RIT Capital Partners plc

Annual Report & Accounts 31 March 2012

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RIT Capital Partners plc

Overview

Corporate Objective

to deliver long-term capital growth, while preserving shareholders' capital; to invest without the constraints of a formal benchmark, but to deliver for shareholders increases in capital value in excess of the relevant indices over time.

Investment Policy

to invest in a widely diversified, international portfolio across a range of asset classes, both quoted and unquoted; to allocate part of the portfolio to exceptional managers in order to ensure access to the best external talent available.

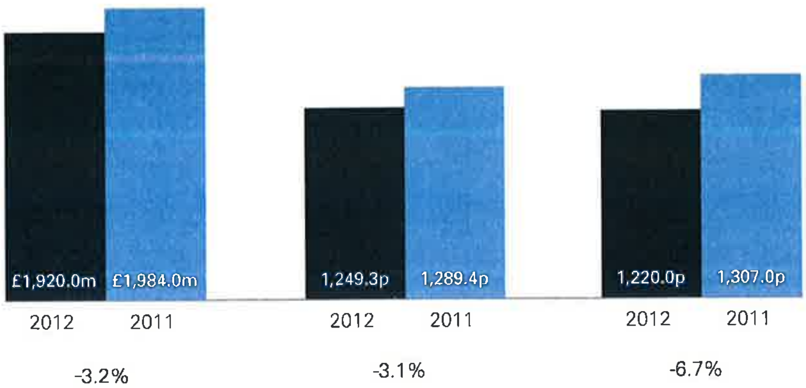
31 March 2012 at a glance

Performance

	1 year %	5 years %	10 years %
RIT Capital Partners plc (NAV per share)	-3.1%	19.3%	158.4%
MSCI World Index (in £)	-1.3%	6.7%	16.5%
FTSE All-Share Index	-2.1%	-8.5%	17.4%

Financial Highlights

Total Net Assets	NAV per Share	Share Price



NAV per share refers to diluted NAV per share unless otherwise stated (see Note 10)

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Chairman's Statement

Lord Rothschild

Recovery may come, but not in months. In this reality, markets oscillate as before. Investment success in public markets has become a game of timing rather than fundamentals.

The Western world may have finally woken up last year: it realised that the crash of 2008 was not just another market event, quickly to be recovered from.

Peoples, electors and governments in America and Europe at last began to see that they had experienced not just one more asset bubble pricked by reality. This time, outside Asia, South America and Africa, there can be no quick re-explosion of growth. The debt mountain in government and households is just too high. The legacy of debt has first to be worked off.

And that – people and markets now see – will take years. Recovery may come, but not in months. There are signs now that the impact from the loss of Western spending power has started to affect China too. In this reality, markets oscillate as before. But the ups do not last. And they are succeeded by falls. Unless one has a long horizon, investment success in public markets has become a game of timing rather than fundamentals.

Your Company's record reflects this major change in reality. Over ten years we have greatly outstripped any benchmark: the value of your Company's net asset value per share (NAV) increased by 158% over ten years – almost ten times the rise in the MSCI World Index in Sterling (MSCI). Through the volatility of the past five years, your Company's NAV has advanced by 19.3%, almost three times the gain of the MSCI.

However, over the past three years, as markets recovered from the crash of 2008 – we have barely level-pegged: your NAV has grown by nearly 43% over the past three years, compared to almost 46% for the MSCI. The financial year under review saw our NAV down by 3.1% to 1,249.3 pence compared to falls of 1.3% in the MSCI and 2.1% in the FTSE–All Share. Our unaudited 30 April NAV was 1,220.3 pence, a decline of 2.3% over the month compared to a 2.8% fall in the MSCI.

I do not take the changes lightly. When the economic facts change, we strive to adapt. Let me describe how.

Within RIT's overall portfolio strategy, there are two dominant but complementary strands.

The first strand consists of our own direct investments in unquoted companies. These have produced considerable successes and a quarter of the portfolio, over time, has been invested there.

The second strand – the greater part of our assets – is represented by our investments with external managers and through our directly managed listed equities. Here, our record over time is strong, but its contribution to our recent returns has been mixed. In part this has reflected public markets. But in part it has also been a consequence of our considered policy. For a prime objective of this Company is to preserve your capital by avoiding significant losses during periods of market weakness but to participate in rising markets.

Our results will be determined by asset allocation, our ability to find and select exceptionally talented external managers, our success in stock selection even in difficult market conditions and disciplined risk adjustment through making use of derivatives and other instruments particularly in periods of duress. Seeing the dangers, we have remained more conservative than in the former more exuberant era pre-2008. On the public market side, we thus perform well against benchmarks in down-turns, such as the period to September 2011, then miss the full extent of any quick market upturn such as occurred in late 2011 and early 2012. As I have said previously, "if we miss some periods of market strength, we will bear the disappointment".

In implementing our strategy, we are concerned that markets in the West, and economic activity, have, frankly, been propped up by central banks printing money – feeding the problem, in my view, not the solution. In the process, companies, particularly large ones, have stocked up on cash, cut costs and shored up profits. They have deleveraged, while governments and populations in America and Europe – the main consumers of what companies produce – have failed or struggled to reduce their indebtedness.

On the public market side, we therefore are concentrating on investments with fund managers and individual companies that can grow despite the state of their local markets. For instance, those strong by virtue of well established franchises with robust balance sheets and whose shares are priced at relatively low multiples of free cash flow. We also look to companies in advanced technology, many of them American and whose future does not depend on boom or bust, or on the pump-priming of central banks. We have been bolder in pursuing this aim and have established a number of new manager relationships to enhance our participation in these areas at the same time as

Chairman's Statement

continuing to reduce exposure to former favoured sectors. Gold, the best performing asset class of the past few years, has been a feature in our portfolio for some time through gold futures and gold shares. We have now taken out call options as an alternative to gold futures. Under current conditions, our preferred route is to use such options as an insurance policy against inflation at a time when so many countries are seeking to devalue their currencies.

A prime objective of this company is to preserve your capital. Seeing the dangers, we have remained more conservative than in the former more exuberant era pre-2008.

On the private investment side, we are gearing up to repeat our successes. We had two profitable exits in the past year: Harbourmaster, the credit fund manager on which our profit over almost seven years was £72 million; and Agora Oil & Gas, the exploration company which has focused on the Norwegian and British North Sea. The Agora sale was announced on 3 April 2012 and we have reflected the value uplift in our year-end NAV. Completion in May realised a profit of £73 million in just over two years. Since the year-end, Brazil's leading investment bank, BTG Pactual, in which we became shareholders in December 2010, has successfully gone public with a realised profit of 31% on the shares we made available at the time of the Bank's IPO.

Recently RIT invested together with Reinet Investments, chaired by Johann Rupert, in Renshaw Bay, a company created by Bill Winters in 2011. Until 2010 he had run JPMorgan's global investment banking business, and he recently served on the UK's Independent Commission on Banking . This company will seek to invest in markets left under-served by traditional lenders and investors following the financial crisis. To date your Company has committed capital to one fund which focuses on trading and investing in structured corporate credit markets. Further credit related funds are in the course of being set up.

On the green energy front, we have taken the initiative as the founding investor in Tamar Energy, the anaerobic digestion business. We have been supported by a strong investor base including Fajr Capital (backed by prominent sovereign funds from Abu Dhabi, Brunei and Malaysia and the Al Subeaie Group), the Duchy of Cornwall and J Sainsbury plc. With an attractive return profile, the objective is to make Tamar one of the leading companies in this country in the 'waste to energy' field.

Strategy

Our first joint and strategic investment with Chinese investors has come about through the establishment of J Rothschild Creat, with commitments to provide funds from a number of limited partners in China. This initiative, the first of its kind, will focus on investing in corporations outside China with direct relevance to China and its economic development.

The link with the Rothschild family has been strengthened by our joint venture with the Edmond de Rothschild (EdeR) Group which has commenced with our acquisition of a 49% stake from the EdeR Group in the management company of Capital Holdings, which has some $2.7 billion invested with external managers, for a consideration of around £14 million in RIT shares. Rick Sopher, who serves as a non-executive Director of RIT, has played an important role in Capital Holdings' investment success over many years. The EdeR Group has a strong position in asset management in France, Switzerland and Luxembourg with assets under management of around $150 billion. We are already cooperating closely with Capital Holdings in the area of investment manager selection and will be exploring ways of working more closely with the EdeR Group in the years ahead.

Chairman's Statement

Baroness Ariane de Rothschild, Vice Chairman of the EdeR Group, has become Honorary Vice Chairman of RIT. In a reciprocal arrangement I am now Honorary Vice Chairman of La Compagnie Financière Saint-Honoré, the French holding company of the EdeR Group. Jean Laurent-Bellue, the General Secretary of Edmond de Rothschild Holdings, has joined our Board as a non-executive Director. I know that shareholders will give a warm welcome to the strengthening of the 'Rothschild link'.

Opportunities are more often than not brought about through strong relationships. We are therefore delighted to have announced the partnership we will be entering into with Rockefeller & Co, Inc. Dating back to 1882, John D. Rockefeller established one of the first family offices to manage his financial legacy. Today Rockefeller & Co. is a leading global investment advisory and wealth management firm, with $34 billion of assets under administration. As a first step in our relationship, we will become significant minority investors in the holding company of Rockefeller & Co. alongside Rockefeller family members and trusts. We will be looking at ways to develop further our mutual businesses through this partnership between two such recognisable names.

Your company's success in the future lies in our finding exceptional opportunities throughout the world. I have no doubt that the links we have forged with such distinguished groups in the USA, Europe and China can only help us in our endeavours in the years ahead.

Year-end Change

This year we have also decided to move to a December year-end in order to bring our reporting cycle in line with the majority of the asset management industry. We will therefore prepare an interim report to 30 September 2012 as normal, followed by a report for the nine months to 31 December 2012.

We will be recommending a dividend of 28 pence. This would bring our dividend yield more in line with our peer group.

Dividend Policy

Since your Company became a listed investment trust in its present form in August 1988, its policy has been to deliver long-term capital growth and in this it has been successful – net assets have increased from £281 million to £1,920 million, a gain of over £1.6 billion. Your Company's main benchmark is the MSCI and an equivalent investment in this index would have shown gains of £580 million during this period. We have therefore outperformed our index by almost £1.1 billion. For an investor who has held the shares over this period, the share price has increased by approximately 15 times.

Additionally, dividends and buybacks of £254 million were returned to shareholders over this period. The greater part of the total gains have therefore been retained by your company so that it now enjoys a substantial permanent capital base. Shareholders may also be aware that, following changes in tax legislation, investment trust companies are now able to pay dividends from capital reserves. We therefore decided it was timely to review our dividend policy. We will be seeking shareholder approval to an appropriate change in our Articles to allow greater flexibility in paying such dividends. We will be recommending a dividend of 28 pence per share to be paid on 24 August 2012 to shareholders on the register at 15 June. This would bring our dividend yield more in line with our peer group. We expect to maintain or increase this level in the years ahead as long as this does not come into conflict with your Company's primary objective of capital preservation and growth.

Rothschild.

Rothschild
31 May 2012

Investment Director's Review

Mikael Breuer-Weil

March 2012 Overview

The returns generated by our main asset classes over the financial year to 31 March 2012 are outlined below:

	Total gain/loss (£ million)	Return (%)
Quoted Equity - Internally Managed	(21.0)	-6.4%
Quoted Equity - Externally Managed	(56.5)	-5.6%
Unquoted Direct	40.0	15.1%
Unquoted Funds	(1.1)	-0.3%
Real Assets	13.2	24.9%
Absolute Return & Credit, Government Bonds and Currency	10.3	1.3%
Net Liquidity/Borrowings/other	(19.0)	–
Expenses	(24.6)	–
Tax	0.9	–
Dividends	(6.2)	–
Change in Net Assets	**(64.0)**	**-3.2%**

Our Quoted Equity performance, which comprises both internally managed and third party managers, was the primary source of our loss over the year. We have continued to alter the make-up of this portfolio with greater emphasis on 'quality' and growth companies. Whilst these new themes have performed well over the period under review, the negative impact of exposure to selected Emerging Markets and certain commodity related areas more than offset gains.

Unquoted, Real Assets and Absolute Return & Credit all experienced returns equal to or ahead of markets but these, applied to the capital at work, were insufficient to make up for losses in Quoted Equity.

The Chairman has already noted a number of successful realisations within our private investment area, continuing a record in this strategy that has been a meaningful source of returns over time.

Our active management of the portfolio's currency positioning has been a positive contributor to the year's return.

Investment Director's Review

Net Assets by Category (%)

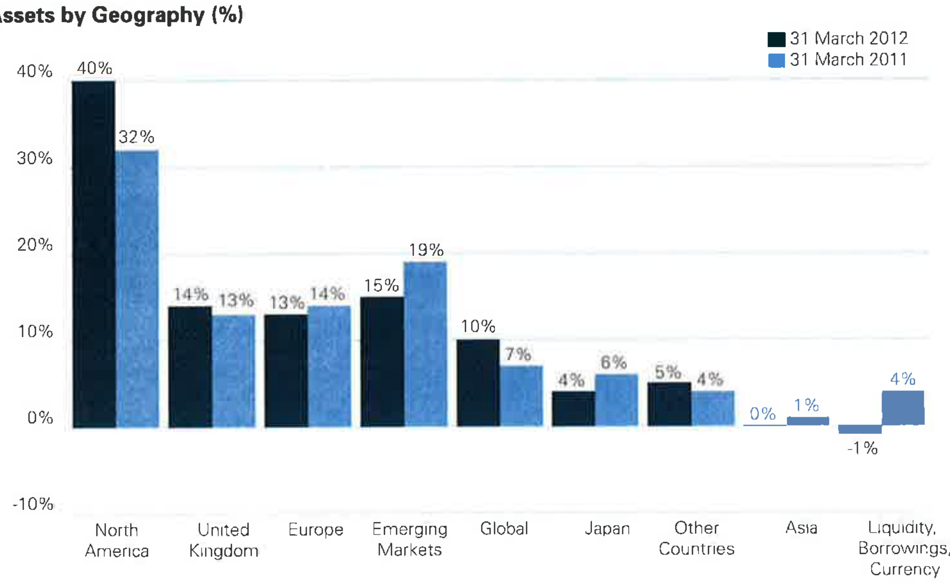
	31 March 2012	31 March 2011
Quoted Equity - Internally Managed	18.7%	18.8%
Quoted Equity - Externally Managed	45.0%	46.8%
Unquoted Direct	15.5%	12.2%
Unquoted Funds	13.7%	14.3%
Real Assets	5.8%	4.8%
Absolute Return & Credit, Government Bonds and Currency	7.2%	0.6%
Net Liquidity/Borrowing/other	-5.9%	2.5%
Total	**100.0%**	**100.0%**

As noted in the 30 September 2011 Half-Yearly Financial Report we combined the previous Hedge Funds and Long Equity Funds categories into Quoted Equity - Externally Managed. In addition we reallocated £184 million of assets from Real Assets to the Quoted and Unquoted categories.

Our overall level of exposure to our principal asset classes has not changed dramatically over the year. The components within each asset class has however shifted to reflect both our level of caution on the one hand and a shift in exposure from emerging market and cyclical related themes to developed world quality and growth on the other.

This transition is seen more clearly in our geographic exposures.

Net Assets by Geography (%)

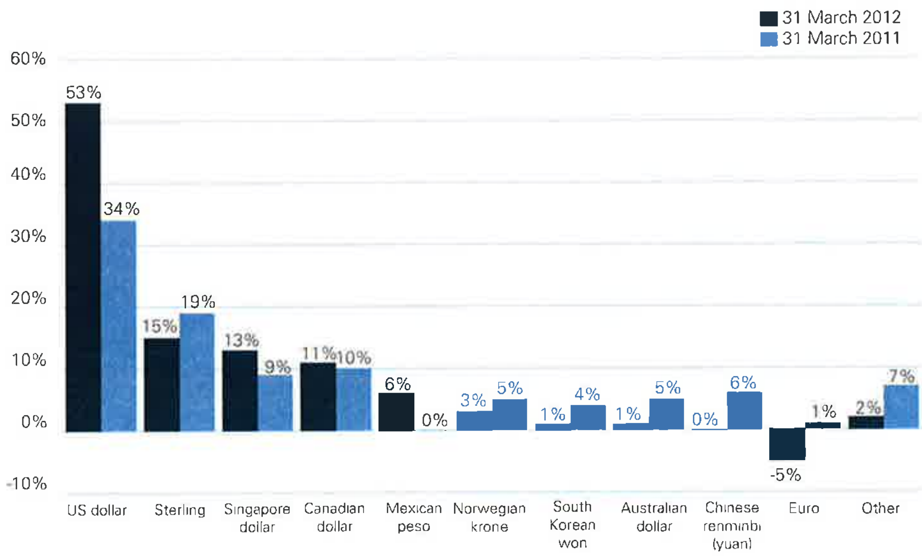


We continue to actively manage the portfolio's currency exposure. Our naive FX exposure is adjusted to positions that reflect our fundamental views whilst paying some heed to currency weightings within the MSCI World Index.

In an environment of quantitative easing and currency debasement, our currency exposure centres on an assessment of the least bad places to retain exposure. Certain currencies such as the Singapore dollar and the Canadian dollar have appeal as fundamentally safer; amongst the major currencies, at this time the US dollar is favoured over the Euro. Our Emerging Market currency exposure has been reduced over the year.

Investment Director's Review

Net Assets by Currency (%)



Investment Portfolio

	Market Value 31 March 2011 £ million	Additions £ million	Disposals £ million	Gains/ (losses) dividends £ million	Market Value 31 March 2012 £ million	Return (%)
Quoted Equity – Internally Managed	373.3	545.5	(537.9)	(21.0)	359.9	-6.4%
Quoted Equity – Externally Managed	927.5	312.5	(319.8)	(56.5)	863.7	-5.6%
Unquoted Direct	243.0	178.0	(162.9)	40.0	298.1	15.1%
Unquoted Funds	283.8	61.2	(80.5)	(1.1)	263.4	-0.3%
Real Assets	94.7	92.8	(89.1)	13.2	111.6	24.9%
Absolute Return & Credit, Government Bonds and Currency	11.9	170.3	(54.8)	10.3	137.7	1.3%
Total Investments	**1,934.2**	**1,360.3**	**(1,245.0)**	**(15.1)**	**2,034.4**	**-1.1%**

Note: Category returns include the impact of currency translation and derivatives which are employed either to hedge or selectively increase exposure. Government bonds within the investment portfolio are those with maturities of over a year as well as derivatives on government bonds held for investment purposes. This category excludes short-dated government bonds held for liquidity.

The above table represents management's view of portfolio classification. The total investments figure reconciles to the balance sheet by adjusting for derivative positions and liquidity balances recorded outside the "Non-current assets" line items as shown on the balance sheet. A reconciliation may be found in Note 11 to the Financial Statements.

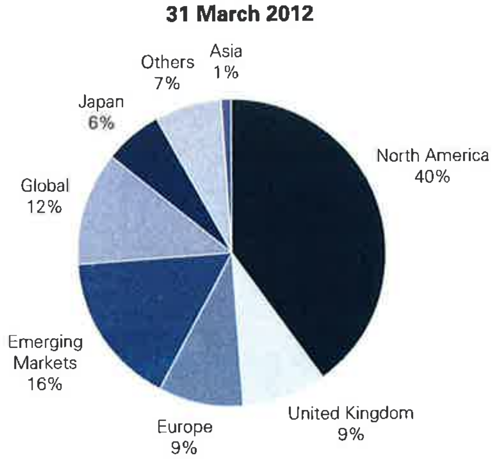
Quoted Equity

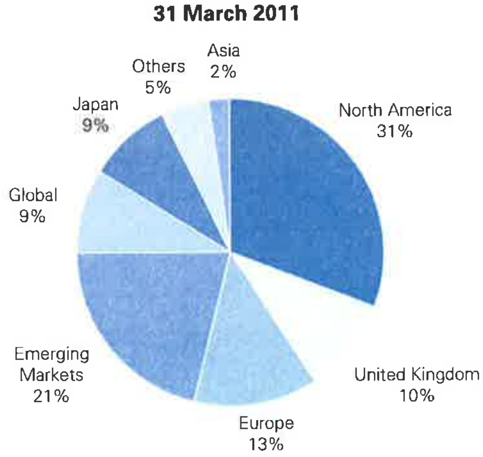
Our Quoted Equity book represents £1,224 million or 64% of NAV. Of this, a total of £360 million is managed internally and £864 million held with third party managers (including £246 million held in segregated accounts).

The geographic distribution of our Quoted Equity portfolio is set out below. The current positioning reflects the increased exposure to North America as well as the de-tuning of our Emerging Markets exposure both via reductions and via additional emphasis on funds with a capital preservation bias.

Investment Director's Review

Total Quoted Equity NAV by Geography





Quoted Equity – Internally Managed

We reorganised our internal public equity approach over the year. The equities team, led by David Haysey, manages a segregated account of £226 million. Its mandate is to invest in quality companies globally with a tilt towards areas of quality that offer above average growth prospects. This account has the ability to be less than fully invested and returns therefore reflect both stock selection and capital allocation decisions.

A number of additional equity positions, representing specific opportunities or former private equity positions are managed separately.

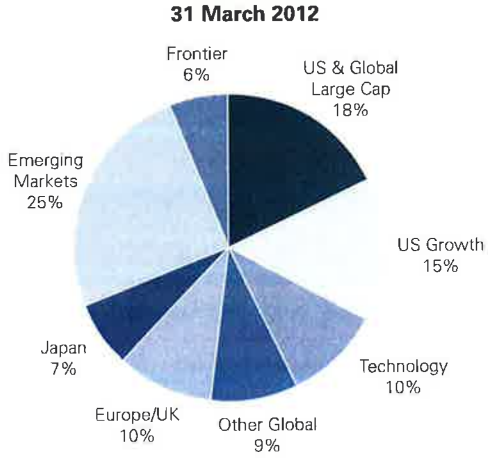
Our overall return for the period was -6.4%, impacted mainly by declines in cyclicals earlier in the year.

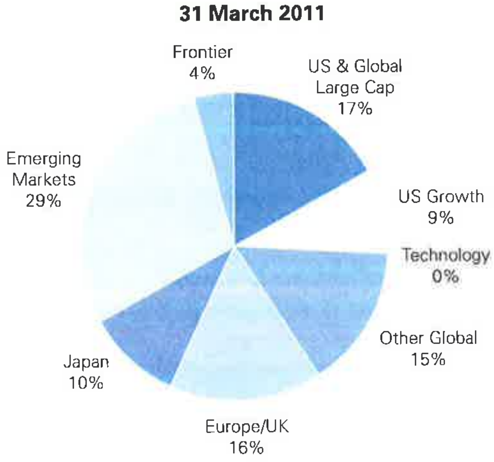
Quoted Equity – Externally Managed

RIT's external manager portfolio declined by 5.6% over the financial year compared with the MSCI World (£) decline of 1.3%, and the MSCI Emerging Market Index (£) decline of 10.6%.

