RIT Capital Partners plc

Interim Report 30 September 2005

RIT Capital Partners plc

Contents

Company Registration Number 2129188

RIT Capital Partners plc

AT 30 SEPTEMBER 2005

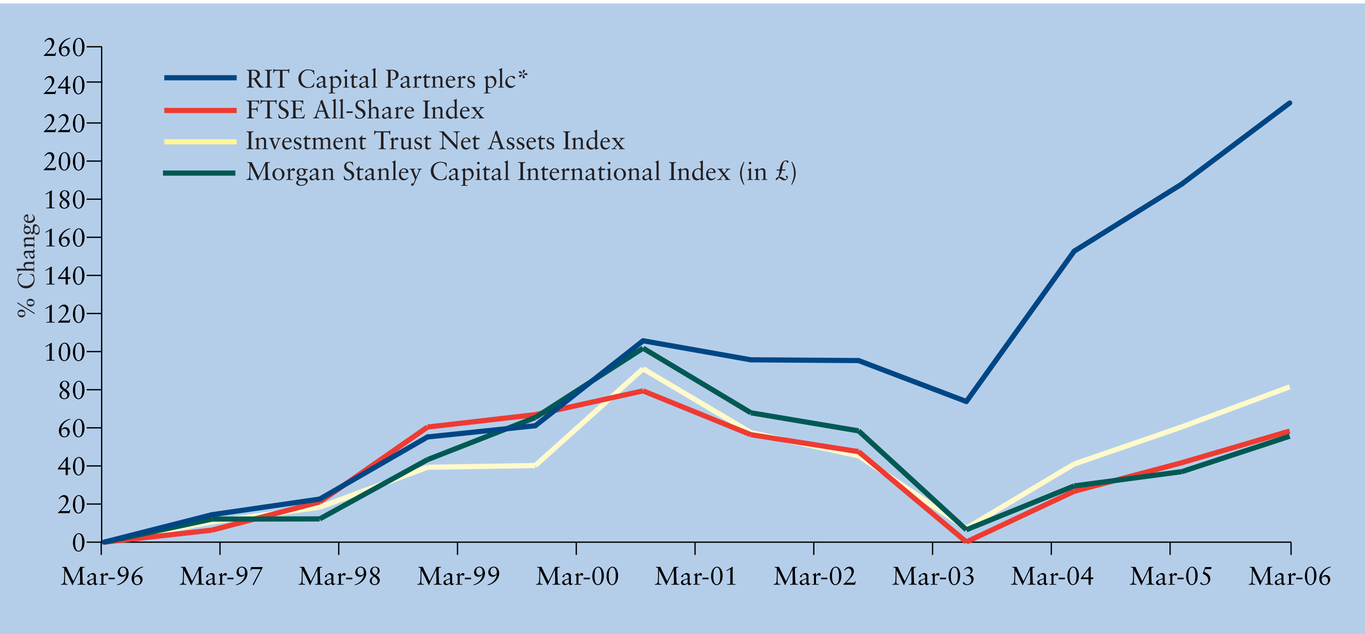
Financial Highlights

	30 September 2005	31 March 2005 Restated	% Change
Total Net Assets (£ million)	1,277.7	1,113.1	+14.8
Net Asset Value per Share	818.1p	712.7p	+14.8
Share Price	847.5p	694.0p	+22.1
Premium/(discount)	3.6%	(2.6)%	

Performance

	6 Months	5 Years	10 Years
RIT Capital Partners plc*	+14.8%	+56.8%	+230.5%
Morgan Stanley Capital International Index (in £)	+13.6%	–21.6%	+55.6%
FTSE All-Share Index	+11.7%	–9.4%	+58.3%
Investment Trust Net Assets Index	+13.0%	–3.1%	+81.3%

Performance against major indices over 10 years



* In the above chart, RITCP's diluted net asset value per share has been computed in accordance with International Financial Reporting Standards ("IFRS") as at 31 March 2004, 31 March 2005 and 30 September 2005. Figures calculated in accordance with IFRS for the earlier reporting dates are not available.

Chairman's Statement

During the half year to 30 September, your Company's net asset value per share increased by 14.8% from 712.7p to 818.1p. We were therefore able to out-perform the relevant indices during this period, when the Morgan Stanley Capital International Index (in Sterling), the FTSE All-Share Index and the Investment Trust Net Assets Index rose by 13.6%, 11.7% and 13.0% respectively.

RITCP's net asset value per share at 11 November, the latest available date, was 807.3p.

Quoted Portfolio

In my Chairman's Statement in the Annual Report, I commented on the risks posed by the continuing imbalances in the global economy and the unusually complex outlook for world markets. I added that we were continuing to find opportunities in terms of specific stocks, special situations and outstanding new managers. Although this remains the case, since the end of the reporting period we have reduced some of our quoted holdings, especially in categories that have enjoyed strong gains over the preceding period. As a result of this, our portfolio is now somewhat more cautiously positioned than at the end of September.

