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# RIT Capital Partners plc

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*Interim Report 30 September 2002*

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# RIT Capital Partners plc

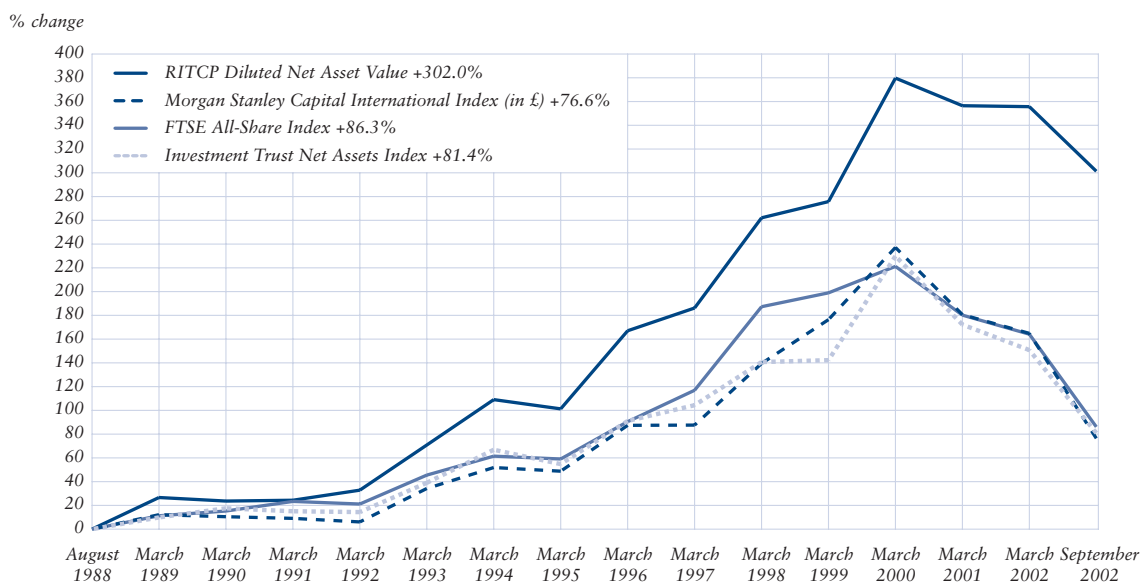
RIT Capital Partners plc (“RITCP”) aims to deliver long-term capital growth for its shareholders, allocating its resources internationally over a range of asset classes.

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.

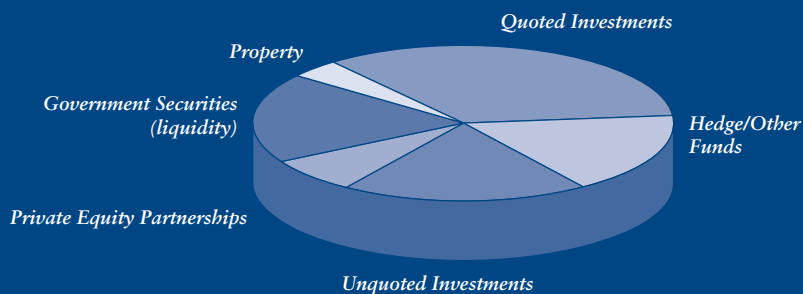
The Company aims, over time, to deliver for its shareholders increases in capital value in excess of the relevant indices. Since its inception in 1988, RITCP has significantly outperformed these indices, as can be seen from the graph below.

