
ANNUAL REPORT & ACCOUNTS
31 MARCH 2010



Financial Highlights and Performance	3
Chairman's Statement	4
Investment Review	8
Board of Directors	24
Directors' Report	26
Corporate Governance Report	31
Directors' Remuneration Report	38
Report of the Independent Auditors	45
Consolidated Income Statement	47
Consolidated Statement of Comprehensive Income	47
Consolidated Balance Sheet	49
Balance Sheet of the Parent Company	50
Consolidated Statement of Changes in Equity	51
Parent Company Statement of Changes in Equity	52
Consolidated Cash Flow Statement	53
Parent Company Cash Flow Statement	54
Group Accounting Policies	55
Notes to the Financial Statements	61
Historical Information	94
Financial Calendar	94
Annual General Meeting	95
Explanatory Notes	100
Advisers	103

CORPORATE OBJECTIVE

to deliver long-term capital growth, while preserving shareholders' capital;

to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time.

INVESTMENT POLICY

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

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

Further information relating to the Company's investment policies, including asset allocation, risk diversification and gearing, are contained in the Directors' Report on pages 26 and 27.

RIT CAPITAL PARTNERS PLC

3

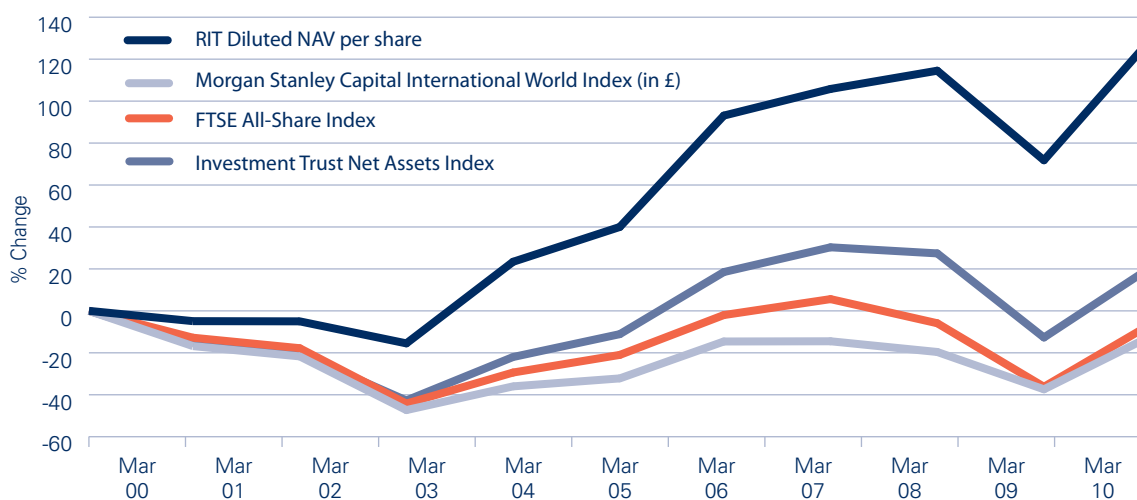
FINANCIAL HIGHLIGHTS

	31 March 2010	31 March 2009	Change
Total Net Assets (£ million)	1,815.7	1,350.5	34.4%
Net Asset Value per Share	1,180.1p	874.3p	35.0%
Share Price	1,082.0p	831.0p	30.2%
(Discount)/premium	(8.3)%	(5.0)%	

PERFORMANCE

	1 Year	5 Years	10 Years
RIT Capital Partners plc (Net Asset Value per Share)	35.0%	65.6%	131.8%
Morgan Stanley Capital International World Index (in £)	40.3%	29.6%	(12.1)%
FTSE All-Share Index	46.7%	18.4%	(6.4)%
Investment Trust Net Assets Index	38.2%	35.8%	20.7%

PERFORMANCE AGAINST RELEVANT INDICES OVER 10 YEARS



CHAIRMAN'S STATEMENT

4



Lord Rothschild
Chairman

Despite the extreme volatility of markets, I am pleased to report the progress made by your Company during the year under review.

In the year to 31 March 2010, your Company's net asset value per share ("NAV") appreciated by 35.0% to 1,180.1p. This was a new high for our NAV, exceeding our previous NAV high in October 2007. The Morgan Stanley Capital International World Index in Sterling, the most relevant index, rose by 40.3% over the year. The FTSE All-Share Index and the Investment Trust Net Assets Index rose by 46.7% and 38.2% respectively.

Our returns over the prior five and ten years now stand at 65.6% and 131.8% respectively in comparison with the MSCI World Index's returns in Sterling of 29.6% and -12.1%.

In just over a month since the middle of April, most major world markets slumped some 15%, with particular weakness in Continental Europe and China. As a consequence, the MSCI World Index in Sterling has fallen by 7.5% and the FTSE All-Share by 9.1% since the end of March. Your Company's NAV per share was 1,140.0p on 4 June, representing a decline of 3.4% over the same period.

Last year I said that when returns on cash were "negligible" the injection of government money into the system had caused investment in "public equities to become more compelling". There was, in a sense, nowhere much else for money to go. We increased our public market exposure to a peak level of 82%, having started the period under review with 37%. We took positions in commodities and more cyclically exposed companies, as well as developing-economy markets and currencies. Where we deployed capital, we earned attractive rates of return, generally in excess of relevant market returns.

Currency positioning was an important and effective part of our strategy over the past year. Having increased Sterling exposure significantly after its decline in 2008, we then anticipated events by scaling back both Sterling and the Euro, and increasing the US Dollar plus a number of Asian currencies pegged to the US Dollar. At a time of extreme currency volatility we are sensitive to the impact that currencies can have on good investment decisions.

Before the setback in May, we had reduced market exposure, with greater focus on cash-rich companies with strong global franchises. For defensive reasons we had maintained a significant position in gold and gold shares, which at 4 June represented some 9% of our net assets. We concentrated our emerging-market exposure on more domestically oriented investments. New investments had previously been made in a number of hedge funds managed with a view to capital preservation. After taking into account our liquidity, we have throughout remained unlevered, and indeed in May this year we repaid a £150 million bank loan.

We face, looking to the future, an outlook and an uncertainty unlike much that we have been used to. The scale of governments' borrowing, and central banks' quantitative easing, remains, as I remarked last year, "without precedent and surely dangerous" and yet it is hard to blame these public bodies for trying to ward off market collapse and recession. The see-saws of markets derive from inherited debt and the 'cash-plenty' injected by central banks and governments to offset it: yet because there is still all but zero return available on cash, investors take risks as they seek higher returns. Equity markets therefore swing violently upwards when they rise, and then too fiercely downwards when they fall. The addiction to public and private debt earlier in the decade is being cured – or perhaps not cured – by still more public debt. The recessionary threat brings present deflation; countering it with printed money makes future inflation likely.

These stresses are global. Every country and every market feels them to a varying degree. In early summer, the spotlight turned on the Euro whose southern member countries had run levels of borrowing out of kilter with those of Germany and its northern neighbours: a problem exacerbated, indeed in part caused, by a Euro exchange rate more suited to Europe's north than its south. There is a serious risk that the European Economic Monetary Union, with one central bank and sixteen separate national treasuries, will not be able to maintain the common currency peg.

Beyond Europe, the US economy in particular has shown encouraging signs of recovery. The worst of the last crisis has passed, but it is an uncomfortable thought that more than 40% of global GDP comes from countries running fiscal deficits of 10% or more. The printing of money and fiscal stimulus have helped to bring back growth. Corporate earnings, helped by pent-up demand and the recovery, have been surprisingly good. The question remains as to whether such profits will turn out to be transitory, rather than sustainable, as the stimulus programme wears off and spending cuts take their toll on growth. We are of the view, however, that, in comparison with the yields available on government bonds, equities are likely to prove to be the preferred home for long-term investment.

Our approach remains clear: in markets like these our aim of preserving shareholders' capital takes precedence over short-term capital growth. If that means we miss some periods of market strength we will bear the disappointment. This is why RIT fared relatively well as markets fell both in the winter of 2008-09 and the past two or so months.

If, in falling markets, our aim is to preserve capital, in better times I ask shareholders to note that our growth objective is long-term, not short. We watch and indeed compare our performance with relevant indices like the MSCI World Index, and we reward our investment team in part by reference to it. But we do not feel tied to a formal benchmark. The success of this approach is evident from our record over several years rather than a single one. It lies in caution, in combining a wide range of asset classes that correspond to no specific benchmarks, and in our extreme flexibility and pragmatism of investment approach so that we are positioned to take advantage of opportunities. We include, for instance, opportunistic investments in unquoted entities from which shareholders have benefited significantly over time.

ASSET ALLOCATION

We set out below our asset allocation, shown as a percentage of your Company's total net assets.

	% of net assets at 31 March 2010	% of net assets at 31 March 2009
Quoted equities	39.2	29.5
Long equity funds	18.6	13.4
Hedge funds	7.8	1.2
Unquoted direct investments	10.2	17.5
Unquoted fund investments	10.5	11.3
Real assets	9.6	11.5
Absolute return, fixed income and currency	2.4	1.2
Liquidity	19.4	42.1
Borrowings	(16.8)	(28.4)
Other assets/(liabilities)	(0.9)	0.7
Total net assets	100.0	100.0

The table above contains three new categories: "Real assets", "Absolute return, fixed income and currency", and "Liquidity". The constituents of these are more fully set out in the Investment Review on pages 8 to 23. A more detailed analysis of your Company's portfolio and currency exposure, including future commitments, can also be found on pages 8 to 23.

CHAIRMAN'S STATEMENT

6

UNQUOTED INVESTMENTS

During the year we reviewed a large number of unquoted investment opportunities. We chose to invest in only a few of them, and shareholders should be aware of two in particular.

We will invest over time up to £60 million in Agora, a newly-established oil and gas exploration and production company focusing on the Norwegian and UK continental shelves. The company was founded by the team that established Revus, a Norwegian oil and gas exploration and production company. The company benefits from a supportive tax regime in Norway, where 78% of its Norwegian exploration costs are reimbursed. An encouraging start has been made in the West and East Tybalt and Catcher prospects.

In December 2009 we agreed to invest up to £18 million over four years in Helios Towers Africa, a new pan-African telecommunications towers business alongside Soros Strategic Partners, Albright Capital Management, and Helios Investment Partners. Helios had previously created a successful towers company in Nigeria. A good start has been made with the company having already been selected as a tower operator in Ghana.

Our main realisation during the year was the sale of our largest investment, Robin Hood Holdings, a generic pharmaceuticals business, to the US firm, Watson Pharmaceuticals. This was completed in December 2009. Our total proceeds, including the shares in Watson which we received as part of the transaction, represent a multiple of 5.4x our investment, originally made between 2003 and 2005. This is the second time that we have made a highly successful investment with Tony Tabatznik in a generic pharmaceuticals company founded by him. We would like to take this opportunity to express our gratitude to this exceptional entrepreneur.

DIVIDEND

On 4 March we declared a dividend of 4p per share for the year ending 31 March 2010. This was paid on 1 April to shareholders on the register at 12 March. At that time we stated that it was not expected that there would be a subsequent dividend in respect of that period; we have subsequently decided not to pay any additional dividend.

SHARE BUY-BACK

On 2 December 2009 we bought for cancellation 600,000 of our shares at 950p a share.

EU REGULATION

Shareholders need to be aware of a proposed directive being drafted by the European Union – the “Alternative Investment Fund Managers Directive”. This measure is primarily aimed at curbing hedge funds and private equity funds. Advertently or not, however, investment trusts are also included in its remit. I am glad to report that the UK government, the Association of Investment Companies, your Company and fellow investment trusts have had some success in limiting the impact of the worst aspects on investment trusts of the Directive in its earlier forms. However, we will not know for weeks or months the outcome of a negotiating process in Brussels that is far from over, and the risk remains that some of the progress made so far may yet be rolled back. The *Financial Times* kindly published an article by me on 20 April which seems to have contributed to the efforts which so many have made to explaining the realities of prudent investing to the protagonists in Brussels and Strasbourg.

BOARD

Charles Bailey has decided not to seek re-election at this year's Annual General Meeting and will therefore be retiring from the Board at that point. Charles first joined the Board in 1988 and has since then served your Company both as a Director and Chairman of three important Board Committees. In addition, he has served as your Company's senior independent non-executive director. On your behalf, I would like to thank him for the very substantial contribution which he has made over the years and to wish him well for his retirement.

I am pleased to announce that Lord Douro has agreed to join the Board with effect from the Annual General Meeting. He has also agreed to become Chairman of the Remuneration and Conflicts Committees and to join the Nominations Committee. He is currently a non-executive director of Sanofi-Aventis, Pernod-Ricard and Abengoa Bio Energia, and non-executive Chairman of Richemont Holdings (UK) Limited.

As recently announced, Ian Wace has resigned from the Board ahead of the Company's year-end, as a result of pressure on his time from other commitments. I would like to thank him for his contribution to the Company and wish him well for the future.

Many of our Directors devote considerable time and effort to the Board Committees which deal with important aspects of your Company's operations. During the year, Michael Marks has agreed to join the Nominations, Remuneration and Conflicts Committees and he will succeed Charles Bailey as the senior independent non-executive director. On behalf of shareholders I would like to thank your Directors for their contribution to these Committees.



Rothschild

15 June 2010

INVESTMENT REVIEW

8

INVESTMENT RECLASSIFICATION

During the year, the basis of classification of investments within the portfolio was changed to reflect more accurately the investment approach and the underlying characteristics of the investments. Three new categories have been introduced: "Real assets", "Absolute return, fixed income and currency" and "Liquidity". The main constituents of these new categories, as well as a reconciliation of the prior year disclosures, are set out below.

Real assets

This new category includes investments expected to benefit from an inflationary environment, such as commodities and real estate. The commodity exposure includes direct exposure to commodities as well as investments by way of equities or funds in the gold, metals and mining, energy and 'soft' commodities sectors. The real estate category includes the Group's investment properties as well as real estate funds such as Xander (our Indian real estate investment).

Absolute return, fixed income and currency

The absolute return category includes investment strategies which are expected over time to display modest correlation to public markets. It includes any investments in hedge funds targeting absolute return strategies as well as credit and distressed debt funds.

The fixed income category includes any corporate debt investments, as well as government securities with a duration of more than two years and related derivatives.

The currency category includes the Group's currency forwards and options, which are used to modify the underlying currency disposition resulting from the Group's non-Sterling denominated investments.

Liquidity

This category includes short-dated government securities, money market funds and cash balances.

The opening balances at 31 March 2009 under the new asset categories can be reconciled to the closing balances as shown below.

Reconciliation

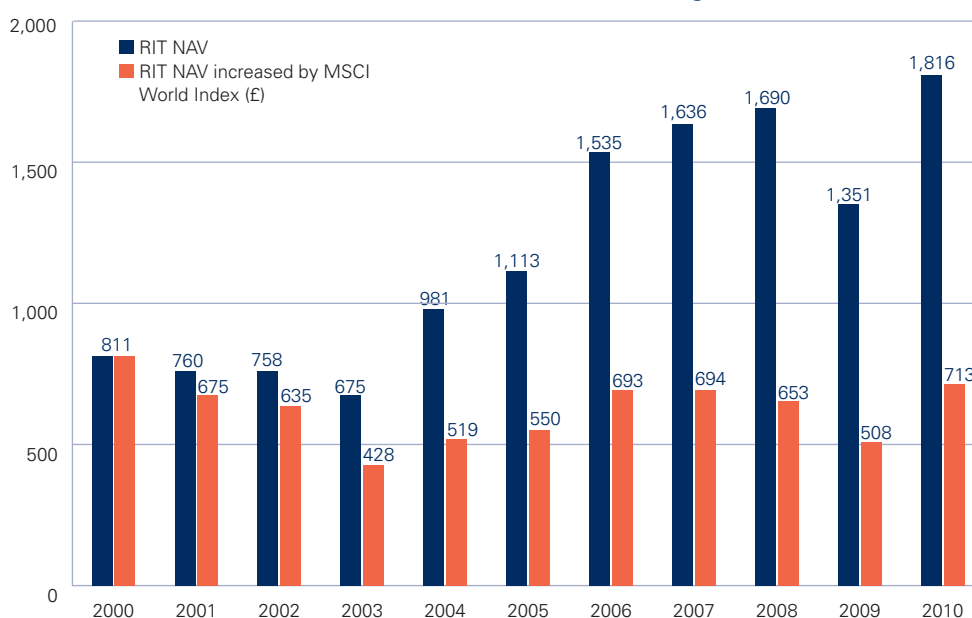
Previous Categories	31 March 2009 £ million	Reclassification £ million	New Categories	31 March 2009 £ million	31 March 2010 £ million
Quoted equities	406.1	(8.0)	Quoted equities	398.1	711.3
Long equity funds	248.1	(66.6)	Long equity funds	181.5	338.0
Hedge funds	11.0	5.5	Hedge funds	16.5	142.5
Unquoted direct	257.6	(21.0)	Unquoted direct	236.6	186.0
Unquoted funds	203.9	(51.6)	Unquoted funds	152.3	190.8
Investment property	28.5	(28.5)	–	–	–
–	–	155.0	Real assets	155.0	174.0
–	–	16.8	Absolute return, fixed income and currency	16.8	43.0
Investments (excluding liquidity)	1,155.2	1.6	Investments (excluding liquidity)	1,156.8	1,785.6
Other assets/(liabilities)	195.3	(1.6)	Other assets/(liabilities)	193.7	30.1
Net asset value	1,350.5	–	Net asset value	1,350.5	1,815.7

NET ASSET VALUE HISTORY

Over the past ten years RIT's net asset value has increased by 123.9% and the net asset value per share has increased by 131.8%. Over the same period the Group's main benchmark, the Morgan Stanley Capital International (MSCI) World Index in Sterling, has decreased by 12.1%.

The following graph shows the extent to which the Group's net asset value has outperformed the MSCI World Index (in Sterling) and the surplus value of more than £1.1 billion created for shareholders over the past ten years.

Net Asset Value (£ million) relative to MSCI World Index in Sterling



NET ASSET VALUE BY ASSET CATEGORY

	31 March 2010 £ million	31 March 2009 £ million
Quoted equities	711.3	398.1
Long equity funds	338.0	181.5
Hedge funds	142.5	16.5
Unquoted direct	186.0	236.6
Unquoted funds	190.8	152.3
Real assets ¹	174.0	155.0
Absolute return, fixed income and currency	43.0	16.8
Liquidity ²	352.5	567.7
Borrowings	(304.5)	(383.0)
Other assets/(liabilities)	(17.9)	9.0
Net asset value (NAV)	1,815.7	1,350.5

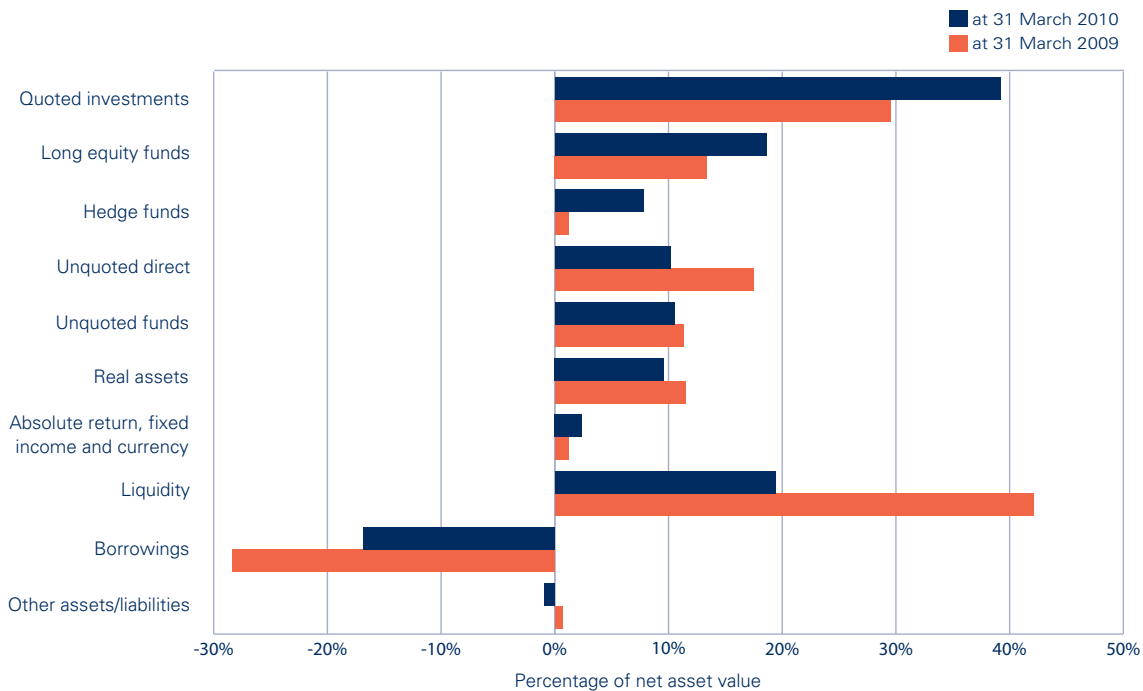
¹ Real assets includes investment properties.

² Liquidity includes cash, short-dated government securities and money market funds.

