ANNUAL REPORT & ACCOUNTS
31 MARCH 2008

RIT Capital Partners plc

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RIT Capital Partners plc

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.

INVESTMENT POLICY

to invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted;

to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

Further information relating to the Company's investment policies, including asset allocation, risk diversification and gearing, are contained in the Directors' Report on pages 20 and 21.

RIT CAPITAL PARTNERS PLC

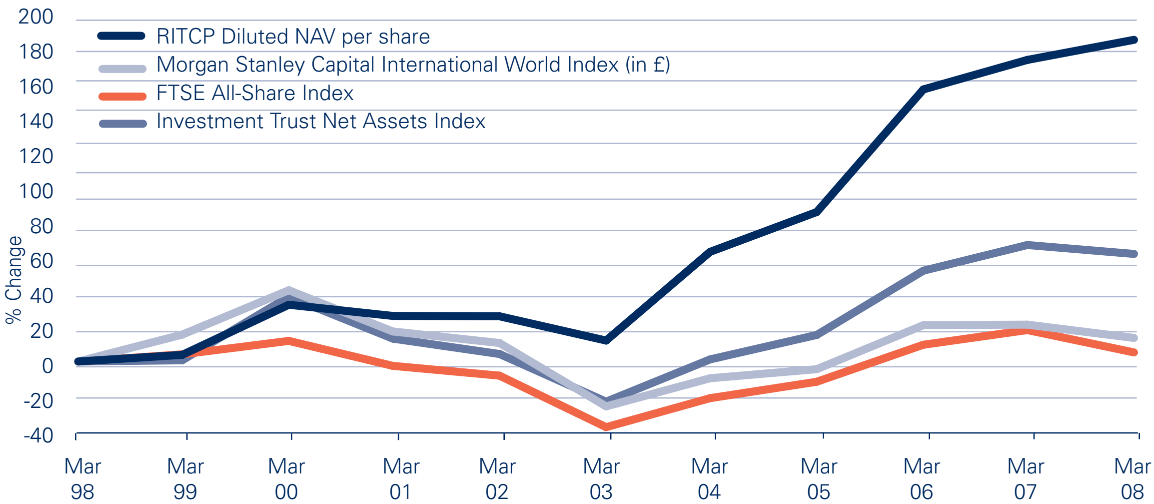
FINANCIAL HIGHLIGHTS

	31 March 2008	31 March 2007	Change
Total Net Assets (£ million)	1,690.0	1,635.6	+3.3%
Net Asset Value per Share	1,091.6p	1,047.3p	+4.2%
Share Price	1,147.0p	1,000.0p	+14.7%
Premium/(discount)	5.1%	(4.5%)	

PERFORMANCE

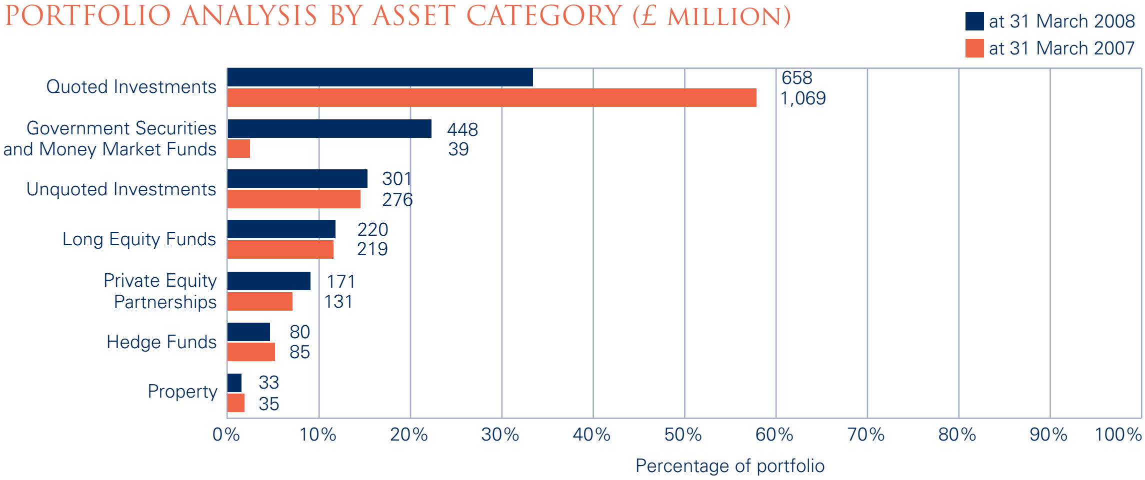
	1 Year	5 Years	10 Years
RIT Capital Partners plc (Net Asset Value per Share)	4.2%	153.7%	184.2%
Morgan Stanley Capital International World Index (in £)	(6.3)%	52.7%	13.5%
FTSE All-Share Index	(10.8)%	68.6%	5.2%
Investment Trust Net Assets Index	(3.1)%	109.8%	61.6%

PERFORMANCE AGAINST RELEVANT INDICES OVER 10 YEARS

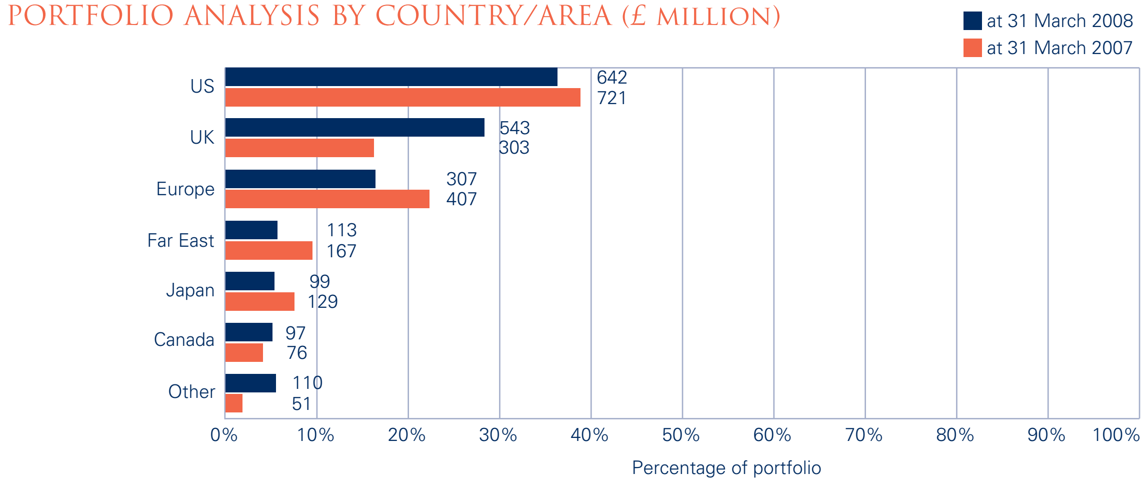


PORTFOLIO ANALYSIS AND CURRENCY EXPOSURE

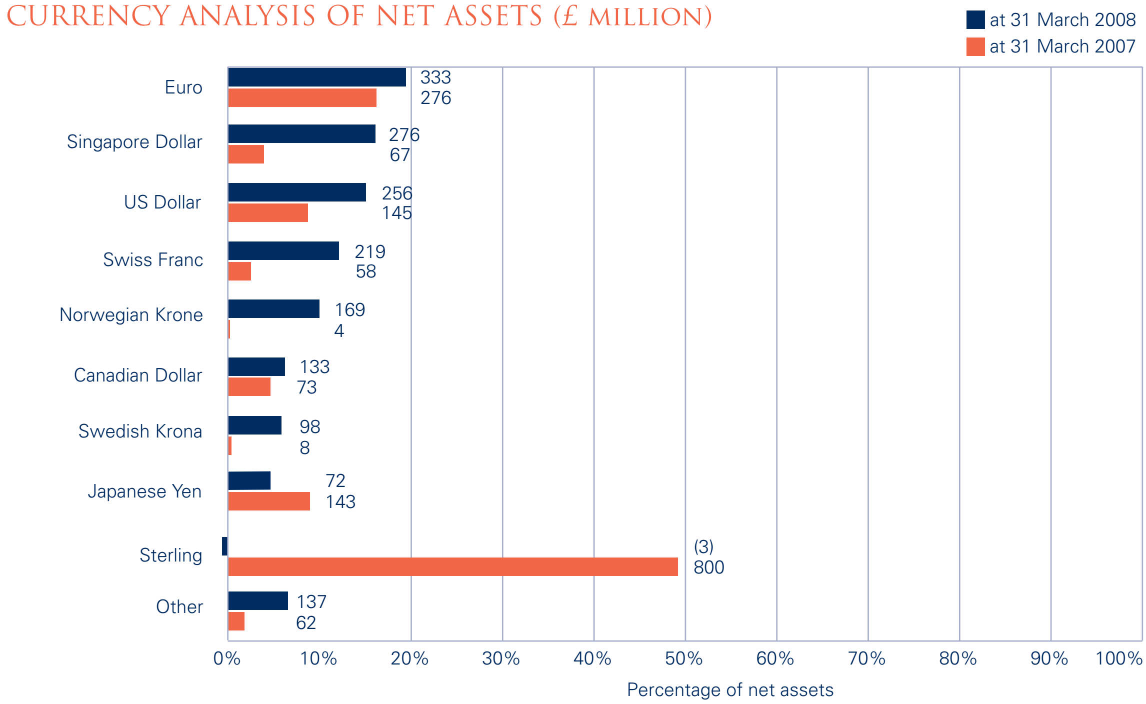
PORTFOLIO ANALYSIS BY ASSET CATEGORY (£ MILLION)



PORTFOLIO ANALYSIS BY COUNTRY/AREA (£ MILLION)



CURRENCY ANALYSIS OF NET ASSETS (£ MILLION)



CHAIRMAN'S STATEMENT

Lord Rothschild
Chairman

In last year's Annual Report, I commented on the paradox of investors' appetite for risk increasing at a time when the level of risk was clearly rising. The credit crunch, the housing debacle, the slow-down in economic growth and rising inflation were already threatening the world economy and, as the year has gone by, the outlook has worsened. As the recent World Economic Outlook from the IMF commented, "the world economy has entered new and precarious territory".

During the year under review we therefore significantly reduced our investment in listed equities from 84.0% of net assets to 56.7%, ending the year with exposure to listed equities (after adjusting for index futures) and unquoted investments of 66.8% compared with 103.5% at the outset.

Over the year your Company's net asset value per share increased by 4.2% from 1,047.3p to 1,091.6p, and its net worth by some £54.4 million to £1,690.0 million. Over the same period, the Morgan Stanley Capital International World Index (in Sterling), the FTSE All-Share Index and the Investment Trust Net Assets Index decreased by 6.3%, 10.8% and 3.1% respectively.

Currencies have been an important contributor to our results. During the earlier part of the year we hedged a large proportion of our exposure to the US Dollar, but reduced this hedge as the currency weakened. In the last quarter of the year we hedged the entirety of our Sterling exposure, concerned by the economic slow-down in the UK and by evidence of increasing inflation. We have diversified our currency exposure amongst a number of currencies worldwide, with particular emphasis on Asia and Scandinavia.

In terms of geographical exposure, we have reduced our exposure to Europe and to China and increased our holdings in Middle Eastern securities. Our UK exposure has increased as a result of our holdings in UK government bonds.

We set out below our asset allocation within the investment portfolio at the year end:

ASSET ALLOCATION

	% of Portfolio at 31 March 2008	% of Portfolio at 31 March 2007
Quoted investments	34.4	57.6
Government securities and money market funds	23.4	2.1
Hedge funds	4.2	4.6
Long equity funds	11.5	11.8
Unquoted investments	15.8	14.9
Private equity partnerships	9.0	7.1
Property	1.7	1.9
	100.0	**100.0**

A more detailed analysis of your Company's portfolio and currency exposure can be found on page 3 and in the Investment Review on pages 6 to 17.

Although, at the time of writing this Statement, our asset allocation remains broadly similar, our exposure to listed equities is somewhat higher than at the year end. However, we continue to position ourselves defensively as, in our view, the downward adjustment in equity markets remains quite modest in the context of the problems that lie ahead. Even if the worst of the immediate liquidity issues afflicting financial institutions are behind us, the availability and pricing of credit are likely to remain constrained for some time as banks rebuild their balance sheets. The capacity of financial institutions has been impaired and so therefore has their ability to provide credit on the scale necessary to facilitate economic expansion. Furthermore the authorities' determined response to the fear of a systemic collapse of the financial system may give rise to further difficulties and dislocation in the years ahead. Global inflationary pressures are of particular concern, especially when taken together with weakening economic conditions in the West.

Capital preservation and delivering long-term capital growth remain our highest priorities. We are likely to err on the side of caution in the months ahead, conscious that such positioning can lead to periods of underperformance during brief but often powerful market rallies. Indeed, in the period between our year end on 31 March 2008 and 22 May, the net asset value per share has increased to 1,113.5p (a 2.0% rise), compared with an increase in the MSCI World Index (in Sterling) of 7.1% over the same period.

In spite of our caution, we believe that attractive opportunities will become available as a result of difficult market conditions. Given our relatively modest level of exposure, taken together with our borrowing facilities, we are particularly well placed to take advantage of these opportunities.

LONG-TERM PERFORMANCE

Looking back twenty years since the inception of your Company in its current form in 1988, I am pleased to note that the net asset value per share has increased by over ten times, as shown in the table on page 88. Over the last five years it has increased by more than 150%, representing an increase of over 20% per annum, as can be seen from the chart on page 7.

DIVIDEND

We are proposing to pay a dividend of 4.0p per share on 23 July 2008 to shareholders on the register at 13 June 2008. The focus of your Company remains one of achieving capital growth rather than increases in dividend income.

BOARD

We announced in December the appointment of John Cornish as an independent non-executive director, and I am delighted to welcome him to the Board. John headed the investment trust team at Deloitte for many years and is a director of four other investment trusts.

NILS TAUBE

We were saddened by the death of Nils Taube at the age of 79 in March. Nils played an important role in managing RITCP's portfolio for the ten years to 1998 and was acknowledged to be one of the great investors of his generation. Both on behalf of shareholders and our Board, I would like to place on record our appreciation for his contribution to your Company throughout this period.

Rothschild

Rothschild
29 May 2008

MOVEMENT IN NET ASSET VALUE

The Group's net asset value as at 31 March 2008 was £1,690.0 million (31 March 2007: £1,635.6 million). This represents an increase of £54.4 million which is analysed below:

Year ended 31 March 2008	£ million	£ million	Pence per share	Pence per share
Quoted investments	(2.2)		(1.4)	
Hedge funds	1.6		1.0	
Long equity funds	5.5		3.6	
Unquoted investments	0.5		0.3	
Property	(0.9)		(0.6)	
Private equity partnerships	27.1		17.5	
Government securities and money market funds	18.9		12.2	
Investment Portfolio		50.5		32.6
Currency hedging gains and dealing profits	67.6		43.6	
Index futures hedging	30.1		19.6	
Hedging and Dealing		97.7		63.2
Foreign exchange adjustments on bank loans	(32.1)		(20.8)	
Unallocated administrative expenses	(17.5)		(11.3)	
Finance costs	(13.3)		(8.6)	
Taxation	(8.8)		(5.7)	
Other movements	2.1		1.4	
Expenses, Interest, Taxation and Other		(69.6)		(45.0)
Profit for the year		**78.6**		**50.8**
Interest rate swap (relating to term loans)	(5.3)		(3.4)	
Dividend paid	(4.8)		(3.1)	
Share buy-backs	(14.1)		–	
Reserve Movements		(24.2)		(6.5)
Increase in net asset value		**54.4**		**44.3**

During the year the investment portfolio generated £50.5 million of net profits. The majority of this increase was derived from the gains on the Group's investments in private equity partnerships, as well as gains and interest from the government securities and money market investments.

The Group's hedging and dealing activities generated £97.7 million of net profits. Prominent among these were the decisions to hedge a significant part of the equity market exposure by selling futures short on a variety of indices, and currency forward trades designed to reflect the Board's negative opinion on Sterling.

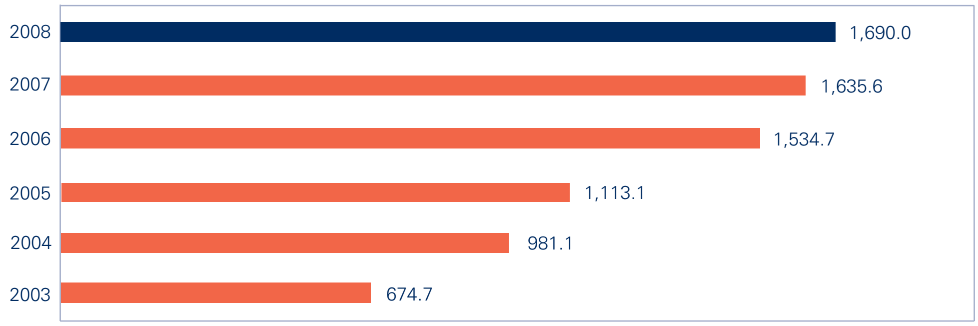
The Group recorded an exchange loss on the foreign currency loans of £32.1 million.

During the year the Company acquired for cancellation 1,355,585 ordinary shares at prices between 988p and 1,040p (31 March 2008 share price 1,147p).