In August, to take advantage of low levels of interest rates, we completed a €150 million seven year loan, at an effective fixed interest rate of 3.732% per annum. Taken together with our US$150 million loan, which bears an interest rate of 3.93%, we have total long-term borrowings equivalent to £187 million.

At 30 September, £932.8 million, or 64.9% of the portfolio, was held directly in quoted investments, compared with 56.3% at 31 March. A further £211.1 million, or 14.7% of the portfolio, was held in hedge and long equity funds which invest mainly in quoted securities. Taking these two categories together, some 80% of the portfolio was invested in quoted or other marketable securities, compared with 69% at 31 March. £46.5 million, or 3.2% of the portfolio, was invested in government securities and money market funds, compared with 10% at 31 March.

Unquoted Portfolio

The charts and tables on page 4 show our exposure to unquoted investments. In total, your Company's unquoted investments were valued at some £219.5 million, or 15.3% of the portfolio. Of this, £132.7 million, or 9.3%, represents investments made directly by management and £86.8 million, or 6%, represents investments in limited partnerships managed by third parties.

The main liquidity event during the period was the repayment of £12.7 million of part of our investment in Esporta, the health club operator.

Investments in property amounted to £27.5 million, or 1.9% of the portfolio.

Investment and Currency Exposure

By the interim stage, your Company's net assets had increased to £1,277.7 million and its portfolio of investments to £1,437.4 million. The difference of £159.7 million, or 12% of our net assets, represents the extent to which we had deployed our borrowings to make investments.

During the period, we reduced our exposure to Sterling from 45.7% to 25.8% and increased our exposure to the US Dollar and Yen to 25.6% and 21.0% respectively.

The asset allocation and currency exposure are set out more fully on page 4.

Appointments

I was pleased to announce at the Annual General Meeting in July the appointment of Christopher Hohn as an additional independent non-executive Director. The Children's Investment Fund (TCI), where Chris is the founder and principal, has developed an outstanding investment record. At the AGM, your board also welcomed the appointment of David Haysey as Chief Investment Officer. David has a distinguished record in the asset management sector, first at S G Warburg and most recently at Deutsche Bank Asset Management.

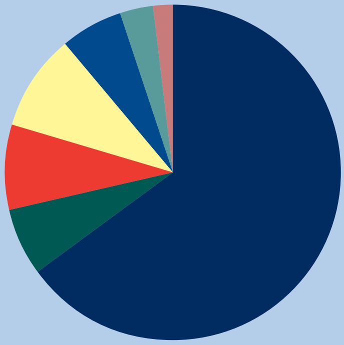
Rothschild
18 November 2005

Portfolio Analysis and Currency Exposure

AT 30 SEPTEMBER 2005

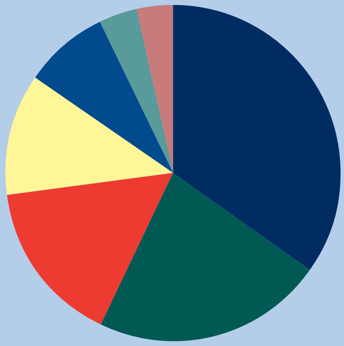
PORTFOLIO ANALYSIS BY ASSET CATEGORY

	£m	%
Quoted Investments	932.8	64.9
Hedge Funds	93.9	6.5
Long Equity Funds	117.2	8.2
Unquoted Investments	132.7	9.3
Private Equity Partnerships	86.8	6.0
Government Securities and Money Market Funds	46.5	3.2
Property	27.5	1.9
	1,437.4	100.0



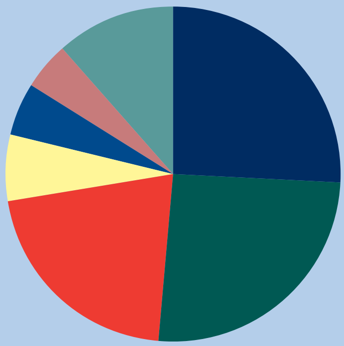
PORTFOLIO ANALYSIS BY COUNTRY

	£m	%
United States	499.6	34.8
Europe	320.1	22.3
United Kingdom	226.8	15.8
Far East	168.8	11.7
Japan	118.7	8.2
Canada	52.8	3.7
Other	50.6	3.5
	1,437.4	100.0