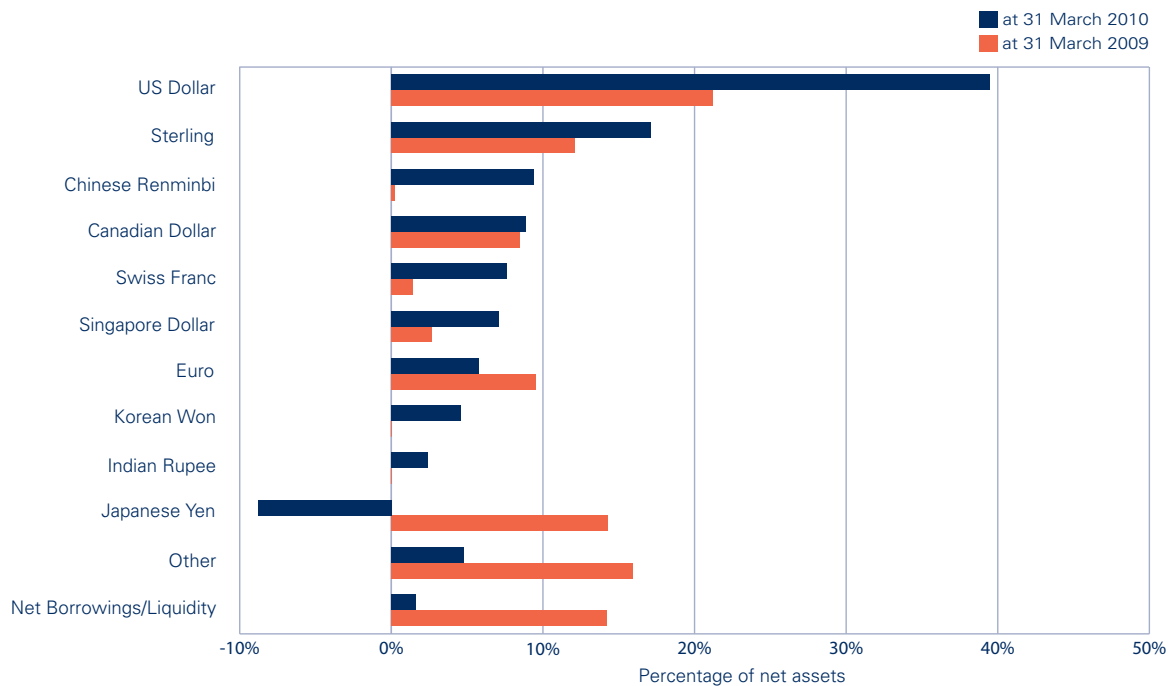
INVESTMENT REVIEW

10

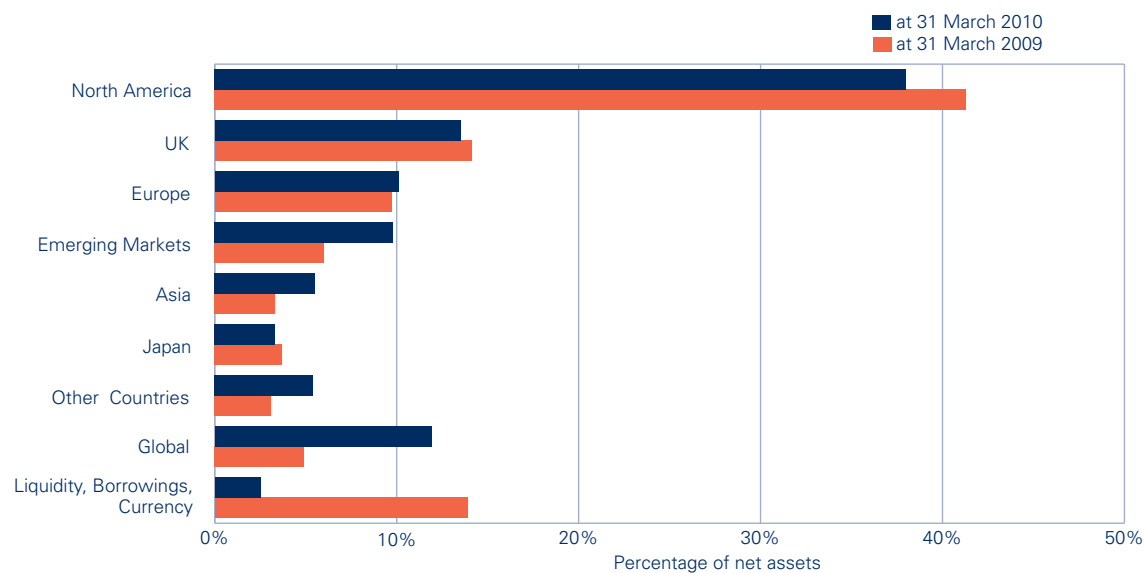
NET ASSET VALUE BY ASSET CATEGORY (%)



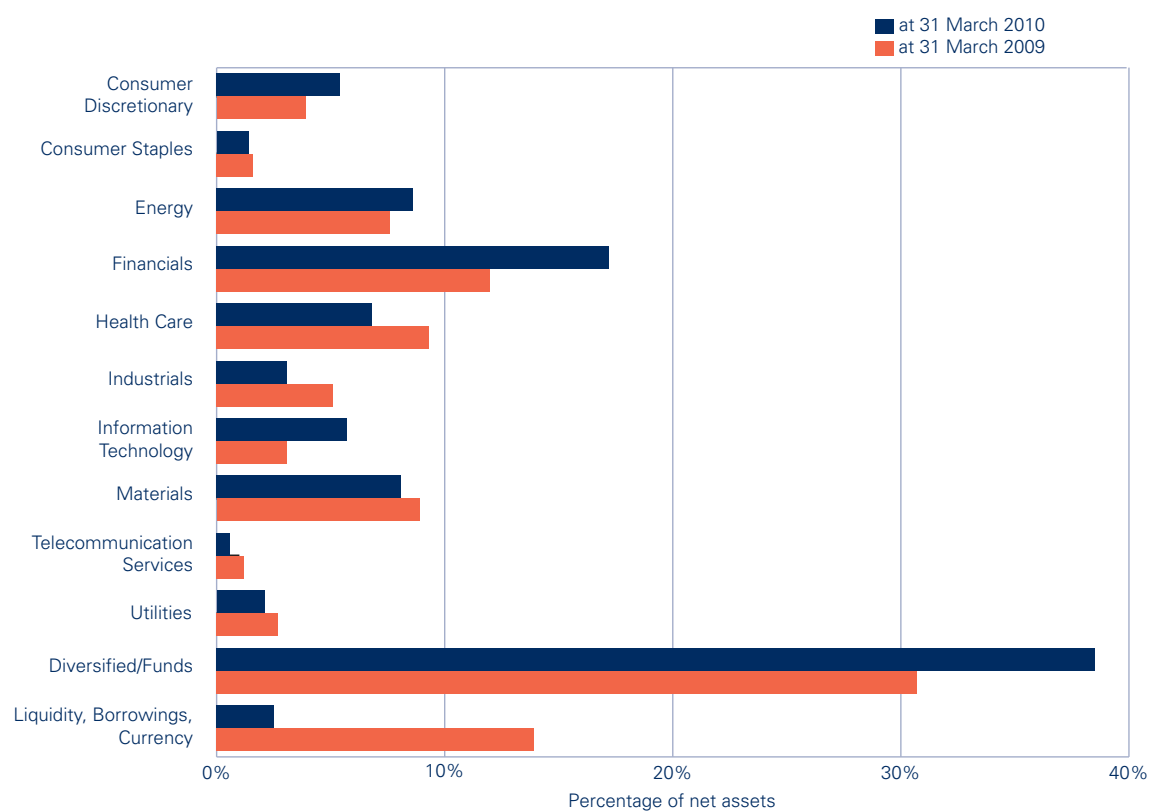
NET ASSET VALUE BY CURRENCY (%)



NET ASSET VALUE BY COUNTRY/AREA (%)



NET ASSET VALUE BY SECTOR (%)



INVESTMENT REVIEW

12

ATTRIBUTION ANALYSIS

The Group's net asset value as at 31 March 2010 was £1,815.7 million (31 March 2009: £1,350.5 million). This represents an increase of £465.2 million which is analysed below:

Year ended 31 March 2010	£ million	£ million	Pence per share	Pence per share
Quoted equities	210.3		136.3	
Long equity funds	97.9		63.4	
Hedge funds	9.2		6.0	
Unquoted direct	39.2		25.4	
Unquoted funds	21.3		13.8	
Real assets	47.9		31.1	
Absolute return, fixed income and currency ¹	94.4		61.2	
		520.2		337.2
Government bonds, money market funds	5.4		3.5	
Exchange gains on monetary items and borrowings	13.4		8.7	
		18.8		12.2
Administrative expenses	(21.7)		(14.1)	
Investment management fees	(7.7)		(5.0)	
		(29.4)		(19.1)
Finance costs ²	(23.6)		(15.3)	
Taxation	(13.4)		(8.7)	
		(37.0)		(24.0)
Profit for the year		472.6		306.3
Interest rate swap ²	10.3		6.7	
Dividend	(11.6)		(7.5)	
Share buybacks/other ³	(6.1)		0.3	
		(7.4)		(0.5)
Increase in net asset value		465.2		305.8

¹ The gain is split between absolute return (£14.7 million), fixed income (£2.5 million) and currency (£77.2 million).

² During the year certain of the Company's interest rate swaps which hedge the interest rate risk on the borrowings ceased to meet the technical requirements of hedge accounting. Correspondingly, the losses on these swaps were reclassified from the cash flow hedging reserve to the income statement. This did not affect the NAV.

³ Includes share buyback (£5.7 million) and other reserve movements (£0.4 million).

During the year the Group's investing activities produced £520.2 million of gains. The majority of these were derived from investments in quoted equities, long equity funds and currencies. Foreign exchange gains in non-Sterling denominated assets held within the investment portfolio are included in the respective asset categories.

INVESTMENT MOVEMENTS

	Market Value 31 March 2009 £ million	Additions £ million	Disposals £ million	Gain/loss £ million	Market Value 31 March 2010 £ million
Total investments					
Quoted equities	398.1	1,579.2	(1,466.5)	200.5	711.3
Long equity funds	181.5	91.3	(31.6)	96.8	338.0
Hedge funds	16.5	196.1	(79.3)	9.2	142.5
Unquoted direct	236.6	31.8	(107.6)	25.2	186.0
Unquoted funds	152.3	29.6	(12.4)	21.3	190.8
Real assets	155.0	37.4	(65.0)	46.6	174.0
Absolute return, fixed income and currency	16.8	32.1	(104.2)	98.3	43.0
Portfolio investments	1,156.8	1,997.5	(1,866.6)	497.9¹	1,785.6

¹ The gain/loss excludes income (included in the Attribution Analysis on page 12).

QUOTED EQUITIES

This part of the portfolio is comprised of equities managed internally and equities managed on our behalf by external managers in the form of segregated accounts.

During the year, the quoted equities portfolio increased from £398.1 million to £711.3 million, or 39.2% of NAV (31 March 2009: 29.5%). This increase in value was the result of gains of £200.5 million and net additions of £112.7 million.

Largest Investments

Investment Holdings	Country	Description	Value of Investment £ million	% of NAV
Quoted equities				
Watson Pharmaceuticals	USA	Specialty pharmaceuticals	34.3	1.9%
Suncor Energy	Canada	Oil production	31.6	1.7%
Transocean	USA	Oil drilling	28.9	1.6%
Legg Mason	USA	Asset management	24.7	1.4%
Paypoint	UK	Electronic payment systems	21.4	1.2%
Western Union	USA	Money transfer services	18.0	1.0%
Other quoted equities			552.4	30.4%
Total quoted equities			711.3¹	39.2%

¹ This total includes those equities held in segregated accounts as described on page 14.

Further information on the three largest holdings is set out overleaf.

INVESTMENT REVIEW

14

Watson Pharmaceuticals

Valuation at 31 March 2010: £34.3 million

Watson is a US specialty pharmaceutical business. It develops, manufactures and sells generic and brand name pharmaceutical products with a core focus on specialty products, nephrology, urology and generics.

The Watson shares were acquired as part-consideration from the sale of Robin Hood Holdings, which completed in December 2009.

Suncor Energy

Valuation at 31 March 2010: £31.6 million

Suncor is a Canadian energy company focused on developing the Athabasca oil sands basin. The company extracts and upgrades oil sands into refinery feedstock and diesel fuel. It also explores, develops and produces natural gas and refines crude oil as well as marketing a range of petroleum related products. In addition, it operates crude oil pipelines and retail petrol stations.

Transocean

Valuation at 31 March 2010: £28.9 million

The company is an offshore drilling contractor which owns or operates mobile offshore drilling units worldwide, specialising in technically demanding segments of the offshore drilling business such as deepwater and harsh environment drilling services.

Segregated Accounts

At 31 March 2010, the Group was operating 10 segregated accounts (31 March 2009: 18) with assets under management totalling £346.8 million (31 March 2009: £345.7 million).

Investment Manager	Area of expertise	Funds under management 31 March 2010 £ million
Tontine Overseas Associates	US equities	61.7
Select Equity	Global large-cap equities	48.3
Findlay Park	Small to medium sized US companies	41.3
Meditor Capital Management	European equities	40.5
Baker Steel	Equities (gold and precious metals)	37.1
RXZ Investimentos	Brazilian equities	32.3
Horizon Investment Management	Asian equities	27.6
Uttrup Investment Management	European equities	24.7
Morant Wright Management	Japanese equities	16.4
EFG-Hermes	Middle Eastern/North African equities	15.1
Others		1.8
Total		346.8¹

¹ This total includes liquidity of £28.5 million. The quoted equities which comprise the majority of the funds under management are included in the category total of £711.3 million on page 13.

LONG EQUITY FUNDS

The amount invested in long equity funds increased over the year from £181.5 million to £338.0 million, or 18.6% of NAV (31 March 2009: 13.4%). This increase in value was the result of gains of £96.8 million and net additions of £59.7 million. These funds invest primarily in liquid securities.

Largest Investments

Investment Holdings	Description	Value of Investment £ million	% of NAV
Long equity funds			
Titan Partners	American equities	41.4	2.3%
Lansdowne UK Strategic	UK and global equities	34.0	1.9%
Findlay Park Latin America	South American equities	31.7	1.7%
CLSA Water Fund	Asian water securities	28.1	1.5%
CF Egerton Sterling Investment	UK equities	24.0	1.3%
Africa Emerging Markets Fund	African equities	23.4	1.3%
PK Investment	Japanese equities	20.9	1.2%
World Trust Fund	Investment company	20.3	1.1%
Firebird Avrora Fund	Eastern European equities	19.3	1.1%
Other long equity funds		94.9	5.2%
Total long equity funds		338.0	18.6%

Further information on the largest long equity fund holdings is set out below:

Titan Partners

Valuation at 31 March 2010: £41.4 million

Titan is a US equity fund, managed by Hintz, Holman & Robillard, specialising in investments in US companies which are regarded as high growth, either by virtue of the industry within which they operate, or because their business strategy enables them to grow faster than the structural growth rate of their industry.

Lansdowne UK Strategic

Valuation at 31 March 2010: £34.0 million

This is a long only fund managed by Lansdowne which is primarily invested in either global companies quoted in the UK or UK companies with significant overseas earnings.

Findlay Park Latin America

Valuation at 31 March 2010: £31.7 million

This fund invests in South American equities which are likely to benefit from an increase in domestic consumption and the rising 'middle class' in the region. The fund focuses on smaller domestic companies rather than the larger exporting and commodity companies.

CLSA Water Fund

Valuation at 31 March 2010: £28.1 million

The fund is managed by CLSA, an Asian investment manager. The fund invests in companies involved in all aspects of water supply, treatment and recycling across the Asian region.

INVESTMENT REVIEW

16

HEDGE FUNDS

The Group increased its exposure to hedge funds during the year with five new investments. These new funds are all operating tax efficient structures under the new UK 'Reporting Fund' regime introduced in December 2009. During the year, this portfolio increased from £16.5 million to £142.5 million or 7.8% of NAV (31 March 2009: 1.2%). This increase was the result of net additions of £116.8 million and gains of £9.2 million.

Largest Investments

Investment Holdings	Description	Value of Investment £ million	% of NAV
Hedge funds			
Real Return Asian Fund	Asian equities	38.1	2.1%
Nevsky Fund	Emerging market equities	31.7	1.7%
Penta Asia Fund	Asian equities including Japan	27.0	1.5%
Clear River Capital Health Sciences	Healthcare equities	18.6	1.0%
Althea Global Emerging Markets	Emerging markets hedge fund	17.4	1.0%
Other hedge funds		9.7	0.5%
Total hedge funds		142.5	7.8%

Further information on the largest hedge fund holdings is set out below:

Real Return Asia Fund

Valuation at 31 March 2010: £38.1 million

This is an equity hedge fund which is managed by Veritas and focused on Asia, with a particular emphasis on Greater China. Veritas formerly managed a long-only equity strategy in the region for RIT.

Nevsky Fund

Valuation at 31 March 2010: £31.7 million

Nevsky is a global emerging market hedge fund. Subsequent to the year-end we redeemed our investment as the manager announced its intention to focus on long-only investment.

UNQUOTED INVESTMENTS

The Group's exposure to investments in this portfolio is split between direct investments, managed internally, and investments in funds managed by third parties. Where unquoted investments provide the Group with exposure to real assets or credit strategies, these are held within the real assets and absolute return portfolio respectively.

The total investments in these categories is as follows:

	31 March 2010 £ million	31 March 2010 % NAV	31 March 2009 £ million	31 March 2009 % NAV
Unquoted direct	186.0	10.2%	236.6	17.5%
Unquoted funds	190.8	10.5%	152.3	11.3%
Total	376.8	20.7%	388.9	28.8%

Un-called commitments for these categories totalled £132.7 million at 31 March 2010 (31 March 2009: £152.5 million). Further details on total un-called commitments are shown on page 23.

UNQUOTED DIRECT

During the year to 31 March 2010, the disposal of Robin Hood was the main reason for the reduction in this portfolio from £236.6 million to £186.0 million. The Group made new investments during the year totalling £31.8 million. The portfolio generated gains of £25.2 million during the year, as well as dividends and other income of £14.0 million.

Robin Hood Disposal

Robin Hood Holdings, the holding company for the Arrow Pharmaceutical group, was sold to Watson Pharmaceuticals Inc. in December 2009. RIT received consideration in the form of cash, Watson ordinary and preference shares, and a deferred element relating to future sales of the generic version of Lipitor®.

The sale generated a total profit of £88.1 million which represents a cash multiple of 5.4x the original investment of £20.1 million made between 2003 and 2005, and a 33.0% IRR. The impact on the year ended 31 March 2010 was not significant as the investment had been revalued in 2009 to an amount which was slightly below the subsequent value of the consideration. The transaction is summarised below:

	31 March 2009 Value £ million	31 March 2010 Value £ million
Robin Hood Holdings	94.2	–
Robin Hood deferred consideration	–	14.8
Cash consideration	–	49.0 ¹
Watson shares (quoted equity portfolio)	–	34.3
Total	94.2	98.1²

¹ The cash consideration of £49.0 million was received during the year.

² In addition to the £98.1 million of consideration, proceeds of £10.1 million were received in previous years.

INVESTMENT REVIEW

18

Largest Investments

Investment Holdings	Country	Description	Value of Investment £ million	% of NAV
Unquoted direct				
The Economist Newspaper	UK	Publishing	21.9	1.2%
Harbourmaster	Jersey	Credit manager	21.6	1.2%
Mondis Technology	UK	Intellectual property	19.2	1.1%
UK Specialist Hospitals	UK	Private hospital group	14.9	0.8%
Robin Hood	US	Deferred consideration	14.8	0.8%
Banca Leonardo	Italy	Investment bank	13.0	0.7%
Martin Currie	UK	Asset manager	12.1	0.7%
Other unquoted investments			68.5	3.7%
Total unquoted direct			186.0	10.2%

Further information on the largest investments is summarised below:

The Economist Newspaper

Valuation at 31 March 2010: £21.9 million

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

The company's interim results to 30 September 2009 showed revenue of £143.0 million and operating profit of £20.2 million, both increases on the prior period. During the year RIT received £2.2 million in dividend payments from the company.

Harbourmaster

Valuation at 31 March 2010: £21.6 million

The stake in this company was acquired in 2005. The business is one of Europe's leading independent credit managers with €8.5 billion assets under management. During the year RIT received dividends and other distributions of £16.6 million. The valuation increased by £8.8 million reflecting improved credit market conditions and leveraged loan performance, notwithstanding the continued weakness in new CLO issuance.

Mondis Technology

Valuation at 31 March 2010: £19.2 million

This company acquired the rights to exploit certain patents and intellectual property within the IT industry. During the year the company repaid part of the investment, totalling £5.4 million. The valuation was increased by £16.6 million as a result of continued progress in its commercial strategy.

New Investments

Company	Initial Cost £ million	Sector	Country
Grafton	10.0	Insurance	UK
Agora Oil and Gas	9.9	Oil and gas	Norway/UK
Other new and follow-on investments	11.9	Various	Various
Total	31.8		

The investment of £9.9 million in Agora Oil and Gas is the first drawdown against a planned investment of up to £60 million. Included in the other investments of £11.3 million, is £1.2 million in respect of the Group's initial investment in Helios Towers Africa. The Group has agreed to invest up to £18 million in total in this new business.

Key Realisations (excluding Robin Hood)

Company	Type	Proceeds £ million
Harbourmaster	Dividend	16.6 ¹
Valley National Gas	Disposal	14.3 ²
Mondis Technology	Partial realisation	5.4 ³

¹ The investment in Harbourmaster generated dividends and other distributions totalling £16.6 million.

² The sale of Valley National Gas was agreed immediately prior to 31 March 2009 and therefore revalued to the expected consideration. The original cost of this investment was £4.1 million.

³ Mondis repaid loans plus interest of £5.4 million.

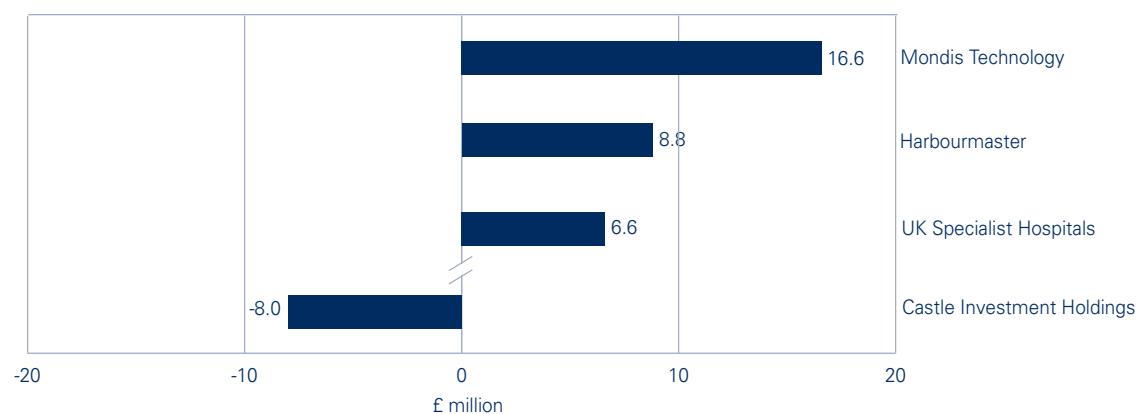
Valuation Basis

Unquoted investments are held at fair value. The valuations of unquoted investments are reviewed twice a year by a valuation committee which is chaired by an independent non-executive director, the latest review being at 31 March 2010. However, if circumstances warrant, valuations are amended between these dates.

Gains and Losses

During the year the portfolio produced realised and unrealised gains of £25.2 million (excluding dividends and interest of £14.0 million).

The most significant unrealised gains and losses, resulting from revaluations (including exchange rate movements), are shown below:



INVESTMENT REVIEW

20

UNQUOTED FUNDS

RIT's investment in unquoted funds amounted to £190.8 million, representing 10.5% of the NAV at the year-end. Net drawdowns (capital calls less distributions) totalled £17.2 million and net gains amounted to £21.3 million. At 31 March 2010, RIT had undrawn commitments totalling £129.3 million to unquoted funds having made new commitments of £11.2 million over the year.

The unquoted fund portfolio is widely diversified by vintage year, strategy and geography. It includes investments in private equity and venture capital.

Investments in these funds (and similar funds included in the real assets and absolute return categories) are generally held at the valuations provided by the external managers. These are typically provided quarterly and received some time after the relevant quarter has ended. By the time year-end figures had been finalised, March valuations for approximately 90% of the funds NAV had been received.

Largest Investments

Investment Holdings	Country	Description	Value of Investment £ million	% NAV
Unquoted funds				
Sageview Capital Partners	USA	Unquoted and listed US equity	14.4	0.8%
Darwin Private Equity I	UK	UK mid-market private equity	12.1	0.7%
Tinicum Capital Partners II	USA	Mid-market private equity	10.5	0.6%
Hony Capital III	China	Private equity	10.4	0.6%
Audax Private Equity Fund II	USA	US mid-market private equity	10.4	0.6%
Other funds			133.0	7.2%
Total unquoted funds			190.8	10.5%

REAL ASSETS

The real assets portfolio increased from £155.0 million to £174.0 million over the year as a result of gains of £46.6 million offsetting net disposals of £27.6 million. This portfolio represented 9.6% of year-end NAV (31 March 2009: 11.5%).

Largest Investments

Investment Holdings	Country	Description	Value of Investment £ million	% NAV
Commodities				
Martin Currie Global Energy	International	Global energy	40.7	2.2%
Summit Water Development	USA	US and Australian water rights	20.2	1.1%
Blackrock Gold & General	International	Metals and mining equities	17.3	1.0%
Genus Capital	International	Metals and mining equities	14.3	0.8%
Agrifirma Brazil	Brazil	Brazilian farmland	12.3	0.7%
Other commodity investments			17.7	1.0%
Total commodities			122.5	6.8%

Investment Holdings	Country	Description	Value of Investment £ million	% NAV
Real estate				
Investment property	UK	Freehold and long leasehold property	33.4	1.8%
Xander	India	Real Estate funds	13.7	0.8%
Other real estate investments			4.4	0.2%
Total real estate			51.5	2.8%
Total real assets			174.0	9.6%

Further information on the largest investments is provided below:

Martin Currie Global Energy

Valuation at 31 March 2010 £40.7 million

This fund invests in international businesses involved in all aspects of the energy industry, including oil and gas exploration and production, coal mining, oil refining and energy and oilfield services. RIT also owns a stake in the fund's manager.

