288.7)	(1,528.8)
Revaluation	19.9	61.8	36.7	(0.4)	118.0
Valuation at 31 March 2007	**1,069.0**	**311.0**	**435.3**	**38.8**	**1,854.1**
Cost at 31 March 2007	**882.0**	**249.0**	**350.2**	**39.2**	**1,520.4**
Appreciation/(depreciation) at 31 March 2007	**187.0**	**62.0**	**85.1**	**(0.4)**	**333.7**

Investment properties were valued at 31 March 2007 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 £ million	Unquoted and property £ million	Funds and partnerships £ million	Other securities £ million	Total £ million
Cost at 31 March 2006	759.5	191.2	253.4	75.4	1,279.5
Appreciation/(depreciation) at 31 March 2006	324.6	19.6	103.8	(0.1)	447.9
Valuation at 31 March 2006	1,084.1	210.8	357.2	75.3	1,727.4
Reclassifications	0.9	(0.9)	—	—	—
Additions	980.2	81.8	196.2	252.6	1,510.8
Disposals	(1,016.1)	(42.5)	(261.4)	(288.7)	(1,608.7)
Revaluation	19.9	50.6	24.8	(0.4)	94.9
Valuation at 31 March 2007	**1,069.0**	**299.8**	**316.8**	**38.8**	**1,724.4**
Cost at 31 March 2007	**882.0**	**229.2**	**255.6**	**39.2**	**1,406.0**
Appreciation/(depreciation) at 31 March 2007	**187.0**	**70.6**	**61.2**	**(0.4)**	**318.4**

Unquoted investments:

During the year ended 31 March 2007, including the effect of currency movements, there were upward valuations of unquoted investments totalling £88.4 million (31 March 2006: £32.0 million) and reductions in value totalling £25.7 million (31 March 2006: £3.9 million). The more significant changes are summarised below:

Investment	Original cost £ million	Valuation at 31 March 2006 £ million	Additions £ million	Disposals £ million	Appreciation/ (depreciation) £ million	**Valuation at 31 March 2007 £ million**
Harbourmaster	10.2	20.9	—	—	20.7	41.6
Robin Hood Holdings	19.1	26.4	—	(4.6)	18.0	39.8
Mercury Forex Certificate	24.2	—	24.2	—	(1.2)	23.0
RDA Holding Co	21.5	—	21.5	—	(0.1)	21.4
The Economist Newspaper	1.5	16.8	—	—	2.6	19.4
New NIB Partners LP	11.4	11.4	0.2	—	3.6	15.2
MessageLabs Group	4.8	10.3	—	—	2.6	12.9
United America Indemnity	6.2	13.7	—	—	(2.0)	11.7
Richbell	19.8	—	—	—	11.2	11.2
SCI Asian Ventures LP	9.7	7.6	—	—	3.2	10.8
Cycladic Capital Management	0.6	1.7	—	—	7.8	9.5
Banca Leonardo	6.5	—	6.5	—	2.5	9.0
Clearbrook	8.2	8.3	—	—	(0.2)	8.1
UK Specialist Hospitals	2.5	2.5	0.2	(0.2)	4.5	7.0
Chart Show	6.0	—	6.0	—	—	6.0
Orthoworld	5.5	2.6	—	—	2.9	5.5
MGt	2.0	4.5	—	—	1.0	5.5
Fortress Investors	1.7	6.1	—	(3.6)	1.6	4.1
Castle Investment Holdings	3.5	—	3.5	—	—	3.5
Valley National Gas	3.5	—	3.5	—	—	3.5
Rothschild Continuation	0.3	2.3	—	—	—	2.3
Ardsley Investments	2.9	2.9	—	—	(0.6)	2.3
Bell Leisure Holdings	1.9	—	1.9	—	—	1.9
Cortiva	8.2	7.0	0.5	—	(6.4)	1.1
Crown Emak Partners	1.3	1.2	—	—	(0.4)	0.8
Access Point Medical	11.5	11.5	—	—	(11.0)	0.5
H-G Holdings	1.3	—	1.3	—	(1.3)	—

