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# RIT Capital Partners plc

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*Annual Report and Accounts 31 March 2002*

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# RIT Capital Partners plc

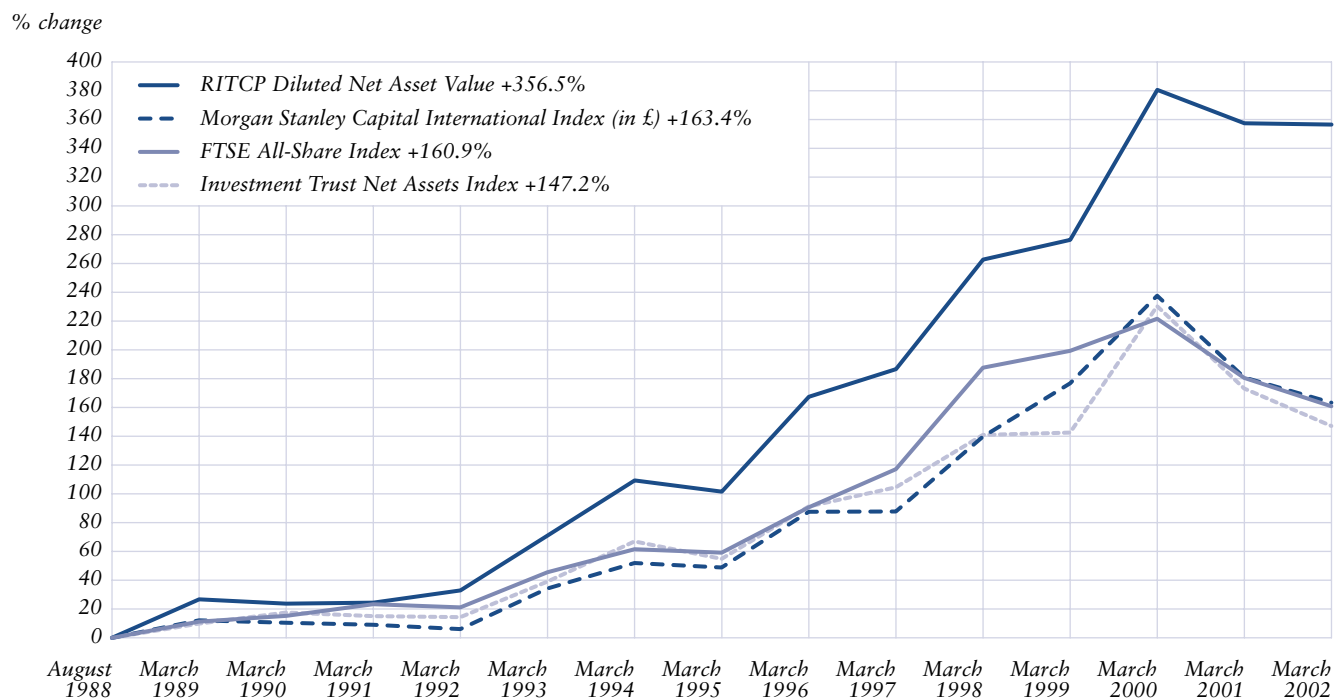
RIT Capital Partners plc (“RITCP”) aims to deliver long-term capital growth for its shareholders, allocating its resources internationally over a range of asset classes.

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

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

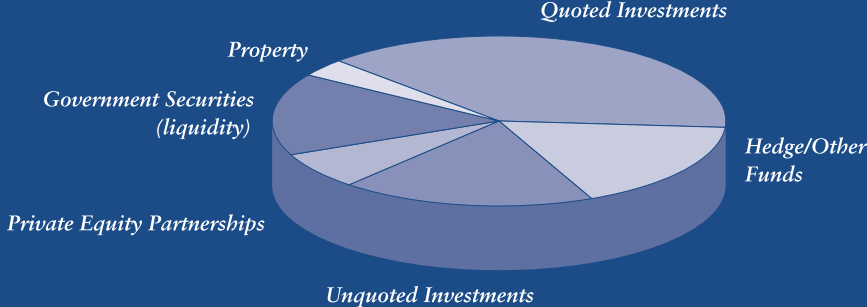
The Company aims, over time, to deliver for its shareholders increases in capital value in excess of the relevant indices. Since its inception in 1988, RITCP has significantly outperformed these indices, as can be seen from the graph below.

## RITCP LONG-TERM PERFORMANCE AGAINST MAJOR INDICES

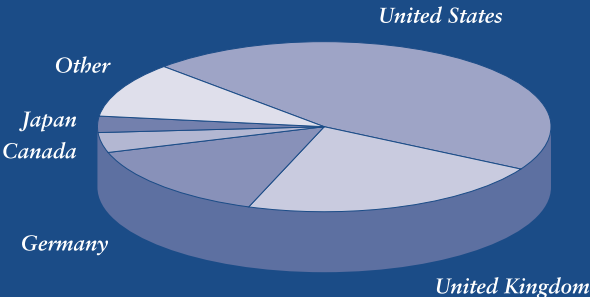


# Portfolio Analysis and Currency Exposure

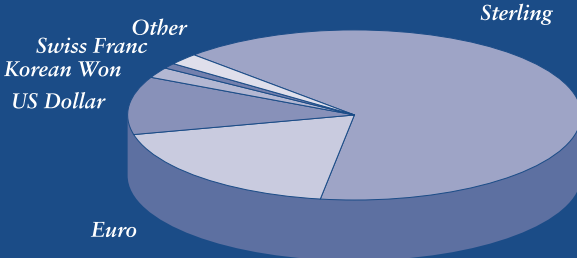
## PORTFOLIO ANALYSIS BY ASSET CATEGORY



## PORTFOLIO ANALYSIS BY COUNTRY



## CURRENCY EXPOSURE



## PORTFOLIO ANALYSIS BY ASSET CATEGORY

	% of Portfolio at 31 March 2002	£m Valuation at 31 March 2002	% of Portfolio at 31 March 2001	£m Valuation at 31 March 2001
Quoted Investments	38.7	298.0	33.1	246.7
Hedge/Other Funds	17.1	131.8	17.4	130.2
Unquoted Investments	18.2	139.9	18.8	139.9
Private Equity Partnerships	7.0	53.8	6.9	51.2
Government Securities (liquidity)	15.6	119.7	20.2	150.6
Property	3.4	26.3	3.6	26.9
<b>Total</b>	<b>100.0</b>	<b>769.5</b>	<b>100.0</b>	<b>745.5</b>

## PORTFOLIO ANALYSIS BY COUNTRY

	% of Portfolio at 31 March 2002	£m Valuation at 31 March 2002	% of Portfolio at 31 March 2001	£m Valuation at 31 March 2001
United States	45.8	352.1	45.8	341.1
United Kingdom	22.1	169.9	33.1	246.8
Germany	14.7	113.2	7.4	55.3
Canada	3.8	29.5	3.1	22.9
Japan	3.1	23.8	2.9	21.8
Other	10.5	81.0	7.7	57.6
<b>Total</b>	<b>100.0</b>	<b>769.5</b>	<b>100.0</b>	<b>745.5</b>

## CURRENCY EXPOSURE

	% of Net assets at 31 March 2002	% of Net assets at 31 March 2001
Sterling	64.9	63.4
Euro	18.9	9.6
US Dollar	11.0	21.3
Korean Won	2.0	0.2
Swiss Franc	1.0	1.2
Other	2.2	4.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

# Chairman's Statement

## INVESTMENT PERFORMANCE

During the year under review, world stock markets experienced exceptionally difficult conditions, with recessionary trends accentuated by the cataclysmic events of September 11th. In view of this, it is some comfort to be able to report that we preserved shareholders' capital during this turbulent period. Protection against adverse market conditions was provided by our liquidity, the diversity within the portfolio and the increased investment in asset classes which are less directly correlated to markets.

During the year to 31 March 2002, your Company's net asset value per share increased by 0.5%, from 484.3p to 486.5p (before deducting the proposed dividend). In contrast, over the same period, the Morgan Stanley Capital International Index (in Sterling), the FTSE All-Share Index and the Investment Trust Net Assets Index declined by 6.2%, 7.0% and 9.5% respectively.

As nearly half of the portfolio is held in investments whose value is not directly correlated to stock markets, a strict comparison with indices over the short term is misleading. Moreover, even within the quoted element of the portfolio we have never followed a rigid geographical asset allocation policy, based on the weighting of a particular benchmark index. Nevertheless, we aim, over time, to deliver for our shareholders increases in capital value in excess of the relevant indices. Since its inception in 1988, RITCP has significantly outperformed these indices, as can be seen from the graph on page 1. I am pleased that we have continued to do so during the period under review.

The most recent net asset value per share at 14 May, after deducting the proposed dividend, was 486.6p.

## ASSET ALLOCATION

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

	<b>% of Portfolio at 31 March 2002</b>	<b>% of Portfolio at 31 March 2001</b>
Quoted investments	<b>38.7</b>	33.1
Hedge/other funds	<b>17.1</b>	17.4
Unquoted investments	<b>18.2</b>	18.8
Private equity partnerships	<b>7.0</b>	6.9
Government securities (liquidity)	<b>15.6</b>	20.2
Property	<b>3.4</b>	3.6

The main change in the asset allocation over the past year has been the increase in our quoted investments from

33.1% to 38.7%, financed by a reduction in our holdings of government securities (liquidity) from 20.2% to 15.6%.

This resulted from a cautious increase in our market exposure towards the end of the year. However, in response to the uncertain outlook we believe it is prudent to retain an element of liquidity within the portfolio.

At the year end, 45.8% of the portfolio was invested in the USA, 22.1% in the UK, 14.7% in Germany, 3.8% in Canada and 3.1% in Japan, with the balance of 10.5% in other countries.

## THE QUOTED PORTFOLIO

At the year end, £298 million, or 38.7% of the portfolio, was held directly in quoted investments. A further £131.8 million, or 17.1% of the portfolio, was held in hedge and other funds which mainly invest in quoted securities. Taking these two categories together (but excluding our holdings of government securities), some 56% of the portfolio was invested, either directly or indirectly, in quoted or other marketable securities.

Your Company has been an investor in selected hedge funds since its inception in 1988, in the pursuit of absolute and relatively consistent returns. We continue to believe that they offer our shareholders access to specialist money managers whose funds are, in many cases, closed to new investors.

## THE UNQUOTED PORTFOLIO

Your Company's exposure to unquoted investments results either from investments made directly by RITCP's own management, or through investments in externally managed partnerships. In total, some £193.7 million, or 25.2% of the portfolio, was invested in this sector at the year end: £139.9 million, or 18.2%, through our own management and £53.8 million, or 7.0%, through our investments in limited partnerships managed by third parties.

The valuations of our unquoted investments are monitored throughout the year, with a formal review, overseen by a committee of non-executive directors, at the half year and year-end. The overall valuation of our direct holdings in unquoted investments remained broadly the same over the past year. Although we have written down the valuations of a small number of holdings, we have increased others to reflect marked improvements in their prospects or operating performance.

Similarly, we have reviewed our investments in externally managed partnerships, making provisions where appropriate. In fact, we had already written down some

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of these holdings, in anticipation of lower valuations, during the previous financial year. Our investments in externally managed partnerships are largely restricted to leading US private equity firms. We have been a participant in this sector for a number of years and intend to limit any new commitments to a select group of the leading firms.

Our property investments, valued at £26.3 million, or 3.4% of the portfolio, are concentrated in St James's Place, in central London, and the valuations remain largely unchanged.

Given our views, we will maintain a cautious investment policy, retaining an element of liquidity and a high degree of diversification.