Summit Water Developments

Valuation at 31 March 2010 £20.2 million

This fund invests in water rights in the US and Australia and is expected to benefit over the medium term from price increases in such water assets.

Investment property

Valuation at 31 March 2010 £33.4 million

The investment properties are 12,13,15 and Spencer House, 27 St James's Place, London. They were professionally valued by Jones Lang LaSalle as at 31 March 2010 at open market value, on an existing use basis. Spencer House is an 18th Century Grade I listed building overlooking Green Park. RIT holds a 96 year lease that began on 25 December 1986 (with an option to renew for a further 24 years).

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

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Within one year	1.9	1.9	2.0	1.8
Between two and five years	5.4	5.3	5.5	4.8
Beyond five years	1.3	1.3	3.5	0.2
	8.6	8.5	11.0	6.8

INVESTMENT REVIEW

22

ABSOLUTE RETURN, FIXED INCOME & CURRENCY

RIT's investment in this category increased from £16.8 million to £43.0 million over the year. The portfolio generated gains of £98.3 million, with net disposals of £72.1 million.

The £15.1 million value relating to currency forwards represents the profit or loss of these positions at the year-end. The notional exposure to the individual currencies is significantly larger and is set out in further detail in note 26.

Largest Investments

Investment holdings	Country	Description	Value of investment £ million	% NAV
Currency forwards	Global	Currency forwards	15.1	0.9%
Fortress Credit Opportunities	USA	Distressed credit fund	11.4	0.6%
GSO/Blackstone Fund	USA	Leveraged loans	9.0	0.5%
Other absolute return, fixed income and currency			7.5	0.4%
Total absolute return, fixed income and currency			43.0	2.4%

LIQUIDITY AND BORROWINGS

The Group's liquidity balances were reduced over the year from £567.7 million to £352.5 million, or 19.4% of NAV (31 March 2009: 42.0%) as capital was deployed in investments.

As further described in note 18, the Company switched the currency of part of its multi-currency term loan from Yen to Sterling in July 2009. This loan, which amounted to £156.7 million at the year-end, was repaid in full on the scheduled repayment date of 17 May 2010.

Description	Value £ million	% NAV
Liquidity		
Bundesobligation 2.25% 10 December 2010	146.9	8.1%
BNY Mellon Universal GBP Money Market Fund ¹	56.6	3.1%
Cash at bank ²	115.3	6.3%
Other liquidity	33.7	1.9%
Total liquidity	352.5	19.4%
Borrowings		
Bank loan due 17 May 2010	(156.7)	(8.6%)
Bank loan due 1 August 2012	(133.6)	(7.4%)
Interest rate swaps	(14.2)	(0.8%)
Total borrowings	(304.5)	(16.8%)

¹ The money market funds are predominantly invested in government securities

² Includes £62.5 million of margin balances

UN-CALLED COMMITMENTS

At the year-end, the Group had un-called commitments totalling £241.6 million. The largest component of these was in relation to unquoted funds and real estate funds (included in the real assets category). As part of its risk management procedures, the Group monitors the likely drawdowns from such commitments and ensures that it holds sufficient liquidity to meet these as they fall due.

Category	31 March 2010 £ million	31 March 2009 £ million
Hedge funds	28.1	–
Unquoted direct	3.4	3.7
Unquoted funds	129.3	148.8
Real assets	63.3	60.3
Absolute return	17.5	7.4
Total un-called commitments	241.6	220.2

BOARD OF DIRECTORS

24

EXECUTIVE DIRECTORS

Lord Rothschild, OM GBE

Lord Rothschild has chaired the Board of Directors of the Company since its inception in its present form in 1988. He also serves as Chairman of the Nominations Committee. Having left NM Rothschild & Sons in 1980, he co-founded companies in money management, insurance and investment, including Global Asset Management and St James's Place Capital plc. He served as Deputy Chairman of BSkyB Plc for five years, from 2003. He serves on the International Advisory Board of Blackstone plc and on three family office Advisory Boards as well as chairing his own family's office.

In addition to his career in finance he has been involved in public service including the arts, heritage and philanthropy having chaired The National Gallery, The National Heritage Memorial Fund and The Heritage Lottery Fund.

Mikael Breuer-Weil

Mr. Breuer-Weil was appointed as Investment Director of the Company in 2008 having been a non-executive Director since 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

Mr. Budge was appointed an executive Director and Chief Operating Officer of the Company in 1995. He has been a director of J. Rothschild Capital Management Limited, a wholly-owned subsidiary of RIT Capital Partners plc, since 1988 and has represented the Company on the boards of a number of its investments. Prior to this, he spent six years with Lazard Brothers & Co Ltd.

NON-EXECUTIVE DIRECTOR (NON-INDEPENDENT)

Nathaniel Rothschild

Mr. Rothschild was appointed as a non-executive Director in 2004. He has co-founded and led companies in the fields of money management and investment, and currently serves as Co-Chairman and Co-Founder of Attara Capital LP (the successor manager to the Atticus European Fund). From 1996 to 2009, he held various leadership roles at Atticus Capital LP, most recently as Co-Chairman. He is a non-executive director of Barrick Gold Corporation, the world's largest gold company. He is an advisory trustee of the Yad Hanadiv Foundation and a member of the Belfer Center's International Council at the John F. Kennedy School of Government at Harvard University and the International Advisory Council of the Brookings Institution.

NON-EXECUTIVE DIRECTORS (INDEPENDENT)

Charles Bailey

Mr. Bailey is a chartered accountant and was appointed a non-executive Director in 1988. He is the Senior Independent Director and Chairman of the Remuneration, Conflicts and Valuation Committees, as well as a member of the Audit and Nominations Committees. He is also a director of General Oriental Investments Limited and Antofagasta plc. Mr. Bailey has advised the Company of his intention not to stand for re-election at the Company's Annual General Meeting on 22 July 2010.

John Cornish

Mr. Cornish is a chartered accountant and was appointed a non-executive Director in January 2008. He is Chairman of the Audit Committee and a member of the Remuneration, Conflicts and Valuation Committees. Previously he was a partner at Deloitte LLP where he led the firm's services to the investment trust industry for 15 years and currently he is Chairman of Framlington Innovative Growth Trust PLC and a director of Henderson EuroTrust plc, RCM Technology Trust PLC and Strategic Equity Capital plc.

John Elkann

Mr. Elkann was appointed as a non-executive Director in March 2007. He is Chairman of Fiat Group and Chairman of Exor SpA and Itedi (publisher of La Stampa), and a director of RCS Mediagroup, Banca Leonardo and The Economist. Mr. Elkann is a graduate of the Engineering University of Turin.

NON-EXECUTIVE DIRECTORS (INDEPENDENT) (CONTINUED)

James Leigh-Pemberton

Mr. Leigh-Pemberton was appointed as a non-executive Director in 2004. He has worked at Credit Suisse since 1994, holding positions as Head of Equity Syndicate, Head of Equity Capital Markets and from 2001 to 2004, Head of European Investment Banking. He is currently Chief Executive Officer of Credit Suisse, UK. Mr. Leigh-Pemberton began his career at S.G. Warburg & Co, where he worked for fifteen years.

Michael Marks CBE

Mr. Marks is the Chairman of NewSmith Capital Partners LLP, which he founded in 2003. He was formerly Co-Head of the Global Equities business of Merrill Lynch, which he joined in 1995, and where he subsequently held positions as Chief Operating Officer of Merrill Lynch Europe, Middle East and Africa and was subsequently named Executive Chairman. He was also Executive Vice President of Merrill Lynch & Co., Inc. Mr. Marks began his career at Smith Bros. in 1958, where he became a director in 1975 and Chief Executive of Smith New Court in 1987. He was a non-executive director of Old Mutual plc from February 2004 to May 2007 and a non-executive director of London Stock Exchange plc until 2004. He was appointed as a non-executive Director of RIT Capital Partners plc in 2004.

Sandra Robertson

Ms. Robertson was appointed as a non-executive Director of RIT Capital Partners plc in 2008. She is Chief Investment Officer of Oxford University Endowment Management. Before her appointment at Oxford in 2007, she spent the previous 14 years at Wellcome Trust, where she became Co-Head of Portfolio Management.

PROPOSED NON-EXECUTIVE DIRECTOR (INDEPENDENT)

Lord Douro

Lord Douro will stand for election as a non-executive Director at the forthcoming Annual General Meeting. He has broad experience in banking and finance, having served as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is currently a director of Sanofi-Aventis, Pernod-Ricard and Abengoa Bio Energia, Chairman of Richemont Holdings (UK) Limited and is a senior advisor to the Credit Agricole Group. He was a member of the European Parliament from 1979 to 1989.

COMMITTEE MEMBERSHIP AT 15 JUNE 2010

Audit Committee

John Cornish (Chairman)
Charles Bailey
James Leigh-Pemberton

Conflicts Committee

Charles Bailey (Chairman)
John Cornish
James Leigh-Pemberton
Michael Marks

Remuneration Committee

Charles Bailey (Chairman)
John Cornish
James Leigh-Pemberton
Michael Marks

Nominations Committee

Lord Rothschild (Chairman)
Charles Bailey
James Leigh-Pemberton
Michael Marks

Valuation Committee

Charles Bailey (Chairman)
Duncan Budge
John Cornish
Sandra Robertson

DIRECTORS' REPORT

26

The Directors present their Annual Report and Accounts for the Company, covering the year ended 31 March 2010.

STATUS OF COMPANY

The Company is registered as a public company and is incorporated in England and Wales. The Company conducts its affairs so as to qualify for approval as an investment trust for tax purposes, confirmation of which has been received from HM Revenue & Customs for the year ended 31 March 2009. Approval for the year ended 31 March 2009 is subject to no subsequent enquiry being made under the corporation tax self assessment legislation. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 842 of the Taxes Act 1988. The Company is not a close company within the meaning of the Taxes Act 1988.

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

DIRECTORS

Biographies of the Directors holding office at the date of this report are shown on pages 24 and 25.

Mr Ian Wace resigned as a Director of the Company on 29 March 2010. Other than this, there were no changes in the Company's directorate during the year ended 31 March 2010.

RESULTS AND DIVIDENDS

After taxation, the Group made a capital gain of £405.8 million, revenue profit of £66.8 million, and a total profit of £472.6 million during the year ended 31 March 2010.

A dividend of 4.0p per £1 ordinary share in respect of the year ended 31 March 2010 (31 March 2009: 7.5p), was paid on 1 April 2010. No further dividend is recommended in respect of the year ended 31 March 2010.

The movements on consolidated capital and revenue reserves are shown in notes 22 and 23 on page 73.

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 20 on page 72. During the year ended 31 March 2010, no ordinary shares were issued and a total of 600,000 ordinary shares with a nominal value of £600,000 were repurchased and cancelled in accordance with the shareholders' authority granted on 23 July 2009, as the shares were trading at a significant discount to NAV. The shares were repurchased at 950p per ordinary share and represented 0.4% of called up share capital. The existing authority for the repurchase of shares expires on 30 September 2010 and a replacement authority is to be proposed at the forthcoming annual general meeting, as explained in the Notice and Explanatory Notes on pages 95 to 102.

NET ASSET VALUE

The net asset value of one ordinary share at 31 March 2010, was 1,180.1p.

INVESTMENT POLICY

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

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

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

Asset allocation

The Board currently intends to continue to allocate the Group's assets predominantly amongst quoted equities, long equity funds, hedge funds, unquoted direct investments, unquoted funds, real assets, absolute return, fixed income, currencies, government securities and money market funds. There are no restrictions on the relative allocation of assets amongst these classes and the maximum exposure of any single asset class is therefore 100%, subject to the investment trust restrictions incumbent upon the Company, which require that the Company's income from shares and securities must be at least 70% of its total income, thus automatically limiting the allocation of assets to areas such as property. In addition the Group uses derivatives to hedge various risk exposures and also to increase exposure to movements in individual securities, markets and currencies where desired. The allocation amongst these asset classes at 31 March 2009 and 31 March 2010 is shown on pages 10 and 11.

Risk diversification

The Group's investment portfolio is highly diversified by asset class, geography and currency. Overall exposures in each case are monitored and managed by executive management under the supervision of the Board. The portfolio is further diversified through the selection of external managers with different mandates. At 31 March 2010, 17.5% of the quoted portfolio was delegated to external managers, themselves under obligations to maintain appropriate risk diversification. The names of these external managers who manage segregated investment accounts for the Group are listed on page 14. The remainder of the quoted portfolio is managed internally by the executive management under the supervision of the Board. The Group's investments in hedge funds, long equity funds, unquoted funds and certain of the investments in real assets, absolute return, fixed income and money market funds are also externally managed and provide additional diversification.

The Company also complies with the requirements of the relevant tax legislation for an investment trust not to invest more than 15% of the total value of its investments in the securities of any one group at the time of the initial acquisition, or subsequent purchase.

Gearing

The Company has maintained structural gearing principally through term loans. At 31 March 2010, the Sterling equivalent of the indebtedness under the term loans was £290.3 million, against total assets of £2,176.1 million, or 13.3%. This percentage may fluctuate as permitted under the financial covenants of the facility agreement. Were it not for these, the maximum indebtedness that the Company is empowered to incur under its Articles of Association is five times its adjusted capital and reserves, as defined.

Since 31 March 2010, the Company has repaid one of the term loans on its scheduled maturity, as described in note 18 on page 70.

Cross holdings

The UKLA Listing Rules also require closed-ended investment companies to disclose quarterly all of their investments in "other listed closed-ended investment funds ... which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds." RIT Capital Partners plc has made no statement restricting its own investment policies in this manner.

BUSINESS REVIEW

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

An analysis of the investments is contained in the Investment Review on pages 8 to 23.

The Group holds both listed and unlisted investments.

The Chairman's Statement on pages 4 to 7 of this annual report and the Investment Review contain a review of the Group's business in the year to 31 March 2010. Financial Highlights and Performance Information is set out on page 3, and the portfolio and currency exposure is analysed on pages 10 and 11. The principal risks are as set out in note 26 on pages 75 to 89 and in the Corporate Governance Report on pages 35 and 36. The Directors consider that the Key Performance Indicator most relevant to the Group is the MSCI World Index in Sterling, compared with the movement in the Group's net asset value per share, as set out on page 3.

At the present time, the portfolio meets the requirements to enable the shares of the Company to be included as an investment within an Individual Savings Account ("ISA").

DIRECTORS' REPORT

28

MAJOR HOLDERS OF VOTING RIGHTS

As at 31 March 2010, the following notifications had been received from the holders of 3% or more of the voting rights conferred through the direct or indirect holding of the Company's ordinary shares of £1 each. Such notifications were made pursuant to the Disclosure Rules and Transparency Rules of the Financial Services Authority ("FSA").

Major holders of voting rights	31 March 2010		31 March 2010	
	No. of voting rights		% of voting rights	
	Direct	Indirect	Direct	Indirect
Five Arrows Limited*	913,115	5,844,720	0.59	3.80
Kelvin Hudson & Helen Green*	9,301,619	–	6.05	–
Lady Rothschild*	6,364,957	–	4.14	–
Legal & General Group plc	5,421,904	–	3.52	–
Lord Rothschild*	12,426,404	–	8.08	–
Saffery Champness Partnership*	–	10,541,972	–	6.85
Sir Edward Cazalet*	5,089,306	–	3.31	–
S.J.P. Trustee Company Limited*	6,659,694	–	4.33	–

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

As at 28 May 2010, the above table remained unchanged save for the interest of Legal & General Group plc, which had reduced the number of its voting rights held to 5,378,243 (3.50%).

DIRECTORS' INTERESTS

The interests of the Directors at 31 March 2010 and 31 March 2009 (or subsequent date of appointment where applicable) in the ordinary shares of the Company are shown below.

Ordinary shares of £1 each	31 March 2010		% of Share capital
	Beneficial	Non-beneficial	
Lord Rothschild	18,659,144	7,861,021	17.24
Charles Bailey	10,500	–	0.01
Mikael Breuer-Weil	40,000	–	0.03
Duncan Budge	35,139	15,000	0.03
John Cornish	8,281	–	0.01
John Elkann	–	–	–
James Leigh-Pemberton	–	–	–
Michael Marks	–	–	–
Sandra Robertson	–	–	–
Nathaniel Rothschild	3,067,374	–	1.99
Ian Wace ¹	–	–	–

¹ Resigned 29 March 2010.

Ordinary shares of £1 each	31 March 2009		% of Share capital
	Beneficial	Non-beneficial	
Lord Rothschild	20,078,145	6,439,934	17.17
Charles Bailey	10,500	–	0.01
Mikael Breuer-Weil	15,000	–	0.01
Duncan Budge	40,139	10,000	0.03
John Cornish	8,281	–	0.01
John Elkann	–	–	–
James Leigh-Pemberton	–	–	–
Michael Marks	–	–	–
Sandra Robertson	–	–	–
Nathaniel Rothschild	4,185,874	–	2.71
Ian Wace	–	–	–

The above information is presented in compliance with the Listing Rules of the FSA, which require disclosure of Directors' beneficial and non-beneficial share interests, as opposed to their control of voting rights as is the case for major holders under the FSA's Disclosure and Transparency Rules, as explained above. Components of the interests of Lord Rothschild and Nathaniel Rothschild are held by family trusts. Accordingly, the names of the respective trustees are disclosed under Major Holders of Voting Rights, where any individual trust controls 3% or more of the Company's voting rights, whereas the holdings of the directors themselves are disclosed under Directors' Interests. The change in the disclosed interests of Nathaniel Rothschild during the year arise from reorganisations of Rothschild family trusts as opposed to changes in the number of shares of the Company held by those trusts, or by Nathaniel Rothschild.

Between the end of the year and the date of this Report, there were no changes in the Directors' interests.

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors. Requests from other Directors and employees of the Group are referred to the Remuneration and Conflicts Committee, except in the case of small volume transactions requested by those other than Directors and senior executives, which are considered by the Company Secretary.

Except as stated below, under "Management and Administration" and in note 28 to the financial statements (as regards Lord Rothschild and Nathaniel Rothschild), no Director has, or has had during the period under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the Listing Rules of the Financial Services Authority.

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

The process for the appointment and replacement of Directors is set out on page 32.

MANAGEMENT AND ADMINISTRATION

Details of the current external investment managers who operated segregated accounts for the Company at 31 March 2010 are shown in the Investment Review on page 14.

The investment managers charge fees based on a percentage of the funds under management (in the range from 0.5% to 1.5% per annum) and, in certain cases, performance fees are charged where the increase in the value of the funds exceeds specified hurdles.

The investment management agreements can be terminated with notice periods of between one and three months. Apart from the right to receive accrued fees, the investment management agreements do not provide for any other payment on termination.

The performance of each of the investment managers is reviewed regularly by the executive Directors and the Board as a whole. The terms of the contracts between the Company and those managers are also reviewed to ensure that they are still appropriate. In the opinion of the Directors, the continuing appointment of the investment managers gives the Company access to the expertise of managers who specialise in particular asset classes or geographical areas and is therefore in the best interests of shareholders.

The majority of the remainder of the investment portfolio is managed by the Company's executive management.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on 22 July 2010 at 11.00 am at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED. The Notice is set out on pages 95 to 99 of this document, with Explanatory Notes relating to each of the proposed resolutions on pages 100 to 102.

PAYMENT OF SUPPLIERS

It is the Company's payment policy to obtain the best terms for all business. The Company agrees the terms on which business will take place with its suppliers, and it is the Company's policy to abide by such terms. The Company had no trade creditors at the year-end (31 March 2009: nil).

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

During the year ended 31 March 2010, the Company made no charitable donations or political contributions.

DIRECTORS' REPORT

30

TAKEOVER DIRECTIVE

Section 992 of the Companies Act 2006 requires certain disclosures to be made in relation to the EU Takeover Directive. Page 26 of this report and note 20 provide disclosure of the Company's share capital. Page 28 shows the significant direct and indirect holdings in the Company's securities. There are no restrictions or significant agreements that may restrict, on a change of control, transfer of securities in the Company or the voting rights attaching to those securities.

INDEPENDENT AUDITORS

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

DISCLOSURE OF INFORMATION TO AUDITORS

With regard to the preparation of the Annual Report and Accounts of the Company for the year ended 31 March 2010, the Directors have confirmed to the auditors that:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware; and
- they have taken the steps appropriate as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By Order of the Board

J. Rothschild Capital Management Limited

Secretary

15 June 2010

The Directors present their Corporate Governance Report for the year ended 31 March 2010. Apart from certain matters reported below, the Directors believe that the Company has complied with the Combined Code on Corporate Governance published in 2008 by the Financial Reporting Council (the "Code") for the period under review.

The contents of this report are intended to address the subjects required under the Code, as well as providing a description of the Company's governance environment in general terms.

THE BOARD OF DIRECTORS

The Company is an investment trust managed by its Board of Directors (the "Board") currently comprising ten Directors, three of whom are executive Directors including the Chairman, one of whom is a non-independent non-executive Director and the remaining six are independent non-executive Directors as determined by the Board. The full membership of the Board and the biographical details of each of the Directors are set out on pages 24 and 25.

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

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

The Board met formally on four occasions in the year ended 31 March 2010. Lord Rothschild, Mr Bailey, Mr Budge, Mr Breuer-Weil, Mr Cornish, Mr Marks and Mr Rothschild attended each meeting; Ms Robertson and Mr Leigh-Pemberton attended three meetings. Mr Elkann and Mr Wace attended two meetings.

The non-executive Directors participate in discussions regarding the Company's strategy and performance. They also meet on one occasion each year without any executive directors present to consider the conclusions of the annual Board evaluation exercise and the performance of the Chairman. In addition, following the division of the Remuneration & Conflicts Committee into a Remuneration Committee and a separate Conflicts Committee since the year-end there are now five permanent committees. The composition of the committees is set out on page 25. Each committee has its own Terms of Reference which may be viewed on the Company's website.

The permanent committees are as follows:

The Audit Committee

The Audit Committee comprises three non-executive Directors, all of whom are independent of the Company. It is chaired by John Cornish, a former partner at Deloitte LLP, who is also the chairman of the audit committees of three other public companies, and whom the Board considers has appropriate financial experience.

The Committee meets at least twice each year to review the Company's interim and annual financial statements, to consider reports thereon from the external audit process and to review any issues arising with the Company's management. It may meet on additional occasions should the need arise. The Committee also monitors the adequacy of the Group's accounting policies and financial reporting, which are discussed with the external auditors.

The Audit Committee also considers the external auditors' independence, objectivity and the cost effectiveness of the audit process. The Committee monitors the level of non-audit services provided to the Company by the auditors, assessing their objectivity in providing such services and ensuring that the independence of the audit team from the Company is not compromised. Non-audit services provided by PricewaterhouseCoopers LLP in the year ended 31 March 2010 were primarily in relation to other assurance services and taxation services.

CORPORATE GOVERNANCE REPORT

32

The Committee also meets on a separate and dedicated basis to review the effectiveness of the Company's system of internal controls at least annually by reference to reports prepared and compiled by management. The remaining matters in the Audit Committee's Terms of Reference are considered as and when necessary.

The Audit Committee is responsible for monitoring the Company's whistleblowing procedures for staff to follow in the event that they might have any concerns about possible improprieties in matters of financial reporting or other matters. The procedures in place provide for staff to have direct recourse to the Audit Committee, through its Chairman.

The current membership of the Committee is set out on page 25. The Committee met formally on three occasions in the year ended 31 March 2010. All three members of the Committee attended these meetings.