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 2007 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 £ million	Profit/(loss) after tax £ million
Listed Investments				
PayPoint	Ordinary Shares	10.8	40.4	18.7
The World Trust Fund	Ordinary Shares	19.0	139.5	37.9
(incorporated in Luxembourg)				
Unlisted Investments				
Access Point Medical	B Preferred Shares	66.7	4.3	(5.3)
(incorporated in the USA)				
Ardsley Investments	Participating Shares	66.7	2.9	1.0
(incorporated in Mauritius)				
Atticus Global	AA-2 Participating Shares	100.0	1,220.8	299.0
(incorporated in the British Virgin Islands)				
Cortiva Group	B Preferred Shares	42.1	(0.5)	(11.7)
(incorporated in the USA)	C Preferred Shares	49.4		
Cycladic Catalyst Fund	Founders A Shares	100.0	242.1	32.6
(incorporated in the Cayman Islands)				
Cycladic Capital (Cayman)	Ordinary Shares	35.0	1.6	3.7
(incorporated in the Cayman Islands)				
Cycladic Capital Management	Ordinary Shares	35.0	0.9	3.5
	Preference Shares	100.0		
FVP Offshore III	Preference Shares	14.1	10.2	2.1
(incorporated in Bermuda)				
H-G Holdings	A Ordinary Shares	20.5	12.5	(3.8)
(incorporated in the USA)	B Ordinary Shares	21.2		
Harbourmaster Capital (Holdings)	B1 Ordinary Shares	24.6	16.1	17.6
(incorporated in Jersey)				
MessageLabs Group	A Preferred Shares	48.0	5.2	(1.9)
MGt	Ordinary Shares	13.2	6.6	2.7
Orthoworld	Ordinary Shares	43.0	6.4	0.8
UK Specialist Hospitals	A Ordinary Shares	50.0	(3.7)	(2.1)
	Deferred Shares	38.9		

Unless otherwise stated, all of the above companies are incorporated in the UK. In addition, the Group holds the following interests in companies which were recently incorporated and which have not yet produced their financial statements.

	Class of share capital	% Held
Step Luxco	Class A Shares	27.0
(incorporated in Luxembourg)		
Uttrup Financial Advisors	Ordinary Shares	12.5
(incorporated in Denmark)		

11. Investments (continued)

	% Held	Aggregate capital and reserves £ million	Profit/(loss) after tax £ million
Partnership Interests			
Blumberg Capital I (formed under the laws of Delaware, USA)	56.2	11.9	0.9
Cycladic Capital LLP (formed under the laws of the UK)	30.7	3.3	2.8
Media Technology Ventures IV-B (formed under the laws of Delaware, USA)	37.6	6.4	2.0
RR Capital Partners (formed under the laws of Delaware, USA)	16.4	38.5	10.7
SCI Asian Ventures (formed under the laws of the British Virgin Islands)	100.0	10.8	4.1
Seleucus (formed under the laws of the Cayman Islands)	43.3	9.8	3.0
Strategic Recovery Fund II (formed under the laws of the UK)	25.0	2.2	0.1
Tinicum Capital Partners (formed under the laws of Delaware, USA)	89.7	1.0	1.5
Tinicum Partners (formed under the laws of Delaware, USA)	22.5	77.7	13.5
Titan Partners (formed under the laws of Delaware, USA)	11.3	128.5	5.2
21st Century Communications (formed under the laws of Delaware, USA)	43.2	0.8	0.1

The Group also holds 99.8% of Darwin Private Equity I LP, 33.4% of Darwin Private Equity LLP and 42.0% of Castle Investment Holdings; these partnerships were recently established in the United Kingdom. In addition, the Group also holds 10.4% of Caxton-Iseman (Propane) LP which was recently established in the USA. These partnerships have not yet produced their financial statements.

11. Investments (continued)

In addition, the Group had a holding of 3% or more at 31 March 2007 in the following investments:

	Class of share capital	% Held
Listed Investments		
AXS-One	Common Stock	5.6
Blueheath	Ordinary Shares	6.1
Cardpoint	Ordinary Shares	6.0
Champps Entertainment	Common Stock	4.6
Euromicron	Ordinary Shares	6.1
Evolution Group	Ordinary Shares	4.9
Galahad Gold	Ordinary Shares	4.2
Insignia Solutions	Common Stock	4.0
Powerlinx	Common Stock	6.0
Xantrex Technology	Common Shares	7.5
Unlisted Investments		
The Economist Newspaper	Ordinary Shares	5.0
Lawyers Access Web	Ordinary Shares	8.4
RDA Holding Co.	Common Shares	7.1
Robin Hood Holdings	Ordinary Shares	8.5
Other Partnership Interests		
Chryscapital III LLC		3.3
Crestview Partners		4.8
GGC Investment Fund		5.4
Innova/4 LP		4.4
Media Technology Ventures V(A)		6.4
OCM/GFI Power Opportunities Fund II		7.1
Sandler Capital Partners V		9.2
Tontine Capital Partners		4.0

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 £ million	Loans £ million	Total £ million
Carrying value at 31 March 2006	32.3	2.9	35.2
Additions	92.3	—	92.3
Provision for impairment	(71.9)	—	(71.9)
Exchange movement in year	(0.1)	(0.3)	(0.4)
Carrying value at 31 March 2007	**52.6**	**2.6**	**55.2**

At 31 March 2007 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 subscribed for 100% of the issued share capital of The Successor Investment Funds in July 2006. This is a company with variable capital formed in accordance with The Open-Ended Investment Companies Regulations 2001.

12. Investments in Subsidiary Undertakings (continued)

Investments in group undertakings are stated at cost less a provision for impairment where appropriate. During the year the Company's dealing subsidiary, RIT Capital Partners Securities Limited, incurred dealing losses of £43.2 million (year ended 31 March 2006: £20.8 million) and in December 2006 the Company subscribed for additional share capital of £89.8 million in the subsidiary. As at 31 March 2007, in accordance with IAS 36, Impairment of assets, the carrying value of the investment in RIT Capital Partners Securities Limited was reduced by £71.9 million to £17.9 million (being the net asset value of the subsidiary as at 31 March 2007).