Our strongest performing fund sectors were US & Global Large Cap +6.7%; US Growth +24.6%, and Technology +7.5%, (albeit over less than a full year), whereas Emerging Markets -12.4%, Frontier -5.5% and Other Global -21.8%, held back our returns. These underperforming funds more than offset our strongest performers. Quite a number of these weaker funds have now been redeemed.

Quoted Equity Externally Managed, by Theme





Investment Director's Review

The shift in portfolio focus away from Emerging Markets, Europe/UK and Other Global in favour of Technology and US Growth is shown on the previous page. This reallocation has continued post year-end. Where we have retained Emerging Markets exposure, the majority of this book is now with lower beta and/or hedged managers.

Unquoted

At the year-end, unquoted investments accounted for 29% of RIT's NAV, or £561 million. Of this, £298 million was in direct investments, and £263 million in third-party funds.

Unquoted Direct Investments

Our Unquoted Direct portfolio has gained 15.1% over the year to March 2012 driven largely by a successful sale of Harbourmaster, and the write up at the year-end of Agora Oil & Gas reflecting the terms of the agreed sale to Cairn Energy PLC.

In January we completed the sale of Harbourmaster to GSO (Blackstone). This realised proceeds of £32 million, with an additional £5 million held in escrow. In aggregate, the total return on this investment was £72 million, or 5x our original cost, making this one of our most profitable ever private investments.

On 3 April we announced the sale of Agora Oil & Gas to Cairn Energy PLC. We valued this investment at just over £51 million at September 2011. Having invested a further £15 million during the second half of the financial year, we increased the fair value at 31 March to the expected sale proceeds of £113 million, a £47 million uplift. The sale completed in early May as expected. Agora has also been one of RIT's most successful investments; we made our initial investment just over two years ago and the sale realised 2.8x the original cost of the investment.

In February we concluded our investment in Tamar Energy Limited, a UK based company, which aims to become the leading UK player in anaerobic digestion, producing energy from waste. RIT has committed £20 million out of a total fundraising of £66 million. The syndicate of investors includes Lord Rothschild's family interests, Fajr Capital, The Duchy of Cornwall, The Chatsworth Settlement and J Sainsbury plc. Fajr is a Dubai based fund, backed by the sovereign wealth funds of Malaysia and Brunei, ADIC and a leading Saudi family business.

BTG Pactual has floated as planned in April 2012, realising a profit of over 31% in a little over a year on the 43% of our shares sold into the IPO.

In general, the direct portfolio has performed well throughout the turmoil of the year. Our focus remains on making fewer investments, of meaningful size, and in which RIT has significant influence.

We believe that the outlook for direct unquoted investments remains attractive. The private equity market has seen significant retrenchment over the last few years, with the amount of new fundraising significantly curtailed. As existing funds approach the end of their investment periods, there may be a flurry of deal activity, but in general capital is less plentiful than it was and our heritage, permanent capital model and network position us well in this new environment.

Unquoted Fund Investments

Our Unquoted Funds portfolio returned -0.3% over the year and we continue to exercise a high degree of selectivity in this space.

Our portfolio remains significantly concentrated, with the three largest positions being Xander, Augmentum and Darwin. Xander is the Indian real estate firm where we were founder and cornerstone investors. The firm is led by Sid Yog and has successfully raised over $2 billion through a number of funds. Good progress has been made in exceptionally difficult market conditions. Darwin is a UK private equity firm focussed on the mid-market, which we helped establish in 2008. Their first £217 million fund had an early success with Maxinutrition sold to GlaxoSmithKline for £162 million in February 2011, and they continue to target attractive opportunities in the UK. Augmentum invests in growth business in the e-commerce and technology sectors worldwide. We are incubating this business, led by Tim Levene, and believe it has a portfolio well-positioned to take advantage of some of the secular developments we see in this space.

Real Assets

This area represents 5.8% of our NAV. It is a basket of assets designed to fare well in inflationary periods and includes commodity-oriented equity funds, investment property (including our investment in Spencer House) and futures positions.

The performance this past year was 24.9% and this area has been a strong contributor to returns in the past. In part, this reflects the sustained long position in gold futures as well as mining funds such as Baker Steel and Blackrock Gold & General.

However, we have rising concerns that commodities may be extended and indeed, we have run short positions both in commodity baskets and industrial metals from time to time.

Investment Director's Review

Absolute Return & Credit, Government Bonds & Currency

This area represents 7.2% of NAV. At a time of heightened uncertainty credit offers attractive yields. We have allocated capital to a small number of credit funds. Opportunities to invest in distressed situations may yet emerge and we remain vigilant for these.

We have no sovereign debt exposure beyond short dated positions held as Liquidity and hold no material exposure to peripheral Eurozone sovereign debt. The only active positions are a modest short in Gilt futures and a basket of Emerging Markets CDS positions held as 'fat tail' protection.

Currency has been discussed above.

Borrowings

Our borrowings are in US dollars; this represents a natural hedge for the significant portfolio exposure to the US dollar. We retain the view that access to, and the ability to deploy, modest leverage at historically low rates is of benefit to the flexibility of our investment approach. However interest costs and revaluation of an interest rate swap on this debt have been a net cost over the past year.

Portfolio Risk Management

Inherent in our approach is constant scrutiny of potential sources of loss. Our first and most important task is our analysis of portfolio positions. Avoidance of leveraged situations and excessively complex strategies has been a feature of our approach over time. Positions are reviewed regularly, including our managers, and action taken if we feel that a position is deviating from our thesis and expectations.

The portfolio in aggregate is modelled to assess likely downside risk and the changing nature of correlations amongst asset classes is monitored.

Expenses

Our expenses this year have reduced with lower levels of performance fees on our segregated accounts and lower variable employment costs. The Association of Investment Companies (AIC) has issued new guidance in relation to the calculation of the 'Ongoing Charges %' to replace the Total Expense Ratio or TER. We set out below a calculation of our Ongoing Charges as a % of average net assets.

	March 2012	March 2011
Ongoing Charges	**0.97%**	**0.98%**
Performance fees	0.13%	0.36%
Ongoing charges including performance fees	1.10%	1.34%

In accordance with the AIC methodology, we have excluded the cost of our Spencer House banqueting subsidiary and other items that do not directly relate to the investment management activity, and have treated the cost of our compensation schemes as analogous to performance fees.

Further details of your Group's investments can be found overleaf where we detail the largest positions in the portfolio.

Micky Breuer-Weil
31 May 2012

Investment Portfolio

Investment Portfolio at 31 March 2012

Investment holdings	Country	Description	Value of Investment £m	% of Net Assets
Quoted Equity – Internally Managed				
Paypoint	United Kingdom	Electronic payment systems	29.7	1.5%
Genel Energy	Global	Energy	17.8	0.9%
Samsung Electronics	Korea	Technology	15.6	0.8%
Google	United States	Technology	14.7	0.8%
Johnson & Johnson	United States	Healthcare	8.3	0.4%
Apple	United States	Technology	7.5	0.4%
Phoenix Group	United Kingdom	Life insurance	7.1	0.4%
Diageo	United Kingdom	Alcoholic beverages	7.1	0.4%
Procter & Gamble	United States	Consumer products	6.8	0.4%
3M	United States	Diversified industrial	6.7	0.3%
Other Internally Managed[1]			238.6	12.4%
Total Quoted Equity – Internally Managed			**359.9**	**18.7%**
Quoted Equity – Externally Managed				
Titan Partners	United States	US growth	52.9	2.8%
Findlay Park[1]	United States	US equities	51.7	2.7%
Baker Brothers Life Sciences	United States	US biotechnology	50.2	2.6%
Cedar Rock Capital	Global	Global quality equities	46.1	2.4%
Tontine Overseas Associates[1]	United States	US value	44.5	2.3%
Independent Franchise Partners – Global	Global	Global quality equities	34.7	1.8%
Gaoling	China	Long/short Chinese equities	30.7	1.6%
Morant Wright[1]	Japan	Japanese equities	29.7	1.5%
Meditor[1]	Europe	European equities	27.0	1.4%
Real Return Asia	Emerging Asia	Long/short Asian	25.5	1.3%
Horizon Capital[1]	Emerging Asia	Asian equities	23.2	1.2%
Blackrock Frontiers[1]	Emerging Asia	Emerging market equities	22.7	1.2%
Egerton Capital	Europe	European equities	20.0	1.0%
Brant Point	United States	US equity long/short	19.7	1.0%
Lansdowne UK Strategic	United Kingdom	Global equities	19.3	1.0%
Findlay Park Latin America	Latin America	Latin American domestic growth	19.2	1.0%
Independent Franchise Partners – US	United States	US quality equities	18.9	1.0%
Other Externally Managed			327.7	17.2%
Total Quoted Equity – Externally Managed			**863.7**	**45.0%**
Unquoted Investments – Direct				
Agora Oil & Gas[2]	Norway	Oil and gas exploration	113.4	5.9%
Infinity Data Systems	United Kingdom	Data centres	35.4	1.8%
BTG Pactual	Brazil	Investment Bank	16.6	0.9%
Dropbox	United States	Cloud technology	15.6	0.8%
Robin Hood	United States	Generic pharmaceuticals	13.9	0.7%
Genagro	Brazil	Agricultural real estate	12.7	0.7%
Helios Towers	Africa	Cellular communication infrastructure	11.1	0.6%
Other Unquoted Direct			79.4	4.1%
Total Unquoted Investments – Direct			**298.1**	**15.5%**

[1]These funds are operated as segregated accounts, managed both internally and externally on behalf of the Group. The values disclosed above represent the total funds managed and include £40.6 million of cash balances held in these accounts.

[2]The sale of Agora Oil & Gas was announced on 3 April 2012 and completed in May 2012.

Investment Portfolio

Investment holdings	Country	Description	Value of Investment £m	% of Net Assets
Unquoted Investments – Funds				
Xander	India	Indian real estate private equity	35.9	1.9%
Augmentum I	United Kingdom	International growth capital	27.8	1.4%
Darwin Private Equity I	United Kingdom	UK mid-market private equity	23.8	1.2%
Summit Water Development	United States	Water rights	19.2	1.0%
Tinicum Capital Partners II	United States	US mid-market private equity	15.1	0.8%
Other Unquoted Funds			141.6	7.4%
Total Unquoted Investments – Funds			**263.4**	**13.7%**
Real Assets				
Blackrock Gold & General Fund	Global	Gold and precious metal equities	47.2	2.5%
Baker Steel[1]	Global	Gold and precious metal equities	25.7	1.3%
Spencer House	United Kingdom	Investment property	21.0	1.1%
Other Real Assets			17.7	0.9%
Total Real Assets			**111.6**	**5.8%**
Absolute Return & Credit, Government Bonds and Currency				
Blackstone GSO Secured Trust	United States	Credit fund	64.5	3.4%
JPS Credit Opportunities	United States	Credit fund	19.6	1.0%
Bluebay Global High Yield Bond Fund	United States	High yield credit fund	18.0	0.9%
Fortress Credit Opportunities	United States	Distressed credit fund	15.1	0.8%
Other Absolute Return & Credit			18.5	1.0%
Government Bonds and Currency			2.0	0.1%
Total Absolute Return & Credit, Government Bonds and Currency			**137.7**	**7.2%**
Total Investments			**2,034.4**	**105.9%**
Liquidity				
US Treasury Bill	United States	Government bond	84.5	4.4%
Other Liquidity[3]			63.1	3.3%
Total Liquidity			**147.6**	**7.7%**
Borrowings				
National Australia Bank loan	United States	US dollar credit facility	(250.1)	-13.0%
US dollar Interest Rate Swap	United States	Floating to fixed swap	(4.7)	-0.3%
Total Borrowings			**(254.8)**	**-13.3%**
Other assets/(liabilities)			(7.2)	-0.3%
Total Net Asset Value			**1,920.0**	**100.0%**

[3]Other liquidity comprises margin balances, money market funds and a cash at bank balance of £35.5 million. This can be reconciled to the cash balance on the consolidated balance sheet of £75.1 million, by adding the £40.6 million of cash held in segregated accounts.

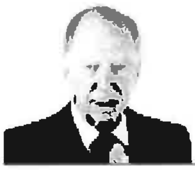
Governance

31 March 2012

RIT Capital Partners plc

Board of Directors

Chairman



Lord Rothschild, OM GBE

Jacob Rothschild has chaired RIT since its flotation in 1988. He is also Chairman of the Nominations Committee.

Having left NM Rothschild & Sons in 1980, Jacob developed the business of RIT's predecessor companies, co-founding companies in money management, insurance and investment, including Global Asset Management and St James's Place Capital plc. He served as Deputy Chairman of BSkyB Plc for five years, to 2008. He serves on the International Advisory Board of Blackstone plc and on three family office advisory boards as well as chairing his own family's office. He is also the Honorary Vice Chairman of La Campagnie Financière Saint-Honoré, the holding company of Edmond de Rothschild Group.

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

Investment Director

Mikael Breuer-Weil

Micky Breuer-Weil is the Investment Director. He became an Executive Director of the Company in 2008 having been a non-executive Director since 1998. He has worked since 1994 as the principal investment advisor to philanthropic foundations connected to Jacob Rothschild's family interests. Prior to 1994, he spent eight years at Mercury Asset Management plc including a period of secondment to Odyssey Partners L.P., an early hedge fund group based in New York.

Micky sits on the investment committees of a number of prominent family foundations and is actively involved in charitable causes.

Non-Executive Directors (Independent)

John Cornish

John Cornish joined the Board of the Company as non-executive Director in January 2008. He is Chairman of the Audit and Risk Committee and the Valuation Committee and a member of both the Remuneration and Conflicts Committees. He is a chartered accountant and was a partner at Deloitte LLP where he led the firm's services to the investment trust industry. He served as Chairman of Framlington Innovative Growth Trust plc for four years until 2010 and currently he is a director of Henderson EuroTrust plc, RCM Technology Trust plc and Strategic Equity Capital plc.

Lord Douro

Lord Douro joined the Board of the Company as non-executive Director in July 2010. He is Chairman of the Conflicts and Remuneration Committees and a member of the Nominations Committee.

He has broad experience in banking and finance, having served as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is currently a director of Compagnie Financière Richemont and Sanofi. On 1 April 2011 he was appointed to the International Advisory Board of Abengoa SA. He is Chairman of Richemont Holdings (UK) Limited. He is also Chairman of the Council of King's College, London. He was a member of the European Parliament from 1979 to 1989.

Board of Directors

Non-Executive Directors (Independent)

James Leigh-Pemberton

James Leigh-Pemberton joined the Board of the Company as non-executive Director in August 2004 and is a member of the Audit and Risk, Conflicts, Nominations and Remuneration Committees. He has worked at Credit Suisse since 1994, holding positions as Head of Equity Syndicate, Head of Equity Capital Markets and from 2001 to 2004, Head of European Investment Banking. He is currently Chief Executive Officer of Credit Suisse, UK. James began his career at S.G. Warburg & Co, where he worked for fifteen years.

Lord Myners CBE

Paul Myners joined the Board of the Company as non-executive Director in August 2010. He is Chairman of Autonomous Research, Cevian UK and Justice Holding, and a former chairman of Marks & Spencer and Land Securities. He was a member of the Court of the Bank of England and the Investment Committee of Singapore's sovereign wealth fund. His early career was spent in investment management. He was a Treasury minister in the last British government. He is a member of the Company's Audit and Risk and Valuation Committees.

Michael Marks CBE

Michael Marks joined the Board of the Company as non-executive Director in September 2004 and became its Senior Independent Director in July 2010. He is the Chairman of NewSmith Capital Partners LLP, which he founded in 2003.

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

Sandra Robertson

Sandra Robertson joined the Board of the Company as non-executive Director in July 2008 and is a member of the Valuation Committee. She is Chief Investment Officer of Oxford University Endowment Management. Before her appointment at Oxford in 2007, she spent the previous 14 years at Wellcome Trust, where she became Co-Head of Portfolio Management.

Board of Directors

Non-Executive Directors (Non-Independent[1])

Jean Laurent-Bellue

Jean Laurent-Bellue joined the Board of the Company as non-executive Director in March 2012. He is Group Secretary General of Edmond de Rothschild Holdings in Geneva and Board member of the Banque Privée Edmond de Rothschild. He joined LCF Edmond de Rothschild Group in 2004 as a member of the Executive Board of La Compagnie Financière Edmond de Rothschild Banque. He was Chairman of the Executive Board of Edmond de Rothschild Corporate Finance from 2004 until 2009 when he became General Secretary at Compagnie Financière Saint Honoré.

Previously, he was a member of the Executive Board of Clinvest (the Investment Banking arm of the Crédit Lyonnais) and worked at Crédit Commercial de France where he led both the Corporate Finance and Equity Investments divisions. He is a member of the KPMG Supervisory Board in France.

Rick Sopher

Rick Sopher joined the Board of the Company as non-executive Director in December 2010. He is the Managing Director of LCF Edmond de Rothschild Asset Management and is Chairman of the Board of Management of Leveraged Capital Holdings NV, the flagship investment vehicle of the Edmond de Rothschild Group, as well as several related multi-manager funds. He was awarded the Chevalier de la Legion d'Honneur by President Chirac in 2007.

Bill Winters

Bill Winters joined the Board of the Company as non-executive Director in October 2011. He is CEO and Chairman of Renshaw Bay, an alternative asset management and advisory company founded in partnership with Mr Johann Rupert's Reinet Investments and RIT. He was a member of the UK Independent Commission on Banking, established to make recommendations to the Government on the structure of the UK financial industry.

His early career was at J.P. Morgan from 1983-2010, where he held management roles across Markets areas and Corporate Finance and was appointed Co-CEO of the J.P. Morgan Investment Bank in 2003. He is also a member of the Market Monitoring Group of the Institute of International Finance, having previously served on the board and as co-Chair of its Committee on Effective Regulation.

Honorary Vice Chairman

Baroness Ariane de Rothschild

Ariane de Rothschild is Honorary Vice Chairman of RIT. She holds various board positions across the Edmond de Rothschild Group, including Banque Privée Edmond de Rothschild, Holding Edmond de Rothschild, Holding Benjamin & Edmond de Rothschild Pregny, La Compagnie Financière Edmond de Rothschild Banque, La Compagnie Financière Saint-Honoré, Siaci Saint-Honoré, Banque Privée Edmond de Rothshild Europe (Luxembourg) and Barons & Baronne Associés.

Ariane started her career as a trader in foreign exchange and metals with Société Générale in Australia and in New York. She then joined US insurance corporation AIG and successfully developed the group's European operations from Paris, France.

The Honorary Vice Chairman is not a Director of the Company.

[1]The classification as non-independent was made by the Conflicts Committee as disclosed on page 85.

J Rothschild Capital Management

J Rothschild Capital Management Limited (JRCM) is a 100%-owned subsidiary of RIT and acts as RIT's de facto manager. Directors of JRCM are listed below:

Chairman
Lord Rothschild

Executive Directors
Mikael Breuer-Weil (Investment Director)*
Francesco Goedhuis (Head of Strategic Investments)*
David Haysey (Head of Public Equities)
Andrew Jones (Chief Financial Officer)*
Jonathan Kestenbaum (Chief Operating Officer)*
Graham Thomas (Head of Private Investments)*

* Member of Executive Committee

Non-Executive Directors
Duncan Budge
Andrew Knight
Hannah Rothschild
James Rothschild

Day-to-day management of the business is delegated to an Executive Committee chaired by Mikael Breuer-Weil. His biography is on page 14. The biographies of the other members can be found below.

Francesco Goedhuis

Francesco Goedhuis was appointed Head of Strategic Investments in 2011. He joined the Company as the Principal in the Chairman's Office in 2010. Previously, he was in New York working for the Economics Nobel Laureate Robert Merton and the former Vice Chairman of J.P. Morgan, Roberto Mendoza at IFL, commercialising financial academic theory on both the buy and sell sides.

Andrew Jones

Andrew Jones is the Chief Financial Officer and Chief Risk Officer. Prior to joining RIT in 2008, Andrew spent three years in venture capital and four years at Nomura, advising on its private equity investments as well as risk, global corporate development and strategy. He qualified as a chartered accountant with Deloitte where he specialised in valuation advice.

Jonathan Kestenbaum

Jonathan Kestenbaum is the Chief Operating Officer. Until 2011 he was Chief Executive of Five Arrows Limited. He was previously Chief Executive of NESTA (the National Endowment for Science, Technology and the Arts), the UK's largest source of seed finance for technology start-ups. Prior to that he was Chief of Staff to the Chairman of Apax Partners, Sir Ronald Cohen. In January 2011 Jonathan was appointed to The House of Lords and became Lord Kestenbaum of Foxcote.

Graham Thomas

Graham Thomas is Head of Private Investments. He was previously the head of the Standard Bank Group's global Principal Investment Management division, which was established in 2008 under his leadership. He joined Standard Bank from MidOcean Partners in London, where he was a founding partner. Prior to that, he was a founder member of Goldman Sachs' Communications, Media and Technology practice in Europe, having joined Goldman Sachs in 1993.

Corporate Governance Report

Introduction

The Directors present the Company's Corporate Governance Report. The biographies of the Directors and executive management on the pages immediately preceding this Report demonstrate a strength of experience in the areas required to oversee and implement the Company's strategic, investment and operational aims. Many of the Directors hold or have held senior director positions at prominent investment banks, asset management companies, or at audit firms specialising in the asset management industry. In addition, there are Directors with considerable experience beyond these areas, including Government and general commercial organisations.

This report is split into two sections. This first section describes the Company's principal governance bodies, their composition, purpose and operation. The second section (starting on page 90) covers the other aspects of the Company's governance prescribed under the UK Corporate Governance Code 2010 (the Code) to which the Company is subject and which may be viewed at www.frc.org.uk. The Directors believe that the Company has complied with the provisions of the Code throughout the year, except as described on pages 90 and 91.

The Board of Directors

The Company is an investment trust managed by its Board of Directors (the Board) currently comprising eleven Directors, two of whom including the Chairman are Executive Directors. Three Directors are non-independent and non-executive and the remaining six are independent non-executive Directors.

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

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

The Board met formally on eight occasions in the year ended 31 March 2012. The attendance of the Directors holding office on 31 March 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Rothschild	8	8
Mikael Breuer-Weil	8	8
Michael Marks	8	7
John Cornish	8	7
Lord Douro	8	8
Jean Laurent-Bellue (appointed March 2012)	1	1
James Leigh-Pemberton	8	7
Lord Myners	8	8
Sandra Robertson	8	6
Rick Sopher	8	7
Bill Winters (appointed October 2011)	2	2

The non-executive Directors participate in discussions regarding the Company's strategy and performance. They also meet once a year without Executive Directors present to consider the conclusions of the annual Board evaluation exercise and the performance of the Chairman.