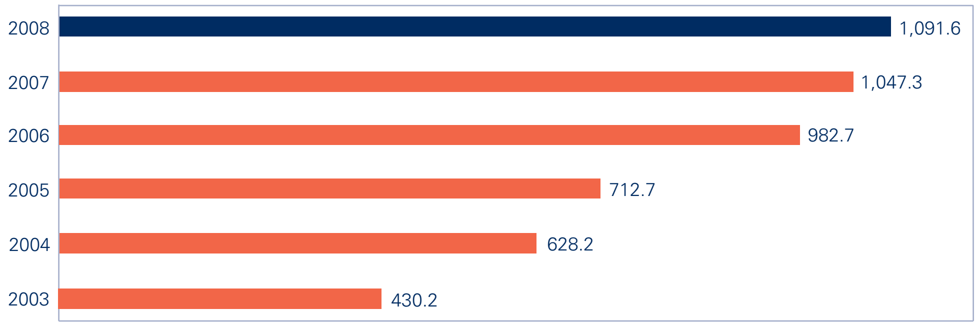
NET ASSET VALUE HISTORY

Over the last five years the net asset value has increased by 150.5% representing an annualised increase of 20.2%. Over the same period the net asset value per share has increased by 153.7%, an annualised increase of 20.5%.

Net Asset Value (£ million)

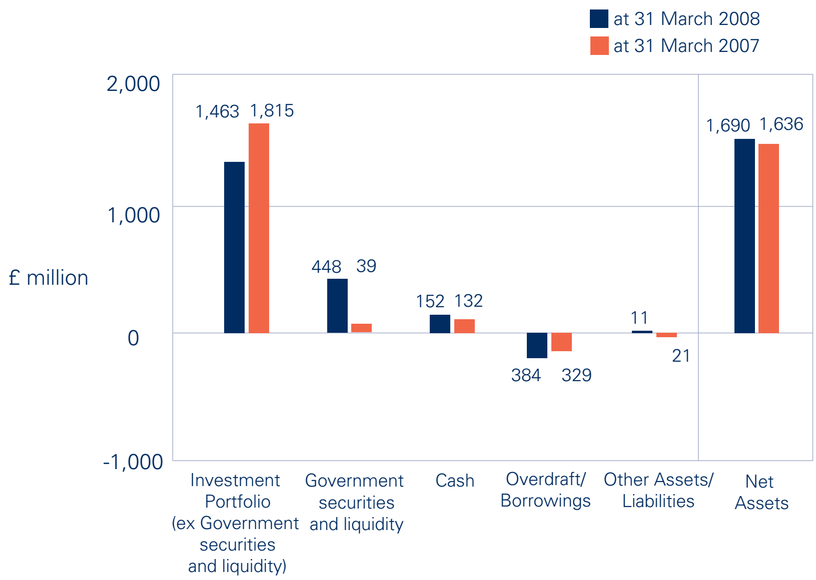


Net Asset Value per share (pence)



COMPOSITION OF NET ASSET VALUE

As described in the Chairman's Statement, the Group has reduced its market exposure during the year and increased its holdings of government securities and other liquidity. Details of the composition of the net asset value as at 31 March 2008 and 31 March 2007 are shown below:



INVESTMENT REVIEW

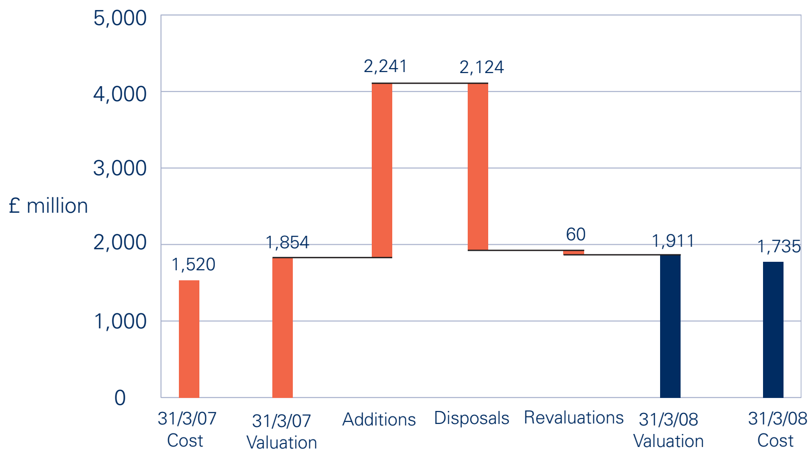
INVESTMENT PORTFOLIO

Details of the composition of the investment portfolio as at 31 March 2008 and 31 March 2007, along with movements during the year, are shown below:

£ million	Quoted Investments	Hedge Funds	Long Equity Funds	Unquoted Invest-ments	Private Equity Partner-ships	Government Securities/ Money Market Funds	Investment Property	Total
31/3/07 Valuation	1,069.0	85.4	218.7	276.2	131.2	38.8	34.8	1,854.1
Reclassifications	2.3	(1.0)	(2.3)	–	1.0	–	–	–
Additions	1,067.4	–	127.1	80.1	61.3	905.0	–	2,240.9
Disposals	(1,407.7)	(5.9)	(118.2)	(48.1)	(42.0)	(502.2)	–	(2,124.1)
Revaluation	(72.6)	1.2	(5.6)	(6.7)	19.8	6.4	(2.2)	(59.7)
31/3/08 Valuation	**658.4**	**79.7**	**219.7**	**301.5**	**171.3**	**448.0**	**32.6**	**1,911.2**

As at 31 March 2008, the investment portfolio excluding government securities and liquidity totalled £1,463.2 million (2007: £1,815.3 million), representing 86.6% of the net asset value (2007: 111.0%). In addition the Group held government securities and other money market funds of £448.0 million (2007: £38.8 million).

During the year, net additions to the investment portfolio totalled £116.8 million, and reductions in value totalled £59.7 million, primarily as a result of listed market movements. The 31 March 2008 valuation of the total portfolio of £1,911.2 million represents a premium of £176.3 million above cost.

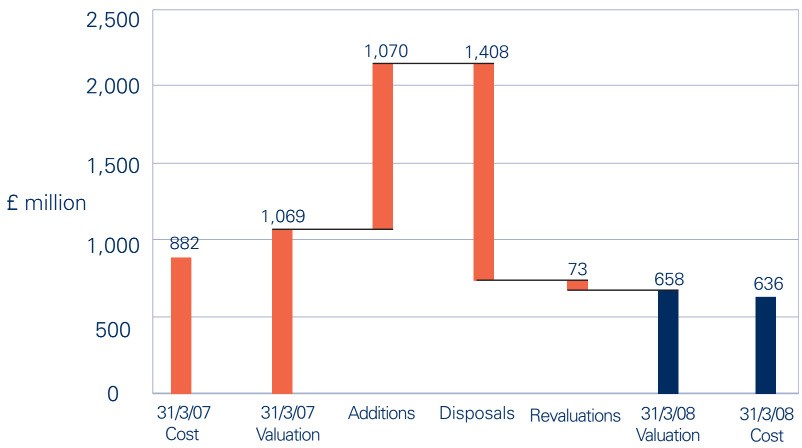


QUOTED INVESTMENTS

During the year to 31 March 2008, the quoted portfolio decreased from £1,069.0 million to £658.4 million. This was primarily as a result of net disposals of £340.3 million, comprising sales of securities and redemptions from external managers.

The portfolio value declined by £72.6 million during the period resulting in a closing valuation of £658.4 million which was £22.9 million in excess of cost.

External managers accounted for 62.4% or £410.6 million of the quoted portfolio at 31 March 2008 (2007: 46.5% and £497.2 million). A number of full and partial redemptions of external managed funds were made during the year. In addition, five new segregated accounts run by external managers were opened.



Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
Quoted Investments				
PayPoint	UK	Electronic payment systems	34.7	1.8%
World Trust Fund	Luxembourg	Investment company	23.8	1.2%
Merrill Lynch Qatari Basket	Qatar	Qatari index replication product	19.2	1.0%
Compton Petroleum	Canada	Oil and gas	16.8	0.9%
Intesa Sanpaolo	Italy	Banking	13.6	0.7%
RHJ International	Japan	Investment company with Japanese focus	12.8	0.7%
BlueBay Asset Management	UK	Asset management	11.8	0.6%
British Sky Broadcasting	UK	Television broadcaster	11.1	0.6%
Getty Images	USA	Stock photography	8.8	0.5%
Liberty Acquisition Holding Unit	USA	Special purpose acquisition vehicle	7.8	0.4%
Xantrex Technology	Canada	Power electronics	7.3	0.4%
752 Other Quoted Investments			490.7	25.6%
Total Quoted Investments			**658.4**	**34.4%**

Details of the three largest holdings are set out below.

PayPoint

Valuation at 31 March 2008: £34.7 million
Cost: £2.8 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 over 18,500 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 prepay mobile telephones.

Since the company was floated in September 2004, its share price has increased by 195%. RITCP currently owns 9.2% of the company.

In the 27 weeks to 30 September 2007 the company made pre-tax profits of £14.5 million on revenues of £103.9 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.

World Trust Fund
Valuation at 31 March 2008: £23.8 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 £142 million at 31 March 2008. The majority of this interest was acquired in June 2005.

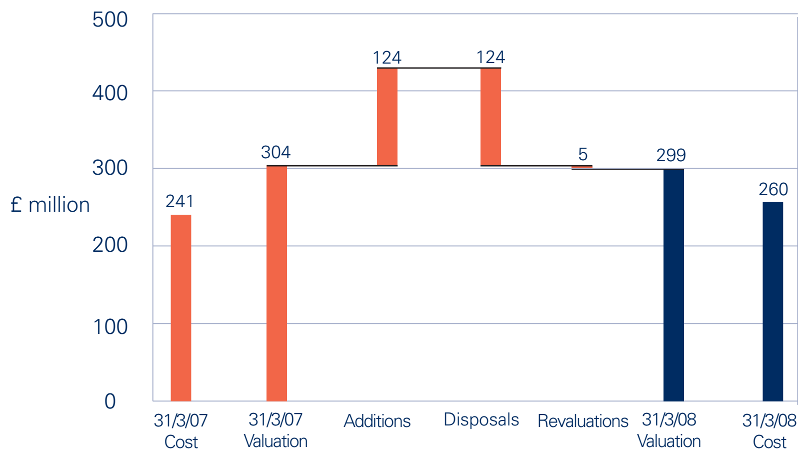
Merrill Lynch Qatari Basket
Valuation at 31 March 2008: £19.2 million
Cost: £15.2 million

This is an index replication product structured as a listed warrant. It was designed to reflect the performance of the Qatar stock exchange index, but is modified to reflect the fact that certain index constituents are not open to investment by foreigners. As such, it provides exposure to a diversified group of Qatari blue chip stocks. This was acquired in May 2007.

HEDGE FUNDS AND LONG EQUITY FUNDS

In aggregate the amount invested in these funds was broadly flat over the year with net disposals of £0.3 million and a valuation decline of £4.4 million.

As at 31 March 2008 RITCP held £79.7 million of hedge funds and £219.7 million of long equity funds. In aggregate these funds represented 15.7% of the investment portfolio.



Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
Hedge Funds				
Atticus Global	USA	Event-driven/arbitrage	36.5	1.9%
Tinicum Partners	USA	Arbitrage and distressed debt securities	21.7	1.1%
Parvus European Absolute Opportunities	Europe	European equities	8.8	0.5%
Sandstone Capital India	India	Indian hedge fund	8.5	0.5%
Cycladic Catalyst	Europe	European equities	4.2	0.2%
Total Hedge Funds			**79.7**	**4.2%**

Details of the two largest holdings are set out below.

Atticus Global

Valuation at 31 March 2008: £36.5 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.

Tinicum Partners

Valuation at 31 March 2008: £21.7 million
Cost: £1.3 million

Tinicum is a US based hedge fund manager. The manager focusses on special situations, typically but not exclusively among smaller companies where exceptional value is believed to exist. The opportunities may lie in the quoted or unquoted spheres, and often involve active engagement by Tinicum.

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
Long Equity Funds				
Tontine Capital Partners	USA	American equities	40.7	2.1%
Lansdowne UK Strategic Investment Fund	UK	UK equities	35.5	1.8%
Martin Currie Taiwan Opportunities	Taiwan	Taiwanese equities	20.8	1.1%
Genus Dynamic Mining	USA	Mining and metal equities	20.0	1.0%
Africa Emerging Markets Fund	Africa	African equities	17.1	0.9%
Titan Partners	USA	American equities	15.1	0.8%
Martin Currie Japan Alpha	Japan	Japanese equities	14.5	0.8%
Atlantis Japan Opportunities	Japan	Japanese equities	12.4	0.7%
Vietnam Resources Investments	Vietnam	Vietnamese equities	12.3	0.6%
Ninth Wave Emerging Opportunities	International	Emerging market equities	11.1	0.6%
10 Other Long Equity Funds			20.2	1.1%
Total Long Equity Funds			**219.7**	**11.5%**

Details of the two largest holdings are set out below.

Tontine Capital Partners

Valuation at 31 March 2008: £40.7 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 £53.9 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 £21.2m in this partnership in three tranches between October 2004 and December 2005.

Lansdowne UK Strategic Investment Fund

Valuation at 31 March 2008: £35.5 million
Cost: £40.0 million

This fund is managed by Lansdowne Partners, a UK based manager with a strong research-driven focus on stock selection. The fund holds a relatively concentrated portfolio, primarily comprising European companies which the manager believes to be significantly undervalued.

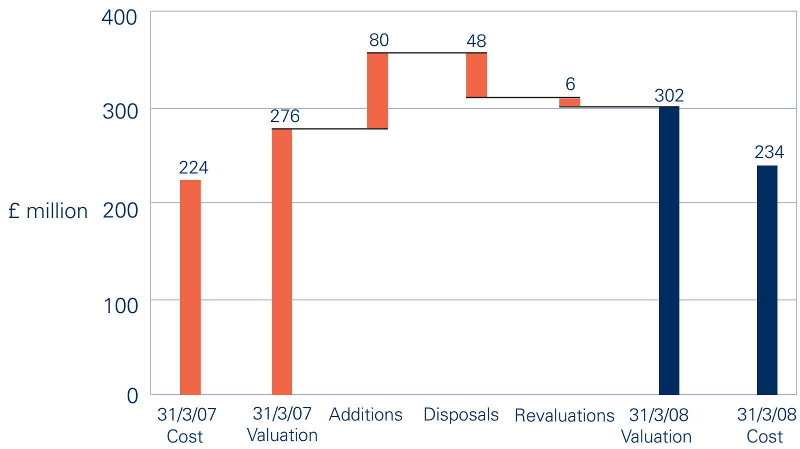
RITCP made an investment of £40.0 million in July 2007.

INVESTMENT REVIEW

UNQUOTED INVESTMENTS

During the year to 31 March 2008, the unquoted portfolio increased from £276.2 million to £301.5 million, representing 15.8% of the portfolio. Additions of £80.1 million were partially offset by disposals of £48.1 million and a valuation decrease of £6.7 million.

The closing valuation was £68.0 million in excess of cost.



Valuation Basis

Unquoted investments are held at fair value. The valuations of unquoted investments are reviewed twice a year by a valuation committee which is chaired by an independent non-executive Director, the latest review being at 31 March 2008. However, if circumstances warrant, valuations are amended between these dates.

Details of the principal new investments and realisations made during the year are set out below:

New Investments

Company	Cost £ million	Sector	Country
Martin Currie (Holdings)	17.6	Asset management	UK
Wendy's[1]	7.5	Food retail	US
HSS Hire[1]	6.9	Support services	UK
Purepower	6.0	Energy	UK

[1] Held via a Special Purpose Vehicle (SPV)

Realisations

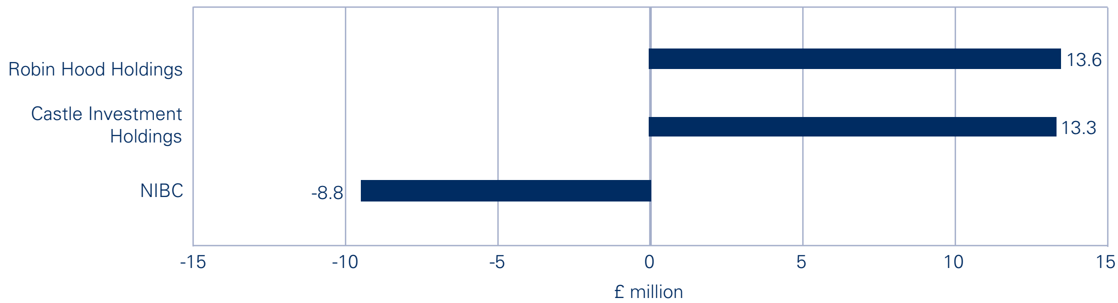
Company	Proceeds £ million	Cost £ million	Premium to 31 March 2007 Value £ million
Mercury Forex Certificate	23.1	23.0	0.2
Robin Hood Holdings[1]	7.6	9.2	(0.2)
Orthoworld	6.3	5.5	0.8

[1] Partial redemption of loan notes

Valuation Changes

During the year there were upward revaluations totalling £39.8 million and downward revaluations of £46.5 million. The overall decline in the valuations of £6.7 million resulted from revaluations of the underlying companies as well as exchange rate movements.

Significant valuation changes are shown below:



The revaluation of Robin Hood Holdings reflected continued strong growth and increased profitability at the company. Castle Investment Holdings was revalued as a result of a transaction which completed immediately after the year end, involving a partial realisation of RITCP's interest.

The decline in the valuation of NIBC (Netherlands investment bank) reflects the cancellation of the sale to Kaupthing and a subsequent rights issue.