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 2007 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
The Successor Investment Funds	The capital of the company is represented by shares of no par value and is equal to the net asset value of the company
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	£90,000,000 divided into 90,000,000 Ordinary Shares of £1 each

13. Property, Plant and Equipment

Group	Cost £ million	Depreciation £ million	Net book value £ million
Plant, equipment and vehicles			
At 31 March 2006	0.7	(0.5)	0.2
Additions	0.2	—	0.2
Disposals	(0.1)	0.1	—
Charge for depreciation	—	(0.1)	(0.1)
At 31 March 2007	**0.8**	**(0.5)**	**0.3**

14. Other Current Assets

	31 March 2007 Group £ million	**31 March 2007 Company £ million**	31 March 2006 Group £ million	31 March 2006 Company £ million
Trade debtors	**3.3**	**2.4**	3.2	2.9
Amounts owed by related parties (all trading balances)	**0.5**	**0.2**	0.4	0.3
Prepayments and accrued income	**2.9**	**2.6**	8.3	7.7
	6.7	**5.2**	11.9	10.9

Included in prepayments and accrued income is £0.9 million falling due after more than one year (31 March 2006: £5.4 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.

14. Other Current Assets (continued)

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 2007		Year ended 31 March 2006	
	Group £ million	**Company £ million**	Group £ million	Company £ million
Balance at start of year	**2.4**	**1.9**	8.7	7.1
Credit/(charge) to capital reserve	**—**	**0.7**	(6.9)	(5.9)
Credit/(charge) to revenue reserve	**(0.1)**	**0.3**	0.6	0.7
Balance at end of year	2.3	2.9	2.4	1.9
Analysis of deferred tax asset:				
Unutilised tax losses	**2.0**	**1.8**	13.9	13.6
Deferred management fees	**1.2**	**1.2**	2.1	2.1
Long-term incentive plan	**0.9**	**0.9**	0.9	0.9
Pension contributions	**0.3**	**—**	0.5	—
Other timing differences	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Unrealised profit on offshore funds	**(0.8)**	**(0.1)**	(13.7)	(13.7)
Accelerated capital allowances	**(0.6)**	**(0.7)**	(0.6)	(0.7)
Deferred tax re retirement benefit asset	**(0.5)**	**—**	(0.4)	—
Balance at end of year	2.3	2.9	2.4	1.9

The Group has revenue tax losses of £5.9 million (31 March 2006: £45.2 million) which are available for offset against future taxable profits (including profits on offshore hedge funds). The unrealised profits on such funds amounted to £2.8 million as at 31 March 2007 (31 March 2006: £45.8 million).

The Group has investments in several offshore hedge funds which have an aggregate market value of £100.2 million as at 31 March 2007. The tax cost of these investments was £101.4 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 Finance Bill 2007 contains a provision to the effect that the rate of corporation tax will be reduced by 2% to 28% from 1 April 2008. This proposed reduction in the corporation tax rate will not have a material impact on the Group's deferred tax asset as at 31 March 2007.

The dealing subsidiary has tax losses amounting to £58.7 million at 31 March 2007 (31 March 2006: £28.9 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 2006: £0.6 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 2007		31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Unlisted investments	0.3	—	2.7	—

Dealing investments are stated at fair value.

17. Other Payables

	31 March 2007		31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Accruals and deferred income	10.0	2.4	6.9	4.3
Amounts payable to related parties	0.2	0.1	1.0	1.0
Other creditors	1.4	1.4	2.2	1.0
	11.6	3.9	10.1	6.3

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 2007		31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Unsecured loans repayable between 2-7 years not by instalments				
US$150 million repayable on 21 July 2008	76.4	76.4	86.4	86.4
€150 million repayable on 1 August 2012	101.8	101.8	104.6	104.6
	178.2	178.2	191.0	191.0

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 2006 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 March 2007 £ million
Nature of provision:					
Indemnity	2.0	—	—	—	2.0
Investments	7.6	1.8	(1.4)	(3.5)	4.5
Litigation	1.0	0.6	(1.0)	(0.6)	—
Property	0.3	—	(0.1)	—	0.2
Long-term incentive plan	3.4	1.0	—	(0.6)	3.8
	14.3	3.4	(2.5)	(4.7)	10.5

19. Provisions for Liabilities and Charges (continued)

	Company				
	31 March 2006 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	**31 March 2007 £ million**
Nature of provision:					
Indemnity	2.0	—	—	—	**2.0**
Investments	7.6	1.8	(1.4)	(3.5)	**4.5**
Litigation	1.0	0.6	(1.0)	(0.6)	**—**
Long-term incentive plan	3.4	1.0	—	(0.6)	**3.8**
	14.0	3.4	(2.4)	(4.7)	**10.3**

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 2007 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 related to the costs of certain individuals seconded from First Arrow Investment Management Limited; this provision was reversed during the current year.

