RIT Capital Partners plc

Annual Report and Accounts 31 March 2003

Contents

1 RIT Capital Partners plc
2 Portfolio Analysis and Currency Exposure
4 Chairman's Statement
6 Review of Principal Investments
10 Investment Portfolio
12 Board of Directors
13 Directors' Report
21 Directors' Remuneration Report
26 Report of the Independent Auditors
27 Consolidated Statement of Total Return
29 Consolidated Balance Sheet
30 Balance Sheet of the Parent Company
31 Consolidated Cash Flow Statement
32 Group Accounting Policies
35 Notes to the Accounts
54 Historical Information
55 Shareholder Information
55 Financial Calendar
56 Annual General Meeting
57 Advisers

Company Registration Number 2129188

RIT Capital Partners plc

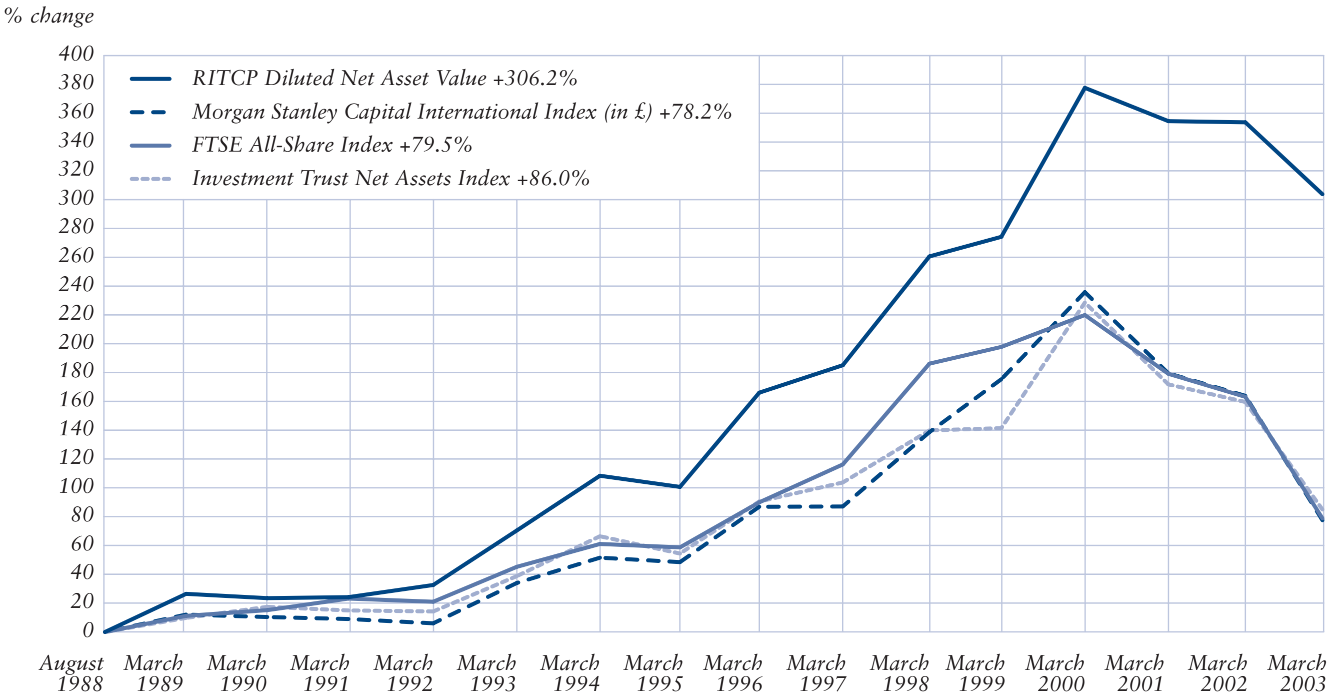
RIT Capital Partners plc ("RITCP") aims to deliver long-term capital growth for its shareholders, allocating its resources internationally over a range of asset classes.

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.

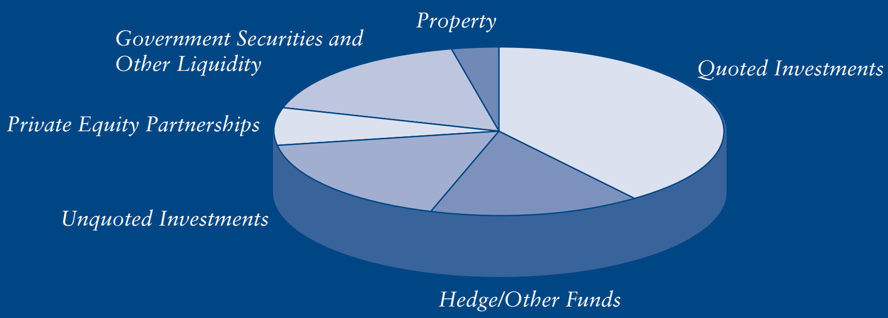
The Company aims, over time, to deliver for its shareholders increases in capital value in excess of the relevant indices. Since its inception in 1988, RITCP has significantly outperformed these indices, as can be seen from the graph below.

RITCP Long-term Performance Against Major Indices

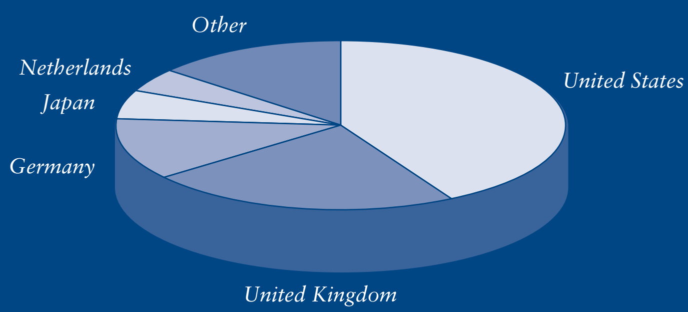


Portfolio Analysis and Currency Exposure

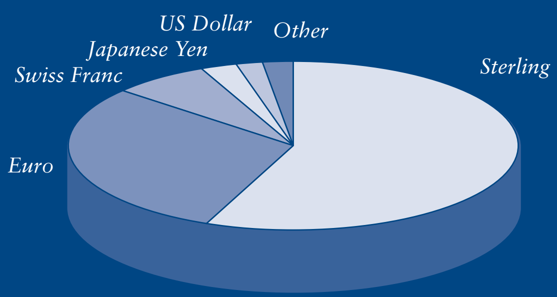
Portfolio Analysis by Asset Category



Portfolio Analysis by Country



Currency Exposure



Portfolio Analysis by Asset Category

	% of Portfolio at 31 March 2003	£m Valuation at 31 March 2003	% of Portfolio at 31 March 2002	£m Valuation at 31 March 2002
Quoted Investments	39.7	271.5	38.7	298.0
Hedge/Other Funds	15.2	103.9	17.1	131.8
Unquoted Investments	17.4	119.3	18.2	139.9
Private Equity Partnerships	7.2	49.1	7.0	53.8
Government Securities and Other Liquidity	17.1	117.3	15.6	119.7
Property	3.4	23.4	3.4	26.3
Total	100.0	684.5	100.0	769.5

Portfolio Analysis by Country

	% of Portfolio at 31 March 2003	£m Valuation at 31 March 2003	% of Portfolio at 31 March 2002	£m Valuation at 31 March 2002
United States	41.8	285.8	45.8	352.1
United Kingdom	22.6	154.5	22.1	169.9
Germany	11.8	80.6	14.7	113.2
Japan	5.5	38.1	3.1	23.8
Netherlands	4.5	31.2	1.5	11.8
Other	13.8	94.3	12.8	98.7
Total	100.0	684.5	100.0	769.5

Currency Exposure

	% of Net assets at 31 March 2003	% of Net assets at 31 March 2002
Sterling	56.3	64.9
Euro	30.0	18.9
Swiss Franc	7.0	1.0
Japanese Yen	2.6	0.3
US Dollar	1.9	11.0
Other	2.2	3.9
Total	100.0	100.0

Chairman's Statement

Investment Performance

During the year under review, world stock markets continued to suffer from the fragility of the international economic and political situation. Although we suffered a reduction in our asset value over this period, we draw some comfort from the fact that we continued to outperform the relevant indices by some margin. A degree of protection against these hostile conditions was provided by our liquidity, the highly diversified nature of the portfolio and our investments in asset classes which are less directly correlated to stock markets.

During the year to 31 March 2003, your Company's net asset value per share decreased by 10.4%, from 483.4p to 433.3p (before deducting the proposed dividend).

In contrast, 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 32.8%, 32.1% and 28.9% respectively.

Since its inception in 1988, RITCP has significantly outperformed these indices, as can be seen from the graph on page 1.

The most recent net asset value per share at 13 May, after deducting the proposed dividend, was 460.8p.

Asset Allocation

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

	% of Portfolio at 31 March 2003	% of Portfolio at 31 March 2002
Quoted investments	**39.7**	38.7
Hedge/other funds	**15.2**	17.1
Unquoted investments	**17.4**	18.2
Private equity partnerships	**7.2**	7.0
Government securities and liquidity	**17.1**	15.6
Property	**3.4**	3.4

Although the asset allocation within the portfolio has remained broadly unchanged over the past year, the proportion of the portfolio invested in hedge/other funds and our own directly held unquoted investments has slightly reduced.