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
Unquoted Investments				
Robin Hood Holdings	Global	Generic pharmaceuticals	45.5	2.4%
Harbourmaster	Jersey	Leveraged loan manager	44.0	2.3%
The Economist Newspaper	UK	Publishing	23.1	1.2%
RDA Holding Co	USA	Publishing	21.1	1.1%
Castle Investment Holdings	UK	Sports stadia marketing	16.8	0.9%
Banca Leonardo	Italy	Investment bank	14.7	0.8%
Martin Currie (Holdings)	UK	Asset management	13.0	0.7%
MessageLabs Group	UK	E-mail security services	11.7	0.6%
United America Indemnity	USA	Casualty insurance	9.6	0.5%
Clearbrook	UK	Investment partnership	9.5	0.5%
KRI	Poland	Gas distribution	6.9	0.4%
Wendy's[1]	USA	Food retail	6.4	0.3%
70 Other Unquoted Investments			79.2	4.1%
Total Unquoted Investments			**301.5**	**15.8%**

[1] Held via a SPV

INVESTMENT REVIEW

The four largest investments, which account for £133.7 million, are summarised below.

Robin Hood Holdings

Valuation at 31 March 2008:	£45.5 million
Cost:	£9.9 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, 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 ordinary shares of the company. During the year, RITCP received £7.6 million in repayment of loan notes.

All of the companies in the group are majority owned. During the year the company sold its remaining interest in Sigma (a listed Australian company) and received proceeds of $146 million.

The group continues to show strong growth in revenues, reflecting the benefits of the substantial investment in research and development, including the contribution of the heart drug Ramipril to this year's profits. During the year ended 31 December 2007, after taking account of expenditure on research and development, the group made pre-tax profits of £68.9 million (2007: £35.9 million) and at that date had shareholders' equity of £246.5 million (2007: £237.5 million).

Harbourmaster

Valuation at 31 March 2008:	£44.0 million
Cost:	£10.2 million

Harbourmaster is one of Europe's leading leveraged loan managers measured by assets under management (AUM).

The company employs a specialist team of portfolio managers dedicated to analysing and monitoring senior secured loan participations.

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 AUM at 31 December 2007 were £6.0 billion. This was a net increase in AUM of £1.4 billion in 2007 during which period the company successfully priced four Collateralised Loan Obligations (CLOs). During 2008, Harbourmaster priced an additional €500 million CLO and launched a new leveraged loan fund. During 2007, and against the background of challenging market conditions, Harbourmaster made profits of £29.6 million compared with £17.6 million for the previous year.

The Economist Newspaper

Valuation at 31 March 2008:	£23.1 million
Cost:	£1.5 million

RITCP acquired an interest in the Economist in 1988 at a cost of £1.5 million. RITCP's interest is approximately 4.5%. The Economist group owns and manages the Economist and other related publications. It also owns the Economist Plaza in London.

The company's interim results to 30 September 2007 showed revenue of £124.6 million and operating profit of £20.8 million, both increases on the prior period. During the year RITCP received £1.9 million in dividend payments from the company.

RDA Holding Co

Valuation at 31 March 2008:	£21.1 million
Cost:	£21.5 million

RDA is the holding company for the Reader's Digest group. RITCP acquired its interest in February 2007 as part of a consortium arranged by Ripplewood.

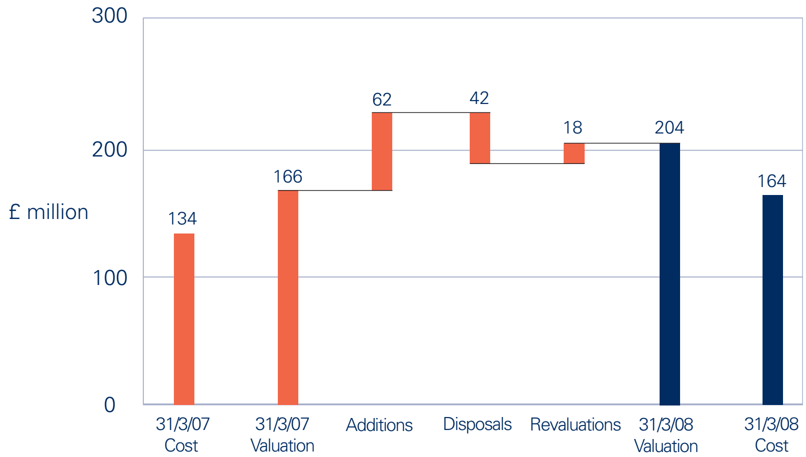
PRIVATE EQUITY FUNDS AND PROPERTY

In aggregate, RITCP increased its exposure to private equity funds during the year with new commitments totalling £83.0 million to eleven new funds.

The largest new commitment was $50 million to Seleucus Retail LP, which specialises in retail properties in India. This fund is managed by The Xander Group Inc, which was founded and run by Siddhartha Yog. In 2005 RITCP was a cornerstone investor in Seleucus, a fund which invests in Indian real estate. Since then three additional funds have been successfully launched and the total of committed funds to Xander now amounts to $1.2 billion. At 31 March 2008 RITCP's outstanding commitment to these funds amounted to $66.3 million. Following a successful realisation of an investment in Xander's first fund, RITCP has received distributions of $10.6 million on its investment of $6.3 million, with its remaining holding valued at $12.5 million.

As at 31 March 2008, RITCP had undrawn commitments totalling £188.8 million to private equity funds.

Net additions of £20.3 million and a revaluation increase of £17.6 million resulted in a 31 March 2008 valuation of £203.9 million, or 10.7% of the portfolio.



Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
Private Equity Funds				
Darwin Private Equity I	UK	Unquoted investments	12.7	0.7%
Chryscapital III LLC	India	Unquoted investments	8.7	0.5%
Sageview Capital Partners	USA	Unquoted investments	8.4	0.4%
Tinicum Capital Partners II	USA	Unquoted investments	7.4	0.4%
Audax Private Equity Fund II	USA	Unquoted investments	7.2	0.4%
Blumberg Capital I	USA	Unquoted information technology	7.2	0.4%
Seleucus	India	Indian property	6.3	0.3%
85 Other Private Equity Partnerships			113.4	5.9%
Total Private Equity Partnerships			**171.3**	**9.0%**

Darwin Private Equity I

Valuation at 31 March 2008: £12.7 million
Cost: £13.6 million
Outstanding Commitment: £36.4 million

RITCP committed £50 million to support the creation of this new private equity business in 2007. Darwin has now successfully raised more than £200 million for its maiden fund and is expected to close the fund above its £250 million target. The fund completed its first investment in December 2007 with the acquisition of Maximuscle, a leading UK sports nutrition business for £75 million.

Investment Holdings	Value of Investment £ million	% of Portfolio
Property		
Spencer House and other properties in St James's Place, London	**32.6**	**1.7%**

Property

Valuation at 31 March 2008: £32.6 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 2008 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 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.

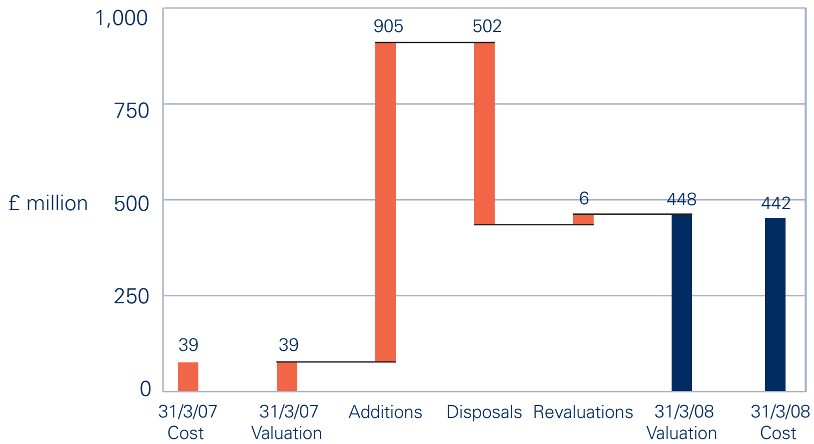
The future minimum rental payments receivable under non-cancellable leases are as follows:

	31 March 2008		31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Within one year	2.1	1.5	2.0	1.5
Between two and five years	6.4	5.1	6.6	5.3
Beyond five years	5.5	1.2	7.0	2.3
	14.0	**7.8**	**15.6**	**9.1**

GOVERNMENT SECURITIES AND MONEY MARKET FUNDS

RITCP's investment in government securities and money market funds has increased significantly over the year, with net additions of £402.8 million.

The closing balance of £448.0 million represents 23.4% of the investment portfolio



Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
Government Securities and Money Market Funds				
Treasury 5¾% 2009	UK	Government stock	185.5	9.7%
Treasury 4% 2009	UK	Government stock	69.9	3.7%
Bundesrepublik 3¾% 2009	Germany	Government stock	66.1	3.5%
Dreyfus US Treasury Fund	USA	Money market fund	36.2	1.9%
US Treasury Note 4¾% 28/02/09 S	USA	Government stock	31.1	1.6%
Dreyfus Universal Sterling Fund	UK	Money market fund	19.6	1.0%
Dreyfus Universal Euro Fund	European	Money market fund	17.6	0.9%
US Treasury Bill Zero 29/05/08	USA	Government stock	15.1	0.8%
8 Other Government Securities and Money Market Funds			6.9	0.3%
Total Government Securities and Money Market Funds			**448.0**	**23.4%**

The largest investments held at 31 March 2008 were UK Treasury stock, German government stock and a money market account managed by Dreyfus focused on US Treasury investments. The money market funds are predominantly invested in government guaranteed securities.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

The Lord Rothschild, OM GBE
Aged 72, he is Chairman of the Company's Board of Directors and the Nominations Committee. He is also the Deputy Chairman of British Sky Broadcasting Group plc, and a non-executive director of The Blackstone Group and RHJ International.

Jacob Rothschild 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 52, 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, 51, 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 at Deutsche Asset Management.

NON-EXECUTIVE DIRECTORS (NON-INDEPENDENT)

Mikael Breuer-Weil
Aged 44, 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 36, Mr Rothschild was appointed as a non-executive Director in 2004. He is the Co-chairman of Atticus Management Limited, 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 International Advisory Board of the Barrick Gold Corporation. He is also 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 was nominated as a "Young Global Leader" by the World Economic Forum in 2005.

Michael Sofaer
Aged 50, 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 74, 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 Cornish
Aged 64, he was formerly a senior partner at Deloitte & Touche LLP, leading the firm's services to the investment trust industry for over 15 years. He was appointed in January 2008 as a non-executive Director of RIT Capital Partners plc. He is the Chairman of Framlington Innovative Growth Trust plc and also a director of Henderson Eurotrust plc, RCM Technology Trust plc and Strategic Equity Capital plc.

John Elkann
Aged 32, Mr. Elkann was appointed as a non-executive Director in March 2007. He is Vice Chairman of Fiat Group and Chairman of IFIL Investments Spa and La Stampa, and a director of RCS Mediagroup and Banca Leonardo. Mr. Elkann is a graduate of the Engineering University of Turin.

Andrew Knight
Aged 68, 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 non-executive director of News Corporation. 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 51, Mr Leigh-Pemberton was appointed as a non-executive Director in 2004. He has worked at Credit Suisse 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 66, 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 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)
John Cornish
Andrew Knight
James Leigh-Pemberton

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

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

Valuation Committee
Charles Bailey (Chairman)
Duncan Budge
John Cornish

DIRECTORS' REPORT

The Directors present their annual Report and Accounts for the Company, covering the year ended 31 March 2008.

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 2007. Approval for the year ended 31 March 2007 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 18 and 19.

Mr Christopher Hohn resigned as a director on 19 July 2007 and Mr John Cornish was appointed as a director on 1 January 2008. There were no other changes in the Company's directorate during the year ended 31 March 2008.

RESULTS AND DIVIDENDS

After taxation, the Group made a capital profit of £10.0 million and a revenue profit of £68.6 million during the year ended 31 March 2008.

The Board recommends the payment of a final dividend of 4.0p per share in respect of the year ended 31 March 2008 (year ended 31 March 2007: 3.1p), payable on 23 July 2008 to shareholders on the register at 13 June 2008. This dividend will reduce the Company's distributable reserves by £6.2 million.

The movements on capital reserve and consolidated revenue reserve are shown in notes 22 and 23 on pages 67 and 68.

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 20 on page 67 of the accounts. During the year ended 31 March 2008, no ordinary shares were issued and a total of 1,355,585 ordinary shares were repurchased and cancelled in accordance with the shareholders' authority granted on 19 July 2007. The shares were repurchased at prices between 988p and 1,040p per ordinary share. The existing authority for the repurchase of shares expires on 30 September 2008 and a replacement authority is to be proposed at the forthcoming annual general meeting, as explained in the Notice and Explanatory Notes on pages 90 and 95.

NET ASSET VALUE

The net asset value of one ordinary share at 31 March 2008, before deducting the proposed dividend, was 1,091.6p.

INVESTMENT POLICY

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

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

The Listing Rules of the United Kingdom Listing Authority require closed-ended investment funds to publish information about the policies that the fund will follow relating to asset allocation, risk diversification and gearing, including maximum exposures.

Asset allocation

The Board currently intends to continue to allocate the Group's assets predominantly amongst quoted equities, hedge funds, long equity funds, unquoted investments, private equity partnerships, government securities and money market funds, and properties. There are no restrictions in the relative allocation of assets amongst these classes and the maximum exposure of any single asset class is therefore 100%, subject to the investment trust restrictions incumbent upon the Company, which require that the Company's income from shares and securities must be at least 70% of its total income, thus automatically limiting the allocation of assets to areas such as property. In addition the Group uses derivatives to hedge various risk exposures and also to increase exposure to movements in individual securities, markets and currencies where desired. The allocation amongst these asset classes at 31 March 2007 and 31 March 2008 is shown on page 3.

Risk diversification

The Group's investment portfolio is highly diversified by asset class, geography and currency. The portfolio is further diversified through the selection of external managers with different mandates. At 31 March 2008, 62.4% of the quoted portfolio was delegated to external managers, themselves under obligations to maintain appropriate risk diversification. The names of these external managers who manage segregated investment accounts for the Group are listed on page 23. The remainder of the quoted portfolio is managed internally by the executive management under the supervision of the Board. The Group's investments in hedge funds, long equity funds, private equity partnerships and certain of the investments in money market funds are also externally managed and provide additional diversification.

The Company also complies with the requirements 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.

Gearing

The Company maintains structural gearing principally through three term loans. At 31 March 2008, the Sterling equivalent of the indebtedness under the term loans was £360.4 million, against total assets of £2,171.2 million, or 16.6%. This percentage may fluctuate between 0% and 45%, which is the approximate equivalent of the maximum total indebtedness of the Company currently permitted under the financial covenants of the senior lender. Were it not for these, the maximum indebtedness that the Company is empowered to incur under its Articles of Association is five times its adjusted capital and reserves, as defined.

Cross holdings

The UKLA Listing Rules also require closed-ended investment companies to disclose quarterly all of their investments in "other closed-ended investment funds … which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds." RIT Capital Partners plc has made no such statement, but complies with the separate UKLA Listing Rule limiting the aggregate of such investments to 10% of its total assets.

BUSINESS REVIEW

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

The investment portfolio was valued at £1,911.2 million at 31 March 2008. An analysis of these investments is contained in the Investment Review on pages 6 to 17 and note 11 on pages 58 to 61.

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

The Chairman's Statement on pages 4 and 5 of this annual report and the Investment Review contain a review of the Group's business in the year to 31 March 2008. Financial Highlights and Performance information is set out on page 2, and the portfolio and currency exposure is analysed on page 3. The principal risks are as set out in note 26 on pages 70 to 83. The Directors consider that the Key Performance indicators most relevant to the Group are the three indices as set out under 'Performance' on page 2, compared with the movement in the Group'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").

DIRECTORS' REPORT

MAJOR HOLDERS OF VOTING RIGHTS

As at 31 March 2008, 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").

	No. of voting rights		% of voting rights	
Major holders of voting rights	Direct	Indirect	Direct	Indirect
Five Arrows Limited*	913,115	5,844,720	0.59	3.78
Kelvin Hudson & Helen Green*	9,301,619	–	6.01	–
Lady Rothschild*	4,942,223	–	3.19	–
Legal & General Group plc	7,332,089	–	4.73	–
Lord Rothschild*	11,003,670	–	7.11	–
Prudential plc group of companies	4,936,329	–	3.18	–
Saffrey Champness Partnership*	–	11,964,484	–	7.73
S.J.P. Trustee Company Limited*	5,238,607	–	3.38	–

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

As at 19 May 2008, the above table remained unchanged save for the interest of Legal & General Group plc, which had reduced the number of its voting rights held to 7,318,839 (4.73%) and that of the Prudential plc group of companies, which had reduced the number of its voting rights held to 4,690,581 (3.02%).

DIRECTORS' INTERESTS

The interests of the Directors at 31 March 2008 in the ordinary shares of the Company are shown below with comparatives as at 1 April 2007 or subsequent date of appointment where applicable (where different) shown in brackets.

	Ordinary shares of £1 each		
Director	Beneficial	Non-beneficial	% of Share capital
The Lord Rothschild	20,076,937	6,439,934	17.13
	(20,075,671)	(6,439,934)	(16.98)
Charles Bailey	10,500	–	0.01
Mikael Breuer-Weil	–	–	–
Duncan Budge	40,139	10,000	0.03
John Cornish	8,281	–	0.01
John Elkann	–	–	–
David Haysey	5,000	–	0.003
Andrew Knight	–	–	–
James Leigh-Pemberton	–	–	–
Michael Marks	–	–	–
Nathaniel Rothschild	6,174,078	–	3.99
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 20,076,937 shares of the Company owned beneficially by Lord Rothschild are 73,184 shares (31 March 2007: 73,184) held by the Company's Pension and Life Assurance Scheme, in which Lord Rothschild has a beneficial interest.