In addition, there are five permanent Board committees a majority of whose membership is comprised of non-executive Directors.
The composition of these committees is set out below. Each committee has its own Terms of Reference which may be viewed on the Company's website.

Corporate Governance Report

Committee Membership

Audit and Risk Committee
John Cornish (Chairman)
James Leigh-Pemberton
Lord Myners

Nominations Committee
Lord Rothschild (Chairman)
Lord Douro
James Leigh-Pemberton
Michael Marks

Remuneration Committee
Lord Douro (Chairman)
John Cornish
James Leigh-Pemberton
Michael Marks

Conflicts Committee
Lord Douro (Chairman)
John Cornish
James Leigh-Pemberton
Michael Marks

Valuation Committee
John Cornish (Chairman)
Lord Myners
Sandra Robertson

The Audit and Risk Committee

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

The Audit Committee was renamed the Audit and Risk Committee on 1 April 2011 to reflect the expansion of its remit and focus on the identification and management of risk covering principally operational, financial, reputational and regulatory matters.

As part of this role the Committee monitors the risk profile and tolerance acceptable to the Company and set by the Board in delivering the business strategy, and ensures this is communicated appropriately within the Company. Members of the Committee receive monthly reports detailing investment exposure as well as currency and liquidity positioning.

The Committee meets at least twice each year to review the Company's interim and annual financial statements, to consider reports thereon from the external audit process and to review any issues arising with the Company's management.

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

The Committee monitors the adequacy of the Group's accounting policies and financial reporting, which are discussed with the external auditors. The Committee also considers the external auditors' independence, objectivity and the cost effectiveness of the audit process. The level of non-audit services provided to the Company by the auditors is monitored as is the auditors' objectivity in providing such services to ensure that the independence of the audit team from the Company is not compromised. Non-audit services provided by PricewaterhouseCoopers LLP in the year ended 31 March 2012 were primarily in relation to corporate advisory and taxation services. Further information is contained in note 4 of the Financial Statements.

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

Further information relating to the operation of the Committee and its role in risk management is included on pages 92 and 93.

The Committee met formally on four occasions in the year ended 31 March 2012 with attendance as follows:

Member	No. of meetings invited to attend	No. of meetings attended
John Cornish	4	4
James Leigh-Pemberton	4	3
Lord Myners	4	4

The Conflicts Committee

The Conflicts Committee meets at least once a year on a formal, scheduled basis and on other occasions as and when required. The Committee is chaired by Lord Douro. The Committee's principal responsibilities cover proposed co-investment/related party transactions and the approvals of cost sharing arrangements with parties related to Lord Rothschild or any other Director (as described in Note 30). The Committee is responsible for monitoring and pre-approving any arrangements entered into between the Company and any of its Directors, or their connected interests, to ensure that any conflicts of interest are avoided or pre-approved and managed appropriately.

Corporate Governance Report

The attendance record of the members in the year to 31 March 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Douro	1	1
John Cornish	1	1
James Leigh-Pemberton	1	1
Michael Marks	1	1

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

Appropriate Board diversity in all its forms, including gender, is important to ensure the optimum range of perspective in decision making. The policy of the Nominations Committee in refreshing the composition of the Board is to consider Board diversity, including on grounds of gender, as central to its Director selection process, alongside the relevance and appropriateness of candidates' experience.

The attendance record of the members of the Committee in the year to 31 March 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Rothschild	1	1
Lord Douro	1	1
James Leigh-Pemberton	1	1
Michael Marks	1	1

The Valuation Committee
At 31 March 2012, the Valuation Committee comprised three Directors, all of whom were independent non-executive Directors. The Committee is chaired by John Cornish. The Committee meets at least twice each year and additionally as may be required. Its principal responsibility is to review the Company's unquoted investments to ensure they are presented in the annual and half-yearly accounts at fair value.

The Committee met formally on two occasions in relation to the year ended 31 March 2012, with attendance as follows:

Member	No. of meetings invited to attend	No. of meetings attended
John Cornish	2	2
Sandra Robertson	2	2
Lord Myners	2	2

The Remuneration Committee
The Remuneration Committee comprises four non-executive Directors, all of whom are independent. The Committee is chaired by Lord Douro. The Committee meets at least once each year on a formal basis, and on additional occasions as may be required. Its primary responsibilities include the creation and maintenance of remuneration policies designed to attract, retain and motivate Directors and senior management appropriately. It is also the responsibility of the Committee to determine the policy for the pension arrangements of the Executive Directors.

The Committee reviews the total remuneration packages of the Executive Directors and senior management, ensuring an appropriate balance between fixed and performance-related elements. This exercise is conducted in part by reference to other companies of similar size and business objectives. The Remuneration Committee receives the advice of New Bridge Street. The Committee is also responsible for monitoring the fees paid to the non-executive Directors, by reference to the roles and time commitment of each individual concerned, although the final determination of the fees payable to non-executive Directors is a matter for the Board of Directors as a whole.

The attendance of the members at the two meetings of the Committee in the year to 31 March 2012 was as follows:

Member	No. of meetings invited to attend	No. of meetings attended
Lord Douro	2	2
John Cornish	2	2
James Leigh-Pemberton	2	2
Michael Marks	2	2

The Chairman of the Remuneration Committee presents the Directors Remuneration Report on pages 21 to 27.

Additional disclosures relating to the Company's corporate governance arrangements are contained in the second part of this Report, which starts on page 90.

Directors' Remuneration Report

Introduction from Remuneration Committee Chairman
I am pleased to present the Directors' Remuneration Report for the year to 31 March 2012.

The objective of our remuneration policy is to retain and incentivise talented individuals to deliver sustained superior returns for our shareholders. The Committee implemented a number of changes to the Compensation schemes in the year to 31 March 2012.

A new Annual Incentive Scheme (AIS) was introduced with performance requirements measured over a three-year period. On a trailing three-year basis, RIT's growth in total net assets has not exceeded the benchmarks. Therefore, despite RIT's good performance over the recent financial crisis, no bonus payments have been made to Executive Directors under this scheme.

The Committee also introduced a policy of bonus deferral into shares for amounts in excess of £150,000, as well as new claw-back arrangements.

The Committee continues to operate a Share Appreciation Rights (SAR) Plan. Following shareholder consultations, a new cap has been applied from 2012 on the size of individual SAR awards. The Committee has also introduced an overall limit of 1% of NAV on the aggregate of annual incentive payments and SAR awards. As no AIS payments were made for the financial year, the total variable pay was well below the prescribed limit.

We believe that this Remuneration Report provides a clear explanation of the Committee's policies and their alignment with shareholders' interests. Those items which are audited are highlighted within the title.

Remuneration Committee
The Committee members throughout the year were:

- Lord Douro (Chairman)
- John Cornish
- James Leigh-Pemberton
- Michael Marks

Executives provide information to the Committee, although individuals are not present when their own remuneration is considered.

Advisers to the Remuneration Committee
The Remuneration Committee has appointed New Bridge Street (NBS) as its adviser on senior executive and employee remuneration.

The Company has no other relationship with NBS, which is therefore independent.

Remuneration Overview
The Remuneration Committee is responsible for setting the remuneration of Executive Directors (including pension rights). It also monitors and recommends the level and structure of remuneration for senior management.

The Board of Directors is responsible for determining the remuneration of the non-executive Directors within the limits set out in the Company's Articles of Association.

Remuneration levels for Executive Directors are intended to be sufficient to attract, retain and motivate Directors of the quality to run the Company successfully whilst avoiding paying more than is necessary for this purpose. The major part of Executive Directors' remuneration is linked to corporate and individual performance.

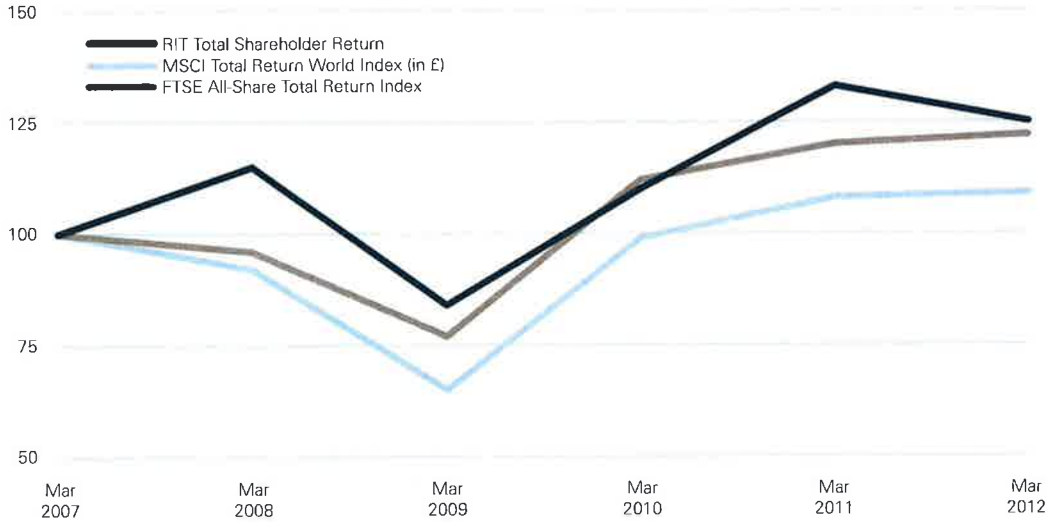
As foreseen in the 31 March 2011 Remuneration Report and following consultations with shareholders, the Company implemented a new Annual Incentive Scheme in the financial year ended 31 March 2012. The characteristics of the scheme are included in the table overleaf.

Directors' Remuneration Report

Performance Graph

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

Total Shareholder Return Against Relevant Indices



Components of Executive Director and senior executive remuneration

The remuneration of Executive Directors comprises the following:

	Purpose	Key features
FIXED PAY **Basic salary**	Reflects market value of individual, their skills, experience and performance	• Reviewed annually with any changes usually effective on 1 April • Benchmarked against asset management sector • Base salary reviews take into account pay increases for other RIT employees below Executive Director level
Pension and other benefits	Competitive pension and benefits	• Defined contribution pension/cash allowance only
VARIABLE PAY **Annual Incentive Scheme**	Rewards superior investment performance relative to a benchmark	• Annual bonuses are paid from a pool. The size of the pool is based on RIT's sustained relative investment performance, measured over the three years ending with the relevant bonus year • All bonuses exceeding £150,000 are deferred into RIT shares • Payments may be subject to claw-back
Long-Term Incentive Plan (LTIP)	Rewards sustained share price appreciation	• Share appreciation rights, settled in shares • Exercisable after 3 years, subject to a performance condition

Directors' Remuneration Report

FIXED PAY

Base Salary

Base salaries are reviewed by the Remuneration Committee following the end of each financial period against market comparators and peer group remuneration.

Following the Remuneration Committee's review after the year-end on 31 March 2012, the Executive Directors' base salaries have been set at the following annualised amounts:

- Lord Rothschild: £438,768 (March 2012: £430,165)
- Micky Breuer-Weil: £331,500 (March 2012: £325,000)

This represents an increase of 2%, which is consistent with the average percentage increases awarded to other employees, which are considered and taken into account by the Committee.

Pensions

The Group operates a defined contribution pension scheme under which Micky Breuer-Weil is entitled to pension contributions at the rate of 20% of base salary.

The Group's defined benefit pension scheme closed to new members in 1997. Neither of the Executive Directors has any accrued defined benefit entitlement under the scheme. Lord Rothschild receives a cash allowance of 20% of base salary, in lieu of pension contributions.

Duncan Budge, who retired during the year, was a member of the defined benefit scheme. Details of the movements in his entitlements are shown on page 27.

Other Benefits

In addition to base salary, the Executive Directors received a bonus of £1,000 that was paid to all staff in December 2011 (December 2010: £1,000).

The Executive Directors are entitled to the use of a company car, private medical and other insurances.

VARIABLE PAY

Annual Incentive Scheme

As described in the Company's March 2011 Directors' Remuneration Report, the Remuneration Committee has implemented a new Annual Incentive Scheme (AIS) for the year to 31 March 2012 for Executive Directors and senior management. This provides better alignment with the Company's objectives, is more consistent with market practice in the investment management sector and is partly payable in deferred shares.

Under the AIS, a bonus pool is created for participants based on the Company's trailing three-year total net asset value growth, relative to the growth in the MSCI World index (in £).

The Remuneration Committee has set the participation rate at 5% of such outperformance. Individual awards made from the pool are based on personal performance, taking account of contribution to investment performance, overall management, development of the Company, adherence to prudent risk management and regulatory compliance controls. In common with the practice amongst many asset managers, there is no explicit cap on the size of individual awards. However, the Remuneration Committee applies a cap of 1% of NAV on all incentive payments.

The first £150,000 of any individual award is paid in cash. Any bonus award in excess of £150,000 is in the form of conditional, deferred shares of the Company. This helps generate additional incentive for, and alignment with, sustained performance delivered for shareholders.

Any awards paid in deferred shares will vest in two tranches: 50% after a year and 50% after two years, subject to remaining in service.

RIT's total NAV increased by 42.2% over the three years to 31 March 2012. However, the benchmark index (the MSCI World Index, in £) grew by 45.7% over the same period. Therefore no bonus payments have been awarded to Executive Directors under the AIS for performance to 31 March 2012.

Bonuses for the previous year (ended 31 March 2011) were awarded to the Executive Directors before the implementation of the AIS as follows:

- Lord Rothschild: £150,000
- Micky Breuer-Weil: £275,000

Long-term Incentive Plan – Audited

The J Rothschild Capital Management Share Appreciation Rights Plan (SAR Plan) was last approved by shareholders of the Company on 17 July 2008. The SAR Plan provides for the grant of Share Appreciation Rights (SARs) over a number of shares in the Company.

Following the expiry of a three-year vesting period, participants in the SAR Plan are entitled to exercise their SARs and receive a payment equal to the growth in value of the notional shares over the vesting period.

However, the exercise of a SAR is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied.

The performance condition applied to SAR awards requires that the increase in the Company's total shareholder return (TSR) exceeds the growth in the Retail Price Index plus 3 percentage points per annum over the three-year performance period. The performance condition was chosen as a good measure of above-inflation returns to shareholder and is subject to ongoing review by the Committee.

At the 2011 Annual General Meeting and further to a review of the SAR Plan by the Committee (which included consultation with major investors), shareholder approval was granted for the SAR Plan to use ordinary shares of the Company to settle the share appreciation amount for existing and future awards granted under the SAR Plan. The Group seeks to hedge its exposure under the SAR Plan by using an Employee Benefit Trust to acquire shares to meet the estimated future liability.

With effect from 2012, the Remuneration Committee has applied a cap on individual annual grants under the SARs Plan of 4x base salary (measured as the value at grant of the shares notionally under option).

The following SARs held by the Company's Executive Directors lapsed unexercised during the year:

Director	Date of grant	Notional no. of RIT shares	Grant price	Date lapsed
Mikael Breuer-Weil	19 August 2008	28,129[1]	1,133.0p	19 August 2011
Duncan Budge	26 March 2010	34,006[2]	1,068.0p	31 December 2011
Duncan Budge	31 March 2011	18,750[2]	1,314.0p	31 December 2011

[1] Lapsed on failing to meet performance condition
[2] Pro rata lapse on retirement of Director

No SARs were exercised by the Company's Executive Directors during the year.

The following SARs held by the Company's Executive Directors vested during the year having met the performance condition:

Director	Date of grant	Notional no. of RIT shares	Grant price	Date vested
Lord Rothschild	13 March 2009	201,792	796.0p	13 March 2012
Mikael Breuer-Weil	13 March 2009	84,786	796.0p	13 March 2012
Duncan Budge	13 March 2009	111,283	796.0p	13 March 2012

The market price of the Company's ordinary shares on the 13 March 2012 vesting date was 1,240p.

Directors' Remuneration Report

The following SARs granted to the Company's Executive Directors were outstanding on 31 March 2012 (31 December 2011 in the case of Duncan Budge, being the date of his retirement as an employee). These include the awards in the table above.

	Outstanding at 31 March 2012	Grant price	Date from which first exercisable	Expiry date
Lord Rothschild	115,016	939.0p	15 March 2010	14 March 2017
	201,792	796.0p	13 March 2012	12 March 2019
	150,400	1,068.0p	26 March 2013	25 March 2020
	100,000	1,314.0p	31 March 2014	30 March 2021
Mikael Breuer-Weil	84,786	796.0p	13 March 2012	12 March 2019
	63,193	1,068.0p	26 March 2013	25 March 2020
	150,000	1,314.0p	31 March 2014	30 March 2021
Duncan Budge	86,261	939.0p	15 March 2010	14 March 2017
(retired 31 December 2011)	111,283	796.0p	13 March 2012	12 March 2019
	48,935	1,068.0p	26 March 2013	26 March 2014
	6,250	1,314.0p	31 March 2014	31 March 2015

The above SARs will be settled in ordinary shares of the Company.

The lowest closing price of the Company's shares during the year was 1,173p and the highest was 1,360p.

Clawback

For awards granted after 1 April 2011, all annual incentive and long-term incentive payments are subject to "claw-back" provisions which provide scope for the Company to recover value from awards in the event of a material mis-statement of the Company's results or in the event of dismissal for gross misconduct.

Executive Shareholding Requirements

Executive Directors are expected to build and retain a substantial personal shareholding in the Company's shares. As at 31 March 2012, these beneficial holdings represented a very significant multiple of base salary for Lord Rothschild and 94% of base salary for Mikael Breuer-Weil.

Directors' Service Contracts

Lord Rothschild and Mikael Breuer-Weil each have service agreements with J Rothschild Capital Management Limited (JRCM), dated 29 April 1996 and 9 December 2008 respectively.

The service agreements of Lord Rothschild and Mr Breuer-Weil can each be terminated on not less than twelve months' written notice. They provide for benefits-in-kind in line with normal company practice, including pension provision, private health insurance and a company car. Neither agreement specifies compensation payable in the event of early termination.

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

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

Duncan Budge retired as an Executive Director on 28 November 2011 and as an employee on 31 December 2011. He retains SARs granted to him in 2007 for a period of 12 months after leaving service and SARs granted in 2009 for a period of 12 months following the applicable vesting date. Unvested SARs awards granted in 2010 and 2011 were reduced in number in proportion to the amount of the applicable vesting periods served. The balances of unvested SARs held remain subject to the performance condition prior to vesting.

Directors' Remuneration Report

Since his retirement as an employee on 31 December 2011, Duncan Budge has continued to serve as a non-executive director of JRCM, Chairman of Spencer House Limited and as a trustee of RIT's defined benefit pension scheme. He is entitled to annual fees of £15,000, £29,401 and £8,608 respectively for these roles.

Non-Executive Directors

The remuneration of the non-executive Directors is determined by the Board as a whole. Non-executive remuneration is in accordance with the provisions of the Articles of Association, currently limiting the total fees payable to non-executive Directors to £400,000 per annum. Non-executive Directors do not take part in discussions on their own remuneration. The Board, on the recommendation of the Committee, applied the following structure for the determination of the annual fees of the non-executive Directors throughout the year ended 31 March 2012:

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

The above fee structure shall remain unchanged on an annualised basis for the current financial period and payments totalled £289,958 in the financial year ended 31 March 2012.

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

Directors' Remuneration – Audited

Years to 31 March Director	Salaries and fees £	Bonuses £	Other benefits[2] £	Total remuneration 2012 £	Total remuneration 2011 £
Chairman					
Lord Rothschild	430,165	1,000	129,354	560,519	694,766
Executive Directors					
Mikael Breuer-Weil	325,000	1,000	71,022	397,022	614,162
Duncan Budge[1]	228,095	1,000	129,103	358,198	575,666
Non-Executive Directors					
John Cornish	52,000	–	–	52,000	50,750
Lord Douro	44,000	–	–	44,000	30,462
John Elkann (retired 28 July 2011)	10,416	–	–	10,416	25,000
Jean Laurent-Bellue (appointed 15 March 2012)	1,042	–	–	1,042	–
James Leigh-Pemberton	39,000	–	–	39,000	39,000
Michael Marks	39,000	–	–	39,000	34,000
Lord Myners	36,000	–	–	36,000	19,154
Sandra Robertson	31,000	–	–	31,000	31,000
Rick Sopher (appointed 2 December 2010)	25,000	–	–	25,000	8,333
Bill Winters (appointed 10 October 2011)	12,500	–	–	12,500	–

[1] Between his retirement as an employee of the Group on 31 December 2011 and 31 March 2012, Duncan Budge received £2,500 as a non-executive director of JRCM and £7,350 as Chairman of Spencer House Limited, both of which are subsidiaries of RIT.

[2] Other benefits include payments in respect of, or in lieu of pension contributions.

Directors' Remuneration Report

Executive Directors' External Non-Executive Directorships
No other fees are paid to the Executive Directors in respect of external non-executive directorships. Fees are received by Executive Directors for advisory and other roles.

Pension Entitlement of Former Director – Audited
Duncan Budge, who retired as a Director and employee during the year, was an active member of the defined benefit section of the Company's pension scheme until he elected for early retirement from the scheme on 28 November 2011.

The following disclosures are made pursuant to the requirements of the Companies Act 2006:

	£
Total accrued pension immediately before the Director's early retirement date of 28 November 2011 (£ per annum)	157,515
Increase in accrued pension from 31 March 2011 to 28 November 2011 (£ per annum)	4,420
Transfer value of the accrued pension as at 31 March 2011	3,412,149
Transfer value of the accrued pension as at 28 November 2011	4,296,582
Increase in transfer value over the period 31 March 2011 to 28 November 2011	884,433

The following additional disclosures are made pursuant to the requirements of the UKLA Listing Rules:

	£
Total accrued pension as at 28 November 2011 assuming director left service with the employer on 31 March 2011 (£ per annum)	153,095
Total accrued pension as at 28 November 2011 assuming director left service with the employer on that date (£ per annum)	157,515
Increase in accrued pension over the period 31 March 2011 to 28 November 2011 (£ per annum)	4,420
Transfer value of the increase in accrued pension over the period 31 March 2011 to 28 November 2011	120,566

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

On behalf of the Board of Directors

Douro
31 May 2012
Chairman, Remuneration Committee

Directors' Report

Business Review
The Directors present their consolidated Annual Report and Accounts for the Group and Company, covering the year ended 31 March 2012. The Company's principal activity is that of an Investment Trust.

Net Asset Value
The diluted net asset value of one ordinary share at 31 March 2012, was 1,249.3p (31 March 2011: 1,289.4p).

Corporate Governance
The Corporate Governance report forms part of the Directors' Report and is presented in two parts on pages 18 to 20, and 90 to 94.

Results and Dividends
After taxation, the Group made a capital loss of £66.6 million, revenue profit of £11.7 million, and a total loss of £54.9 million during the year ended 31 March 2012.