At the year end, 41.8% of the portfolio was invested in the USA, 22.6% in the UK, 11.8% in Germany, 5.5% in Japan and 4.5% in the Netherlands, with the balance of 13.8% in other countries.

The Quoted Portfolio

At the year end, £271.5 million, or 39.7% of the portfolio, was held directly in quoted investments. A further £103.9 million, or 15.2% of the portfolio, was held in hedge and other funds which mainly invest in quoted securities. Taking these two categories together (but excluding our holdings of government securities), some 54.9% of the portfolio was invested, either directly or indirectly, in quoted or other marketable securities.

We aim to find outstanding investment managers who specialise in particular asset classes or geographical areas. Some £170 million, or nearly two thirds of RITCP's quoted portfolio of £271.5 million, is managed by twelve external managers, whose details are set out on page 36. Your Company has been an investor in selected hedge funds since its incorporation in 1988. This approach allows our shareholders access to specialist money managers whose funds are, in many cases, closed to new investors.

The Unquoted Portfolio

Your Company's exposure to unquoted investments results either from investments made directly by RITCP's own management, or through investments in externally managed partnerships. In total, some £168.4 million, or 24.6% of the portfolio, was invested in this sector at the year end: £119.3 million, or 17.4%, through our own management and £49.1 million, or 7.2%, through our investments in limited partnerships managed by third parties.

Our property investments, valued at £23.4 million, or 3.4% of the portfolio, are concentrated in St James's Place, in central London and are valued every six months by our professional advisers.

Currency Exposure

We aim to realign our currency exposure when we believe it is appropriate, usually by way of hedging transactions, as can been seen from the tables on page 3. During the year, we reduced our US Dollar exposure further by hedging almost entirely back into Sterling. Consequently, although 41.8% of the portfolio at the year end was invested in US Dollar-denominated assets, our actual US Dollar exposure was reduced to 1.9%, protecting us from the decline in the currency.

Similarly, we started the year with 18.9% of our portfolio denominated in Euros, partly resulting from the investment of much of our liquidity in Euro-denominated government bonds. In the second half of the year, anticipating a possible weakening of Sterling, we diversified our currency exposure further by increasing our Euro exposure (to 30% at the year end) and establishing a 7% exposure to the Swiss Franc.

Share Buy-Back

RITCP did not buy back any shares for cancellation during the year under review, as the share price remained at a relatively low discount to the underlying value for most of the relevant period. In future, we will be prepared to use this facility in the light of market conditions and the level of the discount.

We shall therefore be seeking shareholders' approval at this year's AGM for the renewal of our buy-back facility.

Results and Dividend

During the year under review, the Company's net assets reduced by £79 million, of which £85.5 million was attributable to capital, offset by a revenue profit of £6.5 million. In the previous year, the net assets increased by £4.9 million, of which £1.3 million related to capital and £3.6 million to revenue. These figures exclude taxation and the proposed dividend.

We are proposing to pay a dividend of 3.1p per share on 3 July 2003 to shareholders on the register at 6 June 2003, the same 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 preservation and growth over a period of time.

Outlook

The last three years have been amongst the most difficult in living memory. During the period, stock market indices have fallen sharply: the Morgan Stanley Capital International Index (in Sterling) by 47.2%, the FTSE All-Share Index by 44.2% and the Investment Trust Net Assets Index by 43.7%. Over the same period, your Company's net asset value per share has declined by 15.5%. In the context of these difficult conditions, we are not unhappy with our relative outperformance.

Looking to the future, we continue to be wary of markets generally, anticipating volatility in the face of recessionary pressures and a poor outlook for corporate earnings. Nevertheless, after such an extended bear market, we are beginning to see opportunities to invest in companies at levels of valuation not seen for some years. We have, in fact, increased the portfolio's equity exposure by some 6% since the interim stage. We are well placed to take advantage of these opportunities as they arise, by virtue of the liquidity which has been maintained within your Company's portfolio.

Rothschild

Rothschild
20 May 2003

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 2003 RITCP held £271.5 million of quoted investments, amounting to 39.7% of the portfolio. Details of the four largest holdings in the quoted portfolio are set out below.

Royal Dutch Petroleum

VALUATION AT 31 MARCH 2003: £19.8 MILLION
(COST: £20.2 MILLION)

RITCP acquired an interest at a point when the company's shares had been excluded from the S&P 500 Index, as a result of the decline in its share price. This caused a further fall in the share price, offering an opportunity to acquire shares at a reasonable level.

Royal Dutch is a holding company which owns a 60% interest in the Royal Dutch/Shell Group. The balance of 40% is owned by The Shell Transport and Trading Company.

The operating companies of the group are involved internationally in the exploration and production of oil and gas, oil products and other chemicals.

Venture Production

VALUATION AT 31 MARCH 2003: £9.9 MILLION
(COST: £4.5 MILLION)

RITCP invested in this oil exploration and production company between 1999 and 2001, 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.

Coats

VALUATION AT 31 MARCH 2003: £9.6 MILLION
(COST: £7.5 MILLION)

RITCP participated in the recommended cash offer for Coats which was launched in February. Since the year end, RITCP has sold 40% of its holding in Coats for cash, realising proceeds of £3.7 million, and will exchange the balance of its holding for a continuing interest in Coats as a private company.

Coats' core business, which accounts for some 80% of its turnover, is the manufacture, processing and distribution of thread for industrial and home use. The company has largely completed the sale of, or withdrawal from, its non-core activities.

Getty Images

VALUATION AT 31 MARCH 2003: £9.5 MILLION
(COST: £0.8 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.

Hedge/Other Funds

Wellington Global Research

VALUATION AT 31 MARCH 2003: £20.1 MILLION
(COST: £31.1 MILLION)

Wellington Global Research is a mutual fund whose units are listed on the Luxembourg Stock Exchange. The fund seeks to maximise long-term total returns by investing primarily in global equity securities. RITCP invested £21.1 million in January 2001 and a further £10 million in March 2002.

Atticus International

VALUATION AT 31 MARCH 2003: £18.7 MILLION
(COST: £21.1 MILLION)

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

Tinicum Partners

VALUATION AT 31 MARCH 2003: £16.5 MILLION
(COST: £2.5 MILLION)

RITCP originally made this 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.

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 2003. 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 revalued 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 2003 RITCP held £119.3 million of unquoted investments, amounting to 17.4% of the portfolio. The five largest investments, which account for £82.7 million, are summarised below. Unless otherwise stated, no dividends were received from these investments.

Shinsei Bank

VALUATION AT 31 MARCH 2003: £26.5 MILLION
(COST: £20.8 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%. RITCP owns approximately 2% of the fully-diluted equity of the bank (before taking account of a carried interest accruing to the promoters of the consortium).

Shinsei has continued with its transition from a long-term credit bank to a traditional bank, developing its retail and investment banking businesses.

Shinsei realised a profit after tax of £141 million for the six months ended 30 September 2002 and net assets at that date amounted to £3.5 billion. RITCP received dividends of £0.2 million from the company during the year ended 31 March 2003.

Following the sale by one of the members of the consortium of its interest in the company in March 2003, RITCP increased the valuation of its holding to £26.5 million to reflect part of the uplift in value implied by the third party transaction.

Power Measurement

VALUATION AT 31 MARCH 2003: £15.6 MILLION
(COST: £7.2 MILLION)

Power Measurement is based in Vancouver and 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.

The company suffered from a decline in its markets, particularly in the first half of 2002, and RITCP accordingly reduced its valuation as at 30 September 2002. The profit after tax for the year ended 31 December 2002 was £1.9 million compared with £7.7 million for the previous year. RITCP owns 27% of the company on a fully diluted basis.

Esporta Group

VALUATION AT 31 MARCH 2003: £14.1 MILLION
(COST: £24.1 MILLION)

In September 2002 RITCP sold its investment in Invicta Leisure for a consideration of £33.9 million and realised a capital profit of £12.3 million. The consideration comprised cash of £9.8 million together with shares in Esporta Group and loan notes issued by a wholly-owned subsidiary.

Esporta Group, in which RITCP has a 5.2% equity interest, is the new 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. During the six months since the acquisition of Esporta, there has been a significant decline in the stock market values of comparable quoted companies. RITCP has consequently reduced the valuation of its investment to £14.1 million.

Cine-UK

VALUATION AT 31 MARCH 2003: £14.0 MILLION
(COST: £6.7 MILLION)

RITCP owns a 29% interest in Cine-UK, a multiplex cinema operator, which opened its first cinema in 1996 and now has 30 multiplexes with a total of 333 screens and annual attendance of 16.3 million. In the year to

31 March 2003 the company generated sales of £86 million and earnings before interest, tax, depreciation and amortisation of £10.9 million. The net loss after tax for that year was £0.6 million.

RITCP also owns £5.5 million of Cine-UK's subordinated bonds which pay interest at 10% p.a. The valuation of RITCP's holding was reduced at 30 September 2002.

The Economist Newspaper

VALUATION AT 31 MARCH 2003: £12.5 MILLION (COST: £1.5 MILLION)

RITCP has a 5% interest 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 steep decline in advertising revenues over the past 18 months, the company has carried out a major cost-cutting and restructuring exercise. As a result, pre-tax profit for the six months ended 30 September 2002 recovered to £7.4 million, compared with £1.2 million in the same period in 2001. Earnings per share before exceptional items increased from 7.3p to 24.2p for the half year, despite a decline in revenue from continuing operations of 9% to £94.3 million. 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 2002 amounted to £13.4 million. During the year under review RITCP received dividends of £0.5 million from the company.