Litigation

The litigation involving H-G Holdings Inc was discontinued and dismissed with prejudice in October 2006 and the Company did not incur any material costs in respect of these proceedings.

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 £0.2 million as at 31 March 2007 (31 March 2006: £0.3 million).

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 2007 £ million	31 March 2006 £ million
Date of grant		
26 March 2003	1.9	1.9
31 March 2003	0.2	0.5
12 August 2003	—	0.4
25 March 2004	0.1	0.2
30 March 2005	0.2	0.2
19 July 2005	0.7	0.7
31 August 2005	0.3	0.3
7 October 2005	—	—
15 March 2006	—	0.1
29 December 2006	—	—
15 March 2007	0.3	—
Intrinsic value of all SARs	3.7	4.3
IFRS 2 adjustment to provision	0.1	(0.9)
Carrying amount of SAR provision	3.8	3.4
Intrinsic value of those SARs which had vested as at 31 March	2.2	2.4

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 18%, dividends of 3.1p per share per annum, contractual life of ten years, and a risk-free interest rate of 5.4%. 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 2007, the Company granted 397,876 SARs (31 March 2006: 721,770) and the weighted average fair value of those SARs was £3.19 (31 March 2006: £3.41). The Company recognised total expenses of £0.9 million (31 March 2006: £7.2 million) arising from the SAR long-term incentive plan.

20. Called Up Share Capital

	31 March 2007 £ million	31 March 2006 £ million
Authorised		
320 million Ordinary Shares of £1 each	320.0	320.0
Allotted, issued and fully paid		
156,178,167 Ordinary Shares of £1 each (31 March 2006: 156,178,167)	156.2	156.2

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

21. Capital Redemption Reserve

	Year ended 31 March 2007		Year ended 31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	34.0	34.0	34.0	34.0
Movement during the year	—	—	—	—
Balance at end of year	34.0	34.0	34.0	34.0

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

22. Capital Reserve

	Year ended 31 March 2007		Year ended 31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	1,352.9	1,329.9	914.2	887.7
Realised gains on disposal of investments	10.5	10.3	103.2	109.9
Movement on revaluation of investments held at the year end	105.5	18.7	358.6	353.6
Performance fees	(1.4)	(1.4)	(8.6)	(8.6)
Other capital items	27.1	26.8	(6.6)	(6.8)
Taxation	(0.1)	0.7	(7.9)	(5.9)
Total capital return	141.6	55.1	438.7	442.2
Balance at end of year	1,494.5	1,385.0	1,352.9	1,329.9

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

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

	31 March 2007		31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Realised gains/(losses)				
Listed investments	914.3	897.3	768.8	751.6
Unlisted investments	380.4	362.3	295.8	277.9
	1,294.7	1,259.6	1,064.6	1,029.5
Other	(101.4)	(88.0)	(132.5)	(120.3)
	1,193.3	1,171.6	932.1	909.2
Unrealised gains/(losses)				
Listed investments	186.7	186.7	324.5	324.5
Unlisted investments	147.0	131.7	123.8	123.3
	333.7	318.4	448.3	447.8
Provision for impairment	—	(71.9)	—	—
Other	(32.5)	(33.1)	(27.5)	(27.1)
	301.2	213.4	420.8	420.7
Balance at end of year	1,494.5	1,385.0	1,352.9	1,329.9

23. Revenue Reserve

	Year ended 31 March 2007		Year ended 31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	(12.6)	5.7	8.8	7.8
Dividend paid	(4.8)	(4.8)	(4.8)	(4.8)
(Loss)/profit for the year	(36.9)	4.1	(16.6)	2.7
Balance at end of year	(54.3)	5.0	(12.6)	5.7

The Group's capital reserve includes an amount of £21.9 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 £4.1 million (31 March 2006: £2.7 million).

24. Foreign Currency Translation Reserve

	Year ended 31 March 2007		Year ended 31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	0.1	—	(0.1)	—
Current year translation adjustment	(0.3)	—	0.2	—
Balance at end of year	(0.2)	—	0.1	—

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 2007 £ million	Year ended 31 March 2006 £ million
Profit before dividend and interest income, finance costs and taxation	84.0	411.7
Dividend income	21.1	17.3
Interest income	10.0	8.3
Profit before finance costs and taxation	115.1	437.3
Decrease in other debtors	5.2	0.5
Increase in other creditors	1.5	1.5
Increase in dealing investments	(10.4)	(1.5)
Other movements	(25.7)	23.6
Purchase of investments held at fair value	(1,542.8)	(1,406.1)
Sale of investments held at fair value	1,574.8	1,269.7
Gains on investments held at fair value	(116.0)	(461.8)
Taxation paid	(1.6)	(1.4)
Interest paid	(9.1)	(7.3)
Net cash outflow from Operating Activities	(9.0)	(145.5)

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

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Profit before dividend and interest income, finance costs and taxation	38.5	433.6
Dividend income	21.2	17.4
Interest income	8.4	7.7
Profit before finance costs and taxation	68.1	458.7
Decrease in other debtors	5.7	0.6
(Decrease)/increase in other creditors	(2.3)	2.1
Other movements	(91.5)	27.2
Purchase of investments held at fair value	(1,540.5)	(1,402.3)
Sale of investments held at fair value	1,572.9	1,236.2
Gains on investments held at fair value	(29.0)	(463.6)
Taxation paid	(1.6)	(1.2)
Interest paid	(8.6)	(7.3)
Net cash outflow from Operating Activities	(26.8)	(149.6)

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.

