RIT Capital Partners plc

Annual Report and Accounts 31 March 2004

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Contents

Company Registration Number 2129188

RIT Capital Partners plc

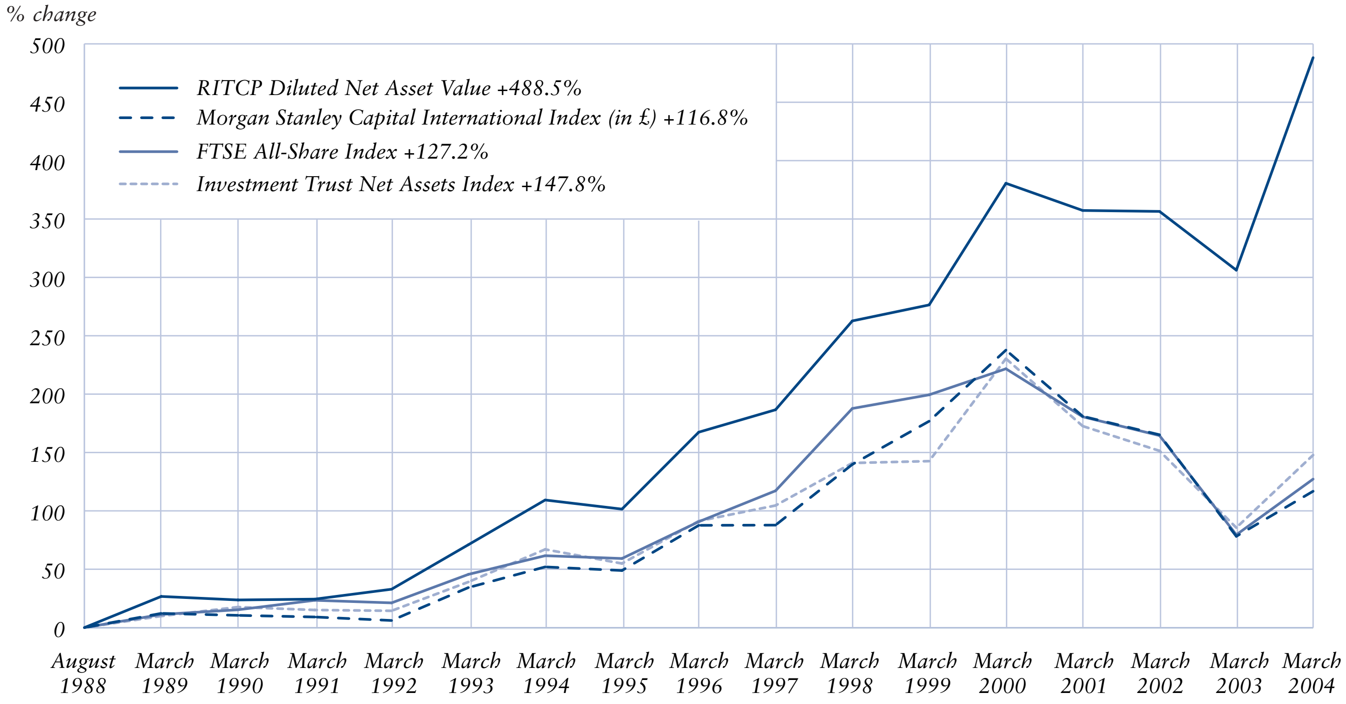
RIT Capital Partners plc ("RITCP") aims to deliver long-term capital growth for its shareholders, allocating its resources internationally over a range of asset classes.

The Company maintains a significant part of its portfolio in quoted securities; it does not follow any rigid geographical or industrial asset allocation.

The Company's status as a self-managed company allows it to allocate elements of the portfolio to managers who specialise in particular asset classes or geographical areas, in both the quoted and unquoted sectors.

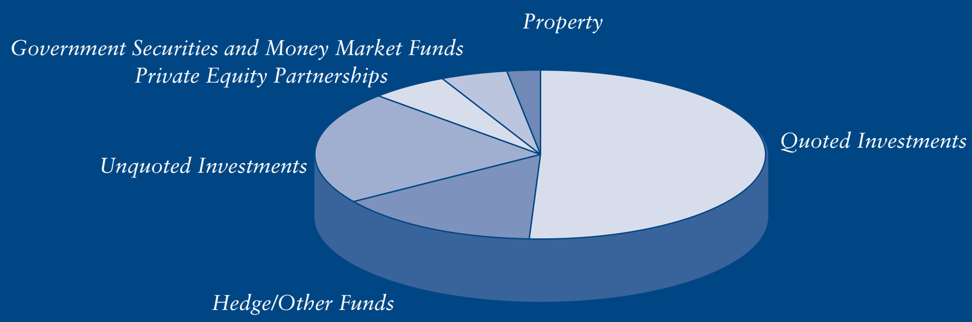
The Company aims, over time, to deliver for its shareholders increases in capital value in excess of the relevant indices. Since its inception in 1988, RITCP has significantly outperformed these indices, as can be seen from the graph below.

RITCP Long-term Performance Against Major Indices

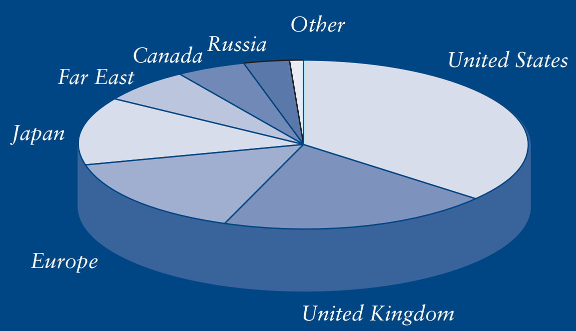


Portfolio Analysis and Currency Exposure

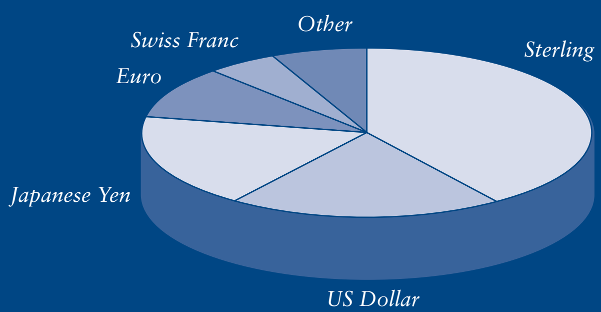
Portfolio Analysis by Asset Category



Portfolio Analysis by Country



Currency Exposure



Portfolio Analysis by Asset Category

	% of Portfolio at 31 March 2004	£m Valuation at 31 March 2004	% of Portfolio at 31 March 2003	£m Valuation at 31 March 2003
Quoted Investments	50.8	497.2	39.7	271.5
Hedge/Other Funds	14.8	144.7	15.2	103.9
Unquoted Investments	21.6	211.8	17.4	119.3
Private Equity Partnerships	5.6	54.4	7.2	49.1
Government Securities and Money Market Funds	4.8	47.4	17.1	117.3
Property	2.4	23.3	3.4	23.4
Investment Portfolio	100.0	978.8	100.0	684.5
Net Cash Balances		90.3		(12.2)
Other Net (Liabilities)/Assets		(0.1)		8.7
Long-term Bank Loan and Provisions		(91.5)		(6.3)
Total Net Assets		977.5		674.7

Portfolio Analysis by Country

	% of Portfolio at 31 March 2004	£m Valuation at 31 March 2004	% of Portfolio at 31 March 2003	£m Valuation at 31 March 2003
United States	36.1	352.9	41.8	285.8
United Kingdom	19.6	191.5	22.6	154.5
Europe	15.4	150.2	24.2	165.5
Japan	13.0	127.7	5.5	38.1
Far East	6.6	65.0	0.9	6.2
Canada	5.0	48.9	3.2	22.1
Russia	3.3	32.3	1.2	8.4
Other	1.0	10.3	0.6	3.9
Total	100.0	978.8	100.0	684.5

Currency Exposure

	% of Net assets at 31 March 2004	% of Net assets at 31 March 2003
Sterling	40.2	56.3
US Dollar	19.8	1.9
Japanese Yen	18.0	2.6
Euro	10.0	30.0
Swiss Franc	5.1	7.0
Other	6.9	2.2
Total	100.0	100.0

Chairman's Statement

The year to 31 March 2004 has been a rewarding one. The net worth of your Company has increased by £307.6 million. Net asset value per share increased by 45.6% from 430.2p to 626.3p (before deducting the proposed dividend). Over the same period, the Morgan Stanley Capital International Index (in Sterling), the FTSE All-Share Index and the Investment Trust Net Assets Index increased by 21.7%, 26.6% and 33.5% respectively. Your Company's share price did better, rising by 55.5% during the year, as the discount to net asset value narrowed from 13.6% to 7.3%.

This strong performance came about as a result of increased exposure to equities, good results from our external managers and successful stock selection in both the quoted and unquoted sections of the internally managed portfolio.

Asset Allocation

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

	% of Portfolio at 31 March 2004	% of Portfolio at 31 March 2003
Quoted investments	**50.8**	39.7
Hedge/other funds	**14.8**	15.2
Unquoted investments	**21.6**	17.4
Private equity partnerships	**5.6**	7.2
Government securities and money market funds	**4.8**	17.1
Property	**2.4**	3.4
	100.0	100.0

The principal change over the year has been an increase in the quoted investments section of the portfolio, with a commensurate reduction in our holding of government securities. In addition, the unquoted investments category increased, mainly as a result of the successful flotation of Shinsei Bank.

The Quoted Portfolio

At the year end, 50.8% of the portfolio was held in quoted equities with a value of £497.2 million. Some £364.2 million, or nearly three quarters, of these funds is managed by 14 investment managers with specialist skills covering a wide geographical area. These external managers are listed on page 17 of this report. The remaining £133 million has been managed internally.

In addition, 14.8% of the portfolio with a value of £144.7 million was invested in 23 hedge and "long only" funds. Altogether some 65.6% of the portfolio was invested, either directly or indirectly, in quoted or marketable securities.

In my Statement last year, I commented that after the extended bear market, we were beginning to see opportunities to invest in companies at levels of valuation not seen for some years. In the first half of the year, we therefore increased our stock market exposure significantly, identifying opportunities in Japan and the Far East, where we increased our exposure from 6.4% to 19.6% at the year end.

In July 2003 we took advantage of unusually low rates of interest to borrow US$150 million at a rate of 3.93% fixed for a period of five years. We invested part of the proceeds of this loan during the first half of the year.

At the year end some £47.4 million, representing 4.8% of the portfolio, had been invested in government securities and money market funds. In addition, we had cash balances of some £90 million, largely offset by the US$ loan.

The Unquoted Portfolio

At the year end, £266.2 million, or approximately 27.2% of the portfolio, was held in unquoted investments. Their value increased by £87 million, in large measure due to one particularly successful investment, made some four years ago in Shinsei Bank in Japan, where the value has increased to approximately five times its original cost. At the time of the flotation, we sold approximately one third of our holding. The remaining holding is held at a discount of 10% to its market value and remains categorised as an unquoted investment, as it is held through a limited partnership.

This has been, from the outset, a landmark transaction. It was the first purchase of a major Japanese financial institution by a group of foreign investors, at a time when the banking sector in Japan was considered to be beset by intractable problems.

Values in unquoted investments take time to mature and the Shinsei Bank story provides a good example of this. The rest of the portfolio is widely diversified and, as with the quoted portfolio, is in part managed internally and in part by external managers, through whom we have investments in some 34 private equity and venture capital partnerships.

Results and Dividend

The total increase in net assets for the year under review was £307.6 million, of which £310.5 million was attributable to capital, partly offset by a revenue loss of £3.6 million, and movements on reserves of £0.8 million.

We are proposing to pay a dividend of 3.1p per share on 14 July 2004 to shareholders on the register at 18 June 2004, the same level of dividend as last year. However, shareholders should be aware that this level of dividend might not be sustainable in future years. As always, the focus of your Company is on achieving capital growth rather than providing dividend income.

Outlook

Stock Market conditions have become increasingly difficult since the new financial year began on 1 April. Our performance since then reflects this, with the most recently calculated net asset value per share at 18 May being 587.4p (after deducting the proposed dividend). However, Stock Market valuations remain relatively high on conventional criteria, reflecting low interest rates, easy monetary conditions, rising corporate profit margins and good company results. A number of unprecedented policy initiatives have been taken by governments, particularly in the USA, to stimulate and restore economic growth. They have so far been successful and recent OECD forecasts are optimistic about continuing progress for the major economies.

In spite of these positive factors, there is growing concern about the future consequences of the initiatives which have been introduced to bring about growth. Interest rates are rising and there are signs of inflationary pressures. Energy prices, particularly oil, have increased significantly. Extraordinarily high levels of debt have been incurred at both government and consumer levels. At the same time, fiscal imbalances on an unprecedented scale have been created. No one can know what the outcome will be, but the risk reward ratio for stock markets must surely be less favourable than a year ago. To some extent, a highly diversified portfolio offers protection, but we have also taken steps since the year end to reduce our exposure to equities. In the circumstances of the fragility of the geopolitical situation and the economic unknowns this may well have been a prudent step to take.

Rothschild
24 May 2004

Review of Principal Investments

RITCP invests in a range of quoted investments, unquoted investments, hedge funds and private equity partnerships.

Quoted Investments – RITCP aims to identify companies or sectors in the major world economies which offer particular value or prospects for growth.

Unquoted Investments – RITCP makes unquoted investments where they offer the potential for particularly good returns. The bias is towards significant investments in relatively mature businesses.

Hedge Funds and Private Equity Partnerships – RITCP invests in hedge funds and private equity partnerships managed by third parties where these offer specialist investment expertise and a strong performance record, sometimes in a particular geographical or industry sector.

Quoted Investments

At 31 March 2004 RITCP held £497.2 million of quoted investments, amounting to 50.8% of the portfolio. Details of the three largest holdings in the quoted portfolio are set out below.

Getty Images

VALUATION AT 31 MARCH 2004: £16.4 MILLION
(COST: £1.0 MILLION)

RITCP was one of the original investors when this company was formed in 1995 and retains a 1% interest. Getty Images is one of the leading international providers of contemporary and archival images and film to a range of professional users, including advertising and design agencies, publishers and broadcasters. Getty's strategy has been to consolidate the leading businesses and collections and to make images available via the internet.

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

The company recently announced that its revenues for the first quarter of 2004 had increased by 20% to $156 million and net income had nearly doubled to $26 million, compared with the corresponding period in 2003.