RITCP has applied the "indicative share valuation", produced by the company's financial advisers, to its own holding at 31 March 2003.

PROPERTY

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

VALUATION AT 31 MARCH 2003: £23.4 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 2003 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 2003

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
QUOTED INVESTMENTS				
Royal Dutch Petroleum	Netherlands	Oil & Gas	19.8	2.9
Venture Production	UK	Oil & Gas	9.9	1.5
Coats	UK	Thread/Textiles	9.6	1.4
Getty Images	USA	Stock Photography	9.5	1.4
Lukoil	Russia	Oil & Gas	8.4	1.2
Holsten Brewery	Germany	Brewing	6.3	0.9
New Skies Satellites	Netherlands	Satellite Operator	6.1	0.9
St Joe	USA	Property Development	5.0	0.7
Pulte	USA	Construction	5.0	0.7
Price Communications	USA	Cellular Telephone Systems	4.7	0.7
SPS Technologies	USA	Precision Fasteners	4.1	0.6
KB Home	USA	Housebuilding	3.7	0.5
Champps Entertainment	USA	Restaurants	3.2	0.5
Newmont Mining	USA	Gold Mining	3.1	0.5
Autostrade	Italy	Road Toll Operator	3.1	0.5
Centex	USA	Housebuilding	2.8	0.4
Citigroup	USA	Financial Services	2.6	0.4
Barrick Gold	Canada	Gold Mining	2.4	0.4
Parmalat	Italy	Food Manufacturing	2.2	0.3
Fuel Technology	USA	Air Pollution Technology	2.2	0.3
Eniro	Sweden	Telephone Directories	2.1	0.3
Washington Mutual	USA	Financial Services	2.0	0.3
349 Other Quoted Investments			153.7	22.4
Total Quoted Investments			**271.5**	**39.7**
HEDGE/OTHER FUNDS				
Wellington Global Research	USA	Global Quoted Equities	20.1	2.9
Atticus International	USA	Merger Arbitrage	18.7	2.7
Tinicum Partners	USA	Arbitrage and Distressed Securities	16.5	2.4
Glenview Capital Partners	USA	Hedge Fund	7.9	1.2
SCI Asian Hedge	Asia	Asian Hedge Fund	7.8	1.1
Narragansett Offshore	USA	Hedge Fund	6.8	1.0
Cycladic Catalyst	Europe	European Equities	6.8	1.0
Epoch Overseas	USA	Hedge Fund	5.0	0.7
Satellite Overseas	USA	Merger Arbitrage	3.8	0.6
New Century Holdings	Russia	Russian Securities	3.6	0.5
Brant Point	USA	US Smaller Companies Hedge Fund	3.2	0.5
3 Other Funds			3.7	0.6
Total Hedge/Other Funds			**103.9**	**15.2**

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
UNQUOTED INVESTMENTS				
Shinsei Bank	Japan	Banking	26.5	3.9
Power Measurement	Canada	Power Measurement Devices	15.6	2.3
Esporta Group	UK	Health, Racquet & Fitness Clubs	14.1	2.1
Cine-UK	UK	Multiplex Cinemas	14.0	2.0
The Economist Newspaper	UK	Publishing	12.5	1.8
Xantrex Technology	USA	Power Supply Equipment	6.9	1.0
Orthoworld	UK	Orthodontic Practices	5.5	0.8
Star Technology	UK	Internet Service Provider	4.8	0.7
PayPoint	UK	Electronic Payment Systems	4.7	0.7
Rothschilds Continuation	Switzerland	Investment Holding	3.3	0.5
Blue Heath Direct	UK	Online Grocery Wholesaler	2.7	0.4
46 Other Unquoted Investments			8.7	1.2
Total Unquoted Investments			**119.3**	**17.4**
PRIVATE EQUITY PARTNERSHIPS				
RR Capital Partners	USA	Unquoted Property Related Investments	6.1	0.9
Matlin Patterson Global Opportunities	USA	Distressed Securities	5.7	0.8
SCI Asian Ventures	Asia	Unquoted Asian Investments	5.6	0.8
Sandler Capital Partners V	USA	Unquoted Telecommunications	3.8	0.5
Tinicum Capital Partners	USA	Unquoted and Quoted Investments	2.7	0.4
Blumberg Capital I	USA	Unquoted Information Technology	2.4	0.3
Sandler Capital IV	USA	Unquoted Telecommunications	2.0	0.3
28 Other Private Equity Partnerships			20.8	3.2
Total Private Equity Partnerships			**49.1**	**7.2**
GOVERNMENT SECURITIES AND OTHER LIQUIDITY				
Bundesrepublik 4¼% 2004	Germany	Government Stock	69.3	10.1
Treasury 8% 2003	UK	Government Stock	23.2	3.4
Dreyfus Universal Liquidity Fund	USA	Money Market Fund	14.9	2.2
Hamilton Fund	Ireland	Money Market Fund	4.0	0.6
Treasury 8½% 2005	UK	Government Stock	2.9	0.4
Treasury 6½% 2003	UK	Government Stock	2.0	0.3
Charles Schwab Worldwide Fund	USA	Money Market Fund	1.0	0.1
Total Government Securities and Other Liquidity			**117.3**	**17.1**
PROPERTY				
Spencer House and other properties in St James's Place, London			23.4	3.4
Total Investments			**684.5**	**100.0**

Board of Directors

The present Directors, all of whom are non-executive, with the exception of Lord Rothschild and Duncan Budge, are:

The Lord Rothschild, GBE
Aged 67, is Chairman of RIT Capital Partners plc. He was appointed a non-executive director in 1988 and became an executive director in 1996.

Charles Bailey*†‡•
Aged 68, he was appointed a non-executive director in 1988. He is also a director of General Oriental Investments Limited, Antofagasta Holdings plc, Atrium Underwriting plc and St James's Place Capital plc. He is the senior independent director and Chairman of the Audit, Remuneration and Conflicts, and Valuation Committees.

Timothy Barakett
Aged 37, he is the President 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 39, 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.

Duncan Budge
Aged 47, 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 RITCP's investments.

Andrew Knight•
Aged 63, he was appointed a non-executive director in 1996. He is a director of News International plc. He was previously a director of Home Counties Newspapers Holdings plc until its acquisition by Eastern Counties Newspapers. He is a former Editor of The Economist and served as Chief Executive of the Telegraph group and Chairman of News International.

Baron Lambert*†‡•
Aged 73, 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 51, he was appointed a non-executive director in 1988. He is a private investor.

Michael Sofaer
Aged 45, he was appointed a non-executive director in 1999. He is Managing Director and Principal of Sofaer Capital Inc (since 1986). He was previously a securities analyst with Schroders, during which time he established a research department for Schroders Asia in Hong Kong.

* Member of the Audit Committee
† Member of the Remuneration and Conflicts Committee
‡ Member of the Valuation Committee
• Independent director

Directors' Report

The Directors present their Report and Accounts for the Company, covering the year ended 31 March 2003.

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 2002. Approval for the year ended 31 March 2002 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

RITCP made a revenue profit after taxation of £4.7 million during the year ended 31 March 2003.

The Board recommends the payment of a dividend of 3.1p per share payable on 3 July 2003 to shareholders on the register at 6 June 2003. 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 page 46.

Net Asset Value

The net asset value of one ordinary share at 31 March 2003, after deducting the proposed dividend of 3.1p per share, was 430.2p.

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 2003 at £684.5 million. An analysis of these investments is contained in note 10 on page 38.

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

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 45 of the accounts. No ordinary shares have been issued during the year.

During the year to 31 March 2003 the Company has not purchased any ordinary shares for cancellation. At the Annual General Meeting held on 4 July 2002, 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 2003. Share purchases are only made when they enhance the net asset value per share.

Share Capital and Purchase of Own Shares (continued)

A resolution will 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 issued capital. The authority now sought would last until 30 September 2004. The Directors do not intend to purchase shares at more than their attributable net asset value.

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 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 amount specified for the current year follows the ABI guidelines.

The Directors also seek the renewal of the usual authority to enable them, during the period expiring on the date of the Annual General Meeting in 2004, to allot not more than 5% (which would correspond to 7,842,408 shares) of the issued shares as at 31 March 2003 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.

Principal Shareholders

The Directors are aware of the interests as at 20 May 2003 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	7,550,509	4.81
Legal & General Investment Management Limited	5,384,530	3.43

Other than the interests of Lord Rothschild, representing 16.18% of the ordinary share capital of the Company at 20 May 2003 (as set out on page 18), the Directors are not aware of any other disclosable interest representing 3% or more of the shares of the Company.

Corporate Governance

The Directors consider that the Company has complied throughout the year with the provisions of the Code of Best Practice set out in Section 1 of The Principles of Good Governance and Code of Best Practice (the "Combined Code"). A detailed report was prepared at 30 June 2000 listing the internal control procedures undertaken within the Group. This report has since been reviewed annually and subsequently considered by the executive Directors and the members of the Audit Committee. The methods by which the Company has applied the principles set out in Section 1 of the Combined Code are detailed below and also in the Directors' Remuneration Report on pages 21 to 25.

The Directors

The Board of Directors currently consists of two executive and seven non-executive Directors whose biographical details are given on page 12.