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 2007 £ million**	31 March 2006 £ million	**31 March 2007 £ million**	31 March 2006 £ million
Sterling	**800.3**	405.1	**1,045.0**	746.5
US Dollar	**145.1**	321.8	**155.9**	387.3
Euro	**276.0**	115.8	**139.7**	111.7
Japanese Yen	**143.3**	289.9	**80.2**	90.9
Canadian Dollar	**73.4**	55.7	**70.1**	55.7
Swiss Franc	**57.8**	79.7	**9.9**	30.7
Singapore Dollar	**66.7**	57.8	**14.0**	4.3
Taiwan Dollar	**0.8**	58.0	**0.8**	4.8
Other	**72.2**	150.9	**70.0**	98.0
	1,635.6	1,534.7	**1,585.6**	1,529.9

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	
	31 March 2007 £ million	31 March 2006 £ million	**31 March 2007 £ million**	31 March 2006 £ million
Contracts with positive fair values:				
Interest rate swap (cash flow hedge)	**5.4**	4.1	**5.4**	4.1
Forward exchange currency contracts	**1.2**	1.8	**—**	—
Put options-market indices	**0.1**	2.6	**—**	—
Call options-market indices	**9.0**	14.2	**9.0**	14.2
Currency options	**0.2**	—	**—**	—
Contracts with negative fair values:				
Forward exchange currency contracts	**(8.8)**	(9.5)	**(7.2)**	(9.1)
Credit default swap	**—**	(1.4)	**—**	—
Index futures	**(7.4)**	—	**(5.5)**	—
Equity-linked swap	**(0.9)**	—	**—**	—

Details of the interest rate swap are disclosed in Note 18. The gain of £5.4 million (31 March 2006: £4.1 million) has been deferred in equity and this gain will reverse in the income statement during the next five 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 2007 amounted to £2.2 million (31 March 2006: £9.5 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 2007			
Currency	**Floating rate financial assets £ million**	**Fixed rate financial assets £ million**	**Other financial assets £ million**	**Total £ million**
US Dollar	53.5	28.3	888.4	970.2
Sterling	87.6	16.0	250.5	354.1
Euro	7.1	8.1	324.7	339.9
Yen	9.6	—	89.3	98.9
Canadian Dollar	—	—	71.9	71.9
Swiss Franc	—	—	18.4	18.4
Other	4.1	—	93.4	97.5
	161.9	52.4	1,736.6	1,950.9
Add: Other non-interest bearing assets				60.0
Total assets per the consolidated balance sheet				2,010.9

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 £3.5 million of zero coupon US Treasury Bills repayable in August 2007 and £13.0 million of loan notes earning interest at 2% per annum until December 2028. In addition, there is a £11.2 million loan note in respect of which no interest is currently being accrued. It is anticipated that this loan note will be redeemed before 31 December 2007.

The Euro denominated fixed rate financial assets comprise a loan note of £8.1 million earning interest at 4% per annum.

The Sterling fixed rate financial assets include £5.0 million of UK Treasury Stock earning interest at 8.5% per annum until July 2007. In addition, there is £2.5 million of loan notes earning interest at 10% per annum which are redeemable in tranches on various dates between June 2007 and June 2010 (subject to the prior repayment of bank indebtedness by the investee company). The balance mainly comprises £5.9 million of preferred equity certificates earning interest at 10% per annum until 2075 or their earlier redemption.

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

	Group 31 March 2006			
Currency	Floating rate financial assets £ million	Fixed rate financial assets £ million	Other financial assets £ million	Total £ million
US Dollar	51.2	34.3	755.5	841.0
Euro	14.5	25.8	298.7	339.0
Sterling	18.5	20.6	233.7	272.8
Yen	4.3	—	104.9	109.2
Canadian Dollar	0.6	—	55.4	56.0
Swiss Franc	0.1	—	38.6	38.7
Other	8.7	—	120.5	129.2
	97.9	80.7	1,607.3	1,785.9
Add: Other non-interest bearing assets				62.7
Total assets per the consolidated balance sheet				1,848.6

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 £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 was £15.6 million of loan notes earning interest at 2% per annum until December 2028.