**Rothschild**  
20 May 2002

## SHARE BUY-BACK

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

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

## RESULTS AND DIVIDEND

The total increase in net assets for the year under review was £4.9 million, of which £3.6 million was attributable to revenue and £1.3 million to capital. In the previous year, the total reduction in net assets was £40.1 million, of which £62.8 million related to capital, partly offset by a £22.7 million revenue profit. These figures exclude taxation, the proposed dividend and the cost of the share buy-back.

We are proposing to pay a dividend of 3.1p per share on 5 July 2002 to shareholders on the register at 7 June 2002, the same dividend as last year. However, shareholders should be aware that this level of dividend might not be sustainable in future years. As always, the focus of your Company is on achieving capital growth rather than providing dividend income.

## OUTLOOK

Despite the recent rally, we remain sceptical about the level of world stock markets. Valuations continue to outstrip corporate profits and underlying economic growth. There remains the possibility that, as the major economies emerge from recession, growth will be slower than anticipated for some time. In view of the level of political risk inherent in the current international situation, even this modest recovery may prove fragile.

# Review of Principal Investments

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

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

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

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



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## QUOTED INVESTMENTS

At 31 March 2002 RITCP held £298 million of quoted investments, amounting to 38.7% of the portfolio. Details of the three largest holdings in the quoted portfolio are set out below.

### Getty Images

**VALUATION AT 31 MARCH 2002: £17.6 MILLION**  
**(COST: £1.6 MILLION)**

RITCP was one of the original investors when this company was formed in 1995 and retains a 2% interest. Getty Images is one of the leading international providers of contemporary and archival images and film to a range of professional users, including advertising and design agencies, publishers and broadcasters. Getty's strategy has been to consolidate the leading businesses and collections and to make images available via the internet.

In July 1996 the company was floated on the US NASDAQ market, placing a valuation of £14.5 million on RITCP's shareholding, compared with the original cost of £3.8 million in March 1995. At the time of the flotation, RITCP sold about half its holding and has subsequently reduced its holding further, realising proceeds of some £4.2 million.

The share price has performed strongly over the last six months as a result of improvements in the company's financial results.

### Venture Production

**VALUATION AT 31 MARCH 2002: £11.8 MILLION**  
**(COST: £4.5 MILLION)**

RITCP invested a total of £4.7 million between 1999 and 2001 in this oil exploration and production company, when it was still unquoted. In March 2002, Venture successfully completed a flotation in the first listing of an oil company on the London Stock Exchange for more than two years. RITCP sold £0.6 million worth of shares on the flotation.

Venture's strategy is to purchase interests in proven oil and gas fields which are generally considered to be too small or close to depletion to be exploited by larger oil companies. Using modern extraction methods, Venture aims to improve recovery rates and extend the lives of these fields. Venture has interests in 12 North Sea fields and also in Trinidad.

Operating profit for the year to 31 December 2001 increased by 34% to £4 million on turnover up 81% to £25.2 million.

RITCP's valuation was increased at 30 September from £4.7 million to £12.4 million to reflect the terms of a fundraising. RITCP has a 6.4% interest in Venture.

### Coats

**VALUATION AT 31 MARCH 2002: £10.0 MILLION**  
**(COST: £9.0 MILLION)**

RITCP has a 2.8% interest in Coats, the thread and textiles company. Coats has largely completed the sale of, or withdrawal from, its non-core activities to focus on its global thread business, which represents nearly 80% of the company's sales. Although the company has recently suffered from the economic slow-down, it has maintained market share and improved cash flow.

RITCP received dividends of £0.3 million from Coats during the year to 31 March 2002.

## UNQUOTED INVESTMENTS

The valuations of unquoted investments are reviewed twice a year by a valuation committee of non-executive Directors, the latest review being at 31 March 2002. However, if circumstances warrant, valuations are amended between these dates. Unquoted investments are initially valued at cost. Where a third party transaction has taken place, the implied value may be used as the basis of valuation, applying a discount (if appropriate) and taking into account the scale of the transaction and whether or not new money was raised. Where an investment is showing a trend of encouraging performance and the committee believes it to be undervalued, it may be revalued by reference to comparable listed companies, but applying an appropriate discount to take account of lack of marketability. Where an investment is showing poorer than expected performance it may be revalued downwards by reference to its latest accounts and its current trading performance. Each investment is reviewed on its own merits and therefore no predetermined valuation formula applies.

At 31 March 2002 RITCP held £139.9 million of unquoted investments, amounting to 18.2% of the portfolio. The five largest investments, which account for £100.4 million, are summarised below. Unless otherwise stated, no dividends were received from these investments.

### Power Measurement

**VALUATION AT 31 MARCH 2002: £22.7 MILLION**  
**(COST: £7.2 MILLION)**

Power Measurement is based in Vancouver and is a leading provider of energy management systems for energy suppliers and consumers worldwide. RITCP invested £3.4 million in the company in October 1996 and subsequently increased its investment by £3.8 million. The company's revenues and earnings before interest, tax, depreciation and amortisation ("EBITDA") have grown

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steadily over the last few years and, in the year to December 2001, EBITDA increased by 30% to £7.7 million. RITCP owns 27% of the company on a fully diluted basis. In view of the company's performance, the valuation was increased at 31 March 2002 by £15.5 million to £22.7 million.

### **Invicta Leisure**

**VALUATION AT 31 MARCH 2002: £21.6 MILLION**

**(COST: £21.6 MILLION)**

Invicta currently operates 15 health, racquet and fitness clubs throughout the UK. Total membership at the end of March 2002 exceeded 53,000 compared with 39,800 at the end of the previous year. EBITDA for the year to 31 December 2001 was £6.3 million. RITCP increased its investment during the year by subscribing for £4.25 million of mezzanine debt.

### **Shinsei Bank**

**VALUATION AT 31 MARCH 2002: £19.4 MILLION**

**(COST: £20.8 MILLION)**

RITCP invested £20.8 million in March 2000 as part of a consortium of international investors which acquired all of the equity share capital of The Long Term Credit Bank of Japan (subsequently re-named Shinsei Bank) from the Japanese government. The Japanese government has retained a holding of convertible preferred shares in Shinsei giving it a diluted interest in the equity of up to 33%. RITCP owns approximately 2% of the fully-diluted equity of the bank (before taking account of a carried interest accruing to the promoters of the consortium).

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

Shinsei realised after tax profits of £176 million for the six months ended 30 September 2001 and net assets at that date amounted to £3.2 billion. RITCP received dividends of £0.7 million from the company.

### **Cine-UK**

**VALUATION AT 31 MARCH 2002: £18.5 MILLION**

**(COST: £6.7 MILLION)**

RITCP owns a 29% interest in Cine-UK, a multiplex cinema operator, which opened its first cinema in 1996 and now has 24 multiplexes with a total of 260 screens and annual attendance of 14.8 million. In the year to 31 March 2002 the company generated sales of £75 million and EBITDA of £12.4 million.

RITCP also owns £5.5 million of Cine-UK's subordinated bonds which pay interest at 10% p.a. The valuation of RITCP's holding was increased at 31 March 2002 to reflect the company's operating performance.

### **The Economist Newspaper**

**VALUATION AT 31 MARCH 2002: £18.2 MILLION**

**(COST: £1.5 MILLION)**

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

The company's performance has been affected by the economic slow-down and in particular by a decline in spending on advertising.

In the six months to the end of September 2001 revenues declined by 10% to £118 million and pre-tax profits from £12.5 million to £1.2 million. Net assets at 30 September 2001 amounted to £7.1 million. During the year under review RITCP received dividends of £0.5 million from the company.

RITCP has applied the company's auditors' "indicative share valuation" to its own holding at 31 March 2002.

## **HEDGE/OTHER FUNDS AND PRIVATE EQUITY PARTNERSHIPS**

### **Wellington Global Research**

**VALUATION AT 31 MARCH 2002: £28.9 MILLION**

**(COST: £31.1 MILLION)**

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

### **Tinicum Partners**

**VALUATION AT 31 MARCH 2002: £23.6 MILLION**

**(COST: £3.2 MILLION)**

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

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### **Atticus International**

**VALUATION AT 31 MARCH 2002: £22.7 MILLION**

**(COST: £21.1 MILLION)**

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

### **SCI Asian Hedge Fund**

**VALUATION AT 31 MARCH 2002: £12.5 MILLION**

**(COST: £9.3 MILLION)**

RITCP invested in this fund in August 1998. Managed by Sofaer Capital, the fund concentrates on equity investments in the Far East (excluding Japan). Volatility is limited by the fact that only modest leverage is used from time to time. A relatively small proportion of the portfolio is invested in currency or bond positions. The term “hedge” fund denotes the fact that the manager is able to take “short” positions when markets or particular stocks are considered to be over-valued.

During the year RITCP sold approximately half of its investment in the fund and realised a profit of £3 million.

to Global Asset Management (UK) Limited for 25 years from 25 December 1984 with five-year upward only rent reviews. The current annual rent from these properties is £270,000.

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

## **PROPERTY**

### **Spencer House and other Properties in St James’s Place, London**

**VALUATION AT 31 MARCH 2002: £26.3 MILLION**

**(COST: £25.1 MILLION)**

The properties are 12, 13, 15 and 27 St James’s Place. They were professionally valued by Jones Lang LaSalle as at 31 March 2002 at open market value on an existing use basis.

Spencer House, 27 St James’s Place, is an 18th century Grade I listed building overlooking Green Park. The principal State Rooms have been restored and the rest of the building has been converted into modern office accommodation. RITCP holds a 96 year lease that began on 25 December 1986 (with an option to renew for a further 24 years) at an annual rent of £80,000. St James’s Place Administration Limited (a subsidiary of St James’s Place Capital plc) leases the building from RITCP at an annual rent of £1.15 million, the lease expiring in the year 2013. RITCP operates a banqueting business for private and corporate clients which is based in the main State Rooms. These rooms are open to the public for guided tours on most Sundays.