Xantrex Technology

VALUATION AT 31 MARCH 2004: £14.1 MILLION
(COST: £7.2 MILLION)

Based in Vancouver, Xantrex is a leading provider of advanced power electronic products. RITCP made its initial investment in the company in August 1998 and, in March 2004, Xantrex was floated on the Toronto Stock Exchange. As a result of the initial public offering, the holding is subject to certain sale restrictions and consequently a discount of 10% has been applied to the valuation to reflect the current lack of liquidity.

Venture Production

VALUATION AT 31 MARCH 2004: £11.5 MILLION
(COST: £4.5 MILLION)

RITCP invested a total of £4.7 million between 1999 and 2001 in this oil exploration and production company, when it was still unquoted. In March 2002, Venture successfully completed a flotation in the first listing of an oil company on the London Stock Exchange for more than two years.

Venture's strategy is to purchase interests in proven oil and gas fields which are generally considered to be too small or close to depletion to be exploited by larger oil companies. Using modern extraction methods, Venture aims to improve recovery rates and extend the lives of these fields. Venture has interests in 13 North Sea fields and also in Trinidad.

Operating profit for the year to 31 December 2003 increased by 35% to £25.7 million on turnover up 35% to £71 million.

RITCP has a 6.4% interest in Venture.

Unquoted Investments

The valuations of unquoted investments are reviewed twice a year by a valuation committee of non-executive Directors, the latest review being at 31 March 2004. However, if circumstances warrant, valuations are amended between these dates. Unquoted investments are initially valued at cost. Where a third party transaction has taken place, the implied value may be used as the basis of valuation, applying a discount (if appropriate) and taking into account the scale of the transaction and whether or not new money was raised. Where an investment is showing a trend of encouraging performance and the committee believes it to be undervalued, it may be revalued by reference to comparable listed companies, but applying an appropriate discount to take account of lack of marketability. Where an investment is showing poorer than expected performance, it may be valued downwards by reference to its latest accounts and its current trading performance. Each investment is reviewed on its own merits and therefore no predetermined valuation formula applies.

At 31 March 2004 RITCP held £211.8 million of unquoted investments, amounting to 21.6% of the portfolio. The five largest investments, which account for £131.2 million, are summarised below. Unless otherwise stated, no dividends were received from these investments.

Shinsei Bank

VALUATION AT 31 MARCH 2004: £75.9 MILLION
(COST: £13.6 MILLION)

RITCP invested £20.8 million in March 2000 as part of a consortium of international investors which acquired all of the equity share capital of The Long Term Credit Bank of Japan (subsequently re-named Shinsei Bank) from the Japanese government. The Japanese government has retained a holding of convertible preferred shares in Shinsei, giving it a diluted interest in the equity of up to 33%.

When Shinsei was floated on the Tokyo Stock Exchange in February 2004, approximately 35% of RITCP's holding was sold, realising proceeds of £28.3 million. As the investment is held via a series of limited partnerships, it continues to be categorised as an unquoted investment. In view of certain sales restrictions attaching to the underlying shares, the remaining holding has been valued at a discount of 10% to the market price. The valuation also takes account of the carried interest accruing to the promoters of the consortium. At 18 May 2004, RITCP's holding was valued at £60.8 million.

Shinsei realised after tax profits of £178 million for the six months ended 30 September 2003 and net assets at that date amounted to £3.7 billion. RITCP received dividends of £0.7 million from the company.

Cine-UK

VALUATION AT 31 MARCH 2004: £14.9 MILLION (COST: £7.6 MILLION)

RITCP owns a 29% interest in Cine-UK, a multiplex cinema operator, operating under the trade name of Cineworld. It opened its first cinema in 1996 and now has 32 multiplexes with a total of 361 screens and annual attendance of 16.8 million. It is the fourth largest cinema exhibitor in the UK. In the year to 31 March 2004, the company generated sales of £94 million and EBITDA of £14.2 million

RITCP also owns £6.4 million of Cine-UK's subordinated bonds which accrue interest at 10% p.a.

The Economist Newspaper

VALUATION AT 31 MARCH 2004: £14.3 MILLION (COST: £1.5 MILLION)

RITCP has an interest of 5% in the ordinary shares of this company, which publishes The Economist magazine as well as a number of other specialist publications. It is also involved in supplying business information and owns a freehold office building in St James's, London.

Faced with a difficult trading environment and a decline in advertising revenues over the past two years, the company has carried out a major cost-cutting and restructuring exercise. As a result, profit after tax for the six months ended 30 September 2003 recovered to £6.4 million, compared with £5.2 million in the same period in 2002, despite a decline in revenue of 4% to £90.7 million. Earnings per share increased from 20.7p to 25.6p for the half-year. Following the action taken to rationalise costs, the company's prospects are likely to be highly geared to any economic upturn.

Net assets at 30 September 2003 amounted to £20.2 million. During the year under review RITCP received dividends of £0.5 million from the company.

RITCP has applied the "indicative share valuation" calculated by the company's financial advisers to its own holding at 31 March 2004.

Power Measurement

VALUATION AT 31 MARCH 2004: £13.4 MILLION (COST: £7.2 MILLION)

Based in Vancouver, Power Measurement is a leading provider of energy management systems for energy suppliers and consumers worldwide. RITCP invested £3.4 million in the company in October 1996 and subsequently increased its investment by £3.8 million.

During the year ended 31 December 2003, the company's turnover increased by 25% to £26.1 million and its profit after tax increased by more than 40% to £2.1 million. The company had net assets of £22.9 million at 31 December 2003. RITCP owns 27% of the company on a fully diluted basis.

Esporta Group

VALUATION AT 31 MARCH 2004: £12.7 MILLION (COST: £24.1 MILLION)

Esporta Group is the holding company for Invicta Leisure and the formerly quoted company, Esporta plc. It is the UK's second largest premium health and fitness and racquet club operator. RITCP was a founder shareholder in Invicta, which was merged with Esporta in September 2002. At that time RITCP realised a capital profit of £12.3 million.

During the year ended 31 December 2003, Esporta Group incurred net losses of £27.2 million and had a deficit on share capital and reserves at that date of £40.6 million. RITCP reduced the carrying cost of its investment by £1.4 million during the year ended 31 March 2004. RITCP owns 5.2% of the equity share capital of Esporta Group.

Hedge/Other Funds and Private Equity Partnerships

Tinicum Partners and RR Capital Partners

VALUATION AT 31 MARCH 2004: £23.6 MILLION (COST: £3.2 MILLION)

RITCP originally made a £3.2 million investment in Tinicum in August 1989 and the increase in valuation represents the growth in this initial investment. The fund, now split into two associated partnerships, concentrates on merger arbitrage and investment in distressed securities. The partnerships are managed by Farallon Partners, a US fund management firm.

Atticus International

VALUATION AT 31 MARCH 2004: £20.8 MILLION
(COST: £21.1 MILLION)

Atticus International is a hedge fund which specialises in merger arbitrage. RITCP made an investment of £21.1 million in this fund in December 2000.

Cycladic Catalyst Fund

VALUATION AT 31 MARCH 2004: £11.7 MILLION
(COST: £9.8 MILLION)

Cycladic is a hedge fund which invests in European companies, mainly where a "catalyst event" can be anticipated or initiated. Catalyst events include corporate or financial restructurings, events affecting an industry and the possibility of a take-over bid.

Property

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

VALUATION AT 31 MARCH 2004: £23.3 MILLION
(COST: £25.1 MILLION)

The properties are 12,13,15 and 27 St James's Place. They were professionally valued by Jones Lang LaSalle as at 31 March 2004 at open market value, on an existing use basis.

Spencer House, 27 St James's Place, 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 modern 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 £80,000. St James's Place Administration Limited (a subsidiary of St James's Place Capital plc) leases the building from RITCP at an annual rent of £1.15 million, the lease expiring in the year 2013. RITCP operates a banqueting business for private and corporate clients which is based in the main State Rooms. These rooms are open to the public for guided tours on most Sundays.

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

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

Investment Portfolio

AT 31 MARCH 2004

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
QUOTED INVESTMENTS				
Getty Images	USA	Stock Photography	16.4	1.7
Xantrex Technology	Canada	Advanced Power Electronics	14.1	1.4
Venture Production	UK	Oil & Gas	11.5	1.2
Canadian Energy ETF	Canada	Energy Exchange Traded Fund	10.2	1.0
Price Communications	USA	Cellular Telephone Systems	9.4	1.0
New Skies Satellites	Netherlands	Satellite Operator	7.8	0.8
Gazprom	Russia	Gas	7.2	0.7
Altadis	Spain	Tobacco Products	6.5	0.7
St Joe	USA	Property Development	6.5	0.7
Merrill Lynch World Mining Trust	UK	Metals and Mining	5.9	0.6
Koninklijke KPN	Netherlands	Telecommunications	5.4	0.6
Pulte Homes	USA	Construction	5.1	0.5
The Walt Disney Co.	USA	Entertainment	5.1	0.5
KB Home	USA	Housebuilding	4.7	0.5
Sberbank	Russia	Banking	4.5	0.5
Precision Castparts	USA	Metal Components	4.5	0.5
National Grid Transco	UK	Electricity & Gas Distribution	4.3	0.4
United States Steel	USA	Steel	4.3	0.4
Massey Energy	USA	Coal	4.2	0.4
Autostrade	Italy	Road Toll Operator	4.2	0.4
Koninklijke Vendex KBB	Netherlands	Retail	4.2	0.4
Cherokee International	USA	Power Equipment	4.0	0.4
472 Other Quoted Investments			347.2	35.5
Total Quoted Investments			**497.2**	**50.8**
HEDGE/OTHER FUNDS				
Atticus International	USA	Merger Arbitrage	20.8	2.1
Tinicum Partners	USA	Arbitrage and Distressed Securities	17.7	1.8
Cycladic Catalyst	Europe	European Equities	11.7	1.2
Glenview Capital Partners	USA	Hedge Fund	11.0	1.1
Sloane Robinson Vista Emerging Markets	Global	Emerging Markets	11.0	1.1
Sofaer Capital Asian Hedge	Asia	Asian Hedge Fund	10.3	1.1
JF Pacific Securities	Asia	Asia/Pacific Region Unit Trust	10.0	1.0
OCM Emerging Markets	Global	Emerging Markets	6.5	0.7
Narragansett Offshore	USA	Hedge Fund	6.2	0.6
Atlantis Asian Opportunities	Asia	Asian Equities	6.2	0.6
New Century Holdings	Russia	Russian Securities	5.5	0.6
HSBC India	India	Indian Equities	5.2	0.5
Epoch Overseas	USA	Hedge Fund	4.2	0.4
10 Other Hedge/Other Funds			18.4	2.0
Total Hedge/Other Funds			**144.7**	**14.8**

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
UNQUOTED INVESTMENTS				
Shinsei Bank	Japan	Banking	75.9	7.8
Cine-UK	UK	Multiplex Cinemas	14.9	1.5
The Economist Newspaper	UK	Publishing	14.3	1.5
Power Measurement	Canada	Power Measurement Devices	13.4	1.4
Esporta Group	UK	Health, Racquet & Fitness Clubs	12.7	1.3
PayPoint	UK	Electronic Payment Systems	11.5	1.2
Robin Hood Holdings	Global	Generic Pharmaceuticals	10.9	1.1
United National Group	USA	Casualty Insurance	9.1	0.9
Star Technology	UK	Internet Service Provider	8.2	0.8
Gazprom Financial Notes	Russia	Gas	7.3	0.7
Orthoworld	UK	Orthodontic Practices	5.5	0.6
Coats Group	UK	Thread	5.5	0.6
38 Other Unquoted Investments			22.6	2.2
Total Unquoted Investments			**211.8**	**21.6**

RITCP has some indirect holdings in listed investments which are categorised as unquoted because they are held via unquoted special purpose vehicles. These comprise investments in Shinsei Bank, United National Group and Gazprom.

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
PRIVATE EQUITY PARTNERSHIPS				
RR Capital Partners	USA	Unquoted Investments	5.9	0.6
Matlin Patterson Global Opportunities	USA	Distressed Securities	5.2	0.5
SCI Asian Ventures	Asia	Unquoted Asian Investments	5.0	0.5
Sandler Capital V	USA	Unquoted Telecommunications	4.5	0.5
Blumberg Capital I	USA	Unquoted Information Technology	3.7	0.4
Tinicum Capital Partners	USA	Unquoted and Quoted Investments	3.3	0.3
28 Other Private Equity Partnerships			26.8	2.8
Total Private Equity Partnerships			**54.4**	**5.6**
GOVERNMENT SECURITIES AND MONEY MARKET FUNDS				
Treasury 5% 2004	UK	Government Stock	21.0	2.2
Treasury 6 3/4% 2004	UK	Government Stock	11.1	1.1
Dreyfus Universal Liquidity Fund	USA	Money Market Fund	5.2	0.5
Hamilton Fund	Ireland	Money Market Fund	4.2	0.4
Bundesrepublik 4 1/4% 2004	Germany	Government Stock	3.7	0.4
Charles Schwab Worldwide Fund	USA	Money Market Fund	2.2	0.2
Total Government Securities and Money Market Funds			**47.4**	**4.8**
PROPERTY				
Spencer House and other properties in St James's Place, London			**23.3**	**2.4**
Total Investments			**978.8**	**100.0**

Board of Directors

Executive Directors

The Lord Rothschild, OM GBE FBA

Aged 68, he is Chairman of the Company's Board of Directors and the Nominations Committee. He was appointed a non-executive Director in 1988 and became an executive Director in 1996. He is also the Deputy Chairman and senior non-executive Director of British Sky Broadcasting PLC.

Lord Rothschild began his career at N M Rothschild & Sons, where he subsequently ran the corporate finance department and became chairman of the executive committee. He left N M Rothschild & Sons in 1980 to develop RIT plc, a forerunner of RITCP, 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 48, 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 since 1988 and has represented the Company on the Boards of a number of its investments.

Non-Executive Directors (Non-Independent)

Timothy Barakett

Aged 38, he was appointed a non-executive Director in March 2000. He is the Chairman and Chief Executive Officer of Atticus Capital, Inc. and Atticus Management, Ltd, two private investment management companies which he founded in 1995. Previously he was a Managing Director at Junction Advisers, Inc, a private investment company. Nathaniel Rothschild acts as his alternate.

Mikael Breuer-Weil

Aged 40, 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.

Michael Sofaer

Aged 46, 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 four hedge funds and two private equity funds.