The Board meets regularly during the year and is provided with detailed and appropriate information concerning the Company's affairs and performance to enable the Directors to discharge their responsibilities in an informed manner. The non-executive Directors are considered to be of sufficient calibre, experience and number to exercise significant independent judgement on the strategy and financial planning of the Group. The Board is responsible for the overall investment strategy of the Company although it delegates the majority of the investment management responsibilities to the two executive Directors and to third party managers. It is also responsible for approving both the annual and interim report and accounts. The Board has delegated to the two executive Directors and other senior management the day to day responsibilities of budgetary control and administration. The roles of Chairman and Chief Operating Officer are undertaken by Lord Rothschild and Duncan Budge respectively who meet on a regular basis and maintain regular contact with the non-executive Directors.

All Directors have access to the advice and services of the Company Secretary, J. Rothschild Capital Management Limited. In addition, Directors are able to take independent legal advice on the furtherance of their duties, at the Company's expense, up to a maximum of £25,000 per annum.

Although there is no formal Nomination Committee, it is the practice that any new nomination to the Board is discussed and agreed by all the Directors, thus ensuring that no one Director or group of Directors is able to exercise any undue influence. In accordance with the Company's Articles of Association a third of all Directors are required to seek re-election by rotation at least every three years.

On joining the Board, new Directors are given background documents and information describing the history of the Company and its objectives.

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 and the Audit Committee is always available at the same venue 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 the information is regularly updated.

Corporate Governance (continued)

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 guidance "Internal Control: Guidance for Directors on the Combined Code" (issued in September 1999).

The Board 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 entail.

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.

Corporate Governance (continued)

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.

Audit Committee

On behalf of the Board, the Audit Committee, which comprises three non-executive Directors, reviews the effectiveness of these systems. The Committee meets bi-annually to receive reports arising from the external audit process and to review issues arising therefrom with management. The Committee also monitors the adequacy of the Group's accounting policies and financial reporting and discusses the results of the external audit of the Group's accounts with the auditors.

The Audit Committee also considers the auditors' independence, objectivity and the cost effectiveness of the audit process. The Audit Committee has written terms of reference which deal clearly with its authority and duties.

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

The present Directors, all of whom are non-executive other than Lord Rothschild and Duncan Budge (who are executive), were directors throughout the year. The Directors are listed on page 12.

Pursuant to the Articles of Association, Timothy Barakett, Mikael Breuer-Weil and Baron Lambert will retire by rotation from the Board at the Annual General Meeting and will be proposed for re-election at that meeting.

Directors' Remuneration Report

The Directors' Remuneration Report Regulations 2002 came into force on 1 August 2002 and require that the Company produce an annual report on the Company's remuneration policy and its Directors' remuneration. The Company is also required to put an annual resolution to shareholders for approval of that report. This report can be found on pages 21 to 25. The ordinary resolution to be put to shareholders is included in the Notice of the Annual General Meeting on page 56. It should be noted that the result of this resolution is advisory only.

Directors' Interests

The interests of the Directors at 31 March 2003 or date of appointment, if later, in the ordinary shares of the Company are shown below with comparatives as at 1 April 2002 (where different) shown in brackets.

	Ordinary shares of £1 each		
Director	Beneficial	Non-beneficial	% of Share capital
The Lord Rothschild	**18,932,622**	**6,439,934**	**16.18**
	(18,929,085)	—	(16.17)
Charles Bailey	**8,200**	**—**	**0.01**
	(5,500)	—	—
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 18,932,622 shares of the Company owned beneficially by Lord Rothschild are 108,184 shares (31 March 2002: 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 Company's Compliance Officer.

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

Except as stated above and in the following (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

The investment management and administration functions are undertaken by JRCM. In September 1999, a significant portion of the portfolio was allocated to Sofaer Capital Inc., an international money management firm whose Principal is Michael Sofaer. During the year under review, the amount managed by Sofaer Capital Inc. was reduced from £163.8 million as at 1 April 2002 to £40 million. Sofaer Capital Inc. is now paid an investment management fee equal to 1% of funds under management. The fee payable for the year ended 31 March 2003 was £484,445 (31 March 2002: £993,189).

RITCP invested US$30 million in Atticus International Limited on 1 December 2000. Atticus International is an offshore fund specialising in merger arbitrage. The investment management for 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. In the year ended 31 March 2003, no fee was paid under the fee structure applicable to the current investment (31 March 2002: £196,990). Details of other external fund managers are given in note 4 on page 36.

The majority of the remainder of RITCP's investment portfolio is managed by the directors of JRCM.

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

Derivatives and Other Financial Instruments

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

- investments including equity and non-equity shares and fixed income securities which are held in accordance with the Group's investment objectives;
- cash, liquid resources and short-term debtors and creditors that arise directly from the Group's investment activities; and
- derivative transactions 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 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 48 to 50.

Derivatives and Other Financial Instruments (continued)

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 2003, the Company made no charitable donations or political contributions.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 6 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as 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
20 May 2003

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 2003.

Remuneration Committee

The remuneration packages of individual executive Directors are determined by the Remuneration Committee which comprises Charles Bailey as Chairman and Baron Lambert, both 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 Remuneration Benchmarking team of PricewaterhouseCoopers LLP to provide information to it on the remuneration packages of senior executives in comparable companies.

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.

The Remuneration 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 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 Combined Code.

Directors' Remuneration

Directors' remuneration for the year ended 31 March 2003 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 2003.

Director	Salaries, bonuses and fees £	Pension contributions £	Other benefits £	Total emoluments £
The Lord Rothschild	350,070	63,654	33,066	446,790
	(340,750)	(61,800)	(34,099)	(436,649)
Charles Bailey	22,500	—	—	22,500
Timothy Barakett	15,000	—	—	15,000
Mikael Breuer-Weil	20,000	—	—	20,000
Duncan Budge	228,765	72,337	26,554	327,656
	(222,535)	(68,515)	(28,808)	(319,858)
Andrew Knight	25,250	—	—	25,250
Baron Lambert	15,000	—	—	15,000
Jean Pigozzi	—	—	—	—
Michael Sofaer	—	—	—	—
31 March 2003	676,585	135,991	59,620	872,196
31 March 2002	661,035	130,315	62,907	854,257

In the year under review, no gains were made by Directors on the exercise of options over the Company's shares (the Directors do not hold share options of the Company). No payments were made to Directors under the terms of the long-term incentive plan.

Basic Salary, Benefits and Bonus

Basic salaries for the executive Directors are reviewed annually by the Remuneration Committee and the last review was at 31 March 2003, following the receipt of information from the Remuneration Benchmarking team of PricewaterhouseCoopers LLP. For the current year, to 31 March 2004, Lord Rothschild's salary has increased from £318,270 per annum to £340,000 per annum and Duncan Budge's salary has increased from £207,700 per annum to £250,000 per annum.

Although there is no formal bonus scheme, the executive Directors may participate, from time to time, in bonus payments at the discretion of the Remuneration Committee. A bonus of £15,578 was payable to Duncan Budge and a bonus of £23,870 was payable to Lord Rothschild in respect of the year under review. This bonus was at the same proportionate rate as was paid to other members of staff.

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.

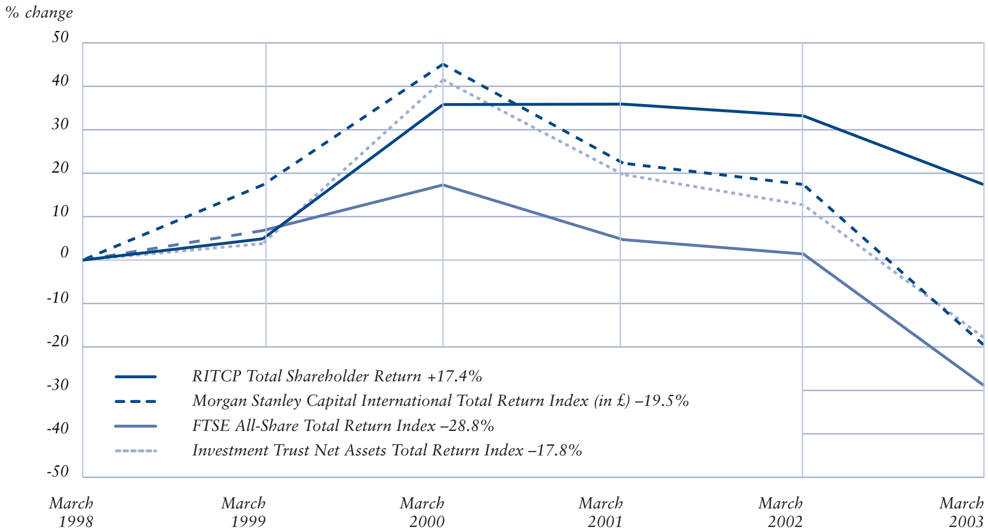
The Remuneration Committee decided that further participations in the Share Appreciation Rights plan should be granted to both Lord Rothschild and Duncan Budge on 22 March 2000 and 26 March 2003. The notional number of shares involved was 228,833 at 437p and 262,467 at 381p respectively in each case.

As at 31 March 2003 the amount accrued under all three participations was £364,170 payable in equal parts to Lord Rothschild and Duncan Budge. This compared with an accrued amount of £986,784 as at 31 March 2002 and followed a decrease in the middle-market price of RITCP shares during the period from 424.5p to 371.5p. 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.