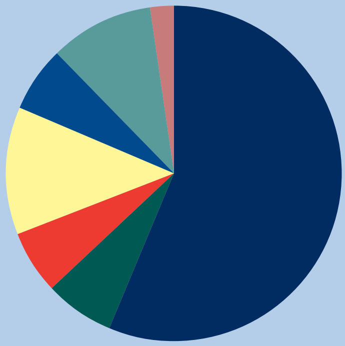


NET ASSET ANALYSIS BY CURRENCY

	£m	%
Sterling	330.3	25.8
US Dollar	326.7	25.6
Japanese Yen	269.1	21.0
Swiss Franc	82.2	6.4
Singapore Dollar	64.5	5.1
Taiwan Dollar	58.2	4.6
Other	146.7	11.5
	1,277.7	100.0

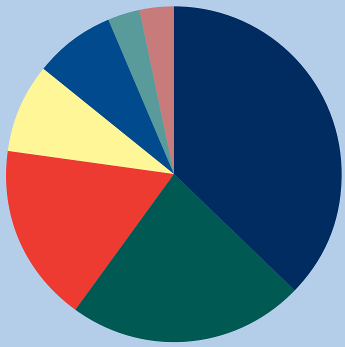


AT 31 MARCH 2005



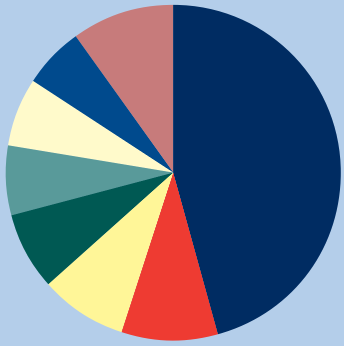
PORTFOLIO ANALYSIS BY ASSET CATEGORY

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



PORTFOLIO ANALYSIS BY COUNTRY

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



NET ASSET ANALYSIS BY CURRENCY

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

Investment Portfolio

AT 30 SEPTEMBER 2005

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
QUOTED INVESTMENTS				
Phelps Dodge	USA	Mining	32.0	2.2
RHJ International	Japan	Investment Company with Japanese focus	30.7	2.1
Deutsche Börse	Germany	German Stock Exchange	30.2	2.1
Getty Images	USA	Stock Photography	26.6	1.9
PayPoint	UK	Electronic Payment Systems	25.4	1.8
SIG Holding	Switzerland	Packaging Machinery	24.9	1.7
Canadian Energy ETF	Canada	Energy Exchange Traded Fund	24.0	1.7
World Trust Fund	Luxembourg	Investment Company	21.4	1.5
Venture Production	UK	Oil and Gas	20.4	1.4
Veolia Environnement	France	Utilities and Public Transportation	16.7	1.2
Altadis	Spain	Tobacco Products	14.5	1.0
Steel Authority of India	India	Indian Steel Producer	12.7	0.9
British Sky Broadcasting	UK	Television Broadcaster	11.2	0.8
Price Communications	USA	Cellular Telephone Systems	10.8	0.7
Blueheath Holdings	UK	Web-based Grocery Wholesaler	9.5	0.7
Merrill Lynch World Mining Trust	UK	Metals and Mining	9.2	0.6
Xantrex Technology	Canada	Power Electronics	8.8	0.6
British Energy Group	UK	Nuclear Power	8.4	0.6
KB Home	USA	Housebuilding	8.1	0.6
Pulte Homes	USA	Construction	7.5	0.5
669 Other Quoted Investments			579.8	40.3
Total Quoted Investments			**932.8**	**64.9**
HEDGE FUNDS				
Atticus International	USA	Event-driven/Arbitrage	26.9	1.9
Cycladic Catalyst	Europe	European Equities	17.3	1.2
Tinicum Partners	USA	Arbitrage and Distressed Securities	13.1	0.9
Sofaer Capital Asian Hedge	Asia	Asian Securities	11.5	0.8
Parvus European Absolute Opportunities	Europe	European Equities	5.9	0.4
Lansdowne Macro Fund	Global	Global Equities and Debt Securities	5.9	0.4
Brant Point Fund International	USA	American Equities	4.8	0.3
Satellite Overseas Fund	USA	Arbitrage and Distressed Securities	4.5	0.3
2 Other Hedge Funds			4.0	0.3
Total Hedge Funds			**93.9**	**6.5**
LONG EQUITY FUNDS				
Parvus European Opportunities	Europe	European Equities	15.1	1.0
MAC Japan Active Shareholder Fund	Japan	Japanese Equities	13.4	0.9
Sloane Robinson Vista Emerging Markets	Global	Emerging Markets	10.4	0.8
Tontine Capital Partners	USA	American Equities	9.8	0.7
Sloane Robinson Vista Japan Fund	Japan	Japanese Equities	8.5	0.6
HSBC India	India	Indian Equities	8.4	0.6
Atlantis Japan Opportunities	Japan	Japanese Equities	8.0	0.6
New Century Holdings	Russia	Russian Securities	7.8	0.5
Atlantis Asian Opportunities	Asia	Asian Equities	7.3	0.5
TCI New Horizon	India	Indian Equities	7.1	0.5
9 Other Long Equity Funds			21.4	1.5
Total Long Equity Funds			**117.2**	**8.2**