## RITCP LONG-TERM PERFORMANCE AGAINST MAJOR INDICES

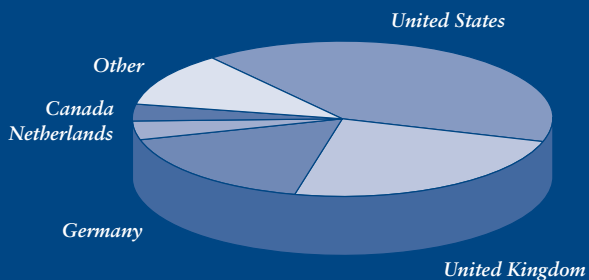


# Portfolio Analysis and Currency Exposure

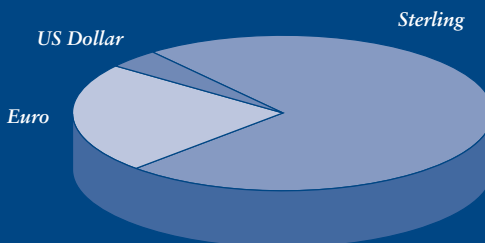
## PORTFOLIO ANALYSIS BY ASSET CATEGORY



## PORTFOLIO ANALYSIS BY COUNTRY



## CURRENCY EXPOSURE



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**PORTFOLIO ANALYSIS BY ASSET CATEGORY**

	£m Valuation at 30 September 2002	% of Portfolio at 30 September 2002	£m Valuation at 31 March 2002	% of Portfolio at 31 March 2002
Quoted Investments	218	34	298	39
Hedge/Other Funds	108	17	132	17
Unquoted Investments	122	19	140	18
Private Equity Partnerships	47	7	54	7
Government Securities (liquidity)	119	19	120	16
Property	25	4	26	3
<b>Total</b>	<b>639</b>	<b>100</b>	<b>770</b>	<b>100</b>

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**PORTFOLIO ANALYSIS BY COUNTRY**

	£m Valuation at 30 September 2002	% of Portfolio at 30 September 2002	£m Valuation at 31 March 2002	% of Portfolio at 31 March 2002
United States	259	41	352	46
United Kingdom	152	24	170	22
Germany	109	17	113	15
Netherlands	25	4	12	1
Canada	22	3	30	4
Other	72	11	93	12
<b>Total</b>	<b>639</b>	<b>100</b>	<b>770</b>	<b>100</b>

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**CURRENCY EXPOSURE**

	% of Net assets at 30 September 2002	% of Net assets at 31 March 2002
Sterling	73	65
Euro	23	19
US Dollar	4	11
Other	—	5
<b>Total</b>	<b>100</b>	<b>100</b>

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# Chairman's Statement

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During the half year to 30 September, your Company's net asset value per share declined by 11.9%, from 483.4p to 425.7p. Over the same period, the Morgan Stanley Capital International Index (in Sterling), the FTSE All-Share Index and the Investment Trust Net Assets Index declined by 33.4%, 29.6% and 27.8% respectively. Although we have suffered a reduction in our net asset value during the exceptionally difficult conditions of the six months under review, we draw comfort from the fact that our cautious stance has enabled us to outperform the most relevant indices by a significant margin.

In my Chairman's Statement in May of this year, I commented that we remained sceptical about the level of world stock markets. In view of the fragility of the international economic and political situation, we have maintained a cautious investment policy, retaining an element of liquidity and a high degree of diversification. However, we remain ready to take advantage of the depressed levels of markets, which are beginning to offer some attractive opportunities. Our liquidity, held mainly in the form of government securities, provides the capacity to address these opportunities. At 30 September this amounted to some £119 million, or 19% of the portfolio, compared with 16% at 31 March.

RITCP's net asset value per share at 29 October was 431.4p.

## INVESTMENT PORTFOLIO

The asset allocation within the portfolio has remained broadly unchanged since 31 March. We benefited from a further reduction in our exposure to the US dollar during the period

under review. The asset allocation and currency exposure are set out more fully on pages 2 and 3.

At 30 September, £218 million, or 34% of the portfolio, was held directly in quoted investments. A further £108 million, or 17% of the portfolio, was held in funds (principally hedge funds) which invest mainly in quoted securities. Taking these two categories together (but excluding our holdings of government securities), some 51% of the portfolio was invested in quoted or other marketable securities. The diversification of the portfolio, particularly into areas which are less directly correlated to stock markets, has continued to support our performance during difficult market conditions.