Performance Graph

In accordance with the new regulations under the Companies Act 1985, it is now 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 Remuneration Committee's policy 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 throughout the year under review at the rate of 20% of basic salary amounting to £63,654 in the year ended 31 March 2003 (31 March 2002: £61,800). Contributions are based on basic salary only. Duncan Budge is a defined benefit member of the RITCP Scheme for which the contribution rate was 34% of basic salary until 30 June 2002, when the rate was increased to 35%.

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.

	£'000
Accrued benefit at 31 March 2002	73,901
Change in accrued benefit due to inflation	1,256
Change in accrued benefit due to other factors	5,551
Accrued benefit at 31 March 2003	**80,708**
Transfer value at 31 March 2002	786,067
Increase in transfer value	11,878
Transfer value at 31 March 2003	**797,945**
Transfer value at 31 March 2003 in respect of increase in accrued benefit (excluding inflation)	**11,878**

The accrued, but deferred, pension entitlement is calculated on the basis that the Director left service on 31 March 2003.

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. Non-executive Directors do not take part in discussions on their own remuneration. The basic annual fee is £15,000, which the Remuneration 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 2002 and 31 March 2003. The term of appointment for a non-executive Director is three years, terminating on the date on which the non-executive Director is required to retire by rotation at the Annual General Meeting, at which time the appointment will be reviewed by the Board.

Directors’ Service Contracts

It is the Remuneration Committee’s policy 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
20 May 2003
Chairman, Remuneration 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 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, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

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 Directors' Report (including the Corporate Governance Statement), the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, 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 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 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 2003 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
Southwark Towers, 32 London Bridge Street, London SE1 9SY
20 May 2003

Notes:
(a) The maintenance and integrity of the RIT Capital Partners plc 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 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 page 46.

The notes on pages 32 to 53 form part of these accounts.

Consolidated Statement of Total Return

(INCORPORATING THE REVENUE ACCOUNT)

For the year ended 31 March 2002	Note	Revenue £'000	Capital £'000	Total £'000
Gains on investments		—	1,909	1,909
Dealing losses		(4,155)	—	(4,155)
Investment income	1	16,897	—	16,897
Other income		485	—	485
Administrative expenses	2	(6,341)	—	(6,341)
Investment management fees	4	(3,009)	(492)	(3,501)
Other capital items	21	—	(144)	(144)
Net return before finance costs and taxation		3,877	1,273	5,150
Interest payable and similar charges	5	(271)	—	(271)
Return on ordinary activities before taxation		3,606	1,273	4,879
Taxation on ordinary activities	6	(858)	(657)	(1,515)
Return on ordinary activities after taxation attributable to equity shareholders		2,748	616	3,364
Dividend	7	(4,862)	—	(4,862)
Transfer (from)/to reserves		(2,114)	616	(1,498)
Return per ordinary share	8	1.8p	0.4p	2.2p
Net asset value per ordinary share	9			483.4p

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 page 46.

The notes on pages 32 to 53 form part of these accounts.

Consolidated Balance Sheet

	Note	31 March 2003 £'000	31 March 2002 £'000
Fixed assets			
Investments	10	684,472	769,467
Tangible fixed assets	12	151	206
		684,623	769,673
Current assets			
Debtors	13	17,968	24,218
Dealing investments	15	—	288
Cash at bank		11,249	19,928
		29,217	44,434
Creditors: amounts falling due within one year			
Creditors and accruals	16	(4,577)	(20,059)
Proposed dividend	7	(4,862)	(4,862)
Bank loans and overdrafts		(23,420)	—
		(32,859)	(24,921)
Net current (liabilities)/assets		(3,642)	19,513
Total assets less current liabilities		680,981	789,186
Creditors: amounts falling due after more than one year			
Bank loans	17	—	(21,167)
Provisions for liabilities and charges	18	(6,276)	(9,744)
		674,705	758,275
Capital and reserves			
Called up share capital	19	156,848	156,848
Capital redemption reserve	20	33,308	33,308
Capital reserve – realised	21	554,625	536,654
Capital reserve – unrealised	21	(94,845)	6,541
Revenue reserve	22	24,769	24,924
Equity shareholders' funds		674,705	758,275

The accounts were approved by the Board of Directors on 20 May 2003 and are signed on the Board's behalf by:

Rothschild

Rothschild
Director

Duncan Budge

Duncan Budge
Director

The notes on pages 32 to 53 form part of these accounts.

Balance Sheet of the Parent Company

	Note	31 March 2003 £'000	31 March 2002 £'000
Fixed assets			
Investments	10	641,610	716,876
Investments in subsidiary undertakings	11		
– shares		60,853	64,053
– loans		3,163	10,169
		705,626	791,098
Current assets			
Debtors	13	20,369	27,555
Cash at bank		11,131	19,266
		31,500	46,821
Creditors: amounts falling due within one year			
Creditors and accruals	16	(42,076)	(63,790)
Proposed dividend	7	(4,862)	(4,862)
Bank loans and overdrafts		(23,230)	—
		(70,168)	(68,652)
Net current liabilities		(38,668)	(21,831)
Total assets less current liabilities		666,958	769,267
Creditors: amounts falling due after more than one year			
Bank loans	17	—	(21,167)
Provisions for liabilities and charges	18	(4,976)	(8,529)
		661,982	739,571
Capital and reserves			
Called up share capital	19	156,848	156,848
Capital redemption reserve	20	33,308	33,308
Capital reserve – realised	21	549,771	534,089
Capital reserve – unrealised	21	(87,213)	5,392
Revenue reserve	22	9,268	9,934
Equity shareholders' funds		661,982	739,571

The accounts were approved by the Board of Directors on 20 May 2003 and are signed on the Board's behalf by:

Rothschild
Director

Duncan Budge
Director

The notes on pages 32 to 53 form part of these accounts.

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Cash inflow from operating activities	24	30,152	6,327
Servicing of finance			
Bank and loan interest paid		(171)	(274)
Net cash outflow from servicing of finance		(171)	(274)
Taxation			
UK tax paid		(75)	(436)
Overseas tax paid		(458)	(565)
Net cash outflow from taxation		(533)	(1,001)
Financial investment			
Purchase of investments		(355,406)	(449,127)
Sale of investments		308,243	398,695
Net cash outflow from financial investment		(47,163)	(50,432)
Capital expenditure			
Purchase of fixed assets		(49)	(59)
Sale of fixed assets		6	10
Net cash outflow from capital expenditure		(43)	(49)
Equity dividend paid		(4,862)	(4,862)
Net cash outflow before management of liquid resources and financing		(22,620)	(50,291)
Management of liquid resources			
Purchase of government securities		(216,978)	(363,451)
Sale of government securities		228,812	391,271
Net cash inflow from management of liquid resources		11,834	27,820
Financing			
Increase in term loan		—	21,167
Net cash inflow from financing		—	21,167
Decrease in cash in the year	26	(10,786)	(1,304)

The notes on pages 32 to 53 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 2003.

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.

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 also 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.

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. 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.

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.

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, had no effect on the results for the year ended 31 March 2003, but decreased dealing profits in the statement of total return for the year ended 31 March 2002 by £0.1 million. There was no effect on the net assets in the consolidated balance sheet at either 31 March 2003 or 31 March 2002. 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.

Deferred Taxation

The Group has adopted Financial Reporting Standard 19, Deferred Tax. In accordance with this accounting standard, 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 2003 £'000	Year ended 31 March 2002 £'000
Income from listed investments:		
Dividends	4,016	3,276
Interest	5,738	7,588
Income from unlisted investments:		
Dividends	908	2,145
Interest	3,026	1,894
Income from investment properties	897	910
Interest receivable	580	1,084
	15,165	16,897

2 Administrative Expenses

Administrative expenses include the following:

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Staff costs (see note 3 below)	4,404	4,070
Auditors' remuneration – audit fees	80	80
Auditors' remuneration – other fees	8	60
Depreciation	104	108

Administrative expenses for the year ended 31 March 2003 include £875,000 (31 March 2002: £1,039,000) 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 2003 are £5,286,000 (31 March 2002: £5,302,000). Of the total audit fee, £70,000 (31 March 2002: £70,000) relates to the audit of the parent company's consolidated accounts.

3 Staff Costs

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Wages and salaries	3,095	2,997
Social security costs	348	349
Other pension costs	961	724
	4,404	4,070

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 21 to 25. They exclude the movement in the provision for the Group's long-term incentive plan which is charged to capital reserve.

The average number of employees during the year was 49 (31 March 2002: 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 2002: 20).

4 Investment Management Fees

Details of the current investment managers who operate segregated accounts are shown below:

Investment Manager	Area of expertise	Funds under management 31 March 2003 £'000
Sofaer Capital	Global equities	36,239
Findlay Park	Small to medium sized US companies	32,391
K Capital Partners	Global equities	31,596
Tontine Overseas Associates	US equities	27,448
Meditor Capital Management	Medium sized European equities	20,461
Edwards Capital Management	Global equities	18,988
Cedar Rock Capital	Global equities	18,214
Southeastern Asset Management	Global equities	15,369
Lansdowne Partners	European equities	15,323
Select Equity	US equities	8,905
Morant Wright Management	Japanese equities	7,134
Cycladic Capital Management	European equities	3,834

Funds under management comprise investments, liquidity and other assets. Details of the investment management fees payable to Sofaer Capital and Atticus Capital are shown on pages 18 and 19. 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 value of the funds exceeds specified hurdles. None of the amounts listed in the table above are invested in other funds managed by the investment managers themselves and therefore there is no risk of double-counting investment management fees. The investment management agreements can be terminated with notice periods of between one and six months.