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
UNQUOTED INVESTMENTS				
Robin Hood Holdings	Global	Generic Pharmaceuticals	25.9	1.8
The Economist Newspaper	UK	Publishing	16.0	1.1
Gazprom Financial Notes	Russia	Gas	12.0	0.8
Harbourmaster	Jersey	CDO Manager	11.2	0.8
United America Indemnity	USA	Casualty Insurance	10.2	0.7
Cortiva Group	USA	Education/Health Care	8.2	0.6
MessageLabs Group	UK	E-mail Security Services	8.2	0.6
Fortress Investors	Germany	Residential Property	4.1	0.3
59 Other Unquoted Investments			36.9	2.6
Total Unquoted Investments			**132.7**	**9.3**

RITCP has some indirect holdings in quoted investments which are categorised as unquoted because they are held via unquoted special purpose vehicles. These comprise investments in United America Indemnity and Gazprom.

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
PRIVATE EQUITY PARTNERSHIPS				
Sandler Capital Partners V	USA	Unquoted Telecommunications	7.4	0.5
RR Capital Partners	USA	Unquoted Investments	6.9	0.5
SCI Asian Ventures	Asia	Unquoted Asian Investments	6.8	0.5
Blumberg Capital I	USA	Unquoted Information Technology	5.7	0.4
Lime Rock Partners II	USA	Unquoted Oil/Services	3.6	0.2
47 Other Private Equity Partnerships			56.4	3.9
Total Private Equity Partnerships			**86.8**	**6.0**
GOVERNMENT SECURITIES AND MONEY MARKET FUNDS				
Bundesrepublik 5% 2006	Germany		15.4	1.1
Treasury 8 1/2% 2005	UK		13.7	1.0
Morgan Stanley Liquidity Fund	USA		6.1	0.4
Hamilton Fund	Ireland		4.3	0.3
US Treasury 2007	USA		2.8	0.2
Charles Schwab Worldwide Fund	USA		2.1	0.1
Reserve Primary Fund	USA		2.1	0.1
Total Government Securities and Money Market Funds			**46.5**	**3.2**
PROPERTY				
Spencer House and other properties in St James's Place, London			**27.5**	**1.9**
Total Investments			**1,437.4**	**100.0**

Consolidated Income Statement

For the six months ended 30 September 2005	Notes	Revenue return £'000	Six months ended 30 September 2005 Capital return £'000	Total £'000
Income				
Investment income		13,604	–	13,604
Other income		871	–	871
Losses on dealing investments held at fair value		(7,829)	–	(7,829)
Total income		6,646	–	6,646
Gains on portfolio investments held at fair value		–	197,552	197,552
Other capital items		–	(11,079)	(11,079)
		6,646	186,473	193,119
Expenses				
Administrative expenses		(3,748)	(4,307)	(8,055)
Investment management fees		(3,530)	(2,813)	(6,343)
Profit before finance costs and tax		(632)	179,353	178,721
Finance costs		(2,510)	–	(2,510)
Profit before tax		(3,142)	179,353	176,211
Taxation		(931)	(5,901)	(6,832)
Profit for the period		(4,073)	173,452	169,379
Profit attributable to minority interests		–	9	9
Profit attributable to equity shareholders		(4,073)	173,443	169,370
		(4,073)	173,452	169,379
Earnings per ordinary share	2			108.5p

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

Consolidated Income Statement

	Six months ended 30 September 2004 Restated Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 March 2005 Restated Revenue return £'000	Capital return £'000	Total £'000
Income						
Investment income	11,741	–	11,741	20,838	–	20,838
Other income	214	–	214	350	–	350
Losses on dealing investments held at fair value	(7,630)	–	(7,630)	(12,644)	–	(12,644)
Total income	4,325	–	4,325	8,544	–	8,544
Gains on portfolio investments held at fair value	–	13,712	13,712	–	146,038	146,038
Other capital items	–	(3,362)	(3,362)	–	8,999	8,999
	4,325	10,350	14,675	8,544	155,037	163,581
Expenses						
Administrative expenses	(3,436)	(1,548)	(4,984)	(6,119)	(4,042)	(10,161)
Investment management fees	(2,194)	(442)	(2,636)	(4,860)	(5,347)	(10,207)
Profit before finance costs and tax	(1,305)	8,360	7,055	(2,435)	145,648	143,213
Finance costs	(1,688)	–	(1,688)	(3,285)	–	(3,285)
Profit before tax	(2,993)	8,360	5,367	(5,720)	145,648	139,928
Taxation	(990)	2,879	1,889	(374)	1,241	867
Profit for the period	(3,983)	11,239	7,256	(6,094)	146,889	140,795
Profit attributable to minority interests	–	1	1	–	91	91
Profit attributable to equity shareholders	(3,983)	11,238	7,255	(6,094)	146,798	140,704
	(3,983)	11,239	7,256	(6,094)	146,889	140,795
Earnings per ordinary share			4.7p			90.0p