The chart and table on pages 2 and 3 also show the overall exposure of your Company to unquoted investments, whether these have been made directly by RITCP's own management, or through investments in externally managed partnerships which make private equity investments. In total, some £169 million, or 26% of the portfolio, was invested in this sector: £122 million, or 19%, by our own management and £47 million, or 7%, through our investments in limited partnerships managed by third parties.

The valuations of our own unquoted investments have been subject to review by a committee of independent non-executive directors. Similarly, we have adjusted the valuations of our holdings in limited partnerships, by making provisions where appropriate.

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## RESULTS

In monetary terms, the reduction in your Company's net assets over the six months to 30 September amounts to £91 million, of which £93 million was attributable to capital, offset by a £2 million revenue profit.

In line with our established policy, RITCP will not be paying an interim dividend.



**Rothschild**

31 October 2002

# Investment Portfolio

AT 30 SEPTEMBER 2002

Investment Holdings	Country	Description	Value of Investment £m
<b>QUOTED INVESTMENTS</b>			
Royal Dutch Petroleum	Netherlands	Oil & Gas	19.8
Getty Images	USA	Stock Photography	10.7
Venture Production	UK	Oil & Gas	9.3
Coats	UK	Thread/Textiles	8.1
Lukoil	Russia	Oil & Gas	6.9
St Joe	USA	Property Development	5.2
Pulte	USA	Construction	4.3
SPS Technologies	USA	Precision Fasteners	4.2
Holsten Brewery	Germany	Brewing	4.1
KB Home	USA	Housebuilding	4.0
Champps Entertainment	USA	Restaurants	3.0
Newmont Mining	USA	Gold Mining	3.0
Parmalat	Italy	Food Manufacturing	2.8
Fuel Technology	USA	Air Pollution Technology	2.8
Barrick Gold	Canada	Gold Mining	2.4
Centex	USA	Housebuilding	2.3
Volkswagen	Germany	Car Manufacturing	2.1
Citigroup	USA	Financial Services	2.0
Colt Telecom	UK	Telecommunications	2.0
249 Other Quoted Investments			118.7
<b>Total Quoted Investments</b>			<b>217.7</b>

## HEDGE/OTHER FUNDS

Wellington Global Research	USA	Global Quoted Equities	19.6
Atticus International	USA	Merger Arbitrage	18.9
Tinicum Partners	USA	Arbitrage and Distressed Securities	16.5
SCI Asian Hedge	Asia	Asian Hedge Fund	8.2
M Kingdon Offshore	USA	Hedge Fund	7.9
Satellite Overseas	USA	Merger Arbitrage	7.7
Narragansett Offshore	USA	Hedge Fund	6.8
Glenview Capital Partners	USA	Hedge Fund	6.7
Epoch Overseas	USA	Hedge Fund	5.1
New Century Holdings	Russia	Russian Securities	3.4
Galleon Technology Offshore	USA	Technology Hedge Fund	3.2
3 Other Funds			4.0
<b>Total Hedge/Other Funds</b>			<b>108.0</b>