5 Interest Payable and Similar Charges

	Group and Company	
	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Repayable within 5 years, not by instalments		
Bank loans	166	271

6 Taxation on Ordinary Activities

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

6 Taxation on Ordinary Activities (continued)

	Year ended 31 March 2002 Revenue £'000	Capital £'000	Total £'000
UK corporation tax charge/(credit)	387	(1,312)	(925)
Adjustment in respect of prior years	(5)	(55)	(60)
Overseas taxation	490	—	490
Current tax charge/(credit)	872	(1,367)	(495)
Deferred tax (credit)/charge	(14)	2,024	2,010
Taxation on ordinary activities	858	657	1,515

The tax charge for the year differs from the standard rate of corporation tax in the UK of 30% (31 March 2002: 30%). The differences are explained below:

	Year ended 31 March 2003		Year ended 31 March 2002	
	Revenue £'000	**Capital £'000**	Revenue £'000	Capital £'000
Return/(loss) on ordinary activities before tax	**6,511**	**(85,464)**	3,606	1,273
Return/(loss) on ordinary activities before tax at the standard rate of 30%	**1,954**	**(25,639)**	1,082	382
Effect of:				
Capital items exempt from corporation tax	**—**	**25,543**	—	9
UK dividend income not taxable	**(449)**	**—**	(547)	—
Double tax relief not available	**341**	**—**	321	—
Expenses not deductible for tax purposes	**34**	**—**	21	—
Non-taxable income	**(17)**	**—**	(15)	—
Losses brought forward	**(17)**	**(1,147)**	—	(1,520)
Prior year credits	**—**	**(127)**	(5)	(55)
Capital allowances	**—**	**(78)**	—	(183)
Timing differences on income	**(20)**	**—**	(25)	—
Timing differences on expenses	**—**	**—**	39	—
Other	**1**	**—**	1	—
Current tax charge/(credit)	**1,827**	**(1,448)**	872	(1,367)
Deferred tax charge/(credit)	**10**	**(601)**	(14)	2,024
Taxation on ordinary activities	**1,837**	**(2,049)**	858	657

7 Dividend

	2003 Pence per share	2002 Pence per share	**2003 £'000**	2002 £'000
Proposed final dividend (payable 3 July 2003)	**3.1**	3.1	**4,862**	4,862

8 Return/(Loss) per Ordinary Share

The return per share for the year ended 31 March 2003 is based on the revenue return after tax of £4.7 million (31 March 2002: £2.7 million) and the capital loss after tax of £83.4 million (31 March 2002: capital return of £0.6 million) and the weighted average number of ordinary shares in issue during the year of 156.8 million (31 March 2002: 156.8 million).

9 Net Asset Value per Ordinary Share

The net asset value per share at 31 March 2003 is based on the net assets attributable to ordinary shareholders of £674.7 million (31 March 2002: £758.3 million) and the number of ordinary shares in issue at 31 March 2003 of 156.8 million (31 March 2002: 156.8 million).

10 Fixed Asset Investments

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Listed investments at market value				
Listed in UK	38,875	38,875	41,141	41,141
Listed overseas	232,658	232,658	256,887	256,887
Government securities and other liquidity	117,330	117,330	119,746	119,746
	388,863	388,863	417,774	417,774
Unlisted investments at Directors' valuation	295,609	252,747	351,693	299,102
	684,472	641,610	769,467	716,876

Investment movements:

	Group				
	Quoted £'000	Unquoted and property £'000	Funds and partnerships £'000	Other securities £'000	Total £'000
Cost at 31 March 2002	281,952	181,479	166,979	122,037	752,447
Appreciation/(depreciation) at 31 March 2002	16,076	(15,333)	18,568	(2,291)	17,020
Valuation at 31 March 2002	298,028	166,146	185,547	119,746	769,467
Reclassifications	(929)	(375)	—	1,304	—
Additions	285,512	33,688	24,221	217,484	560,905
Disposals	(270,254)	(21,896)	(27,510)	(225,006)	(544,667)
Revaluation	(40,824)	(34,924)	(29,288)	3,802	(101,233)
Valuation at 31 March 2003	**271,533**	**142,639**	**152,970**	**117,330**	**684,472**
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)**

Investment properties were valued at 31 March 2003 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 2002	281,952	161,712	132,150	122,037	697,851
Appreciation/(depreciation) at 31 March 2002	16,076	4,365	875	(2,291)	19,025
Valuation at 31 March 2002	298,028	166,077	133,025	119,746	716,876
Reclassifications	(929)	(375)	—	1,304	—
Additions	285,512	33,688	27,085	217,484	563,769
Disposals	(270,254)	(21,896)	(27,510)	(225,006)	(544,666)
Revaluation	(40,824)	(34,992)	(22,355)	3,802	(94,369)
Valuation at 31 March 2003	**271,533**	**142,502**	**110,245**	**117,330**	**641,610**
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)**

Unquoted investments:

During the year ended 31 March 2003, including the effect of currency movements, there were upward valuations of unquoted investments totalling £7.2 million (31 March 2002: £26.5 million) and reductions in value totalling £42.1 million (31 March 2002: £27.6 million). The reductions in value included the following writedowns:

Investment	Original cost £'000	**Valuation at 31 March 2003 £'000**	Valuation at 31 March 2002 £'000	Downward revaluation £'000
Esporta Group	24,102	**14,112**	—	9,990
Power Measurement	7,205	**15,614**	22,746	7,132
The Economist Newspaper	1,482	**12,540**	18,240	5,700
Cherokee	16,113	**1,050**	5,101	5,374
Cine-UK	6,681	**14,000**	18,500	4,500
Blue Heath Direct	5,240	**2,740**	—	2,500
Real Energy	3,412	**1,582**	2,195	1,847
Spencer House	14,447	**14,000**	15,500	1,500

10 Fixed Asset Investments (continued)

Details of investments in which the Group had an interest of 10% or more at 31 March 2003 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				
Insignia Solutions	Common Stock	10.0	1,691	(5,327)
Wellington Global Research (a Luxembourg fund)	Units	12.1	223,787	(47,140)
Unlisted Investments				
Atticus International (incorporated in the British Virgin Islands)	Class A Common Shares	59.0	93,687	(10,953)
Blue Heath Direct	Series B Shares	70.1	565	(5,635)
Cine-UK	Convertible Preferred Shares	39.6	(3,613)	(622)
	Ordinary Shares	6.1		
Cycladic Catalyst (incorporated in the Cayman Islands)	Founders A Shares	100.0	8,637	(172)
FVP Offshore III (incorporated in Bermuda)	Preference Shares	14.1	6,934	(4,081)
H-G Holdings (incorporated in the USA)	A Ordinary Shares	20.5	17,181	2,166
	B Ordinary Shares	21.1		
MGt	Ordinary Shares	13.3	2,556	(1,634)
Orthoworld	Ordinary Shares	43.0	5,889	(1,209)
PayPoint	Ordinary Shares	15.4	(7,799)	793
Power Measurement (incorporated in the USA)	Common Shares	32.8	23,676	1,852
SCI Asian Hedge (formed under the laws of the Cayman Islands)	Shares	13.1	61,353	(20,483)
Star Technology	A Preferred Shares	48.0	14,262	(3,381)
Vibration Technology	B Ordinary Shares	26.6	289	(1,814)

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)	55.9	6,097	(1,393)
RR Capital Partners (formed under the laws of New York, USA)	18.1	33,753	1,750
SCI Asian Ventures (formed under the laws of the British Virgin Islands)	100.0	6,240	(2,825)
Tinicum Capital Partners (formed under the laws of Delaware, USA)	100.0	2,686	374
Tinicum Partners (formed under the laws of New York, USA)	31.4	52,700	5,017
21st Century Communications (formed under the laws of Delaware, USA)	44.1	4,272	(853)

10 Fixed Asset Investments (continued)

In addition, the Group had a holding of 3% or more at 31 March 2003 in the following investments:

	Class of share capital	% Held
Listed Investments		
Venture Production	Ordinary Shares	6.4
Fuel Technology	Common Stock	5.2
Champps Entertainment	Common Stock	4.9
DDD Group	Common Stock	4.8
Vertex Interactive	Common Stock	3.8
Unlisted Investments		
The Economist Newspaper	Ordinary Shares	5.0
Esporta Group	B Ordinary Shares	6.3
Xantrex Technology	Common Stock	9.0

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.

During the year, the Group invested £6.4 million in Cycladic Catalyst, an open-ended offshore company, as part of its investment portfolio of hedge/other funds. At the time the investment was made it was understood that the Group's share of the voting rights would be below 50% based on anticipated investment by other third parties. However, at 31 March 2003, based on the funds raised by this investee company and owing to matters outside the control of the Group, the Group's share was 78.6% and accordingly the holding qualifies as a subsidiary undertaking. The Group has not consolidated this holding as the situation whereby the Group's share of the voting rights exceeds 50% is considered to be temporary. The Group does not and will not exert control over the financial and operating policies of this investee company. The investment is valued at £6.8 million at 31 March 2003 in accordance with the Group's accounting policy for its investments.