The Euro denominated fixed rate financial assets comprised £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 included £10.1 million of UK Treasury Stock earning interest at 7.75% per annum until September 2006. In addition, there was £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 comprised £4.0 million of convertible preference 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:

	Company 31 March 2007			
Currency	**Floating rate financial assets £ million**	**Fixed rate financial assets £ million**	**Other financial assets £ million**	**Total £ million**
US Dollar	**27.8**	**28.3**	**807.4**	**863.5**
Sterling	**77.3**	**16.0**	**299.9**	**393.2**
Euro	**2.9**	**8.1**	**281.8**	**292.8**
Yen	**8.3**	**—**	**89.3**	**97.6**
Canadian Dollar	**—**	**—**	**71.9**	**71.9**
Swiss Franc	**—**	**—**	**18.4**	**18.4**
Other	**4.1**	**—**	**93.4**	**97.5**
	120.4	**52.4**	**1,662.1**	**1,834.9**
Add: Other non-interest bearing assets				**127.0**
Total assets per the Company balance sheet				**1,961.9**

	Company 31 March 2006			
Currency	Floating rate financial assets £ million	Fixed rate financial assets £ million	Other financial assets £ million	Total £ million
US Dollar	41.6	34.3	733.2	809.1
Euro	5.6	25.8	298.6	330.0
Sterling	16.4	20.6	233.7	270.7
Yen	4.2	—	104.9	109.1
Canadian Dollar	0.6	—	55.4	56.0
Swiss Franc	—	—	38.6	38.6
Other	8.3	—	120.5	128.8
	76.7	80.7	1,584.9	1,742.3
Add: Other non-interest bearing assets				131.9
Total assets per Company balance sheet				1,874.2

26. Derivatives and Other Financial Instruments (continued)

Fair values of financial liabilities

	Group and Company			
	31 March 2007 Book value £ million	31 March 2007 Fair value £ million	31 March 2006 Book value £ million	31 March 2006 Fair value £ million
Long-term borrowings	178.2	177.7	191.0	214.7

Fair values other financial liabilities

	Group			
	31 March 2007 Book value £ million	31 March 2007 Fair value £ million	31 March 2006 Book value £ million	31 March 2006 Fair value £ million
Short-term borrowings	151.1	151.1	67.3	67.3
Securities sold short	2.2	2.2	9.5	9.5
Purchases for future settlement	21.3	21.3	21.4	21.4
Tax payable	0.4	0.4	0.3	0.3
Other payables	11.6	11.6	10.1	10.1
	186.6	186.6	108.6	108.6

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 judged to approximate to their book values.

27. Contingencies, Guarantees, Financial Commitments and Contingent Assets

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

	31 March 2007		31 March 2006	
	Group £ million	Company £ million	Group £ million	Company £ million
Commitments to provide additional funds (principally private equity partnerships)	168.9	168.9	120.3	120.3

An appeal is being made to the European Court of Justice as to whether investment management fees charged to investment trusts should be exempt from VAT. If there is a favourable outcome to this case, the Company should be able to recover some of the VAT incurred in previous years. However, the amount of any VAT recoverable by the Company cannot be determined until the details of the final judgement are known.

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 contribution rate remained at 47% during the year ended 31 March 2007. 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. No changes have been made to these funding rates to date.

It is estimated that the contributions payable to the Scheme during the year ending 31 March 2008 will be £0.2 million (31 March 2007: £0.2 million).

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 2007 by a qualified independent actuary.

The main financial assumptions are shown in the following tables:

	At 31 March 2007	At 31 March 2006
Discount rate	5.40%	4.90%
Rate of increase in salaries	4.25%	4.25%
Rate of increase in payment of all pensions	4.00%	4.00%
Inflation assumption	3.20%	3.00%

The mortality assumptions employed as at 31 March 2007 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)	PM/FA 1992 year of birth tables allowing for medium cohort projections
Deferred	AM 92(males) /AF 92(females)	PM/FA 1992 year of birth tables allowing for medium cohort projections
Pensioners	N/A	PM/FA 1992 year of birth tables allowing for medium cohort projections

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

As at 31 March 2007, the expected rate of return on the Scheme's assets was 8.9% per annum (31 March 2006: 8.9% 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 2007.

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 2007	Value at 31 March 2007 £ million	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006 £ million
Equities	9.00%	9.7	9.00%	10.3
Alternative investments	9.00%	4.2	9.00%	2.9
Corporate bonds	5.25%	0.3	5.25%	0.3
Cash	4.00%	0.2	4.00%	0.1
Fair value of the Scheme's assets		14.4		13.6
Present value of the Scheme's liabilities		(12.7)		(12.2)
Surplus in the Scheme		1.7		1.4

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 2007, these assets and liabilities amounted to £5.2 million (31 March 2006: £5.2 million).

The defined benefit section of the Scheme does not invest in the Company's ordinary shares (31 March 2006: nil) or in any property occupied by the Group, or any other assets used by the Group (31 March 2006: nil). The money purchase section of the Scheme held ordinary shares in the Company valued at £0.7 million as at 31 March 2007 (31 March 2006: £0.7 million).