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 Company Secretary.

Except as stated below, under "Management and Administration" and in note 28 to the financial statements (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 within the terms set out 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 external investment managers who operated segregated accounts for the Company at 31 March 2008 are shown below. The investment strategy of these managers is to invest mainly in listed securities which are included under the "Quoted Investments" section of the portfolio.

Investment Manager	Area of expertise	Funds under management 31 March 2008 £ million
Findlay Park	Small to medium sized US companies	59.6
Tontine Overseas Associates	US equities	53.9
Baker Steel	Equities (gold and precious metals)	41.3
Meditor Capital Management	European equities	40.6
EFG-Hermes	Middle Eastern/North African equities	32.1
Southeastern Asset Management	Global equities	31.0
Cycladic Capital	European equities	27.4
Lansdowne Partners	European equities	27.2
Horizon Investment Management	Asian equities	26.0
Gluskin Sheff	Canadian equities	25.2
Morant Wright Management	Japanese equities	22.4
Cedar Rock Capital	Global equities	21.0
Martin Currie	Asian equities	20.9
Select Equity	Global large-cap equities	19.3
S Squared	Technology equities	17.7
Veritas Asset Management	Asian equities	17.3
Uttrup Investment Management	European equities	15.9
Summit Water	Equities (water industry focus)	15.2
Indian Creek	US equities	14.8
PAW Capital Partners	Technology equities	12.5
Morant Wright Management	Japanese enterprise value equities	11.4
Sofaer Capital	Global equities	3.9
New Spirit	Ukrainian equities	0.7
Total		**557.3**

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% 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 at 31 March 2008 included other funds separately managed by Martin Currie, but the fees charged by these funds were deducted from the investment management fee which would otherwise have been payable to Martin Currie. The Company's managed account arrangements with Martin Currie have been exchanged since the year-end for direct investments in certain funds under Martin Currie's management. The Company acquired an equity stake in Martin Currie during the year ended 31 March 2008.

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.

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 2008 was £384,700 (31 March 2007: £551,694). The account was in the process of being closed at 31 March 2008.

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 2008, the Company paid investment management fees of £10,425 (31 March 2007: £64,407).

The Company holds units in SCI Asian Private Equity Fund, managed by SCI.

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 Management Limited. Nathaniel Rothschild, a director of the Company, is Co-Chairman and an owner of Atticus Management Limited.

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 £141,786 were payable in respect of the year ended 31 March 2008 (31 March 2007: £797,348).

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on 17 July 2008 at 10.00 am at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS. The Notice is set out on pages 90 to 91 of this document, with Explanatory Notes relating to each of the proposed resolutions on pages 94 to 97.

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 2007: nil).

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

During the year ended 31 March 2008, 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 2008, 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
29 May 2008

CORPORATE GOVERNANCE REPORT

The Directors present their Corporate Governance Report for the year ended 31 March 2008. 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 18 and 19.

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 2008. Lord Rothschild, Mr Bailey, Mr Budge, Mr Elkann, Mr Haysey, Mr Leigh-Pemberton, Mr Marks, Mr Rothschild and Mr Sofaer attended each meeting; Mr Knight attended three meetings; and Mr Breuer-Weil attended two meetings. Mr Cornish was appointed as a Director during the year and was present at the one meeting he was entitled to 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 executive directors present to consider the conclusions of the annual Board evaluation exercise and the performance of the Chairman. In addition, there are four permanent committees. The composition of the committees is set out on page 19. Each committee has its own Terms of Reference which may be viewed on the Company's website.

The permanent committees are as follows:

The Audit Committee

The Audit Committee comprises four non-executive Directors, all of whom are independent of the Company. It is chaired by Charles Bailey, a former Senior Partner at Price Waterhouse, 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 2008 were primarily in relation to taxation services.

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 19. John Cornish was appointed as a member of the Committee in January 2008. The Committee met formally on three occasions in the year ended 31 March 2008. Mr Bailey, Mr Knight and Mr Leigh-Pemberton attended all three meetings. No meetings were held between the date of Mr Cornish's appointment and the year-end.

The Nominations Committee

The Nominations Committee comprises 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 19. The Committee met formally on one occasion in the year ended 31 March 2008. All four members of the Committee attended this meeting.

The Remuneration and Conflicts Committee

The Remuneration and Conflicts Committee comprises 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 seeks 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 pre-approved and managed appropriately. Conflicts of interest include arrangements under which the costs of investment support services are shared with entities controlled by a director.

The current membership of the Committee is set out on page 19. The Committee met formally on one occasion in the year ended 31 March 2008. All three members of the Committee attended this meeting.

The Valuation Committee

The Valuation Committee comprises three Directors, two of whom are non-executive and one is an executive Director. The Committee meets at least twice each year and additionally as may be required. Its principal responsibility is to review the Company's unlisted investments so that they are presented in the annual and half-yearly accounts at a fair valuation.

The full membership of the Committee is set out on page 19. The Committee met formally on two occasions in the year ended 31 March 2008 and all directors eligible to attend did so on both occasions.

CORPORATE GOVERNANCE REPORT

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 and a member of the Valuation Committee is an executive Director, independent non-executive Directors represent a majority of their number in both cases. 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, therefore comprises 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 2008, 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 90 and 91, and the summary of AGM business contained in the Explanatory Notes on pages 94 to 97.

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

RELATIONS WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE REPORT

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, through the Audit Committee, reviews the need to establish a separate internal audit function annually. The Audit Committee reviewed the role of the Company's Compliance Officer with specific regard to the monitoring and evaluation of the Company's internal controls. These are considered to amount to a proportion of an internal audit function. The precise scope and depth of the remit will continue to be reviewed and, as appropriate, expanded. A clear and direct reporting line between the Compliance Officer and the Chairman of the Audit Committee and Senior Independent Director has been established to maximise the independence of the Compliance Officer from executive management.

The Compliance Officer also monitors the compliance of external managers with the terms of their investment management agreements as well as reviewing their internal control procedures.

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. Timetables are agreed for implementing any required improvements to systems and progress against these timetables is monitored. 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. Further information relating to risk management is contained in Note 26 to the financial statements.

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 an 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

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 2008.

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 2008 is shown below, with comparative total remuneration figures for the previous year.

Director	Salaries and fees £	Bonuses £	Other benefits £	Total remuneration 2007-2008 £	Total remuneration 2006-2007 £
The Lord Rothschild	386,122	335,806	117,881*	839,809	658,811
Charles Bailey	45,000	–	–	45,000	45,000
Mikael Breuer-Weil	20,000	–	–	20,000	20,000
Duncan Budge	283,914	247,182	142,383*	673,479	538,088
John Cornish	6,500	–	–	6,500	–
John Elkann	20,000	–	–	20,000	1,667
David Haysey	216,315	251,096	2,718	470,129	308,288
Christopher Hohn	6,667	–	–	6,667	20,000
Andrew Knight	27,000	–	–	27,000	27,000
Baron Lambert	–	–	–	–	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 2008	**1,078,518**	**834,084**	**262,982**	**2,175,584**	**1,715,854**

* 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 2008. For the current year, to 31 March 2009, Lord Rothschild's salary is £401,567 per annum (2007/8: £386,122 per annum), Duncan Budge's salary is £295,271 per annum (2007/8: £283,914 per annum) and David Haysey's salary is £224,968 (2007/8: £216,315 per annum).

Lord Rothschild received a salary supplement of 20% of his basic salary, amounting to £77,224 in the year ended 31 March 2008 (year to 31 March 2007: £73,899). 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 £119,244 for the year ended 31 March 2008 (2007/8: £114,109).

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 World 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 to Lord Rothschild and Mr Budge 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%. Although this was also the basis of Mr Haysey's bonus entitlement in 2006/7, his entitlement under the Plan was doubled during the year to 31 March 2008, reflecting a change in his responsibilities. He had previously managed a discrete portfolio of global equities which entitled him to a separate bonus on the investment performance. This arrangement ended on 1 December 2007 in order to facilitate his principal responsibility for the portfolio as a whole.

The bonuses payable under the Plan to Lord Rothschild, Mr Budge and Mr Haysey in respect of the year ended 31 March 2008 amounted to £334,806 (year ended 31 March 2007: £174,734), £246,182 (year ended 31 March 2007: £128,481) and £250,096 (31 March 2007: £97,890) respectively. In addition to the bonus entitlements under the Executive Bonus Plan, all three executive directors received a £1,000 bonus which was paid to the Group's employees in December 2007 (year ended 31 March 2007: £1,000).

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 2008 the amount accrued in respect of the SAR Plan participations of the Company's executive Directors was £4,715,629 (31 March 2007: £2,832,690). The lowest closing price of the Company's shares during the year was 985.5p and the highest was 1,172p. 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 27 March 2008:

Date of grant	Notional no. of RITCP shares	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	137,654	1,122.0p	27 March 2011	26 March 2018
Duncan Budge	75,912	1,122.0p	27 March 2011	26 March 2018
David Haysey	38,558	1,122.0p	27 March 2011	26 March 2018

No Share Appreciation Rights granted to the Company's executive Directors vested during the year ended 31 March 2008.

No Share Appreciation Rights were exercised by the Company's executive Directors during the year ended 31 March 2008.

The following Share Appreciation Rights granted to the Company's executive Directors were outstanding on 31 March 2008:

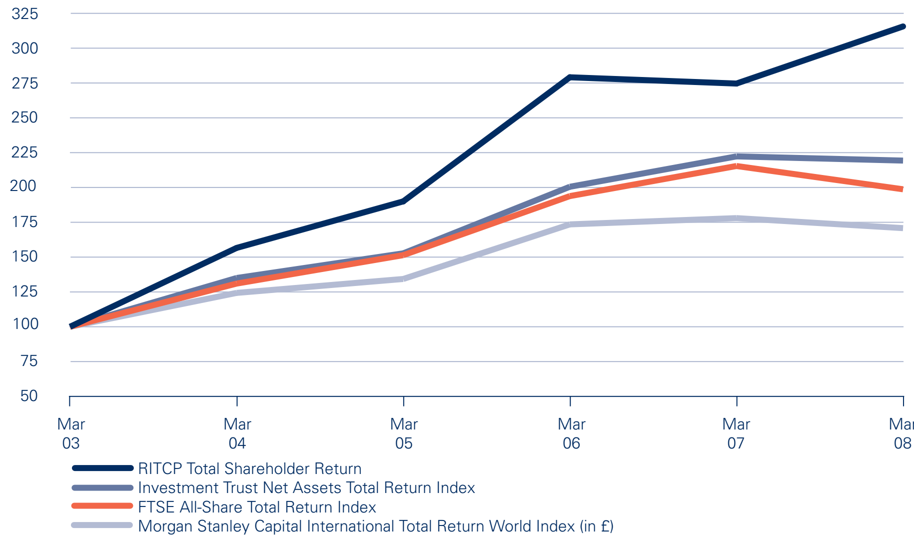
	Outstanding at 31 March 2008	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	152,672	786.0p	19 July 2008	18 July 2015
	121,827	985.0p	17 March 2009	16 March 2016
	127,795	939.0p	15 March 2010	14 March 2017
	137,654	1,122.0p	27 March 2011	26 March 2018
Duncan Budge	262,467	381.0p	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
	75,912	1,122.0p	27 March 2011	26 March 2018
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
	38,558	1,122.0p	27 March 2011	26 March 2018

No sums were paid to the Directors in the year ended 31 March 2008 pursuant to exercises of Share Appreciation Rights (31 March 2007: £nil).

Performance Graph

In accordance with The Directors' Remuneration Report Regulations 2002, 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 is shown below. For this purpose the Committee considers that the Morgan Stanley Capital International Total Return World 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 RELEVANT 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 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.

The Company paid pension contributions to a personal pension scheme amounting to £43,263 for David Haysey, who is not a member of the RITCP Scheme, during the year ended 31 March 2008 (31 March 2007: £41,400).

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

DIRECTORS' REMUNERATION REPORT

Executive Director's Pension

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 2007 (£ per annum)	123,585
Change in accrued benefit due to inflation (£ per annum)	5,562
Accrued benefit at 31 March 2008 (£ per annum)	**129,147**
Transfer value at 31 March 2007	1,926,860
Increase in transfer value	174,070
Transfer value at 31 March 2008	**2,100,930**

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 2007 and (b) had he left service on 31 March 2008.

	£
Total accrued pension at 31 March 2008, assuming Director left service on 31 March 2007 (£ per annum)	128,405
Increase in accrued pension during the year (£ per annum)	742
Total accrued pension at 31 March 2008, on Director's leaving Scheme (£ per annum)	**129,147**
Transfer value of the increase in accrued pension during the year (£)	**12,068**

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 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 2008 and received £66,053 (year ended 31 March 2007: £59,700) 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.

Lord Rothschild was appointed as a director of Blackstone Group Management L.L.C. during the year ended 31 March 2008. He is entitled to a cash retainer of US$100,000 per annum and has been granted 10,000 deferred restricted common units under the Company's 2007 Equity Incentive Plan in respect of his services as a director. The retainer and any proceeds of the deferred restricted common units will be retained by Lord Rothschild.

Mr Budge is a non-executive director of The 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
29 May 2008
Chairman, Remuneration and Conflicts Committee

REPORT OF THE INDEPENDENT AUDITORS

We have audited the consolidated and parent company financial statements (the ''financial statements'') of RIT Capital Partners plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. These financial statements 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, the Directors' Remuneration Report and the financial statements 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.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and whether the financial statements 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Review that is cross referred from the Business Review section of the Directors' Report.

In addition we 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 financial statements. The other information comprises only the Chairman's Statement, the Investment Review, 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 financial statements. 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 financial statements, 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 financial statements 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 2008 and of its profit and cash flows for the year then ended;
- the parent company financial statements 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 2008 and of its cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the consolidated financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Hays Galleria, 1 Hays Lane, London SE1 2RD
29 May 2008

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 2008	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	45.6	–	45.6
Other income	1	3.2	–	3.2
Profits on dealing investments held at fair value		57.4	–	57.4
Total income		106.2	–	106.2
Gains on portfolio investments held at fair value	22	–	42.6	42.6
Other capital items	22	–	(22.1)	(22.1)
		106.2	20.5	126.7
Expenses				
Administrative expenses	3	(14.6)	(3.5)	(18.1)
Investment management fees	5	(5.6)	(2.3)	(7.9)
Profit before finance costs and tax		86.0	14.7	100.7
Finance costs	6	(13.3)	–	(13.3)
Profit before tax		72.7	14.7	87.4
Taxation	7	(4.1)	(4.7)	(8.8)
Profit for the year		**68.6**	**10.0**	**78.6**
Earnings per ordinary share	9	**44.2p**	**6.4p**	**50.6p**

The total column of this statement represents the Group's Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). 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 54 to 87 form part of these financial statements.

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 year		**(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 IFRS. 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 54 to 87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2008 £ million	31 March 2007 £ million
Non-current assets			
Investments held at fair value	11	1,878.6	1,819.3
Investment property	11	32.6	34.8
Property, plant and equipment	13	0.4	0.3
Derivative financial instruments	26	4.8	5.4
Retirement benefit asset	27	1.4	1.7
Deferred tax asset	15	–	2.3
		1,917.8	1,863.8
Current assets			
Dealing investments held at fair value	16	1.9	0.3
Sales for future settlement		49.8	8.0
Other receivables	14	19.2	6.7
Tax receivable		0.6	0.5
Cash at bank	14	152.1	131.6
		223.6	147.1
Total assets		2,141.4	2,010.9
Current liabilities			
Bank loans and overdrafts		(98.9)	(151.1)
Securities sold short		–	(2.2)
Purchases for future settlement		(37.8)	(21.3)
Tax payable		(3.2)	(0.4)
Other payables	17	(7.1)	(11.6)
		(147.0)	(186.6)
Net current assets/(liabilities)		76.6	(39.5)
Total assets less current liabilities		1,994.4	1,824.3
Non-current liabilities			
Derivative financial instruments	26	(4.7)	–
Bank loans	18	(284.9)	(178.2)
Provisions	19	(13.1)	(10.5)
Deferred tax liability	15	(1.7)	–
		(304.4)	(188.7)
Net assets		**1,690.0**	**1,635.6**
Equity attributable to equity holders			
Called up share capital	20	154.8	156.2
Capital redemption reserve	21	35.4	34.0
Cash flow hedging reserve		0.1	5.4
Foreign currency translation reserve	24	(0.2)	(0.2)
Capital reserve-realised	22	1,344.1	1,193.3
Capital reserve-unrealised	22	146.3	301.2
Revenue reserve	23	9.5	(54.3)
Total shareholders' equity		**1,690.0**	**1,635.6**
Net asset value per ordinary share		**1,091.6p**	**1,047.3p**

The financial statements were approved by the Board of Directors and authorised for issue on 29 May 2008. They were signed on the Board's behalf by:

Rothschild

Rothschild
Director

Duncan Budge

Duncan Budge
Director

The notes on pages 54 to 87 form part of these financial statements.