11 Investments in Subsidiary Undertakings

	£'000
Cost at 31 March 2002	74,222
Additions	4
Loan repayments	(6,657)
Exchange movement in year	(3,553)
Cost at 31 March 2003	**64,016**

Additions during the year comprise an investment in Hornwood Investments NV.

At 31 March 2003 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.

11 Investments in Subsidiary Undertakings (continued)

Name	Issued share capital
Investment Holding	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 Ordinary Shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into 2 Ordinary Shares of £1 each
RITCP Guernsey Limited (incorporated in Guernsey)	US$22,500 divided into 2,250,000 Ordinary Shares of US$0.01 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)

The Company also holds investments in other smaller subsidiary undertakings. These have not been listed above as to do so would result in excessive disclosure.

12 Tangible Fixed Assets

	Cost £'000	Depreciation £'000	Net book value £'000
Plant, equipment and vehicles			
At 31 March 2002	555	(349)	206
Additions	49	—	49
Disposals	(23)	23	—
Charged to revenue account	—	(104)	(104)
At 31 March 2003	**581**	**(430)**	**151**

13 Debtors

	31 March 2003		31 March 2002	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Debtors for securities sold	**5,062**	**5,027**	11,033	9,578
Other debtors	**1,626**	**1,355**	1,001	730
Prepayments and accrued income	**4,484**	**4,354**	6,133	5,953
Tax receivable	**1,634**	**475**	1,480	2,934
Deferred taxation (see note 14 below)	**5,162**	**5,102**	4,571	4,524
Group undertakings	**—**	**4,056**	—	3,836
	17,968	**20,369**	24,218	27,555

14 Deferred Tax Asset

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

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2002	4,571	4,524	6,581	6,544
Credit/(charge) to capital reserve	601	601	(2,024)	(2,024)
(Charge)/credit to revenue reserve	(10)	(23)	14	4
Balance at 31 March 2003	5,162	5,102	4,571	4,524
Analysis of deferred tax asset:				
Unutilised tax losses	6,939	6,939	7,448	7,448
Deferred management fees	—	—	633	633
Long-term incentive plan	226	226	507	507
Other timing differences	7	7	155	155
Unrealised profit on offshore funds	(1,398)	(1,398)	(3,646)	(3,646)
Accelerated capital allowances	(612)	(672)	(526)	(573)
Balance at 31 March 2003	5,162	5,102	4,571	4,524

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 £23.1 million which are available for offset against future taxable profits (including profits on offshore hedge funds). The unrealised profits on such funds amounted to £4.7 million as at 31 March 2003 (31 March 2002: £12.2 million).

15 Dealing Investments

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Unlisted investments	—	—	288	—

16 Creditors and Accruals

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Creditors for securities purchased	2,634	2,634	17,776	17,776
Accruals and deferred income	1,866	1,427	2,015	1,572
Other creditors	77	36	268	217
Group undertakings	—	37,979	—	44,225
	4,577	42,076	20,059	63,790

17 Bank Loans Falling Due After More Than One Year

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Unsecured Yen loan repayable between 1-2 years not by instalments	—	—	21,167	21,167

This loan is repayable in February 2004 and is now included in "Bank loans and overdrafts" as a current liability.

18 Provisions for Liabilities and Charges

	Group				
	31 March 2002 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	31 March 2003 £'000
Nature of provision:					
Indemnity	2,000	213	—	(213)	2,000
Bank guarantee	1,945	—	(192)	—	1,753
Investments	2,895	—	(2,323)	(101)	471
Litigation	1,000	74	—	(74)	1,000
Property	215	85	—	—	300
Long-term incentive plan	1,689	—	(912)	(25)	752
	9,744	372	(3,427)	(413)	6,276

	Company				
	31 March 2002 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	31 March 2003 £'000
Nature of provision:					
Indemnity	2,000	213	—	(213)	2,000
Bank guarantee	1,945	—	(192)	—	1,753
Investments	2,895	—	(2,323)	(101)	471
Long-term incentive plan	1,689	—	(912)	(25)	752
	8,529	213	(3,427)	(339)	4,976

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 2003 and 2027 and the indemnity provision has been based on the Company's share of the projected costs.

Bank Guarantee
The Company has provided a guarantee to a bank syndicate in respect of loans made to an investee company. The guarantee is capped at US$2.77 million and a full provision has been made in view of the likelihood that the guarantee may be called.

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.

18 Provisions for Liabilities and Charges (continued)

Litigation

As mentioned in note 28, litigation proceedings are in process against the Group 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 2003.

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 2003 £'000	31 March 2002 £'000
Date of grant		
1 June 1997	293	422
29 September 1997	—	31
30 March 1999	459	1,233
22 March 2000	—	—
22 March 2002	—	3
26 March 2003	—	—
31 March 2003	—	—
	752	1,689

19 Share Capital

	31 March 2003 £'000	31 March 2002 £'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 2002: 156,848,167)	156,848	156,848

20 Capital Redemption Reserve

	31 March 2003		31 March 2002	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Balance at 31 March 2002	33,308	33,308	33,308	33,308
Movement during the year	—	—	—	—
Balance at 31 March 2003	33,308	33,308	33,308	33,308

21 Capital Reserve

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

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2002	543,195	539,481	542,579	545,943
Realised (losses)/gains on disposal of investments	(13,517)	(13,512)	5,887	(1,121)
Movement on revaluation of investments held at the year end	(101,233)	(94,367)	(3,978)	(4,750)
Performance fees	(192)	(192)	(492)	(492)
Other capital items	29,478	29,289	(144)	167
Taxation	2,049	1,859	(657)	(266)
Total capital (loss)/return	(83,415)	(76,923)	616	(6,462)
Balance at 31 March 2003	459,780	462,558	543,195	539,481

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

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

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Realised gains/(losses)				
Listed investments	492,647	483,196	512,906	503,455
Unlisted investments	210,047	203,295	199,049	192,297
Other items	(148,069)	(136,720)	(175,301)	(161,663)
	554,625	549,771	536,654	534,089
Unrealised (losses)/gains				
Listed investments	(27,153)	(27,153)	13,785	13,785
Unlisted investments	(65,377)	(53,643)	3,235	5,240
Other items	(2,315)	(6,417)	(10,479)	(13,633)
	(94,845)	(87,213)	6,541	5,392
Balance at 31 March 2003	459,780	462,558	543,195	539,481

22 Revenue Reserve

	31 March 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2002	24,924	9,934	27,039	10,069
Retained loss for the year	(188)	(666)	(2,114)	(135)
Other movements	33	—	(1)	—
Balance at 31 March 2003	24,769	9,268	24,924	9,934

The Group's capital reserve includes an amount of £14.3 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 £4,196,000 (31 March 2002: £4,727,000).

23 Reconciliation of Movement in Shareholders' Funds

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Shareholders' funds at 31 March 2002	758,275	759,774
Revenue return	4,674	2,748
Dividend	(4,862)	(4,862)
	(188)	(2,114)
Total capital (loss)/return	(83,415)	616
Other movements	33	(1)
Net decrease in shareholders' funds	(83,570)	(1,499)
Shareholders' funds at 31 March 2003	674,705	758,275

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

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Revenue return before finance costs and taxation	6,677	3,877
(Increase)/decrease in other debtors	(625)	357
Decrease in prepayments and accrued income	1,649	213
(Decrease)/increase in accruals and deferred income	(144)	278
(Decrease)/increase in other creditors	(191)	52
Net decrease/(increase) in dealing assets	269	(112)
Other movements	22,517	1,662
Cash inflow from operating activities	30,152	6,327

25 Reconciliation of Net Cash Flow to Movement in Net Funds

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Decrease in cash in the year	(10,786)	(1,304)
Cash inflow from decrease in liquid resources	(11,834)	(27,820)
Cash inflow from increase in debt	—	(21,167)
Change in net funds resulting from cash flows	(22,620)	(50,291)
Non-cash movement in government securities and other liquidity	7,127	(784)
Currency translation of Yen loan	(146)	—
Movement in net funds in year	(15,639)	(51,075)
Net funds at 31 March 2002	120,798	171,873
Net funds at 31 March 2003	105,159	120,798

26 Analysis of Net Funds

	31 March 2002 £'000	Cash flow £'000	Other non-cash changes £'000	**31 March 2003 £'000**
Net cash				
Cash at bank and in hand	19,928	(8,679)	—	**11,249**
Bank loans and overdrafts	—	(2,107)	(21,313)	**(23,420)**
	19,928	(10,786)	(21,313)	**(12,171)**
Liquid resources				
Government securities and other liquidity	122,037	(11,834)	7,127	**117,330**
Debt				
Yen loan	(21,167)	—	21,167	**—**
Net funds	120,798	(22,620)	6,981	**105,159**

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 19 and 20. 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 2003 £'000**	31 March 2002 £'000
Euro	**202,122**	143,358
Swiss Franc	**47,125**	7,358
Japanese Yen	**17,476**	2,649
US Dollar	**12,485**	83,719
Other	**15,303**	29,154
	294,511	266,238

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 2003 the Group has a financial liability of £1.4 million (31 March 2002: £5.1 million) which relates to amounts due on forward currency contracts, with a settlement date of 20 June 2003.

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 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

The floating rate financial assets comprise short-term deposits, current accounts and investments in cash funds. The negative balances arise due to a banking arrangement whereby currency overdrafts are offset against a Sterling deposit.