The Board recommends the payment of a dividend of 28p per share payable on 24 August 2012 to shareholders on the register at 15 June 2012. This consists of a proposed final dividend in respect of the year ended 31 March 2012 of 8p and an interim dividend in respect of the 9 months ending 31 December 2012 of 20p. The latter is contingent on shareholders' approval of appropriate changes to the Company's Articles of Association at the AGM and the Directors confirming such interim dividend is payable at the AGM. In aggregate the 28p dividend will reduce the Company's distributable reserves by approximately £43 million of which £12 million will be charged against the Company's Revenue Reserve. The total dividend payable in respect of the year ended 31 March 2012, including the 4p interim dividend paid in August 2011, is 12p (31 March 2011: nil).

The movements on Company and consolidated capital and revenue reserves are shown in notes 22 and 23 on pages 62 and 63.

This year the Company has decided to move to a 31 December year end in order to bring its reporting cycle in line with the majority of the asset management industry. The Company will therefore prepare an interim report to 30 September 2012 as normal, followed by a report for the nine months to 31 December 2012.

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

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

An analysis of the investments is contained in the Investment Director's Review and the Investment Portfolio on pages 5 to 12. The Group holds both listed and unlisted investments.

Asset Allocation
The Board currently intends to continue to allocate the Group's assets predominantly amongst internally and externally managed quoted equities, unquoted direct investments, unquoted funds, real assets, absolute return and credit, government bonds, currencies and money market funds.

During the year there were no restrictions on the relative allocation of assets amongst these classes and the maximum allocation of any single asset class is therefore 100%.

The Investment Trust restrictions incumbent on the Company have been revised from 1 April 2012 and consequently the Company has additional flexibility when allocating assets to certain classes.

In addition the Group uses derivatives to hedge various risk exposures and also to increase exposure to movements in individual securities, markets and currencies where desired.

The allocation amongst these asset categories at 31 March 2011 and 31 March 2012 is shown on page 6.

Risk Diversification
The Group's investment portfolio is diversified by asset class, industry sector, geography and currency.

Overall exposures in each case are monitored and managed by executive management under the supervision of the Board.

The portfolio is further diversified through the selection of external managers with different mandates.

Directors' Report

Gearing
The Company maintains structural gearing principally through a revolving credit facility.

At 31 March 2012, the Sterling equivalent of the indebtedness was £250 million, against total assets of £2,210 million, or 11%.

This percentage may fluctuate as permitted under the financial covenants of the revolving credit facility agreement.

The maximum indebtedness the Company is empowered to incur under its Articles of Association is five times its adjusted capital and reserves.

Use of External Managers
In accordance with the Group's investment policy, management of certain assets including quoted equity funds, real asset funds, absolute return and credit funds and unquoted funds is delegated to external managers.

The continuing appointment of external investment managers gives the Company access to expertise in particular asset classes or geographical areas. A number of these managers operate segregated accounts on behalf of the Company.

Fees associated with the management of the segregated accounts are disclosed as investment management fees in the income statement. These fees are charged based on a percentage of the funds under management (in the range from 0.5% to 1.5% per annum). In certain cases, performance fees are charged where the increase in the value of the funds exceeds specified hurdles.

The investment management agreements for segregated accounts can be terminated with notice periods of between one and three months.

Apart from the right to receive accrued fees, these investment management agreements do not provide for any other payment on termination.

The performance of each of the external managers is reviewed regularly by the Executive Directors and the Board as a whole.

The terms of the contracts between the Company and those managers are also reviewed to ensure that they are still appropriate.

Key Information
The Chairman's Statement on pages 2 to 4 of this annual report and the Investment Director's Review contain a review of the Group's business in the year to 31 March 2012.

Financial highlights and performance information is set out in the Overview section, and the portfolio and currency exposure is analysed on pages 6 and 7.

The principal risks are as set out in note 28 on pages 68 to 80 and in the Corporate Governance Report on page 92.

The Directors consider that the key performance indicator most relevant to the Group is the MSCI World Index in Sterling, compared with the movement in the Group's net asset value per share, as set out on page 1.

Status of Company
The Company is registered as a public company and is incorporated in England and Wales, (Company Registration Number 2129188).

The Company conducts its affairs so as to qualify for approval as an investment trust for tax purposes, confirmation of which has been received from HM Revenue & Customs for the year ended 31 March 2011.

Approval for the year ended 31 March 2012 is subject to no subsequent enquiry being made under the corporation tax self assessment legislation.

The Company has been accepted as an approved investment trust by HM Revenue & Customs from 1 April 2012, subject to continuing to meet eligibility conditions.

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 1158 of the Corporation Tax Act 2010.

Directors' Report

Status of Company (continued)
The Company is not a close company within the meaning of Section 439 of the Corporation Tax Act 2010.

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

Directors
Biographies of the Directors holding office at the date of this report are shown on pages 14 to 16.

The following Board changes took effect during the year:

- John Elkann did not stand for re-election as a Director at the Company's Annual General Meeting on 28 July 2011
- Bill Winters was appointed as a Director on 10 October 2011
- Duncan Budge retired as a Director on 28 November 2011
- Jean Laurent-Bellue was appointed as a Director on 15 March 2012

There were no other changes in the Company's Directorate during the year ended 31 March 2012.

The process for the appointment and replacement of Directors is set out on page 90.

Share Capital
Details of the authorised and issued share capital are shown in note 20 on page 62.

During the year ended 31 March 2012, no ordinary shares were issued or repurchased for cancellation.

The existing authority for the repurchase of shares expires on the earlier of the Company's Annual General Meeting in 2012 or 30 September 2012.

A replacement authority is to be proposed at the forthcoming Annual General Meeting, as explained in the Notice and Explanatory Notes on pages 95 to 101.

The shares of the Company qualify for inclusion within an Individual Savings Account (ISA).

Cross Holdings
The UKLA Listing Rules also require closed-ended investment companies to disclose quarterly all of their investments in "other listed closed-ended investment funds ... which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds."

The Group discloses such investments when necessary, but does not restrict its own investment policies in this manner.

Directors' Report

Major Holders of Voting Rights

As at 31 March 2012, the following notifications had been received from the holders of 3% or more of the voting rights conferred through the direct or indirect holding of the Company's ordinary shares of £1 each. Such notifications were made pursuant to the Disclosure Rules and Transparency Rules of the Financial Services Authority (FSA).

	31 March 2012			
	No. of voting rights		% of voting rights	
Major holders of voting rights	Direct	Indirect	Direct	Indirect
Five Arrows Limited*	913,115	5,844,720	0.59	3.80
Kelvin Hudson & Helen Green*	3,254,459	–	2.12	–
Lady Rothschild*	12,021,851	–	7.81	–
Legal & General Group plc	5,283,880	–	3.43	–
Lord Rothschild*	16,311,771	4,387,070	10.60	2.85
Saffery Champness Trust Corporation*	–	4,469,662	–	2.90
S.J.P. Trust Corporation Limited*	16,095,909	–	10.46	–

* Some or all of these holdings form part of Lord Rothschild's interests disclosed below under Directors' Interests. Due to certain of Lord Rothschild's interests being held through trusts, some of the above interests are in respect of the same shares where more than one Major Holder of Voting Rights listed is a trustee and/or beneficiary of the trust concerned.

As at 25 May 2012, the above table remained unchanged save for the interest of Legal & General Group plc, which had reduced the number of its voting rights held to 5,184,812 (3.37%).

Directors' Interests

The interests of the Directors holding office at 31 March 2012 and 31 March 2011 (or subsequent date of appointment where applicable) in the ordinary shares of the Company are shown below:

	31 March 2012		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild	12,100,181	16,095,909	18.33
Mikael Breuer-Weil	25,146	–	0.02
John Cornish	8,281	–	0.01
Lord Douro	20,000	80,000	0.06
Jean Laurent-Bellue	–	–	–
James Leigh-Pemberton	–	–	–
Michael Marks	–	–	–
Lord Myners	10,000	–	0.01
Sandra Robertson	–	–	–
Rick Sopher	–	–	–
Bill Winters	–	–	–

	31 March 2011		
Ordinary shares of £1 each	Beneficial	Non-beneficial	% of Share capital
Lord Rothschild	18,260,041	9,936,049	18.33
Mikael Breuer-Weil	25,146	–	0.02
John Cornish	8,281	–	0.01
Lord Douro	20,000	80,000	0.06
Jean Laurent-Bellue (appointed 15 March 2012)	–	–	–
James Leigh-Pemberton	–	–	–
Michael Marks	–	–	–
Lord Myners	10,000	–	0.01
Sandra Robertson	–	–	–
Rick Sopher	–	–	–
Bill Winters (appointed 10 October 2011)	–	–	–

Directors' Report

Directors' Interests (continued)
The above information is presented in compliance with the Listing Rules of the FSA, which require disclosure of Directors' beneficial and non-beneficial share interests, as opposed to their control of voting rights as is the case for major holders under the FSA's Disclosure and Transparency Rules.

Components of the interests of Lord Rothschild are held by family trusts. Accordingly, the names of the respective trustees are disclosed under Major Holders of Voting Rights, where any individual trust controls 3% or more of the Company's voting rights, whereas the overall holdings of Lord Rothschild together with all interests held through family trusts are disclosed under Directors' Interests.

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

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors.

Requests from other Directors and employees of the Group are referred to the Chairman or Senior Independent Director, except in the case of small volume transactions requested by those other than Directors and senior executives, which are considered by the Company Secretary.

Except as stated in note 30 to the financial statements no Director has, or has had during the period under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries within the terms set out in the Listing Rules of the Financial Services Authority.

Stewardship Code
The Company supports the applicable principles of the Stewardship Code published by The Financial Reporting Council.

The Company's Stewardship Policy may be viewed on its website.

Save for voting rights on the Company's investments held in segregated accounts by external managers who have control on the voting of those shares, the Company's investment department determines voting on resolutions of directly-held investee companies and funds, as described in the Company's Stewardship Policy.

Monitoring of directly held investments is also carried out by the investment department which is responsible for elevating any matters of concern to the investment committee.

Active intervention appropriate for the circumstances will be considered where it is in the Company's best interests.

The Company does not publish its voting record as it invests as principal rather than agent.

Takeover Directive
Section 992 of the Companies Act 2006 requires certain disclosures to be made in relation to the EU Takeover Directive.

Note 20 on page 62 provides disclosure of the Company's share capital.

The significant direct and indirect holdings in the Company's securities are disclosed on page 31.

There are no restrictions or significant agreements that may restrict, on a change of control, transfer of securities in the Company or the voting rights attaching to those securities.

Annual General Meeting
The Company's Annual General Meeting will be held on Thursday 26 July 2012 at 11:00 am at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED.

The Notice is set out on pages 95 to 98 of this document, with Explanatory Notes relating to each of the proposed resolutions on pages 99 to 101.

Directors' Report

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

Other
It is the Company's payment policy to obtain the best terms for all business. The Company agrees the terms on which business will take place with its suppliers, and it is the Company's policy to abide by such terms. The Company had no trade creditors at the year-end (31 March 2011: nil).

During the year ended 31 March 2012, the Company made no charitable donations or political contributions.

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

Disclosure of Information To Auditors
With regard to the preparation of the Annual Report and Accounts of the Company for the year ended 31 March 2012, the Directors have confirmed to the auditors that:

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

Statement under the UKLA Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on pages 14 to 16 confirm that, to the best of their knowledge:

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

By Order of the Board

J Rothschild Capital Management Limited
Company Secretary

31 May 2012

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Financial Statements

31 March 2012

RIT Capital Partners plc

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

For the year ended 31 March 2012	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	27.8	–	27.8
Other income		3.0	–	3.0
Gains on dealing investments held at fair value		13.8	–	13.8
Total income		44.6	–	44.6
Gains/(losses) on portfolio investments held at fair value		–	(61.1)	(61.1)
Exchange losses on monetary items and borrowings		–	(2.6)	(2.6)
		44.6	(63.7)	(19.1)
Expenses				
Administrative expenses	3,4	(18.3)	(2.0)	(20.3)
Investment management fees	3,5	(3.8)	(0.5)	(4.3)
Loss before finance costs and tax		22.5	(66.2)	(43.7)
Finance costs	6	(12.1)	–	(12.1)
Loss before tax		10.4	(66.2)	(55.8)
Taxation	7	1.3	(0.4)	0.9
Loss for the year		**11.7**	**(66.6)**	**(54.9)**
Earnings per ordinary share – basic	9	**7.6p**	**(43.3p)**	**(35.7p)**
Earnings per ordinary share – diluted	9	**7.6p**	**(43.3p)**	**(35.7p)**

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012	Notes	Revenue return £ million	Capital return £ million	Total £ million
Loss for the year		11.7	(66.6)	(54.9)
Other comprehensive income:				
Exchange movements arising on consolidation	24	–	–	–
Actuarial loss in defined benefit pension plan	29	(2.8)	–	(2.8)
Total comprehensive loss for the year		**8.9**	**(66.6)**	**(57.7)**

The amounts included above are net of tax where applicable, the effect of tax balances are disclosed in note 7.

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

For the year ended 31 March 2011	Notes	Revenue return £ million	Capital return £ million	Total £ million
Income				
Investment income	1	35.4	–	35.4
Other income		1.1	–	1.1
Gains on dealing investments held at fair value		0.1	–	0.1
Total income		36.6	–	36.6
Gains/(losses) on portfolio investments held at fair value		–	175.1	175.1
Exchange losses on monetary items and borrowings		–	(1.9)	(1.9)
		36.6	173.2	209.8
Expenses				
Administrative expenses	3,4	(17.2)	(3.5)	(20.7)
Investment management fees	3,5	(3.3)	(3.3)	(6.6)
Profit before finance costs and tax		16.1	166.4	182.5
Finance costs	6	(14.6)	–	(14.6)
Profit before tax		1.5	166.4	167.9
Taxation	7	3.9	–	3.9
Profit for the year		**5.4**	**166.4**	**171.8**
Earnings per ordinary share	9	**3.5p**	**108.2p**	**111.7p**

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011	Notes	Revenue return £ million	Capital return £ million	Total £ million
Profit for the year		5.4	166.4	171.8
Other comprehensive income:				
Exchange movements arising on consolidation	24	(0.2)	–	(0.2)
Actuarial loss in defined benefit pension plan	29	(0.5)	–	(0.5)
Total comprehensive income for the year		**4.7**	**166.4**	**171.1**

The amounts included above are net of tax where applicable, the effect of tax balances are disclosed in note 7.

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Balance Sheet

	Notes	31 March 2012 £ million	31 March 2011 £ million
Non-current assets			
Investments held at fair value	11	2,024.1	2,139.7
Investment property	11	40.4	35.5
Property, plant and equipment	13	0.3	0.4
Retirement benefit asset	29	–	0.5
Deferred tax asset	15	2.7	3.1
		2,067.5	2,179.2
Current assets			
Derivative financial instruments	16, 28	27.2	23.8
Sales for future settlement		7.7	11.3
Other receivables	14	31.5	7.6
Tax receivable		0.9	2.8
Cash at bank		75.1	65.6
		142.4	111.1
Total assets		2,209.9	2,290.3
Current liabilities			
Bank loans and overdrafts	18	(250.1)	(249.0)
Purchases for future settlement		(8.1)	(10.6)
Derivative financial instruments	16, 28	(13.8)	(25.9)
Provisions	19	(0.9)	(2.0)
Tax payable		(0.1)	–
Other payables	17	(4.8)	(7.2)
		(277.8)	(294.7)
Net current liabilities		(135.4)	(183.6)
Total assets less current liabilities		1,932.1	1,995.6
Non-current liabilities			
Derivative financial instruments	16, 28	(4.7)	(1.0)
Provisions	19	(5.6)	(10.1)
Finance lease liability		(0.5)	(0.5)
Retirement benefit liability	29	(1.3)	–
		(12.1)	(11.6)
Net assets		**1,920.0**	**1,984.0**
Equity attributable to equity holders			
Ordinary shares	20	153.9	153.9
Capital redemption reserve	21	36.3	36.3
Own shares reserve	25	(5.8)	–
Share based payment reserve	26	5.7	–
Foreign currency translation reserve	24	0.2	0.2
Capital reserve	22	1,666.8	1,733.4
Revenue reserve	23	62.9	60.2
Total shareholders' equity		**1,920.0**	**1,984.0**
Net asset value per ordinary share – basic	10	**1,251.7p**	**1,289.4p**
Net asset value per ordinary share – diluted	10	**1,249.3p**	**1,289.4p**

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2012.
They were signed on the Board's behalf by:

Rothschild
Chairman

Mikael Breuer-Weil
Director

The notes on pages 44 to 85 form part of these financial statements.

Balance Sheet of the Parent Company

	Notes	31 March 2012 £ million	31 March 2011 £ million
Non-current assets			
Investments held at fair value	11	2,009.5	2,117.2
Investment property	11	40.4	35.5
Investments in subsidiary undertakings	12	134.5	142.9
Deferred tax asset	15	0.9	2.9
		2,185.3	2,298.5
Current assets			
Derivative financial instruments	16, 28	14.9	11.2
Sales for future settlement		7.7	11.3
Other receivables	14	16.9	6.7
Tax receivable		0.8	0.7
Cash at bank		70.6	46.8
		110.9	76.7
Total assets		2,296.2	2,375.2
Current liabilities			
Bank loans and overdrafts	18	(250.1)	(249.0)
Purchases for future settlement		(8.1)	(10.6)
Derivative financial instruments	16, 28	(3.0)	(3.2)
Provisions	19	(0.9)	(2.0)
Other payables	17	(2.9)	(2.7)
Amounts owed to group undertakings	30	(176.2)	(205.2)
		(441.2)	(472.7)
Net current liabilities		(330.3)	(396.0)
Total assets less current liabilities		1,855.0	1,902.5
Non-current liabilities			
Derivative financial instruments	16, 28	(4.6)	(1.0)
Provisions	19	(5.6)	(9.9)
Finance lease liability		(0.5)	(0.5)
		(10.7)	(11.4)
Net assets		**1,844.3**	**1,891.1**
Equity attributable to equity holders			
Ordinary shares	20	153.9	153.9
Capital redemption reserve	21	36.3	36.3
Capital reserve	22	1,640.1	1,706.6
Revenue reserve	23	14.0	(5.7)
Total shareholders' equity		**1,844.3**	**1,891.1**

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2012. They were signed on the Board's behalf by:

Rothschild

Rothschild
Chairman

Mikael Breuer-Weil
Director

Rothschild

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2012	Share capital £ million	Capital redemption reserve £ million	Own shares reserve £ million	Share based payment reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2011	153.9	36.3	–	–	0.2	1,733.4	60.2	1,984.0
Loss for the year	–	–	–	–	–	(66.6)	11.7	(54.9)
Ordinary dividend paid	–	–	–	–	–	–	(6.2)	(6.2)
Movement in own shares reserve	–	–	(5.8)	–	–	–	–	(5.8)
Movement in share based payment reserve	–	–	–	5.7	–	–	–	5.7
Other comprehensive income:								
Exchange movements arising on consolidation	–	–	–	–	–	–	–	–
Actuarial loss in defined benefit pension plan	–	–	–	–	–	–	(2.8)	(2.8)
Balance at 31 March 2012	**153.9**	**36.3**	**(5.8)**	**5.7**	**0.2**	**1,666.8**	**62.9**	**1,920.0**

Year ended 31 March 2011	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Foreign currency translation reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2010	153.9	36.3	(3.4)	0.4	1,567.0	61.5	1,815.7
Profit for the year	–	–	–	–	166.4	5.4	171.8
Cash flow hedges: transferred to the income statement for the year	–	–	3.4	–	–	–	3.4
Ordinary dividend paid	–	–	–	–	–	(6.2)	(6.2)
Other comprehensive income:							
Exchange movements arising on consolidation	–	–	–	(0.2)	–	–	(0.2)
Actuarial loss in defined benefit pension plan	–	–	–	–	–	(0.5)	(0.5)
Balance at 31 March 2011	**153.9**	**36.3**	**–**	**0.2**	**1,733.4**	**60.2**	**1,984.0**

The notes on pages 44 to 85 form part of these financial statements.

Parent Company Statement of Changes in Equity

Year ended 31 March 2012	Share capital £ million	Capital redemption reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2011	153.9	36.3	1,706.6	(5.7)	1,891.1
Loss for the year	–	–	(66.5)	25.9	(40.6)
Ordinary dividend paid	–	–	–	(6.2)	(6.2)
Balance at 31 March 2012	**153.9**	**36.3**	**1,640.1**	**14.0**	**1,844.3**

Year ended 31 March 2011	Share capital £ million	Capital redemption reserve £ million	Cash flow hedging reserve £ million	Capital reserve £ million	Revenue reserve £ million	Total £ million
Balance at 31 March 2010	153.9	36.3	(3.4)	1,540.6	2.6	1,730.0
Profit for the year	–	–	–	166.0	(2.1)	163.9
Cash flow hedges: transferred to the income statement for the year	–	–	3.4	–	–	3.4
Ordinary dividend paid	–	–	–	–	(6.2)	(6.2)
Balance at 31 March 2011	**153.9**	**36.3**	**–**	**1,706.6**	**(5.7)**	**1,891.1**

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Cash inflow/(outflow) before taxation and interest		28.6	(26.1)
Taxation paid		(1.7)	(5.7)
Interest paid		(8.3)	(3.5)
Net cash inflow/(outflow) from operating activities	27	18.6	(35.3)
Investing activities:			
Purchase of property, plant and equipment		(0.1)	(0.3)
Sale of property, plant and equipment		–	–
Net cash outflow from investing activities		(0.1)	(0.3)
Financing activities:			
(Purchase)/disposal of ordinary shares by Employee Benefit Trust[1]		(5.8)	–
Repayment of long term loan		–	(133.6)
Movement in short term loans and overdrafts		–	91.4
Equity dividend paid	8	(6.2)	(6.2)
Net cash inflow/(outflow) from financing activities		(12.0)	(48.4)
Increase/(decrease) in cash and cash equivalents in the year		6.5	(84.0)
Cash and cash equivalents at the start of the year		**99.1**	**185.0**
Effect of foreign exchange rate changes on cash and cash equivalents		(2.6)	(1.9)
Cash and cash equivalents at the year end		**103.0**	**99.1**
Reconciliation:			
Cash at bank		75.1	65.6
Money market funds (included in portfolio investments)		27.9	33.5
Cash and cash equivalents at the year end[2]		**103.0**	**99.1**

1 Shares are disclosed in 'own shares reserve' on the consolidated balance sheet.

2 The reconciliation of cash and cash equivalents for the year ended 31 March 2011 included bank loans and overdrafts of £249.0 million. Bank loans and overdrafts have been reclassified as financing activities in accordance with IAS 7 and the corresponding year restated.