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

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Defined benefit scheme		
Employer's current service cost	0.3	0.4
Interest on pension liabilities	0.6	0.6
Expected return on Scheme assets	(1.2)	(0.8)
Actuarial losses/(gains)	0.3	(0.6)
	—	(0.4)
Money purchase scheme	—	0.1
Personal pension schemes	0.3	0.2
Total expense/(credit) recognised in the income statement	0.3	(0.1)

The above expense/(credit) is included in administrative expenses in the income statement. The actual return on Scheme assets was £0.8 million (31 March 2006: £2.6 million).

Five year history

	31 March 2007 £ million	31 March 2006 £ million	31 March 2005 £ million	31 March 2004 £ million	31 March 2003 £ million
Fair value of the Scheme's assets	14.4	13.6	11.1	6.9	4.8
Present value of the Scheme's liabilities	(12.7)	(12.2)	(10.4)	(10.3)	(9.9)
Surplus/(deficit) in the Scheme	1.7	1.4	0.7	(3.4)	(5.1)

28. Pension Commitments (continued)

The analysis of experience gains and losses is as follows:

	31 March 2007 £ million	31 March 2006 £ million	31 March 2005 £ million	31 March 2004 £ million	31 March 2003 £ million
Experience (losses)/gains on Scheme liabilities	(0.3)	0.2	0.7	0.2	(0.3)
Experience (losses)/gains on Scheme assets	(0.3)	1.8	—	1.1	(1.9)

Reconciliation of fair value of the Scheme's assets	31 March 2007 £ million	31 March 2006 £ million
Opening fair value of the Scheme's assets	13.6	11.1
Expected return on Scheme assets	1.2	0.8
Actuarial losses/(gains)	(0.3)	1.7
Employer's contributions	0.2	0.3
Benefits paid and other disbursements	(0.3)	(0.3)
Closing fair value of the Scheme's assets	**14.4**	13.6

Reconciliation of the present value of the defined benefit obligation	31 March 2007 £ million	31 March 2006 £ million
Opening defined benefit obligation	12.2	10.4
Employer's current service cost	0.3	0.4
Interest on pension liabilities	0.6	0.5
Experience losses/(gains) arising on Scheme liabilities	0.3	(0.2)
Changes in assumptions underlying the Scheme liabilities	(0.4)	1.4
Benefits paid and other disbursements	(0.3)	(0.3)
Closing defined benefit obligation	**12.7**	12.2

29. Related Party Transactions

In this note, individuals and entities associated with Lord Rothschild and Mr Nathaniel Rothschild are referred to as J and NR 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 and NR related parties. As described more fully on page 18, the Company had a cost-sharing agreement with First Arrow Investment Management Limited ("FAIM"), an entity controlled by Lord Rothschild and his family interests and which managed his family's and some third party investments. The cost of the services provided by FAIM during the year ended 31 March 2007 was £1,185,030 (year ended 31 March 2006: £1,587,660). The balance of this amount that remained payable to FAIM at 31 March 2007 was £100,000 (31 March 2006: 949,449).

In addition, certain individuals were seconded from FAIM to the Company during the year and the employment cost of these individuals amounted to £438,215 (year ended 31 March 2006: £1,525,904). No amount remained payable at 31 March 2007 (the balance that remained payable to FAIM at 31 March 2006 was £367,161).

J and NR 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 2007 amounted to £139,010 (year ended 31 March 2006: £96,711) and £492,048 (year ended 31 March 2006: £442,190) respectively.

29. Related Party Transactions (continued)

During the year, a subsidiary of the Company contributed £66,694 in respect of rent, rates and services towards the cost of the Chairman's office which is located in a property owned by J and NR related parties (year ended 31 March 2006: £47,372).

The Group provides a number of services to J and NR related parties. These include IT support and other general office services for which a subsidiary of the Company has charged £235,924 to the J and NR related parties during the year ended 31 March 2007 (year ended 31 March 2006: £147,340).

Mr Nathaniel Rothschild

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

J and NR 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 2007 amounted to £149,510 (year ended 31 March 2006: £149,705).

The Company's related party transactions with Atticus Global, 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 and NR related parties at the year end are disclosed in Notes 14 and 17 respectively.

Mr Andrew Knight

Mr Knight invested alongside the Company in RDA Holding Co., a vehicle formed to acquire The Reader's Digest Association, Inc in January 2007. The Company's investment amounted to US$ 42 million and Mr Knight's was US$ 3 million, and the transaction was in accordance with the UK Listing Authority Rules relating to Joint Investment Arrangements. Mr Knight represents the Company's interests on the Board of Directors of The Reader's Digest Association, Inc.

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 2007, the charge for these administrative services amounted to £6.5 million (year ended 31 March 2006: £5.0 million).