Investment Holdings	Country	Description	Value of Investment £m
<b>UNQUOTED INVESTMENTS</b>			
Shinsei Bank	Japan	Banking	19.1
Esporta Group	UK	Health, Racquet & Fitness Clubs	18.7
Power Measurement	Canada	Power Measurement Devices	15.7
The Economist Newspaper	UK	Publishing	14.6
Cine-UK	UK	Multiplex Cinemas	14.0
Xantrex Technology	USA	Power Supply Equipment	7.0
Orthoworld	UK	Orthodontic Practices	5.5
Blue Heath	UK	On-line Wholesaler	5.0
Star Technology	UK	Internet Service Provider	4.8
PayPoint	UK	Electronic Payment Systems	4.7
Realenergy	USA	Distributed Power Supplier	3.2
Rothschilds Continuation	Switzerland	Investment Holding	3.0
44 Other Unquoted Investments			6.5
<b>Total Unquoted Investments</b>			<b>121.8</b>
<b>PRIVATE EQUITY PARTNERSHIPS</b>			
SCI Asian Ventures	Asia	Unquoted Asian Investments	6.6
RR Capital Partners	USA	Unquoted Property Related Investments	5.9
MatlinPatterson Global Opportunities	USA	Distressed Securities	4.9
Blumberg Capital Ventures	USA	Unquoted Information Technology	3.8
Tinicum Capital Partners	USA	Unquoted and Quoted Investments	2.5
Sandler Capital Partners V	USA	Unquoted Telecommunications	2.3
Sandler 21st Century Communications	USA	Unquoted Telecommunications	2.3
Sandler Capital Partners IV	USA	Unquoted Telecommunications	2.3
26 Other Private Equity Partnerships			16.1
<b>Total Private Equity Partnerships</b>			<b>46.7</b>
<b>GOVERNMENT SECURITIES (LIQUIDITY)</b>			
Bundesrepublik 5% 2002	Germany	Government Stock	72.8
Treasury 8% 2003	UK	Government Stock	19.6
Treasury 8% 2006	UK	Government Stock	2.5
Bundesrepublik 5% 2011	Germany	Government Stock	24.5
<b>Total Government Securities (Liquidity)</b>			<b>119.4</b>
<b>PROPERTY</b>			
Spencer House and other properties in St James's Place, London			25.3
<b>Total Investments</b>			<b>638.9</b>

# Consolidated Statement of Total Return

<b>For the six months ended 30 September 2002</b>	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
Losses on investments	—	(121,720)	(121,720)
Dealing profits	165	—	165
Investment income:			
Dividends and interest	7,876	—	7,876
Income from investment properties	443	—	443
Other income	160	—	160
Administrative expenses	(3,101)	—	(3,101)
Investment management fees	(1,665)	3	(1,662)
Other capital items	—	26,942	26,942
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,878</b>	<b>(94,775)</b>	<b>(90,897)</b>
Interest payable and similar charges	(103)	—	(103)
<b>Return/(loss) on ordinary activities before taxation</b>	<b>3,775</b>	<b>(94,775)</b>	<b>(91,000)</b>
Taxation on ordinary activities	(1,137)	1,583	446
<b>Return/(loss) on ordinary activities after taxation attributable to equity shareholders</b>	<b>2,638</b>	<b>(93,192)</b>	<b>(90,554)</b>
<b>Transfer to/(from) reserves</b>	<b>2,638</b>	<b>(93,192)</b>	<b>(90,554)</b>
<b>Return/(loss) per ordinary share</b>	<b>1.7p</b>	<b>(59.4)p</b>	<b>(57.7)p</b>

The revenue column of this statement is the profit and loss account of the Group. The accompanying notes are an integral part of this statement. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

# Consolidated Statement of Total Return

Restated for the six months ended 30 September 2001	Revenue £'000	Capital £'000	Total £'000
Losses on investments	—	(80,478)	(80,478)
Dealing losses	(2,687)	—	(2,687)
Investment income:			
Dividends and interest	9,511	—	9,511
Income from investment properties	452	—	452
Other income	250	—	250
Administrative expenses	(2,935)	—	(2,935)
Investment management fees	(1,515)	—	(1,515)
Other capital items	—	5,490	5,490
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,076</b>	<b>(74,988)</b>	<b>(71,912)</b>
Interest payable and similar charges	(145)	—	(145)
<b>Return/(loss) on ordinary activities before taxation</b>	<b>2,931</b>	<b>(74,988)</b>	<b>(72,057)</b>
Taxation on ordinary activities	(733)	658	(75)
<b>Return/(loss) on ordinary activities after taxation attributable to equity shareholders</b>	<b>2,198</b>	<b>(74,330)</b>	<b>(72,132)</b>
<b>Transfer to/(from) reserves</b>	<b>2,198</b>	<b>(74,330)</b>	<b>(72,132)</b>
<b>Return/(loss) per ordinary share</b>	<b>1.4p</b>	<b>(47.4)p</b>	<b>(46.0)p</b>