The Conflicts Committee

The Conflicts Committee was created in April 2010 following the division of the Remuneration & Conflicts Committee. The Conflicts Committee will meet at least once a year on a formal, scheduled basis and on other occasions as and when required. The Committee's principal responsibilities will cover proposed co-investment/related party transactions and the approvals of cost sharing arrangements with parties related to Lord Rothschild or any other director (as described in Note 28). The Committee is responsible for monitoring and pre-approving any arrangements entered into between the Company and any of its Directors, or their connected interests, to ensure that any conflicts of interest are avoided or pre-approved and managed appropriately.

The membership of the Conflicts Committee is set out on page 25.

The Nominations Committee

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

The current membership of the Committee is set out on page 25. The Committee met formally on one occasion in the year ended 31 March 2010. All four members of the Committee attended this meeting.

The Remuneration Committee

The Remuneration Committee which was created in April 2010 following the division of the Remuneration and Conflicts Committee comprises four non-executive Directors, all of whom are independent. The Committee will meet at least once each year on a formal basis, and on additional occasions as may be required. Its primary responsibilities include the creation and maintenance of remuneration policies designed to attract, retain and motivate directors appropriately for a self-managed investment trust. This includes the review of the total remuneration packages of the executive Directors, ensuring an appropriate balance between fixed and performance-related elements. This exercise is conducted in part by reference to other companies of similar size and business objectives. The Remuneration Committee seeks the advice of remuneration consultants as and when appropriate. The Committee is also responsible for monitoring the fees paid to the non-executive Directors, by reference to the roles and time commitment of each individual concerned, although the final determination of the fees payable to non-executive directors is a matter for the Board of Directors as a whole.

It is also the responsibility of the Committee to determine the policy for the pension arrangements of the executive Directors.

The current membership of the Committee is set out on page 25.

Note: The Remuneration and Conflicts Committee met formally on two occasions in the year ended 31 March 2010. Mr Bailey, Mr Cornish and Mr Leigh-Pemberton attended both meetings. Mr Marks who was appointed to the Committee on 21 December 2009 attended the one meeting that he was entitled to attend.

The Valuation Committee

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

The full membership of the Committee is set out on page 25. The Committee met formally on two occasions in relation to the year ended 31 March 2010. All four members of the Committee attended these meetings.

CHAIRMAN WITH EXECUTIVE RESPONSIBILITIES

Lord Rothschild is both Chairman of the Board and an executive Director. The Board recognises that this is at variance with the recommendations of the Code, which are concerned with the potential problems of combining the running of the Board with the executive responsibility for the running of the Company. The Board believes that the current arrangements are appropriate for a self-managed investment trust and are in the best interests of the Company and its shareholders on an ongoing basis. The Company has in place a structure of permanent board committees, described above, which are designed to devolve responsibility and control of certain key areas of Board responsibility away from the Chairman. The Audit Committee, the Conflicts Committee and the Remuneration Committee are comprised entirely of independent non-executive Directors. Whilst the Nominations Committee is chaired by Lord Rothschild and a member of the Valuation Committee is an executive Director, independent non-executive Directors represent a majority of their number in both cases. The Board is therefore of the view that the Company is not at risk from a concentration of power caused by the Chairman having executive responsibilities and believes that Lord Rothschild is well qualified for both roles.

As Chairman, Lord Rothschild is responsible for the leadership of the Board and its effectiveness in dealing with the matters reserved for its decision. This includes ensuring that Directors are properly briefed on issues arising at Board meetings. He is also responsible for ensuring effective communication with shareholders and for facilitating the full and effective contribution of the non-executive Directors.

BOARD BALANCE AND INDEPENDENCE

As described above, the Board is comprised of ten Directors of whom three are executive, one is non-executive but not independent and six are non-executive and determined by the Board as independent. This balance is intended to limit the scope for an individual, or a small group of individuals, to dominate the Board's decision-making. More than half of the Board, excluding the Chairman, therefore comprise non-executive Directors determined by the Board to be independent.

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

Of the six non-executive Directors determined by the Board to be independent, one does not meet the independence criteria set out in the Code, in that he has served on the Board more than nine years since the date of his first election. Mr Bailey, the Senior Independent Director and the long serving Director concerned, has brought relevant experience and knowledge to the Board without which its effectiveness would be reduced. The Board believes that an in-depth knowledge of the Company's business derived from long service is an advantage, particularly in the circumstances of a self-managed investment trust. Mr Bailey has indicated his desire not to stand for re-election at the forthcoming annual general meeting.

APPOINTMENTS TO THE BOARD

The Nominations Committee is responsible for the process of appointment of new directors to the Board. The Board, through the Nominations Committee, recognises the need to consider, on an ongoing basis, the appointment of new Directors to bring fresh impetus and objectivity. Such appointments will be made on merit and ability to devote such time as is necessary to the position, as described in each Director's letter of appointment. The Committee will also be mindful of succession planning and board balance when recommending future appointments to the Board. Neither open advertising nor external search consultancies

CORPORATE GOVERNANCE REPORT

34

have been used for non-executive Director appointments in the past, as the Board and Nominations Committee identify and assess candidates on the basis of their potential contribution to the Company.

Non-executive Directors are not appointed for specified terms. Since periodic re-election requirements are in place, neither the Nominations Committee nor the Board consider that such contractual limitations would be in the best interests of the Company as a self-managed investment trust.

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

INFORMATION AND PROFESSIONAL DEVELOPMENT

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information through the Company Secretary, J. Rothschild Capital Management Limited. This is effected through regular oral and written communication, including detailed papers provided for each of the Company's scheduled board meetings. Such communication is intended to update Directors' knowledge and familiarity with the Company and its business, to enable them to fulfil their respective roles on the Board or its committees. The Directors have access to the Company Secretary for advice and services. The Chairman, the Nominations Committee and the Company Secretary have formulated a full, formal and tailored induction process for new directors on their joining the Board.

All Directors are entitled to take independent professional advice, including legal advice, at the Company's expense where they judge it necessary to discharge their responsibilities as Directors, up to a maximum of £25,000 per annum.

The Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are complied with and for advising the Board, through the Chairman, on corporate governance matters.

PERFORMANCE EVALUATION

The Code requires the Company to report on the means by which performance evaluation of the Board, its committees and its individual Directors has been conducted. The Board has determined that the completion of a questionnaire by each of the Directors covering the processes, efficiency and composition of each of the Board, its committees and the Directors, followed by discussion of the summarised responses is the most appropriate for the Company's circumstances. This exercise was conducted between February and March 2010, when the responses were evaluated and considered by the Board and separately by the non-executive Directors in a meeting without any executive Directors being present.

RE-ELECTION OF DIRECTORS

The Company has complied with the Code requirements for each Director to stand for re-election at least once every three years and that any non-executive Director serving more than nine years since first elected should stand for re-election annually.

The names of Directors retiring by rotation and standing for re-election at the forthcoming Annual General Meeting are as set out in the Notice of Meeting on page 95, and the summary of AGM business is contained in the Explanatory Notes on page 100.

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

RELATIONS WITH SHAREHOLDERS

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

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

ACCOUNTABILITY AND AUDIT

Statement of the Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of RIT Capital Partners plc and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under DTR 4.1.12

Each of the Directors, whose names and functions are listed on pages 24 and 25 confirm that, to the best of their knowledge:

- the Group and the Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

Internal Control

The Board of Directors is responsible for the Group's system of internal control although it has delegated the supervision of the system to the Audit Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. The Board has delegated to executive management the implementation of the systems of internal control within an established framework applicable throughout the Group. The system of internal control is reviewed annually. The Board considers that the necessary procedures have been implemented to satisfy the

CORPORATE GOVERNANCE REPORT

36

requirements of the Financial Services Authority with respect to the Turnbull guidance "Internal Control: Guidance for Directors on the Combined Code" issued in September 1999 and revised in 2005.

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

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

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial period and up to the date of this report through the monitoring processes set out below. During the course of its review of the system of internal controls, the Audit Committee has not identified or been apprised of any failings or weaknesses which it has determined to be significant.

Control Environment

The Group has established an organisational structure which allocates defined levels of authority and reporting responsibility in respect of the operational, compliance, financial and taxation affairs of the Group to a small number of senior executives who meet regularly to discuss matters of importance to the Group.

Risk Management

The identification of major business risks is carried out by the Board in conjunction with the relevant executives. The mitigation and monitoring of risks identified is undertaken by the Board or the executive management as appropriate. Timetables are agreed for implementing any required improvements to systems and progress against these timetables is monitored. Detailed portfolio valuations are undertaken every week and these form the basis for risk control decisions regarding equity exposure, liquidity, market price risk and exchange rate risk. Further information relating to risk management is contained in Note 26 to the financial statements.

The system of internal control and risk management is embedded into the operations of the Company, and the action taken to mitigate any weaknesses is carefully monitored.

Social, Environmental and Ethical ('SEE') Responsibility

The Board is responsible for investment strategy and related questions of SEE policy. It has delegated the supervision of SEE related matters to the Audit Committee, and day-to-day responsibility resides with executive management. As an investment trust, the Board considers that the Company's direct SEE impact is low. However, SEE risk is considered on a case-by-case basis where management believes that investments made internally, as opposed to those made by external managers, would create an SEE risk exposure. Potential SEE risk is also considered in the selection of external investment managers.

Financial Reporting and Control Procedures

There is a budgeting system with an annual budget approved by the executive management. Monthly actual results are reviewed and reported against budget and reviewed regularly by the executive management.

The Group maintains guidelines in relation to the key controls exercised over its financial and operating affairs. Duties are segregated to the extent commensurate with the size of the Group's organisation and business environment.

STATEMENT ON GOING CONCERN

The Directors have assessed the ability of the Company and the Group to continue as a going concern with reference to guidance issued by the Financial Reporting Council in October 2009. The Company and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 to 7. Further details of the financial position of the Company and the Group can be found in the Investment Review on pages 8 to 23. In addition, note 26 to the financial statements includes details of the Company's objectives, policies

and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As at the year-end the Group had cash at bank of £115.3m and, after including money market funds, current bank loans and overdrafts, a net figure for cash and cash equivalents of £27.4m. In addition to these liquidity balances the Group held government securities and quoted equities meeting the IFRS 7 definition of level 1 assets of £905.2m. These are defined as investments that are valued based on quoted prices in active markets, and consequently they are considered by the Directors to be readily convertible to cash.

The Directors confirm that they are satisfied that the Company and the Group have adequate resources, an appropriate financial structure and suitable management arrangements in place to continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REMUNERATION REPORT

38

This report details the remuneration paid to the Company's Directors including the Chairman, Lord Rothschild, the Chief Operating Officer, Duncan Budge and the Investment Director, Mikael Breuer-Weil, for the year ended 31 March 2010.

AUDITED SECTIONS OF THE DIRECTORS' REMUNERATION REPORT

The following sections of the Report have been audited: the Directors' remuneration table, the sections on the long-term incentive plan and pension contributions, and the executive Director's pension table.

REMUNERATION COMMITTEE/REMUNERATION AND CONFLICTS COMMITTEE

The remuneration packages of individual executive Directors were determined by the Remuneration and Conflicts Committee in the year ended 31 March 2010. This Committee was dissolved on that date and, with effect from 1 April 2010, its remuneration responsibilities were assumed by the new Remuneration Committee. Both committees are, or were, comprised of Charles Bailey (Chairman), John Cornish, James Leigh-Pemberton and Michael Marks, all of whom are considered by the Board to be independent, non-executive Directors. Lord Rothschild, Duncan Budge and Mikael Breuer-Weil liaise closely with the Committees, although they do not take part in any discussions relating to decisions on their own terms and conditions of employment.

Determination of the remuneration of the non-executive Directors, within the limits imposed by the Articles of Association, is the responsibility of the Board as a whole. The Remuneration 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 as revised in 2008 (the "Code").

Until its division on 31 March 2010, the Remuneration and Conflicts Committee was responsible for setting executive remuneration at an appropriate level to attract, retain and motivate Directors of requisite calibre. Any arrangements made to provide longer term incentives are intended to encourage and reward performance and to benefit shareholders, as well as to ensure RIT's employees are adequately remunerated compared to its industry peers. The Remuneration and Conflicts Committee compared remuneration packages of similar financial institutions to the Company and modelled its decisions on the median position of those institutions. In setting policy and making decisions, the Remuneration and Conflicts Committee gave full consideration to the provisions on the design of performance-related remuneration set out in Schedule A of the Code. The responsibilities in these areas were transferred to the newly formed Remuneration Committee with effect from 1 April 2010.

Directors' Remuneration

Year to 31 March 2010				
Director	Salaries and fees £	Bonuses £	Other benefits £	Total remuneration 2009-2010 £
Lord Rothschild	401,567	87,442	119,875*	608,884
Charles Bailey	41,250	–	–	41,250
Mikael Breuer-Weil	224,968	243,418	46,593	514,979
Duncan Budge	295,271	64,826	149,155*	509,252
John Cornish	32,750	–	–	32,750
John Elkann	20,000	–	–	20,000
James Leigh-Pemberton	27,000	–	–	27,000
Michael Marks	20,854	–	–	20,854
Sandra Robertson	23,000	–	–	23,000
Nathaniel Rothschild	20,000	–	–	20,000
Ian Wace ¹	20,000	–	–	20,000
	1,126,660	395,686	315,623	1,837,969

*Other benefits include payments in lieu of Pension Contributions – see below.

¹ Director until March 2010

Year to 31 March 2009				Total
Director	Salaries and fees £	Bonuses £	Other benefits £	remuneration 2009-2010 £
Lord Rothschild	401,567	279,246	115,073*	795,886
Charles Bailey	45,000	–	–	45,000
Mikael Breuer-Weil ¹	165,830	221,514	–	387,344
Duncan Budge	295,271	205,593	148,436*	649,300
John Cornish	28,125	–	–	28,125
John Elkann	20,000	–	–	20,000
David Haysey ²	67,490	93,521	756	161,767
Andrew Knight ²	7,875	–	–	7,875
James Leigh-Pemberton	27,000	–	–	27,000
Michael Marks	20,000	–	–	20,000
Sandra Robertson ³	16,292	–	–	16,292
Nathaniel Rothschild	20,000	–	–	20,000
Michael Sofaer ⁴	–	–	–	–
Ian Wace ³	14,167	–	–	14,167
	1,128,617	799,874	264,265	2,192,756

* Other benefits include payments in lieu of pension contributions – see below

¹ non-executive Director to 17 July 2008; executive Director from 17 July 2008

² Director until 17 July 2008

³ appointed 17 July 2008

⁴ Director until 20 November 2008 – Director's fees waived

Basic Salary, Salary Supplements and Bonus

Basic salaries for the executive Directors are reviewed annually by the Remuneration Committee (Remuneration and Conflicts Committee until 31 March 2010) and the last review was at 31 March 2010. For the current year, to 31 March 2011. Lord Rothschild's salary is £413,614 (year to 31 March 2010: £401,567), Duncan Budge's salary is £304,129 (2010: £295,271) and Mikael Breuer-Weil's salary is £275,000 (2010: £224,968).

Lord Rothschild received a salary supplement of 20% of his basic salary, amounting to £80,313 in the year ended 31 March 2010 (31 March 2009: £80,313). This is included in the 'other benefits' figure disclosed above. The supplement is equivalent to the value of his pension contributions foregone since his election to opt out from the Company's pension scheme following advice received ahead of the pension tax reforms that came into force on 6 April 2006. The salary supplement shall continue to be paid at the same proportion to salary in future. For similar reasons, Mr Budge elected for the Group to cease making contributions on his behalf into the defined benefit section of the RITCP Pension and Life Assurance Scheme, with effect from 6 April 2006. From that date Mr Budge has received a salary supplement equivalent to 42% of his basic salary, or £124,014 for the year ended 31 March 2010 (31 March 2009: £124,014).

The Board of Directors, on the recommendation of the Remuneration Committee, has adopted an Executive Bonus Plan. The Plan provides that each executive Director, and/or such other participants as may be determined by the Remuneration Committee, shall be entitled to an annual bonus. The amount payable under the Executive Bonus Plan is calculated by reference to the Company's three-year moving average outperformance (in terms of increase in the net asset value per share, with dividends reinvested) over the three most relevant total return indices. The indices are currently the FTSE All-Share Total Return Index, the Investment Trust Net Assets Total Return Index (ITNATR) and the MSCI Total Return World Index (expressed in Sterling). The percentage of salary payable as a bonus rises on a straight line basis from 0% to 100%, if the average annual outperformance is between 0% and 7%. Thereafter, the percentage of salary payable as a bonus to Lord Rothschild and Mr Budge rises from 100% in a straight line to the maximum bonus payable under the Plan of 125%, if the average annual outperformance is between 7% and 10%. For the year to 31 March 2009, Mr Breuer-Weil, as Investment Director, received an annual bonus of twice the amount produced by the same calculation, so that his maximum bonus under the plan was 250% of annual salary.

DIRECTORS' REMUNERATION REPORT

40

The bonuses payable under the Plan to Lord Rothschild, Mr Budge and Mr Breuer-Weil in the year ended 31 March 2010 amounted to £86,442 (31 March 2009: £278,246), £63,826 (31 March 2009: £204,593) and £169,892 (31 March 2009: £221,014) respectively. These include adjustments to the bonuses for the year ended 31 March 2009, reflecting the finalisation of the ITNATR Index for that year in June 2009. For the year to 31 March 2010, the Board, on the recommendation of the Remuneration and Conflicts Committee, determined that a further bonus of £72,526 should be paid to Mr Breuer-Weil in addition to the bonus as calculated under the Plan for the year to 31 March 2010, to reflect his responsibilities and performance during the year and to bring his overall bonus payment in line with the basis on which the bonuses were payable to other investment staff to reward their hard work, dedication and success through an extremely difficult period in investment markets. In addition Lord Rothschild, Mr Breuer-Weil and Mr Budge all received a £1,000 bonus which was paid to the Group's employees in December 2009 (31 March 2009: £1,000).

Long-term Incentive Plan

The adoption of a Share Appreciation Rights plan (the "SAR Plan") was last approved by shareholders on 17 July 2008. Under the SAR Plan, participants are entitled to elect to receive a cash bonus. The amount of the bonus will represent the increase, since the date of grant, in the Company's share price multiplied by the notional number of shares. For directors of the Company and certain other senior executives, 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 the three year period between the date of grant and the third anniversary thereof. The performance condition is applied subject to the review of the Remuneration Committee and the Board of directors.

The performance condition applying to the SARs granted to directors on 15 March 2007 was tested on 15 March 2010. The result was within 0.2% of the performance condition target. The Board, on the recommendation of the Remuneration & Conflicts Committee, approved the vesting of 90% of the SARs granted in 2007 subject to the performance condition, as is permitted under the SAR Scheme Rules. The remaining 10% of the SARs granted in 2007 lapsed unexercised. This split of vested and lapsed SARs is reflected in the tables below.

As at 31 March 2010 the amount accrued in respect of the SAR Plan participations of the Company's executive Directors was £1,189,818 (31 March 2009: £1,867,133). The lowest closing price of the Company's shares during the year was 828p and the highest was 1,111p.

The following grants of SARs were made to the Company's executive Directors during the year. All grants were made on 26 March 2010:

Director	Notional no. of RITCP shares	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	150,400	1068.0p	26 March 2013	25 March 2020
Mikael Breuer-Weil	63,193	1068.0p	26 March 2013	25 March 2020
Duncan Budge	82,941	1068.0p	26 March 2013	25 March 2020

The following SARs held by the Company's executive Directors lapsed unexercised having failed to meet the performance criteria during the year:

Director	Date of grant	Notional no. of RITCP shares	Grant price	Date lapsed
Lord Rothschild	15 March 2007	12,780	939.0p	15 March 2010
Duncan Budge	15 March 2007	9,585	939.0p	15 March 2010

The following SARs held by the Company's executive Directors vested during the year:

Director	Date of grant	Notional no. of RITCP shares	Grant price	Date vested
Lord Rothschild	15 March 2007	115,016	939.0p	15 March 2010
Duncan Budge	15 March 2007	86,261	939.0p	15 March 2010

The following SARs were exercised by the Company's executive Directors during the year:

Director	Notional no. of RITCP shares	Date of exercise	Exercise price	Grant price
Duncan Budge	90,000	26 November 2009	980.0p	381.0p
Duncan Budge	172,467	9 March 2010	1,072.0p	381.0p
Lord Rothschild	152,672	9 March 2010	1,072.0p	786.0p
Duncan Budge	101,781	9 March 2010	1,072.0p	786.0p

The following SARs granted to the Company's executive Directors were outstanding on 31 March 2010:

	Outstanding at 31 March 2010	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	115,016	939.0p	15 March 2010	14 March 2017
	137,654	1,122.0p	27 March 2011	26 March 2018
	201,792	796.0p	13 March 2012	12 March 2019
	150,400	1,068.0p	26 March 2013	25 March 2020
Mikael Breuer-Weil	28,129	1,133.0p	19 August 2011	18 August 2018
	84,786	796.0p	13 March 2012	12 March 2019
	63,193	1,068.0p	26 March 2013	25 March 2020
Duncan Budge	86,261	939.0p	15 March 2010	14 March 2017
	75,912	1,122.0p	27 March 2011	26 March 2018
	111,283	796.0p	13 March 2012	12 March 2019
	82,941	1,068.0p	26 March 2013	25 March 2020

Total sums paid to Lord Rothschild and Mr Budge in the year ended 31 March 2010 pursuant to exercises of SARs in the year ended 31 March 2010 amounted to £436,642 (31 March 2009: £nil) and £2,021,941 (31 March 2009: £nil), respectively, prior to taxation and National Insurance contributions.

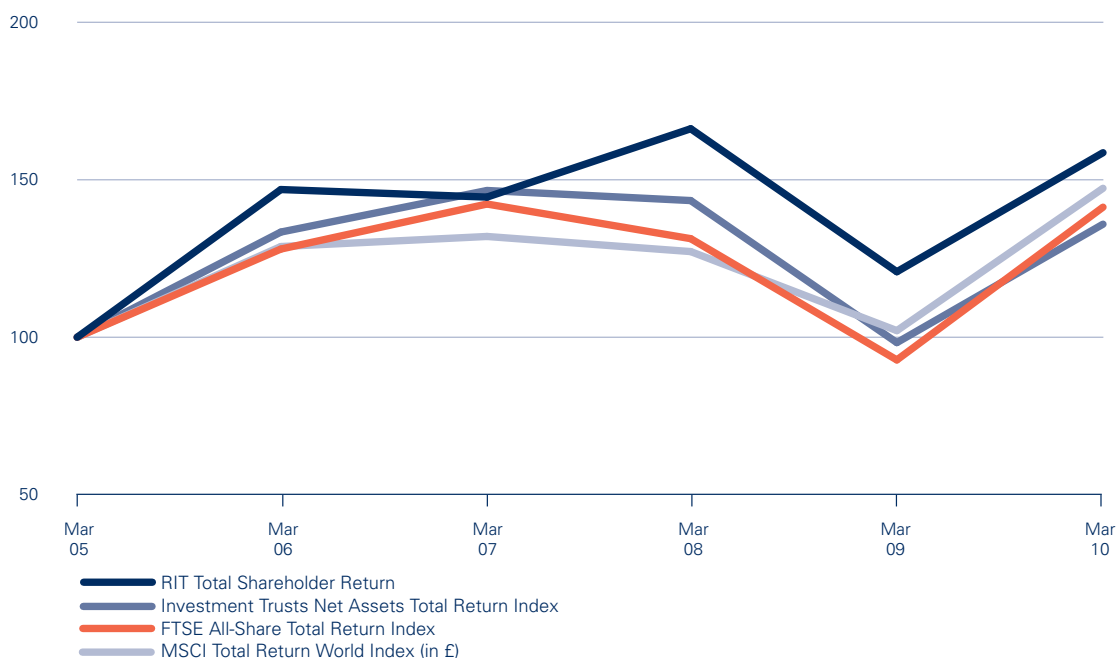
DIRECTORS' REMUNERATION REPORT

42

Performance Graph

In accordance with The Directors' Remuneration Report Regulations 2002, a performance graph which measures the Company's total shareholder return (calculated by reference to the Company's share price, including dividend reinvestment) against that of a broad equity market index is shown below. For this purpose the Committee considers that the MSCI Total Return World Index (in Sterling), the FTSE All-Share Total Return Index and the Investment Trusts Net Assets Total Return Index are the most suitable indices for comparative purposes. The graph below therefore compares the Company's total shareholder return to that of these three indices over the last 5 years.