The notes on pages 44 to 85 form part of these financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Cash inflow/(outflow) before taxation and interest		37.0	(10.0)
Taxation paid		(1.7)	(5.7)
Interest paid		(8.3)	(3.5)
Net cash inflow/(outflow) from operating activities	27	27.0	(19.2)
Investing activities:			
Purchase of property, plant and equipment		–	–
Sale of property, plant and equipment		–	–
Net cash outflow from investing activities		–	–
Financing activities:			
Repayment of long term loan		–	(133.6)
Movement in short term loans and overdrafts		–	91.4
Equity dividend paid	8	(6.2)	(6.2)
Net cash inflow/(outflow) from financing activities		(6.2)	(48.4)
Increase/(decrease) in cash and cash equivalents in the year		20.8	(67.6)
Cash and cash equivalents at the start of the year		**80.3**	**149.4**
Effect of foreign exchange rate changes on cash and cash equivalents		(2.6)	(1.5)
Cash and cash equivalents at the year end		**98.5**	**80.3**
Reconciliation:			
Cash at bank		70.6	46.8
Money market funds (included in portfolio investments)		27.9	33.5
Cash and cash equivalents at the year end[1]		**98.5**	**80.3**

1 The reconciliation of cash and cash equivalents for the year ended 31 March 2011 included bank loans and overdrafts of £249.0 million. Bank loans and overdrafts have been reclassified as financing activities in accordance with IAS 7 and the corresponding year restated.

The notes on pages 44 to 85 form part of these financial statements.

Group Accounting Policies

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

The following standards and amendments to existing standards, have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2012 or later periods, the Group has decided not to early adopt in the current year accounts:

Endorsed:
IFRS 7 (Amendment) Financial Instruments: Disclosures – Transfers of financial assets

Not yet endorsed:
IFRS 1 (Amendment) First-time adoption of IFRS
IFRS 7 (Amendment) Financial Instruments: on offsetting financial assets and financial liabilities
IFRS 9 Financial instruments – classification and measurement
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of interests in other entities
IFRS 13 Fair Value measurement
IAS 1 (Amendment) Financial statement presentation
IAS 12 (Amendment) Income taxes
IAS 19 (Amendment) Employee benefits
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 (Amendment) Financial Instruments: presentation

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application, except for IFRS 9, Financial instruments: classification and measurement. This is the first part of a new standard on classification and measurement of financial instruments that will replace IAS 39. IFRS 9 has three measurement categories: amortised cost; fair value through profit and loss; and fair value through other comprehensive income. All equity instruments are still required to be measured at fair value, but fair value movements can be taken to profit or loss or other comprehensive income based on an irrevocable one off instrument by instrument designation. A debt instrument is valued at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise it is at fair value through profit or loss. Accordingly, investments classified as available for sale in the consolidated balance sheet will have to be classified as financial assets at fair value through profit or loss or for equities only at fair value through other comprehensive income. IFRS 9 has not yet been endorsed by the European Union. The Group does not believe that the impact of IFRS 10 will be significant, particularly as it intends to take advantage of the Investment Company exemption proposed by the exposure draft in relation to IFRS 10.

Other future developments include the International Accounting Standards Board (IASB) undertaking a comprehensive review of existing IFRS. The IASB also plans to issue new standards on leasing, the presentation of other comprehensive income and revenue recognition. The Group will consider the financial impact of these new standards as they are finalised.

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

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year.

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

The financial statements of the subsidiaries are prepared as of the same reporting date using

Group Accounting Policies

consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of Income Statement

In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the consolidated income statement between items of a revenue and capital nature has been presented within the consolidated income statement and the consolidated statement of comprehensive income. Additionally, the net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

Income

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

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

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

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

Expenses

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

- Expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Expenses are allocated to revenue where there is an indirect connection.
- Investment management fees are considered to be indirect costs and are therefore allocated to revenue. Performance fees are allocated to capital as they arise as a result of the capital performance of the relevant investment portfolio.
- The Group has in force certain incentive arrangements whereby fees payable are based entirely on the increase in the values of certain investments. The cost of these incentive arrangements is considered to be a direct cost of enhancing the value of these investments and is therefore allocated to capital.
- The Group has in force long-term incentive arrangements for the Executive Directors of RIT, and other employees, whereby they receive additional remuneration based entirely on any increase in the Company's share price. The primary objective of the Company is to deliver long-term capital growth for its investors. The costs of these arrangements derive principally from the capital performance of the Group and consequently the Directors consider it appropriate to allocate the costs of these arrangements in their entirety to capital.
- The Group has adopted an Annual Incentive Scheme (AIS). Under the AIS, a bonus pool is created for participants based on the Company's trailing three-year total net asset value growth, relative to the growth in the MSCI World index (in £). The amount of the bonus is dependent on the capital performance of the Group; therefore the Directors consider it appropriate to charge the whole of the bonus to capital.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Costs incurred in connection with aborted portfolio investment transactions are also allocated to capital.

Finance Costs

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

Group Accounting Policies

Foreign Currencies

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

Taxation

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

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

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not subject to tax on capital gains. In view of the Company's status as an investment trust, and its intention to continue meeting the conditions required to obtain approval for the foreseeable future, the Company has not provided current or deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

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

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

Investments

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

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

All investments are designated upon initial recognition as held at fair value and, except as noted below, are measured at subsequent reporting dates at fair value. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in externally managed funds are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager. Changes in the fair value of all investments held at fair value are recognised in the consolidated income statement as a capital item. On disposal, realised gains and losses are also recognised in the consolidated income statement. Transaction costs, including bid-offer spreads, are included within gains or losses on investments held at fair value.

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

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties, referenced to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. Where there is a valuation technique commonly used by market participants to price the instrument and that

Group Accounting Policies

technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique may also be utilised.

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

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

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

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

Share-Based Payments
In accordance with IFRS 2, Share-based Payment, the Group is required to reflect in its Income Statement and financial position the effects of share-based payment transactions. The Group has two share settled incentive schemes, the Annual Incentive Scheme and the Share Appreciation Rights (SAR) Plan (details of which are set out on pages 24 and 25 of the Directors Remuneration Report).

Any bonus payments in excess of £150,000 under the Annual Incentive Scheme are deferred into shares, the cost of which is spread over the service period.

Following a change in the rules of the Share Appreciation Rights SAR plan on 22 September 2011 it now meets the definition of an equity-settled scheme under IFRS 2. All awards after this date are measured at the fair value at grant date using a trinomial option valuation model. The cost is then recognised through the income statement over the service period. Grants prior to 22 September 2011 were fair valued as at that date, any residual costs continue to be amortised through the income statement in line with the un-expired service period. At the end of each reporting period the charge is reversed if it appears likely that the performance criteria will not be met, with any changes to fair value recognised in the profit or loss for the period.

Shares required to settle the estimated future liabilities from grants or exercises under both schemes are purchased by an Employee Benefit Trust which is consolidated by the Group under SIC 12 Consolidation – Special Purpose Entities. The cost of own shares held at the end of the year by the EBT are reflected in the Group's Own shares reserve on the consolidated balance sheet.

Property, Plant And Equipment
Property, plant and equipment is shown at cost less depreciation. It is calculated by the Group on a straight line basis by reference to original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between three and four years.

Group Accounting Policies

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

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

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

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

Derivative Financial Instruments and Hedge Accounting
Derivative financial instruments, including futures, options and other derivative instruments, are stated in the balance sheet at fair value. The movements in fair value of dealing investments held by RIT Capital Partners Securities Ltd are included in the revenue return column of the income statement. If the derivative is capital in nature, the associated change in value is presented as a capital item in the income statement. The Group has adopted trade date accounting. Accordingly, derivative financial instruments are recognised on the date the Group enters into the relevant contract, and are derecognised on the date which it commits to their sale. Securities sold short are valued at their offer prices in accordance with IAS 39.

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

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

Allocation to Capital
All expenses and interest payable are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, the statement of comprehensive income and the statement of changes in equity.

The following are presented as realised capital items:

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

The following are presented as unrealised capital items:

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

Group Accounting Policies

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

Unquoted Investments
Unquoted investments are valued at management's best estimate of fair value in accordance with IFRS having regard to International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association. The principles which the Group applies are set out on pages 46 to 47. The inputs into the valuation methodologies adopted include observable historical data such as earnings or cash flow as well as more subjective data such as earnings forecasts or discount rates. As a result of this, the determination of fair value requires significant management judgement.

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

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

Long-term Incentive Plan
The fair value of historical SARs on conversion to a share settled scheme as at 22 September 2011, along with the determination of the fair value of all subsequent grants was calculated using a trinomial option valuation model. The assumptions applied by the model are set out in note 19.

Notes to the Financial Statements

1. Investment Income

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Income from listed investments:		
Dividends	11.7	10.5
Interest	5.6	5.1
Income from unlisted investments:		
Dividends	7.4	16.0
Interest	1.5	1.5
Income from investment properties	1.5	1.2
Interest receivable	0.1	1.1
Total investment income	**27.8**	**35.4**

2. Business and Geographical Segments

In line with guidance set out by IFRS 8: Operating Segments the Group continues to report its performance under a single operating segment, being that of an investment company managing a widely diversified portfolio to deliver long-term capital growth, whilst preserving shareholder capital.

The Group operates from the UK and is engaged in investing in equity and debt securities, issued by global companies. As previously stated the entity is engaged in a single business activity and as such operates within a single geographical segment. Accordingly reporting is provided on a single segment basis.

3. Expenses

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Administrative expenses (excluding staff costs)	8.1	6.4
Staff costs (see below)	12.2	14.3
Total administrative expenses	**20.3**	**20.7**
Management fees	3.8	3.3
Performance fees	0.5	3.3
Total investment management fees	**4.3**	**6.6**
Total expenses	**24.6**	**27.3**
Recharged to related parties (included in other fee income)	(0.9)	(0.9)
Net expenses	**23.7**	**26.4**

Staff Costs

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Wages and salaries	9.2	9.0
Social security costs	1.4	1.3
Long-term incentive plan (Note 19)	1.1	3.5
Pension costs (Note 29)	0.5	0.5
Staff costs included in administrative expenses	**12.2**	**14.3**
Actuarial loss included in statement of comprehensive income	2.8	0.5
Total staff costs	**15.0**	**14.8**

The above figures include Directors' emoluments, details of which are shown in the Directors' Remuneration Report on pages 21 to 27. They include the cost of the Group's long-term incentive plan which is charged to the capital reserve.

The average number of employees during the year was 74 (31 March 2011: 78), including 20 people employed in the banqueting business of Spencer House and the related security function (31 March 2011: 21).

4. Other Disclosable Expenses

Administrative expenses include the following:

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Auditors' remuneration – audit fees[1]	0.2	0.2
Auditors' remuneration – other[2]	0.2	–
Depreciation	0.2	0.3
Lease payments	0.4	0.3

[1] The total audit fee amounts to £169,970 (31 March 2011: £182,135) of which £100,470 (31 March 2011: £116,115) relates to the audit of the Company's accounts and £69,500 (31 March 2011: £66,020) to the audit of subsidiaries.

[2] Other fees include £52,350 (31 March 2011: £20,050) payable to the auditors in respect of audited related assurance services and £8,100 in respect of taxation services (31 March 2011: £7,427). A further £30,000 was payable for other assurance services (31 March 2011: £nil) and £140,324 (2011: £nil) was paid in respect of corporate finance services.

The following transaction costs on purchase and sale of investments (including bid-offer spreads) are included within gains on investments held at fair value:

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Purchases	1.9	2.1
Sales	2.1	2.3
Transaction costs	**4.0**	**4.4**

5. Investment Management Fees

Details of the current investment managers who operate segregated accounts and the associated fee arrangements are described in the Investment Director's Review and the Investment Portfolio on pages 5 to 12 and the Directors' Report on page 29.

6. Finance Costs

	Year ended 31 March 2012 Group £ million	Year ended 31 March 2012 Company £ million	Year ended 31 March 2011 Group £ million	Year ended 31 March 2011 Company £ million
Interest payable on bank borrowings	8.3	8.3	4.6	4.6
Interest rate swap expense	3.7	3.7	9.8	9.8
Other finance costs	0.1	0.1	0.2	0.2
Finance costs	**12.1**	**12.1**	**14.6**	**14.6**

7. Taxation

	Year ended 31 March 2012 Revenue £ million	Year ended 31 March 2012 Capital £ million	Year ended 31 March 2012 Total £ million
UK corporation tax charge/(credit)	0.2	(1.6)	(1.4)
Adjustment in respect of prior years	–	–	–
Overseas taxation	0.1	–	0.1
Current tax charge/(credit)	0.3	(1.6)	(1.3)
Deferred tax charge/(credit)	(1.6)	2.0	0.4
Taxation charge/(credit)	**(1.3)**	**0.4**	**(0.9)**

	Year ended 31 March 2011 Revenue £ million	Year ended 31 March 2011 Capital £ million	Year ended 31 March 2011 Total £ million
UK corporation tax charge	–	–	–
Adjustment in respect of prior years	(3.0)	1.5	(1.5)
Overseas taxation	–	–	–
Current tax charge/(credit)	(3.0)	1.5	(1.5)
Deferred tax charge/(credit)	(0.9)	(1.5)	(2.4)
Taxation charge/(credit)	**(3.9)**	**–**	**(3.9)**

Notes to the Financial Statements

The deferred tax credit relates to the origination and reversal of timing differences.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 26% (31 March 2011: 28%). The differences are explained below:

	Year ended 31 March 2012 Revenue £ million	Capital £ million	Total £ million	Year ended 31 March 2011 Revenue £ million	Capital £ million	Total £ million
(Loss)/profit before tax	10.4	(66.2)	(55.8)	1.5	166.4	167.9
Tax at the standard UK corporation tax rate of 26% (31 March 2011: 28%)	2.7	(17.2)	(14.5)	0.4	46.6	47.0
Effect of:						
Capital items exempt from corporation tax	–	17.2	17.2	–	(46.6)	(46.6)
Dividend income not taxable	(6.5)	–	(6.5)	(7.1)	–	(7.1)
Change in tax rates	0.1	0.4	0.5	–	–	–
Expenses not deductible for tax purposes	(0.2)	–	(0.2)	0.1	–	0.1
Utilisation of tax losses	3.3	–	3.3	7.7	–	7.7
Other items	–	–	–	(2.0)	–	(2.0)
Prior year credit	(0.7)	–	(0.7)	(3.0)	–	(3.0)
Total tax charge/(credit)	**(1.3)**	**0.4**	**(0.9)**	**(3.9)**	**–**	**(3.9)**

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

In March 2012 the Chancellor of the Exchequer announced that the UK Corporation Tax rate would be reduced to 24% from 1 April 2012 and by 1% per annum to 22% by 1 April 2014. The 24% rate of tax for future periods was substantively enacted on 26 March 2012. The impact of these changes to the main rate have been reflected in the deferred tax balance as at 31 March 2012.

8. Dividend

	Year ended 31 March 2012 Pence per share	2011 Pence per share	Year ended 31 March 2012 £ million	2011 £ million
Dividends paid in year	**4.0**	**4.0**	**6.2**	**6.2**

The above amounts were paid as distributions to equity holders in the relevant periods. The Directors proposed an interim dividend in respect of the financial year ended 31 March 2012 of 4.0p per share, which was paid on 19 August 2011 to shareholders on the register at 5 August 2011 and amounted to £6.2 million.

The Board recommends the payment of a dividend of 28.0p per share payable on 24 August 2012 to shareholders on the register at 15 June 2012. This consists of a proposed final dividend in respect of the year ended 31 March 2012 of 8.0p and an interim dividend in respect of the 9 months ending 31 December 2012 of 20.0p. The latter is contingent on shareholders approval of appropriate changes to the Company's Articles of Association at the AGM and the Directors confirming such interim dividend is payable at the AGM. In aggregate the 28.0p dividend will reduce the Company's distributable reserves by approximately £43 million, of which £12.3 million will be charged against the Company's revenue reserve.

9. Earnings per Ordinary Share – Basic and Diluted

The basic earnings per ordinary share for the year ended 31 March 2012 is based on the net loss of £54.9 million (31 March 2011: £171.8 million profit) and the weighted average number of ordinary shares in issue during the period of 153.7 million (31 March 2011: 153.9 million).

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Net revenue profit	11.7	5.4
Net capital (loss)/profit	(66.6)	166.4
	(54.9)	**171.8**

	Pence per share	Pence per share
Revenue earnings per ordinary share – basic	7.6	3.5
Capital earnings per ordinary share – basic	(43.3)	108.2
	(35.7)	**111.7**

The diluted earnings per ordinary share for the year ended 31 March 2012 is based on the weighted average number of ordinary shares in issue during the period adjusted for the weighted average dilutive effect of SARs awards at the average market price for the year ended 31 March 2012. There were no potentially dilutive awards for the year ended 31 March 2011.

	Year ended 31 March 2012	Year ended 31 March 2011
Weighted average number of shares in issue (million)	153.7	153.9
Weighted average effect of SARs (million)	0.3	–
	154.0	**153.9**

	Pence per share	Pence per share
Revenue earnings per ordinary share – diluted	7.6	3.5
Capital earnings per ordinary share – diluted	(43.3)	108.2
	(35.7)	**111.7**

10. Net Asset Value Per Ordinary Share – Basic and Diluted

Net asset value per ordinary share is based on the following data:

	31 March 2012	31 March 2011
Net assets (£ million)	1,920.0	1,984.0
Number of shares in issue (million)	153.9	153.9
Own shares (million)	(0.5)	–
	153.4	153.9
Effect of dilutive potential ordinary shares SARs (million)	0.3	–
Diluted shares	**153.7**	**153.9**

Notes to the Financial Statements

	31 March 2012 Pence per share	31 March 2011 Pence per share
Net asset value per ordinary share – basic	1,251.7	1,289.4
Net asset value per ordinary share – diluted	1,249.3	1,289.4

During the year ended 31 March 2012 the Group amended the terms of the SAR plan. It is the intention of the Group to settle all SAR exercises using the ordinary shares of the Company rather than settling in cash. Shares held by the Group's employee benefit trust of 0.5 million are deducted from the total number of shares in issue of 153.9 million. The intention to use the shares of the Company to settle a potential future liability has a dilutive effect of 0.3 million. This results in a diluted net asset value per ordinary share of 1,249.3p.

11. Investments

	31 March 2012		31 March 2011	
	Group £ million	Company £ million	Group £ million	Company £ million
Listed investments at fair value:				
Listed in UK	208.2	206.1	64.1	62.9
Listed overseas	946.6	938.8	626.2	624.4
Government securities and other liquidity	125.6	124.9	277.5	277.5
	1,280.4	1,269.8	967.8	964.8
Unlisted investments[1]	784.1	780.1	1,207.4	1,187.9
Fair value of investments	**2,064.5**	**2,049.9**	**2,175.2**	**2,152.7**
Investments at fair value	2,024.1	2,009.5	2,139.7	2,117.2
Investment property	40.4	40.4	35.5	35.5
Fair value of investments	**2,064.5**	**2,049.9**	**2,175.2**	**2,152.7**

[1] Unlisted investments comprise unquoted direct investments, unquoted funds, investment property, credit and real asset funds.

Investment properties were valued at 31 March 2012 by Jones Lang LaSalle in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of open market value. The movement in investment property during the year was a gain of £4.9 million (31 March 2011: gain of £2.1 million) as a result of the revaluation.

The above figures reconcile to the Investment Director's Review and Investment Portfolio as follows:

	£ million
Total Investments (page 12)	2,034.4
Government bonds (included in Liquidity on page 12)	84.5
Liquidity in segregated accounts/other	(41.0)
Investment property	(40.4)
Current Derivative financial instruments (net)	(13.4)
Investments held at fair value	**2,024.1**

11. Investments (continued)

Details of investments in which the Group had a material interest of over 3% at 31 March 2012 of the nominal value of the allotted shares of any class are as follows:

Name	% Held
Agora Oil & Gas	42.0%
Infinity SDC Ltd	27.4%
Paypoint	7.2%

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

Name	% Held	Market value £ million
Althea Global Emerging Markets Fund, Class A1	84.4%	15.8
Andor Opportunity Offshore Fund	21.0%	27.8
Baker Brother Life Sciences LP	2.5%	50.2
Baker Steel Resources Trust Ltd	13.8%	16.2
Blackrock Gold & General Fund	1.6%	47.2
Blackstone GSO Secured Trust	10.3%	64.5
Bluebay Global High Yield Bond Fund, Class B	86.9%	18.0
Blumberg Capital I LP	56.5%	3.9
Brant Point Fund International	47.9%	19.7
Cedar Rock Capital Fund	0.1%	46.1
Cyrus Partners III LP	47.0%	11.4
Darwin Private Equity I LP	23.9%	23.8
DFAS Egerton Sterling Investment Fund	12.9%	20.0
Findlay Park Latin America Fund	2.1%	19.2
Firebird Avrora Fund	10.9%	11.7
Firebird Mongolia Fund	31.8%	11.5
FVP Offshore III LP	14.1%	0.6
Gaoling UK Feeder Fund, Class A	80.2%	30.7
GLG Technology Fund, Class G	78.5%	16.9
Hazel Global Cleantech Equity Fund, Retail Class	93.9%	11.0
Independent Franchise Partners Global Equity Fund	10.1%	34.7
Independent Franchise Partners US Equity Fund	29.6%	18.9
JPS Credit Opportunities Fund	46.2%	19.6
Lansdowne UK Strategic Investment Fund, Class N	58.6%	19.3
Media Technology Ventures IV B	38.0%	0.8
P K Investment Management		
Class A1	49.4%	10.4
Class B1	88.7%	18.3
Prince Street Opportunities Offshore Fund	8.6%	11.0
Real Return Asian Fund	7.0%	25.5
RR Capital Partners LP	21.0%	2.1
Sageview Capital Partners	17.4%	6.6
SQM Frontier Africa Fund	13.5%	6.3
Strategic Recovery Fund	11.8%	4.1
Summit Water Development	20.7%	19.2
Tinicum Capital Partners II	22.1%	15.1
Titan Partners LP	15.4%	52.9
Tontine Capital Overseas Fund II		
Class A	41.4%	17.0
Class S	26.0%	0.2
UCAP European Equity Fund	34.8%	11.0
Vietnam Resources Investments (Holdings)	11.6%	3.7
21st Century Communications LP	44.9%	0.1

Notes to the Financial Statements

The Directors do not consider that any of the portfolio investments held at fair value fall within the definition of an associated company as the Group does not exercise significant influence over their operating and financial policies. In a number of cases the Group owns more than 50% of a particular class of shares issued by an investee company or partnership interests totalling more than 50%. The Group does not hold more than 50% of the voting rights of any of its investee companies or partnerships. As such, holding more than 50% of a particular class of shares does not give the Group control of any of the investee companies or partnerships within the meaning of IAS 27. The Group has chosen to account for associated companies which they hold for investment purposes at fair value through the profit and loss in accordance with IAS 28.