Non-Executive Directors (Independent)

Charles Bailey
Aged 69, 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, Atrium Underwriting plc and St James's Place Capital plc and is a member of the audit committees of those companies.

Andrew Knight
Aged 64, he was appointed a non-executive Director in 1996 and is a member of the Audit, Nominations and Remuneration and Conflicts Committees. He is a director of News Corporation and Templeton Emerging Markets Investment Trust PLC. He is a former Editor of The Economist and served as Chief Executive of the Telegraph group, Chairman of News International and Deputy Chairman of Home Counties Newspapers Holdings plc until its acquisition by Eastern Counties Newspapers. He is Chairman of the Shipston Home Nursing and Jerwood charities, and founder of the SMA Trust to further research into spinal muscular atrophy.

Baron Lambert
Aged 74, he was appointed a non-executive Director in 1988. He is President of the Board of Global Asset Management (Schweiz) AG and was President of Banque Bruxelles Lambert (Suisse) SA and a Member of the Board of Directors of Banque Bruxelles Lambert SA Belgium until 1997.

Jean Pigozzi
Aged 52, he was appointed a non-executive Director in 1988. He is a private investor.

Committee Membership

Audit Committee
Charles Bailey (Chairman)
Andrew Knight
Baron Lambert

Nominations Committee
Lord Rothschild (Chairman)
Charles Bailey
Andrew Knight
Baron Lambert

Remuneration and Conflicts Committee
Charles Bailey (Chairman)
Andrew Knight
Baron Lambert

Valuation Committee
Charles Bailey (Chairman)
Baron Lambert

Directors' Report

The Directors present their Report and Accounts for the Company, covering the year ended 31 March 2004.

Status of Company

The Company is registered as a public company. 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 the Inland Revenue for the year ended 31 March 2003. Approval for the year ended 31 March 2003 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 Income and Corporation Taxes Act 1988. The close company provisions of the Income and Corporation Taxes Act 1988, as amended, do not apply to the Company.

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

Results and Dividends

After taxation, the Group made a capital profit of £310.5 million and a revenue loss of £3.6 million during the year ended 31 March 2004.

The Board recommends the payment of a final dividend of 3.1p per share in respect of the year ended 31 March 2004 (year ended 31 March 2003: 3.1p), payable on 14 July 2004 to shareholders on the register at 18 June 2004. This dividend will absorb £4.9 million of distributable reserves.

The movements on capital reserve and consolidated revenue reserve are shown in notes 21 and 22 on pages 50 and 51.

Net Asset Value

The net asset value of one ordinary share at 31 March 2004, after deducting the proposed dividend of 3.1p per share, was 623.2p.

Review of Business

The Company specialises in investments which are held with a view to achieving long-term capital growth.

The fixed asset investments were valued at 31 March 2004 at £978.8 million. An analysis of these investments is contained in note 10 on pages 43 to 46.

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

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).

Share Capital and Purchase of Own Shares

Details of the authorised and issued share capital appear in note 19 on page 50 of the accounts. No ordinary shares have been issued during the year.

During the year to 31 March 2004 the Company has not purchased any ordinary shares for cancellation. At the Annual General Meeting held on 2 July 2003, the Company was given power to purchase up to 23,511,540 ordinary shares, which represented 14.99% of the issued share capital as at that date. This power expires on 30 September 2004. Share purchases are only made when they enhance the net asset value per share.

Share Capital and Purchase of Own Shares (continued)

A resolution, No. 14, will again be proposed at the Annual General Meeting to seek power to purchase up to a maximum of 23,511,540 shares, at a price which is not less than £1 per share and not more than 5% above the average middle-market quotations for the preceding five business days. This represents 14.99% of the present issued share capital. If the issued share capital is less at the time of the Annual General Meeting by reason of purchases, the maximum will be 14.99% of that reduced issued capital. The authority now sought would last until 30 September 2005. The Directors do not intend to purchase shares at more than their attributable net asset value.

Other Special Business at the Annual General Meeting

Although the Company's Articles of Association provide that all unissued shares shall be at the disposal of the Directors, Section 80 of the Companies Act 1985 requires that the authority of the Directors to allot relevant securities shall be subject to the approval of shareholders in general meeting. Accordingly, shareholders are being asked at the forthcoming Annual General Meeting as Resolution No. 12 to renew, for a period of one year, the Directors' authorisation to allot the Company's unissued shares up to a nominal amount of £52,282,722, which is less than a third of the issued equity share capital of the Company at the date of this report. The Directors have no present intention of allotting shares pursuant to this authority. The allotment limit proposed for the current year follows the guidelines of the Association of British Insurers.

The Directors also seek, as Resolution No. 13 at the forthcoming Annual General Meeting, the renewal of the usual authority to enable them, during the period expiring on the date of the Annual General Meeting in 2005, to allot not more than 5% (which would correspond to 7,842,408 shares) of the issued shares as at 31 March 2004 for cash other than by way of rights. It is the intention of the Directors, under such authority, not to allot shares at less than their attributable net asset value.

The Directors are seeking the authority of the Company's shareholders to amend the Articles of Association in two respects. If passed, Resolution No. 15 will amend the provisions in the Articles relating to the retirement by rotation of the Directors so that they will correspond with the recommendations of the Combined Code on Corporate Governance issued in July 2003. All Directors will, if the resolution is passed, be obliged to retire and stand for re-election at intervals of no more than three years. Non-executive Directors who have held office for nine or more years shall be required to retire and stand for re-election annually. It should be noted that all non-executive Directors who have held office for nine or more years shall be standing for re-election at the forthcoming Annual General Meeting, so as to comply with the new Combined Code recommendation at the earliest opportunity. Resolution No. 15, if passed, will also provide scope to comply with more onerous retirement by rotation recommendations, with Directors' consent, should any be introduced in future.

Finally, Resolution No. 16 will be proposed to amend the existing requirements in the Articles of Association that proxy votes for use at general meetings of the Company must be in written form. If the resolution is passed, this will enable the Company to offer shareholders the choice of voting by written proxy, as at present, or electronically.

Principal Shareholders

The Directors are aware of the interests as at 24 May 2004 of the following companies, or the groups of which they are a member, in 3% or more of the ordinary issued share capital of the Company.

Shareholder	Number of shares	% of Share capital
Prudential plc	5,550,509	3.54
Legal & General Investment Management Limited	4,979,853	3.17

Other than the interests of Lord Rothschild, representing 17.12% of the ordinary share capital of the Company at 24 May 2004 (as set out below), the Directors are not aware of any other disclosable interest representing 3% or more of the shares of the Company.

Directors' Interests

The interests of the Directors at 31 March 2004 in the ordinary shares of the Company are shown below with comparatives as at 1 April 2003 (where different) shown in brackets.

	Ordinary shares of £1 each		
Director	Beneficial	Non-beneficial	% of Share capital
The Lord Rothschild	**20,139,681**	**6,708,324**	**17.12**
	(18,932,622)	(6,439,934)	(16.18)
Charles Bailey	**10,500**	**—**	**0.01**
	(8,200)	—	(0.01)
Timothy Barakett	**30,000**	**—**	**0.02**
Mikael Breuer-Weil	**—**	**—**	**—**
Duncan Budge	**50,139**	**—**	**0.03**
Andrew Knight	**—**	**—**	**—**
Baron Lambert	**2,000**	**—**	**—**
Jean Pigozzi	**41,010**	**—**	**0.03**
Michael Sofaer	**—**	**—**	**—**

Included in the total of 20,139,681 shares of the Company owned beneficially by Lord Rothschild are 108,184 shares (31 March 2003: 108,184) held by the RITCP 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 Directors and employees of the Group for permission to deal in the ordinary shares of the Company are referred to the Remuneration and Conflicts Committee, except in the case of small volume transactions requested by those other than Directors and senior executives, which are considered by the Group's Compliance Officer.

Lord Rothschild and Duncan Budge are directors of J. Rothschild Capital Management Limited, a subsidiary of the Company, which provides the services described in "Management and Administration" below.

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

Management and Administration

Details of the current investment managers who operate segregated accounts are shown below. All of these managers, with the exception of Prospect Investment Management, invest in listed securities which are included under the "Quoted Investments" section of RITCP's portfolio.

Investment Manager	Area of expertise	Funds under management 31 March 2004 £'000
Sofaer Capital	Global equities	**58,859**
Tontine Overseas Associates	US equities	**49,080**
Findlay Park	Small to medium sized US companies	**44,200**
K Capital Partners	Global equities	**41,240**
Prospect Investment Management	Unquoted investments	**34,910**
Meditor Capital Management	Medium sized European equities	**34,408**
Lansdowne Partners	European equities	**27,955**
Cycladic Capital Management	European equities	**27,615**
Cedar Rock Capital	Global equities	**23,438**
Southeastern Asset Management	Global equities	**22,402**
Edwards Capital Management	Global equities	**21,107**
Morant Wright Management	Japanese equities	**20,618**
Select Equity	US equities	**16,132**
Martin Currie	Asian equities	**14,262**
Baker Steel	Equities (gold and precious metals)	**10,290**

Funds under management comprise investments, liquidity and other assets. Additional details of the investment management fees payable to Sofaer Capital and Atticus Capital are shown below, as members of those firms' senior management are Directors of RITCP. The other investment managers charge fees based on a percentage of the funds under management (in the range from nil to 1.6% per annum) and, in certain cases, performance fees are charged where the increase in the value of the funds exceeds specified hurdles. The assets in the segregated account managed by Martin Currie include two other funds separately managed by Martin Currie, but the fees charged by these two funds are deducted from the investment management fee which would otherwise be payable to Martin Currie. None of the other amounts listed in the table above are 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.

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 RITCP. SCI is paid an investment management fee equal to 1% of funds under management. The fee payable for the year ended 31 March 2004 was £456,175 (31 March 2003: £484,445).

Management and Administration (continued)

RITCP has an investment of £10.3 million in Sofaer Capital Asian Hedge Fund whose investment adviser is SCI. The investment advisory fees are payable at a fixed rate of 1% p.a. of the net asset value of the fund and, in addition, there is an annual performance fee equal to 20% of the appreciation in value of the fund. The fund's accounting period ends on 31 December and during the year ended 31 December 2003 the total fees attributable to RITCP's investment were £75,205 (31 December 2002: £102,120).

RITCP is a limited partner in SCI Asian Ventures LP and the general partner/investment manager is SCI Asian Ventures Inc. which is owned equally by RITCP and SCI. The partnership agreement provides for an annual investment management fee equal to 2.5% of the committed capital. During the year ended 31 December 2003 SCI Asian Ventures LP paid investment management fees of £215,323 to SCI Asian Ventures Inc. (31 December 2002: £345,923). In respect of the year ended 31 December 2003, RITCP received dividends of £38,066 from SCI Asian Ventures Inc. (31 December 2002: £91,370).

RITCP invested US$30 million in Atticus International, Ltd on 1 December 2000. Atticus International is an offshore fund specialising in merger arbitrage. The investment management of the fund is provided by Atticus Management, Ltd. Timothy Barakett, a director of RITCP, is a general partner of Atticus Management. Nathaniel Rothschild, alternate director to Timothy Barakett, is also a general partner of Atticus Management. 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. £357,813 was payable in respect of the year ended 31 March 2004 (year ended 31 March 2003: nil).

The majority of the remainder of RITCP's investment portfolio is managed by the directors of J. Rothschild Capital Management Limited.

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

Performance Attribution Analysis

The increase in the Group's net asset value during the year was £307.6 million. This is analysed below.

	£'000	Pence per share
Quoted investments	**188,271**	**120.0**
Hedge/other funds	**20,915**	**13.3**
Unquoted investments	**94,083**	**60.0**
Private equity partnerships	**(1,929)**	**(1.2)**
Government securities and money market funds	**2,109**	**1.3**
Currency hedging gains	**26,519**	**16.9**
Dealing losses	**(7,205)**	**(4.6)**
Other movements	**(15,136)**	**(9.6)**
Increase in net asset value	**307,627**	**196.1**

The other movements mainly comprise unallocated administrative expenses (£7.075 million), interest expense (£2.527 million) and movements on provisions (£6.880 million).

Derivatives and Other Financial Instruments

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

- investments including equity and non-equity shares and fixed income securities which are held in accordance with the Group's investment objectives;

Derivatives and Other Financial Instruments (continued)

- cash, liquid resources and short-term debtors and creditors that arise directly from the Group's investment activities; and
- derivative transactions which the Group enters into to manage market risks and currency risks.

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

Market Price Risk

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

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

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

Foreign Currency Risk

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

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

The Group's foreign currency exposures are analysed in note 27 on pages 52 to 54.

Interest Rate Risk

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

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.

Political Contributions and Charitable Donations

During the year ended 31 March 2004, the Company made no charitable donations or political contributions.

Auditors

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

By Order of the Board

J. Rothschild Capital Management Limited
Secretary
24 May 2004

Corporate Governance Report

The Directors present their Corporate Governance Report for the year ended 31 March 2004. The Directors believe that the Company has complied with the Combined Code on Corporate Governance annexed to the Listing Rules of the United Kingdom Listing Authority issued in June 1998 (the "1998 Code") for the period under review.

The Code was augmented in 2003 for companies with financial year-ends beginning on or after 1 November 2003 (the "2003 Code"). While the 2003 Code does not apply to the Company's 31 March 2004 year-end reported upon in this report and accounts, the contents of this report are nevertheless intended to address the subjects required under the 2003 Code, those required under the 1998 Code, as well as providing a description of the Company's governance environment in general terms. The Directors continue to evaluate the composition of the Board and the Company's committee structure on an ongoing basis. Where the 2003 Code necessitates disclosure of matters that are in the course of being addressed by the Directors but not yet in place, this is explained below.

THE BOARD OF DIRECTORS

The Company is an investment trust managed by its Board of Directors (the "Board") currently comprising nine Directors, two of whom are executive Directors, three of whom are non-independent non-executive Directors and the remaining four are independent non-executive Directors. Biographical details of each of the Directors are set out on pages 12 and 13.

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

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

The full membership of the Board is set out on pages 12 and 13. The Board met formally on four occasions in the year ended 31 March 2004. Lord Rothschild, Mr Bailey, Mr Budge and Mr Knight attended each meeting; Mr Breuer-Weil, Baron Lambert and Mr Sofaer attended three meetings; Mr Barakett attended two meetings and Mr Pigozzi attended one meeting.