The revenue column of this statement is the profit and loss account of the Group. The accompanying notes are an integral part of this statement. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

# Consolidated Balance Sheet

	<b>30 September 2002 £'000</b>	31 March 2002 £'000	Restated 30 September 2001 £'000
<b>Fixed assets</b>			
Investments	638,915	769,467	666,581
Tangible fixed assets	202	206	239
	<b>639,117</b>	<b>769,673</b>	<b>666,820</b>
<b>Current assets</b>			
Debtors	38,003	24,218	70,028
Dealing investments	—	288	56
Cash at bank	20,986	19,928	20,708
	<b>58,989</b>	<b>44,434</b>	<b>90,792</b>
<b>Creditors: amounts falling due within one year</b>			
Creditors and accruals	(3,054)	(20,059)	(38,980)
Proposed dividend	—	(4,862)	—
Bank loan and overdrafts	(2)	—	(23,112)
	<b>(3,056)</b>	<b>(24,921)</b>	<b>(62,092)</b>
<b>Net current assets</b>	<b>55,933</b>	<b>19,513</b>	<b>28,700</b>
<b>Total assets less current liabilities</b>	<b>695,050</b>	<b>789,186</b>	<b>695,520</b>
<b>Creditors: amounts falling due after more than one year</b>			
Bank loan	(20,866)	(21,167)	—
Provisions for liabilities and charges	(6,430)	(9,744)	(7,864)
	<b>667,754</b>	<b>758,275</b>	<b>687,656</b>
<b>Capital and reserves</b>			
Called up share capital	156,848	156,848	156,848
Capital redemption reserve	33,308	33,308	33,308
Capital reserve – realised	530,855	536,654	511,471
Capital reserve – unrealised	(80,852)	6,541	(43,222)
Revenue reserve	27,595	24,924	29,251
<b>Equity shareholders' funds</b>	<b>667,754</b>	<b>758,275</b>	<b>687,656</b>
<b>Net asset value per ordinary share</b>	<b>425.7p</b>	<b>483.4p</b>	<b>438.4p</b>

# Consolidated Cash Flow Statement

	Period ended 30 September 2002 £'000	Year ended 31 March 2002 £'000	Period ended 30 September 2001 £'000
Cash (outflow)/inflow from operating activities	(1,389)	6,327	5,227
<b>Servicing of finance</b>			
Bank and loan interest paid	(109)	(274)	(143)
<b>Net cash outflow from servicing of finance</b>	(109)	(274)	(143)
<b>Taxation</b>			
UK tax paid	(82)	(436)	(299)
UK tax received	—	—	316
Overseas tax paid	(528)	(565)	(509)
<b>Net cash outflow from taxation</b>	(610)	(1,001)	(492)
<b>Financial investment</b>			
Purchase of investments	(192,847)	(449,127)	(227,089)
Sale of investments	197,740	398,695	200,396
<b>Net cash inflow/(outflow) from financial investment</b>	4,893	(50,432)	(26,693)
<b>Capital expenditure</b>			
Purchase of fixed assets	(49)	(59)	(41)
Sale of fixed assets	6	10	9
<b>Net cash outflow from capital expenditure</b>	(43)	(49)	(32)
<b>Equity dividends paid</b>	(4,862)	(4,862)	(4,862)
<b>Net cash outflow before management of liquid resources and financing</b>	(2,120)	(50,291)	(26,995)
<b>Management of liquid resources</b>			
Purchase of government securities	(77,986)	(363,451)	(157,180)
Sale of government securities	81,162	391,271	160,933
<b>Net cash inflow from management of liquid resources</b>	3,176	27,820	3,753
<b>Financing</b>			
Increase in term loan	—	21,167	—
<b>Net cash inflow from financing</b>	—	21,167	—
<b>Increase/(decrease) in cash in the period</b>	1,056	(1,304)	(23,242)