TOTAL SHAREHOLDER RETURN AGAINST RELEVANT INDICES



Pension Contributions

The policy of the Remuneration Committee (and the Remuneration and Conflicts Committee until its dissolution on 31 March 2010) is to facilitate a range of pension arrangements for executive Directors which take account of their age, personal circumstances and arrangements in force on joining the Company. Lord Rothschild and Duncan Budge are members of the RITCP Pension and Life Assurance Scheme, ("the Scheme"). However, on their receiving advice ahead of the implementation of new pensions legislation in April 2006, contributions to the Scheme on their behalf ceased with effect from 31 December 2005 and 6 April 2006 respectively.

The Company paid pension contributions to a personal pension scheme amounting to £45,000 for Mikael Breuer-Weil, (31 March 2009: £33,745) who is not a member of the RITCP Scheme, during the year ended 31 March 2010.

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

Executive Director's Pension

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

	£
Accrued benefit at 31 March 2009 (£ per annum)	138,861
Change in accrued benefit due to inflation (£ per annum)	–
Change in accrued benefit excluding inflation (£ per annum)	6,944
Accrued benefit at 31 March 2010 (£ per annum)	145,805
Transfer value at 31 March 2009	2,948,711
Increase in transfer value	264,888
Transfer value at 31 March 2010	3,213,599

The table below shows the Director's accrued pension position at the end of the financial year (a) had he left service on 31 March 2009 and (b) had he left service on 31 March 2010.

	£
Total accrued pension at 31 March 2010, assuming Director left service on 31 March 2009 (£ per annum)	138,861
Increase in accrued pension during the year (£ per annum)	6,944
Total accrued pension at 31 March 2010, on Director's leaving Scheme (£ per annum)	145,805
Transfer value of the increase in accrued pension during the year	153,048

The transfer value is a liability of the pension scheme rather than an amount due to be paid to the executive Director or a liability of the Company.

Non-executive Directors

The remuneration of the non-executive Directors is determined by the Board as a whole, in accordance with the provisions of the Articles of Association, which currently limits the aggregate fees payable to non-executive Directors to £300,000 per annum. A resolution will be proposed at the forthcoming Annual General Meeting for this limit to be increased to £400,000 per annum. Non-executive Directors do not take part in discussions on their own remuneration. The Board, on the recommendation of the Remuneration and Conflicts Committee, applied the following structure for the determination of the annual fees of the non-executive Directors throughout the year ended 31 March 2010:

Basic fee	£20,000
Committee membership fees:	
Audit Committee	£3,000
Nominations Committee	£1,000
Remuneration and Conflicts Committee	£3,000
Valuation Committee	£3,000
Committee Chairmanship fee (per committee)	£5,000

DIRECTORS' REMUNERATION REPORT

44

The Board has resolved that the following structure for the annual fees of the non-executive Directors will apply with effect from 1 April 2010.

Basic fee	£25,000
Committee membership fees:	
Audit Committee	£5,000
Conflicts Committee	£3,000
Nominations Committee	£3,000
Remuneration Committee	£3,000
Valuation Committee	£6,000
Committee Chairmanship fee (per committee)	£5,000

The non-executive Directors each have letters of appointment that are subject to termination upon one month's written notice on either side.

Directors' Service Contracts

It is the policy of the Remuneration Committee not to grant service contracts with notice periods in excess of one year. The terms and conditions of the Directors' service contracts are detailed below and are reviewed as required.

Lord Rothschild, Duncan Budge and Mikael Breuer-Weil each have service agreements with J. Rothschild Capital Management Limited.

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

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

Mikael Breuer-Weil's service agreement is dated 9 December 2008. It can be terminated, *inter alia*, by either party giving not less than twelve months' written notice. It provides for benefits in kind in line with normal company practice including pension provision, life assurance, permanent health insurance, private health insurance and a company car. The agreement does not specify compensation in the event of early termination.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service, age and the performance of the relevant executive, including the duty to mitigate his own loss, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, such as illness.

Executive Directors' External Non-executive Directorships

Mr Budge is a non-executive director of The World Trust Fund, a Luxembourg incorporated investment company whose shares are listed on the London Stock Exchange. RITCP's interests have been represented by Mr Budge, who is entitled to fees of £25,000 per annum in respect of his non-executive directorship. These fees are retained by Mr Budge.

No other fees are paid to the executive Directors in respect of external non-executive directorships.

Termination Payments and Payments to Third Parties

No payments were made to a Director of the Company for termination of employment nor were any payments made to third parties for Directors' services during the year.

On behalf of the Board of Directors

Charles Bailey

15 June 2010

Chairman, Remuneration Committee

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RIT CAPITAL PARTNERS PLC

45

We have audited the financial statements of RIT Capital Partners plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity, the Group Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on pages 31 to 37 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RIT CAPITAL PARTNERS PLC

46

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

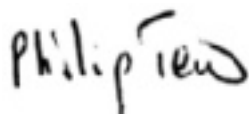
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 36 and 37 in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



Philip Tew (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

15 June 2010

Notes:

- (a) The maintenance and integrity of the RIT Capital Partners plc website www.ritcap.co.uk is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

47

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	33.5	–	33.5
Other income	1	1.4	–	1.4
Gains on dealing investments held at fair value		92.6	–	92.6
Total income		127.5	–	127.5
Gains on portfolio investments held at fair value	22	–	398.1	398.1
Exchange gains on monetary items and borrowings	22	–	13.4	13.4
		127.5	411.5	539.0
Expenses				
Administrative expenses	3,4	(18.1)	(3.6)	(21.7)
Investment management fees	5	(5.3)	(2.4)	(7.7)
Profit before finance costs and tax		104.1	405.5	509.6
Finance costs	6	(23.6)	–	(23.6)
Profit before tax		80.5	405.5	486.0
Taxation	7	(13.7)	0.3	(13.4)
Profit for the year		66.8	405.8	472.6
Earnings per ordinary share	9	43.3p	263.0p	306.3p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010	Notes	Revenue return £ million	Capital return £ million	Total £ million
Profit for the year		66.8	405.8	472.6
Other comprehensive income				
Cash flow hedges		–	–	–
Exchange movements arising on consolidation		(0.2)	–	(0.2)
Actuarial loss in defined benefit pension plan		(0.2)	–	(0.2)
Total comprehensive income for the year		66.4	405.8	472.2

The amounts included above are net of tax where applicable.

The notes on pages 61 to 93 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

48

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009 – Restated	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	56.6	–	56.6
Other income	1	1.9	–	1.9
Loss on dealing investments held at fair value		(18.7)	–	(18.7)
Total income		39.8	–	39.8
Loss on portfolio investments held at fair value	22	–	(290.9)	(290.9)
Exchange loss on monetary items and borrowings	22	–	(32.2)	(32.2)
		39.8	(323.1)	(283.3)
Expenses				
Administrative expenses	3,4	(12.8)	1.3	(11.5)
Investment management fees	5	(7.1)	(0.5)	(7.6)
Loss before finance costs and tax		19.9	(322.3)	(302.4)
Finance costs	6	(12.7)	–	(12.7)
Loss before tax		7.2	(322.3)	(315.1)
Taxation	7	(1.7)	1.4	(0.3)
Loss for the year		5.5	(320.9)	(315.4)
Earnings per ordinary share	9	3.6p	(207.3)p	(203.7)p

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

In conjunction with the amendments to presentation required by IAS 1, the Directors have reviewed the overall presentation of the Consolidated Income Statement. To improve the clarity of the presentation to the user, the "Other capital items" line has been replaced by "Exchange gains/(loss) on monetary items and borrowings". Other capital items of £90.3 million, which are not exchange gains/(loss) on monetary items and borrowings, relate to capital movements on portfolio investments held at fair value and as such have been reclassified under "Gains/(loss) on portfolio investments held at fair value". The reclassification has no impact on the presentation of the Balance Sheet.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2009	Notes	Revenue return £ million	Capital return £ million	Total £ million
Profit/(loss) for the year		5.5	(320.9)	(315.4)
Other comprehensive income				
Cash flow hedges		(13.8)	–	(13.8)
Exchange movements arising on consolidation		0.8	–	0.8
Actuarial loss in defined benefit pension plan		(2.3)	–	(2.3)
Total comprehensive income for the year		(9.8)	(320.9)	(330.7)

The amounts included above are net of tax where applicable.

The notes on pages 61 to 93 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

49

	Notes	31 March 2010 £ million	31 March 2009 £ million
Non-current assets			
Investments held at fair value	11	1,964.4	1,593.2
Investment property	11	33.4	28.5
Property, plant and equipment	13	0.4	0.4
Deferred tax asset	15	0.7	0.3
		1,998.9	1,622.4
Current assets			
Dealing investments held at fair value	16	33.5	11.3
Sales for future settlement		4.9	14.7
Derivative financial instruments	26	8.8	6.0
Other receivables	14	14.0	13.5
Tax receivable		0.7	0.9
Cash at bank		115.3	98.5
		177.2	144.9
Total assets		2,176.1	1,767.3
Current liabilities			
Bank loans and overdrafts		(157.6)	(0.1)
Purchases for future settlement		(18.6)	(19.5)
Derivative financial instruments	26	(25.3)	–
Provisions	19	(1.7)	–
Tax payable		(7.1)	(1.8)
Other payables	17	(3.4)	(4.9)
		(213.7)	(26.3)
Net current (liabilities)/assets		(36.5)	118.6
Total assets less current liabilities		1,962.4	1,741.0
Non-current liabilities			
Derivative financial instruments	26	(5.3)	(13.7)
Bank loans	18	(133.6)	(369.3)
Provisions	19	(7.3)	(7.0)
Retirement benefit liability	27	–	(0.5)
Finance lease liability		(0.5)	–
		(146.7)	(390.5)
Net assets		1,815.7	1,350.5
Equity attributable to equity holders			
Called up share capital	20	153.9	154.5
Capital redemption reserve	21	36.3	35.7
Cash flow hedging reserve		(3.4)	(13.7)
Foreign currency translation reserve	24	0.4	0.6
Capital reserve	22	1,567.0	1,166.9
Revenue reserve	23	61.5	6.5
Total shareholders' equity		1,815.7	1,350.5
Net asset value per ordinary share		1,180.1p	874.3p

The financial statements were approved by the Board of Directors and authorised for issue on 15 June 2010. They were signed on the Board's behalf by:



Ronald Schild
Director



Duncan Budge
Director

The notes on pages 61 to 93 form part of these financial statements.

BALANCE SHEET OF THE PARENT COMPANY

50

	Notes	31 March 2010 £ million	31 March 2009 £ million
Non-current assets			
Investments held at fair value	11	1,952.7	1,580.5
Investment property	11	33.4	28.5
Investments in subsidiary undertakings	12	138.8	75.8
Deferred tax asset	15	0.6	0.1
		2,125.5	1,684.9
Current assets			
Sales for future settlement		4.9	14.6
Derivative financial instruments	26	8.8	1.9
Other receivables	14	12.3	12.3
Tax receivable		0.7	0.9
Cash at bank		79.6	89.9
		106.3	119.6
Total assets			
		2,231.8	1,804.5
Current liabilities			
Bank loans and overdrafts		(157.6)	–
Purchases for future settlement		(18.6)	(11.1)
Derivative financial instruments	26	(8.9)	–
Provisions	19	(1.7)	–
Other payables	17	(1.5)	(3.8)
Amounts owed to group undertakings	28	(167.0)	(105.9)
		(355.3)	(120.8)
Net current liabilities			
		(249.0)	(1.2)
Total assets less current liabilities			
		1,876.5	1,683.7
Non-current liabilities			
Derivative financial instruments	26	(5.3)	(13.7)
Bank loans	18	(133.6)	(369.3)
Provisions	19	(7.1)	(6.8)
Finance lease liability		(0.5)	–
		(146.5)	(389.8)
Net assets			
		1,730.0	1,293.9
Equity attributable to equity holders			
Called up share capital	20	153.9	154.5
Capital redemption reserve	21	36.3	35.7
Cash flow hedging reserve		(3.4)	(13.7)
Capital reserve	22	1,540.6	1,092.4
Revenue reserve	23	2.6	25.0
Total shareholders' equity			
		1,730.0	1,293.9

The financial statements were approved by the Board of Directors and authorised for issue on 15 June 2010. They were signed on the Board's behalf by:



Rothschild
Director



Duncan Budge
Director

The notes on pages 61 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

51

Year ended 31 March 2010	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2009	154.5	35.7	(13.7)	0.6	1,166.9	6.5	1,350.5
Profit for the year	–	–	–	–	405.8	66.8	472.6
Cash flow hedges							
Losses taken to equity	–	–	–	–	–	–	–
Transferred to the income statement for the year	–	–	10.3	–	–	–	10.3
Ordinary dividend paid	–	–	–	–	–	(11.6)	(11.6)
Purchase of own shares	(0.6)	0.6	–	–	(5.7)	–	(5.7)
Other comprehensive income							
Exchange movements arising on consolidation	–	–	–	(0.2)	–	–	(0.2)
Actuarial loss in defined benefit pension plan	–	–	–	–	–	(0.2)	(0.2)
Balance at 31 March 2010	153.9	36.3	(3.4)	0.4	1,567.0	61.5	1,815.7

Year ended 31 March 2009	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2008	154.8	35.4	0.1	(0.2)	1,490.4	9.5	1,690.0
Loss for the year	–	–	–	–	(320.9)	5.5	(315.4)
Cash flow hedges							
Losses taken to equity	–	–	(13.8)	–	–	–	(13.8)
Transferred to the income statement for the year	–	–	–	–	–	–	–
Ordinary dividend paid	–	–	–	–	–	(6.2)	(6.2)
Purchase of own shares	(0.3)	0.3	–	–	(2.6)	–	(2.6)
Other comprehensive income							
Exchange movements arising on consolidation	–	–	–	0.8	–	–	0.8
Actuarial loss in defined benefit pension plan	–	–	–	–	–	(2.3)	(2.3)
Balance at 31 March 2009	154.5	35.7	(13.7)	0.6	1,166.9	6.5	1,350.5

The notes on pages 61 to 93 form part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

52

Year ended 31 March 2010	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2009	154.5	35.7	(13.7)	1,092.4	25.0	1,293.9
Profit for the year	–	–	–	453.9	(10.8)	443.2
Cash flow hedges						
Losses taken to equity	–	–	–	–	–	–
Transferred to the income statement for the year	–	–	10.3	–	–	10.3
Ordinary dividend paid	–	–	–	–	(11.6)	(11.6)
Purchase of own shares	(0.6)	0.6	–	(5.7)	–	(5.7)
Balance at 31 March 2010	153.9	36.3	(3.4)	1,540.6	2.6	1,730.0

Year ended 31 March 2009	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2008	154.8	35.4	0.1	1,432.0	11.2	1,633.5
Loss for the year	–	–	–	(337.0)	20.0	(317.0)
Cash flow hedges						
Losses taken to equity	–	–	(13.8)	–	–	(13.8)
Transferred to the income statement for the year	–	–	–	–	–	–
Ordinary dividend paid	–	–	–	–	(6.2)	(6.2)
Purchase of own shares	(0.3)	0.3	–	(2.6)	–	(2.6)
Balance at 31 March 2009	154.5	35.7	(13.7)	1,092.4	25.0	1,293.9

The notes on pages 61 to 93 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

53

	Notes	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Cash inflow from Operating Activities	25	71.2	14.8
Investing Activities:			
Purchase of property, plant and equipment	13	(0.3)	(0.3)
Sale of property, plant and equipment		–	–
Net cash outflow from Investing Activities		(0.3)	(0.3)
Financing Activities:			
Buy-back of ordinary shares		(5.7)	(2.6)
Increase/(decrease) in term loans		(171.7)	–
Equity dividend paid	8	(11.6)	(6.2)
Net cash (outflow)/inflow from Financing Activities		(189.0)	(8.8)
Increase/(decrease) in cash and cash equivalents in the year		(118.1)	5.7
Cash and cash equivalents at the start of the year		149.6	130.0
Effect of foreign exchange rate changes		(4.1)	13.9
Cash and cash equivalents at the year-end		27.4	149.6
Reconciliation:			
Cash at bank		115.3	98.5
Money market funds (included in investments held at fair value)		69.7	51.2
Bank loans and overdrafts		(157.6)	(0.1)
Cash and cash equivalents at the year-end		27.4	149.6

The notes on pages 61 to 93 form part of these financial statements.

PARENT COMPANY CASH FLOW STATEMENT

54

	Notes	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Cash inflow from Operating Activities	25	43.8	27.0
Net cash outflow from Investing Activities		–	–
Financing Activities:			
Buy-back of ordinary shares		(5.7)	(2.6)
Increase in term loans		(171.7)	–
Equity dividend paid	8	(11.6)	(6.2)
Net cash (outflow)/inflow from Financing Activities		(189.0)	(8.8)
Increase/(decrease) in cash and cash equivalents in the year		(145.2)	18.2
Cash and cash equivalents at the start of the year		141.1	109.0
Effect of foreign exchange rate changes		(4.1)	13.9
Cash and cash equivalents at the year-end		(8.2)	141.1
Reconciliation:			
Cash at bank		79.7	89.9
Money market funds (included in portfolio investments)		69.7	51.2
Bank loans and overdrafts		(157.6)	–
Cash and cash equivalents at the year-end		(8.2)	141.1

The notes on pages 61 to 93 form part of these financial statements.

BASIS OF ACCOUNTING

The consolidated financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

- IAS 1 (Revised) Presentation of financial statements
- IAS 23 (Revised) Borrowing costs
- IFRS 1 (Amendment) First time adoption of IFRS
- IAS 27 (Amendment) Consolidated and separate financial statements
- IAS 32 (Amendment) Financial instruments: presentation
- IFRS 2 (Amendment) Share based payment
- IFRS 7 (Amendment) Financial instruments: disclosures
- IFRIC 9 (Amendment) Measurement of embedded derivatives
- IAS 39 (Amendment) Financial instruments: recognition and measurement
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for construction of real estates
- IFRIC 16 Hedges of a net investment in a foreign operation

As a result of the revised presentation requirements under IAS 1 the Group has disclosed a Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 47 and 48. The effects of the amendment to IFRS 7 can be seen in disclosure note 26 on page 87 to 88. The first time application of all other standards did not result in any changes to the Group's financial statements.

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

- IFRS 1 (Revised) First time adoption of IFRS
- IAS 27 (Revised) Consolidated and separate financial statements
- IAS 39 (Amendment) Financial instruments: recognition and measurement
- IFRS 2 (Amendment) Share based payments group cash-settled transactions
- IAS 24 (Amendment) Related party disclosures
- IFRS 9 Financial instruments – classification and measurement
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRIC 19 Extinguishing financial liabilities with equity instruments
- IFRIC 14 (Amendment) Prepayments of a minimum funding requirement

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of certain financial instruments and investment properties. The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice ("SORP"), Financial Statements of Investment Trust Companies, issued by the Association of Investment Companies ("AIC") in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis which complies with the recommendations of the SORP.

BASIS OF CONSOLIDATION

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

GROUP ACCOUNTING POLICIES

56

PRESENTATION OF INCOME STATEMENT

In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the consolidated income statement between items of a revenue and capital nature has been presented within the consolidated income statement and the consolidated statement of comprehensive income. In accordance with the Company's status as an investment trust, net capital profits may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 of the Taxes Act 1988.

INCOME

Dividend income from investments is recognised when the shareholder's right to receive payment has been established and this is normally the ex-dividend date. Provision is made for any dividends not expected to be received.

Where the Group has elected to receive dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as income. The excess, if any, in the value of shares received over the amount of the cash dividend foregone is recognised as a gain in the income statement.

UK dividend income is recorded at the amount receivable without any attributable tax credit. Overseas dividend income is shown gross of withholding tax.

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

EXPENSES

All expenses and finance costs are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the consolidated income statement, all expenses have been presented as revenue items except those items listed below:

- Expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are allocated to revenue where there is an indirect connection.
- Investment management fees are considered to be indirect costs and are therefore allocated to revenue. Performance fees are allocated to capital as they arise as a result of the capital performance of the relevant investment portfolio.
- The Group has in force certain incentive arrangements whereby fees payable are based entirely on the increase in the values of certain investments. The cost of these incentive arrangements is considered to be a direct cost of enhancing the value of these investments and is therefore allocated to capital.
- The Group has in force long-term incentive arrangements for the executive Directors of RIT, and other employees, whereby they receive additional remuneration based entirely on any increase in the Company's share price subject to a performance condition. The primary objective of the Company is to deliver long-term capital growth for its investors. The costs of these arrangements derive principally from the capital performance of the Group and consequently the Directors consider it appropriate to allocate the costs of these arrangements in their entirety to capital.
- The Group has an Executive Bonus Plan for the executive Directors whereby they receive a bonus calculated by reference to the Company's three-year moving average outperformance over three key total return indices. The amount of the bonus depends principally on the capital performance of the Group and therefore the Directors consider it appropriate to charge the whole of the bonus to capital.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Costs incurred in connection with aborted portfolio investment transactions are also allocated to capital.

FINANCE COSTS

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

FOREIGN CURRENCIES

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates, i.e. its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling ("Sterling") which is the functional currency of the Company, and the presentational currency of the Group. Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on re-translation are included in net profit or loss for the period in respect of those investments which are classified as fair value through profit or loss. All foreign exchange gains and losses, except those arising from the translation of foreign subsidiaries, are recognised in the consolidated income statement. In accordance with IAS 21, a foreign currency translation reserve has been established in respect of the exchange movements arising on consolidation since 31 March 2004.

TAXATION

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

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

Investment trusts which have approval under Section 842 of the Taxes Act 1988 are not subject to tax on capital gains. In view of the Company's status as an investment trust, and its intention to continue meeting the conditions required to obtain approval for the foreseeable future, the Company has not provided current or deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

INVESTMENTS

Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

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

All investments are designated upon initial recognition as held at fair value and, except as noted below, are measured at subsequent reporting dates at fair value. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Investments in hedge funds and long equity funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager. Changes in the fair value of all investments held at fair value are recognised in the consolidated income statement as a capital item. On disposal, realised gains and losses are also recognised in the consolidated income statement. Transaction costs, including bid-offer spreads, are included within gains or losses on investments held at fair value.

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

GROUP ACCOUNTING POLICIES

58

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

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

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

DEALING INVESTMENTS

Current asset investments held by the dealing subsidiary undertaking, including futures, options and other derivative instruments, are stated in the balance sheet at fair value. The movements in fair value of trading positions are included in the revenue return column of the income statement. Securities sold short are valued at their offer prices in accordance with IAS 39.

SUBSIDIARIES

Investments in subsidiaries in the financial statements of the parent are carried at cost less any provision for impairment made in accordance with IAS 36, Impairment of assets. Impairment tests are carried out twice each year as at 30 September and 31 March.

CASH AND CASH EQUIVALENTS

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

PROVISIONS

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

SHARE-BASED PAYMENTS

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost less depreciation. It is calculated by the Group on a straight line basis by reference to original cost, estimated useful life and residual value. The period of estimated useful life for this purpose is between three and four years.