BALANCE SHEET OF THE PARENT COMPANY

	Notes	31 March 2008 £ million	31 March 2007 £ million
Non-current assets			
Investments held at fair value	11	1,846.5	1,689.6
Investment property	11	32.6	34.8
Investments in subsidiary undertakings	12	111.5	55.2
Derivative financial instruments	26	4.8	5.4
Deferred tax asset	15	–	2.9
		1,995.4	1,787.9
Current assets			
Amounts owed by group undertakings	28	–	70.2
Sales for future settlement		25.2	8.0
Other receivables	14	18.5	5.2
Tax receivable		0.6	0.5
Cash at bank	14	131.5	90.1
		175.8	174.0
Total assets		2,171.2	1,961.9
Current liabilities			
Bank loans and overdrafts		(98.8)	(148.3)
Purchases for future settlement		(35.1)	(21.3)
Other payables	17	(4.9)	(3.9)
Amounts owed to group undertakings	28	(94.8)	(14.3)
		(233.6)	(187.8)
Net current liabilities		(57.8)	(13.8)
Total assets less current liabilities		1,937.6	1,774.1
Non-current liabilities			
Derivative financial instruments	26	(4.7)	–
Bank loans	18	(284.9)	(178.2)
Provisions	19	(12.9)	(10.3)
Deferred tax liability	15	(1.6)	–
		(304.1)	(188.5)
Net assets		**1,633.5**	**1,585.6**
Equity attributable to equity holders			
Called up share capital	20	154.8	156.2
Capital redemption reserve	21	35.4	34.0
Cash flow hedging reserve		0.1	5.4
Capital reserve-realised	22	1,321.4	1,171.6
Capital reserve-unrealised	22	110.6	213.4
Revenue reserve	23	11.2	5.0
Total shareholders' equity		**1,633.5**	**1,585.6**

The financial statements were approved by the Board of Directors and authorised for issue on 29 May 2008. They were signed on the Board's behalf by:

Rothschild
Director

Duncan Budge
Director

The notes on pages 54 to 87 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2007	156.2	34.0	5.4	(0.2)	1,494.5	(54.3)	1,635.6
Profit for the year	–	–	–	–	10.0	68.6	78.6
Cash flow hedges							
Losses taken to equity	–	–	(4.1)	–	–	–	(4.1)
Transferred to the income statement for the year	–	–	(1.2)	–	–	–	(1.2)
Exchange movements arising on consolidation	–	–	–	–	–	–	–
Ordinary dividend paid	–	–	–	–	–	(4.8)	(4.8)
Purchase of own shares	(1.4)	1.4	–	–	(14.1)	–	(14.1)
Balance at 31 March 2008	**154.8**	**35.4**	**0.1**	**(0.2)**	**1,490.4**	**9.5**	**1,690.0**

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	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 year	–	–	–	–	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 year	–	–	(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**

The notes on pages 54 to 87 form part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2007	156.2	34.0	5.4	1,385.0	5.0	1,585.6
Profit for the year	–	–	–	61.1	11.0	72.1
Cash flow hedges						
Losses taken to equity	–	–	(4.1)	–	–	(4.1)
Transferred to the income statement for the year	–	–	(1.2)	–	–	(1.2)
Ordinary dividend paid	–	–	–	–	(4.8)	(4.8)
Purchase of own shares	(1.4)	1.4	–	(14.1)	–	(14.1)
Balance at 31 March 2008	**154.8**	**35.4**	**0.1**	**1,432.0**	**11.2**	**1,633.5**

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 year	–	–	–	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 year	–	–	(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**

The notes on pages 54 to 87 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Cash inflow/(outflow) from Operating Activities	25	60.0	(9.0)
Investing Activities:			
Purchase of property, plant and equipment	13	(0.2)	(0.2)
Sale of property, plant and equipment		–	–
Net cash outflow from Investing Activities		(0.2)	(0.2)
Financing Activities:			
Buy-back of ordinary shares		(14.1)	–
Increase in term loans		74.5	–
Equity dividend paid	8	(4.8)	(4.8)
Net cash inflow/(outflow) from Financing Activities		55.6	(4.8)
Increase/(decrease) in cash and cash equivalents in the year		115.4	(14.0)
Cash and cash equivalents at the start of the year		10.8	27.0
Effect of foreign exchange rate changes		3.8	(2.2)
Cash and cash equivalents at the year end		**130.0**	**10.8**
Reconciliation:			
Cash at bank		152.1	131.6
Money market funds (included in portfolio investments)		76.8	30.3
Bank loans and overdrafts		(98.9)	(151.1)
Cash and cash equivalents at the year end		**130.0**	**10.8**

The notes on pages 54 to 87 form part of these financial statements.

PARENT COMPANY CASH FLOW STATEMENT

	Notes	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Cash inflow/(outflow) from Operating Activities	25	77.5	(26.8)
Net cash outflow from Investing Activities		–	–
Financing Activities:			
Buy-back of ordinary shares		(14.1)	–
Increase in term loans		74.5	–
Equity dividend paid	8	(4.8)	(4.8)
Net cash inflow/(outflow) from Financing Activities		55.6	(4.8)
Increase/(decrease) in cash and cash equivalents in the year		133.1	(31.6)
Cash and cash equivalents at the start of the year		(27.9)	5.9
Effect of foreign exchange rate changes		3.8	(2.2)
Cash and cash equivalents at the year end		**109.0**	**(27.9)**
Reconciliation:			
Cash at bank		131.5	90.1
Money market funds (included in portfolio investments)		76.3	30.3
Bank loans and overdrafts		(98.8)	(148.3)
Cash and cash equivalents at the year end		**109.0**	**(27.9)**

The notes on pages 54 to 87 form part of these financial statements.

GROUP ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The Group has adopted the following standards and interpretations for the first time in these financial statements:

IFRS 7	Financial Instruments: Disclosures
IAS 1	(Amended) Presentation of Financial Statements: Capital Disclosures
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The first-time application of these did not result in any changes to the Group's financial statements. The new disclosures are primarily in note 26.

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

IFRS 8	Operating Segments
IFRIC 8	Scope of IFRS 2
IFRIC 11	IFRS 2 Group and Treasury Share Transactions
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IAS 23	(Amendment) Borrowing Costs

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 aborted 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

GROUP ACCOUNTING POLICIES

re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on re-translation 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 or loss ("FVPL") 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.

The gains and losses on financial assets designated at fair value through profit or loss exclude any related interest income, dividend income and interest expense. These items are disclosed separately in the financial statements.

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, with any changes to fair value recognised in the profit or loss for the period.

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.

GROUP ACCOUNTING POLICIES

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 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 at fair value in accordance with IFRS having regard to 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 50. 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.

1. INVESTMENT INCOME

	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Income from listed investments:		
Dividends	20.1	16.0
Interest	6.5	2.4
Income from unlisted investments:		
Dividends	4.3	5.5
Interest	1.6	2.7
Income from investment properties	1.7	1.5
Interest receivable	11.4	4.5
	45.6	**32.6**

OTHER INCOME

	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Share of partnership income	2.0	0.6
Other fee income	1.2	0.5
	3.2	**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 2008 £ million	Year ended 31 March 2007 £ million
Staff costs (see note 4 below)	9.8	6.3
Auditors' remuneration – audit fees	0.1	0.1
Auditors' remuneration – other	–	0.1
Depreciation	0.1	0.1

Administrative expenses for the year ended 31 March 2008 include £1.1 million (31 March 2007: £0.8 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 2008 are £17.0 million (31 March 2007: £11.7 million). The total audit fee amounts to £132,000 (31 March 2007: £134,000) of which £114,000 (31 March 2007: £119,000) relates to the audit of the parent company's consolidated accounts. Other fees of £30,000 (31 March 2007: £66,000) were payable to the auditors in respect of taxation 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 2008 £ million	Year ended 31 March 2007 £ million
Purchases	2.5	2.5
Sales	3.6	2.8
	6.1	**5.3**

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

4. STAFF COSTS

	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Wages and salaries	5.0	4.2
Executive bonus plan	0.8	0.4
Social security costs	0.7	0.5
Long-term incentive plan (Note 19)	2.5	0.9
Pension costs-defined contribution plans (Note 27)	0.4	0.3
	9.4	**6.3**

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 32 to 37. 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 75 (31 March 2007: 70). Included in this figure are 23 people employed in respect of the banqueting business of Spencer House and the related security function (31 March 2007: 24).

5. INVESTMENT MANAGEMENT FEES

Details of the current investment managers who operate segregated accounts are shown in the Directors' Report on page 23.

6. FINANCE COSTS

	Year ended 31 March 2008		Year ended 31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Interest payable on bank borrowings	14.4	14.3	9.1	8.7
Interest rate swap receipts	(1.2)	(1.2)	(0.2)	(0.2)
Amortisation of issue costs of bank loans	0.1	0.1	0.1	0.1
	13.3	**13.2**	**9.0**	**8.6**

NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION

	Year ended 31 March 2008 Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge	0.3	2.4	2.7
Adjustment in respect of prior years	–	–	–
Overseas taxation	1.8	0.4	2.2
Double taxation relief	–	(0.1)	(0.1)
Current tax charge	2.1	2.7	4.8
Deferred tax charge	2.0	2.0	4.0
Adjustment in respect of prior years	–	–	–
Taxation charge	**4.1**	**4.7**	**8.8**

	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**

The deferred tax charge in both the current and prior year relates 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 2007: 30%). The differences are explained below:

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £ million	Capital £ million	Total £ million	Revenue £ million	Capital £ million	Total £ million
Profit before tax	72.7	14.7	87.4	(35.5)	141.6	106.1
Tax at the standard UK corporation tax rate of 30% (31 March 2007: 30%)	21.8	4.4	26.2	(10.6)	42.5	31.9
Effect of:						
Capital items exempt from corporation tax	–	0.1	0.1	–	(42.0)	(42.0)
UK dividend income not taxable	(1.8)	–	(1.8)	(1.6)	–	(1.6)
Double tax relief not available	1.3	0.2	1.5	0.9	–	0.9
Expenses not deductible for tax purposes	–	–	–	0.1	–	0.1
Current losses not utilised	–	–	–	12.6	–	12.6
Past losses now utilised	(16.9)	–	(16.9)	–	–	–
Other items	(0.3)	–	(0.3)	–	–	–
Prior year credit	–	–	–	–	(0.4)	(0.4)
Total tax charge	**4.1**	**4.7**	**8.8**	**1.4**	**0.1**	**1.5**

The tax charge 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

	2008 Pence per share	2007 Pence per share	2008 £ million	2007 £ 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 2008 of 4.0p per share which will absorb £6.2 million of shareholders' funds. It will be paid on 23 July 2008 to shareholders on the register at 13 June 2008. 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 2008, which is the basis on which the requirements of Section 842 of the Taxes Act 1988 are considered, amounts to £6.2 million (31 March 2007: £4.8 million).

9. EARNINGS PER ORDINARY SHARE

The earnings per ordinary share for the year ended 31 March 2008 is based on the net profit of £78.6 million (year ended 31 March 2007: £104.6 million) and the weighted average number of ordinary shares in issue during the period of 155.2 million (year ended 31 March 2007: 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 2008 £ million	Year ended 31 March 2007 £ million
Net revenue profit/(loss)	68.6	(36.9)
Net capital profit	10.0	141.5
	78.6	**104.6**

	Pence per share	Pence per share
Revenue earnings per ordinary share	44.2	(23.6)
Capital earnings per ordinary share	6.4	90.6
	50.6	**67.0**

10. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share as at 31 March 2008 is based on the net assets attributable to the equity shareholders of £1,690.0 million (31 March 2007: £1,635.6 million) and the number of ordinary shares in issue at 31 March 2008 of 154.8 million (31 March 2007: 156.2 million).

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS

	31 March 2008 Group £ million	31 March 2008 Company £ million	31 March 2007 Group £ million	31 March 2007 Company £ million
Listed investments at market value				
Listed in UK	89.3	87.6	169.9	169.9
Listed overseas	569.1	569.1	899.1	899.1
Government securities and other liquidity	448.0	447.5	38.8	38.8
	1,106.4	1,104.2	1,107.8	1,107.8
Unlisted investments	804.8	774.9	746.3	616.6
	1,911.2	**1,879.1**	**1,854.1**	**1,724.4**
Portfolio investments	1,878.6	1,846.5	1,819.3	1,689.6
Investment property	32.6	32.6	34.8	34.8
Fair value of investments	**1,911.2**	**1,879.1**	**1,854.1**	**1,724.4**

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

Investment properties were valued at 31 March 2008 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.

Investment movements:

	Group							
	Quoted £ million	Hedge Funds £ million	Long Equity Funds £ million	Unquoted £ million	Private Equity Partnerships £ million	Other securities £ million	Investment Property £ million	Total £ million
Cost at 31 March 2007	882.0	68.6	172.7	223.8	108.9	39.2	25.2	1,520.4
Appreciation/(depreciation) at 31 March 2007	187.0	16.8	46.0	52.4	22.3	(0.4)	9.6	333.7
Valuation at 31 March 2007	1,069.0	85.4	218.7	276.2	131.2	38.8	34.8	1,854.1
Reclassifications	2.3	(1.0)	(2.3)	–	1.0	–	–	–
Additions	1,067.4	–	127.1	80.1	61.3	905.0	–	2,240.9
Disposals	(1,407.7)	(5.9)	(118.2)	(48.1)	(42.0)	(502.2)	–	(2,124.1)
Revaluation	(72.6)	1.2	(5.6)	(6.7)	19.8	6.4	(2.2)	(59.7)
Valuation at 31 March 2008	**658.4**	**79.7**	**219.7**	**301.5**	**171.3**	**448.0**	**32.6**	**1,911.2**
Cost at 31 March 2008	**635.5**	**67.0**	**193.0**	**233.5**	**139.1**	**441.6**	**25.2**	**1,734.9**
Appreciation/(depreciation) at 31 March 2008	**22.9**	**12.7**	**26.7**	**68.0**	**32.2**	**6.4**	**7.4**	**176.3**

Other securities comprise government securities and investments in money market funds.

	Company							
	Quoted £ million	Hedge Funds £ million	Long Equity Funds £ million	Unquoted £ million	Private Equity Partnerships £ million	Other securities £ million	Investment Property £ million	Total £ million
Cost at 31 March 2007	882.0	1.6	146.0	204.0	108.0	39.2	25.2	1,406.0
Appreciation/(depreciation) at 31 March 2007	187.0	(0.5)	45.1	61.0	16.6	(0.4)	9.6	318.4
Valuation at 31 March 2007	1,069.0	1.1	191.1	265.0	124.6	38.8	34.8	1,724.4
Reclassifications	(2.3)	(1.0)	2.3	–	1.0	–	–	–
Additions	1,068.0	65.6	151.8	80.0	61.3	904.5	–	2,331.2
Disposals	(1,405.6)	–	(118.2)	(41.2)	(42.0)	(502.2)	–	(2,109.2)
Revaluation	(72.4)	(7.6)	(7.7)	(5.7)	21.9	6.4	(2.2)	(67.3)
Valuation at 31 March 2008	**656.7**	**58.1**	**219.3**	**298.1**	**166.8**	**447.5**	**32.6**	**1,879.1**
Cost at 31 March 2008	**633.7**	**65.6**	**192.8**	**225.8**	**138.2**	**441.0**	**25.2**	**1,722.3**
Appreciation/(depreciation) at 31 March 2008	**23.0**	**(7.5)**	**26.5**	**72.3**	**28.6**	**6.5**	**7.4**	**156.8**

Details of investments in which the Group had an interest of 10% or more at 31 March 2008 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				
The World Trust Fund (incorporated in Luxembourg)	Ordinary Shares	19.0	141.6	(7.4)
Unlisted Investments				
Access Point Medical (incorporated in the USA)	B Preferred Shares	66.7	4.3	(5.3)
Ardsley Investments (incorporated in Mauritius)	Participating Shares	66.7	4.0	1.1
Atticus Global (incorporated in the British Virgin Islands)	AA-2 Participating Shares	100.0	1,820.9	355.2
Cortiva Group (incorporated in the USA)	Series A1 Preferred Stock	29.6	4.2	(5.4)
	Series B1 Preferred Stock	50.0		
	Common Stock	49.4		
Cycladic Catalyst Fund (incorporated in the Cayman Islands)	Founders A Shares	100.0	149.4	(136.0)
Cycladic Capital (Cayman) (incorporated in the Cayman Islands)	Ordinary Shares	35.0	2.2	3.3
Cycladic Capital Management	Ordinary Shares	35.0	1.0	0.5
	Preference Shares	100.0		
FVP Offshore III (incorporated in Bermuda)	F Preference Shares	100.0	9.1	1.3
Harbourmaster Capital (Holdings) (incorporated in Jersey)	B1 Ordinary Shares	66.5	36.2	29.6
KRI (incorporated in Poland)	B Ordinary Shares	40.3	26.3	(1.5)
Lansdowne UK Strategic Investment Fund (incorporated in the Cayman Islands)	N1 GBP£ Ordinary Shares	52.9	289.4	(10.6)
	N2 GBP£ Ordinary Shares	43.2		
Martin Currie (Holdings) (incorporated in Bermuda)	B Ordinary Shares	19.0	(129.5)	15.9
	B1 Ordinary Shares	19.0		
MessageLabs Group	A Preferred Shares	48.0	(0.2)	2.5
MGt	Ordinary Shares	13.2	8.2	1.9
UK Specialist Hospitals	A Ordinary Shares	50.0	(5.0)	(1.3)
	Deferred Shares	38.9		

11. INVESTMENTS (CONTINUED)

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 (incorporated in Luxembourg)	Class A Shares	27.0
Uttrup Financial Advisors (incorporated in Denmark)	Ordinary Shares	12.5
Purepower Group	Preferred Shares	100.0
Mondis Technology	Class A Shares	62.4
Mondis Technology (Guernsey) (incorporated in Guernsey)	Preferred Shares	62.4
Tesaun Investments (incorporated in Guernsey)	Ordinary Shares	39.9

	% Held	Aggregate capital and reserves £ million	Profit/(loss) after tax £ million
Partnership Interests			
Blumberg Capital I (formed under the laws of Delaware, USA)	56.4	12.8	0.2
Castle Investment Holdings	42.0	3.8	–
Cycladic Capital LLP (formed under the laws of the UK)	18.8	7.0	9.0
Darwin Private Equity I LP (formed under the laws of the UK)	39.6	36.6	(0.5)
Darwin Private Equity LLP (formed under the laws of the UK)	15.0	1.5	2.4
Media Technology Ventures IV-B (formed under the laws of Delaware, USA)	34.0	6.3	1.2
Ninth Wave Emerging Opportunity Fund (formed under the laws of Delaware, USA)	99.6	12.8	0.2
RR Capital Partners (formed under the laws of Delaware, USA)	15.6	25.7	1.9
SCI Asian Ventures (formed under the laws of the British Virgin Islands)	100.0	0.5	2.6
Seleucus (formed under the laws of the Cayman Islands)	43.3	14.7	16.7
Seleucus II (formed under the laws of the Cayman Islands)	41.9	0.8	–
Seleucus Retail (formed under the laws of the Cayman Islands)	48.8	1.0	0.2
Strategic Recovery Fund II (formed under the laws of the UK)	11.8	11.6	(2.5)
Tinicum Capital Partners (formed under the laws of Delaware, USA)	91.4	0.7	0.1
Tinicum Partners (formed under the laws of Delaware, USA)	23.3	93.0	10.9
Titan Partners (formed under the laws of Delaware, USA)	11.9	135.8	36.1
21st Century Communications (formed under the laws of Delaware, USA)	42.8	0.1	–

The Group also holds 10.4% of Caxton-Iseman (Propane) LP which was recently established in the USA. This partnership has not yet produced its financial statements.