The US Dollar fixed rate financial assets include £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 include £0.4 million of senior subordinated bonds which earn interest at 12% per annum, which are 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 comprises corporate bonds, which are in default.

The Sterling fixed rate financial assets include £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 include 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 are £5.5 million of discounted subordinated bonds which earn 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 comprises 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 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 2002			
Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	Total £'000
US Dollar	4,413	431	388,252	393,096
Sterling	27,069	40,031	125,239	192,339
Euro	(4,595)	98,130	50,508	144,043
Japanese Yen	—	—	23,801	23,801
Korean Won	—	—	15,078	15,078
Swiss Franc	(520)	—	7,878	7,358
Canadian Dollar	—	—	5,078	5,078
Other	(6,439)	—	15,041	8,602
	19,928	138,592	630,875	789,395

27 Derivatives and Other Financial Instruments (continued)

The floating rate financial assets comprised short-term deposits and current accounts. The negative balances arose due to banking arrangements whereby currency overdrafts were offset against a Sterling deposit.

The US Dollar fixed rate financial assets comprised senior subordinated bonds which earned interest at 10.5% per annum. The bonds were due to mature in April 2009 but were callable in 2004.

The Sterling-denominated fixed rate financial assets included £21.6 million of UK Treasury Stock which earned interest at 7% per annum until 7 June 2002, and a mezzanine loan of £9.8 million which earned interest at 13% per annum, repayable in December 2007. They also included £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. Also included was a loan of £1 million which earned interest at 8% per annum. The balance of the Sterling-denominated fixed rate financial assets comprised £2.2 million of convertible loan stock: £1.4 million earning interest at 5¼% until 19 February 2007 and £0.8 million earning interest at 9% per annum. The latter was redeemable in four equal tranches on 31 October and 30 April, commencing 31 October 2004.

The Euro-denominated fixed rate financial assets comprised German Government Bonds, £85.1 million of which earned interest at 5% per annum until 12 November 2002 and £13 million of which earned interest at 5% per annum until 4 July 2011.

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 Japanese Yen loan with a Sterling value of £21.3 million at 31 March 2003 (31 March 2002: £21.2 million). The loan is repayable in February 2004 and interest is charged on the loan at 0.7% per annum (31 March 2002: 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 2002. 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 2003		31 March 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Commitments to provide additional funds to investees	57,338	57,338	82,133	82,133
Guarantees and letters of comfort to third parties	—	—	1,425	1,425
	57,338	57,338	83,558	83,558

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 15 March 2002 the New York Court dismissed the proceedings in their entirety. On 1 April 2002 the plaintiffs filed an appeal against that dismissal. No decision on that appeal has been issued as of 20 May 2003.

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.

29 Pension Commitments

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 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%

This report showed assets valued at £5.188 million and a projected deficit of £1.177 million as at 1 January 2002.

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 and a further payment of £0.4 million was made in April 2003. (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. No changes have been made to these funding rates to date.

Since the defined benefit scheme is closed to new entrants, the service costs 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 2003 £'000	Year ended 31 March 2002 £'000
Defined benefit scheme		
– annual contributions	**340**	331
– additional contribution	**420**	200
Money purchase scheme	**64**	62
Personal pension schemes	**137**	131
	961	724

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 2003 by a qualified independent actuary.

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

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

29 Pension Commitments (continued)

The fair value of the assets held by the defined benefit scheme, the long-term expected rate of return on each class of assets and the value of the scheme's liabilities assessed on the assumptions described above are shown in the following table:

	Long-term rate of return expected at 31 March 2003	**Value at 31 March 2003 £'000**	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £'000
Equities	7.30%	4,628	9.30%	4,553
Corporate bonds	5.50%	106	5.60%	523
Cash	3.80%	71	3.60%	422
Total market value of assets		4,805		5,498
Present value of the scheme's liabilities		(9,924)		(7,878)
Deficit in the scheme		(5,119)		(2,380)
Related deferred tax asset		1,536		714
Net pension liability		(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 2003, these assets and liabilities amounted to £5.155 million (31 March 2002: £5.442 million).

The additional disclosures required by FRS17 are set out below:

	At 31 March 2003 £'000	At 31 March 2002 £'000
Net assets of the RITCP Group	674,705	758,275
Less: Deficit in the pension scheme	(3,583)	(1,666)
Net assets as reduced by the pension liability	671,122	756,609
Revenue reserve of the RITCP Group	24,769	24,924
Less: Deficit in the pension scheme	(3,583)	(1,666)
Revenue reserve as reduced by the pension liability	21,186	23,258

29 Pension Commitments (continued)

	Year ended 31 March 2003 £'000
Employer's current service cost	426
Past service cost recognition	–
Total operating charge which would have been charged to the revenue account under FRS17	426
Expected return on scheme assets	498
Interest on pension liabilities	(497)
Net return which would have been credited to other income under FRS17	1
Actual return less expected return on scheme assets	(1,893)
Experience losses arising on scheme liabilities	(262)
Changes in assumptions underlying the scheme liabilities	(919)
Actuarial loss which would have been included in the statement of total return under FRS17	(3,074)
Deficit in the scheme at 31 March 2002	(2,380)
Movement in the year:	
Employer's current service cost	(426)
Employer's contributions	760
Other finance income	1
Actuarial loss	(3,074)
Deficit in the scheme at 31 March 2003	(5,119)

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

	%	£'000
Actual return less expected return on scheme assets		(1,893)
Percentage of scheme assets at 31 March 2003	(39%)	
Experience losses on scheme liabilities		(262)
Percentage of scheme liabilities at 31 March 2003	(3%)	
Total loss recognised in statement of total return		(3,074)
Percentage of scheme liabilities at 31 March 2003	(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 18 and 19 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**

Notes:

1. 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.
4. The figures for 2001 have been restated as a result of a prior year adjustment relating to deferred tax.

Shareholder Information

Analysis of Ordinary Shareholders

As at 31 March 2003 the Company's ordinary share capital was held as follows:

	Holders	%	Shares held	%
Analysis by category				
Individuals	9,912	71.12	20,423,214	13.02
Insurance companies	66	0.47	3,121,288	1.99
Banks and nominees	3,175	22.78	122,080,149	77.85
Investment trusts	48	0.36	7,023,509	4.47
Pension funds	11	0.07	150,231	0.09
Other corporate bodies	725	5.20	4,049,776	2.58
Totals	**13,937**	**100.00**	**156,848,167**	**100.00**

	Holders	%	Shares held	%
Analysis by numbers of shares				
1 – 499	2,990	21.43	734,328	0.46
500 – 999	2,421	17.37	1,768,268	1.12
1,000 – 1,999	3,421	22.54	4,817,589	3.07
2,000 – 2,999	1,838	13.18	4,349,816	2.77
3,000 – 3,999	930	6.37	3,139,655	2.00
4,000 – 4,999	553	3.96	2,406,909	1.57
5,000 – 9,999	982	7.04	6,493,619	4.14
10,000 – 24,999	475	3.40	7,000,212	4.46
25,000 – 49,999	109	0.78	3,766,925	2.40
50,000 – 99,999	88	0.63	6,107,433	3.89
100,000 and above	130	3.30	116,263,413	74.12
Totals	**13,937**	**100.00**	**156,848,167**	**100.00**

Financial Calendar

Announcement of final results for the year ended 31 March 2003	15 May 2003
Annual General Meeting	2 July 2003
Payment of dividend on ordinary shares Final dividend of 3.1 pence	3 July 2003 to shareholders on the register at 6 June 2003

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 2 July 2003 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

Resolution 1
To receive the Directors' Report and Accounts for the year ended 31 March 2003.

Resolution 2
To declare a final dividend.

Resolution 3
To re-elect as Directors the following:
(i) Timothy Barakett
(ii) Mikael Breuer-Weil
(iii) Baron Lambert

Special notice has been given in respect of Baron Lambert, a Director retiring by rotation, who attained the age of 73 on 3 March 2003.

Resolution 4
To approve the Directors' Remuneration Report for the year ended 31 March 2003.

Resolution 5
To re-appoint PricewaterhouseCoopers LLP as the auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers).

Resolution 6
To authorise the Directors to determine the remuneration of the auditors.

Special Business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed as Special Resolutions:

Resolution 7
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 2004 and 30 September 2004; AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £52,282,722 (or such nominal amount that represents less than a third of the issued equity share capital at the date of the Meeting, whichever is less).

Resolution 8
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 2004 and 30 September 2004.

Resolution 9
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 2004 (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

By order of the Board

J. Rothschild Capital Management Limited
Secretary
27 St James's Place
London SW1A 1NR
27 May 2003

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 2 July 2003 and at the place of the meeting from 10.45 a.m. until its conclusion.

Advisers

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 LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Solicitors
Linklaters
One Silk Street
London EC2Y 8HQ

Registrars and Transfer Office
Computershare Investor Services plc
Registrar's Department
P.O. Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 702 0001

Savings Scheme Administrator
The Bank of New York Europe Limited
12 Blenheim Place
Edinburgh EHY 5ZR
Telephone: 0131 525 9819

For Information
The Company's website is
www.ritcap.co.uk

RIT Capital Partners plc
27 St James's Place
London SW1A 1NR
Tel: 020 7493 8111
Fax: 020 7493 5765
Web: www.ritcap.co.uk