The non-executive Directors participate in discussions regarding the Company's strategy and performance. Such discussions may take place in meetings of the committees constituted by, and reporting to, the Board. There are four permanent committees, the composition of which are set out on page 13. Each such permanent committee has its own Terms of Reference which may be viewed on the Company's website. The permanent committees are as follows:

The Audit Committee

The Audit Committee is comprised of three non-executive Directors, all of whom are independent of the Company. It is chaired by Charles Bailey, a former Senior Partner of Price Waterhouse, a member of the audit committees of three other public companies, and who the Board considers has appropriate financial experience. The Committee meets at least twice each year to review the Company's interim and annual accounts, 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. It also reviews the effectiveness of the Company's system of internal controls at least annually. The remaining matters on the Audit Committee's Terms of Reference are considered as necessary.

The Committee is also responsible for monitoring the level of non-audit services provided to the Company by the auditors. During the year, the Company was advised by PricewaterhouseCoopers LLP on executive remuneration, as explained under Remuneration and Conflicts Committee on page 26. Other non-audit services provided by PricewaterhouseCoopers LLP were primarily in relation to taxation services and advice in connection with the Executive Bonus Scheme.

The membership of the Committee is set out on page 13. The Committee met formally on two occasions in the year ended 31 March 2004. In this period, Mr Bailey attended both meetings, Baron Lambert attended one meeting and Mr Knight, having been appointed to the Committee with effect from 1 January 2004, had yet to attend a meeting.

The Nominations Committee

The Nominations Committee was established in March 2004. It is comprised of four Directors, three of whom are independent and non-executive and the fourth is Lord Rothschild, who is the Chairman of the Committee. The Committee will meet at least once a year on a formal basis, and on additional occasions as required. Its remit, as set out in its Terms of Reference, includes the leading of the process for appointments to the Board, to ensure that appointments are made on merit and against objective criteria and to review the suitability of those Directors who are retiring by rotation to stand for re-election. The Committee will also monitor the composition of the Board on an ongoing basis, with a view to succession planning and the maintenance of an appropriate balance of skills and experience within the Company and on the Board.

The membership of the Committee is set out on page 13. The Committee was established in March 2004 and therefore met formally on only one occasion in the year ended 31 March 2004. All four members of the Committee attended this meeting.

The Remuneration and Conflicts Committee

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

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

The full membership of the Committee is set out on page 13. The Committee transacted business by meeting or written resolution on two occasions in the year ended 31 March 2004. Mr Bailey and Baron Lambert participated on both occasions and Mr Knight, having been appointed with effect from 1 January 2004, participated once.

The Valuation Committee

The Valuation Committee is comprised of two independent non-executive Directors, and meets at least twice each year on a regular basis and additionally as may be required. Its principal responsibility is to review the Company's unlisted investments so that they are presented in the annual and interim accounts at a fair valuation. Listed investments are also reviewed to assess whether there may be any need for the application of a discount to the market price, such as illiquidity.

The full membership of the Committee is set out on page 13. The Committee met formally on two occasions in the year ended 31 March 2004. Mr Bailey and Baron Lambert attended both meetings.

CHAIRMAN WITH EXECUTIVE RESPONSIBILITIES

Lord Rothschild is both Chairman of the Board and an executive Director. The Board recognises that this is at variance with the recommendations of the 2003 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. However, the Board believes that such problems are mitigated in the Company's case. The Board has put in place a structure of permanent board committees, described above, designed to devolve responsibility and control of certain key areas of Board responsibility away from the Chairman. The Audit, Remuneration and Conflicts and Valuation Committees are each comprised entirely of independent non-executive Directors. Whilst the Nominations Committee is chaired by Lord Rothschild, independent non-executive Directors represent a majority of its number. The Board is therefore of the view that the Company is not at risk from a concentration of power caused by the Chairman having executive responsibilities and believes that Lord Rothschild is well qualified for both roles. 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.

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 nine Directors of whom two are executive, three are non-executive but not independent and four are non-executive and considered by the Board to be independent. This balance is intended to limit the scope for an individual or small group of individuals to dominate the Board's decision-making. Half of the Board, excluding the Chairman, is therefore comprised of non-executive Directors determined by the Board to be independent.

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

Of the four non-executive Directors considered by the Board to be independent, three do not meet one of the seven independence criteria set out in the 2003 Code, in that they have served on the Board more than nine years since the date of their first election. Each of Messrs Bailey, Lambert and Pigozzi, 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 circumstance of a self-managed investment trust. Equally, 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.

APPOINTMENTS TO THE BOARD

As explained above, the Company established its Nominations Committee in March 2004. Within the scope of its Terms of Reference, this body will be responsible for the process of appointment of new directors to the Board. As was the case prior to the constitution of the Nominations Committee, when appointments were considered by the Board alone, such appointments will be made on merit and ability to devote such time as is necessary to the position. The Committee will also be mindful of succession planning and board balance when recommending future appointments to the Board.

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

INFORMATION AND PROFESSIONAL DEVELOPMENT

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information through the Company Secretary, J. Rothschild Capital Management Limited. This is effected through regular oral and written communication as well as in the papers provided for each of the Company's scheduled board meetings. Such communication is intended to update Directors' knowledge and familiarity with the Company and its business, to enable them to fulfil their respective roles on the Board or its committees. The Directors have access to the Company Secretary for advice and services. The Chairman, the Nominations Committee and the Company Secretary will consider and effect a full, formal and tailored induction to any new director on 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 2003 Code will require the Company to report on the means by which performance evaluation of the Board, its committees and its individual Directors has been conducted, in its next annual accounts for the year ending 31 March 2005. This new obligation is being considered by the Board, although all evaluation responsibilities are expected to be delegated to the Nominations Committee, with individual committee members being prohibited from participating in the consideration of their own performance.

RE-ELECTION OF DIRECTORS

The Company has complied with the 1998 Code requirement for each Director to stand for re-election at least once every three years. However, its Articles of Association provide for one third, but not more than one third, of the Directors to retire by rotation each year. As it would not therefore be possible for the Company to comply with both the Articles of Association and the Combined Code in the event that the total number of directors ceases to be a multiple of three, a resolution is to be proposed at the forthcoming Annual General Meeting to bring the Articles into line with the Combined

Code, and to accommodate the 2003 Code requirement 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 Mr Bailey, Mr Pigozzi and Lord Rothschild. Biographical information on each is shown on pages 12 and 13. However, all but two of the other Directors are also standing for re-election, as they would be required to do so under the the 2003 Code by virtue of their length of service. The exceptions are Mr Knight, who has not served as a Director for more than nine years and Mr Budge, who would not be required to stand for re-election under the 2003 Code, as he is not a non-executive Director.

RELATIONS WITH SHAREHOLDERS

The Board and the directors of the management company 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 Remuneration and Conflicts Committee, the Nominations Committee and the Audit 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 accounts.

ACCOUNTABILITY AND AUDIT

Statement of the Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss 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. 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 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.

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

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial period 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. An executive committee, which consists of the two executive Directors and senior executives, meets 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 committee as appropriate. Detailed portfolio valuations are undertaken every week and these form the basis for risk control decisions regarding equity exposure, liquidity, market price risk and exchange rate risk.

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 to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Remuneration Report

Directors' Remuneration Report
This report details the remuneration paid to the Company's Directors including the Chairman, Lord Rothschild, and the Chief Operating Officer, Duncan Budge, for the year ended 31 March 2004.

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 Baron Lambert, all of whom are considered by the Board to be independent, non-executive Directors. Lord Rothschild and Duncan Budge 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. The Committee appointed the Human Resource Services division of PricewaterhouseCoopers LLP to provide information to it on the remuneration packages of senior executives in comparable companies and to advise on the implementation of the Executive Bonus Scheme, described below.

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 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 1998 (the "1998 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 Committee gives full consideration to the provisions on the design of performance-related remuneration set out in Schedule A of the 1998 Code.

Directors' Remuneration

Directors' remuneration for the year ended 31 March 2004 is shown below, with comparative figures for the previous year. Comparative figures for the individual Directors' emoluments are shown in brackets if they differ from the emoluments for the year ended 31 March 2004.

Director	Salaries and fees £	Bonuses £	Pension contributions £	Other benefits £	Total emoluments £
The Lord Rothschild	340,000	425,900	68,000	49,411	883,311
	(318,270)	(31,800)	(63,654)	(33,066)	(446,790)
Charles Bailey	27,500	—	—	—	27,500
	(22,500)	—	—	—	(22,500)
Timothy Barakett	15,000	—	—	—	15,000
Mikael Breuer-Weil	20,000	—	—	—	20,000
Duncan Budge	250,000	313,400	87,500	20,913	671,813
	(207,700)	(21,065)	(72,337)	(26,554)	(327,656)
Andrew Knight	25,688	—	—	—	25,688
	(25,250)	—	—	—	(25,250)
Baron Lambert	20,000	—	—	—	20,000
	(15,000)	—	—	—	(15,000)
Jean Pigozzi	—	—	—	—	—
Michael Sofaer	—	—	—	—	—
31 March 2004	698,188	739,300	155,500	70,324	1,663,312
31 March 2003	623,720	52,865	135,991	59,620	872,196

Basic Salary and Bonus

Basic salaries for the executive Directors are reviewed annually by the Remuneration Committee and the last review was at 31 March 2004. For the current year, to 31 March 2005, Lord Rothschild's salary is £340,000 per annum (2003/4: £340,000 per annum) and Duncan Budge's salary is £250,000 per annum (2003/4: £250,000 per annum).

The Board of Directors, on the recommendation of the Remuneration and Conflicts Committee, approved the adoption of an Executive Bonus Plan during the year. The Plan provides that each executive Director, and such other participants as may be determined by the Remuneration and Conflicts Committee, shall be entitled to an annual bonus. The amount payable under the Executive Bonus Plan is calculated by reference to the Company's three-year moving average outperformance over the three most relevant total return indices. The indices are currently the FTSE All-Share Total Return Index, the Investment Trust Net Assets Total Return Index and the Morgan Stanley Capital International Total Return Index (expressed in Sterling). The percentage of salary payable as a bonus rises on a straight line basis from 0% to 100%, if the average annual outperformance is between 0% and 7%. Thereafter, the percentage of salary payable as a bonus rises from 100% in a straight line to the maximum bonus payable under the Plan of 125%, if the average annual outperformance is between 7% and 10%. The first bonuses payable under the Plan were in respect of the year ended 31 March 2004, and the entitlements of Lord Rothschild and Mr Budge thereunder amounted to £425,000 and £312,500 respectively. In addition to the bonus entitlements under the Executive Bonus Plan, Lord Rothschild and Mr Budge each received a £900 bonus which was paid to all of the Group's employees in December 2003 (year ended 31 March 2003: £900).

Long-term Incentive Plan

Long-term incentive arrangements were approved by shareholders on 10 July 1996, as they constituted related party transactions under Stock Exchange rules. Under their respective participation in the Share Appreciation Rights plan as at 31 March 1999, Lord Rothschild and Duncan Budge were both entitled, at a time of their choice between the third and tenth anniversary of the grant (and in respect of any subsequent grants) to a bonus. This would be calculated by reference to a notional number of the Company's shares (in each case 587,371 at 340.5p). 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 Remuneration and Conflicts Committee decided that further participations in the Share Appreciation Rights plan should be granted to both Lord Rothschild and Duncan Budge on 22 March 2000 and 26 March 2003. The notional number of shares involved was 228,833 at 437p and 262,467 at 381p respectively in each case.

As at 31 March 2004 the amount accrued under all three participations was £4,458,654 payable in equal parts to Lord Rothschild and Duncan Budge. This compared with an accrued amount of £364,170 as at 31 March 2003 and followed an increase in the middle-market price of RITCP shares during the period from 371.5p to 577.5p. Should either participant leave their 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.

Outstanding Share Appreciation Rights:

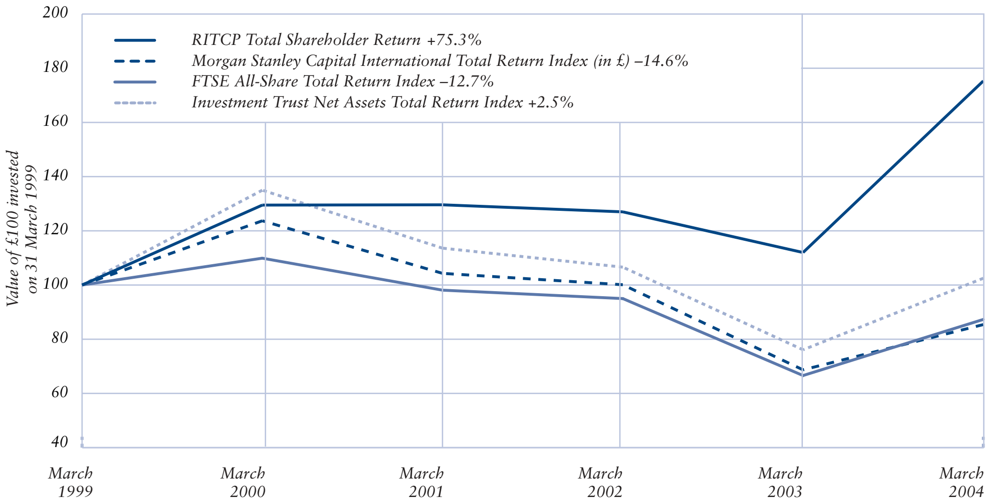
	Outstanding at 1 April 2003 and 31 March 2004	Exercise price	Date from which first exercisable	Expiry date
Lord Rothschild	587,371	340.5p	30 March 2002	29 March 2009
	228,833	437.0p	22 March 2003	21 March 2010
	262,467	381.0p	26 March 2006	25 March 2013
Duncan Budge	587,371	340.5p	30 March 2002	29 March 2009
	228,833	437.0p	22 March 2003	29 March 2010
	262,467	381.0p	26 March 2006	25 March 2013

No Share Appreciation Rights were granted to, or exercised by, Lord Rothschild or Duncan Budge in the year ended 31 March 2004.

Performance Graph

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

RITCP Total Shareholder Return Against Major Indices



Pension Contributions

The policy of the Remuneration and Conflicts Committee is to facilitate a range of pension arrangements for executive Directors which take account of their age, personal circumstances and arrangements in force on joining the Company, but within an agreed cost framework. Lord Rothschild and Duncan Budge are members of the RITCP Pension and Life Assurance Scheme, (the "RITCP Scheme"). Within the RITCP Scheme, money purchase arrangements have been set up for Lord Rothschild, to which the Company has contributed at the rate of 20% of basic salary, amounting to £68,000 during the year under review (year ended 31 March 2003: £63,654). Duncan Budge is a defined benefit member of the RITCP Scheme for which the contribution rate is 35% of basic salary.