In addition, the Group had a holding of 3% or more at 31 March 2008 in the following investments

	Class of share capital	% Held
Listed Investments		
AXS-One	Common Stock	5.1
Gladstone Pacific Nickel	Common Stock	5.2
Ima Exploration	Warrants	3.4
Insignia	Common Stock	4.0
Liberty Acquisition Holdings	Warrants	3.4
Nile Therapeutics	Common Stock	7.2
PayPoint	Ordinary Shares	9.2
Teleplan International	Common Stock	3.0
Washtec	Common Stock	3.5
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		
Aurigo Hero		8.0
Chryscapital III LLC		3.9
Crestview Partners		4.4
EP2 Investor		4.0
GGC Investment Fund		5.4
Innova/4 LP		4.4
Media Technology Ventures V(A)		5.2
OCM/GFI Power Opportunities Fund II		7.5
Sandler Capital Partners V		9.0
Tontine Capital Partners		3.4
Tontine Financial Partners		4.0

The Directors do not consider that any of the portfolio investments held at fair value fall within the definition of an associated company as the Group does not exercise significant influence over their operating and financial policies. In a number of cases the Group owns more than 50% of a particular class of shares issued by an investee company or partnership interests totalling more than 50%. Notwithstanding this, the Group does not control any of the investee companies or partnerships within the meaning of International Accounting Standard 27.

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares £ million	Loans £ million	Total £ million
Carrying value at 31 March 2007	52.6	2.6	55.2
Additions	0.1	–	0.1
Reversal of provision for impairment	56.3	–	56.3
Exchange movement in year	–	(0.1)	(0.1)
Carrying value at 31 March 2008	**109.0**	**2.5**	**111.5**

At 31 March 2008 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.

Investments in group undertakings are stated at cost less a provision for impairment where appropriate. During the year ended 31 March 2007 the Company's dealing subsidiary, RIT Capital Partners Securities Limited, incurred dealing losses of £43.2 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).

During the year ended 31 March 2008, the dealing subsidiary generated profits of £56.3 million and the carrying value of the investment in the subsidiary was increased to its net asset value of £74.2 million.

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 2008 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 2007	0.8	(0.5)	0.3
Additions	0.2	–	0.2
Disposals	–	–	–
Charge for depreciation	–	(0.1)	(0.1)
At 31 March 2008	**1.0**	**(0.6)**	**0.4**

14. OTHER CURRENT ASSETS

	31 March 2008		31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Trade debtors	6.0	5.7	3.3	2.4
Amounts owed by related parties (all trading balances)	0.4	0.2	0.5	0.2
Prepayments and accrued income	12.8	12.6	2.9	2.6
	19.2	**18.5**	**6.7**	**5.2**

Included in prepayments and accrued income is £0.5 million falling due after more than one year (31 March 2007: £0.9 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.

15. DEFERRED TAX (LIABILITY)/ASSET

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

	Year ended 31 March 2008		Year ended 31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	2.3	2.9	2.4	1.9
Credit/(charge) to capital reserve	(2.0)	(2.7)	–	0.7
Credit/(charge) to revenue reserve	(2.0)	(1.8)	(0.1)	0.3
Balance at end of year	**(1.7)**	**(1.6)**	**2.3**	**2.9**

15. DEFERRED TAX (LIABILITY)/ASSET (CONTINUED)

	Year ended 31 March 2008		Year ended 31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Analysis of deferred tax (liability)/asset:				
Unutilised tax losses	0.7	0.5	2.0	1.8
Deferred management fees	1.4	1.4	1.2	1.2
Long-term incentive plan	1.1	1.1	0.9	0.9
Pension contributions	–	–	0.3	–
Other timing differences	(3.6)	(3.6)	(0.2)	(0.2)
Unrealised profit on offshore funds	(0.3)	(0.3)	(0.8)	(0.1)
Accelerated capital allowances	(0.6)	(0.7)	(0.6)	(0.7)
Deferred tax re retirement benefit asset	(0.4)	–	(0.5)	–
Balance at end of year	**(1.7)**	**(1.6)**	**2.3**	**2.9**

The Company has revenue tax losses of £1.7 million (31 March 2007: £5.9 million) which are available for offset against future taxable profits (including profits on offshore hedge funds). The unrealised profits on such funds amounted to £1.0 million as at 31 March 2008 (31 March 2007: £2.8 million).

The dealing subsidiary has tax losses amounting to £1.1 million at 31 March 2008 (31 March 2007: £58.7 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 £0.5 million (31 March 2007: £0.6 million). No liability has been recognised in respect of these differences because the Group is in a 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 2008		31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Unlisted investments	**1.9**	**–**	**0.3**	**–**

Dealing investments are stated at fair value.

17. OTHER PAYABLES

	31 March 2008		31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Accruals and deferred income	6.0	4.2	10.0	2.4
Amounts payable to related parties	0.3	0.1	0.2	0.1
Other creditors	0.8	0.6	1.4	1.4
	7.1	**4.9**	**11.6**	**3.9**

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 2008 Group £ million	31 March 2008 Company £ million	31 March 2007 Group £ million	31 March 2007 Company £ million
Unsecured loans repayable between 2-7 years not by instalments				
US$150 million repayable on 21 July 2008	–	–	76.4	76.4
€150 million repayable on 1 August 2012	119.5	119.5	101.8	101.8
US$148.7 million repayable on 17 May 2010	74.8	74.8	–	–
¥17.9 billion repayable on 17 May 2010	90.6	90.6	–	–
	284.9	**284.9**	**178.2**	**178.2**

The US$150 million loan had a fixed rate of interest of 3.93% per annum. As this loan is due for repayment in July 2008 it is now included in current liabilities under bank loans and overdrafts. 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. 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. Under these swaps, the Company receives interest on a variable basis and pays interest fixed at rates of 5.0425% and 1.195% respectively per annum.

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group	31 March 2007 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 March 2008 £ million
Nature of provision:					
Indemnity	2.0	0.1	–	(0.1)	2.0
Investments	4.5	6.6	(4.7)	(1.3)	5.1
Property	0.2	–	–	–	0.2
Long-term incentive plan	3.8	2.5	–	(0.5)	5.8
	10.5	**9.2**	**(4.7)**	**(1.9)**	**13.1**

Company	31 March 2007 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 March 2008 £ million
Nature of provision:					
Indemnity	2.0	0.1	–	(0.1)	2.0
Investments	4.5	6.6	(4.7)	(1.3)	5.1
Long-term incentive plan	3.8	2.5	–	(0.5)	5.8
	10.3	**9.2**	**(4.7)**	**(1.9)**	**12.9**

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

19. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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 2008 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.

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 2008 (31 March 2007: £0.2 million).

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 2008 £ million	31 March 2007 £ million
Date of grant		
26 March 2003	2.3	1.9
31 March 2003	–	0.2
25 March 2004	0.1	0.1
30 March 2005	0.1	0.2
19 July 2005	1.0	0.7
31 August 2005	0.5	0.3
7 October 2005	0.1	–
15 March 2006	0.6	–
29 December 2006	–	–
15 March 2007	0.9	0.3
27 March 2008	0.1	–
Intrinsic value of all SARs	5.7	3.7
IFRS 2 adjustment to provision	0.1	0.1
Carrying amount of SAR provision	**5.8**	**3.8**
Intrinsic value of those SARs which had vested as at 31 March	**2.5**	**2.2**

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 20%, dividends of 3.1p per share per annum, contractual life of ten years, and a risk-free interest rate of 4.5%. Expected volatility has been estimated based on relevant historic data in respect of RITCP's share price. The expected volatility and risk-free interest rate for the year ended 31 March 2007 were 18% and 5.4% respectively. The vesting requirements are set out in detail in the section headed Long-term Incentive Plan in the Directors' Remuneration Report on page 33. 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 2008, the Company granted 336,791 SARs (31 March 2007: 397,876) and the weighted average fair value of those SARs was £3.23 (31 March 2007: £3.19). The Company recognised total expenses of £2.5 million (31 March 2007: £0.9 million) arising from the SAR long-term incentive plan.

20. CALLED UP SHARE CAPITAL

	31 March 2008 £ million	31 March 2007 £ million
Authorised		
320 million Ordinary Shares of £1 each	320.0	320.0
Allotted, issued and fully paid		
154,822,582 Ordinary Shares of £1 each (31 March 2007: 156,178,167)	**154.8**	**156.2**

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

The Company repurchased and cancelled 1,355,585 shares during the year, equivalent to 0.9% of issued share capital. These shares were priced between 988p and 1,040p per ordinary share, resulting in a charge to the capital reserve of £14.1 million.

21. CAPITAL REDEMPTION RESERVE

	Year ended 31 March 2008		Year ended 31 March 2007	
	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	1.4	1.4	–	–
Balance at end of year	**35.4**	**35.4**	**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 2008		Year ended 31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	1,494.5	1.385.0	1,352.9	1,329.9
Realised gains on disposal of investments	74.9	73.3	10.5	10.3
Movement on revaluation of investments held at the year end	(61.6)	(67.3)	105.5	90.6
Movement in impairment provision	–	56.3	–	(71.9)
Performance fees	(2.3)	(2.3)	(1.4)	(1.4)
Other capital items	3.7	3.6	27.1	26.8
Taxation	(4.7)	(2.5)	(0.1)	0.7
Total capital return	10.0	61.1	141.6	55.1
Cost of share buy-backs	(14.1)	(14.1)	–	–
Balance at end of year	**1,490.4**	**1,432.0**	**1,494.5**	**1,385.0**

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22. CAPITAL RESERVE (CONTINUED)

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:

	Year ended 31 March 2008 Group £ million	Year ended 31 March 2008 Company £ million	Year ended 31 March 2007 Group £ million	Year ended 31 March 2007 Company £ million
Realised gains/(losses)				
Listed investments	1,059.1	1,041.8	914.3	897.3
Unlisted investments	408.4	385.4	380.4	362.3
	1,467.5	1,427.2	1,294.7	1,259.6
Other	(123.4)	(105.8)	(101.4)	(88.0)
	1,344.1	1,321.4	1,193.3	1,171.6
Unrealised gains/(losses)				
Listed investments	29.3	29.4	186.7	186.7
Unlisted investments	147.0	127.4	147.0	131.7
	176.3	156.8	333.7	318.4
Provision for impairment	–	(15.6)	–	(71.9)
Other	(30.0)	(30.6)	(32.5)	(33.1)
	146.3	110.6	301.2	213.4
Balance at end of year	**1,490.4**	**1,432.0**	**1,494.5**	**1,385.0**

23. REVENUE RESERVE

	Year ended 31 March 2008 Group £ million	Year ended 31 March 2008 Company £ million	Year ended 31 March 2007 Group £ million	Year ended 31 March 2007 Company £ million
Balance at start of year	(54.3)	5.0	(12.6)	5.7
Dividend paid	(4.8)	(4.8)	(4.8)	(4.8)
Profit/(loss) for the year	68.6	11.0	(36.9)	4.1
Balance at end of year	**9.5**	**11.2**	**(54.3)**	**5.0**

The Group's capital reserve includes an amount of £23.2 million which could be paid by way of a dividend to the Company and this amount would augment the distributable revenue reserves of the Company. As permitted by Section 230 of the Companies Act 1985, the Company has not published a separate income statement. The Company's revenue return after tax amounted to £11.0 million (31 March 2007: £4.1 million).

24. FOREIGN CURRENCY TRANSLATION RESERVE

	Year ended 31 March 2008 Group £ million	Year ended 31 March 2008 Company £ million	Year ended 31 March 2007 Group £ million	Year ended 31 March 2007 Company £ million
Balance at start of year	(0.2)	–	0.1	–
Current year translation adjustment	–	–	(0.3)	–
Balance at end of year	**(0.2)**	**–**	**(0.2)**	**–**

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 2008 £ million	Year ended 31 March 2007 £ million
Profit before dividend and interest income, finance costs and taxation	56.8	84.0
Dividend income	24.4	21.1
Interest income	19.5	10.0
Profit before finance costs and taxation	**100.7**	**115.1**
(Increase)/decrease in other debtors	(12.6)	5.2
(Decrease)/increase in other creditors	(4.5)	1.5
Increase in dealing investments	(4.7)	(10.4)
Other movements	57.5	(25.7)
Purchase of investments held at fair value	(2,063.7)	(1,542.8)
Sale of investments held at fair value	2,045.4	1,574.8
Gains on investments held at fair value	(42.6)	(116.0)
Taxation paid	(2.2)	(1.6)
Interest paid	(13.3)	(9.1)
Net cash inflow/(outflow) from Operating Activities	**60.0**	**(9.0)**

RECONCILIATION OF PARENT COMPANY PROFIT BEFORE FINANCE COSTS AND TAXATION TO CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Profit before dividend and interest income, finance costs and taxation	48.7	38.5
Dividend income	24.4	21.2
Interest income	18.5	8.4
Profit before finance costs and taxation	**91.6**	**68.1**
(Increase)/decrease in other debtors	(13.3)	5.7
Increase/(decrease) in other creditors	0.8	(2.3)
Other movements	206.7	(91.5)
Purchase of investments held at fair value	(2,150.5)	(1,540.5)
Sale of investments held at fair value	2,048.8	1,572.9
Gains on investments held at fair value	(91.5)	(29.0)
Taxation paid	(1.9)	(1.6)
Interest paid	(13.2)	(8.6)
Net cash inflow/(outflow) from Operating Activities	**77.5**	**(26.8)**

Other movements comprise foreign exchange movements and movements on provisions.

26. FINANCIAL INSTRUMENTS

As an investment trust, financial instruments make up the vast majority of the Group's financial position and generate its performance. The Group holds investments in a variety of financial instruments in order to meet its investment objective to deliver long-term capital growth while preserving shareholders' capital. Asset allocation is determined by the executive Directors under the authority of the Board. The assets and liabilities include the following financial instruments:

- investments including equity and non-equity shares, partnership interests and fixed income securities which are held in accordance with the Group's investment objectives. The investments are designated at fair value through profit or loss ("FVPL");
- cash, liquid resources and short-term debtors and creditors that arise directly from the Group's investment activities;
- long-term borrowings used to enhance returns; and
- derivative transactions undertaken by the Group to manage market risks and currency risks.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Group are discussed below.