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

Consolidated Statement of Changes in Equity

Six months ended 30 September 2005	**Share capital £'000**	**Capital redemption reserve £'000**	**Cash-flow hedging reserve £'000**	**Foreign currency translation reserve £'000**	**Capital reserve £'000**	**Retained earnings £'000**	**Minority interests £'000**	**Total £'000**
Balance at 31 March 2005	156,178	33,978	–	(52)	914,206	8,812	134	1,113,256
Profit for the period	–	–	–	–	173,443	(4,073)	9	169,379
Cash-flow hedges								
Gains/(losses) taken to equity	–	–	(854)	–	–	–	–	(854)
Transferred to the income statement for the period	–	–	157	–	–	–	–	157
Exchange movements arising on consolidation	–	–	–	741	–	–	–	741
Ordinary dividend paid	–	–	–	–	–	(4,842)	–	(4,842)
Balance at 30 September 2005	**156,178**	**33,978**	**(697)**	**689**	**1,087,649**	**(103)**	**143**	**1,277,837**

Six months ended 30 September 2004 restated	Share capital £'000	Capital redemption reserve £'000	Cash-flow hedging reserve £'000	Foreign currency translation reserve £'000	Capital reserve £'000	Retained earnings £'000	Minority interests £'000	Total £'000
Balance at 31 March 2004	156,848	33,308	–	–	771,085	19,768	43	981,052
Profit for the period	–	–	–	–	11,238	(3,983)	1	7,256
Exchange movements arising on consolidation	–	–	–	29	–	–	–	29
Ordinary dividend paid	–	–	–	–	–	(4,862)	–	(4,862)
Purchase of own shares	(670)	670	–	–	(3,677)	–	–	(3,677)
Balance at 30 September 2004	156,178	33,978	–	29	778,646	10,923	44	979,798

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

Consolidated Balance Sheet

	Notes	30 September 2005 £'000	31 March 2005 Restated £'000	30 September 2004 Restated £'000
Non-current assets				
Investments held at fair value	4	1,437,440	1,126,244	969,726
Tangible fixed assets		227	214	220
Retirement benefit asset		589	734	–
Deferred tax asset		2,570	8,736	9,374
		1,440,826	1,135,928	979,320
Current assets				
Dealing investments held at fair value		2,030	–	5,161
Sales for future settlement		65,274	20,026	31,979
Other receivables		12,092	12,365	14,794
Tax receivable		148	26	385
Cash at bank		80,398	70,416	76,860
		159,942	102,833	129,179
Total assets		1,600,768	1,238,761	1,108,499
Current liabilities				
Bank loans and overdrafts		(63,793)	(7,829)	(1,953)
Securities sold short		(9,958)	(7,893)	(7,815)
Purchases for future settlement		(37,998)	(7,596)	(15,759)
Other payables		(3,929)	(8,580)	(4,851)
		(115,678)	(31,898)	(30,378)
Net current assets		44,264	70,935	98,801
Total assets less current liabilities		1,485,090	1,206,863	1,078,121
Non-current liabilities				
Bank loans		(186,822)	(79,304)	(82,804)
Provisions		(20,431)	(14,303)	(12,070)
Retirement benefit liability		–	–	(3,448)
		(207,253)	(93,607)	(98,322)
Net assets		1,277,837	1,113,256	979,799
Equity attributable to equity holders				
Ordinary share capital		156,178	156,178	156,178
Capital redemption reserve		33,978	33,978	33,978
Cash-flow hedging reserve		(697)	–	–
Foreign currency translation reserve		689	(52)	29
Capital reserve-realised		809,684	757,544	681,371
Capital reserve-unrealised		277,965	156,662	97,276
Retained earnings		(103)	8,812	10,923
Total shareholders' equity		1,277,694	1,113,122	979,755
Minority interest in equity		143	134	44
Total equity		1,277,837	1,113,256	979,799
Net asset value per ordinary share		818.1p	712.7p	627.3p