The Company owns the freehold of 12 and 13 St James’s Place which are let on a full repairing and insuring lease

# Investment Portfolio

AT 31 MARCH 2002

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
<b>QUOTED INVESTMENTS</b>				
Getty Images	USA	Stock Photography	17.6	2.3
Venture Production	UK	Oil & Gas	11.8	1.5
Coats	UK	Thread/Textiles	10.0	1.3
SPS Technologies	USA	Precision Fasteners	7.9	1.0
Caminus	USA	Energy Consultancy	7.4	1.0
Lukoil	Russia	Oil & Gas	7.3	0.9
St Joe	USA	Property Development	6.6	0.9
Pulte	USA	Construction	5.9	0.8
Mohawk Industries	USA	Carpet Manufacturing	5.5	0.7
Champps Entertainment	USA	Restaurants	5.2	0.7
Tyco International	USA	Conglomerate	5.1	0.7
Parmalat	Italy	Food Manufacturing	4.6	0.6
Kookmin Bank	Korea	Banking	4.5	0.6
Fuel Technology	USA	Air Pollution Technology	4.2	0.5
Hana Bank	Korea	Banking	4.1	0.5
Holsten Brewery	Germany	Brewing	3.7	0.5
Turbo Genset	Canada	Power Generation Equipment	3.6	0.5
Koninklijke KPN	Netherlands	Telecommunications	3.1	0.4
Arch Coal	USA	Coal Mining	3.1	0.4
KB Home	USA	Housebuilding	3.0	0.4
Deutsche Börse	Germany	Stock Exchange	2.9	0.4
Enterprise Oil	UK	Oil & Gas	2.9	0.4
Insignia Solutions	USA	Software	2.8	0.4
DBS Group	Singapore	Financial Services	2.7	0.3
Technitrol	USA	Electronic Components	2.5	0.3
Depfa Holding	Germany	Banking	2.5	0.3
Korea Reinsurance	Korea	Re-insurance	2.5	0.3
Communis	UK	Printing Services	2.4	0.3
Lennar	USA	Housebuilding	2.2	0.3
Washington Mutual	USA	Financial Services	2.1	0.3
Volker Wessels Stevin	Netherlands	Construction	2.1	0.3
245 Other Quoted Investments			146.2	18.9
<b>Total Quoted Investments</b>			<b>298.0</b>	<b>38.7</b>

## GOVERNMENT SECURITIES (LIQUIDITY)

Bundesrepublik 5% 2002	Germany	Government Stock	85.1	11.1
Treasury 7% 2002	UK	Government Stock	21.6	2.8
Bundesrepublik 5% 2011	Germany	Government Stock	13.0	1.7
<b>Total Government Securities (Liquidity)</b>			<b>119.7</b>	<b>15.6</b>

Investment Holdings	Country	Description	Value of Investment £ million	% of Portfolio
<b>UNQUOTED INVESTMENTS</b>				
Power Measurement	Canada	Power Measurement Devices	22.7	3.0
Invicta Leisure	UK	Health, Racquet & Fitness Clubs	21.6	2.8
Shinsei Bank	Japan	Banking	19.4	2.5
Cine-UK	UK	Multiplex Cinemas	18.5	2.4
The Economist Newspaper	UK	Publishing	18.2	2.4
Xantrex Technology	USA	Power Supply Equipment	7.7	1.0
Cherokee	USA	Power Supply Equipment	5.1	0.7
Star Technology	UK	Internet Service Provider	4.8	0.6
Paypoint	UK	Electronic Payment Systems	4.7	0.6
Orthoworld	UK	Orthodontic Practices	3.6	0.5
Rothschilds Continuation	Switzerland	Investment Holding	3.3	0.4
46 Other Unquoted Investments			10.3	1.3
<b>Total Unquoted Investments</b>			<b>139.9</b>	<b>18.2</b>
<b>HEDGE/OTHER FUNDS AND PRIVATE EQUITY PARTNERSHIPS</b>				
Wellington Global Research	USA	Global Quoted Equities	28.9	3.8
Tinicum Partners	USA	Arbitrage and Distressed Securities	23.6	3.1
Atticus International	USA	Merger Arbitrage	22.7	3.0
SCI Asian Hedge	Asia	Asian Hedge Fund	12.5	1.6
M Kingdon Offshore	USA	Hedge Fund	10.1	1.3
SCI Asian Ventures	Asia	Unquoted Asian Securities	9.7	1.3
Glenview Capital Partners	USA	Hedge Fund	9.0	1.2
Satellite Overseas	USA	Merger Arbitrage	8.9	1.2
Narragansett Offshore	USA	Hedge Fund	7.5	1.0
Epoch Overseas	USA	Hedge Fund	4.4	0.6
Galleon Technology Offshore	USA	Technology Hedge Fund	4.2	0.5
Jupiter Partners	USA	Later Stage Unquoted	4.2	0.5
New Century Holdings	Russia	Russian Securities	3.9	0.5
CSFB Global Opportunities	USA	Distressed Securities	3.2	0.4
Sandler Capital Partners V	USA	Unquoted Telecommunications	3.1	0.4
Sandler Capital Partners IV	USA	Unquoted Telecommunications	2.9	0.4
Blumberg Capital Ventures	USA	Unquoted Information Technology	2.8	0.4
Sandler 21st Century Communications	USA	Unquoted Telecommunications	2.6	0.3
28 Other Funds/Partnerships			21.4	2.6
<b>Total Hedge/Other Funds and Private Equity Partnerships</b>			<b>185.6</b>	<b>24.1</b>
<b>PROPERTY</b>				
Spencer House and other properties in St James's Place, London			26.3	3.4
<b>Total Investments</b>			<b>769.5</b>	<b>100.0</b>

# Board of Directors

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

## **THE LORD ROTHSCHILD, GBE**

Aged 66, is Chairman of RIT Capital Partners plc. He was appointed a non-executive director in 1988 and became an executive director in 1996.

## **CHARLES BAILEY\*†‡•**

Aged 67, he was appointed a non-executive director in 1988. He is also a director of General Oriental Investments Limited, Antofagasta Holdings plc, Atrium Underwriting plc and St James's Place Capital plc. He is the senior independent director and Chairman of the Audit, Remuneration and Conflicts, and Valuation Committees.

## **TIMOTHY BARAKETT**

Aged 36, he is the President of Atticus Capital, Inc and Atticus Management, Ltd, two private investment management companies which he founded in 1995. Previously he was a Managing Director at Junction Advisers, Inc, a private investment company. Nathaniel Rothschild acts as his alternate.

## **MIKAEL BREUER-WEIL**

Aged 38, he was appointed a non-executive director in 1998. Since 1994 he has been the principal investment adviser to philanthropic foundations connected with Lord Rothschild's family interests. Prior to this he spent eight years at Mercury Asset Management Group plc as an investment manager, including a period of secondment to Odyssey Partners L.P. in New York.

## **DUNCAN BUDGE**

Aged 46, he was appointed an executive director and Chief Operating Officer of the Company in August 1995. He has been a director of J. Rothschild Capital Management Limited since 1988 and has represented the Company on the Boards of a number of RITCP's investments.

## **ANDREW KNIGHT•**

Aged 62, he was appointed a non-executive director in 1996. He is a director of News Corporation Limited. He was previously a director of Home Counties Newspapers Holdings plc until its acquisition by Eastern Counties Newspapers. He is a former Editor of The Economist and served as Chief Executive of the Telegraph group and Chairman of News International.

## **BARON LAMBERT\*†‡•**

Aged 72, he was appointed a non-executive director in 1988. He is President of the Board of Global Asset Management (Schweiz) AG and was President of Banque Bruxelles Lambert (Suisse) SA and a Member of the Board of Directors of Banque Bruxelles Lambert SA Belgium until April 1997.

## **JEAN PIGOZZI\*•**

Aged 50, he was appointed a non-executive director in 1988. He is a private investor.

## **MICHAEL SOFAER**

Aged 44, he was appointed a non-executive director in 1999. He is Managing Director and Principal of Sofaer Capital Inc (since 1986). He was previously a securities analyst with Schroders, during which time he established a research department for Schroders Asia in Hong Kong.

\* Member of the Audit Committee

† Member of the Remuneration and Conflicts Committee

‡ Member of the Valuation Committee

• Independent director

# Directors' Report

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The Directors present their Report and Accounts for the Company, covering the year ended 31 March 2002.

## STATUS OF COMPANY

The Company is registered as a public company. The Company conducts its affairs so as to qualify for approval as an investment trust for tax purposes, confirmation of which has been received from the Inland Revenue for the year ended 31 March 2001. Approval for the year ended 31 March 2001 is subject to no subsequent enquiry being made under the Corporation Tax Self Assessment legislation. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. The close company provisions of the Income and Corporation Taxes Act 1988, as amended, do not apply to the Company.

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

## RESULTS AND DIVIDENDS

RITCP made a profit after taxation of £2.7 million during the year ended 31 March 2002.

The Board recommends the payment of a dividend of 3.1p per share payable on 5 July 2002 to shareholders on the register at 7 June 2002. This dividend will absorb £4.9 million of distributable reserves.

The movements on capital reserve and consolidated revenue reserve are shown in notes 21 and 22 on pages 43 and 44.

## NET ASSET VALUE

The net asset value of one ordinary share at 31 March 2002, after deducting the proposed dividend of 3.1p per share, was 483.4p.

## REVIEW OF BUSINESS

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

The fixed asset investments were valued at 31 March 2002 at £769.5 million. An analysis of these investments is contained in note 10 on page 35.

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

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

## SHARE CAPITAL AND PURCHASE OF OWN SHARES

Details of the authorised and issued share capital appear in note 19 on page 42 of the accounts. No ordinary shares have been issued during the year.

During the year to 31 March 2002 the Company has not purchased any ordinary shares for cancellation. At the Annual General Meeting held on 5 July 2001, the Company was given power to purchase up to 23,511,540 ordinary shares, which represented 14.99% of the issued share capital as at that date. This power expires on 30 September 2002. Share purchases are only made when they enhance the net asset value per share.



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## SHARE CAPITAL AND PURCHASE OF OWN SHARES (CONTINUED)

A resolution will be proposed at the Annual General Meeting to seek power to purchase up to a maximum of 23,511,540 shares, at a price which is not less than £1 per share and not more than 5% above the average middle-market quotations for the preceding five business days. This represents 14.99% of the present issued share capital. If the issued share capital is less at the time of the Annual General Meeting by reason of purchases, the maximum will be 14.99% of that issued capital. The authority now sought would last until 30 September 2003. The Directors do not intend to purchase shares at more than their attributable net asset value.

## SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

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

The Directors also seek the renewal of the usual authority to enable them, during the period expiring on the date of the Annual General Meeting in 2003, to allot not more than 5% (which would correspond to 7,842,408 shares) of the issued shares as at 31 March 2002 for cash other than by way of rights. It is the intention of the Directors, under such authority, not to allot shares at less than their attributable net asset value.

## PRINCIPAL SHAREHOLDERS

The Directors are aware of the interests as at 20 May 2002 of the following companies, or the groups of which they are a member, in 3% or more of the ordinary issued share capital of the Company.

Shareholder	Number of shares	% of Share capital
Prudential plc	9,165,384	5.84
HBOS plc and its subsidiaries	7,738,758	4.93

Other than the interests of Lord Rothschild, representing 16.17% of the ordinary share capital of the Company at 20 May 2002 (as set out on page 20), the Directors are not aware of any other disclosable interest representing 3% or more of the shares of the Company.



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## CORPORATE GOVERNANCE

The Directors consider that the Company has complied throughout the year with the provisions of the Code of Best Practice set out in Section 1 of The Principles of Good Governance and Code of Best Practice (the “Combined Code”). A detailed report was prepared at 30 June 2000 listing the internal control procedures undertaken within the Group. This report has since been reviewed and subsequently considered by the executive Directors and the members of the Audit Committee. The methods by which the Company has applied the principles set out in Section 1 of the Combined Code are detailed below and also under the heading “Report on Directors’ Remuneration” on pages 17 to 19.

### The Directors

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

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

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

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

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

### Relations with Shareholders

The Board and the directors of the management company maintain a dialogue with both institutional shareholders and analysts and also respond promptly to other shareholders’ enquiries. Shareholders are invited to ask questions at the Annual General Meeting and, as far as is practicable, the Chairman of the Remuneration and Conflicts Committee and the Audit Committee is always available at the same venue to answer any questions from shareholders.

The net asset value of the Company is disclosed on a monthly basis to the London Stock Exchange to enable shareholders and analysts to follow the progress of the Company. The Company also maintains a website at [www.ritcap.co.uk](http://www.ritcap.co.uk) where the information is regularly updated.

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## CORPORATE GOVERNANCE (CONTINUED)

### Accountability and Audit

#### STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that year. In preparing those financial statements, the Directors are required to:

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

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Internal Control

The Board of Directors is responsible for the Group's system of internal control. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. The Board has delegated to executive management the implementation of the systems of internal control within an established framework applicable throughout the Group. The Board considers that the necessary procedures have been implemented to satisfy the requirements of the Financial Services Authority with respect to the guidance "Internal Control: Guidance for Directors on the Combined Code" (issued in September 1999).

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

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial period through the monitoring processes set out below.