26.1 Categories of financial assets and financial liabilities

Financial Assets	Group As at 31 March 2008 Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other Assets £ million	Total £ million
Portfolio investments	–	1,878.6	–	–	1,878.6
Investment property	–	–	–	32.6	32.6
Property, plant and equipment	–	–	–	0.4	0.4
Derivative financial instruments	–	4.8	–	–	4.8
Retirement benefit asset	–	–	–	1.4	1.4
Deferred tax asset	–	–	–	–	–
Dealing investments	–	–	1.9	–	1.9
Sales for future settlement	49.8	–	–	–	49.8
Other receivables	18.5	–	–	0.7	19.2
Tax receivable	–	–	–	0.6	0.6
Cash at bank	152.1	–	–	–	152.1
Total Assets	**220.4**	**1,883.4**	**1.9**	**35.7**	**2,141.4**

Financial Assets	Group As at 31 March 2007 Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other Assets £ million	Total £ million
Portfolio investments	–	1,819.3	–	–	1,819.3
Investment property	–	–	–	34.8	34.8
Property, plant and equipment	–	–	–	0.3	0.3
Derivative financial instruments	–	5.4	–	–	5.4
Retirement benefit asset	–	–	–	1.7	1.7
Deferred tax asset	–	–	–	2.3	2.3
Dealing investments	–	–	0.3	–	0.3
Sales for future settlement	8.0	–	–	–	8.0
Other receivables	6.1	–	–	0.6	6.7
Tax receivable	–	–	–	0.5	0.5
Cash at bank	131.6	–	–	–	131.6
Total Assets	**145.7**	**1,824.7**	**0.3**	**40.2**	**2,010.9**

Financial Assets	Company As at 31 March 2008 Loans & receivables £ million	FVPL (initial recognition) £ million	Other Assets £ million	Total £ million
Portfolio investments	–	1,846.5	–	1,846.5
Investment property	–	–	32.6	32.6
Investment in subsidiary undertakings	–	–	111.5	111.5
Derivative financial instruments	–	4.8	–	4.8
Deferred tax asset	–	–	–	–
Amounts owed by group undertakings	–	–	–	–
Sales for future settlement	25.2	–	–	25.2
Other receivables	17.8	–	0.7	18.5
Tax receivable	–	–	0.6	0.6
Cash at bank	131.5	–	–	131.5
Total Assets	**174.5**	**1,851.3**	**145.4**	**2,171.2**

Financial Assets	Company As at 31 March 2007 Loans & receivables £ million	FVPL (initial recognition) £ million	Other Assets £ million	Total £ million
Portfolio investments	–	1,689.6	–	1,689.6
Investment property	–	–	34.8	34.8
Investment in subsidiary undertakings	–	–	55.2	55.2
Derivative financial instruments	–	5.4	–	5.4
Deferred tax asset	–	–	2.9	2.9
Amounts owed by group undertakings	70.2	–	–	70.2
Sales for future settlement	8.0	–	–	8.0
Other receivables	4.6	–	0.6	5.2
Tax receivable	–	–	0.5	0.5
Cash at bank	90.1	–	–	90.1
Total Assets	**172.9**	**1,695.0**	**94.0**	**1,961.9**

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities	Group As at 31 March 2008 Amortised Cost £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other Liabilities £ million	Total £ million
Bank loans and overdrafts:					
due within one year	98.9	–	–	–	98.9
due after more than one year	284.9	–	–	–	284.9
Securities sold short	–	–	–	–	–
Purchases for future settlement	37.8	–	–	–	37.8
Tax payable	–	–	–	3.2	3.2
Other payables	7.1	–	–	–	7.1
Provisions	–	–	–	13.1	13.1
Derivative financial instruments	–	4.7	–	–	4.7
Deferred tax liability	–	–	–	1.7	1.7
Total Liabilities	**428.7**	**4.7**	**–**	**18.0**	**451.4**

Financial Liabilities	Group As at 31 March 2007 Amortised Cost £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other Liabilities £ million	Total £ million
Bank loans and overdrafts:					
due within one year	151.1	–	–	–	151.1
due after more than one year	178.2	–	–	–	178.2
Securities sold short	–	–	2.2	–	2.2
Purchases for future settlement	21.3	–	–	–	21.3
Tax payable	–	–	–	0.4	0.4
Other payables	11.6	–	–	–	11.6
Provisions	–	–	–	10.5	10.5
Derivative financial instruments	–	–	–	–	–
Deferred tax liability	–	–	–	–	–
Total Liabilities	**362.2**	**–**	**2.2**	**10.9**	**375.3**

Financial Liabilities	Company As at 31 March 2008 Amortised Cost £ million	FVPL (initial recognition) £ million	Other Liabilities £ million	Total £ million
Bank loans and overdrafts:				
due within one year	98.8	–	–	98.8
due after more than one year	284.9	–	–	284.9
Purchases for future settlement	35.1	–	–	35.1
Tax payable	–	–	–	–
Other payables	4.9	–	–	4.9
Amounts owed to group undertakings	94.8	–	–	94.8
Provisions	–	–	12.9	12.9
Derivative financial instruments	–	4.7	–	4.7
Deferred tax liability	–	–	1.6	1.6
Total Liabilities	**518.5**	**4.7**	**14.5**	**537.7**

Financial Liabilities	Company As at 31 March 2007 Amortised Cost £ million	FVPL (initial recognition) £ million	Other Liabilities £ million	Total £ million
Bank loans and overdrafts:				
due within one year	148.3	–	–	148.3
due after more than one year	178.2	–	–	178.2
Purchases for future settlement	21.3	–	–	21.3
Tax payable	–	–	–	–
Other payables	3.9	–	–	3.9
Amounts owed to group undertakings	14.3	–	–	14.3
Provisions	–	–	10.3	10.3
Derivative financial instruments	–	–	–	–
Deferred tax liability	–	–	–	–
Total Liabilities	**366.0**	**–**	**10.3**	**376.3**

The Group's policy for determining the fair value of investments (including unquoted investments) is set out on page 50.

In relation to debtors, creditors and short-term borrowings the carrying amount is a reasonable approximation of fair value.

The fair value of the term loans was estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. As at 31 March 2008 this amounted to £349.3 million (31 March 2007: £177.7 million).

No financial assets or liabilities were reclassified during 2008 or 2007 by the Group or the Company.

26.2 Financial Risk Management

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

a. Market Risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate as a result of changes in market prices. This market risk comprises three types of risk:

- Price Risk (b. below)
  The risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk)
- Interest Rate Risk (c. below)
  The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates
- Currency Risk (d. below)
  The risk that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates

Management of market risk

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

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.

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 some or all of the existing exposure within the Group's investment portfolio to those particular markets or to enable increased exposure when deemed appropriate.

b. Price Risk

Price risk (other than caused by interest rate or currency risk) may affect the value of the quoted and the unquoted investments held by the Group.

Management of price risk

The executive Directors continually monitor the Group's exposure to price risk and take appropriate action to mitigate the risk. The Group has a widely diversified investment portfolio which significantly reduces the exposure to individual asset price risk.

Performance of third party investment managers is regularly reviewed and assessed to ensure compliance with their mandates and that their performance is compatible with the Group's investment objective.

Exposure to price risk

The Group's exposure to pricing risk can be assumed to be equivalent to the investment portfolio, excluding interests in debt securities and including derivatives balances, as set out below:

	31 March 2008 £ million	31 March 2007 £ million
Exposure to price risk	**1,397.0**	**1,729.5**

The Group progressively reduced its equity exposure during the year and increased its holdings in cash and other liquidity. As at the year end, the Group's exposure to listed equities (after adjusting for index futures) and unquoted investments represented 66.8% of net assets (31 March 2007: 103.5%).

Price Risk Sensitivity Analysis

The sensitivity of the Group's net assets and profit and loss in regard to changes in market prices is illustrated below. This is based on an assumed 10% increase in the fair value of the investments and assumes all other variables are held constant. A 10% decrease is assumed to produce an equal and opposite effect.

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

	31 March 2008 Impact on P/L & Net Assets £ million	31 March 2007 Impact on P/L & Net Assets £ million
Total	**108.8**	**163.7**

c. 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. Changes in interest rates have a direct impact on the fair value or future cash flows of the following financial assets and liabilities

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

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

Management of Interest Rate Risk

The executive Directors continually monitor the Group's exposure to interest rate fluctuations. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making decisions on investments and borrowings.

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.

Exposure to Interest Rate Risk

The Group's exposure of financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are re-set) and fixed interest rates (giving fair value risk), is shown below.

	31 March 2008			31 March 2007		
	Floating Rate £ million	Fixed Rate £ million	Total £ million	Floating Rate £ million	Fixed Rate £ million	Total £ million
Portfolio investments (debt securities)	76.3	398.4	474.7	30.3	52.4	82.7
Cash	152.1	–	152.1	131.6	–	131.6
Bank loans and overdrafts:						
due within one year	(23.4)	(75.5)	(98.9)	(151.1)	–	(151.1)
due after more than one year	–	(284.9)	(284.9)	–	(178.2)	(178.2)
Total Exposure	**205.0**	**38.0**	**243.0**	**10.8**	**(125.8)**	**(115.0)**

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

Portfolio investments include direct and indirect (via external managed funds) investments in government securities, money markets, and unquoted debt securities issued by portfolio companies.

Interest received on cash and cash equivalents is at prevailing market rates. As mentioned above, the Group has increased its holdings of cash and cash equivalents as its holdings of equity positions were reduced.

The Group has total borrowings of £383.8 million outstanding at the year end (31 March 2007: £329.3 million). All of the term loans, comprising £360.4 million of this total, incur fixed interest payments (either as a result of the underlying obligation or through the operation of interest rate swaps). Further details are provided in note 18. The short-term facilities pay floating interest rates.

Interest Rate Risk Sensitivity Analysis

The approximate sensitivity of the Group's net assets and profit and loss in regard to changes in interest rates is illustrated below. This is based on an assumed 200 basis points annualised increase in prevailing interest rates at the balance sheet date applied to the floating rate assets and liabilities and the following assumptions:

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

A 200 basis points decrease is assumed to produce an equal and opposite impact.

	31 March 2008 Impact on P/L & Net Assets £ million	31 March 2007 Impact on P/L & Net Assets £ million
Total	**4.1**	**0.2**

d. Currency Risk

Consistent with its investment objective, the Group invests in financial instruments and transactions denominated in currencies other than Sterling. As such, the Group's profits and net assets could be significantly affected by currency movements.

Management of Currency Risk

The Group enters into forward currency contracts as a means of limiting or increasing its exposure to particular 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, Euro and Yen investments is also hedged by way of the Company's long-term borrowings denominated in those currencies.

Exposure to Currency Risk

The currency exposure of the Group and Company net assets at the year end is set out below:

Currency	Group 31 March 2008 Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
Sterling	614.5	(618.0)	(3.5)
Euro	165.6	167.8	333.4
Singapore Dollar	3.8	272.3	276.1
US Dollar	702.6	(446.8)	255.8
Swiss Franc	11.5	207.1	218.6
Norwegian Krone	6.1	162.6	168.7
Canadian Dollar	95.0	38.5	133.5
Swedish Krona	4.9	93.4	98.3
Japanese Yen	(32.2)	104.4	72.2
Other	88.5	48.4	136.9
Total	**1,660.3**	**29.7**	**1,690.0**

Currency	Group 31 March 2007 Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
Sterling	320.8	479.5	800.3
Euro	193.1	82.9	276.0
Singapore Dollar	14.0	52.7	66.7
US Dollar	864.1	(719.0)	145.1
Swiss Franc	9.2	48.6	57.8
Norwegian Krone	4.4	(0.2)	4.2
Canadian Dollar	74.9	(1.5)	73.4
Swedish Krona	8.3	(0.4)	7.9
Japanese Yen	92.9	50.4	143.3
Other	61.7	(0.8)	60.9
Total	**1,643.4**	**(7.8)**	**1,635.6**

26. FINANCIAL INSTRUMENTS (CONTINUED)

Currency	Company 31 March 2008 Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
Sterling	578.2	330.0	908.2
US Dollar	705.9	(324.4)	381.5
Euro	165.6	–	165.6
Canadian Dollar	94.9	–	94.9
Swiss Franc	11.4	–	11.4
Norwegian Krone	5.9	–	5.9
Swedish Krona	4.8	–	4.8
Singapore Dollar	3.8	–	3.8
Japanese Yen	(31.0)	–	(31.0)
Other	88.4	–	88.4
Total	**1,627.9**	**5.6**	**1,633.5**

Currency	Company 31 March 2007 Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
Sterling	372.5	672.5	1,045.0
US Dollar	822.6	(666.7)	155.9
Euro	146.5	(6.8)	139.7
Canadian Dollar	71.5	(1.4)	70.1
Swiss Franc	10.4	(0.5)	9.9
Norwegian Krone	4.5	(0.2)	4.3
Swedish Krona	4.9	(0.4)	4.5
Singapore Dollar	14.0	–	14.0
Japanese Yen	83.0	(2.8)	80.2
Other	62.9	(0.9)	62.0
Total	**1,592.8**	**(7.2)**	**1,585.6**

Amounts in the above tables are based on the carrying value of all currency denominated assets and liabilities and the underlying principal amounts of forward currency contracts.

Currency Risk Sensitivity Analysis

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

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

Currency	31 March 2008 Impact on P/L & Net Assets £ million	31 March 2007 Impact on P/L & Net Assets £ million
Euro	(30.3)	(25.1)
Singapore Dollar	(25.1)	(6.1)
US Dollar	(23.3)	(13.2)
Swiss Franc	(19.9)	(5.3)
Norwegian Krone	(15.3)	(0.4)
Canadian Dollar	(12.1)	(6.7)
Swedish Krona	(8.9)	(0.7)
Japanese Yen	(6.6)	(13.0)

e. Credit Risk

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

Management of Credit Risk

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

- The vast majority of the Group's transactions are settled on a delivery versus payment basis
- Using a large number of brokers.
- Liquid investments (cash and cash equivalents) are divided between a number of different financial institutions.
- The majority of the portfolio investments exposed to credit risk relate to government securities.

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

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

Exposure to Credit Risk

The maximum exposure to credit risk at 31 March was:

	31 March 2008 £ million	31 March 2007 £ million
Portfolio investments (debt securities)	398.3	82.7
Derivative financial instruments	43.3	25.9
Other receivables	18.5	6.1
Sales for future settlement	49.8	8.0
Cash at bank	152.1	131.6
Maximum exposure to credit risk	**662.0**	**254.3**

The majority of financial assets exposed to credit risk are the Group's liquidity balances which are mainly held by highly rated banks or in highly rated instruments.

Substantially all of the portfolio investments are held by Bank of New York Mellon as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed, however the custodian's subordinated debt was rated A+ by Fitch in the most recent rating prior to 31 March 2008.

26. FINANCIAL INSTRUMENTS (CONTINUED)

f. Liquidity Risk

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

The Group has significant investments in unquoted companies and private equity partnerships which are inherently illiquid. In addition the Group holds investments with other third party organisations which may require notice periods in order to realise.

Management of Liquidity Risk

The Group manages its liquid resources to ensure sufficient cash is available to meet all of its contractual commitments. It monitors the level of short-term funding and balances the need for access to short-term funding with the long-term funding needs of the Group.

Exposure to Liquidity Risk

Liquidity risk is not viewed as significant as a substantial proportion of the Group's net assets are in liquid or readily realisable assets, which could be utilised to meet funding requirements if necessary. The Company holds a significant proportion of its net assets in cash or cash equivalents. In addition, the Company has the power, under its Articles of Association, to take out both short and long-term borrowings.

The Group has existing term facilities totalling £360.6 million (details of which are disclosed in Note 18), as well as access to uncommitted short-term debt facilities totalling £125.3 million (31 March 2007: £107.3 million) from a number of banks. At 31 March 2008 these were all un-drawn (31 March 2007: £72.3 million drawn).

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

	31 March 2008				31 March 2007			
	3m or less £ million	3-12m £ million	>1 yr £ million	Total £ million	3m or less £ million	3-12m £ million	>1 yr £ million	Total £ million
Current liabilities								
Bank loan/overdraft	23.4	75.5	–	98.9	151.1	–	–	151.1
Other liabilities	44.9	–	–	44.9	35.1	–	–	35.1
Non current liabilities								
Bank loans	–	–	284.9	284.9	–	–	178.2	178.2
Other liabilities	–	–	4.7	4.7	–	–	–	–
	68.3	**75.5**	**289.6**	**433.4**	**186.2**	**–**	**178.2**	**364.4**
Commitments	**196.6**	**–**	**–**	**196.6**	**168.9**	**–**	**–**	**168.9**
Total	**264.9**	**75.5**	**289.6**	**630.0**	**355.1**	**–**	**178.2**	**533.3**

26.3 Collateral

Collateral is posted by the Group in relation to derivative transactions. These are transacted under ISDA and may require collateral to be posted from time to time. The Group does not hold collateral from other counterparties.

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

	31 March 2008 £ million	31 March 2007 £ million
Cash collateral provided by RITCP in relation to derivative contracts	**50.1**	**33.1**

26.4 Derivative Financial Instruments

The Group holds the following derivative instruments:

- Futures and forward contracts relating to foreign currency and market indices
- Options relating to foreign currency, market indices and equities
- Swaps relating to interest rates (cash flow hedge)

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

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

Details of the Group and Company's derivatives (including designated cash flow hedges) unsettled at 31 March are:

	Group			
As at 31 March 2008	Notional Amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total Fair Value £ million
Forward currency contracts	1,464.8	35.2	(5.6)	29.6
Currency options	277.8	2.0	(0.1)	1.9
Equity options/warrants	–	1.3	–	1.3
Interest rate swap (cash flow hedge)	284.8	4.8	(4.7)	0.1
Index futures	357.3	–	(8.8)	(8.8)
Put options – market indices	–	–	–	–
Equity linked swap	–	–	–	–
Total		**43.3**	**(19.2)**	**24.1**

	Group			
As at 31 March 2007	Notional Amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total Fair Value £ million
Forward currency contracts	944.2	1.2	(8.8)	(7.6)
Currency options	133.2	0.2	–	0.2
Equity options/warrants	–	19.0	–	19.0
Interest rate swap (cash flow hedge)	101.9	5.4	–	5.4
Index futures	120.3	–	(7.4)	(7.4)
Put options – market indices	–	0.1	–	0.1
Equity linked swap	25.4	–	(0.9)	(0.9)
Total		**25.9**	**(17.1)**	**8.8**

26. FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2008	Company Notional Amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total Fair Value £ million
Forward currency contracts	330.0	5.6	–	5.6
Currency options	–	–	–	–
Equity options/warrants	–	1.3	–	1.3
Interest rate swaps (cash flow hedge)	284.8	4.8	(4.7)	0.1
Index futures	357.3	–	(8.8)	(8.8)
Total		**11.7**	**(13.5)**	**(1.8)**

As at 31 March 2007	Company Notional Amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total Fair Value £ million
Forward currency contracts	672.5	–	(7.2)	(7.2)
Currency options	–	–	–	–
Equity options/warrants	–	19.0	–	19.0
Interest rate swaps (cash flow hedge)	101.9	5.4	–	5.4
Index futures	15.0	–	(1.8)	(1.8)
Total		**24.4**	**(9.0)**	**15.4**

26.5 Securities Sold Short

The fair value of securities sold short by the dealing subsidiary as at 31 March 2007 amounted to £2.2 million. No securities were sold short as at 31 March 2008. The losses which may be incurred on a short sale are theoretically unlimited, whereas losses from purchases cannot exceed the total amount invested.