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

Executive Directors' Pensions

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

	£
Accrued benefit at 31 March 2003	80,708
Change in accrued benefit due to inflation	2,260
Change in accrued benefit due to other factors	19,702
Accrued benefit at 31 March 2004	**102,670**
Transfer value at 31 March 2003	797,945
Increase in transfer value	263,826
Transfer value at 31 March 2004	**1,061,771**
Transfer value at 31 March 2004 in respect of increase in accrued benefit (excluding inflation)	**203,626**

The accrued, but deferred, pension entitlement is calculated on the basis that the Director left service on 31 March 2004.

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 £200,000 per annum. Non-executive Directors do not take part in discussions on their own remuneration. The basic annual fee is £15,000, which the Remuneration and Conflicts Committee believes to be in line with current market practice. However, this figure is increased in certain cases when the involvement of the non-executive Director in the Company's affairs warrants such increase and more especially when they are members of a committee. Jean Pigozzi and Michael Sofaer have each waived their right to receive £15,000 in respect of the years ended 31 March 2003 and 31 March 2004. 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 and Duncan Budge both have service agreements with J. Rothschild Capital Management Limited.

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

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

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.

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.

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.

On behalf of the Board of Directors
Charles Bailey
24 May 2004
Chairman, Remuneration and Conflicts Committee

Report of the Independent Auditors

To the Members of RIT Capital Partners plc

We have audited the financial statements which comprise the Consolidated Statement of Total Return, the Statement of Total Recognised Gains and Losses, the Consolidated and parent company Balance Sheets, the Consolidated Cash Flow Statement and the related notes which have been prepared under the historical cost convention, modified to include the revaluation of investments other than subsidiary undertakings and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Directors' Report (including the Corporate Governance Statement), the unaudited part of the Directors' Remuneration Report, and the Review of Principal Investments.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code issued in June 1998 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 to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements and the auditable part of the Directors' Remuneration Report 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2004 and of the total return and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
32 London Bridge Street, London SE1 9SY
24 May 2004

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 Statement of Total Return

(INCORPORATING THE REVENUE ACCOUNT)

For the year ended 31 March 2004	Note	Revenue £'000	Capital £'000	Total £'000
Gains on investments		—	292,697	292,697
Dealing losses		(7,205)	—	(7,205)
Investment income	1	17,078	—	17,078
Other income		406	—	406
Administrative expenses	2	(7,075)	—	(7,075)
Investment management fees	4	(3,893)	(2,366)	(6,259)
Other capital items	21	—	19,494	19,494
Net (loss)/return before finance costs and taxation		(689)	309,825	309,136
Interest payable and similar charges	5	(2,527)	—	(2,527)
(Loss)/return on ordinary activities before taxation		(3,216)	309,825	306,609
Taxation on ordinary activities	6	(425)	671	246
(Loss)/return on ordinary activities after taxation attributable to equity shareholders		(3,641)	310,496	306,855
Dividend	7	(4,862)	—	(4,862)
Transfer (from)/to reserves		(8,503)	310,496	301,993
(Loss)/return per ordinary share	8	(2.3p)	198.0p	195.7p
Net asset value per ordinary share	9			623.2p

The revenue column of this statement is the consolidated profit and loss account of the Group.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.
Movements on reserves are set out in notes 21 and 22 on pages 50 and 51.

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2004	£'000
Return on ordinary activities after taxation	306,855
Exchange movements arising on consolidation	772
Total recognised gains and losses	307,627

The notes on pages 37 to 58 form part of these accounts.

Consolidated Statement of Total Return

(INCORPORATING THE REVENUE ACCOUNT)

For the year ended 31 March 2003	Note	Revenue £'000	Capital £'000	Total £'000
Losses on investments		—	(114,750)	(114,750)
Dealing profits		182	—	182
Investment income	1	15,165	—	15,165
Other income		417	—	417
Administrative expenses	2	(6,161)	—	(6,161)
Investment management fees	4	(2,926)	(192)	(3,118)
Other capital items	21	—	29,478	29,478
Net return/(loss) before finance costs and taxation		6,677	(85,464)	(78,787)
Interest payable and similar charges	5	(166)	—	(166)
Return/(loss) on ordinary activities before taxation		6,511	(85,464)	(78,953)
Taxation on ordinary activities	6	(1,837)	2,049	212
Return/(loss) on ordinary activities after taxation attributable to equity shareholders		4,674	(83,415)	(78,741)
Dividend	7	(4,862)	—	(4,862)
Transfer from reserves		(188)	(83,415)	(83,603)
Return/(loss) per ordinary share	8	3.0p	(53.2p)	(50.2p)
Net asset value per ordinary share	9			430.2p

The revenue column of this statement is the consolidated profit and loss account of the Group.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.
Movements on reserves are set out in notes 21 and 22 on pages 50 and 51.

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2003	£'000
Loss on ordinary activities after taxation	(78,741)
Exchange movements arising on consolidation	33
Total recognised gains and losses	(78,708)

The notes on pages 37 to 58 form part of these accounts.

Consolidated Balance Sheet

	Note	31 March 2004 £'000	31 March 2003 £'000
Fixed assets			
Investments	10	978,819	684,472
Tangible fixed assets	12	239	151
		979,058	684,623
Current assets			
Debtors	13	30,150	17,968
Dealing investments	15	2,400	—
Cash at bank		92,193	11,249
		124,743	29,217
Creditors: amounts falling due within one year			
Securities sold short		(6,080)	—
Creditors and accruals	16	(21,905)	(4,577)
Proposed dividend	7	(4,862)	(4,862)
Bank loans and overdrafts		(1,880)	(23,420)
		(34,727)	(32,859)
Net current assets/(liabilities)		90,016	(3,642)
Total assets less current liabilities		1,069,074	680,981
Creditors: amounts falling due after more than one year			
Bank loans	17	(81,516)	—
Provisions for liabilities and charges	18	(10,045)	(6,276)
		977,513	674,705
Capital and reserves			
Called up share capital	19	156,848	156,848
Capital redemption reserve	20	33,308	33,308
Capital reserve – realised	21	622,869	554,625
Capital reserve – unrealised	21	147,407	(94,845)
Revenue reserve	22	17,038	24,769
Equity shareholders' funds		977,470	674,705
Equity minority interests	11	43	—
Capital employed		977,513	674,705

The accounts were approved by the Board of Directors on 24 May 2004 and are signed on the Board's behalf by:

Rothschild
Director

Duncan Budge
Director

The notes on pages 37 to 58 form part of these accounts.

Balance Sheet of the Parent Company

	Note	31 March 2004 £'000	31 March 2003 £'000
Fixed assets			
Investments	10	935,334	641,610
Investments in subsidiary undertakings	11		
– shares		36,600	60,853
– loans		2,720	3,163
		974,654	705,626
Current assets			
Debtors	13	43,202	20,369
Cash at bank		72,911	11,131
		116,113	31,500
Creditors: amounts falling due within one year			
Creditors and accruals	16	(32,389)	(42,076)
Proposed dividend	7	(4,862)	(4,862)
Bank loans and overdrafts		(1,880)	(23,230)
		(39,131)	(70,168)
Net current assets/(liabilities)		76,982	(38,668)
Total assets less current liabilities		1,051,636	666,958
Creditors: amounts falling due after more than one year			
Bank loans	17	(81,516)	—
Provisions for liabilities and charges	18	(9,406)	(4,976)
		960,714	661,982
Capital and reserves			
Called up share capital	19	156,848	156,848
Capital redemption reserve	20	33,308	33,308
Capital reserve – realised	21	617,169	549,771
Capital reserve – unrealised	21	146,563	(87,213)
Revenue reserve	22	6,826	9,268
Equity shareholders' funds		960,714	661,982

The accounts were approved by the Board of Directors on 24 May 2004 and are signed on the Board's behalf by:

Rothschild
Director

Duncan Budge
Director

The notes on pages 37 to 58 form part of these accounts.

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Cash inflow from operating activities	24	19,412	30,152
Servicing of finance			
Bank and loan interest paid		(2,546)	(171)
Net cash outflow from servicing of finance		(2,546)	(171)
Taxation			
UK tax received/(paid)		1,613	(75)
Overseas tax paid		(993)	(458)
Net cash inflow/(outflow) from taxation		620	(533)
Financial investment			
Purchase of investments		(495,927)	(355,406)
Sale of investments		439,563	308,243
Net cash outflow from financial investment		(56,364)	(47,163)
Capital expenditure			
Purchase of fixed assets		(240)	(49)
Sale of fixed assets		53	6
Net cash outflow from capital expenditure		(187)	(43)
Equity dividend paid		(4,862)	(4,862)
Net cash outflow before management of liquid resources and financing		(43,927)	(22,620)
Management of liquid resources			
Purchase of government securities		(225,510)	(216,978)
Sale of government securities		290,378	228,812
Net cash inflow from management of liquid resources		64,868	11,834
Financing			
Increase in term loan		81,500	—
Minority interests		43	—
Net cash inflow from financing		81,543	—
Increase/(decrease) in cash in the year	26	102,484	(10,786)

The notes on pages 37 to 58 form part of these accounts.

Group Accounting Policies

Basis of Consolidation

The consolidated accounts deal with the results of the Company and its subsidiary undertakings for the year ended 31 March 2004.

Accounting Convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments other than subsidiary undertakings. The accounts have been prepared in accordance with applicable accounting standards and the Group has adopted the recommendations of the Statement of Recommended Practice on Financial Statements of Investment Trust Companies (2003).

Investment Income

Dividend income is credited to the revenue account on an ex-dividend basis. Interest is credited on an accruals basis. In accordance with Financial Reporting Standard 16, Current Taxation, UK dividend income is shown at the amount receivable without any attributable tax credit. Overseas dividend income is shown gross of withholding tax.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as listed below:

- Expenses are charged to capital reserve where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are charged to revenue where there is an indirect connection.
- Investment management fees are considered to be indirect costs and are therefore charged to the revenue account. Performance fees are charged to capital reserve as they derive from the capital performance of the investments.
- 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 charged to capital reserve.
- 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 charge the costs of these arrangements in their entirety to capital reserve.
- 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 reserve.

Finance Costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard 4, Capital Instruments. Since these costs are considered to be an indirect cost of maintaining the value of the investments they are charged in full to the revenue account.

Fixed Asset Investments

Fixed asset investments are included in the balance sheet at mid-market value in the case of listed investments and at Directors' valuation in the case of unlisted investments. The principal methods used by the Directors to value unlisted investments are set out in the Review of Principal Investments on page 7. Investment properties are included at open market value on an existing use basis. A valuation of properties is undertaken by independent professionally qualified valuers every year and reviewed every half year. In accordance with SSAP19, Accounting for Investment Properties, depreciation is not provided on investment properties. This is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. Subsidiary undertakings are valued at cost.

In accordance with the normal practice for investment trust companies, profits and losses on the realisation and revaluation of fixed asset investments are taken to capital reserve. Costs incurred in connection with abortive fixed asset investment transactions are also taken to capital reserve.

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 market value. The movements in the fair value of trading positions are included in the revenue account. The Companies Act 1985 requires that such assets be stated at the lower of cost or net realisable value and that, if revalued, certain movements in the fair value of trading positions be taken to a revaluation reserve. In so far as the adopted treatment of trading positions represents a departure from current statutory requirements, the Directors consider this necessary for the financial statements to show a true and fair view. This departure, which is consistent with industry practice, increased dealing profits in the statement of total return for the year ended 31 March 2004 by £1.5 million and increased net assets in the consolidated balance sheet by £1.5 million. There was no effect on either dealing profits or net assets for the year ended 31 March 2003. The departure has no effect on the net asset value per share published on a monthly basis and calculated in accordance with industry guidelines.

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.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Gains and losses on translating fixed asset investments are taken to capital reserve together with gains and losses arising on foreign currency transactions and borrowings to the extent that such gains and losses arise from transactions and borrowings which are hedging investments denominated in foreign currencies.

All other gains and losses are dealt with in the revenue account.

Taxation

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.

Deferred Taxation

In accordance with Financial Reporting Standard 19, Deferred Tax, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and on laws enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis.

Pensions

J. Rothschild Capital Management Limited is a participating employer in a 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 has adopted the transitional arrangements of Financial Reporting Standard 17, Retirement Benefits, which permit the costs, accruals and prepayments recorded in the balance sheet to be reported under the requirements of SSAP24, Accounting for Pension Costs. This is consistent with the basis adopted last year. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Surpluses or deficits arising from experience adjustments and the effects of changes in actuarial assumptions are amortised as an even percentage of the pensionable payroll over the expected remaining working lives of the participating employees.

Capital Reserve

The following are accounted for in the realised capital reserve:
- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

The following are accounted for in the unrealised capital reserve:
- 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.

Notes to the Accounts

1 Investment Income

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Income from listed investments:		
Dividends	5,943	4,016
Interest	3,957	5,738
Income from unlisted investments:		
Dividends	1,448	908
Interest	4,052	3,026
Income from investment properties	984	897
Interest receivable	694	580
	17,078	15,165

2 Administrative Expenses

Administrative expenses include the following:

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Staff costs (see note 3 below)	4,780	4,404
Auditors' remuneration – audit fees	90	80
Auditors' remuneration – other fees	81	8
Depreciation	107	104

Administrative expenses for the year ended 31 March 2004 include £978,000 (31 March 2003: £875,000) of property and staff related costs which are recharged to third parties. These recharges are included in "other income" and "income from investment properties" in accordance with accounting practice. The net administrative expenses for the year ended 31 March 2004 are £6,097,000 (31 March 2003: £5,286,000). Of the total audit fee, £80,000 (31 March 2003: £70,000) relates to the audit of the parent company's consolidated accounts. Other fees paid to the auditors comprise £53,500 in respect of taxation services, £21,000 in respect of remuneration planning advice and £6,750 in respect of the audit of the RITCP pension scheme.

3 Staff Costs

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Wages and salaries	3,102	3,095
Social security costs	374	348
Other pension costs	1,304	961
	4,780	4,404

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 26 to 30. They exclude 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 49 (31 March 2003: 49). Included in this figure are 20 people employed in respect of the banqueting business of Spencer House and the related security function (31 March 2003: 20).