Consolidated Cash Flow Statement

	Notes	**30 September 2005 £'000**	30 September 2004 Restated £'000	31 March 2005 Restated £'000
Cash outflow from Operating Activities	8	(141,210)	(2,207)	(15,769)
Investing Activities				
Purchase of fixed assets		(105)	(34)	(81)
Sale of fixed assets		46	13	19
Net cash outflow from Investing Activities		(59)	(21)	(62)
Financing Activities				
Buy-back of ordinary shares		–	(3,676)	(3,677)
Increase in term loan		103,358	–	–
Equity dividend paid		(4,842)	(4,862)	(4,862)
Minority interests		–	–	91
Net cash inflow/(outflow) from Financing Activities		98,516	(8,538)	(8,448)
Decrease in cash and cash equivalents in the period		(42,753)	(10,766)	(24,279)
Cash and cash equivalents at the start of the period		77,443	101,925	101,925
Effect of foreign exchange rate changes		(3,481)	124	(203)
Cash and cash equivalents at the period end		31,209	91,283	77,443
Reconciliation:				
Cash at bank		80,398	76,860	70,416
Money market funds (included in portfolio investments)		14,604	16,376	14,856
Bank loans and overdrafts		(63,793)	(1,953)	(7,829)
Cash and cash equivalents at the period end		31,209	91,283	77,443

Notes to the Financial Statements

1. Accounting Policies

Basis of Accounting

All listed companies in the European Union ("EU") are required to present their consolidated financial statements for accounting periods beginning on or after 1 January 2005 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. Therefore, the Group's consolidated financial statements for the year ending 31 March 2006 will be presented on this basis with IFRS comparatives. These interim financial statements have been prepared on the basis of the IFRS accounting polices expected to be adopted in the year end consolidated financial statements. Reconciliations have been provided on certain key figures to UK Generally Accepted Accounting Principles ("UK GAAP"), and these, together with the explanation of the resulting changes in accounting policies, are set out in notes 5, 6 and 7.

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

Although there is now a fairly stable platform, standards continue to evolve and those currently in issue and endorsed by the EU are subject to interpretation by the International Financial Reporting Interpretations Committee ("IFRIC") and further standards may be issued and endorsed by the EU before 31 March 2006. These uncertainties could result in the need to change the basis of accounting or presentation of certain financial information from that applied in the preparation of this document.

The Group is required to apply its IFRS accounting policies retrospectively to determine its opening IFRS balance sheet as at the transition date of 1 April 2004 and the comparative information for the periods ended 30 September 2004 and 31 March 2005.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties. The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trust Companies ("AITC") in January 2003 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis which complies with the recommendation of the SORP.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of Income Statement

In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as an investment trust, net capital returns 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 the Income and Corporation 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 unquoted 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 Lord Rothschild and Duncan Budge, both 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 Lord Rothschild and Duncan Budge, whereby they receive a bonus calculated by reference to the Company's three-year moving average outperformance over three key total return indices. The amount of the bonus depends principally on the capital performance of the Group and therefore the Directors consider it appropriate to charge the whole of the bonus to capital.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Costs incurred in connection with abortive portfolio investment transactions are also allocated to capital.

Finance Costs

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

Foreign Currencies

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

Taxation

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

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

Investment trusts which have approval under Section 842 of the Income and Corporation 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 de-recognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

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

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

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

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

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

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

Dealing Investments

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

Cash and Cash Equivalents

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

Provisions

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

Share-Based Payments

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

Tangible Fixed Assets

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

Pensions

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

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

Other Receivables

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

Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other Payables

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

Derivative Financial Instruments and Hedge Accounting

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

The Group has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Group enters into the relevant contract, and are de-recognised 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.

2. Earnings per Ordinary Share

The earnings per ordinary share for the six months ended 30 September 2005 is based on the net gain of £169.4 million (six months ended 30 September 2004: £7.3 million as restated; year ended 31 March 2005: £140.7 million as restated) and the weighted average number of ordinary shares in issue during the period of 156.2 million (six months ended 30 September 2004: 156.7 million; year ended 31 March 2005: 156.4 million).

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

	Six months ended 30 September 2005 £'000	Six months ended 30 September 2004 Restated £'000	Year ended 31 March 2005 Restated £'000
Net revenue loss	**(4,073)**	(3,983)	(6,094)
Net capital profit	**173,443**	11,238	146,798
	169,370	7,255	140,704

	Pence per share	Pence per share	Pence per share
Revenue loss per ordinary share	**(2.6)**	(2.5)	(3.9)
Capital earnings per ordinary share	**111.1**	7.2	93.9
	108.5	4.7	90.0

3. Net Asset Value per Ordinary Share

The net asset value per ordinary share as at 30 September 2005 is based on the net assets attributable to the equity shareholders of £1,277.7 million (30 September 2004: £979.8 million as restated; 31 March 2005: £1,113.1 million as restated) and the number of ordinary shares in issue at 30 September 2005 of 156.2 million (30 September 2004: 156.2 million; 31 March 2005: 156.2 million).