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 2007 £ million	31 March 2006 £ million	**31 March 2007 £ million**	31 March 2006 £ million
RIT Capital Partners Securities Limited	8.0	39.8	—	—
Atlantic and General Investment Trust Limited	62.2	—	—	(27.7)
J. Rothschild Capital Management Limited	—	—	(8.9)	(10.4)
RIT Capital Partners Associates Limited	—	—	(2.2)	(3.1)
RIT Capital Partners Media Inc.	—	—	(2.4)	(2.7)
Other	—	—	(0.8)	(0.6)
	70.2	39.8	(14.3)	(44.5)

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 2007 (31 March 2006: £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 2007 £ million	Year ended 31 March 2006 £ million
Salaries	1.7	1.2
Bonus	0.5	1.1
Benefits in kind	0.1	0.1
Long-term incentive plan (IFRS 2 basis per Note 19)	0.7	6.1
Pension expense	0.2	1.0
	3.2	9.5

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. Events After The Balance Sheet Date

In May 2007 the Company drew down a new three-year £150 million multi-currency term loan from one of its banks; 50% of this loan is presently denominated in US Dollars and the balance is in Yen. At the same time, as part of its interest rate management strategy, the Company entered into two interest rate swaps for notional principal amounts of $148.7 million and ¥17.9 billion respectively, both of which terminate in 2010.

Historical Information

	Diluted net assets £ million	Diluted net assets per share p	Mid-market share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.65
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.64
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.44
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.15
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.15
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.51
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.58
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.65
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.82
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.00
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.20
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.10
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.10
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.10
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.10
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.10
31 March 2005	1,113.1	712.7	694.0	(2.6)	90.0	3.10
31 March 2006	1,534.7	982.7	1,020.0	3.8	270.3	3.10
31 March 2007	**1,635.6**	**1,047.3**	**1,000.0**	**(4.5)**	**67.0**	**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. At 31 March 2006 and 31 March 2007 diluted net asset value per share and net asset value per share were equivalent.
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 2007 the Company's ordinary share capital was held as follows:

	Holders	%	Shares held	%
Analysis by category				
Individuals	8,649	72.36	15,957,183	10.22
Insurance	68	0.57	841,411	0.54
Banks and Nominees	2,556	21.39	128,652,143	82.38
Investment Trusts	60	0.50	6,484,506	4.15
Pension Funds	12	0.10	52,108	0.03
Other Corporate Bodies	608	5.08	4,190,816	2.68
Totals	**11,953**	**100.00**	**156,178,167**	**100.00**

	Holders	%	Shares held	%
Analysis by numbers of shares				
1 – 9	79	0.66	279	—
10 – 49	270	2.26	8,002	0.01
50 – 99	305	2.55	22,497	0.01
100 – 499	2,593	21.69	779,408	0.50
500 – 999	2,594	21.70	1,860,836	1.19
1,000 – 1,999	2,736	22.89	3,760,814	2.41
2,000 – 2,999	1,175	9.83	2,772,915	1.78
3,000 – 3,999	586	4.90	1,989,213	1.27
4,000 – 4,999	342	2.86	1,495,009	0.96
5,000 – 9,999	635	5.31	4,219,738	2.70
10,000 –24,999	328	2.75	4,806,712	3.08
25,000 –49,999	112	0.94	3,907,666	2.50
50,000 –99,999	60	0.50	4,142,696	2.65
100,000 and above	138	1.16	126,412,382	80.94
Totals	**11,953**	**100.00**	**156,178,167**	**100.00**

Financial Calendar

Annual General Meeting	19 July 2007
Payment of dividend on ordinary shares Final dividend of 3.1 pence	25 July 2007 to shareholders on the register at 15 June 2007

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 Thursday 19 July 2007 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 2007;
2. To approve the Directors' Remuneration Report for the year ended 31 March 2007;
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 Duncan Budge as a Director;
7. To re-elect John Elkann as a Director;
8. To re-elect Andrew Knight as a Director;
9. To re-elect Lord Rothschild as a Director;

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

11. 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:

12. 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 2008 and 30 September 2008; AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £52,059,389.
13. 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 2008 and 30 September 2008.
14. 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 2008 (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
31 May 2007

Copies of the 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 19 July 2007 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 must either be (a) deposited at the Company's registrars – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8FB, (b) lodged using the CREST Proxy Voting Service explained in Note 5 below, or (c) lodged electronically through the Company's website – www.ritcap.co.uk. All proxies, however lodged, must be received 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.

   Please note that any power of attorney or other authority under which the instrument is executed (or a duly certified copy of any such power or authority), must accompany the physical instrument appointing a proxy, as these documents cannot be lodged electronically.
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 on 17 July 2007 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 10 – 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.

John Elkann was appointed as a Director since the last Annual General Meeting and, under the Articles of Association, is required to retire and seek re-election by the shareholders.

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 11 – 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 12 – 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 2008.

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

Resolution 13 – 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 2008, or on 30 September 2008 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 14 – 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

Secretary and Registered Office

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(a wholly-owned subsidiary of RITCP)
27 St James's Place
London SW1A 1NR

Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Solicitors

Linklaters LLP
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Registrars and Transfer Office

Computershare Investor Services PLC
Registrar's Department
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Bridgwater Road
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Savings Scheme Administrator

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For Information

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