4 Investment Management Fees

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

5 Interest Payable and Similar Charges

	Group and Company	
	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Repayable within 5 years, not by instalments		
Bank loans	2,527	166

6 Taxation on Ordinary Activities

	Year ended 31 March 2004		
	Revenue £'000	**Capital £'000**	**Total £'000**
UK corporation tax (credit)/charge	(213)	434	221
Adjustment in respect of prior years	(2)	(52)	(54)
Overseas taxation	658	220	878
Double taxation relief	—	(138)	(138)
Current tax charge	443	464	907
Deferred tax credit	(18)	(1,121)	(1,139)
Adjustment in respect of prior years	—	(14)	(14)
Taxation on ordinary activities	425	(671)	(246)

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

	Year ended 31 March 2003		
	Revenue £'000	Capital £'000	Total £'000
UK corporation tax charge/(credit)	1,321	(1,321)	—
Adjustment in respect of prior years	—	(127)	(127)
Overseas taxation	506	—	506
Current tax charge/(credit)	1,827	(1,448)	379
Deferred tax charge/(credit)	10	(601)	(591)
Taxation on ordinary activities	1,837	(2,049)	(212)

The tax charge for the year differs from the standard rate of corporation tax in the UK of 30% (31 March 2003: 30%). The differences are explained below:

6 Taxation on Ordinary Activities (continued)

	Year ended 31 March 2004		Year ended 31 March 2003	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
(Loss)/return on ordinary activities before tax	(3,216)	309,825	6,511	(85,464)
(Loss)/return on ordinary activities before tax at the standard rate of 30%	(965)	92,948	1,954	(25,639)
Effect of:				
Capital items exempt from corporation tax	—	(90,856)	—	25,543
UK dividend income not taxable	(508)	—	(449)	—
Double tax relief not available	459	82	341	—
Expenses not deductible for tax purposes	14	261	34	—
Non-taxable income	(12)	—	(17)	—
Losses brought forward	—	—	(17)	(1,147)
Losses not utilised	1,412	1,577	—	(127)
Prior year credits	(2)	(52)	—	—
Capital allowances	(20)	—	—	(78)
Timing differences on income	(42)	—	(20)	—
Timing differences on expenses	108	1,869	—	—
Timing differences on offshore funds	—	(5,666)	—	—
Other	(1)	301	1	—
Current tax charge/(credit)	443	464	1,827	(1,448)
Deferred tax (credit)/charge	(18)	(1,135)	10	(601)
Taxation on ordinary activities	425	(671)	1,837	(2,049)

7 Dividend

	2004 Pence per share	2003 Pence per share	2004 £'000	2003 £'000
Proposed final dividend (payable 14 July 2004)	3.1	3.1	4,862	4,862

8 (Loss)/Return per Ordinary Share

The loss per share for the year ended 31 March 2004 is based on the revenue loss after tax of £3.6 million (31 March 2003: return of £4.7 million) and the capital return after tax of £310.5 million (31 March 2003: capital loss of £83.4 million) and the weighted average number of ordinary shares in issue during the year of 156.8 million (31 March 2003: 156.8 million).

9 Net Asset Value per Ordinary Share

The net asset value per share at 31 March 2004 is based on the net assets attributable to ordinary shareholders of £977.5 million (31 March 2003: £674.7 million) and the number of ordinary shares in issue at 31 March 2004 of 156.8 million (31 March 2003: 156.8 million).

10 Fixed Asset Investments

	31 March 2004		31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Listed investments at market value				
Listed in UK	55,935	55,935	38,875	38,875
Listed overseas	441,287	431,069	232,658	232,658
Government securities and other liquidity	47,422	47,422	117,330	117,330
	544,644	534,426	388,863	388,863
Unlisted investments at Directors' valuation	434,175	400,908	295,609	252,747
	978,819	935,334	684,472	641,610

Investment movements:

	Group				
	Quoted £'000	Unquoted and property £'000	Funds and partnerships £'000	Other securities £'000	Total £'000
Cost at 31 March 2003	302,488	192,858	168,128	113,528	777,002
(Depreciation)/appreciation at 31 March 2003	(30,955)	(50,219)	(15,158)	3,802	(92,530)
Valuation at 31 March 2003	271,533	142,639	152,970	117,330	684,472
Reclassifications	1,565	(1,565)	—	—	—
Additions	382,995	44,528	81,903	225,004	734,430
Disposals	(283,547)	(17,137)	(49,959)	(294,650)	(645,293)
Revaluation	124,676	66,656	14,140	(262)	205,210
Valuation at 31 March 2004	497,222	235,121	199,054	47,422	978,819
Cost at 31 March 2004	404,864	194,480	186,579	47,652	833,575
Appreciation/(depreciation) at 31 March 2004	92,358	40,641	12,475	(230)	145,244

Investment properties were valued at 31 March 2004 by Jones Lang LaSalle in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value.

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

10 Fixed Asset Investments (continued)

	Company				
	Quoted £'000	Unquoted and property £'000	Funds and partnerships £'000	Other securities £'000	Total £'000
Cost at 31 March 2003	302,488	173,090	133,300	113,528	722,406
(Depreciation)/appreciation at 31 March 2003	(30,955)	(30,588)	(23,055)	3,802	(80,796)
Valuation at 31 March 2003	271,533	142,502	110,245	117,330	641,610
Reclassifications	1,565	(1,565)	—	—	—
Additions	372,993	40,175	79,454	225,004	717,626
Disposals	(283,547)	(17,137)	(32,446)	(294,650)	(627,780)
Revaluation	124,460	66,641	13,039	(262)	203,878
Valuation at 31 March 2004	**487,004**	**230,616**	**170,292**	**47,422**	**935,334**
Cost at 31 March 2004	**394,862**	**170,360**	**178,360**	**47,652**	**791,234**
Appreciation/(depreciation) at 31 March 2004	**92,142**	**60,256**	**(8,068)**	**(230)**	**144,100**

Unquoted investments:

During the year ended 31 March 2004, including the effect of currency movements, there were upward valuations of unquoted investments totalling £80.8 million (31 March 2003: £7.2 million) and reductions in value totalling £14.2 million (31 March 2003: £42.1 million). The reductions in value included the following writedowns:

Investment	Original cost £'000	Valuation at 31 March 2003 £'000	Additions £'000	Downward revaluation £'000	**Valuation at 31 March 2004 £'000**
Blue Heath Direct	7,076	2,740	1,836	(4,246)	**330**
Power Measurement	7,205	15,614	—	(2,185)	**13,429**
Real Energy	3,412	1,582	—	(1,582)	**—**
H-G Holdings Loan	1,556	—	1,556	(1,556)	**—**
Robin Hood Holdings	12,310	—	12,310	(1,428)	**10,882**
Esporta Group	24,102	14,112	—	(1,412)	**12,700**
Rothschild Continuation Holdings	638	3,309	—	(1,190)	**2,119**

10 Fixed Asset Investments (continued)

Details of investments in which the Group had an interest of 10% or more at 31 March 2004 of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

	Class of share capital	% Held	Aggregate capital and reserves £'000	Profit/(loss) after tax £'000
Listed Investments				
iUnits S&P/TSX Capped Energy Index Fund (Canadian Energy ETF) (formed under the laws of Ontario, Canada)	Units	13.9	37,037	6,584
Unlisted Investments				
Atticus International (incorporated in the British Virgin Islands)	Class A Common Shares	66.0	79,203	9,277
Blue Heath Direct	Series B Shares	70.1	(6,713)	(7,199)
Brant Point (incorporated in Bermuda)	Class A Shares	17.0	65,703	15,713
Cine-UK	Convertible Preferred Shares	39.6	(3,752)	466
	A Ordinary Shares	4.2		
Cycladic Catalyst (incorporated in the Cayman Islands)	Founders A Shares	100.0	25,485	2,108
FVP Offshore III (incorporated in Bermuda)	Preference Shares	14.1	6,837	(454)
H-G Holdings (incorporated in the USA)	A Ordinary Shares	20.5	16,774	1,846
	B Ordinary Shares	21.1		
MGt	Ordinary Shares	13.3	1,940	(616)
Orthoworld	Ordinary Shares	43.0	5,570	(319)
PayPoint	Ordinary Shares	15.4	5,503	8,299
Power Measurement (incorporated in the USA)	Common Shares	32.9	22,864	2,089
Sofaer Capital Asian Hedge (formed under the laws of the Cayman Islands)	Shares	13.9	67,603	14,617
Star Technology	A Preferred Shares	48.0	11,504	(2,759)
Vibration Technology	B Ordinary Shares	26.6	1,040	(1,128)

Unless otherwise stated, all of the above companies are incorporated in the UK.

	% Held	Aggregate capital and reserves £'000	Profit/(loss) after tax £'000
Partnership Interests			
Blumberg Capital I (formed under the laws of Delaware, USA)	56.3	6,626	(524)
RR Capital Partners (formed under the laws of New York, USA)	17.3	33,835	8,478
Sandler Capital Partners V (formed under the laws of Delaware, USA)	10.2	45,030	9,091
SCI Asian Ventures (formed under the laws of the British Virgin Islands)	100.0	4,610	(684)
Tinicum Capital Partners (formed under the laws of Delaware, USA)	99.7	2,891	40
Tinicum Partners (formed under the laws of New York, USA)	30.8	57,494	12,311
21st Century Communications (formed under the laws of Delaware, USA)	48.0	2,774	(671)

10 Fixed Asset Investments (continued)

In addition, the Group had a holding of 3% or more at 31 March 2004 in the following investments:

	Class of share capital	% Held
Listed Investments		
Champps Entertainment	Common Stock	4.7
DDD Group	Common Stock	4.8
Fuel Technology	Common Stock	5.2
Insignia Solutions	Common Stock	8.0
Venture Production	Ordinary Shares	6.4
Xantrex Technology	Common Shares	7.8
Unlisted Investments		
Coats Group	A Ordinary Shares	9.8
The Economist Newspaper	Ordinary Shares	5.0
Esporta Group	B Ordinary Shares	6.3
Robin Hood Holdings	Ordinary Shares	7.3

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

11 Investments in Subsidiary Undertakings

	£'000
Cost at 31 March 2003	64,016
Additions	4,806
Disposals	(24,818)
Exchange movement in year	(4,684)
Cost at 31 March 2004	**39,320**

Additions during the year comprise an investment in FPSH Coinvestment Fund II, LLC ("FPSH") and the disposal relates to the liquidation of RITCP Guernsey Limited.

At 31 March 2004 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company. The Company owns 99% of the issued share capital of FPSH which has a 31 December accounting reference date. The minority interest in the consolidated balance sheet relates to the 1% of FPSH not held by the Company.

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
FPSH Coinvestment Fund II, LLC (formed under the laws of Delaware, USA)	US$8,000,000 divided into 10 Shares of US$0.01 par value
RIT Capital Partners Associates Limited	£2 divided into 2 Ordinary Shares of £1 each
Investment Management	
J. Rothschild Capital Management Limited	£6,250,001 divided into 6,250,000 Ordinary Shares of £1 each and one Special Share of £1 held by The J. Rothschild Name Company Limited
Investment Dealing	
RIT Capital Partners Securities Limited	£200,000 divided into 200,000 Ordinary Shares of £1 each (held by a subsidiary)

12 Tangible Fixed Assets

Group	Cost £'000	Depreciation £'000	Net book value £'000
Plant, equipment and vehicles			
At 31 March 2003	581	(430)	151
Additions	240	—	240
Disposals	(181)	136	(45)
Charged to revenue account	—	(107)	(107)
At 31 March 2004	**640**	**(401)**	**239**

13 Debtors

	31 March 2004		31 March 2003	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Debtors for securities sold	**13,630**	**13,602**	5,062	5,027
Other debtors	**1,497**	**1,106**	1,626	1,355
Prepayments and accrued income	**8,601**	**6,929**	4,484	4,354
Tax receivable	**107**	**210**	1,634	475
Deferred taxation (see note 14 below)	**6,315**	**6,172**	5,162	5,102
Group undertakings	**—**	**15,183**	—	4,056
	30,150	**43,202**	17,968	20,369

Included in prepayments and accrued income is £6.1 million falling due after more than one year (31 March 2003: £2.1 million).

14 Deferred Tax Asset

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

	Year ended 31 March 2004		Year ended 31 March 2003	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Balance at start of year	**5,162**	**5,102**	4,571	4,524
Credit to capital reserve	**1,135**	**1,135**	601	601
Credit/(charge) to revenue reserve	**18**	**(65)**	(10)	(23)
Balance at end of year	**6,315**	**6,172**	5,162	5,102

Analysis of deferred tax asset:

	Group £'000	**Company £'000**	Group £'000	Company £'000
Unutilised tax losses	**8,551**	**8,551**	6,939	6,939
Deferred management fees	**81**	**81**	—	—
Long-term incentive plan	**1,620**	**1,620**	226	226
Other timing differences	**169**	**67**	7	7
Unrealised profit on offshore funds	**(3,449)**	**(3,449)**	(1,398)	(1,398)
Accelerated capital allowances	**(657)**	**(698)**	(612)	(672)
Balance at end of year	**6,315**	**6,172**	5,162	5,102

Tax has been provided in respect of the accumulated reserves of overseas subsidiary undertakings only to the extent that the Group anticipates that the relevant profits will be remitted to the UK in the form of taxable dividends, or to the extent that a UK corporation tax liability may arise under the controlled foreign companies legislation.

The Company has revenue tax losses of £28.5 million which are available for offset against future taxable profits (including profits on offshore hedge funds). The unrealised profits on such funds amounted to £11.5 million as at 31 March 2004 (31 March 2003: £4.7 million).

15 Dealing Investments

	31 March 2004		31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Unlisted investments	2,400	—	—	—

16 Creditors and Accruals

	31 March 2004		31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Creditors for securities purchased	14,740	14,186	2,634	2,634
Accruals and deferred income	6,356	4,817	1,866	1,427
Other creditors	809	108	77	36
Group undertakings	—	13,278	—	37,979
	21,905	32,389	4,577	42,076

17 Bank Loans Falling Due After More Than One Year

	31 March 2004		31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Unsecured US Dollar loan repayable between 2-5 years not by instalments	81,516	81,516	—	—

18 Provisions for Liabilities and Charges

	Group				
	31 March 2003 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	31 March 2004 £'000
Nature of provision:					
Indemnity	2,000	92	—	(92)	2,000
Bank guarantee	1,753	—	(205)	(1,548)	—
Investments	471	929	—	(395)	1,005
Litigation	1,000	512	—	(512)	1,000
Property	300	—	—	—	300
Long-term incentive plan	752	5,963	—	(1,314)	5,401
Pensions	—	339	—	—	339
	6,276	7,835	(205)	(3,861)	10,045

	Company				
	31 March 2003 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	31 March 2004 £'000
Nature of provision:					
Indemnity	2,000	92	—	(92)	2,000
Bank guarantee	1,753	—	(205)	(1,548)	—
Investments	471	929	—	(395)	1,005
Litigation	—	1,503	—	(503)	1,000
Long-term incentive plan	752	5,963	—	(1,314)	5,401
	4,976	8,487	(205)	(3,852)	9,406

18 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 2004 and 2027 and the indemnity provision has been based on the Company's share of the projected costs.