#### CONTROL ENVIRONMENT

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

#### RISK MANAGEMENT

The identification of major business risks is carried out by the Board in conjunction with the relevant executives. The mitigation and monitoring of risks identified is undertaken by the Board or the executive committee as appropriate. Detailed portfolio valuations are undertaken every week and these form the basis for risk control decisions regarding equity exposure, liquidity, market price risk and exchange rate risk.

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## FINANCIAL REPORTING AND CONTROL PROCEDURES

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

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

### Audit Committee

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

The Audit Committee also considers the auditors' independence, objectivity and the cost effectiveness of the audit process.

### Statement on Going Concern

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## DIRECTORS

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

Pursuant to the Articles of Association, Duncan Budge, Andrew Knight and Michael Sofaer will retire by rotation from the Board at the Annual General Meeting and will be proposed for re-election at that meeting.

## REPORT ON DIRECTORS' REMUNERATION

The remuneration packages of individual executive Directors are determined by the Remuneration Committee which comprises Charles Bailey as Chairman and Baron Lambert, both of whom are non-executive directors. Lord Rothschild and Duncan Budge liaise closely with the Committee, although they do not take part in any discussions relating to decisions on their own terms and conditions of employment.

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 scheme for executive Directors.

### Remuneration Policy

The Company complied in the year under review with the provisions relating to Remuneration Committees incorporated in the Combined Code.

The Remuneration Committee aims to set executive remuneration at an appropriate level to attract, retain and motivate Directors of requisite calibre. Any arrangements made to provide longer term incentives will aim to encourage and reward performance and to benefit shareholders. In setting policy and making decisions, the Remuneration Committee gives full consideration to the provisions on the design of performance related remuneration set out in Schedule A of the Combined Code.

## REPORT ON DIRECTORS' REMUNERATION (CONTINUED)

### Directors' Remuneration

Directors' remuneration for the year ended 31 March 2002 is shown below, with comparative figures for the previous year. Comparative figures for the individual Directors' emoluments are shown in brackets if they differ from the emoluments for the year ended 31 March 2002.

Director	Salaries, bonuses and fees £	Pension contributions £	Other benefits £	Total emoluments £
The Lord Rothschild	340,750 (330,850)	61,800 (60,000)	34,099 (33,212)	436,649 (424,062)
Charles Bailey	22,500	—	—	22,500
Timothy Barakett	15,000	—	—	15,000
Mikael Breuer-Weil	20,000	—	—	20,000
Duncan Budge	222,535 (215,350)	68,515 (66,300)	28,808 (28,931)	319,858 (310,581)
Andrew Knight	25,250	—	—	25,250
Baron Lambert	15,000	—	—	15,000
Jean Pigozzi	—	—	—	—
Michael Sofaer	—	—	—	—
<b>31 March 2002</b>	<b>661,035</b>	<b>130,315</b>	<b>62,907</b>	<b>854,257</b>
31 March 2001	643,950	126,300	62,143	832,393

In the year under review, no gains were made by Directors on the exercise of options over the Company's shares (the Directors do not hold share options of the Company), no compensation was paid on loss of office and no sums were paid to third parties for Directors' services. No payments were made to Directors under the terms of the long-term incentive plan.

### Basic Salary, Benefits and Bonus

Basic salaries for the executive Directors are reviewed annually by the Remuneration Committee and the last review was at 31 March 2002. For the current year, to 31 March 2003, Lord Rothschild's salary has increased from £309,000 per annum to £318,270 per annum and Duncan Budge's salary has increased from £200,850 per annum to £207,700 per annum.

Although there is no formal bonus scheme, the executive Directors may participate, from time to time, in bonus payments at the discretion of the Remuneration Committee. A bonus of £21,015 was payable to Duncan Budge and a bonus of £31,750 was payable to Lord Rothschild.

### Long-term Incentive Plan

Long-term incentive arrangements were approved by shareholders on 10 July 1996, as they constituted related party transactions under Stock Exchange rules. Under their respective participation in the Share Appreciation Rights plan as at 31 March 1999, Lord Rothschild and Duncan Budge were both entitled, at a time of their choice between the third and tenth anniversary of the grant (30 March 1999) to a bonus. This would be calculated by reference to a notional number of the Company's shares (in each case 587,371 at 340.5p). The amount of the bonus will represent the increase, since the date of grant, in the Company's share price multiplied by the notional number of shares. This is, however,

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conditional on any increase in the share price exceeding the increase in the Retail Price Index plus 3% per annum for any three year period between the date of grant and the tenth anniversary thereof.

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

As at 31 March 2002 the amount accrued under both participations was £986,784 payable in equal parts to Lord Rothschild and Duncan Budge. This compared with an accrued amount of £1,127,752 as at 31 March 2001 and followed a decrease in the middle-market price of RITCP shares during the period from 436.5p to 424.5p. Should either participant leave their employment involuntarily at any time, the bonus accrued to the relevant date will be payable, subject to there being no grounds for non-payment arising out of negligence or other misconduct.

### **Pension Contributions**

The Remuneration Committee's policy is to facilitate a range of pension arrangements for executive Directors which take account of their age, personal circumstances and arrangements in force on joining the Company, but within an agreed cost framework. Lord Rothschild and Duncan Budge are members of the RITCP Pension and Life Assurance Scheme, (the "RITCP Scheme"). Within the RITCP Scheme, money purchase arrangements have been set up for Lord Rothschild, to which the Company has contributed throughout the year under review at the rate of 20%. Contributions are based on basic salary only. Duncan Budge is a defined benefit member of the RITCP Scheme for which the annual contribution rate in the year under review was 34% of basic salary. Under his defined benefit pension scheme, he would have been entitled to receive an annual pension of £73,901 on retirement based on service to the end of the year and assuming he left service on that date (31 March 2001: £67,155). The transfer value of the increase in accrued pension during the year was £63,172.

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

### **Other Benefits**

Executive Directors are provided with the use of cars, health care insurance and with other benefits in line with normal company practice.

### **Non-executive Directors**

The remuneration of the non-executive Directors is determined by the Board as a whole, in accordance with the provisions of the Articles of Association. Non-executive Directors do not take part in discussions on their own remuneration. The basic annual fee is £15,000, which the Remuneration Committee believes to be in line with current market practice. However, this figure is increased in certain cases when the involvement of the non-executive Director in the Company's affairs warrants such increase. Jean Pigozzi has waived his right to receive £15,000 in respect of the years ended 31 March 2001 and 31 March 2002. Michael Sofaer has waived his right to receive £15,000 for the years ended 31 March 2001 and 31 March 2002.

### **Service Agreements**

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

## DIRECTORS' INTERESTS

The interests of the Directors at 31 March 2002 or date of appointment, if later, in the ordinary shares of the Company are shown below with comparatives as at 1 April 2001 (where different) shown in brackets.

Director	Ordinary shares of £1 each		% of Share capital
	Beneficial	Non-beneficial	
The Lord Rothschild	18,929,085 (19,077,585)	6,439,934 (6,638,411)	16.17 (16.40)
Charles Bailey	5,500 (3,000)	—	—
Timothy Barakett	30,000	—	0.02
Mikael Breuer-Weil	—	—	—
Duncan Budge	50,139	—	0.03
Andrew Knight	—	—	—
Baron Lambert	2,000 (35,000)	—	— (0.02)
Jean Pigozzi	41,010	—	0.03
Michael Sofaer	—	—	—

Included in the total of 18,929,085 shares of the Company owned beneficially by Lord Rothschild are 108,184 shares (31 March 2001: 53,184) held by the RITCP Pension and Life Assurance Scheme, in which Lord Rothschild has a beneficial interest. Between the end of the year and the date of this Report, there were no changes in the Directors' interests.

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

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

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

## MANAGEMENT AND ADMINISTRATION

The investment management and administration functions are undertaken by JRCM. In September 1999, a significant portion of the portfolio was allocated to Sofaer Capital Inc., an international money management firm whose Principal is Michael Sofaer. Sofaer Capital Inc. is paid an investment management fee equal to 0.5% of funds under management. The fee payable for the year ended 31 March 2002 was £993,189 (31 March 2001: £1,091,781).

RITCP invested US\$30 million in Atticus International Limited on 1 December 2000. Atticus International is an offshore fund specialising in merger arbitrage. The investment management for the fund is provided by Atticus Management, Ltd. Timothy Barakett, a director of RITCP, is a general partner of Atticus Management. Nathaniel Rothschild, alternate director to Timothy Barakett, is also a general partner of Atticus Management.

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Prior to making this investment, RITCP had entered into an investment advisory agreement, initially with an annual fee of US\$50,000, with Atticus Capital, L.L.C. (an entity associated with Atticus Management, Ltd). With effect from June 2000 the annual fee was replaced by a performance fee of 10% of the appreciation in value in any one year. Payment of this fee was conditional on the growth in value of the assets under management exceeding 6% per annum and was subject to a “loss carry forward” arrangement. The fee payable under the terms of this agreement for the period to 30 November 2000, when the agreement ceased, was £508,291. During this period, Atticus achieved an appreciation in value for RITCP of 31.6%. A similar fee structure applies to the current investment in Atticus International Limited. In the year ended 31 March 2002, the amount of £196,990 was paid under the fee structure applicable to the current investment. (Details of other external fund managers are given in note 4 on page 33).

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

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

## **DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

The Company’s assets and liabilities include the following financial instruments:

- investments including equity and non-equity shares and fixed income securities which are held in accordance with the Company’s investment objectives;
- cash, liquid resources and short-term debtors and creditors that arise directly from the Company’s investment activities; and
- derivative transactions which the Company enters into to manage market risks and currency risks.

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

### **Market Price Risk**

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

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

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

### **Foreign Currency Risk**

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

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

The Company’s foreign currency exposures are analysed in note 27 on pages 46 and 47.

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## **DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)**

### **Interest Rate Risk**

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

### **PAYMENT OF SUPPLIERS**

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

### **POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS**

During the year ended 31 March 2002, the Company made no charitable donations or political contributions.

### **AUDITORS**

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution re-appointing them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**J. Rothschild Capital Management Limited**

Secretary

20 May 2002



# Report of the Independent Auditors

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## TO THE MEMBERS OF RIT CAPITAL PARTNERS PLC

We have audited the financial statements on pages 24 to 49, and the additional disclosures on pages 17 to 19 relating to the remuneration of the Directors specified for our review by the Financial Services Authority, which have been prepared under the historical cost convention, as modified by the revaluation of investments other than subsidiary undertakings, and the accounting policies set out on pages 29 to 31.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 16.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information consists of the Chairman's Statement, the Directors' Report (including the corporate governance statement) and the Review of Principal Investments.

We review whether the corporate governance statement on pages 15 to 17 reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

## BASIS OF AUDIT OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2002 and of the total return and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Southwark Towers, 32 London Bridge Street, London SE1 9SY

20 May 2002

# Consolidated Statement of Total Return

(INCORPORATING THE REVENUE ACCOUNT)

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

The revenue column of this statement is the consolidated profit and loss account of the Group.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

Movements on reserves are set out in notes 21 and 22 on pages 43 and 44.

The notes on pages 29 to 49 form part of these accounts.