26.6 Capital Management

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

- to ensure its ability to continue as a going concern
- to maximise the long-term capital growth for its shareholders through an appropriate balance of equity capital and gearing

The Company is subject to externally imposed capital requirements:

- the Company's articles restrict borrowings to a cap of five times share capital and reserves, and additionally prohibit the distribution of capital profits as a dividend
- The Company's borrowings are subject to covenants limiting the total exposure based on a cap of borrowings as a percentage of adjusted net asset value.

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

In addition, one of the Company's subsidiaries is subject to capital requirements imposed by the Financial Services Authority and that subsidiary must ensure that it has sufficient capital to meet the requirements as set out by the Financial Services Authority. The subsidiary was in compliance with those capital requirements throughout the year.

The Group's capital at 31 March comprises:

	31 March 2008 £ million	31 March 2007 £ million
Equity share capital	154.8	156.2
Retained earnings and other reserves	1,535.2	1,479.4
Net asset value	1,690.0	1,635.6
Bank loans (term loans)	360.4	178.2
Total Capital	**2,050.4**	**1,813.8**
Debt as a % total capital	17.6%	9.8%

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

27. 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 year ended 31 March 2008 was 47% of pensionable salaries (31 March 2007: 47%). No changes have been made to this funding rate to date.

It is estimated that the contributions payable to the Scheme during the year ending 31 March 2009 will be £0.2 million (31 March 2008: £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 2008 by a qualified independent actuary.

The main financial assumptions are shown in the following tables:

	At 31 March 2008	At 31 March 2007
Discount rate	6.00%	5.40%
Rate of increase in salaries	4.25%	4.25%
Rate of increase in payment of all pensions	4.00%	4.00%
Inflation assumption	3.40%	3.20%

The mortality assumptions employed as at 31 March 2008 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).

27. PENSION COMMITMENTS (CONTINUED)

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 2008, the expected rate of return on the Scheme's assets was 8.9% per annum (31 March 2007: 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 2008.
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 2008	Value at 31 March 2008 £ million	Long-term rate of return expected at 31 March 2007	Value at 31 March 2007 £ million
Equities	9.00%	9.8	9.00%	9.7
Alternative investments	9.00%	3.4	9.00%	4.2
Corporate bonds	5.25%	0.2	5.25%	0.3
Cash	4.00%	0.1	4.00%	0.2
Fair value of the Scheme's assets		13.5		14.4
Present value of the Scheme's liabilities		(12.1)		(12.7)
Surplus in the Scheme		**1.4**		**1.7**

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 2008, these assets and liabilities amounted to £6.1 million (31 March 2007: £5.2 million).

The defined benefit section of the Scheme does not invest in the Company's ordinary shares (31 March 2007: nil) or in any property occupied by the Group, or any other assets used by the Group (31 March 2007: nil). The money purchase section of the Scheme held ordinary shares in the Company valued at £0.8 million as at 31 March 2008 (31 March 2007: £0.7 million).

The retirement benefit cost comprises the following:

	Year ended 31 March 2008 £ million	Year ended 31 March 2007 £ million
Defined benefit scheme		
Employer's current service cost	0.3	0.3
Interest on pension liabilities	0.7	0.6
Expected return on Scheme assets	(1.3)	(1.2)
Actuarial losses/(gains)	0.7	0.3
	0.4	–
Personal pension schemes	0.4	0.3
Total expense recognised in the income statement	**0.8**	**0.3**

The above expense is included in administrative expenses in the income statement. The actual return on Scheme assets was £0.8 million (31 March 2007: £0.8 million).

Five year history

	31 March 2008 £ million	31 March 2007 £ million	31 March 2006 £ million	31 March 2005 £ million	31 March 2004 £ million
Fair value of the Scheme's assets	13.5	14.4	13.6	11.1	6.9
Present value of the Scheme's liabilities	(12.1)	(12.7)	(12.2)	(10.4)	(10.3)
Surplus/(deficit) in the Scheme	**1.4**	**1.7**	**1.4**	**0.7**	**(3.4)**

The analysis of experience gains and losses is as follows:

	31 March 2008 £ million	31 March 2007 £ million	31 March 2006 £ million	31 March 2005 £ million	31 March 2004 £ million
Experience gains/(losses) on Scheme liabilities	0.1	(0.3)	0.2	0.7	0.2
Experience (losses)/gains on Scheme assets	(2.1)	(0.3)	1.8	–	1.1

Reconciliation of the fair value of the Scheme's assets	31 March 2008 £ million	31 March 2007 £ million
Opening fair value of the Scheme's assets	14.4	13.6
Expected return on Scheme assets	1.3	1.2
Actuarial losses	(2.1)	(0.3)
Employer's contributions	0.2	0.2
Benefits paid and other disbursements	(0.3)	(0.3)
Closing fair value of the Scheme's assets	**13.5**	**14.4**

Reconciliation of the present value of the defined benefit obligation	31 March 2008 £ million	31 March 2007 £ million
Opening defined benefit obligation	12.7	12.2
Employer's current service cost	0.3	0.3
Interest on pension liabilities	0.7	0.6
Experience (gains)/losses arising on Scheme liabilities	(0.1)	0.3
Changes in assumptions underlying the Scheme liabilities	(1.2)	(0.4)
Benefits paid and other disbursements	(0.3)	(0.3)
Closing defined benefit obligation	**12.1**	**12.7**

28. 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.

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 2008 amounted to £182,195 (year ended 31 March 2007: £139,010) and £598,452 (year ended 31 March 2007: £492,048) respectively.

During the year, a subsidiary of the Company contributed £56,518 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 2007: £66,694).

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 £217,038 to the J and NR related parties during the year ended 31 March 2008 (year ended 31 March 2007: £235,924).

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 2008 amounted to £149,113 (year ended 31 March 2007: £149,510).

The Company's related party transactions with Atticus Global, Ltd, an offshore fund, are described on page 24, in view of Nathaniel Rothschild's interest in Atticus Management Limited, 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.

Other

Other related party transactions are disclosed on page 24 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 2008, the charge for these administrative services amounted to £5.9 million (year ended 31 March 2007: £6.5 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 2008 £ million	31 March 2007 £ million	31 March 2008 £ million	31 March 2007 £ million
RIT Capital Partners Securities Limited	–	8.0	(35.0)	–
Atlantic and General Investment Trust Limited	–	62.2	(44.7)	–
J. Rothschild Capital Management Limited	–	–	(9.8)	(8.9)
RIT Capital Partners Associates Limited	–	–	(2.0)	(2.2)
RIT Capital Partners Media Inc.	–	–	(2.4)	(2.4)
Other	–	–	(0.9)	(0.8)
	–	**70.2**	**(94.8)**	**(14.3)**

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

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 2008 (31 March 2007: £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 2008 £ million	Year ended 31 March 2007 £ million
Salaries	1.7	1.7
Bonus	1.0	0.5
Benefits in kind	0.1	0.1
Long-term incentive plan (IFRS 2 basis per Note 19)	2.0	0.7
Pension expense	0.3	0.2
	5.1	**3.2**

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.

29. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

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

	31 March 2008		31 March 2007	
	Group £ million	Company £ million	Group £ million	Company £ million
Commitments to provide additional funds (principally private equity partnerships)	**196.6**	**196.6**	**168.9**	**168.9**

Following a recent decision by the European Court of Justice, HM Revenue & Customs has accepted that the provision of investment management services to investment trust companies is VAT exempt and it has acknowledged its liability to pay claims in respect of VAT borne by investment companies. The Company has accordingly accrued for an estimated refund of VAT of £3.4 million, together with interest thereon of £6.0 million, and the amounts have been allocated between revenue return and capital return according to the allocation of the amounts originally paid. All of the interest receivable has been included in the revenue return.

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
31 March 2008	**1,690.0**	**1,091.6**	**1,147.0**	**5.1**	**50.6**	**4.00**

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 2007 and 31 March 2008 diluted net asset value per share and net asset value per share were equivalent.

FINANCIAL CALENDAR

Annual General Meeting	17 July 2008 at 10.00 a.m.
Payment of dividend on ordinary shares Final dividend of 4.0 pence	23 July 2008 to shareholders on the register at 13 June 2008

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 17 July 2008 at 10.00 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 2008;
2. To approve the Directors' Remuneration Report for the year ended 31 March 2008;
3. To declare a final dividend of 4.0p 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 John Cornish as a Director;
7. To re-elect Andrew Knight as a Director;
8. To re-elect James Leigh-Pemberton as a Director;
9. To re-elect Michael Marks as a Director;
10. To re-elect Nathaniel Rothschild as a Director;
11. To re-elect Michael Sofaer as a Director; and
12. To reappoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration.

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

13. THAT the authority conferred upon the Directors by Article 11(A) of the Company's Articles of Association (authority to allot, and to make offers or agreements to allot, relevant securities) be hereby extended for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2009 and 30 September 2009; AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £51,607,526.
14. THAT the power conferred upon the Directors by Article 11(B) of the Company's Articles of Association (power to allot, or make offers or agreements to allot, equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment) be hereby renewed for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2009 and 30 September 2009.
15. THAT the Company be authorised to purchase up to an aggregate of 23,207,905 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 2009 (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).

16. THAT the Articles of Association produced to the meeting, and initialled by the Chairman for the purpose of identification, be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association and that the Directors be authorised to do all such acts and things as they consider necessary or desirable to give effect to this.
17. THAT the renewal with effect from 9 September 2006 of the J. Rothschild Capital Management Limited Share Appreciation Rights Plan (the "Plan") referred to in the Explanatory Notes to the Notice of this Meeting, the rules of which are produced to this Meeting incorporating certain draft amendments and for the purposes of identification initialled by the Chairman, and all grants made prior to the date of this resolution, be approved, and the Directors be authorised to adopt the amendments, subject to such modifications as they may consider necessary to take account of the requirements of the Financial Services Authority and best practice and to do all acts and things necessary to operate the Plan.

By order of the Board

J. Rothschild Capital Management Limited
Secretary

Registered office:
27 St James's Place
London SW1A 1NR
29 May 2008

Inspection of documents

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 27 St James's Place, London SW1A 1NR up to and including the date of the AGM and at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS from 15 minutes before the AGM until it ends:

- the proposed new articles of association of the Company, and a copy of the existing memorandum and articles of association marked to show the changes being proposed in resolution 16; and
- the draft amended Rules of the Share Appreciation Rights Scheme being proposed in resolution 17.

ANNUAL GENERAL MEETING

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) sent to the Company's registrars – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, (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 15 July 2008 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.
6. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as the designated corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the

meeting but the corporate shareholder has not appointed the Chairman of the meeting as its designated corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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 2002 require that the Directors' Remuneration Report be put to a vote by shareholders. The Report is set out on pages 32 to 37 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 4.0 pence per ordinary share is proposed.

RESOLUTIONS 4 TO 11 – RE-ELECTION OF DIRECTORS

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

John Cornish 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 12 – REAPPOINTMENT AND REMUNERATION OF THE AUDITORS

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

RESOLUTION 13 – RENEWAL OF DIRECTORS' AUTHORITY TO ALLOT SHARES

This resolution (which will be proposed as a special resolution and requires the approval of three quarters of the votes cast at the meeting) will, if approved, allow the Directors to allot ordinary shares in RIT Capital Partners plc. This authority will last until the next Annual General Meeting or, if earlier, 30 September 2009.

The maximum amount that can be allotted under this authority is £51,607,526.

RESOLUTION 14 – DISAPPLICATION OF PRE-EMPTION RIGHTS

This special resolution will renew the Directors' authority to allot shares for cash, free from the pre-emption restrictions set out in the Companies Act 1985. This authority will expire at the end of the Annual General Meeting in 2009, or on 30 September 2009 if earlier.

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

RESOLUTION 15 – PURCHASE OF OWN SHARES

This resolution will be proposed as a special resolution and will allow RIT Capital Partners plc to make market purchases of up to 23,207,905 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.

RESOLUTION 16: – ADOPTION OF NEW ARTICLES OF ASSOCIATION

It is proposed in this resolution to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006 ("the Act").

The Act is being implemented in phases, with changes reflected in the New Articles coming into force on or before 1 October 2008. Accordingly the resolution adopting the New Articles will only become effective on 1 October 2008.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 91 of this document.

It is anticipated that at next years' Annual General Meeting further changes to the Company's memorandum and articles of association will be proposed. These changes will be based on the final phase of implementation of the Act, which is currently scheduled for implementation on 1 October 2009.

Summary of principal changes to the Company's Articles of Association

1 Convening general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended in the New Articles to conform to new provisions in the Act. In particular, annual general meetings of the Company's shareholders must be convened within the six month period following the Company's accounting reference date, and any general meeting other than an annual general meeting can be convened on 14 days' notice whereas previously 21 days' notice was required where the general meeting was to consider a special resolution.

2 Votes of members

Under the Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Proxies are also entitled to speak at general meetings under the Act. The time limits for the appointment or termination of a proxy appointment have been altered by the Act so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised). The New Articles reflect all of these new provisions.

EXPLANATORY NOTES

3 Directors' interests

The Act sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Act allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict of potential conflict. First, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

From 1 October 2008, it is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

4 Electronic and website communications

Provisions of the Act which came into force in January 2007 enable companies to communicate with members by electronic form and/or by means of a website. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

5 Share transfers

Under the Act, if directors refuse to register a transfer of shares they must provide the transferee with further information about the refusal, if requested. The provisions in the Current Articles allowing directors to refuse registration of transfers without giving any reason has therefore been removed in the New Articles.

6 General

Generally the opportunity has been taken to reflect changes made by the Act in the New Articles.

RESOLUTION 17: SHARE APPRECIATION RIGHTS ("SAR")

The Directors are seeking the approval of shareholders for the renewal of the J. Rothschild Capital Management Limited ("JRCM") Share Appreciation Rights Plan ("Plan") approved by shareholders on 10 July 1996, which has now expired. If renewed, the Plan will continue until the tenth anniversary of the date on which it expired. No changes to the principal terms of the Plan, its financial operation or the performance condition are proposed.

The Directors consider that the Plan has been successful in incentivising employees, and should be renewed in order to provide a continuing incentive.

A summary of the Plan is set out below:

The principal terms of the J Rothschild Capital Management Share Appreciation Rights Plan (the "Plan") are as follows:

1 Outline

In outline, the Plan provides for the grant of Share Appreciation Rights ("SARs") over a notional number of shares in the Company. On the exercise of SARs, the participants have the right to receive a cash payment, which is known as the Share Appreciation Amount and is equal to the market price of the shares on exercise, less the SAR price. Participants do not have any right to receive shares in the Company. SARs are not pensionable.

2 Eligibility

Participants in the Plan are selected at the discretion of the JRCM Directors. The Plan is being amended to allow persons seconded or engaged to work for the Group to be eligible for selection, in addition to employees.

3 SAR Price

The SAR price is determined by the JRCM Directors at the time of grant. It is normally the market price at the close of business on the day before grant.

4 Performance condition

The exercise of SARs is subject to the satisfaction of a performance condition, set by the directors at the time of grant. The JRCM Directors currently intend to continue setting the performance condition which has been used in the past and disclosed in the Remuneration Report. This requires the increase in the share price over the performance period (the period of three years commencing with the date of grant), plus dividends paid, to exceed the increase in the Retail Prices Index over the same period, plus 3 percentage points. SARs will lapse if this condition is not met.

5 Exercise of SARs

SARs become exercisable on the third anniversary of grant, provided the performance condition has been met. If a participant leaves involuntarily, or resigns, vested SARs may be exercised within 6 months, but unvested SARs lapse unless the JRCM Directors decide, in their discretion, to permit them to be exercised within six months or such other period as may be appropriate. If a participant leaves in circumstances which involve misconduct, impropriety or serious negligence, the SAR lapses. If a participant dies, his personal representatives may exercise his SARs within 12 months.

6 Change of control, merger or other reorganisation

SARs may generally be exercised early on a takeover, scheme of arrangement, merger or other reorganisation. The Plan is being amended to provide that, alternatively, participants may be allowed or required to exchange their rights for rights in respect of shares in the acquiring company.

7 Variation in share capital

SARs may be adjusted following any variation in the share capital of the Company.

8 Amendments to the Plan

The JRCM Directors may amend the Plan as they consider appropriate. However, the Plan is being amended to provide that shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to: eligibility; SAR price; adjustment of SARs on variation in the Company's share capital; and the amendment powers.

ADVISERS

SECRETARY AND REGISTERED OFFICE

J. Rothschild Capital Management Limited
(a wholly-owned subsidiary of RITCP)
27 St James's Place
London SW1A 1NR

AUDITORS

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hays Lane
London SE1 2RD

SOLICITORS

Linklaters LLP
One Silk Street
London EC2Y 8HQ

REGISTRARS AND TRANSFER OFFICE

Computershare Investor Services PLC
Registrar's Department
P.O. Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Telephone: 0870 703 6307

SAVINGS SCHEME ADMINISTRATOR

The Bank of New York Europe Limited
12 Blenheim Place
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Telephone: 0131 525 9819

AIC

The Company is a member of the Association of Investment Companies
www.theaic.co.uk

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