Bank Guarantee

The Company provided a guarantee to a bank syndicate in respect of loans made to an investee company. The guarantee was capped at US$2.77 million and was called during the year.

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.

Litigation

As mentioned in note 28, litigation proceedings are in process against the Company relating to its investment in H-G Holdings Inc. A provision of £1 million has been recognised for the estimated legal costs of defending the action which are likely to be incurred over the next one or two years.

Property

The Group has a short leasehold interest in a property which is being sub-let to a third party. The net income receivable is less than the annual outgoings and, based on a professional valuation, the Group has recognised a provision of £300,000 as at 31 March 2004.

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, providing 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 2004 £'000	31 March 2003 £'000
Date of grant		
1 June 1997	—	293
30 March 1999	3,140	459
22 March 2000	725	—
22 March 2001	21	—
22 March 2002	100	—
26 March 2003	1,164	—
31 March 2003	156	—
12 August 2003	94	—
25 March 2004	1	—
	5,401	752

Pensions

The pension provision has been computed in accordance with SSAP 24 and further details are contained in Note 29.

19 Share Capital

	31 March 2004 £'000	31 March 2003 £'000
Authorised		
320 million Ordinary Shares of £1 each	320,000	320,000
Allotted, issued and fully paid		
156,848,167 Ordinary Shares of £1 each (31 March 2003: 156,848,167)	156,848	156,848

20 Capital Redemption Reserve

	Year ended 31 March 2004		Year ended 31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	33,308	33,308	33,308	33,308
Movement during the year	—	—	—	—
Balance at end of year	33,308	33,308	33,308	33,308

21 Capital Reserve

The movement on capital reserve during the year is shown below:

	Year ended 31 March 2004		Year ended 31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at start of year	459,780	462,558	543,195	539,481
Realised gains/(losses) on disposal of investments	87,487	80,163	(13,517)	(13,512)
Movement on revaluation of investments held at the year end	205,210	203,875	(101,233)	(94,367)
Performance fees	(2,366)	(2,366)	(192)	(192)
Other capital items	19,494	18,060	29,478	29,289
Taxation	671	1,442	2,049	1,859
Total capital return/(loss)	310,496	301,174	(83,415)	(76,923)
Balance at end of year	770,276	763,732	459,780	462,558

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

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

	31 March 2004		31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Realised gains/(losses)				
Listed investments	544,349	534,898	492,647	483,196
Unlisted investments	210,560	212,780	210,047	203,295
Other items	(132,040)	(130,509)	(148,069)	(136,720)
	622,869	617,169	554,625	549,771
Unrealised (losses)/gains				
Listed investments	92,128	91,912	(27,153)	(27,153)
Unlisted investments	53,116	52,188	(65,377)	(53,643)
Other items	2,163	2,463	(2,315)	(6,417)
	147,407	146,563	(94,845)	(87,213)
Balance at end of year	770,276	763,732	459,780	462,558

22 Revenue Reserve

	Year ended 31 March 2004		Year ended 31 March 2003	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Balance at start of year	24,769	9,268	24,924	9,934
Retained loss for the year	(8,503)	(2,442)	(188)	(666)
Other movements	772	—	33	—
Balance at end of year	17,038	6,826	24,769	9,268

The Group's capital reserve includes an amount of £14.9 million which could be paid by way of a dividend to the Company and this amount would augment the distributable revenue reserves of the Company.

As permitted by Section 230 of the Companies Act 1985 the Company has not published a separate profit and loss account. The Company's revenue return after tax amounted to £2,420,000 (31 March 2003: £4,196,000).

23 Reconciliation of Movement in Shareholders' Funds

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Shareholders' funds at start of year	674,705	758,275
Revenue (loss)/return	(3,641)	4,674
Dividend	(4,862)	(4,862)
	(8,503)	(188)
Total capital return/(loss)	310,496	(83,415)
Exchange movements arising on consolidation	772	33
Net increase/(decrease) in shareholders' funds	302,765	(83,570)
Shareholders' funds at end of year	977,470	674,705

24 Reconciliation of Revenue Return Before Finance Costs and Taxation to Cash Inflow from Operating Activities

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Revenue return before finance costs and taxation	(689)	6,677
Decrease/(increase) in other debtors	129	(625)
(Increase)/decrease in prepayments and accrued income	(4,117)	1,649
Increase/(decrease) in accruals and deferred income	4,509	(144)
Increase/(decrease) in other creditors	732	(191)
Net decrease in dealing assets	4,253	269
Other movements	14,595	22,517
Cash inflow from operating activities	19,412	30,152

Other movements comprise foreign exchange movements and movements on provisions.

25 Reconciliation of Net Cash Flow to Movement in Net Funds

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Increase/(decrease) in cash in the year	102,484	(10,786)
Cash inflow from decrease in liquid resources	(64,868)	(11,834)
Cash inflow from increase in debt	(81,500)	—
Change in net funds resulting from cash flows	(43,884)	(22,620)
Non-cash movement in government securities and other liquidity	(5,040)	7,127
Currency translation of Yen loan	—	(146)
Amortisation of loan arrangement fee	(16)	—
Movement in net funds in year	(48,940)	(15,639)
Net funds at start of year	105,159	120,798
Net funds at end of year	56,219	105,159

26 Analysis of Net Funds

	31 March 2003 £'000	Cash flow £'000	Other non-cash changes £'000	31 March 2004 £'000
Net cash				
Cash at bank and in hand	11,249	80,944	—	92,193
Bank loans and overdrafts	(23,420)	21,540	—	(1,880)
	(12,171)	102,484	—	90,313
Liquid resources				
Government securities and other liquidity	117,330	(64,868)	(5,040)	47,422
Debt				
US Dollar loan	—	(81,500)	(16)	(81,516)
Net funds	105,159	(43,884)	(5,056)	56,219

27 Derivatives and Other Financial Instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found on pages 18 and 19. With the exception of the analysis of currency exposure, the disclosures below exclude short-term debtors and creditors.

Currency exposure

A significant proportion of the Group's net assets is denominated in currencies other than Sterling. The currency exposure of the Group's net monetary assets, including investments, at the year end is shown below:

Currency	31 March 2004 £'000	31 March 2003 £'000
US Dollar	193,135	12,485
Japanese Yen	176,127	17,476
Euro	97,603	202,122
Swiss Franc	50,191	47,125
Other	67,873	15,303
	584,929	294,511

The amounts shown above take into account the effect of forward currency contracts and other derivatives entered into to manage the currency exposure. At 31 March 2004 the Group has financial assets totalling £6.6 million which relate to amounts receivable on forward currency contracts: £0.3 million with a settlement date of 17 May 2004; £0.5 million with a settlement date of 11 June 2004 and £5.8 million with a settlement date of 22 July 2004. At 31 March 2003 the Group had a financial liability of £1.4 million which related to amounts due on forward currency contracts.

27 Derivatives and Other Financial Instruments (continued)

Interest rate risk profile of financial assets

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

	31 March 2004			
Currency	**Floating rate financial assets £'000**	**Fixed rate financial assets £'000**	**Other financial assets £'000**	**Total £'000**
US Dollar	45,671	11,673	442,655	499,999
Sterling	18,288	52,477	140,485	211,250
Japanese Yen	31,784	—	116,914	148,698
Euro	7,328	3,666	114,274	125,268
Canadian Dollar	103	—	31,636	31,739
Swiss Franc	245	—	12,058	12,303
Other	386	—	41,369	41,755
	103,805	67,816	899,391	1,071,012

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

The US Dollar fixed rate financial assets include £9.9 million of loan notes earning interest of 2% per annum until December 2028 and £0.6 million of convertible stock earning income of 12.25% per annum until November 2009. The balance of the US Dollar fixed rate financial assets comprises corporate bonds, which are in default.

The Sterling fixed rate financial assets include £32.1 million of UK Treasury Stock; £21.0 million earning interest at 5% per annum until June 2004 and £11.1 million earning interest at 6.75% per annum until November 2004. They also include a secured loan note of £9.0 million earning interest of 12.5% per annum until December 2007, and an unsecured loan note of £14.9 million earning interest at 10% per annum until December 2012. Also included are £6.4 million of discounted subordinated bonds which earn interest of 10% per annum. The bonds are due for redemption on the earlier of 24 June 2011 and the date on which the company's senior bank debt is repaid. The balance of the Sterling denominated fixed rate financial assets comprises a loan of £0.8 million earning interest at 8% per annum and a loan of £0.3 million earning interest at 20% per annum.

The Euro denominated fixed rate financial assets comprise German Government Bonds which earn interest at 4.25% per annum until November 2004.

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

	31 March 2003			
Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	Total £'000
US Dollar	20,373	2,842	297,855	321,070
Sterling	18,301	48,996	105,759	173,056
Euro	(5,672)	69,323	77,054	140,705
Japanese Yen	433	—	38,059	38,492
Swiss Franc	(526)	—	7,721	7,195
Other	(1,746)	—	16,949	15,203
	31,163	121,161	543,397	695,721

27 Derivatives and Other Financial Instruments (continued)

The floating rate financial assets comprised short-term deposits, current accounts and investments in money market funds. The negative balances arose due to a banking arrangement whereby currency overdrafts were offset against a Sterling deposit.

The US Dollar fixed rate financial assets included £0.3 million of convertible stock earning interest at 5% per annum until June 2006 and £0.2 million of preference shares earning income at 13.5% per annum. They also included £0.4 million of senior subordinated bonds which earned interest at 12% per annum, which were due to mature in November 2008, and £0.7 million of loan notes earning interest at 14.5% per annum until February 2006. The balance of the US Dollar fixed rate financial assets comprised corporate bonds, which were in default.

The Sterling fixed rate financial assets included £28.1 million of UK Treasury Stock; £23.2 million earning interest at 8% per annum until October 2003, £2.9 million earning interest at 8.5% per annum until July 2005 and £2.0 million earning interest at 6.5% per annum until July 2003. They also included a secured loan note of £9.0 million earning interest at 12.5% per annum until December 2007, and an unsecured loan note of £14.9 million earning interest at 10% per annum until December 2012. Also included were £5.5 million of discounted subordinated bonds which earned interest at 10% per annum. One third of the bonds were due for redemption on 31 March 2003, one half on 31 March 2004 with the balance being redeemed on 31 March 2005. The balance of the Sterling-denominated fixed rate financial assets comprised a loan of £1 million earning interest at 8% per annum and a loan of £0.2 million earning interest at 9.75% per annum.

The Euro-denominated fixed rate financial assets comprised German Government Bonds which earned interest at 4.25% per annum until November 2004.

Other financial assets comprised equity shares, other instruments and property which neither paid interest nor had a maturity date.

Interest rate risk profile of financial liabilities

The Group has a US Dollar loan with a Sterling value of £81.5 million at 31 March 2004. The loan is repayable in July 2008 and interest is charged on the loan at 3.93% per annum. At 31 March 2003 the Group had a Japanese Yen loan with a Sterling value of £21.3 million. This loan was repaid in February 2004 (interest was charged on the loan at 0.7% per annum).

Fair values of financial assets and financial liabilities

All of the financial assets of the Group are held at fair value, on the same basis as at 31 March 2003. It has been assumed that the fair values of the financial liabilities at the year end are approximately the same as the book values due to their short maturities.

28 Contingencies, Guarantees and Financial Commitments

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

	31 March 2004		31 March 2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Commitments to provide additional funds to investees	49,372	49,372	57,338	57,338

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.

29 Pension Commitments

SSAP24 DISCLOSURE

J. Rothschild Capital Management Limited has pension commitments in respect of its participation in the RITCP 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 last actuarial valuation of the defined benefit section of the RITCP Scheme was carried out as at 1 January 2002 and the report was produced using the projected unit method of funding using the following main assumptions:

	Annual compound rate
Investment return	6.50%
Rate of increase in salaries	3.50%
Rate of increase in payment of all pensions	4.00%
Inflation assumption	2.00%

Appropriate demographic assumptions have also been used.

At 1 January 2002 the market value of assets of the Scheme was £5.188 million. Based on the assumptions set out above for determining the Scheme's liabilities as at 1 January 2002, the funding level of the Scheme as at this date was 82% (allowing for projected future salary increases for current active members). Following the actuarial valuation the Company agreed to make lump sum contributions to the Scheme totalling £1 million over the period to April 2003.

A current funding level valuation considers whether the assets would have been sufficient at the valuation date to cover liabilities arising in respect of pensions in payment, preserved benefits for members whose pensionable service has ceased and accrued benefits for members in pensionable service, based on pensionable service to, and pensionable earnings at, the date of valuation including revaluation on the statutory basis. Based on the current funding level methodology and financial assumptions set out above, the funding level of the plan as at 1 January 2002 was 91%, a deficiency of £0.499 million. This is a measure of solvency that compares the assets of the Scheme with the actuarial value of the liabilities in respect of benefits that would arise if all of the members were to leave the Scheme at the valuation date.

The next formal actuarial valuation of the Scheme is due to be performed no later than 1 January 2005.

For the purposes of determining the pensionable expense for the Scheme in accordance with SSAP 24, the most recent formal valuation was updated to 1 April 2003 using approximate techniques, based on the following main financial assumptions:

	Annual compound rate
Discount rate	5.50%
Rate of increase in salaries	3.75%
Rate of increase in payment of all pensions	4.00%

Based on the attained age method, the pension expense for the defined benefit section of the Scheme for the year was £1.056 million (31 March 2003: £0.76 million). This included £0.558 million (31 March 2003: £ nil) in respect of the amortisation of experience deficits, assuming they are amortised over 13 years, the average remaining service lives of the employees. The market value of the assets of the defined benefit section of the Scheme as at 1 April 2003 was £4.8 million. Based on the assumptions set out above, the estimated ongoing funding level of the Scheme as at 1 April 2003 was 48% (ie. the ratio of assets to liabilities calculation on the ongoing basis).