PENSIONS

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

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

OTHER RECEIVABLES

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

BANK BORROWINGS

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

OTHER PAYABLES

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The Group has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Group enters into the relevant contract, and are derecognised on the date which it commits to their sale.

Changes in the fair value of derivative financial instruments that are designated as effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. The amount in equity is released to income when the forecast transaction impacts profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity for cash flow hedges is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss in the period.

On 1 April 2010 the Group de-designated its last remaining interest rate swap which had previously been considered as qualifying for hedge accounting.

GROUP ACCOUNTING POLICIES

60

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the financial instrument is not classified at fair value through profit or loss.

ALLOCATION TO CAPITAL

All expenses and interest payable are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, the statement of comprehensive income and the statement of changes in equity. All expenses have been presented as revenue items except as listed below:

The following are presented as realised capital items:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature
- the cost of purchasing ordinary shares for cancellation.

The following are presented as unrealised capital items:

- increases and decreases in the valuation of investments held at the year-end
- unrealised exchange differences of a capital nature
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

CRITICAL ACCOUNTING ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Unquoted investments

Unquoted investments are valued at fair value in accordance with IFRS having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association. The principles which the Group applies are set out on pages 57 to 58. This determination requires significant management judgement.

Retirement benefit obligation

The determination of the pension cost and the defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. Any changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at the end of each year; this is the interest rate that is used to calculate the present value of the estimated future cash outflows expected to be required to settle the pension obligation. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent accounting periods.

Deferred tax asset

Management judgement is required in determining the deferred tax assets and liabilities to be recognised in the financial statements. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income.

Long-term incentive plan

The carrying amount of the provision in respect of the long-term incentive plan depends on a number of assumptions which are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS

61

1. INVESTMENT INCOME

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Income from listed investments:		
Dividends	10.9	14.7
Interest	7.7	14.1
Income from unlisted investments:		
Dividends	11.7	25.7
Interest	2.4	2.5
Income from investment properties	1.2	1.7
Interest receivable	(0.4)	(2.1)
	33.5	56.6

The interest receivable loss of £0.4 million (31 March 2009: £2.1 million) reflects the low level of market interest rates received offset by a reduction in the value of an interest receivable asset related to the repayment of VAT previously charged on investment management fees.

OTHER INCOME

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Share of partnership income	0.2	0.2
Other fee income	1.2	1.7
	1.4	1.9

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group has adopted IFRS 8: Operating Segments for the year ended 31 March 2010, which has replaced IAS 14: Segment Reporting. In line with guidance set out by the new standard the Group continues to report its performance under a single operating segment, being that of an investment company managing a widely diversified portfolio to deliver long term capital growth, whilst preserving shareholder capital.

The Group operates from the UK and is engaged in investing in equity and debt securities, issued by global companies. As previously stated the entity is engaged in a single business activity and as such operates within a single geographical segment. Accordingly no segmental reporting is provided.

NOTES TO THE FINANCIAL STATEMENTS

62

3. ADMINISTRATIVE EXPENSES

Administrative expenses include the following:

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Staff costs (see note 4 below)	13.5	5.1
Auditors' remuneration – audit fees	0.1	0.1
Auditors' remuneration – other	0.2	0.1
Depreciation	0.3	0.2

Administrative expenses for the year ended 31 March 2010 include £1.5 million (31 March 2009: £1.2 million) of property and staff related costs which are recharged to third parties. These recharges are included in "other income" and "income from investment properties" in accordance with accounting practice. The net administrative expenses for the year ended 31 March 2010 are therefore £20.2 million (31 March 2009: £10.3 million). The total audit fee amounts to £142,530 (31 March 2009: £118,000) of which £141,000 (31 March 2009: £117,000) relates to the audit of the parent company's consolidated accounts. Other fees of £219,740 (31 March 2009: £65,000) were payable to the auditors in respect of taxation (£50,000) and other assurance services (£169,740).

Details of the transaction costs incurred on the purchase and sale of investments are set out below.

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Purchases	2.9	1.8
Sales	2.9	1.7
Transaction costs	5.8	3.5

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

4. STAFF COSTS

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Wages and salaries	8.3	5.8
Executive bonus plan	0.8	1.1
Social security costs	0.9	0.8
Long-term incentive plan (Note 19)	2.8	(2.9)
Pension costs (Note 27)	0.7	0.3
Staff costs included in administrative expenses	13.5	5.1
Actuarial losses included in statement of comprehensive income	0.2	2.3
Total staff costs	13.7	7.4

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 38 to 44. They include the movement in the provision for the Group's long-term incentive plan and the amounts payable under the Executive Bonus Plan which are charged to the capital reserve.

4. STAFF COSTS (CONTINUED)

The average number of employees during the year was 84 (31 March 2009: 75), including 22 people employed in the banqueting business of Spencer House and the related security function (31 March 2009: 23).

5. INVESTMENT MANAGEMENT FEES

Details of the current investment managers who operate segregated accounts and the associated fee arrangements are described in the Investment Review on page 14 and Directors' Report on page 29.

6. FINANCE COSTS

	Year ended 31 March 2010		Year ended 31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Interest payable on bank borrowings	13.0	12.7	12.4	12.4
Interest rate swap expense	10.3	10.3	–	–
Amortisation of issue costs of bank loans	0.3	0.3	0.3	0.3
Finance costs	23.6	23.3	12.7	12.7

Certain of the interest rate swaps were reclassified from reserves to the income statement in accordance with the Company's accounting policies, as these swaps ceased to meet the requirements for hedge accounting. This resulted in a credit to the cash flow hedging reserve and a corresponding charge to the income statement, making up the majority of the £10.3 million expense (31 March 2009: £nil) shown above.

7. TAXATION

	Year ended 31 March 2010		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge	12.0	–	12.0
Adjustment in respect of prior years	–	–	–
Overseas taxation	1.8	–	1.8
Double taxation relief	–	–	–
Current tax charge	13.8	–	13.8
Deferred tax credit	(0.1)	(0.3)	(0.4)
Adjustment in respect of prior years	–	–	–
Taxation charge	13.7	(0.3)	13.4

	Year ended 31 March 2009		
	Revenue £ million	Capital £ million	Total £ million
UK corporation tax charge	–	–	–
Adjustment in respect of prior years	(0.1)	–	(0.1)
Overseas taxation	2.4	–	2.4
Double taxation relief	–	–	–
Current tax charge	2.3	–	2.3
Deferred tax credit	(0.6)	(1.4)	(2.0)
Adjustment in respect of prior years	–	–	–
Taxation charge	1.7	(1.4)	0.3

NOTES TO THE FINANCIAL STATEMENTS

64

The deferred tax credit in the current year and credit in the prior year relate to the origination and reversal of timing differences.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 28% (31 March 2009: 28%). The differences are explained below:

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue £ million	Capital £ million	Total £ million	Revenue £ million	Capital £ million	Total £ million
Profit/(loss) before tax	80.5	405.5	486.0	7.2	(322.3)	(315.1)
Tax at the standard UK corporation tax rate of 28% (31 March 2009: 28%)	22.5	113.5	136.0	2.0	(90.2)	(88.2)
Effect of:						
Capital items exempt from corporation tax	–	(113.8)	(113.8)	–	88.8	88.8
UK dividend income not taxable	(1.4)	–	(1.4)	(0.8)	–	(0.8)
Foreign dividend income not taxable	(3.9)	–	(3.9)	–	–	–
Double tax relief not available	0.8	–	0.8	1.8	–	1.8
Expenses not deductible for tax purposes	–	–	–	(0.1)	–	(0.1)
Past losses now utilised	(6.2)	–	(6.2)	–	–	–
Other items	1.0	–	1.0	(1.1)	–	(1.1)
Prior year credit	0.9	–	0.9	(0.1)	–	(0.1)
Total tax charge	13.7	(0.3)	13.4	1.7	(1.4)	0.3

The tax credit in the capital column primarily relates to tax deductible expenses, including investment management performance fees, charges arising under the Group's long-term incentive plan and the cost of the Executive Bonus Plan.

8. DIVIDEND

Years ended 31 March	2010 Pence per share	2009 Pence per share	2010 £ million	2009 £ million
Interim and final dividends paid in year	7.5	4.0	11.6	6.2

The above amounts were paid as distributions to equity holders in the relevant periods. The Directors proposed an interim dividend in respect of the financial year ended 31 March 2010 of 4.0p per share which will absorb £6.2 million of shareholders' funds. This dividend was paid on 1 April 2010 to shareholders on the register at 12 March 2010. The interim dividend has not been included as a liability in these financial statements in accordance with IAS 10.

The dividend payable in respect of the year ended 31 March 2010 of 4.0p per share, which is the basis on which the requirements of Section 842 of the Taxes Act 1988 is considered, amounted to £6.2 million (31 March 2009: £11.6 million).

9. EARNINGS PER ORDINARY SHARE

The earnings per ordinary share for the year ended 31 March 2010 is based on the net profit of £472.6 million (31 March 2009: net loss of £315.4 million) and the weighted average number of ordinary shares in issue during the period of 154.3 million (31 March 2009: 154.8 million).

9. EARNINGS PER ORDINARY SHARE (CONTINUED)

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

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Net revenue profit	66.8	5.5
Net capital profit/(loss)	405.8	(320.9)
	472.6	(315.4)

	Pence per share	Pence per share
Revenue earnings per ordinary share	43.3	3.6
Capital earnings per ordinary share	263.0	(207.3)
	306.3	(203.7)

10. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share as at 31 March 2010 of 1,180.1p (31 March 2009: 874.3p) is based on the net assets attributable to the equity shareholders of £1,815.7 million (31 March 2009: £1,350.5 million) and the number of ordinary shares in issue at 31 March 2010 of 153.9 million (31 March 2009: 154.5 million).

11. INVESTMENTS

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Listed investments at fair value:				
Listed in UK	112.6	112.2	84.7	84.2
Listed overseas	593.3	590.7	321.5	320.0
Government securities and other liquidity	238.2	238.2	466.5	466.5
	944.1	941.1	872.7	870.7
Unlisted investments	1,053.7	1,045.0	749.0	738.3
	1,997.8	1,986.1	1,621.7	1,609.0
Investments at fair value	1,964.4	1,952.7	1,593.2	1,580.5
Investment property	33.4	33.4	28.5	28.5
Fair value of investments	1,997.8	1,986.1	1,621.7	1,609.0

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

Investment properties were valued at 31 March 2010 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.

Additions, disposals and gains/losses on investments are shown in the Investment Review on page 13.

NOTES TO THE FINANCIAL STATEMENTS

66

Details of investments in which the Group had a material interest of over 3% at 31 March 2010 of the nominal value of the allotted shares of any class are as follows:

Name	% of class/ units held
The Economist Newspaper	5.0
Harbourmaster	66.5
Mondis Technology	49.9
PayPoint	9.0

Details of interests of 10% or more in any class of share or unit in an investment fund, or holdings which are material are as follows:

Name	% of class/ units held	Market Value £ million
Africa Emerging Markets Fund	72.5	23.4
Althea Global Emerging Markets Fund	84.4	17.4
Blackrock Gold & General Fund	0.8	17.3
Blumberg Capital I	56.6	5.7
CF Egerton Sterling Investment Fund	29.9	24.0
Clear River Capital Global Health Sciences Fund	62.0	18.6
CLSA Water Fund	76.3	28.1
Darwin Private Equity I LP	23.9	12.1
Findlay Park Latin America Fund	5.2	31.7
Firebird Avrova Fund	23.5	19.3
FVP Offshore III	14.1	1.0
Genus Capital	36.5	14.3
Hazel Global Cleantech Equity Fund	97.9	18.2
India Capital Fund	26.5	16.0
Lansdowne UK Strategic Investment Fund		
N1 GBP£ Ordinary Shares	52.9	20.8
N2 GBP£ Ordinary Shares	43.2	13.2
Martin Currie Global Energy Fund	91.6	40.7
Martin Currie Taiwan Opportunities Fund	15.8	18.8
Media Technology Ventures IV B	38.5	0.9
Nevsky Fund C	16.9	31.7
P K Investment Management	67.5	20.9
Penta Asia Fund	100.0	27.0
Pivot Point Capital	99.6	19.3
Real Return Asian Fund	13.7	38.1
RR Capital Partners	20.9	2.4
Strategic Recovery Fund	11.8	2.6
Summit Water Development	19.9	20.2
Tinicum Capital Partners Parallel Fund	86.4	0.1
Titan Partners	21.9	41.4
Tontine Capital Overseas Fund II	21.1	1.7
Vietnam Resources Investments (Holdings)	11.6	1.9
The World Trust Fund	19.4	20.3
21st Century Communications	46.4	0.1

The Directors do not consider that any of the portfolio investments held at fair value fall within the definition of an associated company as the Group does not exercise significant influence over their operating and financial policies. In a number of cases the Group owns more than 50% of a particular class of shares issued by an investee company or partnership interests totalling more than 50%. The Group does not hold more than 50% of the voting rights of any of its investee companies or partnerships. As such, holding more than 50% of a particular class of shares does not give the Group control of any the investee companies or partnerships within the meaning of IAS 27. The Group has chosen to account for associated companies which they hold for investment purposes as fair value through the profit and loss.

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares £ million	Loans £ million	Total £ million
Carrying value at 31 March 2009	72.3	3.5	75.8
Additions	–	10.5	10.5
(Provision)/Reversal of impairment	52.7	–	52.7
Exchange movement in year	–	(0.2)	(0.2)
Carrying value at 31 March 2010	125.0	13.8	138.8

At 31 March 2010 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

Investments in group undertakings are stated at cost less a provision for impairment where appropriate. During the year ended 31 March 2010, profits of £69.3 million (31 March 2009: profits of £36.9 million) were generated within RIT Capital Partners Securities Limited meaning that the net asset value exceeded the cost of investment. Accordingly, the carrying value of the investment in the subsidiary was returned to the original cost of investment of £90.0 million (31 March 2009: decreased to £37.3 million).

During the year the Company made an investment into Augmentum 1 LP. The Company holds 99% of aggregate contributions. The fund is managed by J. Rothschild Capital Management Limited.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 March 2010 will be annexed to the Company's next annual return.

Name	Issued share capital
Investment Holding	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 Ordinary Shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into 2 Ordinary Shares of £1 each
The Successor Investment Funds	£2,500,000 divided into 2,500,000 Ordinary Shares of £1 each
Augmentum 1 LP	£438.57 being 87.7% of total capital contributions, plus £10,563,300 of partners loan contributions together 99% of aggregate contributions
Administration and Services	
J. Rothschild Capital Management Limited	£6,250,001 divided into 6,250,000 Ordinary Shares of £1 each and one Special Share of £1 held by The J. Rothschild Name Company Limited
Investment Dealing	
RIT Capital Partners Securities Limited	£90,000,000 divided into 90,000,000 Ordinary Shares of £1 each

NOTES TO THE FINANCIAL STATEMENTS

68

13. PROPERTY, PLANT AND EQUIPMENT

Group	Cost £ million	Depreciation £ million	Net book value £ million
Plant, equipment and vehicles			
At 31 March 2009	1.0	(0.6)	0.4
Additions	0.3	–	0.3
Disposals	(0.1)	0.1	–
Charge for depreciation	–	(0.3)	(0.3)
At 31 March 2010	1.2	(0.8)	0.4

14. OTHER RECEIVABLES

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Accounts receivable	9.5	9.0	3.3	3.0
Amounts owed by related parties (all trading balances)	0.9	–	0.6	0.2
Prepayments and accrued income	3.6	3.3	9.6	9.1
	14.0	12.3	13.5	12.3

There are no items included in prepayments and accrued income falling due after more than one year (31 March 2009: £nil).

The Directors consider that the carrying amount of other receivables approximates their fair value.

15. DEFERRED TAX ASSET/(LIABILITY)

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

	Year ended 31 March 2010		Year ended 31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	0.3	0.1	(1.7)	(1.6)
Credit to capital reserve	0.3	0.2	1.3	1.4
Credit to revenue reserve	0.1	0.3	0.7	0.3
Balance at end of year	0.7	0.6	0.3	0.1

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

	Year ended 31 March 2010		Year ended 31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Analysis of deferred tax (liability)/asset:				
Deferred management fees	0.9	0.9	0.7	0.7
Long-term incentive plan	0.2	0.2	0.4	0.4
Other timing differences	0.4	0.3	(0.2)	(0.2)
Accelerated capital allowances	(0.8)	(0.8)	(0.7)	(0.8)
Deferred tax re retirement benefit liability/asset	–	–	0.1	–
Balance at end of year	0.7	0.6	0.3	0.1

At the balance sheet date, the aggregate amount of potential deferred tax on temporary timing differences associated with the undistributed earnings of foreign subsidiaries for which deferred tax liabilities have not been recognised was £1.2 million (31 March 2009: £1.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

16. DEALING INVESTMENTS

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Dealing investments	33.5	–	11.3	–

Dealing investments are stated at fair value.

17. OTHER PAYABLES

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Accruals and deferred income	1.2	1.1	4.6	3.6
Amounts payable to related parties	0.1	–	0.2	0.1
Other creditors	2.1	0.4	0.1	0.1
	3.4	1.5	4.9	3.8

The carrying value of the Group's other payables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

70

18. BANK LOANS

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Unsecured loans payable within one year:				
US\$148.7 million repayable on 17 May 2010	97.9	97.9	–	–
£58.6 million repayable on 17 May 2010	58.8	58.8	–	–
Unsecured loans repayable between 2-7 years not by instalments:				
US\$148.7 million repayable on 17 May 2010	–	–	103.8	103.8
¥17.9 billion repayable on 17 May 2010	–	–	126.7	126.7
€150 million repayable on 1 August 2012	133.6	133.6	138.8	138.8
Total bank loans and overdrafts	290.3	290.3	369.3	369.3

Euro term loan, due 1 August 2012

In August 2005, the Company completed a €150 million seven year loan at a variable interest rate equal to Euro LIBOR plus a margin of 0.70% per annum. At the same time, as part of its interest rate management strategy, the Company entered into an interest rate swap for a notional principal amount of €150 million maturing in 2012. As a result of the swap, the Company receives interest on a variable basis and pays interest fixed at a rate of 3.73% per annum.

Multi-currency loans, due 17 May 2010

In May 2007 the Company drew down a three-year £150 million multi-currency term loan. Initially 50% of this loan was drawn in US Dollars and the balance in Yen. The Company entered into interest rate swaps to fix the rates. In July 2009, the Company switched the currency denomination of the Yen portion to Sterling. The Yen balance of ¥17.9 billion was repaid and an amount of £58.8 million drawn. The swaps were also amended to provide fixed rates (including margin) of 4.41% for the \$148.7 million and 4.0% for the Sterling balance. These swaps terminate in 2013. Subsequent to the year-end, the Company repaid the total outstanding balance on this loan on the scheduled repayment date. Details of the accounting treatment for interest rate swaps can be found on page 59.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Group				
	31 March 2009 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 March 2010 £ million
Nature of provision:					
Indemnity	2.0	0.3	–	(0.3)	2.0
Investments	2.5	3.6	(0.4)	(1.2)	4.5
Property	0.2	–	–	–	0.2
Long-term incentive plan	2.3	2.8	–	(2.8)	2.3
	7.0	6.7	(0.4)	(4.3)	9.0

	Company				
	31 March 2009 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 March 2010 £ million
Nature of provision:					
Indemnity	2.0	0.3	–	(0.3)	2.0
Investments	2.5	3.6	(0.4)	(1.2)	4.5
Long-term incentive plan	2.3	2.8	–	(2.8)	2.3
	6.8	6.7	(0.4)	(4.3)	8.8

19. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Provisions in respect of investments include £1.7 million (31 March 2009: £nil) which are expected to settle within the next twelve months.

It is anticipated that all of the other provisions noted above will be settled more than twelve months after the balance sheet date.

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 2010 and 2027 and the indemnity provision has been based on the Company's share of the projected costs.

Investment Provision

The Company owns several investments which were acquired under arrangements whereby part of the profit eventually realised on their disposal would be paid to certain third parties. The provision has been calculated by reference to the carrying value of the underlying investments. In respect of segregated accounts where performance criteria have been exceeded at the end of the year, the value of the associated performance fee payable to the manager has been provided for under current liabilities.

Property

The Group has a short leasehold interest in a property which is being sub-let to a third party. The net income receivable is less than the annual outgoings and, based on a professional valuation, the Group has recognised a provision of £0.2 million as at 31 March 2010 (31 March 2009: £0.2 million).

Long-term Incentive Plan

This provision represents amounts accrued under a long-term incentive arrangement structured in the form of a phantom option scheme: the Share Appreciation Rights ("SAR") plan. In accordance with the rules of the plan, certain Directors and employees are entitled to a bonus calculated by reference to a notional number of shares in the Company. The bonus amount payable would be equal to the increase, since the date of grant of the relevant SARs, in the Company's share price multiplied by the notional number of shares, provided the relevant performance conditions are met; the provision also includes the corresponding employer's national insurance liability. The SARs 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 2010 £ million	31 March 2009 £ million
Date of grant		
26 March 2003	–	1.3
25 March 2004	0.1	–
30 March 2005	0.1	–
19 July 2005	–	0.1
15 March 2006	0.0	–
1 January 2007	0.0	–
15 March 2007	0.5	–
13 March 2009	2.0	0.3
24 June 2009	0.4	–
19 October 2009	0.1	–
26 March 2010	0.1	–
Intrinsic value of all SARs	3.3	1.7
IFRS 2 adjustment to provision	(1.0)	0.6
Carrying amount of SAR provision	2.3	2.3
Intrinsic value of SARs vested as at 31 March	0.7	1.5

NOTES TO THE FINANCIAL STATEMENTS

72

The Company has used a trinomial option valuation model to estimate the fair value of the SARs. The inputs to the model included the following: expected volatility of 21% (31 March 2009: 22%), dividends of 4.0p (31 March 2009: 4.0p) per share per annum, contractual life of ten years, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historic data in respect of RIT's share price. The vesting requirements are set out in detail in the section headed Long-term Incentive Plan in the Directors' Remuneration Report on page 40. To allow for the effects of early exercise and staff turnover, it was assumed that the majority of the SARs, in terms of value, would be exercised four and a half years after the relevant grant dates.

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 31 March 2009	2,086,269	843.1	–
Granted	713,073	1,004.1	–
Exercised	(565,014)	573.4	1,054.6
Forfeited/lapsed	(116,596)	949.0	–
Outstanding at 31 March 2010	2,117,732	954.9	–

The outstanding SARs at 31 March 2010 had exercise prices ranging between 575p and 1,122p with a weighted average of 954.9p. The weighted average remaining contractual life of these SARs was 8.6 years. Included in the outstanding amount at year-end were SARs representing a notional number of 388,014 shares, which had vested and were capable of being exercised. These had exercise prices ranging between 575p and 985p with a weighted average of 921.0p.

During the year ended 31 March 2010, the Company granted 713,073 SARs (31 March 2009: 760,816) and the weighted average fair value of those SARs was £2.55 (31 March 2009: £1.68). The Company recognised an expense of £2.8 million (31 March 2009: income of £2.9 million) arising from the SAR long-term incentive plan.

20. CALLED UP SHARE CAPITAL

	31 March 2010 £ million	31 March 2009 £ million
Authorised		
320 million Ordinary Shares of £1 each	320.0	320.0
Allotted, issued and fully paid		
153,866,062 Ordinary Shares of £1 each (31 March 2009: 154,466,062)	153.9	154.5

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

21. CAPITAL REDEMPTION RESERVE

	Year ended 31 March 2010 Group £ million	Year ended 31 March 2009 Group £ million	Year ended 31 March 2010 Company £ million	Year ended 31 March 2009 Company £ million
Balance at start of year	35.7	35.7	35.4	35.4
Movement during the year	0.6	0.6	0.3	0.3
Balance at end of year	36.3	36.3	35.7	35.7

The capital redemption reserve is not distributable and it represents the cumulative nominal value of shares acquired for cancellation.