12. Investments In Subsidiary Undertakings

	Shares £ million	Loans £ million	Total £ million
Carrying value at 31 March 2011	125.0	17.9	142.9
Additions/(disposals)	6.4	(15.4)	(9.0)
Exchange movement in year	–	0.6	0.6
Carrying value at 31 March 2012	**131.4**	**3.1**	**134.5**

	Shares £ million	Loans £ million	Total £ million
Carrying value at 31 March 2010	125.0	13.8	138.8
Additions	–	4.3	4.3
Exchange movement in year	–	(0.2)	(0.2)
Carrying value at 31 March 2011	**125.0**	**17.9**	**142.9**

At 31 March 2012 the Company held investments in the following principal subsidiary undertakings which, unless otherwise stated, are wholly-owned, incorporated or registered in the UK, share the same accounting reference date as the Company and operate principally in their country of incorporation. The voting share capital, unless otherwise stated, is held directly by the Company.

Investments in group undertakings are stated at cost less a provision for impairment where appropriate.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 March 2012 will be annexed to the Company's next annual return.

Name	Issued share capital
Investment holding	
Atlantic and General Investment Trust Limited	£19,999,104 divided into 19,999,104 ordinary shares of £1 each
RIT Capital Partners Associates Limited	£2 divided into 2 ordinary shares of £1 each
The Successor Investment Funds	£6,989,745 divided into 6,989,745 ordinary shares of £1 each
Administration and services	
J Rothschild Capital Management Limited	£6,250,001 divided into 6,250,000 ordinary shares of £1 each and one special share of £1 held by The J. Rothschild Name Company Limited
Investment dealing	
RIT Capital Partners Securities Limited	£90,000,000 divided into 90,000,000 ordinary shares of £1 each

Notes to the Financial Statements

13. Property, Plant And Equipment

Group	Cost £ million	Depreciation £ million	Net book value £ million
Property, plant, equipment and vehicles			
At 31 March 2011	1.5	(1.1)	0.4
Additions	0.1	–	0.1
Disposals	(0.3)	0.3	–
Charge for depreciation	–	(0.2)	(0.2)
At 31 March 2012	**1.3**	**(1.0)**	**0.3**

Group	Cost £ million	Depreciation £ million	Net book value £ million
Property, plant, equipment and vehicles			
At 31 March 2010	1.2	(0.8)	0.4
Additions	0.3	–	0.3
Disposals	–	–	–
Charge for depreciation	–	(0.3)	(0.3)
At 31 March 2011	**1.5**	**(1.1)**	**0.4**

All property, plant and equipment is held within subsidiaries of the Company.

14. Other Receivables

	31 March 2012		31 March 2011	
	Group £ million	Company £ million	Group £ million	Company £ million
Accounts receivable	29.8	15.4	1.5	0.8
Amounts owed by related parties (all trading balances)	–	–	–	–
Prepayments and accrued income	1.7	1.5	6.1	5.9
	31.5	**16.9**	**7.6**	**6.7**

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

Notes to the Financial Statements

15. Deferred Tax Asset

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

	31 March 2012 Group £ million	31 March 2012 Company £ million	31 March 2011 Group £ million	31 March 2011 Company £ million
Balance at start of year	3.1	2.9	0.7	0.6
(Debit)/credit to capital reserve	(2.0)	(1.9)	1.5	1.4
(Debit)/credit to revenue reserve	1.6	(0.1)	0.9	0.9
Balance at end of year	**2.7**	**0.9**	**3.1**	**2.9**

	31 March 2012 Group £ million	31 March 2012 Company £ million	31 March 2011 Group £ million	31 March 2011 Company £ million
Analysis of deferred tax asset:				
Deferred management fees	0.8	0.8	1.4	1.4
Long-term incentive plan	1.3	–	1.4	1.4
Other timing differences	0.1	–	0.5	0.3
Accelerated capital allowances	0.2	0.1	(0.3)	(0.2)
Deferred tax on retirement benefit asset	0.3	–	0.1	–
Balance at end of year	**2.7**	**0.9**	**3.1**	**2.9**

At the balance sheet date, the aggregate amount of potential deferred tax on temporary timing differences associated with the undistributed earnings of foreign subsidiaries for which deferred tax liabilities have not been recognised was £1.2 million (31 March 2011: £1.2 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

16. Derivative Financial Instruments

	31 March 2012 Group £ million	31 March 2012 Company £ million	31 March 2011 Group £ million	31 March 2011 Company £ million
Current assets	27.2	14.9	23.8	11.2
Current liabilities	(13.8)	(3.0)	(25.9)	(3.2)
Non-current liabilities	(4.7)	(4.6)	(1.0)	(1.0)
	8.7	**7.3**	**(3.1)**	**7.0**

Dealing investments are stated at fair value.

17. Other Payables

	31 March 2012 Group £ million	31 March 2012 Company £ million	31 March 2011 Group £ million	31 March 2011 Company £ million
Accruals and deferred income	4.4	2.6	5.4	2.3
Amounts payable to related parties	–	–	–	–
Other creditors	0.4	0.3	1.8	0.4
	4.8	**2.9**	**7.2**	**2.7**

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

18. Bank Loans

	31 March 2012 Group £ million	31 March 2012 Company £ million	31 March 2011 Group £ million	31 March 2011 Company £ million
Unsecured loans payable within one year:				
US dollar 400 million three-year credit facility	250.1	250.1	249.0	249.0
Total bank loans and overdrafts	**250.1**	**250.1**	**249.0**	**249.0**

On 22 December 2010 the Company signed a three-year US dollar 400 million credit facility with National Australia Bank. The facility was drawn in full on 6 January 2011. While the facility may be drawn under terms flexible as to amount and timing, any amounts borrowed must contractually be repaid within three months (and therefore is disclosed within current liabilities) even though the loan is viewed as providing medium-term structural gearing. The facility pays variable interest linked to three-month US dollar LIBOR. Following the drawdown, the Company entered into a series of interest rate swaps with the effect of fixing the interest rate at an average of 3.43% until December 2013. No bank loans were held within subsidiaries, (31 March 2011: £nil).

19. Provisions for Liabilities and Charges

Group	31 March 2011 £ million	Additional provision £ million	Amounts reversed £ million	Amounts utilised £ million	31 March 2012 £ million
Nature of provision:					
Indemnity	1.8	–	(0.1)	(0.2)	1.5
Investments	5.2	2.7	(0.9)	(2.1)	4.9
Property	0.3	–	(0.2)	–	0.1
Long-term incentive plan	4.8	0.2	(4.8)	(0.2)	–
	12.1	**2.9**	**(6.0)**	**(2.5)**	**6.5**

No provisions for liabilities and charges have been made in subsidiary entities in the current period, (31 March 2011: £0.3m).

Provisions in respect of investments include £0.9 million (31 March 2011: £2.0 million) which are expected to settle within the next twelve months.

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

Indemnity provision
In 1991 the Company acquired an investment in Newmont Mining and at the same time effected a disposal of its indirect interest in Cavenham Forest Industries Inc (CFI). As part of these arrangements the Company indemnified the purchaser of CFI against certain ongoing costs being incurred by that company. The relevant indemnified costs are expected to be incurred between 2012 and 2027 and the indemnity provision has been based on the Company's share of the projected costs.

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

Property
The Group has a short leasehold interest in a property which is being sub-let to a third party. The net income receivable is less than the annual outgoings and, based on a professional valuation, the Group has recognised a provision of £0.1 million as at 31 March 2012 (31 March 2011: £0.3 million).

Long-term incentive plan
The opening provision represented amounts accrued under long-term incentive arrangements accounted for as a cash-settled scheme in accordance with IFRS 2.

Following the amendment of the scheme rules on 22 September 2011 the SAR plan was accounted for as an equity-settled scheme, the change in the accounting basis removed the requirement for the Group to hold a cash provision for future expected payments. For further details please refer to the share-based payments accounting policy set out on page 47 and the information provided in notes 25 and 26.

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	31 March 2012 £ million	31 March 2011 £ million
Date of grant		
25 March 2004	0.1	0.1
30 March 2005	–	0.1
15 March 2006	–	0.1
15 March 2007	0.6	0.9
27 March 2008	0.1	0.1
13 March 2009	2.2	2.8
24 June 2009	0.5	0.7
19 October 2009	0.1	0.1
26 March 2010	0.6	1.0
30 March 2011	–	–
20 September 2011	–	–
2 December 2011	–	–
Intrinsic value of all SARs	**4.2**	**5.9**
IFRS 2 adjustment to cash settled provision	**–**	**(1.1)**
Carrying amount of SAR provision	**–**	**4.8**
Intrinsic value of SARs vested as at 31 March	**3.0**	**1.2**

The Company has used a trinomial option valuation model to estimate the fair value of the SARs. The inputs to the model included the following: expected volatility of 20% (31 March 2011: 20%), dividends of 4.0p (31 March 2011: 4.0p) per share per annum, contractual life of ten years, and a risk-free interest rate based on the Sterling Benchmark Swap Curve. Expected volatility has been estimated based on relevant historic data in respect of RIT's share price. The vesting requirements are set out in detail in the section headed Long-term Incentive Plan in the Directors' Remuneration Report on page 24. To allow for the effects of early exercise and staff turnover, it was assumed that the majority of the SARs, in terms of value, would be exercised four and a half years after the relevant grant dates.

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 31 March 2011	2,219,563	1,041.2	–
Granted	261,967	1,234.3	–
Exercised	(70,527)	877.4	1,250.1
Lapsed/Forfeited	(172,560)	1,130.6	
Outstanding at 31 March 2012	**2,238,443**	**1,062.0**	

	Notional no. of RIT shares	Weighted average exercise price (p)	Weighted average share price at exercise (p)
Outstanding at 31 March 2010	2,117,732	954.9	–
Granted	663,000	1,314.0	–
Exercised	(247,754)	951.1	1,293.6
Lapsed	(313,415)	1,106.8	–
Outstanding at 31 March 2011	**2,219,563**	**1,041.2**	

The outstanding SARs at 31 March 2012 had exercise prices ranging between 575p and 1,314p with a weighted average of 1,062.0p. The weighted average remaining contractual life of these SARs was 7.8 years. Included in the outstanding amount at year-end were SARs representing a notional number of 835,018 shares, which had vested and were capable of being exercised. These had exercise prices ranging between 575p and 1,146p with a weighted average of 860.8p.

During the year ended 31 March 2012, the Company granted 261,967 SARs (year ended 31 March 2011: 663,000) and the weighted average fair value of those SARs was 167.0p (31 March 2011: 244.0p). The Company recognised an expense of £2.0 million (31 March 2011: £3.5 million) arising from the SAR plan.

20. Ordinary Shares

	31 March 2012 £ million	31 March 2011 £ million
Allotted, issued and fully paid		
153,866,062 Ordinary Shares of £1 each (2011: 153,866,062)	153.9	153.9

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

21. Capital Redemption Reserve

	Year ended 31 March 2012		Year ended 31 March 2011	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	36.3	36.3	36.3	36.3
Movement during the year	–	–	–	–
Balance at end of year	**36.3**	**36.3**	**36.3**	**36.3**

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

22. Capital Reserve

	Year ended 31 March 2012		Year ended 31 March 2011	
	Group £ million	Company £ million	Group £ million	Company £ million
Balance at start of year	1,733.4	1,706.6	1,567.0	1,540.6
Gains on portfolio investments held at fair value and exchange losses on monetary items and borrowings	(63.7)	(64.0)	175.1	174.3
Performance fees	(0.5)	(0.5)	(3.3)	(3.3)
Other capital items	(2.0)	(2.0)	(5.4)	(5.0)
Taxation	(0.4)	–	–	–
Total capital return	(66.6)	(66.5)	166.4	166.0
Balance at year-end	**1,666.8**	**1,640.1**	**1,733.4**	**1,706.6**

Other capital items includes the capital element of administrative expenses and exchange gains/losses on monetary items and borrowings. Under the terms of the Company's existing Articles of Association, sums standing to the credit of the capital reserve are available for distribution only by way of redemption or purchase of any issue of the Company's own shares. Following changes in the tax rules for investment companies and statute, the Company is planning to amend its Articles to allow distribution by dividends of realised capital reserves. The Company may only distribute accumulated 'realised' profits. In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales (TECH 01/08) realised capital reserves comprise gains and losses on realisation of investments together with changes in fair value of investments which are considered to be readily convertible into cash without accepting adverse terms.

At the year-end all of the listed investments were considered to be sufficiently liquid to be regarded as readily convertible into cash, however the unlisted investments were not. Accordingly, the split of capital reserve between realised and unrealised in order to determine distributable realised profits was as follows:

	Year ended 31 March 2012		Year ended 31 March 2011	
	Group £ million	Company £ million	Group £ million	Company £ million
Capital reserve – distributable				
in respect of investments sold	1,466.0	1,452.9	1,527.1	1,513.9
in respect of listed investments held	59.6	59.1	81.2	81.0
Capital reserve – non-distributable	141.2	128.1	125.1	111.7
Balance at year-end	**1,666.8**	**1,640.1**	**1,733.4**	**1,706.6**

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23. Revenue Reserve

	Year ended 31 March 2012 Group £ million	Year ended 31 March 2012 Company £ million	Year ended 31 March 2011 Group £ million	Year ended 31 March 2011 Company £ million
Balance at start of year	60.2	(5.7)	61.5	2.6
Profit/(loss) for the year	11.7	25.9	5.4	(2.1)
Dividend paid	(6.2)	(6.2)	(6.2)	(6.2)
Actuarial gain/(loss)	(2.8)	–	(0.5)	–
Balance at end of year	**62.9**	**14.0**	**60.2**	**(5.7)**

As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate income statement or statement of comprehensive income. The Company's revenue profit after tax amounted to £25.9 million, this included £34.0 million of dividend income from subsidiary companies. The Company's revenue loss for the year ended 31 March 2011 was £2.1 million.

24. Foreign Currency Translation Reserve

	Year ended 31 March 2012 Group £ million	Year ended 31 March 2012 Company £ million	Year ended 31 March 2011 Group £ million	Year ended 31 March 2011 Company £ million
Balance at start of year	0.2	–	0.4	–
Current year translation adjustment	–	–	(0.2)	–
Balance at end of year	**0.2**	**–**	**0.2**	**–**

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

25. Own Shares Reserve

	Year ended 31 March 2012 Group £ million	Year ended 31 March 2012 Company £ million	Year ended 31 March 2011 Group £ million	Year ended 31 March 2011 Company £ million
Balance at start of year – cost	–	–	–	–
Own shares acquired	(5.9)	–	–	–
Own shares disposed	0.1	–	–	–
Balance at end of year – cost	**(5.8)**	**–**	**–**	**–**

As set out in the Group's accounting policies on page 47, following a change in the rules of the Group's SAR Plan on 22 September, this scheme now meets the definition of an equity-settled scheme under IFRS 2. Following that conversion, the Group acquired shares of the Company at a cost of £5.9 million (using an Employee Benefit Trust), to allow future exercises to be settled in the shares of the Company. Following conversion £0.1 million of shares have been used to settle employee exercises. At 31 March 2012 the Trust held 471,775 shares in the Company (31 March 2011: nil). At 31 March 2012 the market value of these shares was £5.8 million (31 March 2011: nil).

26. Share Based Payment Reserve

	Year ended 31 March 2012 Group £ million	Year ended 31 March 2012 Company £ million	Year ended 31 March 2011 Group £ million	Year ended 31 March 2011 Company £ million
Balance at start of year	–	–	–	–
Transfer from provisions	4.8	–	–	–
Share based payment expense	1.0	–	–	–
Transfer to retained earnings	(0.1)	–	–	–
Balance at end of year	**5.7**	**–**	**–**	**–**

27. Reconciliation Of Consolidated Profit Before Finance Costs And Tax To Cash Outflow From Operating Activities

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
(Loss)/profit before dividend and interest income, finance costs and taxation	(70.0)	148.3
Dividend income	19.1	26.5
Interest income	7.2	7.7
(Loss)/profit before finance costs and tax	**(43.7)**	**182.5**
Decrease in other receivables	23.9	6.4
Decrease/(increase) in other payables	(2.4)	3.8
Other movements	(11.2)	(26.1)
Purchase of investments held at fair value	(2,293.9)	(2,412.3)
Sale of investments held at fair value	2,350.4	2,374.4
Losses/(gains) on investments held at fair value	5.5	(154.8)
Taxation paid	(1.7)	(5.7)
Interest paid	(8.3)	(3.5)
Net cash (outflow)/inflow from Operating Activities	**18.6**	**(35.3)**

Reconciliation Of Parent Company Profit Before Finance Costs And Taxation To Cash Outflow From Operating Activities

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
(Loss)/profit before dividend and interest income, finance costs and taxation	(88.1)	143.1
Dividend income	54.4	26.4
Interest income	7.0	7.8
(Loss)/profit before finance costs and taxation	**(26.7)**	**177.3**
Increase in other receivables	(10.2)	(5.6)
Increase/(decrease) in other payables	(28.8)	39.4
Other movements	15.1	1.0
Purchase of investments held at fair value	(2,243.9)	(2,016.3)
Sale of investments held at fair value	2,326.0	1,947.9
Losses/(gains) on investments held at fair value	5.5	(153.7)
Taxation paid	(1.7)	(5.7)
Interest paid	(8.3)	(3.5)
Net cash (outflow)/inflow from Operating Activities	**27.0**	**(19.2)**

Notes to the Financial Statements

28. Financial Instruments

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

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

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

28.1 Categories of financial assets and financial liabilities

	Group As at 31 March 2012				
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other assets £ million	Total £ million
Investments held at fair value	–	2,024.1	–	–	2,024.1
Investment property	–	–	–	40.4	40.4
Property, plant and equipment	–	–	–	0.3	0.3
Derivative financial instruments	–	–	27.2	–	27.2
Retirement benefit asset	–	–	–	–	–
Deferred tax asset	–	–	–	2.7	2.7
Sales for future settlement	7.7	–	–	–	7.7
Other receivables	31.5	–	–	–	31.5
Tax receivable	–	–	–	0.9	0.9
Cash at bank	75.1	–	–	–	75.1
Total assets	**114.3**	**2,024.1**	**27.2**	**44.3**	**2,209.9**

	Group As at 31 March 2011				
Financial assets	Loans & receivables £ million	FVPL (initial recognition) £ million	FVPL (held for trading) £ million	Other assets £ million	Total £ million
Investments held at fair value	–	2,139.7	–	–	2,139.7
Investment property	–	–	–	35.5	35.5
Property, plant and equipment	–	–	–	0.4	0.4
Derivative financial instruments	–	–	23.8	–	23.8
Retirement benefit asset	–	–	–	0.5	0.5
Deferred tax asset	–	–	–	3.1	3.1
Sales for future settlement	11.3	–	–	–	11.3
Other receivables	7.6	–	–	–	7.6
Tax receivable	–	–	–	2.8	2.8
Cash at bank	65.6	–	–	–	65.6
Total assets	**84.5**	**2,139.7**	**23.8**	**42.3**	**2,290.3**

Notes to the Financial Statements

28. Financial Instruments (continued)

Financial assets	Company As at 31 March 2012 Loans & receivables £ million	FVPL (initial recognition) £ million	Other assets £ million	Total £ million
Investments held at fair value	–	2,009.5	–	2,009.5
Investment property	–	–	40.4	40.4
Investment in subsidiary undertakings	–	–	134.5	134.5
Derivative financial instruments	–	14.9	–	14.9
Deferred tax asset	–	–	0.9	0.9
Amounts owed by group undertakings	–	–	–	–
Sales for future settlement	7.7	–	–	7.7
Other receivables	16.9	–	–	16.9
Tax receivable	–	–	0.8	0.8
Cash at bank	70.6	–	–	70.6
Total assets	**95.2**	**2,024.4**	**176.6**	**2,296.2**

Financial assets	Company As at 31 March 2011 Loans & receivables £ million	FVPL (initial recognition) £ million	Other assets £ million	Total £ million
Investments held at fair value	–	2,117.2	–	2,117.2
Investment property	–	–	35.5	35.5
Investment in subsidiary undertakings	–	–	142.9	142.9
Derivative financial instruments	–	11.2	–	11.2
Deferred tax asset	–	–	2.9	2.9
Amounts owed by group undertakings	–	–	–	–
Sales for future settlement	11.3	–	–	11.3
Other receivables	6.7	–	–	6.7
Tax receivable	–	–	0.7	0.7
Cash at bank	46.8	–	–	46.8
Total assets	**64.8**	**2,128.4**	**182.0**	**2,375.2**

Financial liabilities	Group As at 31 March 2012 Amortised cost £ million	FVPL (initial recognition) £ million	Other liabilities £ million	Total £ million
Bank loans and overdrafts due within one year	250.1	–	–	250.1
Purchases for future settlement	8.1	–	–	8.1
Tax payable	–	–	0.1	0.1
Other payables	4.8	–	–	4.8
Provisions	–	–	6.5	6.5
Derivative financial instruments	–	18.5	–	18.5
Retirement benefit liability	–	–	1.3	1.3
Finance lease liability	–	–	0.5	0.5
Total liabilities	**263.0**	**18.5**	**8.4**	**289.9**

Financial liabilities	Group As at 31 March 2011 Amortised cost £ million	FVPL (initial recognition) £ million	Other liabilities £ million	Total £ million
Bank loans and overdrafts due within one year	249.0	–	–	249.0
Purchases for future settlement	10.6	–	–	10.6
Tax payable	–	–	–	–
Other payables	7.2	–	–	7.2
Provisions	–	–	12.1	12.1
Derivative financial instruments	–	26.9	–	26.9
Finance lease liability	–	–	0.5	0.5
Total liabilities	**266.8**	**26.9**	**12.6**	**306.3**

28. Financial Instruments (continued)

Financial liabilities	Company As at 31 March 2012 Amortised cost £ million	FVPL (initial recognition) £ million	Other liabilities £ million	Total £ million
Bank loans and overdrafts due within one year	250.1	–	–	250.1
Purchases for future settlement	8.1	–	–	8.1
Other payables	2.9	–	–	2.9
Amounts owed to group undertakings	176.2	–	–	176.2
Provisions	–	–	6.5	6.5
Derivative financial instruments	–	7.6	–	7.6
Finance lease liability	–	–	0.5	0.5
Total liabilities	**437.3**	**7.6**	**7.0**	**451.9**

Financial liabilities	Company As at 31 March 2011 Amortised cost £ million	FVPL (initial recognition) £ million	Other liabilities £ million	Total £ million
Bank loans and overdrafts due within one year	249.0	–	–	249.0
Purchases for future settlement	10.6	–	–	10.6
Other payables	2.7	–	–	2.7
Amounts owed to group undertakings	205.2	–	–	205.2
Provisions	–	–	11.9	11.9
Derivative financial instruments	–	4.2	–	4.2
Finance lease liability	–	–	0.5	0.5
Total liabilities	**467.5**	**4.2**	**12.4**	**484.1**

The Group's policy for determining the fair value of investments (including unquoted investments) is set out on pages 46 and 47.

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

The fair value of the loans was estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. As at 31 March 2012 this amounted to £250.1 million (31 March 2011: £249.0 million).