# Consolidated Statement of Total Return

(INCORPORATING THE REVENUE ACCOUNT)

Restated for the year ended 31 March 2001	Note	Revenue £'000	Capital £'000	Total £'000
Losses on investments		—	(59,402)	(59,402)
Dealing profits		10,104	—	10,104
Investment income	1	22,312	—	22,312
Other income		498	—	498
Administrative expenses	2	(5,985)	—	(5,985)
Investment management fees	4	(3,647)	—	(3,647)
Other capital items		—	(3,398)	(3,398)
<b>Net return before finance costs and taxation</b>		23,282	(62,800)	(39,518)
Interest payable and similar charges	5	(560)	—	(560)
<b>Return/(loss) on ordinary activities before taxation</b>		22,722	(62,800)	(40,078)
Taxation on ordinary activities	6	(5,664)	432	(5,232)
<b>Return/(loss) on ordinary activities after taxation attributable to equity shareholders</b>		17,058	(62,368)	(45,310)
Dividends	7	(4,802)	—	(4,802)
<b>Transfer to/(from) reserves</b>		12,256	(62,368)	(50,112)
<b>Return/(loss) per ordinary share</b>	8	10.8p	(39.6p)	(28.8p)
<b>Net asset value per ordinary share</b>	9			484.3p

The revenue column of this statement is the consolidated profit and loss account of the Group.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.



Movements on reserves are set out in notes 21 and 22 on pages 43 and 44.

The notes on pages 29 to 49 form part of these accounts.

# Consolidated Balance Sheet

	Note	31 March 2002 £'000	Restated 31 March 2001 £'000
<b>Fixed assets</b>			
Investments	10	769,467	745,486
Tangible fixed assets	12	206	259
		<b>769,673</b>	<b>745,745</b>
<b>Current assets</b>			
Debtors	13	24,218	20,426
Dealing investments	15	288	167
Cash at bank		19,928	43,662
		<b>44,434</b>	<b>64,255</b>
<b>Creditors: amounts falling due within one year</b>			
Creditors and accruals	16	(20,059)	(14,407)
Proposed dividend	7	(4,862)	(4,862)
Bank loans and overdrafts		—	(22,430)
		<b>(24,921)</b>	<b>(41,699)</b>
<b>Net current assets</b>		<b>19,513</b>	<b>22,556</b>
<b>Total assets less current liabilities</b>		<b>789,186</b>	<b>768,301</b>
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans	17	(21,167)	—
Provisions for liabilities and charges	18	(9,744)	(8,527)
		<b>758,275</b>	<b>759,774</b>
<b>Capital and reserves</b>			
Called up share capital	19	156,848	156,848
Capital redemption reserve	20	33,308	33,308
Capital reserve – realised	21	536,654	518,383
Capital reserve – unrealised	21	6,541	24,196
Revenue reserve	22	24,924	27,039
<b>Equity shareholders' funds</b>		<b>758,275</b>	<b>759,774</b>

The accounts were approved by the Board of Directors on 20 May 2002 and are signed on the Board's behalf by:

	
<b>Rothschild</b>	<b>Duncan Budge</b>
Director	Director

The notes on pages 29 to 49 form part of these accounts.

# Balance Sheet of the Parent Company

	Note	31 March 2002 £'000	Restated 31 March 2001 £'000
<b>Fixed assets</b>			
Investments	10	716,876	695,810
Investments in subsidiary undertakings	11		
– shares		64,053	53,556
– loans		10,169	10,175
		<b>791,098</b>	<b>759,541</b>
<b>Current assets</b>			
Debtors	13	27,555	25,239
Cash at bank		19,266	37,267
		<b>46,821</b>	<b>62,506</b>
<b>Creditors: amounts falling due within one year</b>			
Creditors and accruals	16	(63,790)	(41,293)
Proposed dividend	7	(4,862)	(4,862)
Bank loans and overdrafts		—	(22,422)
		<b>(68,652)</b>	<b>(68,577)</b>
<b>Net current liabilities</b>		<b>(21,831)</b>	<b>(6,071)</b>
<b>Total assets less current liabilities</b>		<b>769,267</b>	<b>753,470</b>
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans	17	(21,167)	—
Provisions for liabilities and charges	18	(8,529)	(7,302)
		<b>739,571</b>	<b>746,168</b>
<b>Capital and reserves</b>			
Called up share capital	19	156,848	156,848
Capital redemption reserve	20	33,308	33,308
Capital reserve – realised	21	534,089	521,193
Capital reserve – unrealised	21	5,392	24,750
Revenue reserve	22	9,934	10,069
<b>Equity shareholders' funds</b>		<b>739,571</b>	<b>746,168</b>

The accounts were approved by the Board of Directors on 20 May 2002 and are signed on the Board's behalf by:



**Rothschild**  
Director



**Duncan Budge**  
Director

The notes on pages 29 to 49 form part of these accounts.

# Consolidated Cash Flow Statement

	Note	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Cash inflow from operating activities	24	6,327	20,692
<b>Servicing of finance</b>			
Bank and loan interest paid		(274)	(563)
<b>Net cash outflow from servicing of finance</b>		(274)	(563)
<b>Taxation</b>			
UK tax paid		(436)	(1,240)
Overseas tax paid		(565)	(953)
<b>Net cash outflow from taxation</b>		(1,001)	(2,193)
<b>Financial investment</b>			
Purchase of investments		(449,127)	(562,814)
Sale of investments		398,695	626,294
<b>Net cash (outflow)/inflow from financial investment</b>		(50,432)	63,480
<b>Capital expenditure</b>			
Purchase of fixed assets		(59)	(247)
Sale of fixed assets		10	71
<b>Net cash outflow from capital expenditure</b>		(49)	(176)
<b>Equity dividends paid</b>		(4,862)	(4,882)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		(50,291)	76,358
<b>Management of liquid resources</b>			
Purchase of government securities		(363,451)	(560,524)
Sale of government securities		391,271	497,540
<b>Net cash inflow/(outflow) from management of liquid resources</b>		27,820	(62,984)
<b>Financing</b>			
Buy-back of ordinary shares		—	(10,968)
Increase in term loans		21,167	—
<b>Net cash inflow/(outflow) from financing</b>		21,167	(10,968)
<b>(Decrease)/increase in cash in the year</b>	26	(1,304)	2,406

The notes on pages 29 to 49 form part of these accounts.

# Group Accounting Policies

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The principal accounting policies of the Group are set out below:

## **BASIS OF CONSOLIDATION**

The consolidated accounts deal with the results of the Company and its subsidiary undertakings for the year ended 31 March 2002.

## **ACCOUNTING CONVENTION**

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

## **CHANGES IN PRESENTATION OF FINANCIAL INFORMATION**

As explained below, two new financial reporting standards have been adopted in the preparation of the financial statements. The Group has changed its accounting policy in order to comply with Financial Reporting Standard 19, Deferred Tax. Broadly the effect of this change is to make full provision for deferred taxation on all material timing differences. This change of policy has given rise to the restatement of the prior year Group Balance Sheet by means of a prior year adjustment which is described in note 14.

The Group has also adopted the transitional arrangements of Financial Reporting Standard 17, Retirement Benefits.

## **EXPENSES**

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

- Expenses are charged to capital reserve where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are charged to revenue where there is an indirect connection.
- Investment management fees are considered to be indirect costs and are therefore charged to the revenue account. Performance fees are charged to capital reserve as they derive from the capital performance of the investments.
- The Group has in force certain incentive arrangements whereby fees payable are based entirely on the increase in the values of certain unquoted investments. The cost of these incentive arrangements are considered to be a direct cost of enhancing the value of these investments and are therefore charged to capital reserve.
- The Group also has in force long-term incentive arrangements for Lord Rothschild and Duncan Budge, both executive directors of RITCP, and for other senior executives, whereby they receive additional remuneration based entirely on any increase in the Company’s share price subject to a performance condition. The primary objective of the Company is to deliver long-term capital growth for its investors. The costs of these arrangements derive principally from the capital performance of the Group and consequently the Directors consider it appropriate to charge the costs of these arrangements in their entirety to capital reserve. This is a departure from the guidelines set out in the SORP.

## **FINANCE COSTS**

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

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## FIXED ASSET INVESTMENTS

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

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

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

## DEALING INVESTMENTS

Current asset investments held by the dealing subsidiary undertaking, including futures, options and other derivative instruments, are stated in the balance sheet at market value. The movements in the fair value of trading positions are included in the revenue account. The Companies Act 1985 requires that such assets be stated at the lower of cost or net realisable value and that, if revalued, certain movements in the fair value of trading positions be taken to a revaluation reserve. In so far as the adopted treatment of trading positions represents a departure from current statutory requirements, the Directors consider this necessary for the financial statements to show a true and fair view. The effects of this departure, which is consistent with industry practice, are to decrease dealing profits in the statement of total return by £0.1 million (31 March 2001: decrease of £0.8 million) and to increase net assets in the consolidated balance sheet by £nil million (31 March 2001: £0.1 million). The departure has no effect on the net asset value per share published on a monthly basis and calculated in accordance with industry guidelines.

## TANGIBLE FIXED ASSETS

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

## FOREIGN CURRENCIES

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

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



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## DEFERRED TAXATION

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

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

## PENSIONS

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

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

## CAPITAL RESERVE

The following are accounted for in the realised capital reserve:

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

The following are accounted for in the unrealised capital reserve:

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

# Notes to the Accounts

## 1 INVESTMENT INCOME

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Income from listed investments:		
Dividends	3,276	5,083
Interest	7,588	8,087
Income from unlisted investments:		
Dividends	2,145	3,418
Interest	1,894	1,215
Income from Treasury Bills	—	92
Income from investment properties	910	910
Interest receivable	1,084	3,507
	<b>16,897</b>	<b>22,312</b>

In accordance with Financial Reporting Standard 16, Current Taxation, UK dividend income is recorded at the amount receivable without any attributable tax credit.

## 2 ADMINISTRATIVE EXPENSES

Administrative expenses include the following:

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Staff costs (see note 3 below)	4,070	3,574
Auditors' remuneration – audit fees	80	79
Auditors' remuneration – other fees	60	6
Depreciation	108	116

Administrative expenses for the year ended 31 March 2002 include £1,039,000 (31 March 2001: £979,000) of property and staff related costs which are recharged to third parties. These recharges are included in “other income” and “income from investment properties” in accordance with accounting practice. Of the total audit fee, £70,000 (31 March 2001: £70,000) relates to the audit of the parent company's consolidated accounts.

## 3 STAFF COSTS

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Wages and salaries	2,997	2,762
Social security costs	349	312
Other pension costs	724	500
	<b>4,070</b>	<b>3,574</b>

The above figures include Directors' emoluments, details of which are shown in the Directors' Report on pages 17 to 19. They exclude the movement in the provision for the Group's long-term incentive plan which is charged to capital reserve.

The average number of employees during the year was 49 (31 March 2001: 48). Included in this figure are 20 people employed in respect of the banqueting business of Spencer House and the related security function (31 March 2001: 20).

## 4 INVESTMENT MANAGEMENT FEES

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

Investment Manager	Area of expertise	Funds under management 31 March 2002 £'000
Sofaer Capital	International equities	163,837
Findlay Park	Small to medium sized US companies	43,218
K Capital	International equities	35,951
Meditor Capital Management	Medium sized European equities	33,028
Tontine Overseas Associates	US equities	31,738
Lansdowne Partners	European equities	19,306
Select Equity	International equities	10,783

Details of the investment management fees payable to Sofaer Capital and Atticus Capital are shown on pages 20 and 21. The other investment managers charge fees based on a percentage of the funds under management (in the range from 0.5% to 1.6% per annum) and, in certain cases, performance fees are charged where the increase in value of the funds exceeds specified hurdles. None of the amounts listed in the table above are invested in other funds managed by the investment managers themselves and therefore there is no risk of double-counting investment management fees. The investment management agreements can be terminated with notice periods of between one and six months.