4. Movements in Investments

	Quoted £'000	Unquoted and property £'000	Funds and partnerships £'000	Other securities £'000	Total £'000
At 31 March 2005 (restated)	633,656	163,950	215,596	113,042	1,126,244
Additions	415,834	33,990	51,634	176,704	678,162
Disposals	(228,940)	(50,957)	(12,930)	(242,731)	(535,558)
Revaluation	112,212	13,220	43,650	(490)	168,592
At 30 September 2005	**932,762**	**160,203**	**297,950**	**46,525**	**1,437,440**

5. Restatement of Balances as at 31 March 2005

(a) Restatement of balances as at 31 March 2005

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

	Notes	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Non-current assets				
Investments held at fair value	1	1,127,346	(1,102)	1,126,244
Tangible fixed assets		214	–	214
Retirement benefit asset	2	–	734	734
Deferred tax asset	3	–	8,736	8,736
		1,127,560	8,368	1,135,928
Current assets				
Sales for future settlement		20,026	–	20,026
Other receivables		12,365	–	12,365
Tax receivable		26	–	26
Deferred tax asset	3	9,205	(9,205)	–
Cash at bank		70,416	–	70,416
		112,038	(9,205)	102,833
Total assets		1,239,598	(837)	1,238,761
Current liabilities				
Bank loans and overdrafts		(7,829)	–	(7,829)
Securities sold short	1	(7,879)	(14)	(7,893)
Purchases for future settlement		(7,596)	–	(7,596)
Other payables		(8,580)	–	(8,580)
Proposed dividend	4	(4,842)	4,842	–
		(36,726)	4,828	(31,898)
Net current assets		75,312	(4,377)	70,935
Total assets less current liabilities		1,202,872	3,991	1,206,863
Non-current liabilities				
Bank loans		(79,304)	–	(79,304)
Provisions	5	(14,738)	435	(14,303)
		(94,042)	435	(93,607)
Pension asset	2	514	(514)	–
Net assets		1,109,344	3,912	1,113,256
Equity attributable to equity holders				
Ordinary share capital		156,178	–	156,178
Capital redemption reserve		33,978	–	33,978
Foreign currency translation reserve	6	–	(52)	(52)
Capital reserve-realised		757,544	–	757,544
Capital reserve-unrealised	1,5	157,578	(916)	156,662
Retained earnings	1,4,6	3,932	4,880	8,812
Total shareholders' equity		1,109,210	3,912	1,113,122
Minority interest in equity		134	–	134
Total equity		1,109,344	3,912	1,113,256

Notes to the reconciliation:

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

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

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

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

Notes to the reconciliation:

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

6. Restatement of Balances as at 30 September 2004

(a) Restatement of balances as at 30 September 2004

On 1 April 2005 the Group adopted International Financial Reporting Standards. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, the following analysis shows a reconciliation of net assets and profit, as previously reported under the applicable UK Accounting Standards and the SORP as at 30 September 2004, to the restated net assets and profit under IFRS as reported in these financial statements.

	Notes	Previously reported 30 September 2004 £'000	Effect of transition to IFRS £'000	Restated 30 September 2004 £'000
Non-current assets				
Investments held at fair value	1	970,263	(537)	969,726
Tangible fixed assets		220	–	220
Deferred tax asset	2	–	9,374	9,374
		970,483	8,837	979,320
Current assets				
Dealing investments held at fair value		5,161	–	5,161
Sales for future settlement		31,979	–	31,979
Other receivables		14,794	–	14,794
Tax receivable		385	–	385
Deferred tax asset	2	8,736	(8,736)	–
Cash at bank		76,860	–	76,860
		137,915	(8,736)	129,179
Total assets		1,108,398	101	1,108,499
Current liabilities				
Bank loans and overdrafts		(1,953)	–	(1,953)
Securities sold short	1	(7,800)	(15)	(7,815)
Purchases for future settlement		(15,759)	–	(15,759)
Other payables		(4,851)	–	(4,851)
		(30,363)	(15)	(30,378)
Net current assets		107,552	(8,751)	98,801
Total assets less current liabilities		1,078,035	86	1,078,121
Non-current liabilities				
Bank loans		(82,804)	–	(82,804)
Provisions	3	(12,838)	768	(12,070)
Retirement benefit liability	4	–	(3,448)	(3,448)
		(95,642)	(2,680)	(98,322)
Net assets		982,393	(2,594)	979,799
Equity attributable to equity holders				
Ordinary share capital		156,178	–	156,178
Capital redemption reserve		33,978	–	33,978
Foreign currency translation reserve	5	–	29	29
Capital reserve-realised		681,371	–	681,371
Capital reserve-unrealised	1,2,3	97,678	(402)	97,276
Retained earnings	1,3,4,5	13,144	(2,221)	10,923
Total shareholders' equity		982,349	(2,594)	979,755
Minority interest in equity		44	–	44
Total equity		982,393	(2,594)	979,799