22. CAPITAL RESERVE

	Year ended 31 March 2010 Group £ million	Company £ million	Year ended 31 March 2009 Group £ million	Company £ million
Balance at start of year	1,166.9	1,092.4	1,490.4	1,432.0
Gains on portfolio investments held at fair value	398.1	397.2	(290.9)	(269.6)
Movement in impairment provision	–	52.7	–	(36.9)
Performance fees	(2.4)	(2.4)	(0.5)	(0.5)
Other capital items	9.8	6.1	(30.9)	(31.4)
Taxation	0.3	0.3	1.4	1.4
Total capital return	405.8	453.9	(320.9)	(337.0)
Cost of share buy-backs	(5.7)	(5.7)	(2.6)	(2.6)
Balance at year-end	1,567.0	1,540.6	1,166.9	1,092.4

Other capital items includes the capital element of administrative expenses and exchange gains/losses on monetary items and borrowings.

At the year end all of the listed investments were considered to be sufficiently liquid to be regarded as readily convertible into cash, however the unlisted investments were not.

Accordingly, the split of capital reserve between realised and unrealised in order to determine distributable realised profits is as follows:

	Year ended 31 March 2010 Group £ million	Company £ million	Year ended 31 March 2009 Group £ million	Company £ million
Capital reserve – distributable				
in respect of investments sold	1,515.5	1,501.6	1,410.8	1,397.4
in respect of listed investments held	25.5	25.5	(75.6)	(75.3)
Capital reserve – non-distributable	26.0	13.5	(168.3)	(229.7)
Balance at year-end	1,567.0	1,540.6	1,166.9	1,092.4

23. REVENUE RESERVE

	Year ended 31 March 2010 Group £ million	Company £ million	Year ended 31 March 2009 Group £ million	Company £ million
Balance at start of year	6.5	25.0	9.5	11.2
Profit/(loss) for the year	66.8	(10.8)	5.5	20.0
Dividend paid	(11.6)	(11.6)	(6.2)	(6.2)
Actuarial losses	(0.2)	–	(2.3)	–
Balance at end of year	61.5	2.6	6.5	25.0

As permitted by Section 230 of the Companies Act 2006, the Company has not published a separate income statement. The Company's revenue loss after tax amounted to £10.8 million (31 March 2009: gain £20.0 million).

NOTES TO THE FINANCIAL STATEMENTS

74

24. FOREIGN CURRENCY TRANSLATION RESERVE

	Year ended 31 March 2010 Group £ million	Company £ million	Year ended 31 March 2009 Group £ million	Company £ million
Balance at start of year	0.6	–	(0.2)	–
Current year translation adjustment	(0.2)	–	0.8	–
Balance at end of year	0.4	–	0.6	–

The translation reserve comprises exchange differences arising from the translation of the net investments in foreign subsidiaries.

25. RECONCILIATION OF CONSOLIDATED PROFIT BEFORE FINANCE COSTS AND TAX TO CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
(Loss)/profit before dividend and interest income, finance costs and taxation	477.3	(357.3)
Dividend income	22.6	40.4
Interest income	9.7	14.5
(Loss)/profit before finance costs and tax	509.6	(302.4)
Decrease/(increase) in other receivables	(0.3)	5.0
Decrease in other payables	(1.5)	(2.2)
Other movements	6.6	118.9
Purchase of investments held at fair value	(1,997.5)	(1,894.4)
Sale of investments held at fair value	1,866.6	1,725.3
(Gains)/losses on investments held at fair value	(291.4)	381.2
Taxation paid	(7.8)	(3.9)
Interest paid	(13.1)	(12.7)
Net cash inflow from Operating Activities	71.2	14.8

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

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
(Loss)/profit before dividend and interest income, finance costs and taxation	380.9	(358.7)
Dividend income	22.6	40.3
Interest income	9.7	13.8
(Loss)/profit before finance costs and taxation	413.2	(304.6)
Decrease/(increase) in other receivables	0.2	6.2
(Decrease)/increase in other payables	(2.3)	(1.0)
Other movements	90.9	137.0
Purchase of investments held at fair value	(1,955.7)	(1,897.6)
Sale of investments held at fair value	1,805.4	1,685.0
Losses/(gains) on investments held at fair value	(295.2)	416.4
Taxation paid	–	(1.7)
Interest paid	(12.7)	(12.7)
Net cash inflow from Operating Activities	43.8	27.0

26. FINANCIAL INSTRUMENTS

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

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

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

26.1 Categories of financial assets and financial liabilities

	Group As at 31 March 2010				Total £ million
	Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other Assets £ million	
Financial Assets					
Investments held at fair value	–	1,964.4	–	–	1,964.4
Investment property	–	–	–	33.4	33.4
Property, plant and equipment	–	–	–	0.4	0.4
Derivative financial instruments	–	8.8	–	–	8.8
Deferred tax asset	–	–	–	0.7	0.7
Dealing investments	–	–	33.5	–	33.5
Sales for future settlement	4.9	–	–	–	4.9
Other receivables	13.9	–	–	0.1	14.0
Tax receivable	–	–	–	0.7	0.7
Cash at bank	115.3	–	–	–	115.3
Total Assets	134.1	1,973.2	33.5	35.3	2,176.1

	Group As at 31 March 2009				Total £ million
	Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other Assets £ million	
Financial Assets					
Investments held at fair value	–	1,593.2	–	–	1,593.2
Investment property	–	–	–	28.5	28.5
Property, plant and equipment	–	–	–	0.4	0.4
Derivative financial instruments	–	6.0	–	–	6.0
Deferred tax asset	–	–	–	0.3	0.3
Dealing investments	–	–	11.3	–	11.3
Sales for future settlement	14.7	–	–	–	14.7
Other receivables	10.3	–	–	3.2	13.5
Tax receivable	–	–	–	0.9	0.9
Cash at bank	98.5	–	–	–	98.5
Total Assets	123.5	1,599.2	11.3	33.3	1,767.3

NOTES TO THE FINANCIAL STATEMENTS

76

Financial Assets	Company As at 31 March 2010			Total £ million
	Loans & receivables £ million	FVPL (initial recognition) £ million	Other Assets £ million	
Investments held at fair value	–	1,952.7	–	1,952.7
Investment property	–	–	33.4	33.4
Investment in subsidiary undertakings	–	–	138.8	138.8
Derivative financial instruments	–	8.8	–	8.8
Deferred tax asset	–	–	0.6	0.6
Amounts owed by group undertakings	–	–	–	–
Sales for future settlement	4.9	–	–	4.9
Other receivables	12.2	–	0.1	12.3
Tax receivable	–	–	0.7	0.7
Cash at bank	79.6	–	–	79.6
Total Assets	96.7	1,961.5	173.6	2,231.8

Financial Assets	Company As at 31 March 2009			Total £ million
	Loans & receivables £ million	FVPL (initial recognition) £ million	Other Assets £ million	
Investments held at fair value	–	1,580.5	–	1,580.5
Investment property	–	–	28.5	28.5
Investment in subsidiary undertakings	–	–	75.8	75.8
Derivative financial instruments	–	1.9	–	1.9
Deferred tax asset	–	–	0.1	0.1
Amounts owed by group undertakings	–	–	–	–
Sales for future settlement	14.6	–	–	14.6
Other receivables	9.1	–	3.2	12.3
Tax receivable	–	–	0.9	0.9
Cash at bank	89.9	–	–	89.9
Total Assets	113.6	1,582.4	108.5	1,804.5

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities	Amortised Cost £ million	Group As at 31 March 2010		Total £ million
		FVPL (initial recognition) £ million	Other Liabilities £ million	
Bank loans and overdrafts:				
due within one year	157.6	–	–	157.6
due after more than one year	133.6	–	–	133.6
Purchases for future settlement	18.6	–	–	18.6
Tax payable	–	–	7.1	7.1
Other payables	3.4	–	–	3.4
Provisions	–	–	9.0	9.0
Derivative financial instruments	–	30.6	–	30.6
Finance lease liability	–	–	0.5	0.5
Total Liabilities	313.2	30.6	16.6	360.4

Financial Liabilities	Amortised Cost £ million	Group As at 31 March 2009		Total £ million
		FVPL (initial recognition) £ million	Other Liabilities £ million	
Bank loans and overdrafts:				
due within one year	0.1	–	–	0.1
due after more than one year	369.3	–	–	369.3
Purchases for future settlement	19.5	–	–	19.5
Tax payable	–	–	1.8	1.8
Other payables	4.9	–	–	4.9
Provisions	–	–	7.0	7.0
Derivative financial instruments	–	13.7	–	13.7
Finance lease liability	–	–	0.5	0.5
Total Liabilities	393.8	13.7	9.3	416.8

NOTES TO THE FINANCIAL STATEMENTS

78

Financial Liabilities	Company As at 31 March 2010			Total £ million
	Amortised Cost £ million	FVPL (initial recognition) £ million	Other Liabilities £ million	
Bank loans and overdrafts:				
due within one year	157.6	–	–	157.6
due after more than one year	133.6	–	–	133.6
Purchases for future settlement	18.6	–	–	18.6
Tax payable	–	–	–	–
Other payables	1.5	–	–	1.5
Amounts owed to group undertakings	167.0	–	–	167.0
Provisions	–	–	8.8	8.8
Derivative financial instruments	–	14.2	–	14.2
Deferred tax liability	–	–	–	–
Finance lease liability	–	–	0.5	0.5
Total Liabilities	478.3	14.2	9.3	501.8

Financial Liabilities	Company As at 31 March 2009			Total £ million
	Amortised Cost £ million	FVPL (initial recognition) £ million	Other Liabilities £ million	
Bank loans and overdrafts:				
due within one year	–	–	–	–
due after more than one year	369.3	–	–	369.3
Purchases for future settlement	11.1	–	–	11.1
Tax payable	–	–	–	–
Other payables	3.8	–	–	3.8
Amounts owed to group undertakings	105.9	–	–	105.9
Provisions	–	–	6.8	6.8
Derivative financial instruments	–	13.7	–	13.7
Deferred tax liability	–	–	–	–
Total Liabilities	490.1	13.7	6.8	510.6

The Group's policy for determining the fair value of investments (including unquoted investments) is set out on pages 57 and 58.

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

The fair value of the term loans was estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. As at 31 March 2010 this amounted to £288 million (31 March 2009: £383 million).

No financial assets or liabilities were reclassified during 2010 or 2009 by the Group or the Company.

26.2 Financial Risk Management

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

a. Market Risk

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

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

Management of market risk

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

Exposure to any one entity is monitored by the executive Directors and senior management. The Company complies with the requirement of the relevant tax legislation for an investment trust not to invest more than 15% of the total value of its investments in the securities of any one group at the time of the initial acquisition, or subsequent purchase.

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

b. Price Risk

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

Management of price risk

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

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

Exposure to price risk

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

	31 March 2010 £ million	31 March 2009 £ million
Exposure to price risk	1,730.5	1,108.0

NOTES TO THE FINANCIAL STATEMENTS

80

As at the year-end, the Group's exposure to listed equities (after adjusting for index futures) and unquoted investments represented 95.3% of net assets (31 March 2009: 82.2%).

Price Risk Sensitivity Analysis

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

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

	31 March 2010 Impact on IS & Net Assets £ million	31 March 2009 Impact on IS & Net Assets £ million
Total	178.1	100.5

c. Interest Rate Risk

The Group finances its operations mainly through its share capital and retained profits, including realised gains on investments. In addition, financing has been obtained through bank borrowings. Changes in interest rates have a direct impact on the fair value or future cash flows of the following financial assets and liabilities

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

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

Management of Interest Rate Risk

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

The Company uses interest rate swaps as cash flow hedges of future interest payments and this has the effect of increasing the proportion of its fixed interest debt.

Exposure to Interest Rate Risk

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

	31 March 2010			31 March 2009		
	Floating Rate £ million	Fixed Rate £ million	Total £ million	Floating Rate £ million	Fixed Rate £ million	Total £ million
Portfolio investments (debt securities)	69.7	169.9	239.6	51.2	415.3	466.5
Derivative financial instruments	3.9	(0.9)	3.0	–	6.8	6.8
Cash	115.3	–	115.3	98.5	–	98.5
Bank loans and overdrafts:						
due within one year	–	(157.6)	(157.6)	(0.1)	–	(0.1)
due after more than one year	–	(133.6)	(133.6)	–	(369.3)	(369.3)
Total Exposure	188.9	(122.2)	66.7	149.6	52.8	202.4

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Interest received on cash and cash equivalents is at prevailing market rates.

The Group has total borrowings of £290.3 million outstanding at the year-end (31 March 2009: £369.3 million). All of the term loans, comprising this total, incur fixed interest payments (through the operation of interest rate swaps). Further details are provided in note 18.

Interest Rate Risk Sensitivity Analysis

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

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

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

	31 March 2010 Impact on IS & Net Assets £ million	31 March 2009 Impact on IS & Net Assets £ million
Total	3.8	3.0

d. Currency Risk

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

Management of Currency Risk

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

Part of the Company's currency exposure in respect of its US Dollar and Euro investments is also hedged by way of the Company's borrowings denominated in those currencies.

NOTES TO THE FINANCIAL STATEMENTS

82

Exposure to Currency Risk

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

Currency	Group 31 March 2010		
	Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
US Dollar	938.6	(233.6)	705.0
Sterling	447.4	(133.6)	313.8
Chinese Renminbi	–	171.5	171.5
Canadian Dollar	78.3	82.4	160.7
Swiss Franc	27.4	111.0	138.4
Euro	160.7	(27.1)	133.6
Singapore Dollar	0.6	128.0	128.6
Korean Won	–	84.1	84.1
Indian Rupee	–	44.1	44.1
Brazilian Real	40.0	(9.4)	30.6
Japanese Yen	43.9	(202.3)	(158.4)
Other	63.7	–	63.7
Total	1,800.6	15.1	1,815.7

Currency	Group 31 March 2009		
	Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
Sterling	549.8	(84.3)	465.5
US Dollar	662.2	(382.7)	279.5
Euro	110.9	38.2	149.1
Norwegian Krone	14.8	109.6	124.4
Canadian Dollar	18.7	92.5	111.2
Australian Dollar	9.4	80.7	90.1
Japanese Yen	(82.7)	149.2	66.5
Singapore Dollar	0.9	36.0	36.9
Swiss Franc	14.9	3.6	18.5
Swedish Krona	1.3	–	1.3
Other	46.9	(39.4)	7.5
Total	1,347.1	3.4	1,350.5

26. FINANCIAL INSTRUMENTS (CONTINUED)

Currency	Company 31 March 2010		
	Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
US Dollar	906.2	11.0	917.2
Sterling	411.7	–	411.7
Euro	159.9	–	159.9
Canadian Dollar	78.1	–	78.1
Japanese Yen	43.0	(1.6)	41.4
Brazilian Real	40.0	(9.4)	30.6
Swiss Franc	27.2	–	27.2
Norwegian Krone	18.8	–	18.8
Australian Dollar	13.5	–	13.5
Other	31.6	–	31.6
Total	1,730.0	–	1,730.0

Currency	Company 31 March 2009		
	Net Assets Excluding Currency Forwards £ million	Currency Forwards £ million	Net Exposure £ million
Sterling	416.5	–	416.5
US Dollar	743.7	–	743.7
Euro	108.4	–	108.4
Canadian Dollar	18.6	–	18.6
Swiss Franc	14.8	–	14.8
Norwegian Krone	14.8	–	14.8
Swedish Krona	1.2	–	1.2
Singapore Dollar	0.9	–	0.9
Japanese Yen	(80.8)	–	(80.8)
Other	55.8	–	55.8
Total	1,293.9	–	1,293.9

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

Currency Risk Sensitivity Analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS

84

Currency	31 March 2010 Impact on IS & Net Assets £ million	31 March 2009 Impact on IS & Net Assets £ million
Sterling	–	–
US Dollar	(64.1)	(25.4)
Chinese Renminbi	(15.6)	–
Canadian Dollar	(14.6)	(10.1)
Swiss Franc	(12.6)	(1.7)
Euro	(12.1)	(13.6)
Singapore Dollar	(11.7)	(3.4)
Korean Won	(7.6)	–
Indian Rupee	(4.0)	–
Brazilian Real	(2.8)	–
Japanese Yen	14.4	(6.0)
Norwegian Krone	(1.7)	(11.3)
Swedish Krona	(0.1)	(0.1)
Other	(4.0)	(8.9)
Total	(136.5)	(80.5)

e. Credit Risk

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

Management of Credit Risk

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

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

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

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

Exposure to Credit Risk

The maximum exposure to credit risk at 31 March was:

	31 March 2010 £ million	31 March 2009 £ million
Portfolio investments (debt securities)	233.1	466.5
Derivative financial instruments	42.3	28.4
Other receivables	14.0	13.5
Sales for future settlement	4.9	14.7
Cash at bank	115.3	98.5
Maximum exposure to credit risk	409.6	621.6

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

Substantially all of the portfolio investments are held by Bank of New York Mellon as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's subordinated debt was rated A+ by Fitch in the most recent rating prior to 31 March 2010.

f. Liquidity Risk

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

The Group has significant investments in and commitments to unquoted companies and unquoted funds which are inherently illiquid. In addition the Group holds investments with other third party organisations which may require notice periods in order to be realised.

Management of Liquidity Risk

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

Exposure to Liquidity Risk

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

The Group has existing term facilities totalling £290.3 million (details of which are disclosed in Note 18) as well as access to an undrawn committed short-term debt facility of £65.8 million (31 March 2009: £104.6 million). Of these, £156.7 million was repaid on 17 May 2010.

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

	31 March 2010				31 March 2009			
	3m or less £ million	3-12m £ million	>1 yr £ million	Total £ million	3m or less £ million	3-12m £ million	>1 yr £ million	Total £ million
Current liabilities								
Bank loan/overdraft	157.6	–	–	157.6	0.1	–	–	0.1
Other liabilities	47.3	–	–	47.3	24.4	–	–	24.4
Non current liabilities								
Bank loans	–	–	133.6	133.6	–	–	369.3	369.3
Other liabilities	–	–	5.3	5.3	–	–	13.7	13.7
Total	204.9	–	138.9	343.8	24.5	–	383.0	407.5
Commitments	241.6	–	–	241.6	220.2	–	–	220.2
Total	446.5	–	138.9	585.4	244.7	–	383.0	627.7

26.3 Collateral

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

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

	31 March 2010 £ million	31 March 2009 £ million
Cash collateral provided by RIT in relation to derivative contracts	62.5	39.0

NOTES TO THE FINANCIAL STATEMENTS

86

26.4 Derivative Financial Instruments

The Group holds the following derivative instruments:

- Futures and forward contracts relating to foreign currency and market indices
- Options relating to foreign currency, market indices, equities and interest rates
- Swaps relating to interest rates

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

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

Details of the Group and Company's derivatives unsettled at 31 March are:

	Notional Amount £ million	Group		Total Fair Value £ million
		Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	
As at 31 March 2010				
Forward currency contracts	1,546.6	29.8	(14.8)	15.0
Currency options	–	2.1	–	2.1
Interest rate swaps	357.5	3.9	(14.2)	(10.3)
Equity options/warrants	–	–	–	–
Index futures	444.2	6.5	(1.6)	4.9
Put options – market indices	–	–	–	–
Total		42.3	(30.6)	11.7

	Notional Amount £ million	Group		Total Fair Value £ million
		Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	
As at 31 March 2009				
Forward currency contracts	1,262.2	16.8	(13.4)	3.4
Currency options	–	7.2	(0.3)	6.9
Interest rate swaps	369.4	6.8	(13.7)	(6.9)
Equity options/warrants	–	0.2	–	0.2
Index futures	319.9	4.4	(1.8)	2.6
Put options – market indices	–	1.9	–	1.9
Total		37.3	(29.2)	8.1

26. FINANCIAL INSTRUMENTS (CONTINUED)

	Company			Total Fair Value £ million
	Notional Amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	
As at 31 March 2010				
Forward currency contracts	–	11.0	(11.0)	–
Equity options/warrants	–	–	–	–
Interest rate swaps	357.5	3.1	(14.2)	(11.1)
Index futures	44.7	5.7	–	5.7
Put options – market indices	–	–	–	–
Total		19.8	(25.2)	(5.4)

	Company			Total Fair Value £ million
	Notional Amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	
As at 31 March 2009				
Forward currency contracts	–	–	–	–
Equity options/warrants	–	0.2	–	0.2
Interest rate swaps	369.4	2.4	(13.7)	(11.3)
Index futures	294.9	3.7	(1.8)	1.9
Put options – market indices	–	1.9	–	1.9
Total		8.2	(15.5)	(7.3)

26.5 IFRS 7 Classification

The Group has adopted the amendment to IFRS 7, effective for accounting periods commencing 1 January 2009, during the year. This requires the Group to classify its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements.

These are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Where adjustments have been required to quoted prices to arrive at fair value, or where a market price is available but the market is not considered active, the Directors have classified these investments as level 2.

The Directors consider all unquoted direct investments and unquoted funds (as described in pages 17 to 20 of the Investment Review) as level 3 assets, as the valuations of these assets are not based on observable market data. Where funds within the absolute return and real asset categories invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

NOTES TO THE FINANCIAL STATEMENTS

88

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities (by class) measured at fair value at 31 March 2010:

As at 31 March 2010	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total FVPL £ million
Portfolio investments	905.2	554.2	505.0	1,964.4
Derivative financial instruments	–	8.8	–	8.8
Dealing investments	–	33.5	–	33.5
Financial assets at fair value through profit and loss	905.2	596.5	505.0	2,006.7
Derivative financial instruments	–	(30.6)	–	(30.6)
Financial liabilities at fair value through profit and loss	–	(30.6)	–	(30.6)
Net financial assets at fair value through profit and loss	905.2	565.9	505.0	1,976.1
Net other assets/(liabilities)				(160.4)
Net asset value				1,815.7

Movements in Level 3 Assets

	Opening Balance £ million	Purchases £ million	Sales £ million	Gains during the year £ million	Reclassifications £ million	Closing Balance £ million
Portfolio investments						
Unquoted Investments	388.8	61.4	(119.9)	46.5	–	376.8
Absolute Return	12.0	5.7	(18.8)	22.3	–	21.2
Real Assets	81.5	15.5	(5.3)	15.3	–	107.0
	482.3	82.6	(144.0)	84.1	–	505.0

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Capital Management

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

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

The Company is subject to externally imposed capital requirements:

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

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

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

The Group's capital at 31 March comprises:

	31 March 2010 £ million	31 March 2009 £ million
Equity share capital	153.9	154.5
Retained earnings and other reserves	1,661.8	1,196.0
Net asset value	1,815.7	1,350.5
Bank loans (term loans)	290.3	369.3
Total Capital	2,106.0	1,719.8
Debt as a % total capital	13.8%	21.5%

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

27. PENSION COMMITMENTS

J. Rothschild Capital Management Limited has pension commitments in respect of its participation in the RITCP Pension and Life Assurance Scheme. The Scheme consists of a defined benefit section which is closed to new members. The assets of the Scheme are held in a separate trustee-administered fund.

The Group has adopted the revised version of International Accounting Standard 19, Employee Benefits ("IAS 19"), published in December 2004. Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur. The retirement benefit asset recognised in the balance sheet represents the fair value of the Scheme's assets as reduced by the present value of the defined benefit obligation. The cost of providing benefits is determined using the projected unit credit method.

The employer contribution rate to the Scheme for the year ended 31 March 2010 was 49.9% of pensionable salaries (31 March 2009: 47%).

It is estimated that the contributions payable to the Scheme during the year ending 31 March 2011 will be £0.8 million (31 March 2010: £0.8 million).