The cumulative net pension provision for the Scheme was £0.339 million as at 31 March 2004 (there was no provision at 31 March 2003).

The employer contribution rate to the Scheme during the year ended 31 March 2004 was 35% of pensionable salaries. An additional contribution of £0.4 million was made in April 2003. The funding rate in respect of the money purchase arrangements was 20% of pensionable salary. No changes have been made to these funding rates to date.

The employer contribution rate to the scheme for the period from 1 April 2002 to 30 June 2002 was 34% of pensionable salaries and the rate was increased to 35% for the period from 1 July 2002 to 31 March 2003. An additional contribution of £0.42 million was made in July 2002. (An additional contribution of £0.2 million was made in February 2002.) The funding rate in respect of the money purchase arrangements was 20% of pensionable salary during the year ended 31 March 2003.

29 Pension Commitments (continued)

Since the defined benefit scheme is closed to new entrants, the service cost as a percentage of pensionable salary, calculated using the projected unit method, would be expected to increase as the current membership approaches retirement.

The pension contributions made during the year are analysed below:

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Defined benefit scheme		
– annual contributions	317	340
– additional contribution	400	420
Money purchase scheme	68	64
Personal pension schemes	180	137
	965	961

FRS17 DISCLOSURE

In accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits ("FRS17"), this note discloses the main financial assumptions made in valuing the liabilities of the defined benefit scheme and the fair value of assets held. However, as permitted by FRS17, the costs, accruals and prepayments recorded in the financial statements continue to be reported under the requirements of SSAP24, Accounting for Pension Costs.

The full actuarial valuation of the scheme which was carried out as at 1 January 2002 was updated to 31 March 2004 by a qualified independent actuary.

The main financial assumptions used for FRS17 purposes are shown in the following table:

	At 31 March 2004	At 31 March 2003	At 31 March 2002
Discount rate	5.50%	5.50%	6.00%
Rate of increase in salaries	3.25%	3.75%	4.00%
Rate of increase in payment of all pensions	4.00%	4.00%	4.00%
Inflation assumption	2.75%	2.25%	2.50%

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 2004	Value at 31 March 2004 £'000	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £'000	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £'000
Equities	8.80%	4,580	7.30%	4,628	9.30%	4,553
Alternative investments	9.00%	1,849	—	—	—	—
Corporate bonds	5.50%	118	5.50%	106	5.60%	523
Cash	3.50%	343	3.80%	71	3.60%	422
Total market value of assets		6,890		4,805		5,498
Present value of the scheme's liabilities		(10,263)		(9,924)		(7,878)
Deficit in the scheme		(3,373)		(5,119)		(2,380)
Related deferred tax asset		1,012		1,536		714
Net pension liability		(2,361)		(3,583)		(1,666)

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 2004, these assets and liabilities amounted to £6.433 million (31 March 2003: £5.155 million).

29 Pension Commitments (continued)

The additional disclosures required by FRS17 are set out below:

	At 31 March 2004 £'000	At 31 March 2003 £'000
Net assets of the RITCP Group	977,513	674,705
Less: Deficit in the pension scheme	(2,361)	(3,583)
Net assets as reduced by the pension liability	975,152	671,122
Revenue reserve of the RITCP Group	17,038	24,769
Less: Deficit in the pension scheme	(2,361)	(3,583)
Revenue reserve as reduced by the pension liability	14,677	21,186

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Employer's current service cost	391	426
Past service cost recognition	—	—
Total operating charge which would have been charged to the revenue account under FRS17	391	426
Expected return on scheme assets	368	498
Interest on pension liabilities	(564)	(497)
Net return which would have been (charged)/credited to other income under FRS17	(196)	1
Actual return less expected return on scheme assets	1,119	(1,893)
Experience gains/(losses) arising on scheme liabilities	164	(262)
Changes in assumptions underlying the scheme liabilities	333	(919)
Actuarial gain/(loss) which would have been included in the statement of total return under FRS17	1,616	(3,074)
Deficit in the scheme at start of year	(5,119)	(2,380)
Movement in the year:		
Employer's current service cost	(391)	(426)
Employer's contributions	717	760
Other finance (deficit)/income	(196)	1
Actuarial gain/(loss)	1,616	(3,074)
Deficit in the scheme at end of year	(3,373)	(5,119)

29 Pension Commitments (continued)

The analysis of experience losses, which would have been included in the statement of total return under FRS17, is as follows:

	Year ended 31 March 2004 %	Year ended 31 March 2004 £'000	Year ended 31 March 2003 %	Year ended 31 March 2003 £'000
Actual return less expected return on scheme assets		**1,119**		(1,893)
Percentage of scheme assets at 31 March 2004	**16%**		(39%)	
Experience gains/(losses) on scheme liabilities		**164**		(262)
Percentage of scheme liabilities at 31 March 2004	**2%**		(3%)	
Total gain/(loss) recognised in statement of total return		**1,616**		(3,074)
Percentage of scheme liabilities at 31 March 2004	**16%**		(31%)	

30 Related Party Transactions

Advantage has been taken of the exemption in Financial Reporting Standard 8, Related Parties, not to disclose any transactions or balances between group entities that have been eliminated on consolidation. Other related party transactions are disclosed on pages 17 and 18 of the Directors' Report.

Historical Information

	Diluted net assets £'000	Diluted net assets per share p	Mid-market share price p	Discount %	Total return/(loss) per share p	Dividend per share p
2 August 1988	280,522	105.9	81.5	23.0	n/a	n/a
31 March 1989	344,356	134.2	114.0	15.1	29.3	1.65
31 March 1990	333,996	131.0	97.0	26.0	(2.5)	2.64
31 March 1991	317,985	131.7	92.0	30.1	0.7	2.44
31 March 1992	305,502	140.7	85.2	39.4	6.6	1.15
31 March 1993	385,884	181.1	117.0	35.4	40.5	1.15
31 March 1994	468,567	221.6	171.0	22.8	41.5	1.51
31 March 1995	450,170	213.4	174.0	18.5	(8.1)	1.58
31 March 1996	560,752	283.2	223.0	21.3	63.3	1.65
31 March 1997	586,066	303.5	242.5	20.1	17.2	1.82
31 March 1998	737,487	384.1	327.0	14.9	81.5	2.00
31 March 1999	759,674	398.6	341.0	14.5	14.6	2.20
31 March 2000	811,386	509.0	439.0	13.8	100.2	3.10
31 March 2001	759,774	484.3	436.5	9.9	(28.8)	3.10
31 March 2002	758,275	483.4	424.5	12.2	2.2	3.10
31 March 2003	674,705	430.2	371.5	13.6	(50.2)	3.10
31 March 2004	**977,470**	**623.2**	**577.5**	**7.3**	**195.7**	**3.10**

Notes:

1. 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. They include any unrealised dealing gains (net of attributable taxation).
2. The total return per share is the fully diluted return per share, based on the total returns after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted return per share exceeded the undiluted return per share the latter figure has been shown in accordance with standard accounting practice.
3. 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.

Shareholder Information

Analysis of Ordinary Shareholders

As at 31 March 2004 the Company's ordinary share capital was held as follows:

	Holders	%	Shares held	%
Analysis by category				
Individuals	9,688	67.46	19,520,207	12.45
Insurance companies	55	0.38	1,817,318	1.16
Banks and nominees	3,663	25.51	124,143,896	79.15
Investment trusts	60	0.42	7,013,764	4.47
Pension funds	13	0.09	110,124	0.07
Other corporate bodies	882	6.14	4,242,858	2.70
Totals	**14,361**	**100.00**	**156,848,167**	**100.00**

	Holders	%	Shares held	%
Analysis by numbers of shares				
1 – 499	3,083	21.47	782,647	0.49
500 – 999	2,629	18.31	1,919,983	1.22
1,000 – 1,999	3,628	25.26	5,084,281	3.24
2,000 – 2,999	1,862	12.97	4,402,962	2.81
3,000 – 3,999	934	6.50	3,157,913	2.01
4,000 – 4,999	529	3.68	2,308,887	1.47
5,000 – 9,999	915	6.37	6,075,900	3.88
10,000 – 24,999	448	3.12	6,651,951	4.24
25,000 – 49,999	117	0.82	4,104,851	2.62
50,000 – 99,999	88	0.61	6,162,027	3.93
100,000 and above	128	0.89	116,196,765	74.09
Totals	**14,361**	**100.00**	**156,848,167**	**100.00**

Financial Calendar

Announcement of final results for the year ended 31 March 2004	20 May 2004
Annual General Meeting	8 July 2004
Payment of dividend on ordinary shares Final dividend of 3.1 pence	14 July 2004 to shareholders on the register at 18 June 2004

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 8 July 2004 at 11 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 which are proposed as ordinary resolutions:

1. To approve the Directors' Report and Accounts for the year ended 31 March 2004;
2. To approve the Report on Directors' Remuneration for the year ended 31 March 2004;
3. To declare a final dividend of 3.1p per ordinary share;
4. To re-elect Lord Rothschild as a Director;
5. To re-elect Charles Bailey as a Director;
6. To re-elect Timothy Barakett as a Director;
7. To re-elect Mikael Breuer-Weil as a Director;
8. To re-elect Baron Lambert as a Director, under special notice;
9. To re-elect Jean Pigozzi as a Director;
10. To re-elect Michael Sofaer as a Director; and
11. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration.

Special Business

As special business, to consider and, if thought fit, pass the following which are proposed as special resolutions:

12. THAT the authority conferred upon the Directors by Article 11(A) of the Company's Articles of Association (authority to allot, and to make offers or agreements to allot, relevant securities) be hereby extended for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2005 and 30 September 2005; AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £52,282,722.
13. THAT the power conferred upon the Directors by Article 11(B) of the Company's Articles of Association (power to allot, or make offers or agreements to allot, equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment) be hereby renewed for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2005 and 30 September 2005.
14. THAT the Company be authorised to purchase up to an aggregate of 23,511,540 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; and

    (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 2005 (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).

15. THAT the Articles of Association be amended as follows:

 1. By the deletion of the existing Article 86 and the substitution therefor of the following:

 "Each Director shall retire at the Annual General Meeting held in the third calendar year following the year in which he was elected or last re-elected or, in the case of any Director not holding executive office, if nine years or more shall have elapsed since he was first appointed a Director, at each Annual General Meeting held thereafter but in each case, unless he falls within Article 87 below, he shall be eligible for re-election.";

 2. By the deletion of the existing Article 87 and the substitution therefor of the following:

 "A Director shall also retire at any Annual General Meeting if he has agreed to do so (whether in accordance with the terms of his appointment or otherwise) and, unless the Directors have agreed otherwise, he shall not be eligible for re-election";

 3. By the amendment of the existing Article 91 as follows:

 by the removal of the words "and any person so appointed shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director";

 4. By the amendment of the existing Article 92 as follows:

 by the removal of the words "but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting".

16. THAT the Articles of Association be amended as follows:

 1. By the amendment of Article 2 as follows:

 by the amendment of the existing definition of "In writing" by the insertion immediately after the words "Written or produced by any substitute for writing or partly one and partly another" of the following:

 "including (but only to the extent that the recipient (if not the Company) has requested or agreed) electronic communication.";

 by the insertion immediately after the definition of "Secretary" of the following:

 "The expressions "communication" and "electronic communication" shall have the same respective meanings as in the Electronic Communications Act 2000, the latter including, without limitation, e-mail, facsimile, CD-Rom, audio tape and telephone transmission and (in the case of electronic communication by the Company in accordance with Article 133(B)(a)) publication on a website.

 The expression "address" shall include, in relation to electronic communication, any number or address used for the purposes of such communication.";

 2. By the amendment of Article 133 as follows:

 by the insertion immediately after the words "it shall be sufficient to prove that such cover was properly addressed, stamped and posted." of the following:

 "Any document or notice which, in accordance with these Articles, may be sent by the Company by electronic communication shall, if so sent, be deemed to be received at the expiration of 24 hours after the time it was sent. Proof (in accordance with the formal recommendations of best practice contained in the guidance issued by the Institute of Chartered Secretaries and Administrators) that an electronic communication was sent by the Company shall be conclusive evidence of such sending.";

 3. By the insertion of a new Article 133(A) as follows:

 "Where under these Articles a document requires to be signed by a member or other person then, if in the form of an electronic communication, it must to be valid incorporate the electronic signature or personal identification details (which may be details previously allocated by the Company) of that member or other person, in such form as the Directors may approve, or be accompanied by such other evidence as the Directors may require to satisfy themselves that the document is genuine. The Company may designate mechanisms for validating any such document, and any such document not so validated by use of such mechanisms shall be deemed not to have been received by the Company.";

4. By the insertion of a new Article 133(B) as follows:

   "Any member may notify the Company of an address for the purpose of his receiving electronic communications from the Company, and having done so shall be deemed to have agreed to receive notices and other documents from the Company by electronic communication of the kind to which the address relates. In addition, if a member notifies the Company of his e-mail address, the Company may satisfy its obligation to send him any notice or other document by:

   (a) publishing such notice or document on a website; and

   (b) notifying him by e-mail to that e-mail address that such notice or document has been so published, specifying the address of the website on which it has been published, the place on the website where it may be accessed, how it may be accessed and (if it is a notice relating to a shareholders' meeting) stating (i) that the notice concerns a notice of a company meeting served in accordance with the Act, (ii) the place, date and time of the meeting, (iii) whether the meeting is to be an annual or extraordinary general meeting and (iv) such other information as the Statutes may prescribe.

   Any amendment or revocation of a notification given to the Company under this Article shall only take effect if in writing, signed by the member and on actual receipt by the Company thereof. An electronic communication shall not be treated as received by the Company if it is rejected by computer virus protection arrangements.";

5. By the amendment of Article 137 as follows:

   by the insertion immediately after the words "In any such case the Company" of the following:

   "may still, where applicable, serve notice by electronic communication and";

   by the insertion immediately after the words "shall send confirmatory copies of the notice by post" of the following:

   "to members to whom it was not sent by electronic communication".

By order of the Board

J. Rothschild Capital Management Limited
Secretary
27 St James's Place
London SW1A 1NR
24 May 2004

Notes

Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending the meeting and voting in person. A proxy card is enclosed.

Copies of the Company's Memorandum and Articles of Association will be available for inspection at the registered office of the Company and at the offices of Linklaters, One Silk Street, London EC2Y 8HQ during normal business hours on any weekday (Saturdays and Bank Holidays excepted) until 8 July 2004 and at the place of the meeting from 10.45 a.m. until its conclusion.

Advisers

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