Notes to the reconciliation:

1. Quoted investments are designated as held at fair value under IFRS and are carried at bid prices whereas previously, under UK GAAP, they were carried at mid prices. The aggregate difference is a downward revaluation of £0.5 million and this also decreases retained earnings by the same amount.
2. The deferred tax asset was previously included in current assets. In accordance with IFRS, it has now been reclassified as a non-current asset and the restated amount now includes the deferred tax asset attributable to the retirement benefit liability. The deferred tax balance has also been reduced because of a reduction in the SAR provision referred to below.
3. Under IFRS 2, Share-based payment, a charge is required for all share-based payments including long-term incentives provided under the Group's Share Appreciation Rights Plan ("SARs").The charge in the Consolidated Income Statement is now based on the difference between the fair value of the SARs from one balance sheet date to the next. Under UK GAAP, the profit and loss charge was based on the difference between the exercise price and the market price of RITCP's shares at the relevant balance sheet date.
4. The Group adopted FRS 17, Retirement Benefits as at 31 March 2005 but the interim financial statements for the six months ended 30 September 2004 had been drawn up in accordance with SSAP 24. It has therefore been necessary to restate the balance sheet as at 30 September 2004 in accordance with IAS 19, Employee benefits.
5. In accordance with IFRS, a foreign currency translation reserve has now been recognised in respect of the exchange movements arising on consolidation since 31 March 2004.

(b) Reconciliation of the Statement of Total Return to the Consolidated Income Statement for the six months ended 30 September 2004

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

	Notes	2004 £'000	Earnings per share (impact in pence)
Total transfer to reserves per the Consolidated Statement of Total Return		8,526	
Investments held at fair value changed from mid to bid basis at 31 March 2004	1	(693)	(0.4)
Investments held at fair value changed from mid to bid basis at 30 September 2004	1	(552)	(0.3)
Adjustment to SAR provision	2	24	–
Actuarial loss on pension scheme	3	(75)	–
Deferred tax adjustment attributable to the above	4	25	–
Net profit per the Consolidated Income Statement		7,255	(0.7)

Notes to the reconciliation:

1. The investment portfolios are required to be valued at fair value under IFRS. In previous periods certain discounts were applied to the valuation of some quoted investments to take account of their illiquidity: these discounts have now been removed in accordance with IAS 39. The restated values differ from the previous valuations by £0.7 million and £0.6 million respectively.
2. As mentioned above, the charge in respect of the SAR incentive plan has been reduced pursuant to the new IFRS 2 accounting treatment.
3. The Group adopted FRS 17, Retirement Benefits as at 31 March 2005 but the interim financial statements for the six months ended 30 September 2004 had been drawn up in accordance with SSAP 24. It has therefore been necessary to restate the balance sheet as at 30 September 2004 in accordance with IAS 19, Employee benefits. The actuarial loss on the pension scheme has been charged to the income statement in accordance with IAS 19.
4. This adjustment comprises the aggregate of the deferred tax adjustment relating to the SARs provision and the movement in deferred tax relating to the pension scheme.

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

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

Notes to the reconciliation:

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

8. Cash Flow Reconciliations

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

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

Reconciliation of the Consolidated Cash Flow Statement for the six months ended 30 September 2004

	Notes	Previously reported 30 September 2004 £'000	Effect of transition to IFRS £'000	Restated 30 September 2004 £'000
Cash outflow from operating activities	1	(845)	(1,362)	(2,207)
Servicing of finance	1	(1,687)	1,687	–
Taxation	1	(835)	835	–
Net cash inflow from financial investment	1	71,807	(71,807)	–
Net cash outflow from capital expenditure		(21)	–	(21)
Equity dividend paid	2	(4,862)	4,862	–
Net cash inflow before management of liquid resources and financing		63,557	(65,785)	(2,228)
Net cash inflow from management of liquid resources	3	(75,287)	75,287	–
Net cash outflow from financing	2	(3,676)	(4,862)	(8,538)
Decrease in cash	4	(15,406)	4,640	(10,766)

Notes to the reconciliations:

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

9. Litigation

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

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

10. Comparative Information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the half years ended 30 September 2005 and 30 September 2004 has not been audited.

The information for the year ended 31 March 2005 has been extracted from the latest published audited financial statements, as restated to comply with IFRS (see Note 5). The audited financial statements for the year ended 31 March 2005 have been filed with the Registrar of Companies and the report of the auditors on those accounts contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

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