# Notes to the Accounts

## 1 ACCOUNTING POLICIES

The accounting policies used by the Group in the preparation of this interim report are consistent with those applied in preparing statutory accounts for the year ended 31 March 2002. As at 31 March 2002 the Group changed its accounting policy in order to comply with Financial Reporting Standard 19, Deferred Tax and the results for the period ended 30 September 2001 have been restated accordingly.

## 2 MOVEMENTS IN FIXED ASSET INVESTMENTS

	Quoted £'000	Unquoted and property £'000	Government securities £'000	Funds and partnerships £'000	Total £'000
At 31 March 2002	298,028	166,146	119,746	185,547	769,467
Additions	145,112	31,795	77,986	4,928	259,821
Disposals	(160,288)	(21,857)	(80,481)	(4,805)	(267,431)
Revaluation	(65,109)	(28,984)	2,164	(31,013)	(122,942)
<b>At 30 September 2002</b>	<b>217,743</b>	<b>147,100</b>	<b>119,415</b>	<b>154,657</b>	<b>638,915</b>

## 3 MOVEMENTS IN RESERVES

	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 31 March 2002	33,308	543,195	24,924
Profit for the period	—	—	2,638
Capital loss for the period	—	(93,192)	—
Other movements	—	—	33
<b>At 30 September 2002</b>	<b>33,308</b>	<b>450,003</b>	<b>27,595</b>

## 4 LITIGATION

In November 1997 proceedings were issued in the New York Courts against a total of ten defendants, including the Company, by Richbell Information Services Inc. ("RIS") and certain connected entities. The proceedings relate to the Company's investment in H-G Holdings Inc. and a loan made to RIS by the Company's wholly-owned subsidiary, Atlantic and General Investment Trust Limited. The claim against all of the defendants was for approximately US\$240 million. On 11 March 2002 the New York Court dismissed the proceedings in their entirety. On 2 April 2002 the plaintiffs filed an appeal against that decision; this appeal has not yet been heard by the New York Court.

Based upon legal advice received, the Directors believe that neither the appeal nor the underlying proceedings, should they be reinstated, will have a material effect on the financial position of the Company.

## 5 STATUTORY ACCOUNTS

The financial information in this publication is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 March 2002 have been delivered to the UK Registrar of Companies and the report of the auditors on those accounts was unqualified.

# Directors and Advisers

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## DIRECTORS

The Lord Rothschild (Chairman)

Charles Bailey

Timothy Barakett

Mikael Breuer-Weil

Duncan Budge

Andrew Knight

Baron Lambert

Jean Pigozzi

Michael Sofaer

## SECRETARY AND REGISTERED OFFICE

**J. Rothschild Capital Management Limited**

(a wholly-owned subsidiary of RITCP)

27 St James's Place

London SW1A 1NR

## INVESTMENT MANAGER

**J. Rothschild Capital Management Limited**

27 St James's Place

London SW1A 1NR

## AUDITORS

**PricewaterhouseCoopers**

Southwark Towers

32 London Bridge Street

London SE1 9SY

## SOLICITORS

**Linklaters**

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London EC2Y 8HQ

## REGISTRARS AND TRANSFER OFFICE

**Computershare Investor Services PLC**

Registrar's Department

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## SAVINGS SCHEME ADMINISTRATOR

**The Bank of New York Europe Limited**

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Telephone: 0131 525 9819

## FOR INFORMATION

The Company's website is

[www.ritcap.co.uk](http://www.ritcap.co.uk)

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