## 5 INTEREST PAYABLE AND SIMILAR CHARGES

	Group and Company	
	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
<b>Repayable within 5 years, not by instalments</b>		
Bank loans	271	560

## 6 TAXATION ON ORDINARY ACTIVITIES

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

Following the adoption of Financial Reporting Standard 19, Deferred Tax, in the year, the deferred tax charge to the capital account has been increased by £2.024 million (31 March 2001: £2.851 million) and decreased in the revenue account by £0.014 million (31 March 2001: £0.198 million). The deferred tax (credit)/charge in both the current and prior year relate to the origination and reversal of timing differences.

## 6 TAXATION ON ORDINARY ACTIVITIES (CONTINUED)

	Restated Year ended 31 March 2001		
	Revenue £'000	Capital £'000	Total £'000
UK corporation tax charge/(credit)	5,413	(3,359)	2,054
Adjustment in respect of prior years	(2)	—	(2)
Overseas taxation	539	—	539
Double taxation relief	(12)	—	(12)
Current tax charge/(credit)	5,938	(3,359)	2,579
Deferred tax (credit)/charge	(274)	2,927	2,653
<b>Taxation on ordinary activities</b>	<b>5,664</b>	<b>(432)</b>	<b>5,232</b>

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (31 March 2001: 30%). The differences are explained below:

	Year ended 31 March 2002		Restated Year ended 31 March 2001	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Return/(loss) on ordinary activities before tax	3,606	1,273	22,722	(62,800)
Return/(loss) on ordinary activities before tax at the standard rate of 30%	1,082	382	6,817	(18,840)
Effect of:				
Capital items exempt from corporation tax	—	9	—	18,025
UK dividend income not taxable	(547)	—	(1,336)	—
Double tax relief not available	321	—	302	—
Expenses not deductible for tax purposes	21	—	24	—
Non taxable income	(15)	—	(16)	—
Losses brought forward	—	(1,520)	(32)	(2,310)
Prior year credits	(5)	(55)	(2)	—
Capital allowances	—	(183)	—	(234)
Timing differences on income	(25)	—	147	—
Timing differences on expenses	39	—	34	—
Other	1	—	—	—
Current tax charge/(credit)	872	(1,367)	5,938	(3,359)
Deferred tax (credit)/charge	(14)	2,024	(274)	2,927
<b>Taxation on ordinary activities</b>	<b>858</b>	<b>657</b>	<b>5,664</b>	<b>(432)</b>

## 7 DIVIDEND

	2002 Pence per share	2001 Pence per share	2002 £'000	2001 £'000
Proposed final dividend (payable 5 July 2002)	3.1	3.1	4,862	4,862

During the year ended 31 March 2001 the Company purchased some of its own shares prior to the ex-dividend date. As a result, there was a reduction of £60,000 in the dividend for the year ended 31 March 2000 which was paid to shareholders on 7 July 2000. This amount was credited to the revenue account in the year ended 31 March 2001.

## 8 RETURN/LOSS PER ORDINARY SHARE

The return per share for the year ended 31 March 2002 is based on the revenue return after tax of £2.7 million (31 March 2001 restated: £17.1 million) and the capital return after tax of £0.6 million (31 March 2001 restated: capital loss of £62.4 million) and the weighted average number of ordinary shares in issue during the year of 156.8 million (31 March 2001: 157.3 million).

## 9 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per share at 31 March 2002 is based on the net assets attributable to ordinary shareholders of £758.3 million (31 March 2001 restated: £759.8 million) and the number of ordinary shares in issue at 31 March 2002 of 156.8 million (31 March 2001: 156.8 million).

## 10 FIXED ASSET INVESTMENTS

	31 March 2002		31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Listed investments at market value</b>				
Listed in UK	41,141	41,141	21,029	21,029
Listed overseas	256,887	256,887	225,613	225,613
Government securities	119,746	119,746	150,641	150,641
	417,774	417,774	397,283	397,283
<b>Unlisted investments at Directors' valuation</b>				
	351,693	299,102	348,203	298,527
	769,467	716,876	745,486	695,810

### Investment movements:

	Group				
	Quoted £'000	Unquoted and property £'000	Government securities £'000	Funds and partnerships £'000	Total £'000
Cost at 31 March 2001	231,905	177,703	149,289	152,922	711,819
Appreciation/(depreciation) at 31 March 2001	14,737	(10,896)	1,352	28,474	33,667
Valuation at 31 March 2001	246,642	166,807	150,641	181,396	745,486
Reclassifications	4,479	(4,479)	—	—	—
Additions	414,331	14,380	363,451	25,875	818,037
Disposals	(373,160)	(9,484)	(392,054)	(15,379)	(790,077)
Revaluation	5,736	(1,078)	(2,292)	(6,345)	(3,979)
<b>Valuation at 31 March 2002</b>	<b>298,028</b>	<b>166,146</b>	<b>119,746</b>	<b>185,547</b>	<b>769,467</b>
Cost at 31 March 2002	281,952	181,479	122,037	166,979	752,447
Appreciation/(depreciation) at 31 March 2002	16,076	(15,333)	(2,291)	18,568	17,020

Funds and partnerships comprise hedge funds, other funds and private equity partnerships.

## 10 FIXED ASSET INVESTMENTS (CONTINUED)

	Company				
	Quoted £'000	Unquoted and property £'000	Government securities £'000	Funds and partnerships £'000	Total £'000
Cost at 31 March 2001	231,905	152,993	149,289	128,627	662,814
Appreciation/(depreciation) at 31 March 2001	14,737	4,490	1,352	12,417	32,996
Valuation at 31 March 2001	246,642	157,483	150,641	141,044	695,810
Reclassifications	4,479	(4,479)	—	—	—
Additions	414,331	14,380	363,451	15,371	807,533
Disposals	(373,160)	(1,123)	(392,054)	(15,379)	(781,716)
Revaluation	5,736	(184)	(2,292)	(8,011)	(4,751)
<b>Valuation at 31 March 2002</b>	<b>298,028</b>	<b>166,077</b>	<b>119,746</b>	<b>133,025</b>	<b>716,876</b>
Cost at 31 March 2002	281,952	161,712	122,037	132,150	697,851
Appreciation/(depreciation) at 31 March 2002	16,076	4,365	(2,291)	875	19,025

### Unquoted investments:

During the year ended 31 March 2002, including the effect of currency movements, there were upward valuations of unquoted investments (including investments in distressed debt securities) totalling £26.5 million (31 March 2001: £5.4 million) and reductions in value totalling £27.6 million (31 March 2001: £17.7 million). The reductions in value included the following writedowns:

Investment	Original cost £'000	Valuation at 31 March 2002 £'000	Valuation at 31 March 2001 £'000	Downward revaluation £'000
Cherokee	14,789	5,101	13,005	11,094
The Economist Newspaper	1,482	18,240	25,080	6,840
Star Technology	4,800	4,800	7,607	2,807
Olameter	1,926	1,100	2,233	1,133

The Group sold its investment in Cellcom Limited during the year for £15.3 million. The investment cost £4.9 million and was valued at £8.4 million at 31 March 2001.

## 10 FIXED ASSET INVESTMENTS (CONTINUED)

Details of investments in which the Group had an interest of 10% or more at 31 March 2002 of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

	Class of share capital	% Held	Aggregate capital and reserves £'000	Profit/(loss) after tax £'000
<b>Listed Investments</b>				
Insignia Solutions	Common Stock	10.8	6,949	(7,730)
Wellington Global Research (a Luxembourg fund)	Units	11.6	171,288	(12,046)
<b>Unlisted Investments</b>				
Atticus International (incorporated in the British Virgin Islands)	Class A Common Shares	55.2	127,018	7,466
Cherokee (incorporated in the USA)	Class A Shares	12.9	(53,463)	(4,560)
Cine-UK	Convertible Preferred	50.2	(5,413)	(161)
	Ordinary Shares	6.2		
FVP Offshore III (incorporated in Bermuda)	Ordinary Shares	14.1	11,574	(8,816)
H-G Holdings (incorporated in the USA)	A Ordinary Shares of \$0.01	20.5	16,893	(7,702)
	B Ordinary Shares of \$0.01	21.1		
Invicta Leisure	Ordinary Shares of £1	42.9	5,036	(1,370)
	Preference Shares of £1	99.7		
Power Measurement (incorporated in the USA)	Common Shares	32.8	24,199	135
SCI Asian Hedge Fund (formed under the laws of the Cayman Islands)	Shares	6.7	178,256	(27,437)

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

**Note:** Pursuant to the acquisition of Cherokee, an equity distribution was made to its shareholders, resulting in a deficit on the reserves of the company.

	% Held	Aggregate capital and reserves £'000	Profit/(loss) after tax £'000
<b>Partnership Interests</b>			
Blumberg Capital I (formed under the laws of Delaware, USA)	56.6	5,646	(1,416)
RR Capital Partners (formed under the laws of New York, USA)	18.0	36,401	(2,217)
SCI Asian Ventures (formed under the laws of the British Virgin Islands)	100.0	9,737	(3,882)
Tinicum Capital Partners (formed under the laws of Delaware, USA)	99.5	1,761	(91)
Tinicum Partners (formed under the laws of New York, USA)	27.3	62,584	8,040

## 10 FIXED ASSET INVESTMENTS (CONTINUED)

In addition, the Group had a holding of 3% or more at 31 March 2002 in the following investments:

	Class of share capital	% Held
<b>Listed Investments</b>		
Venture Production	Ordinary Shares	6.4
Fuel Technology	Common Stock	5.3
Champps Entertainment	Common Stock	5.0
DDD Group	Common Stock	3.8
Vertex Interactive	Common Stock	3.7
<b>Unlisted Investments</b>		
The Economist Newspaper	Ordinary Shares of 5p	5.0

### Equity Accounting

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

## 11 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£'000
Cost at 31 March 2001	63,731
Additions	10,520
Exchange movement in year	(29)
<b>Cost at 31 March 2002</b>	<b>74,222</b>

Additions during the year comprise a further investment in RITCP Guernsey Limited.

At 31 March 2002 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.

Name	Issued share capital
<b>Investment Holding</b>	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 Ordinary Shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into 2 Ordinary Shares of £1 each
RITCP Guernsey Limited (incorporated in Guernsey)	US\$22,500 divided into 2,250,000 Ordinary Shares of US\$0.01 each
<b>Investment Management</b>	
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
<b>Investment Dealing</b>	
RIT Capital Partners Securities Limited	£200,000 divided into 200,000 Ordinary Shares of £1 each (held by a subsidiary)

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



## 12 TANGIBLE FIXED ASSETS

	Cost £'000	Depreciation £'000	Net book value £'000
<b>Plant, equipment and vehicles</b>			
At 31 March 2001	519	(260)	259
Additions	59	—	59
Disposals	(23)	19	(4)
Charged to revenue account	—	(108)	(108)
<b>At 31 March 2002</b>	<b>555</b>	<b>(349)</b>	<b>206</b>

## 13 DEBTORS

	31 March 2002		Restated 31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Debtors for securities sold	11,033	9,578	6,141	5,970
Other debtors	1,001	730	1,358	825
Prepayments and accrued income	6,133	5,953	6,346	5,879
Tax receivable	1,480	2,934	—	2,279
Deferred taxation (see note 14 below)	4,571	4,524	6,581	6,544
Group undertakings	—	3,836	—	3,742
	<b>24,218</b>	<b>27,555</b>	<b>20,426</b>	<b>25,239</b>

## 14 DEFERRED TAX ASSET

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

	31 March 2002		Restated 31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2001				
As previously reported	—	—	—	—
Prior year adjustment	6,581	6,544	9,234	9,197
Restated balance at 31 March 2001	6,581	6,544	9,234	9,197
Charge to capital reserve	(2,024)	(2,024)	(2,927)	(2,851)
Credit to revenue reserve	14	4	274	198
<b>Balance at 31 March 2002</b>	<b>4,571</b>	<b>4,524</b>	<b>6,581</b>	<b>6,544</b>

Analysis of deferred tax asset:

Unutilised tax losses	7,448	7,448	9,245	9,245
Deferred management fees	633	633	671	671
Long-term incentive plan	507	507	603	603
Other timing differences	155	155	151	151
Unrealised profit on offshore funds	(3,646)	(3,646)	(3,736)	(3,736)
Accelerated capital allowances	(526)	(573)	(353)	(390)
<b>Balance at 31 March 2002</b>	<b>4,571</b>	<b>4,524</b>	<b>6,581</b>	<b>6,544</b>

## 14 DEFERRED TAX ASSET (CONTINUED)

The Group has implemented the provisions of Financial Reporting Standard 19, Deferred Tax (“FRS19”), which requires full provision to be made for deferred tax assets and liabilities arising from timing differences between recognition in the financial statements and in the tax computations. The adoption of FRS19 has resulted in a deferred tax asset of £4.571 million being recognised as at 31 March 2002 and the capital reserve and the revenue reserve as at 31 March 2001 have been increased by £6.393 million and £0.188 million respectively as prior year adjustments.