No financial assets or liabilities were reclassified during 2012 or 2011 by the Group or the Company.

28.2 Financial risk management

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

	31 March 2012 £ million	31 March 2011 £ million
Exposure to price risk	**1,959.4**	**1,920.6**

28. Financial Instruments (continued)

As at the year-end, the Group's exposure to listed equities (after adjusting for index futures) and unquoted investments represented 102.1% of net assets (31 March 2011: 96.8%).

Price risk sensitivity analysis

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

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

	31 March 2012 Impact on IS & net assets £ million	31 March 2011 Impact on IS & net assets £ million
Total	**195.9**	**192.1**

c. Interest rate risk

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

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

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

Management of interest rate risk

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

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

Exposure to interest rate risk

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

	31 March 2012			31 March 2011		
	Floating Rate £ million	Fixed Rate £ million	Total £ million	Floating Rate £ million	Fixed Rate £ million	Total £ million
Portfolio investments (debt securities)[1]	27.9	97.9	125.8	33.6	248.2	281.8
Derivative financial instruments	–	(4.6)	(4.6)	–	(1.4)	(1.4)
Cash	75.1	–	75.1	65.6	–	65.6
Bank loans and overdrafts due within one year	–	(250.1)	(250.1)	–	(249.0)	(249.0)
Total Exposure	**103.0**	**(156.8)**	**(53.8)**	**99.2**	**(2.2)**	**97.0**

[1]The Group also holds £135.0 million (2011: £19.9 million) in credit funds, which hold assets subject to fair value impact due to interest rate changes. These provide indirect exposure to interest rate risk.

Notes to the Financial Statements

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

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

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

The Group has total borrowings of £250.1 million outstanding at the year-end (31 March 2011: £249.0 million). The credit facility comprising this total incurs fixed interest payments (through the operation of interest rate swaps). Further details are provided in note 18.

Interest rate risk sensitivity analysis

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

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

The Group has direct exposure to the effect of interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Group invests, and the impact on valuations that use interest rates as an input, such as valuation models for unquoted investments. Therefore, the sensitivity analysis may not reflect the full effect on the Group's net assets.

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

	31 March 2012 Impact on IS & net assets £ million	31 March 2011 Impact on IS & net assets £ million
Total	**2.1**	**2.0**

d. Currency risk

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

Management of currency risk

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

Part of the Company's currency exposure in respect of its US dollar investments is also hedged by way of the Company's borrowings denominated in this currency.

Notes to the Financial Statements

28. Financial Instruments (continued)

Exposure to currency risk

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

	Group 31 March 2012		
Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US dollar	1,188.8	(175.6)	1,013.2
Sterling	441.5	(153.6)	287.9
Singapore dollar	7.3	242.1	249.4
Canadian dollar	36.6	171.7	208.3
Mexican peso	13.8	94.0	107.8
Norwegian krone	2.3	62.5	64.8
Swiss franc	24.1	–	24.1
Korean won	15.6	–	15.6
Australian dollar	10.8	0.2	11.0
Chinese renminbi	–	–	–
Japanese yen	71.1	(63.3)	7.8
Euro	72.3	(171.3)	(99.0)
Other	33.6	(4.5)	29.1
Total	**1,917.8**	**2.2**	**1,920.0**

	Group 31 March 2011		
Currency	Net assets excluding currency forwards £ million	Currency forwards £ million	Net exposure £ million
US dollar	844.7	(175.0)	669.7
Sterling	416.7	(41.3)	375.4
Singapore dollar	2.2	184.6	186.8
Canadian dollar	190.2	–	190.2
Mexican peso	–	–	–
Norwegian krone	62.0	45.1	107.1
Swiss franc	31.1	(10.2)	20.9
Korean won	0.6	72.4	73.0
Australian dollar	106.6	–	106.6
Chinese renminbi	–	125.0	125.0
Japanese yen	94.4	(66.2)	28.2
Euro	160.5	(144.9)	15.6
Other	85.0	0.5	85.5
Total	**1,994.0**	**(10.0)**	**1,984.0**

Notes to the Financial Statements

Currency	Net assets excluding currency forwards £ million	Company 31 March 2012 Currency forwards £ million	Net exposure £ million
US dollar	1,163.9	9.7	1,173.6
Sterling	393.5	57.0	450.5
Canadian dollar	36.2	–	36.2
Euro	71.7	(15.4)	56.3
Danish krone	11.0	–	11.0
Australian dollar	10.8	(1.3)	9.5
Brazilian real	11.8	(4.6)	7.2
Hong Kong dollar	6.1	–	6.1
Japanese yen	71.1	(44.0)	27.1
Other	66.7	0.1	66.8
Total	**1,842.8**	**1.5**	**1,844.3**

Currency	Net assets excluding currency forwards £ million	Company 31 March 2011 Currency forwards £ million	Net exposure £ million
US dollar	821.3	1.0	822.3
Sterling	338.3	62.1	400.4
Canadian dollar	190.0	–	190.0
Euro	160.5	(8.2)	152.3
Danish krone	2.0	–	2.0
Australian dollar	106.6	–	106.6
Brazilian real	43.4	0.6	44.0
Hong Kong dollar	30.6	–	30.6
Japanese yen	94.3	(45.6)	48.7
Other	104.5	(10.3)	94.2
Total	**1,891.5**	**(0.4)**	**1,891.1**

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

Currency Risk Sensitivity Analysis

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

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

28. Financial Instruments (continued)

Currency	31 March 2012 Impact on IS & Net Assets £ million	31 March 2011 Impact on IS & Net Assets £ million
US dollar	(92.1)	(60.9)
Singapore dollar	(22.7)	(17.0)
Canadian dollar	(18.9)	(17.3)
Mexican peso	(9.8)	–
Norwegian krone	(5.9)	(9.7)
Swiss franc	(2.2)	(1.9)
Korean won	(1.4)	(6.6)
Australian dollar	(1.0)	(9.7)
Chinese renminbi (yuan)	–	(11.4)
Japanese yen	(0.7)	(2.6)
Euro	9.0	(1.4)
Brazilian real	–	(4.0)
Other	(2.6)	(3.8)
Total	**(148.3)**	**(146.3)**

e. Credit risk

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

Management of credit risk

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

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

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

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

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Credit quality of financial assets

The credit quality of certain financial assets that are neither past due nor impaired where the risk of loss is primarily that a counterparty fails to meet an obligation, can be assessed by reference to external credit ratings (S&P ratings, if available).

	31 March 2012 £ million	31 March 2011 £ million
Portfolio investments (debt securities)		
AAA	41.3	243.9
AA	84.5	–
	125.8	**243.9**
Derivative financial instruments		
A-1	21.0	18.4
A-2	6.2	5.4
	27.2	**23.8**
Other receivables		
A-1	1.0	0.2
A-2	26.9	6.5
Other	3.6	0.9
	31.5	**7.6**
Sales for future settlement		
A-1	6.7	11.3
A-2	0.2	–
Other*	0.8	–
	7.7	**11.3**
Cash at bank		
A-1	75.1	65.6
	75.1	**65.6**
Maximum exposure to credit risk	267.3	352.2

* Short term credit ratings not available. No defaults noted as trading counterparties.

Substantially all of the listed portfolio investments are held by Bank of New York Mellon as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed; however, the custodian's local long-term rating from S&P was AA- in the most recent rating prior to 31 March 2012.

f. Liquidity risk

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

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

Management of liquidity risk

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

28. Financial Instruments (continued)

Exposure to liquidity risk

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

The Group has a credit facility totalling £250.1 million (details of which are disclosed in Note 18).

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

	31 March 2012				31 March 2011			
	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million	3 months or less £ million	3-12 months £ million	>1 year £ million	Total £ million
Current liabilities:								
Bank loan/overdraft	250.1	–	–	250.1	249.0	–	–	249.0
Derivatives	13.8	–	–	13.8	25.9	–	–	25.9
Other liabilities	12.9	–	–	12.9	17.8	–	–	17.8
Non-current liabilities:								
Derivatives	–	–	4.7	4.7	–	–	1.0	1.0
Total	**276.8**	**–**	**4.7**	**281.5**	**292.7**	**–**	**1.0**	**293.7**
Commitments	137.7	–	–	137.7	145.8	–	–	145.8
Total	**414.5**	**–**	**4.7**	**419.2**	**438.5**	**–**	**1.0**	**439.5**

28.3 Collateral

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

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

	31 March 2012 £ million	31 March 2011 £ million
Cash collateral provided by RIT in relation to derivative contracts	**26.6**	**22.9**

28.4 Derivative financial instruments

The Group typically uses the following types of derivative instruments in the portfolio:

- Futures and forward contracts relating to foreign currencies, market indices and bonds
- Options relating to foreign currencies, market indices, equities and interest rates
- Swaps relating to interest rates, credit spreads and equity indices

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

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

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

	Group			
As at 31 March 2012	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Bond futures	44.7	0.3	–	0.3
Contract for difference	1.9	0.6	(1.1)	(0.5)
Credit default swaps	81.3	1.1	(0.1)	1.0
Currency options	2.8	2.8	–	2.8
Forward currency contracts	1,619.4	10.1	(10.8)	(0.7)
Index futures	49.6	2.7	(1.8)	0.9
Equity index options	9.4	9.4	–	9.4
Equity index swaps	–	–	–	–
Interest rate swaps	577.8	0.2	(4.7)	(4.5)
Total		**27.2**	**(18.5)**	**8.7**

	Group			
As at 31 March 2011	Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Bond futures	251.4	0.3	(0.9)	(0.6)
Contract for difference	–	–	–	–
Credit default swaps	99.6	1.0	(0.1)	0.9
Currency options	–	–	–	–
Forward currency contracts	1,116.8	12.8	(22.7)	(9.9)
Index futures	28.2	6.0	(2.3)	3.7
Equity index option	–	–	–	–
Equity index swaps	30.2	2.4	–	2.4
Interest rate swaps	575.2	1.3	(0.9)	0.4
Total		**23.8**	**(26.9)**	**(3.1)**

28. Financial Instruments (continued)

As at 31 March 2012	Company Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Contract for difference	1.9	0.6	(1.1)	(0.5)
Credit default swaps	50.0	0.5	–	0.5
Forward currency contracts	131.9	1.6	(0.1)	1.5
Index futures	49.6	2.7	(1.8)	0.9
Equity index options	9.4	9.4	–	9.4
Equity index swaps	–	–	–	–
Interest rate swaps	577.8	0.1	(4.6)	(4.5)
Total		**14.9**	**(7.6)**	**7.3**

As at 31 March 2011	Company Notional amount £ million	Assets (positive fair value) £ million	Liabilities (negative fair value) £ million	Total fair value £ million
Contract for difference	–	–	–	–
Credit default swaps	99.6	1.0	(0.1)	0.9
Forward currency contracts	137.2	0.5	(0.9)	(0.4)
Index futures	28.2	6.0	(2.3)	3.7
Equity index options	–	–	–	–
Equity index swaps	30.2	2.4	–	2.4
Interest rate swaps	575.2	1.3	(0.9)	0.4
Total		**11.2**	**(4.2)**	**7.0**

28.5 IFRS 7 classification

IFRS 7 requires the Group to classify its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. These are as follows:

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

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

The Directors consider all unquoted direct investments and unquoted funds (as described on page 9 of the Investment Director's Review) as level 3 assets, as the valuations of these assets are not based on observable market data. Where funds within the absolute return & credit and real asset categories invest into illiquid stocks, these are also considered by the Group to be level 3 assets.

Notes to the Financial Statements

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities at 31 March 2012:

As at 31 March 2012	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total FVPL £ million
Investments held at fair value	781.4	544.7	698.0	2,024.1
Derivative financial instruments	–	27.2	–	27.2
Financial assets at fair value through profit and loss	**781.4**	**571.9**	**698.0**	**2,051.3**
Derivative financial instruments	–	(18.5)	–	(18.5)
Financial liabilities at fair value through profit and loss	**–**	**(18.5)**	**–**	**(18.5)**
Net financial assets at fair value through profit and loss	**781.4**	**553.4**	**698.0**	**2,032.8**
Net other liabilities				(112.8)
Net asset value				**1,920.0**

Movements in level 3 assets

Year ended 31 March 2012	Opening balance £ million	Purchases £ million	Sales £ million	Gains through profit & loss during the year £ million	Reclassifi-cations £ million	Closing balance £ million
Investments held at fair value:						
Quoted Equity	66.3	2.3	(42.0)	(11.0)	(13.6)	2.0
Unquoted Equity	526.8	239.1	(243.4)	38.9	–	561.4
Absolute Return & Credit	20.0	119.6	(8.5)	3.5	–	134.6
	613.1	**361.0**	**(293.9)**	**31.4**	**(13.6)**	**698.0**

Note: This reflects the updated asset classification of the Group's assets, with £144 million of assets moved from 'Real Assets' to quoted and unquoted equities reflected in the opening balance. During the year the Group transferred a fund holding, included in Quoted Equity, from level 3 to level 2, due to the greater availability of observable pricing inputs.

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities at 31 March 2011:

As at 31 March 2011	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total FVPL £ million
Investments held at fair value	1,032.1	494.5	613.1	2,139.7
Derivative financial instruments	–	23.8	–	23.8
Financial assets at fair value through profit and loss	**1,032.1**	**518.3**	**613.1**	**2,163.5**
Derivative financial instruments	–	(26.9)	–	(26.9)
Financial liabilities at fair value through profit and loss	**–**	**(26.9)**	**–**	**(26.9)**
Net financial assets at fair value through profit and loss	**1,032.1**	**491.4**	**613.1**	**2,136.6**
Net other liabilities				(152.6)
Net asset value				**1,984.0**

Notes to the Financial Statements

28. Financial Instruments (continued)

Movements in level 3 assets

Year ended 31 March 2011	Opening balance £ million	Purchases £ million	Sales £ million	Gains through profit & loss during the year £ million	Reclassifi-cations £ million	Closing balance £ million
Investments held at fair value:						
Unquoted investments	376.8	120.6	(109.0)	60.7	–	449.1
Absolute return	21.2	8.3	(14.4)	4.9	–	20.0
Real assets	107.0	54.7	(28.6)	10.9	–	144.0
	505.0	183.6	(152.0)	76.5	–	613.1

28.6 Capital management

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

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

The Company is subject to externally imposed capital requirements:

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

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

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

The Group's capital at 31 March comprises:

	31 March 2012 £ million	31 March 2011 £ million
Equity share capital	153.9	153.9
Retained earnings and other reserves	1,766.1	1,830.1
Net asset value	1,920.0	1,984.0
Bank loans	250.1	249.0
Total capital	2,170.1	2,233.0
Debt as a percentage total capital	**11.5%**	**11.2%**

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

Notes to the Financial Statements

29. Pension Commitments

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

Under IAS 19, actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur. The retirement benefit asset recognised in the balance sheet represents the fair value of the Scheme's assets as reduced by the present value of the defined benefit obligation. The cost of providing benefits is determined using the projected unit credit method.

It is estimated that the contributions payable to the Scheme during the year ending 31 March 2013, will be £1.1 million (31 March 2012: £0.8 million).

In accordance with the requirements of IAS 19 this note discloses the main financial assumptions made in valuing the liabilities of the defined benefit scheme and the fair value of the assets held. A full actuarial valuation of the scheme was carried out as at 1 January 2011 by a qualified independent actuary, this resulted in an increase of contributions payable of £0.3 million.

The main financial assumptions are shown in the following tables:

	At 31 March 2012	At 31 March 2011
Discount rate	5.15%	5.55%
Rate of increase in salaries	3.00%	3.00%
Rate of increase in payment of pensions accrued before 5 April 1997	4.00%	4.00%
Rate of increase in payment of pensions accrued after 6 April 1997	4.30%	4.25%
Inflation assumption (Retail Price Index)	3.20%	3.50%

The mortality assumptions employed as at 31 March 2012 for active and deferred members are based pre-retirement mortality assumptions of 'AM/FC00'. Post retirement assumptions for active members, deferred members and pensioners are based on the Self-Administered Pension Schemes (SAPS) light series year of birth table and includes allowance for future improvements in life expectancy in line with the Actuarial Profession's Continuous Mortality Investigation (CMI) projections with a long term trend of 1.5% per annum long term trend.

It is assumed that 80% of members are married as at the date of death, (31 March 2011: 70%).

As at 31 March 2012, the expected rate of return on the Scheme's assets was 7.2% per annum (31 March 2011: 8.3% per annum). This rate is equal to the weighted average of the long-term expected rates of return on each of the asset classes in which the Scheme was invested in at 31 March 2012.

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 2012	Value at 31 March 2012 £ million	Long-term rate of return expected at 31 March 2011	Value at 31 March 2011 £ million
Equities	8.00%	9.6	9.00%	11.2
Alternative investments	6.00%	1.6	7.00%	2.8
Corporate bonds	4.00%	1.9	5.00%	1.0
Cash	2.00%	0.1	2.00%	0.2
Fair value of the Scheme's assets		13.2		15.2
Present value of the Scheme's liabilities		(14.5)		(14.7)
Surplus/(deficit) in the Scheme		**(1.3)**		**0.5**

The deficit of the Scheme for the year ended 31 March 2012 was £1.3 million (31 March 2011: surplus £0.5 million).

The Scheme does not invest in the Company's ordinary shares (31 March 2011: nil) or in any property occupied by the Group, or any other assets used by the Group (31 March 2011: nil).

29. Pension Commitments (continued)

The retirement benefit cost comprises the following:

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Defined contribution scheme	0.7	0.7
Defined benefit scheme		
Employer's current service cost	0.2	0.2
Interest on pension liabilities	0.8	0.8
Expected return on Scheme assets	(1.2)	(1.2)
Expense recognised in income statement[1]	0.5	0.5
Actuarial losses/(gains)	2.8	0.5
Expense recognised in statement of comprehensive income	2.8	0.5
Total pension expense	**3.3**	**1.0**

[1] Included in administrative expenses

The actual return on Scheme assets was negative £0.3 million (31 March 2011: positive £1.2 million).

Five year history

	31 March 2012 £ million	31 March 2011 £ million	31 March 2010 £ million	31 March 2009 £ million	31 March 2008 £ million
Fair value of the Scheme's assets	13.2	15.2	13.7	11.0	13.5
Present value of the Scheme's liabilities	(14.5)	(14.7)	(13.7)	(11.5)	(12.1)
Surplus/(deficit) in the Scheme	**(1.3)**	**0.5**	**–**	**(0.5)**	**1.4**

The analysis of experience gains and losses is as follows:

	31 March 2012 £ million	31 March 2011 £ million	31 March 2010 £ million	31 March 2009 £ million	31 March 2008 £ million
Experience gains/(losses) on Scheme liabilities	–	0.2	–	(0.4)	0.1
Experience (losses)/gains on Scheme assets	(1.5)	–	1.7	(3.2)	(2.1)

Reconciliation of the fair value of the Scheme's assets	31 March 2012 £ million	31 March 2011 £ million
Opening fair value of the Scheme's assets	15.2	13.7
Expected return on Scheme assets	1.2	1.2
Actuarial gains/(losses)	(1.5)	–
Employer's contributions	0.8	0.7
Benefits paid and other disbursements	(2.5)	(0.4)
Closing fair value of the Scheme's assets	**13.2**	**15.2**

Notes to the Financial Statements

Reconciliation of the present value of the defined benefit obligation	31 March 2012 £ million	31 March 2011 £ million
Opening defined benefit obligation	14.7	13.7
Employer's current service cost	0.2	0.2
Interest on pension liabilities	0.8	0.8
Experience (gains)/losses arising on Scheme liabilities	–	(0.2)
Changes in assumptions underlying the Scheme liabilities	1.2	0.6
Disbursements and past service benefits	(2.4)	(0.4)
Closing defined benefit obligation	**14.5**	**14.7**

30. Related Party Transactions

In the normal course of its business, the Group has entered into a number of transactions with parties. All arrangements with related parties are monitored by the Conflicts Committee, which is comprised of independent non-executive Directors.

Transactions with parties related to Lord Rothschild

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

- four companies governed by charitable trusts over which Lord Rothschild has significant influence but no beneficial interest; and
- two companies where Lord Rothschild has significant influence and no beneficial interest and a third where he has significant influence and a beneficial interest.

The Group has cost-sharing arrangements with these related parties covering the provision and receipt of administrative as well as investment advisory and support services. Under these arrangements the Group paid £173,382 (2011: £102,355) and received £845,946 (2011: £922,205).

Certain related parties occupy office space in St James's Place, which is owned or leased by the Group. The rent, rates and services charged by the Group for the year ended 31 March 2012 amounted to £173,504 (2011: £85,754).

During the year, the Group contributed £56,920 in respect of rent, rates and services towards the cost of the Chairman's office which is located in a property owned by a related party (2011: £54,261).

Certain activities of the Group are carried out in properties owned by related parties. The Group paid rent of £77,072 in the year ended 31 March 2012 (2011: £43,985).

The balance due by the Group to the parties related to Lord Rothschild at 31 March 2012 was £nil (2011: £nil), and the balance due to the Group was £nil (2011: £nil).

Other

Related parties occupy office space at 27 St. James's Place which is owned by the Group. The rent, rates and services charged by the Group for the year ended 31 March 2012 was £38,192 (31 March 2011 was £38,260). No amounts were outstanding at the year end (31 March 2011: £nil).

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

30. Related Party Transactions (continued)

Group Undertakings

JRCM, a wholly-owned subsidiary of the Company, provides administrative services to the Company and is also its corporate secretary. During the year ended 31 March 2012, the charge for these administrative services amounted to £17.8 million (2011: £17.7 million). During the year Spencer House Limited (also a wholly-owned subsidiary of the Company), earned revenues of £23,274 from JRCM.

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

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

	Amounts owed by Group Undertakings		Amounts owed to Group Undertakings	
	31 March 2012 £ million	31 March 2011 £ million	31 March 2012 £ million	31 March 2011 £ million
RIT Capital Partners Securities Limited	–	–	(119.6)	(112.6)
Atlantic and General Investment Trust Limited	–	–	(20.1)	(44.1)
J Rothschild Capital Management Limited	–	–	(21.8)	(23.3)
RIT Capital Partners Associates Limited	–	–	(8.6)	(19.4)
RIT Capital Partners Media Inc.	–	–	(3.8)	(4.8)
Other	–	–	(2.3)	(1.0)
	–	**–**	**(176.2)**	**(205.2)**

RITCP Pension and Life Assurance Scheme

The Group's pension scheme is deemed to be a related party of the Company pursuant to IAS 24. Details of the pension contributions made during the year are disclosed in Note 29. There were no amounts owing to or by the pension scheme to the Company, or any subsidiary, at 31 March 2012 (2011: £nil).