In accordance with the requirements of IAS 19 this note discloses the main financial assumptions made in valuing the liabilities of the defined benefit scheme and the fair value of the assets held. The full actuarial valuation of the scheme which was carried out as at 1 January 2008 was updated to 31 March 2010 by a qualified independent actuary.

NOTES TO THE FINANCIAL STATEMENTS

90

The main financial assumptions are shown in the following tables:

	At 31 March 2010	At 31 March 2009
Discount rate	5.70%	6.60%
Rate of increase in salaries	3.00%	4.00%
Rate of increase in payment of all pensions	4.00%	4.00%
Inflation assumption	3.65%	3.10%

The mortality assumptions employed as at 31 March 2010 are based on the tables set out below and include allowance for future improvements in life expectancy (by projecting past improvement rates to calendar year 2030 for current active members and deferred pensioners, and to calendar year 2010 for current pensioners).

Member status	Pre-Retirement	Post-Retirement
Active	AM/FC 00	PNM/FA 2000 year of birth tables allowing for medium cohort projections and a 1% per annum underpin
Deferred	AM/FC 00	PPNM/FA 2000 year of birth tables allowing for medium cohort projections and a 1% per annum underpin
Pensioners	N/A	PNM/FA 2000 year of birth tables allowing for medium cohort projections and a 1% per annum underpin

It is assumed that 70% of members are married as at the date of death.

As at 31 March 2010, the expected rate of return on the Scheme's assets was 7.5% per annum (31 March 2009: 8.5% per annum). This rate is equal to the weighted average of the long-term expected rates of return on each of the asset classes that the Scheme was invested in at 31 March 2010. 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 2010	Value at 31 March 2010 £ million	Long-term rate of return expected at 31 March 2009	Value at 31 March 2009 £ million
Equities	8.00%	9.7	9.00%	7.2
Alternative investments	7.00%	3.0	8.00%	3.4
Corporate bonds	5.00%	0.5	5.00%	0.2
Cash	3.00%	0.5	3.00%	0.2
Fair value of the Scheme's assets		13.7		11.0
Present value of the Scheme's liabilities		(13.7)		(11.5)
(Deficit)/surplus in the Scheme		0.0		(0.5)

The surplus of the Scheme for the year ended 31 March 2010 was £3,000 (31 March 2009: deficit £512,000). 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.

The defined benefit section of the Scheme does not invest in the Company's ordinary shares (31 March 2009: nil) or in any property occupied by the Group, or any other assets used by the Group (31 March 2009: nil). The money purchase section of the Scheme did not hold ordinary shares in the Company as at 31 March 2010 (31 March 2009: £nil).

27. PENSION COMMITMENTS (CONTINUED)

The retirement benefit cost comprises the following:

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Defined contribution scheme	0.6	0.5
Defined benefit scheme		
Employer's current service cost	0.2	0.3
Interest on pension liabilities	0.8	0.7
Expected return on Scheme assets	(0.9)	(1.2)
Expense recognised in income statement ¹	0.7	0.3
Actuarial losses/(gains)	0.2	2.3
Expense recognised in statement of comprehensive income	0.2	2.3
Total pension expense	0.9	2.6

¹ Included in administrative expenses

The actual return on Scheme assets was positive £2.6 million (31 March 2009: negative £2.0 million).

Five year history

	31 March 2010 £ million	31 March 2009 £ million	31 March 2008 £ million	31 March 2007 £ million	31 March 2006 £ million
Fair value of the Scheme's assets	13.7	11.0	13.5	14.4	13.6
Present value of the Scheme's liabilities	(13.7)	(11.5)	(12.1)	(12.7)	(12.2)
(Deficit)/surplus in the Scheme	–	(0.5)	1.4	1.7	1.4

The analysis of experience gains and losses is as follows:

	31 March 2010 £ million	31 March 2009 £ million	31 March 2008 £ million	31 March 2007 £ million	31 March 2006 £ million
Experience gains/(losses) on Scheme liabilities	–	(0.4)	0.1	(0.3)	0.2
Experience (losses)/gains on Scheme assets	1.7	(3.2)	(2.1)	(0.3)	1.8

	31 March 2010 £ million	31 March 2009 £ million
<i>Reconciliation of the fair value of the Scheme's assets</i>		
Opening fair value of the Scheme's assets	11.0	13.5
Expected return on Scheme assets	0.9	1.2
Actuarial gains/(losses)	1.7	(3.2)
Employer's contributions	0.7	0.2
Benefits paid and other disbursements	(0.6)	(0.7)
Closing fair value of the Scheme's assets	13.7	11.0

NOTES TO THE FINANCIAL STATEMENTS

92

	31 March 2010 £ million	31 March 2009 £ million
Reconciliation of the present value of the defined benefit obligation		
Opening defined benefit obligation	11.5	12.1
Employer's current service cost	0.2	0.3
Interest on pension liabilities	0.8	0.7
Experience (gains)/losses arising on Scheme liabilities	–	0.4
Changes in assumptions underlying the Scheme liabilities	1.9	(1.3)
Benefits paid and other disbursements	(0.7)	(0.7)
Closing defined benefit obligation	13.7	11.5

28. RELATED PARTY TRANSACTIONS

In the normal course of its business, the Group has entered into a number of transactions with parties related to Lord Rothschild and Mr Nathaniel Rothschild. These are described below:

Transactions with parties related to Lord Rothschild

The Group has arrangements with a number of related parties including:

- a company governed by a charitable trust over which Lord Rothschild has significant influence but no beneficial interest;
- a partnership in which Lord Rothschild has a majority interest; and
- two companies over which Lord Rothschild has significant influence but no beneficial interest.

The Group has cost-sharing arrangements with these related parties covering the provision and receipt of administrative as well as investment advisory and support services. Under these arrangements the Group paid £199,918 (year ended 31 March 2009: £804,840) and received £994,829 (year ended 31 March 2009: £452,571).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services charged by the Group for the year ended 31 March 2010 amounted to £408,278 (year ended 31 March 2009: £680,946).

During the year, the Group contributed £54,261 in respect of rent, rates and services towards the cost of the Chairman's office which is located in a property owned by a related party (year ended 31 March 2009: £54,261).

Certain activities of the Group are carried out in properties owned by related parties. The Group paid rent of £103,719 in the year ended 31 March 2010 (year ended 31 March 2009: £181,603).

The balance due by the Group to the parties related to Lord Rothschild at 31 March 2010 was £76,337 (31 March 2009: £190,349), and the balance due to the Group was £852,250 (31 March 2009: £554,365).

Transactions with parties related to Mr Nathaniel Rothschild

Related parties occupy office space at 27 St James's Place, which is owned by the Group. The rent, rates and services charged by the Group for the year ended 31 March 2010 was £55,537 (year ended 31 March 2009: £148,118).

The balance due by the Group to the parties related to Mr. Nathaniel Rothschild at the year-end was £nil (31 March 2009: £22,503), and the balance due to the Group was £nil (31 March 2009: £29,285).

Other

The Company does not hold any security in respect of the above balances due from related parties.

Subsidiary Companies

J. Rothschild Capital Management Limited, a wholly-owned subsidiary of the Company, provides administrative services to the Company and is also its corporate secretary. During the year ended 31 March 2010, the charge for these administrative services amounted to £15.8 million (year ended 31 March 2009: £11.5 million).

Amounts due from subsidiaries and amounts due to subsidiaries are disclosed on the face of the Company's balance sheet.

The significant balances outstanding between the Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	31 March 2010 £ million	31 March 2009 £ million	31 March 2010 £ million	31 March 2009 £ million
RIT Capital Partners Securities Limited	–	–	(79.2)	(25.9)
Atlantic and General Investment Trust Limited	–	–	(44.1)	(44.2)
J. Rothschild Capital Management Limited	–	–	(17.1)	(15.1)
RIT Capital Partners Associates Limited	–	–	(19.6)	(16.3)
RIT Capital Partners Media Inc.	–	–	(6.0)	(3.3)
Other	–	–	(1.0)	(1.1)
	–	–	(167.0)	(105.9)

Additional loans to subsidiaries are disclosed in Note 12; these mainly comprise amounts due from RIT Capital Partners Associates Limited and Augmentum 1 LP.

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in Note 27. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 March 2010 (31 March 2009: £nil).

Directors and key management personnel

Details of the remuneration and benefits attributable to Directors and key management personnel are set out below.

	Year ended 31 March 2010 £ million	Year ended 31 March 2009 £ million
Salaries	2.1	2.0
Bonus	0.9	1.2
Benefits in kind	–	0.1
Long-term incentive plan (IFRS 2 basis per Note 19)	2.1	(2.4)
Pension expense	0.1	1.4
	5.2	2.3

In the case of members of the defined benefit pension scheme, the pension cost is represented by the increase in the transfer value of the pension rights during the year. For defined contribution members, the cost is equal to the annual amount of the employer's pension contribution.

29. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

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

	31 March 2010		31 March 2009	
	Group £ million	Company £ million	Group £ million	Company £ million
Commitments to provide additional funds¹	241.6	241.6	220.2	220.2

¹ Principally uncalled commitments to unquoted funds.

HISTORICAL INFORMATION AND FINANCIAL CALENDAR

94

HISTORICAL INFORMATION

	Diluted net assets £ million	Diluted net assets per share p	Closing share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.65
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.64
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.44
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.15
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.15
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.51
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.58
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.65
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.82
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.00
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.20
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.10
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.10
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.10
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.10
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.10
31 March 2005	1,113.1	712.7	694.0	(2.6)	90.0	3.10
31 March 2006	1,534.7	982.7	1,020.0	3.8	270.3	3.10
31 March 2007	1,635.6	1,047.3	1,000.0	(4.5)	67.0	3.10
31 March 2008	1,690.0	1,091.6	1,147.0	5.1	50.6	4.00
31 March 2009	1,350.5	874.3	831.0	(5.0)	(205.2)	7.50
31 March 2010	1,815.7	1,180.1	1,082.0	(8.3)	306.3	4.00

Notes:

1. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
2. Prior to 31 March 2000, the diluted net assets were arrived at on the assumption that all convertible stock was converted at the balance sheet date. By 31 March 2000, all convertible stock had been converted or redeemed. Thereafter, there was no difference between the NAV and the diluted NAV.
3. The earnings per share is the fully diluted earnings per share, based on the profit after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted earnings per share exceeded the undiluted earnings per share the latter figure has been shown in accordance with standard accounting practice.

FINANCIAL CALENDAR

Annual General Meeting

22 July 2010 at 11.00 a.m.
(please note the venue change)

Notice is hereby given that the Annual General Meeting of RIT Capital Partners plc will be held at The Institute of Directors, 116 Pall Mall, London, SW1Y 5ED on Thursday 22 July 2010 at 11.00 a.m. The meeting will be held for the following purposes:

Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions, each of which is proposed as an ordinary resolution:

1. To approve the Directors' Report and Accounts for the year ended 31 March 2010;
2. To approve the Directors' Remuneration Report for the year ended 31 March 2010;
3. To elect Lord Douro as a Director;
4. To re-elect Lord Rothschild as a Director;
5. To re-elect Duncan Budge as a Director;
6. To re-elect John Elkann as a Director;
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company; and
8. To authorise the Directors to fix the remuneration of the auditors.

Special Business

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

9. THAT the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares:
 - (i) up to a nominal amount of £51,288,687;
 - (ii) comprising equity securities (as defined in Section 560(1) of the 2006 Act) up to a further nominal amount of £51,288,687 in connection with an offer by way of a rights issue;

such authorities to apply in substitution for all previous authorities pursuant to Section 80 of the Companies Act 1985 and to expire on whichever is the earlier of the Company's Annual General Meeting in 2011 and 30 September 2011, but so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

For the purposes of this Resolution "**rights issue**" means an offer to:

- (a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (b) people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities, to subscribe further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases, to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.
10. THAT the annual limit for aggregate fees payable to the Company's non-executive Directors be increased from £300,000 to £400,000.

ANNUAL GENERAL MEETING

96

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

11. THAT subject to the passing of Resolution 9 above:

the Directors be empowered to allot equity securities (as defined in Section 560(1) of the 2006 Act) wholly for cash:

- (a) pursuant to the authority given by paragraph (i) of Resolution 9 above or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the 2006 Act in each case:
 - I. in connection with a pre-emptive offer; and
 - II. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £7,693,303; and
- (b) pursuant to the authority given by paragraph (ii) of Resolution 9 above in connection with a rights issue,

as if Section 561(1) of the 2006 Act did not apply to any such allotment; such power to expire at the Company's Annual General Meeting in 2011 or on 30 September 2011, whichever is the earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends.

For the purposes of this Resolution:

- (a) "rights issue" has the same meaning as in Resolution 9 above;
 - (b) "pre-emptive offer" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders (other than the Company) on the register on a record date fixed by the Directors of ordinary shares in proportion to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory;
 - (c) references to an allotment of equity securities shall include a sale of treasury shares; and
 - (d) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.
12. THAT the Company be authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) up to an aggregate of 23,064,523 ordinary shares of £1 each of the Company (or such a number of ordinary shares as represents 14.99 per cent of the Company's issued capital at the date of the Meeting, whichever is less) at a price (exclusive of expenses) which is:
- (a) not less than £1 per share;
 - (b) not more than an amount equal to the higher of: (a) 5 per cent 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; or (b) the higher of the price of the last independent trade and the highest current bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No. 2273/2003).

AND THAT the authority conferred by this Resolution shall expire at the Company's Annual General Meeting in 2011 or on 30 September 2011, whichever is the earlier (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).

13. THAT the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

14. THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

J. Rothschild Capital Management Limited

Secretary

Registered office:

27 St James's Place

London SW1A 1NR

15 June 2010

ANNUAL GENERAL MEETING

98

Notes

1. A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and to speak and vote at the Annual General Meeting instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the members.
2. A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
3. To be effective the instrument appointing a proxy must either be (a) sent to the Company's registrars – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, (b) lodged using the CREST Proxy Voting Service explained in Note 7 below, or (c) lodged electronically through the Company's website – www.ritcap.co.uk. All proxies, however lodged, must be received not less than 48 hours before the time for holding the meeting or adjourned meeting.

Please note that any power of attorney or other authority under which the instrument is executed (or a duly certified copy of any such power or authority), must accompany the physical instrument appointing a proxy, as these documents cannot be lodged electronically.

4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("**nominated persons**"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
5. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 7 June 2010, which is the latest practicable date before the publication of this document is 153,866,062, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 7 June 2010 are 153,866,062.
6. Entitlement to attend and vote at the meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members on 20 July 2010 at 6.00 p.m. or, if the meeting is adjourned, no later than 6.00 p.m. on the date two days prior to the date of the adjourned meeting.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting services provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The

Inspection of documents

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 27 St James's Place, London SW1A 1NR up to and including the date of the AGM and at The Institute of Directors, 116 Pall Mall, London, SW1Y 5ED from 15 minutes before the AGM until it ends:

- articles of association of the Company; and
- the executive directors' service contracts and letters of appointment of the non-executive directors.

message, regardless of whether it constitutes the appointment of proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in the Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
9. Shareholders should note that, under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning 1 April 2009; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning 1 April 2009 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
10. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
11. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.ritcap.co.uk.

EXPLANATORY NOTES

100

RESOLUTION 1 – REPORT AND ACCOUNTS

The Directors of the Company are required by company law to present the accounts, the Directors' report and the auditors' report on the accounts to the meeting.

RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report Regulations 2002 require that the Directors' Remuneration Report be put to a vote by shareholders. The Report is set out on pages 38 to 44 of the Annual Report and Accounts.

RESOLUTIONS 3 TO 6 – ELECTION AND RE-ELECTION OF DIRECTORS

Lord Douro is standing for election as a non-executive Director in accordance with the Articles of Association of the Company.

All Directors have to stand for re-election at least once every 3 years, but are eligible for re-election. The Board has a policy that any non-executive Director who has served as such for nine or more years and who is not retiring by rotation, shall nonetheless stand for re-election at each annual general meeting. Charles Bailey has served as a non-executive Director for more than nine years, but has indicated that he will not stand for re-election at this year's Annual General Meeting.

Biographical information on all the directors, including those standing for election or re-election, is shown on pages 24 and 25 of the Annual Report and Accounts.

RESOLUTION 7 – REAPPOINTMENT OF AUDITORS

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

RESOLUTION 8 – REMUNERATION OF AUDITORS

This resolution authorises the Directors to fix the remuneration of PricewaterhouseCoopers LLP as the Company's auditors and has been split from the resolution for the reappointment of auditors in accordance with best practice guidelines.

RESOLUTION 9 – RENEWAL OF DIRECTORS' AUTHORITY TO ALLOT SHARES

This resolution (which will be proposed as an ordinary resolution) will, if approved, allow the Directors to allot ordinary shares in RIT Capital Partners plc.

The authority in paragraph (i) of Resolution 9 will allow the directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal value of £51,288,687, which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company as at 7 June 2010.

The authority in paragraph (ii) in Resolution 9 will allow the directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares only in connection with a rights issue up to a further nominal value of £51,288,687, which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, as at 7 June 2010. This is in line with corporate governance guidelines.

There are no present plans to undertake a rights issue or to allot new shares. The directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

If the resolution is passed the authority will expire on the earlier of the Company's Annual General Meeting in 2011 or on 30 September 2011.

RESOLUTION 10 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

Resolution 10 will increase the annual limit for aggregate fees payable to the Company's non-executive directors from £300,000 to £400,000. This limit was last reviewed in 2005 when it was raised from £200,000 to £300,000. Although current fee levels fall within the existing limit, the Company is proposing to increase the aggregate limit to £400,000 per annum. The total directors' fees payable vary with the number of non-executive directors and the amount of the directors' fees. The Company wishes to take this opportunity to create additional flexibility in respect of payment of non-executive directors' fees and is therefore seeking the higher limit, taking into account comparable fees at other UK public listed companies.

RESOLUTION 11 – DISAPPLICATION OF PRE-EMPTION RIGHTS

This special resolution will renew the Directors' authority to allot shares for cash, free from the pre-emption restrictions set out in the Companies Act 2006.

Paragraph (a) of Resolution 11 is to authorise the Directors to allot new shares pursuant to the authority given by paragraph (i) of Resolution 9, or sell treasury shares, for cash (I) in connection with a pre-emptive offer or rights issue or (II) otherwise up to a nominal value of £7,693,303, equivalent to five per cent of the total issued ordinary share capital of the Company as at 7 June 2010, in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

Paragraph (b) of Resolution 11 authorises the Directors to allot new shares pursuant to the authority given in Resolution 9, or sell treasury shares, for cash only in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holding. This is in line with corporate governance guidelines. This authority will expire at the end of the Annual General Meeting in 2011, or on 30 September 2011 if earlier.

The Directors consider the authority in Resolution 11 to be appropriate in order to allow the company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions. This new power remains in line with the guidelines of the Pre-emption Group, which is supported by the Association of British Insurers and National Association of Pension Funds.

The Directors intend to observe the institutional guidelines in respect of allotment of shares for cash on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling 3-year period.

RESOLUTION 12 – PURCHASE OF OWN SHARES

This resolution will be proposed as a special resolution and will allow RIT Capital Partners plc to make market purchases of up to 23,064,523 of its own ordinary shares (or such a number of ordinary shares as represents 14.99% of the Company's issued capital at the date of the meeting, whichever is less) at prices not less than £1 per share and not more than (a) 5% above the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for the five business days preceding such a purchase, or (b) the highest current bid for the Company's ordinary shares on the London Stock Exchange at the time of the purchase and (c) the price of the last independent trade in the ordinary shares on the London Stock Exchange at the time of purchase.

Pursuant to the Companies Act 2006, the Company can hold the shares which have been repurchased itself as Treasury Shares and either resell them for cash or cancel them, either immediately, or at a point in the future. Accordingly, if the Company were to purchase any of its own shares under the authority conferred by this resolution, the Directors may consider holding them as Treasury Shares or the Directors may cancel the shares. Such a decision will be made by the Directors at the time of purchase on the basis of the Company's and shareholders' best interests.

The Directors currently have no intention of exercising the authority conferred in this resolution and will only purchase shares after taking account of the overall financial position of the Company and whether the effect will be to increase net asset value per share, and if it is in the best interests of shareholders as a whole.

EXPLANATORY NOTES

102

RESOLUTION 13 – ADOPTION OF NEW ARTICLES OF ASSOCIATION

It is proposed in this resolution to adopt new Articles of Association (the “New Articles”) in order to update the Company’s current Articles of Association (the “Current Articles”) primarily to take account of the coming into force of the Companies (Shareholders’ Rights) Regulations 2009 (the “Shareholders’ Rights Regulations”).

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or, the Shareholders’ Rights Regulations, or conform the language of the New Articles with that used in the model articles for public companies set out in The Companies (Model Articles) Regulations 2008 have not been noted below. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 98 of this document.

Voting by proxies on a show of hands

The Shareholders’ Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. It is proposed that the Current Articles be amended to reflect these changes.

Adjournments for lack of quorum

Under the Companies Act 2006, as amended by the Shareholders’ Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. It is proposed that the Current Articles be changed to reflect this requirement.

Voting record date

Under the Companies Act 2006, as amended by the Shareholders’ Rights Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. It is proposed that the Current Articles be amended to reflect this requirement.

Adjournment

This proposed change will update the chairman’s power to adjourn general meetings to bring the New Articles in line with common law, market practice and the Model Articles. This proposed change will in particular confirm the power of the chairman to adjourn the meeting in order to restore order or protect the safety of the attendees.

Satellite Meetings

Amendments made to the Companies Act 2006 by the Shareholders’ Rights Regulations specifically provide for the holding and conducting of electronic meetings. This proposed amendment will enable the Company to make arrangements that will be more convenient to shareholders and will bring the New Articles in line with market practice.

Security and orderly conduct

This proposed change will confirm that the Directors may put in place security procedures at general meetings, including requiring members to submit to bag searches. This will bring the New Articles in line with market practice.

Remuneration for non-executive directors

ABI guidelines stipulate that a company’s articles of association must provide for an annual cap on aggregate fees payable to the company’s non-executive directors. The New Articles provide for a cap of £400,000. This cap will have been increased from £300,000 to £400,000. The total directors’ fees payable vary with the number of non-executive directors and the amount of the directors’ base fee. The Company wishes to take this opportunity to create additional flexibility in respect of payment of non-executive directors’ fees and is therefore seeking the higher limit, taking into account comparable fees at other UK public listed companies.

RESOLUTION 14: NOTICE OF GENERAL MEETINGS

Changes made to the Companies Act 2006 by the Shareholders’ Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (AGMs will continue to be held on at least 21 clear days’ notice.)

Before the coming into force of the Shareholders’ Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days’ notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 14 seeks such approval. The approval will be effective until the Company’s next annual general meeting, when it is intended that a similar resolution will be proposed.

SECRETARY AND REGISTERED OFFICE

J. Rothschild Capital Management Limited

(a wholly-owned subsidiary of RIT)

27 St James's Place
London SW1A 1NR

AUDITORS

PricewaterhouseCoopers LLP

Hay's Galleria
1 Hays Lane
London SE1 2RD

SOLICITORS

Linklaters LLP

One Silk Street
London EC2Y 8HQ

REGISTRARS AND TRANSFER OFFICE

Computershare Investor Services PLC

Registrar's Department
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Telephone: 0870 703 6307

INDIVIDUAL SAVINGS ACCOUNT AND SAVINGS SCHEME ADMINISTRATOR

The Bank of New York Mellon (International) Limited

12 Blenheim Place
Edinburgh EH7 5JH
Telephone: 08448 920917
Overseas callers: +44 8448 920917

AIC

The Company is a member of the Association of Investment Companies

www.theaic.co.uk

FOR INFORMATION

27 St James's Place
London SW1A 1NR
Tel: 020 7493 8111
Fax: 020 7493 5765
e-mail: literature@ritcap.co.uk

www.ritcap.co.uk