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

The Company has revenue tax losses of £24.8 million which are available for offset against future taxable profits (including profits on offshore hedge funds). The unrealised profits on such funds amounted to £12.2 million as at 31 March 2002 (31 March 2001: £12.5 million).

## 15 DEALING INVESTMENTS

	31 March 2002		31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Unlisted investments	288	—	167	—

## 16 CREDITORS AND ACCRUALS

	31 March 2002		31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Creditors for securities purchased	17,776	17,776	12,435	12,317
Accruals and deferred income	2,015	1,572	1,740	1,313
Other creditors	268	217	216	127
Tax payable	—	—	16	—
Group undertakings	—	44,225	—	27,536
	20,059	63,790	14,407	41,293

## 17 BANK LOANS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2002		31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Unsecured Yen loan repayable between 1-2 years not by instalments	21,167	21,167	—	—

## 18 PROVISIONS FOR LIABILITIES AND CHARGES

	Group				
	31 March 2001 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	31 March 2002 £'000
Nature of provision:					
Indemnity	2,000	239	—	(239)	2,000
Bank guarantee	—	1,945	—	—	1,945
Investments	3,291	713	(849)	(260)	2,895
Litigation	1,000	327	—	(327)	1,000
Property	225	—	(10)	—	215
Long-term incentive plan	2,011	—	(221)	(101)	1,689
	8,527	3,224	(1,080)	(927)	9,744
	Company				
	31 March 2001 £'000	Additional provision £'000	Amounts reversed £'000	Amounts utilised £'000	31 March 2002 £'000
Nature of provision:					
Indemnity	2,000	239	—	(239)	2,000
Bank guarantee	—	1,945	—	—	1,945
Investments	3,291	713	(849)	(260)	2,895
Long-term incentive plan	2,011	—	(221)	(101)	1,689
	7,302	2,897	(1,070)	(600)	8,529

### 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 2002 and 2027 and the indemnity provision has been based on the Company’s share of the projected costs.

### Bank Guarantee

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

### Investment Provision

The Company owns several investments which were acquired under arrangements whereby part of the profit eventually realised on their disposal would be paid to certain third parties. The provision has been computed by reference to the carrying value of the underlying investments.

### Litigation

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

### Property

The Group has a short leasehold interest in a property which is being sub-let to a third party. The net income receivable is less than the annual outgoings and, based on a professional valuation, the Group has recognised a provision of £215,000 as at 31 March 2002.

## 18 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

### Long-term Incentive Plan

This provision represents amounts accrued under a long-term incentive arrangement structured in the form of a Share Appreciation Rights Plan (“SAR”). In accordance with the rules of the plan, certain Directors and employees are entitled to a bonus calculated by reference to a notional number of shares in the Company. The bonus amount payable would be equal to the increase, since the date of grant of the relevant SARs, in the Company’s share price multiplied by the notional number of shares; the provision also includes the corresponding employer’s national insurance liability. The SAR can be exercised between the third and tenth anniversaries of the date of grant. The provision can be analysed by reference to the date of grant of the relevant SARs as set out below.

	31 March 2002 £'000	31 March 2001 £'000
<b>Date of grant</b>		
1 June 1997	422	528
29 September 1997	31	67
30 March 1999	1,233	1,411
22 March 2001	—	5
22 March 2002	3	—
	<b>1,689</b>	<b>2,011</b>

## 19 SHARE CAPITAL

	31 March 2002 £'000	31 March 2001 £'000
<b>Authorised</b>		
320 million Ordinary Shares of £1 each	320,000	320,000
<b>Allotted, issued and fully paid</b>		
156,848,167 Ordinary Shares of £1 each (31 March 2001: 156,848,167)	156,848	156,848

## 20 CAPITAL REDEMPTION RESERVE

	31 March 2002		31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2001	33,308	33,308	30,733	30,733
Movement during the year	—	—	2,575	2,575
<b>Balance at 31 March 2002</b>	<b>33,308</b>	<b>33,308</b>	<b>33,308</b>	<b>33,308</b>

## 21 CAPITAL RESERVE

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

	31 March 2002		Restated 31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2001				
As previously reported	536,186	539,550	606,671	604,393
Prior year adjustment (see note 14)	6,393	6,393	9,244	9,244
Restated balance at 31 March 2001	542,579	545,943	615,915	613,637
Realised gains/(losses) on disposal of investments	5,887	(1,121)	(23,979)	(23,856)
Movement on revaluation of investments held at the year end	(3,978)	(4,750)	(35,423)	(29,653)
Performance fees	(492)	(492)	—	—
Other capital items	(144)	167	(3,398)	(2,834)
Taxation	(657)	(266)	432	(383)
Total capital return/(loss)	616	(6,462)	(62,368)	(56,726)
Cost of share buy-backs	—	—	(10,968)	(10,968)
<b>Balance at 31 March 2002</b>	<b>543,195</b>	<b>539,481</b>	<b>542,579</b>	<b>545,943</b>

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

	31 March 2002		Restated 31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Realised gains/(losses)</b>				
Listed investments	512,906	503,455	509,448	499,997
Unlisted investments	199,049	192,297	184,968	188,570
Other items	(175,301)	(161,663)	(176,033)	(167,374)
	536,654	534,089	518,383	521,193
<b>Unrealised gains/(losses)</b>				
Listed investments	13,785	13,785	16,089	16,089
Unlisted investments	3,235	5,240	17,578	16,907
Other items	(10,479)	(13,633)	(9,471)	(8,246)
	6,541	5,392	24,196	24,750
<b>Balance at 31 March 2002</b>	<b>543,195</b>	<b>539,481</b>	<b>542,579</b>	<b>545,943</b>

## 22 REVENUE RESERVE

	31 March 2002		Restated 31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 31 March 2001				
As previously reported	26,851	9,918	14,559	8,162
Prior year adjustment (see note 14)	188	151	(10)	(47)
Restated balance at 31 March 2001	27,039	10,069	14,549	8,115
Retained (loss)/profit for the year	(2,114)	(135)	12,256	1,954
Other movements	(1)	—	234	—
<b>Balance at 31 March 2002</b>	<b>24,924</b>	<b>9,934</b>	<b>27,039</b>	<b>10,069</b>

The Group's capital reserve includes an amount of £14.8 million which could be paid by way of a dividend to the Company and this amount would augment the distributable revenue reserves of the Company.

As permitted by Section 230 of the Companies Act 1985 the Company has not published a separate profit and loss account. The Company's revenue return after tax amounted to £4,727,000 (31 March 2001 restated: £6,756,000).

## 23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 March 2002 £'000	Restated year ended 31 March 2001 £'000
Shareholders' funds at 31 March 2001		
As previously reported	753,193	811,386
Prior year adjustment (see note 14)	6,581	9,234
Restated shareholders' funds at 31 March 2001	759,774	820,620
Revenue return	2,748	17,058
Dividend	(4,862)	(4,802)
	(2,114)	12,256
Total capital return/(loss)	616	(62,368)
Cost of share buy-backs	—	(10,968)
Other movements	(1)	234
Net decrease in shareholders' funds	(1,499)	(60,846)
<b>Shareholders' funds at 31 March 2002</b>	<b>758,275</b>	<b>759,774</b>

## 24 RECONCILIATION OF REVENUE RETURN BEFORE FINANCE COSTS AND TAXATION TO CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Revenue return before finance costs and taxation	3,877	23,282
Decrease in other debtors	357	165
Decrease/(increase) in prepayments and accrued income	213	(2,741)
Increase(decrease) in accruals and deferred income	278	(680)
Increase in other creditors	52	111
Net (increase)/decrease in dealing assets	(112)	6,492
Other movements	1,662	(5,937)
<b>Cash inflow from operating activities</b>	<b>6,327</b>	<b>20,692</b>

## 25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
(Decrease)/increase in cash in the year	(1,304)	2,406
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(27,820)	62,984
Cash inflow from increase in debt	(21,167)	—
<b>Change in net funds resulting from cash flows</b>	<b>(50,291)</b>	<b>65,390</b>
Non-cash movement in government securities	(784)	736
Currency translation of Yen loan	—	1,992
<b>Movement in net funds in year</b>	<b>(51,075)</b>	<b>68,118</b>
Net funds at 31 March 2001	171,873	103,755
<b>Net funds at 31 March 2002</b>	<b>120,798</b>	<b>171,873</b>

## 26 ANALYSIS OF NET FUNDS

	31 March 2001 £'000	Cash flow £'000	Other non- cash changes £'000	31 March 2002 £'000
<b>Net cash</b>				
Cash at bank and in hand	43,662	(23,734)	—	19,928
Bank loans and overdrafts	(22,430)	22,430	—	—
	21,232	(1,304)	—	19,928
<b>Liquid resources</b>				
Government securities	150,641	(27,820)	(784)	122,037
<b>Debt</b>				
Yen loan	—	(21,167)	—	(21,167)
<b>Net funds</b>	<b>171,873</b>	<b>(50,291)</b>	<b>(784)</b>	<b>120,798</b>

## 27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found on pages 21 and 22. With the exception of the analysis of currency exposures, the disclosures below exclude short-term debtors and creditors.

### Currency exposure

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

Currency	31 March 2002 £'000	31 March 2001 £'000
Euro	143,358	72,675
US Dollar	83,719	160,089
Korean Won	15,169	1,620
Swiss Franc	7,358	8,934
Canadian Dollar	5,078	14,607
Other	11,556	17,621
	<b>266,238</b>	<b>275,546</b>

The amounts shown above take into account the effect of forward currency contracts and other derivatives entered into to manage the currency exposure. At 31 March 2002 the Group has a financial liability of £5,104,000 (31 March 2001: £7,337,000) which relates to amounts due on forward currency contracts, with a settlement date of 20 June 2002.

### Interest rate risk profile of financial assets

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

Currency	31 March 2002			Total £'000
	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	
US Dollar	4,413	431	388,252	393,096
Sterling	27,069	40,031	125,239	192,339
Euro	(4,595)	98,130	50,508	144,043
Japanese Yen	—	—	23,801	23,801
Korean Won	—	—	15,078	15,078
Swiss Franc	(520)	—	7,878	7,358
Canadian Dollar	—	—	5,078	5,078
Other	(6,439)	—	15,041	8,602
	<b>19,928</b>	<b>138,592</b>	<b>630,875</b>	<b>789,395</b>

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

The US Dollar fixed rate financial assets comprise senior subordinated bonds which earn interest at 10.5% per annum. The bonds mature in April 2009 but are callable in 2004.

The Sterling denominated fixed rate financial assets include £21.6 million of UK Treasury Stock which earns interest at 7% per annum until 7 June 2002, and a mezzanine loan of £9.8 million which earns interest at 13% per annum, repayable in December 2007. They also include £5.5 million of discounted subordinated bonds which earn interest at 10% per annum. One third of the bonds are due for redemption on 31 March 2003, one half on 31 March 2004 with the balance being redeemed on 31 March 2005. Also included is a loan of £1 million which earns interest at 8% per annum.

The balance of the Sterling denominated fixed rate financial assets comprises £2.2 million of convertible loan stock: £1.4 million earning interest at 5¼% until 19 February 2007 and £0.8 million earning interest at 9% per annum. The latter is redeemable in four equal tranches on 31 October and 30 April, commencing 31 October 2004.



## 27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Currency	31 March 2001			Total £'000
	Floating rate financial assets £'000	Fixed rate financial assets £'000	Other financial assets £'000	
US Dollar	12,075	1,874	352,140	366,089
Sterling	38,709	124,217	119,085	282,011
Euro	(2,327)	37,386	38,643	73,702
Japanese Yen	—	—	21,763	21,763
Canadian Dollar	—	—	14,675	14,675
Swedish Krona	(4,338)	—	11,161	6,823
Swiss Franc	(855)	—	9,957	9,102
Norwegian Krone	(459)	—	4,369	3,910
Other	857	—	10,216	11,073
	43,662	163,477	582,009	789,148

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

The US Dollar fixed rate financial assets comprised debentures which earned interest at 4¾% per annum until 1 February 2009.

The Sterling denominated fixed rate financial assets included £113.2 million of UK Treasury Stock which earned interest at 7% per annum until 6 November 2001. They also included £5.5 million of discounted subordinated bonds which earned interest at 10% per annum. One third of the bonds were due for redemption on 31 March 2003, one half on 31 March 2004 with the balance being redeemed on 31 March 2005. The balance of the Sterling denominated fixed rate financial assets of £5.5 million was a mezzanine loan which earned interest at 13% per annum. The loan is repayable in December 2007.

The Euro-denominated fixed rate financial assets were German Government Bonds which earned interest at 4¾% per annum until 12 November 2001.

### Interest rate risk profile of financial liabilities

The Group has a Japanese Yen loan with a Sterling value of £21.2 million at 31 March 2002 (31 March 2001: £22.4 million). The loan is repayable in February 2004 and interest is charged on the loan at 0.7% per annum (31 March 2001: 1% per annum).

### Fair values of financial assets and financial liabilities

All of the financial assets of the Group are held at fair value, on the same basis as at 31 March 2001. It has been assumed that the fair values of the financial liabilities at the year end are approximately the same as the book values due to their short maturities.

## 28 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

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

	31 March 2002		31 March 2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Commitments to provide additional funds to investees	82,133	82,133	98,560	98,560
Guarantees and letters of comfort to third parties	1,425	1,425	1,948	1,948
	<b>83,558</b>	<b>83,558</b>	<b>100,508</b>	<b>100,508</b>

In November 1997 proceedings were issued in the New York Courts against a total of ten defendants, including the Company, by Richbell Information Services Inc. ("RIS") and certain connected entities. The proceedings relate to the Company's investment in H-G Holdings Inc. and a loan made to RIS by the Company's wholly-owned subsidiary, Atlantic and General Investment Trust Limited. The claim against all of the defendants was for approximately US\$240 million. On 11 March 2002 the New York Court dismissed the proceedings in their entirety. On 2 April 2002 the plaintiffs filed an appeal against that decision.

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

## 29 PENSION COMMITMENTS

J. Rothschild Capital Management Limited has pension commitments in respect of its participation in the RITCP Scheme. The Scheme has two parts: a defined benefit section which is closed to new members and money purchase arrangements which have been set up for Lord Rothschild. The last actuarial valuation of the defined benefit section of the RITCP Scheme was carried out as at 1 January 2002 and the report was produced using the projected unit method of funding using the following assumptions:

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

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

During the year ended 31 March 2002 the Group contributed 34% of pensionable salaries to the defined benefit scheme and also made an additional contribution of £0.2 million. The funding rate in respect of the money purchase arrangements was 20% of pensionable salary. No changes have been made to these funding rates to date.

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

The pension contributions made during the year are analysed below:

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Defined benefit scheme		
– annual contributions	331	334
– additional contribution	200	—
Money purchase scheme	62	60
Personal pension schemes	131	106
	<b>724</b>	<b>500</b>

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

## 29 PENSION COMMITMENTS (CONTINUED)

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

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

	Annual compound rate
Discount rate	6.00%
Rate of increase in salaries	4.00%
Rate of increase in payment of all pensions	4.00%
Inflation assumption	2.50%

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

	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002
Equities	9.30%	4,553
Corporate bonds	6.00%	272
Gilts	5.30%	251
Cash	3.60%	422
Total market value of assets		5,498
Present value of the scheme's liabilities		(7,878)
Deficit in the scheme		(2,380)
Related deferred tax asset		714
Net pension liability		(1,666)

The fair value of the assets of the defined contribution section of the Scheme, representing investments providing money purchase benefits, together with the related liabilities, have both been excluded from the figures disclosed above. As at 31 March 2002, these assets and liabilities amounted to £5.442 million.

The additional disclosures required by FRS17 are set out below:

	At 31 March 2002 £'000
Net assets of the RITCP Group	758,275
Less: Deficit in the pension scheme	(1,666)
Net assets as reduced by the pension liability	756,609
Revenue reserve of the RITCP Group	24,924
Less: Deficit in the pension scheme	(1,666)
Revenue reserve as reduced by the pension liability	23,258

## 30 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption in Financial Reporting Standard 8, Related Parties, not to disclose any transactions or balances between group entities that have been eliminated on consolidation. Other related party transactions are disclosed on pages 20 and 21 of the Directors' Report.

# Historical Information

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

## Notes:

1. Diluted net assets were arrived at on the assumption that all convertible stock was converted at the balance sheet date. They include any unrealised dealing gains (net of attributable taxation).
2. The total return per share is the fully diluted return per share, based on the total returns after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted return per share exceeded the undiluted return per share the latter figure has been shown in accordance with standard accounting practice.
3. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
4. The figures for 2001 have been restated as a result of the prior year adjustment relating to deferred tax (as described in note 14).

# Shareholder Information

## ANALYSIS OF ORDINARY SHAREHOLDERS

As at 31 March 2002 the Company's ordinary share capital was held as follows:

	Holders	%	Shares held	%
<b>Analysis by category</b>				
Individuals	9,998	74.30	21,132,125	13.47
Insurance companies	73	0.54	3,153,049	2.01
Banks and nominees	2,748	20.42	120,534,724	76.85
Investment trusts	40	0.30	6,955,265	4.43
Pension funds	7	0.05	94,949	0.06
Other corporate bodies	591	4.39	4,978,055	3.18
<b>Totals</b>	<b>13,457</b>	<b>100.00</b>	<b>156,848,167</b>	<b>100.00</b>

	Holders	%	Shares held	%
<b>Analysis by numbers of shares</b>				
1 – 499	3,000	22.29	735,235	0.47
500 – 999	2,361	17.54	1,725,814	1.10
1,000 – 1,999	3,214	23.88	4,515,407	2.88
2,000 – 2,999	1,723	12.81	4,080,357	2.60
3,000 – 3,999	877	6.52	2,952,563	1.88
4,000 – 4,999	535	3.98	2,332,810	1.49
5,000 – 9,999	951	7.07	6,335,012	4.04
10,000 – 24,999	463	3.44	6,823,935	4.35
25,000 – 49,999	113	0.84	3,962,524	2.53
50,000 – 99,999	89	0.66	6,044,687	3.85
100,000 and above	131	0.97	117,339,823	74.81
<b>Totals</b>	<b>13,457</b>	<b>100.00</b>	<b>156,848,167</b>	<b>100.00</b>

## Financial Calendar

Announcement of final results for the year ended 31 March 2002	16 May 2002
Annual General Meeting	4 July 2002
Payment of dividend on ordinary shares Final dividend of 3.1 pence	5 July 2002 to shareholders on the register at 7 June 2002

# Annual General Meeting

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Notice is hereby given that the Annual General Meeting of RIT Capital Partners plc will be held at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS on 4 July 2002 at 11.00 a.m. Gentlemen attending are requested to wear a jacket and tie in order to comply with the rules of The Royal Automobile Club. The Meeting will be held for the following purposes:

## ORDINARY BUSINESS

### Resolution 1

To receive the Directors' Report and Accounts for the year ended 31 March 2002.

### Resolution 2

To declare a final dividend.

### Resolution 3

To re-elect as Directors the following:

- (i) Duncan Budge
- (ii) Andrew Knight
- (iii) Michael Sofaer

### Resolution 4

To re-appoint PricewaterhouseCoopers as the auditors of the Company.

### Resolution 5

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

## SPECIAL BUSINESS

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

### Resolution 6

THAT the authority conferred upon the Directors by Article 11(A) of the Company's Articles of Association (authority to allot, and to make offers or agreements to allot, relevant securities) be hereby extended for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2003 and 30 September 2003; AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £52,282,722 (or such nominal amount that represents less than a third of the issued equity share capital at the date of the Meeting, whichever is less).

### Resolution 7

THAT the power conferred upon the Directors by Article 11(B) of the Company's Articles of Association (power to allot, or make offers or agreements to allot, equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment) be hereby renewed for the period ending on whichever is the earlier of the date of the Company's Annual General Meeting in 2003 and 30 September 2003.

### Resolution 8

THAT the Company be authorised to purchase up to an aggregate of 23,511,540 ordinary shares of £1 each of the Company (or such a number of ordinary shares as represents 14.99% of the Company's issued capital at the date of the Meeting, whichever is less) at a price (exclusive of expenses) which is:

- (a) not less than £1 per share; and
- (b) not more than 5% above the arithmetical average of the middle-market quotations (as derived from the Daily Official List of the London Stock Exchange) for the five business days preceding any such purchase;

AND THAT the authority conferred by this Resolution shall expire on 30 September 2003 (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

By order of the Board

## J. Rothschild Capital Management Limited

Secretary  
27 St James's Place  
London SW1A 1NR  
27 May 2002

## Notes

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

Copies of the Company's Memorandum and Articles of Association will be available for inspection at the registered office of the Company and at the offices of Linklaters, One Silk Street, London EC2Y 8HQ during normal business hours on any weekday (Saturdays and Bank Holidays excepted) until 4 July 2002 and at the place of the meeting from 10.45 a.m. until its conclusion.

# Advisers

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## SECRETARY AND REGISTERED OFFICE

J. Rothschild Capital Management Limited  
(a wholly-owned subsidiary of RITCP)  
27 St James's Place  
London SW1A 1NR

## INVESTMENT MANAGER

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

## AUDITORS

PricewaterhouseCoopers  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

## SOLICITORS

Linklaters  
One Silk Street  
London EC2Y 8HQ

## REGISTRARS AND TRANSFER OFFICE

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

## SAVINGS SCHEME ADMINISTRATOR

The Bank of New York Europe Limited  
12 Blenheim Place  
Edinburgh EH1 5ZR  
Telephone: 0131 525 9819

## FOR INFORMATION

The Company's website is  
[www.ritcap.co.uk](http://www.ritcap.co.uk)



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