Directors and key management personnel

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

	Year ended 31 March 2012 £ million	Year ended 31 March 2011 £ million
Salaries	2.3	1.6
Social security costs	0.5	0.5
Bonus	0.5	1.1
Benefits in kind	0.1	0.1
Long-term incentive plan (IFRS 2 basis per Note 19)	0.8	2.0
Pension expense	0.5	0.4
	4.7	**5.7**

In the case of members of the defined benefit pension scheme, the pension cost is represented by the increase in the accrued pension rights during the year. This includes £120,556 in relation to a Director who retired during the year, as disclosed on page 27. For defined contribution members, the cost is equal to the annual amount of the employer's pension contribution.

Conflicts Committee

In addition to the review of ongoing arrangements with Directors and connected parties within the Terms of Reference of the Conflicts Committee, the following matters were considered and approved by the Committee or the RIT Board during the year:

- Dropbox Inc – commitment to co-invest alongside RIT on same terms made by four Directors: Lord Rothschild, Lord Douro, Michael Marks and Bill Winters.
- Bill Winters – appointment as non-independent, non-executive Director reviewed in view of Mr Winters' 49% interest in Renshaw Bay, an asset management and advisory group in which RIT has a 24.99% interest and which establishes funds in which RIT invests.
- Jean Laurent-Bellue – appointment as non-independent, non-executive Director reviewed in view of Mr Laurent-Bellue's position as General Secretary of Edmond de Rothschild Holdings (EdRH) with which RIT announced a strategic partnership in March 2012.
- Rick Sopher – re-designated as a non-independent Director following the announcement of the EdRH strategic partnership due to his employment by an EdRH group entity.

31. Financial Commitments

Financial commitments which have not been provided for are as follows:

	31 March 2012		31 March 2011	
	Group £ million	Company £ million	Group £ million	Company £ million
Commitments to provide additional funds[1]	**137.7**	**137.7**	**145.8**	**145.8**

[1] Principally un-called commitments to unquoted funds.

Independent Auditors' Report to the Members of RIT Capital Partners plc

We have audited the financial statements of RIT Capital Partners plc for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements, the Group Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 92, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the unaudited sections of the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Members of RIT Capital Partners plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 94, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Kelvin Laing-Williams Kelvin Laing-Williams

Kelvin Laing-Williams (Senior Statutory Auditor)
for and on behalf of

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

31 May 2012

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Other Information

31 March 2012

Corporate Governance Report – Additional Disclosures

This second section of the Corporate Governance report also forms part of the Directors' Report and covers the additional disclosures required under the Disclosure and Transparency Rules of the UK Listing Authority and the UK Corporate Governance Code 2010.

The Company has not complied with the following provisions of the UK Corporate Governance Code, as explained below.

A.2.1 – Chairman has executive responsibilities

B.2.3 – Non-executive directors are not appointed for specified terms

B.2.4 – External search consultancies and open advertising are not used in the appointment of non-executive directors

Chairman with Executive Responsibilities

Lord Rothschild is both Chairman of the Board and an Executive Director. The Board recognises that this is at variance with the recommendations of the Code, which are concerned with the potential problems of combining the running of the Board with the executive responsibility for the running of the Company. The Board believes that the current arrangements are appropriate for a self-managed investment trust and are in the best interests of the Company and its shareholders on an ongoing basis. The Company has in place a structure of permanent board committees, described on pages 19 and 20, which are designed to devolve responsibility and control of certain key areas of Board responsibility away from the Chairman. The Audit and Risk Committee, the Conflicts Committee, the Remuneration Committee and the Valuation Committee are comprised entirely of independent non-executive Directors. Whilst the Nominations Committee is chaired by Lord Rothschild, independent non-executive Directors represent a majority of its members. The Board is therefore of the view that the Company is not at risk from a concentration of power caused by the Chairman having executive responsibilities and believes that Lord Rothschild is well qualified for both roles.

As Chairman, Lord Rothschild is responsible for the leadership of the Board and its effectiveness in dealing with the matters reserved for its decision with adequate time for discussion. This includes ensuring a culture of openness and debate and that Directors are properly briefed on issues arising at Board meetings. He is also responsible for ensuring effective communication with shareholders, making Directors aware of any concerns raised by shareholders and for facilitating the full and effective contribution of the non-executive Directors.

Board Balance And Independence

The Board is comprised of eleven Directors of whom two are executive, three are non-independent and non-executive and six are non-executive and independent. This balance is intended to limit the scope for an individual, or a small group of individuals, to dominate the Board's decision-making. More than half of the Board, excluding the Chairman, therefore comprise non-executive Directors determined by the Board to be independent.

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

Appointments To The Board

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

Non-executive Directors are not appointed for specified terms. As all Directors stand for re-election annually, neither the Nominations Committee nor the Board consider that such contractual limitations would be in the best interests of the Company.

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

Corporate Governance Report – Additional Disclosures

Information and Professional Development

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

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

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

Performance Evaluation

The Code requires the Company to report on the means by which performance evaluation of the Board, its committees and its individual Directors has been conducted. In the year to 31 March 2012, a questionnaire was completed by the Directors covering the processes, efficiency and composition of each of the Board, its committees and the Directors. The summarised responses were evaluated and considered by the Board and separately by the non-executive Directors in a meeting without any Executive Directors being present. Under the Code, the evaluation of the boards of FTSE 350 companies is required to be externally facilitated at least every three years.

Re-Election of Directors

The UK Corporate Governance Code incorporates a requirement that all directors of FTSE 350 companies should be put forward for re-election every year. All Directors of the Company stood for election or re-election at the Company's 2011 Annual General Meeting and this will be repeated at the 2012 Annual General Meeting. The Notice of Annual General Meeting is enclosed on pages 95 to 98, and the summary of AGM business is contained in the Explanatory Notes on pages 99 to 101.

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

Relations With Shareholders

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

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

Corporate Governance Report – Additional Disclosures

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

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

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

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

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

Principal Risks and their Management
The principal risks facing RIT incorporate both financial risks and operational risks. The ongoing process for identifying, evaluating and managing these risks is the responsibility of the Board and the Audit and Risk Committee in conjunction with the relevant executives.

As an investment company, RIT is exposed to financial risks inherent in its portfolio which are primarily market-related and common to any portfolio predominantly invested in equities. These financial risks include market risk (price risk, interest rate risk and currency risk), credit risk and liquidity risk. Details of the overall approach to portfolio risk management, the specific categories of financial risks and their management are set out in the Investment Director's Review on page 10 and in note 28 on pages 65 to 80.

In relation to the financial risk management, detailed portfolio valuations are prepared each week which form the basis for the ongoing risk control decisions regarding asset allocation and exposure to market risk, credit risk and liquidity risk. On a regular basis, detailed scenario modelling is undertaken to assess likely downside risks as well as assessing the underlying correlations amongst the separate asset classes.

In addition, the Board is responsible for monitoring the Company's strategy to ensure it is appropriate to meet the Company's Corporate Objective by following the Company's Investment Policy.

Operational risks include those related to legal, regulatory, taxation and other areas where internal or external factors could result in financial or reputational loss.

The Audit and Risk Committee, working with the Chief Risk Officer, is responsible for ensuring that an appropriate system of risk management and internal controls is in place. This is described in more detail on page 19. As part of this approach, an internal audit of selected areas is undertaken on an annual basis by the Compliance Officer. Where required improvements are identified, timetables are agreed for implementing these and progress is monitored against these timetables. Further information is set out below on page 93.

Corporate Governance Report – Additional Disclosures

Internal Control

The Board of Directors is responsible for the Group's system of internal control although it has delegated the supervision of the system to the Audit and Risk Committee. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, can provide only reasonable and not absolute assurance against any material misstatement or loss. The Board has delegated to executive management the implementation of the system of internal control within an established framework applicable throughout the Group. The system of internal control is reviewed at least annually. The Board considers that the necessary procedures have been implemented to satisfy the requirements of the Financial Services Authority with respect to the Turnbull guidance 'Internal Control: Guidance for Directors on the Combined Code' issued in September 1999 and revised in 2005.

As part of the review of the control environment, an internal audit of selected area is undertaken. This is performed on an annual basis and follows a rolling program targeting key areas. The precise scope and depth of the remit will continue to be reviewed and, as appropriate, expanded. Clear and direct reporting lines between the Compliance Officer who has the responsibility for this area and the Chairman of the Audit and Risk Committee and Senior Independent Director have been established to maximise the independence of the Compliance Officer from executive management.

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

The Board has reviewed the effectiveness of the key systems of internal control in operation during the financial period and up to the date of this report through the monitoring processes set out below.

During the course of its review of the system of internal controls, the Audit and Risk Committee has not identified or been appraised of any failings or weaknesses which it has determined to be significant.

Control Environment

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

Social, Environmental and Ethical (SEE) Responsibility

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

Financial Reporting and Control Procedures

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

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

Corporate Governance Report – Additional Disclosures

Statement on Going Concern

The Directors have assessed the ability of the Company and the Group to continue as a going concern with reference to guidance issued by the Financial Reporting Council in October 2009. The Company and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 4. Further details of the financial position of the Company and the Group can be found in the Investment Director's Review and the Investment Portfolio on pages 5 to 12. In addition, note 28 to the financial statements includes details of the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As at the year-end the Group had cash at bank of £75.1 million, money market funds of £5.0 million and government bonds of £84.5 million. In addition to these liquidity balances the Group held quoted equities of £1,223.6 million. The Group's borrowings totalled £250.1 million under a facility that expires in December 2013.

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

Annual General Meeting

Notice is hereby given that the Annual General Meeting of RIT Capital Partners plc will be held at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED on Thursday 26 July 2012 at 11:00 a.m. The meeting will be held for the following purposes:

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

1. To approve the Directors' Report and Accounts for the year ended 31 March 2012;
2. To approve the Directors' Remuneration Report for the year ended 31 March 2012;
3. To declare a final dividend of 8 pence per ordinary share;
4. To re-elect Lord Rothschild as a Director;
5. To re-elect Mikael Breuer-Weil as a Director;
6. To re-elect John Cornish as a Director;
7. To re-elect Lord Douro as a Director;
8. To elect Jean Laurent-Bellue as a Director;
9. To re-elect James Leigh-Pemberton as a Director;
10. To re-elect Michael Marks as a Director;
11. To re-elect Lord Myners as a Director;
12. To re-elect Sandra Robertson as a Director;
13. To re-elect Rick Sopher as a Director;
14. To elect Bill Winters as a Director;
15. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company; and
16. To authorise the Directors to fix the remuneration of the auditors.

Special Business
To consider and, if thought fit, pass the following resolution, which will be proposed as an Ordinary Resolution:

17. THAT the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares:

    (i) up to a nominal amount of £51,288,687;

    (ii) comprising equity securities (as defined in Section 560(1) of the 2006 Act) up to a further nominal amount of £51,288,687 in connection with an offer by way of a rights issue;

    such authorities to apply in substitution for all previous authorities pursuant to Section 551 of the 2006 Act and to expire on whichever is the earlier of the Company's Annual General Meeting in 2013 and 30 September 2013, but so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

Annual General Meeting

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

(a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(b) people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

to subscribe further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases, to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

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

18. THAT subject to the passing of Resolution 17 above:

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

(a) pursuant to the authority given by paragraph (i) of Resolution 17 above or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the 2006 Act in each case:

I. in connection with a pre-emptive offer; and

II. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £7,693,303; and

(b) pursuant to the authority given by paragraph (ii) of Resolution 17 above in connection with a rights issue,

as if Section 561(1) of the 2006 Act did not apply to any such allotment; such power to expire at the Company's Annual General Meeting in 2013 or on 30 September 2013, whichever is the earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends.

For the purposes of this Resolution:

(a) "**rights issue**" has the same meaning as in Resolution 17 above;

(b) "**pre-emptive offer**" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders (other than the Company) on the register on a record date fixed by the Directors of ordinary shares in proportion to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory;

(c) references to an allotment of equity securities shall include a sale of treasury shares; and

(d) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

19. THAT the Company be authorised for the purpose of Section 701 of the 2006 Act to make market purchases (as defined in Section 693 of the 2006 Act) up to an aggregate of 23,064,523 ordinary shares of £1 each of the Company (or such a number of ordinary shares as represents 14.99 per cent of the

Annual General Meeting

Company's issued capital at the date of the meeting, whichever is less) at a price (exclusive of expenses) which is:

(a) not less than £1 per share;

(b) not more than an amount equal to the higher of: (a) 5 per cent above the arithmetical average of the middle-market quotations (as derived from the Daily Official List of the London Stock Exchange) for the five business days preceding any such purchase; or (b) the higher of the price of the last independent trade and the highest current bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No. 2273/2003).

AND THAT the authority conferred by this Resolution shall expire at the Company's Annual General Meeting in 2013 or on 30 September 2013, whichever is the earlier (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

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

21. THAT the Articles of Association of the Company be hereby amended by deleting Article 118 and replacing it with a new Article 118 which shall read as follows: "No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes".

By order of the Board
J Rothschild Capital Management Limited
Company Secretary

Registered office:
27 St James's Place
London SW1A 1NR
31 May 2012

Notes

1. A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend, speak and vote at the Annual General Meeting instead of him. A proxy need not be a member of the Company, but must attend the meeting for the members' vote to be counted. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
2. A Form of Proxy is enclosed. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0870 703 6307 or you may photocopy the original form. All forms must be signed and should be returned together in the same envelope.
3. To be effective the instrument appointing a proxy must either be (a) sent to the Company's registrars – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, (b) lodged using the CREST Proxy Voting Service explained in Note 7 below, or (c) lodged electronically through the Company's website – www.ritcap.com. All proxies, however lodged, must be received not less than 48 hours before the time for holding the meeting or adjourned meeting.

   Please note that any power of attorney or other authority under which the instrument is executed (or a duly certified copy of any such power or authority), must accompany the physical instrument appointing a proxy, as these documents cannot be lodged electronically.
4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("**nominated persons**"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
5. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 31 May 2012, which is the latest practicable date before the publication of this document is 153,866,062, carrying one vote each on a poll.

Annual General Meeting

6. Entitlement to attend and vote at the meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members on 24 July 2012 at 6:00 p.m. or, if the meeting is adjourned, no later than 6:00 p.m. on the date two days prior to the date of the adjourned meeting.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting services provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in the Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
11. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
12. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.ritcap.com.
14. Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 27 St James's Place, London SW1A 1NR up to the conclusion of the Annual General Meeting and at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED from 15 minutes before the Annual General Meeting until it ends:
    - the Executive Directors' service contracts; and
    - the letters of appointment of the non-executive Directors.
15. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 14 June 2012, being the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanatory Notes

RESOLUTION 1 – REPORT AND ACCOUNTS
The Directors of the Company are required by company law to present the Annual Report and Accounts, the Directors' Report and the Report of the Independent Auditors on the accounts to the meeting.

RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT
Approval of the Directors' Remuneration Report is sought under Resolution 2. The Report is set out on pages 21 to 27 of the Annual Report and Accounts.

RESOLUTION 3 – FINAL DIVIDEND
Members' approval for the payment of a final dividend of 8 pence per ordinary share is sought under Resolution 3.

In addition the Company intends to pay an interim dividend of 20 pence per ordinary share at the same time as the final dividend above, making a total distribution of 28 pence per ordinary share. However, the Directors' declaration of the interim dividend is conditional upon the passing of Resolution 21 (Amendment to the Articles of Association), as this would be a distribution of capital profits, and the Directors confirming such interim dividend is payable at the AGM.

The existing Articles of Association contain a restriction on the distribution of capital profits as such a restriction was formerly a requirement for the Company to be approved as an investment trust and enjoy certain tax benefits. As described in the notes to Resolution 21 below, following a change in tax legislation investment companies are now able to distribute capital profits without adverse tax consequences and so, before a distribution of capital profits can be made by the Company, it is necessary to pass Resolution 21 and amend the Articles of Association.

RESOLUTIONS 4 TO 14 – ELECTION AND RE-ELECTION OF DIRECTORS
The UK Corporate Governance Code stipulates that all directors of FTSE 350 companies should stand for re-election annually. Accordingly, all directors of the Company are standing for election or re-election at the Annual General Meeting.

Non-executive Directors of the Company are chosen on the basis of their background and experience and for the contribution that they can make both generally and in specific areas relevant to the business of the Company. The Board confirms that these criteria were considered in respect of the two Directors appointed during the year and who are standing for election at the Annual General Meeting, in addition to the role of each such Director in relation to the strategic partnerships with which each Director is associated.

Following the performance evaluation of the Board, it is confirmed that the performance of each Director standing for re-election continues to be satisfactory and effective and that each continues to demonstrate commitment in the role.

Biographical information on all the Directors, including those standing for election or re-election, is shown on pages 14 to 16 of the Annual Report and Accounts.

RESOLUTION 15 – REAPPOINTMENT OF AUDITORS
Company law requires all companies, at each general meeting at which accounts are laid, to appoint auditors who will remain in office until the next general meeting at which accounts are laid. The Board, having accepted the recommendation of the Audit and Risk Committee, propose that PricewaterhouseCoopers LLP be reappointed as the Company's auditors.

RESOLUTION 16 – REMUNERATION OF AUDITORS
This resolution authorises the Directors to fix the remuneration of PricewaterhouseCoopers LLP as the Company's auditors and is proposed separately from the resolution for the reappointment of auditors in accordance with best practice guidelines.

Explanatory Notes

RESOLUTION 17 – RENEWAL OF DIRECTORS' AUTHORITY TO ALLOT SHARES

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

The authority in paragraph (i) of Resolution 17 will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal value of £51,288,687, which is equivalent to approximately 33% of the total issued ordinary share capital of the Company as at 31 May 2012.

The authority in paragraph (ii) in Resolution 17 will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares only in connection with a rights issue up to a further nominal value of £51,288,687, which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, as at 31 May 2012. This is in line with corporate governance guidelines.

There are no present plans to undertake a rights issue or to allot new shares other than shares to be allotted by the Company in connection with strategic partnerships, including the strategic partnership with the Edmond de Rothschild Group announced on 16 March 2012. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

If the resolution is passed the authority will expire on the earlier of the Company's Annual General Meeting in 2013 or on 30 September 2013.

RESOLUTION 18 – DISAPPLICATION OF PRE-EMPTION RIGHTS

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

Paragraph (a) of Resolution 18 is to authorise the Directors to allot new shares pursuant to the authority given by paragraph (i) of Resolution 17, or sell treasury shares, for cash (I) in connection with a pre-emptive offer or rights issue or (II) otherwise up to a nominal value of £7,693,303, equivalent to five per cent of the total issued ordinary share capital of the Company as at 31 May 2012, in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

Paragraph (b) of Resolution 18 authorises the Directors to allot new shares pursuant to the authority given in paragraph (ii) of Resolution 17, or sell treasury shares, for cash only in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holding. This is in line with corporate governance guidelines. This authority will expire at the end of the Annual General Meeting in 2013, or on 30 September 2013 if earlier.

The Directors consider the authority in Resolution 18 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions. This power remains in line with the guidelines of the Pre-emption Group, which is supported by the Association of British Insurers and National Association of Pension Funds.

The Directors intend to observe the institutional guidelines not to allot shares for cash on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling 3-year period without prior consultation with shareholders.

RESOLUTION 19 – PURCHASE OF OWN SHARES

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

Explanatory Notes

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

The Directors only intend to exercise the authority conferred in this resolution in limited circumstances and will only purchase shares for the purposes of the Group's employee share schemes, and in other circumstances where, after taking account of the overall financial position of the Group, the Directors consider the effect will be to increase the net asset value per share, and that it is in the best interests of shareholders as a whole.

RESOLUTION 20 – NOTICE OF GENERAL MEETINGS

Under the Companies Act 2006, as amended, the notice period required for all general meetings of the Company is 21 days. Annual General Meetings will continue to be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings, which cannot however be less than 14 clear days.

Resolution 20 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility offered by the shorter notice period would be in the best interests of shareholders generally, taking into account the circumstances and business of the meeting, including whether the business is time sensitive.

RESOLUTION 21 – AMENDMENT OF ARTICLES OF ASSOCIATION

It is proposed in this resolution to amend the Articles of Association in order to delete Article 118 of the Company's current Articles of Association and replace it with a new Article 118, taking into account recent changes in tax legislation. No other Articles are proposed to be changed.

Following changes in tax legislation, investment trust companies are now able to distribute capital profits without adverse tax consequences. The proposed amendment to the Articles of Association will enable the Company to distribute such capital profits by removing the prohibition on such distributions from Article 118.

The new Article 118 being proposed is "No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes".

Historical Information and Financial Calendar

Historical Information

	Diluted net assets £ million	Diluted net assets per share p	Closing share price p	Premium/ (discount) %	Earnings per share p	Dividend per share p
2 August 1988	280.5	105.9	81.5	(23.0)	n/a	n/a
31 March 1989	344.4	134.2	114.0	(15.1)	29.3	1.65
31 March 1990	334.0	131.0	97.0	(26.0)	(2.5)	2.64
31 March 1991	318.0	131.7	92.0	(30.1)	0.7	2.44
31 March 1992	305.5	140.7	85.2	(39.4)	6.6	1.15
31 March 1993	385.9	181.1	117.0	(35.4)	40.5	1.15
31 March 1994	468.6	221.6	171.0	(22.8)	41.5	1.51
31 March 1995	450.2	213.4	174.0	(18.5)	(8.1)	1.58
31 March 1996	560.8	283.2	223.0	(21.3)	63.3	1.65
31 March 1997	586.1	303.5	242.5	(20.1)	17.2	1.82
31 March 1998	737.5	384.1	327.0	(14.9)	81.5	2.00
31 March 1999	759.7	398.6	341.0	(14.5)	14.6	2.20
31 March 2000	811.4	509.0	439.0	(13.8)	100.2	3.10
31 March 2001	759.8	484.3	436.5	(9.9)	(28.8)	3.10
31 March 2002	758.3	483.4	424.5	(12.2)	2.2	3.10
31 March 2003	674.7	430.2	371.5	(13.6)	(50.2)	3.10
31 March 2004	981.1	628.2	577.5	(8.1)	195.9	3.10
31 March 2005	1,113.1	712.7	694.0	(2.6)	90.0	3.10
31 March 2006	1,534.7	982.7	1,020.0	3.8	270.3	3.10
31 March 2007	1,635.6	1,047.3	1,000.0	(4.5)	67.0	3.10
31 March 2008	1,690.0	1,091.6	1,147.0	5.1	50.6	4.00
31 March 2009	1,350.5	874.3	831.0	(5.0)	(205.2)	7.50
31 March 2010	1,815.7	1,180.1	1,082.0	(8.3)	306.3	4.00
31 March 2011	1,984.0	1,289.4	1,307.0	1.4	111.7	–
31 March 2012	1,920.0	1,249.3	1,220.0	(2.3)	(35.7)	12.00

Notes:

1. The Company commenced its business as an approved investment trust on 3 August 1988, following the listing of its share capital on the London Stock Exchange.
2. Prior to 31 March 2000, the diluted net assets were arrived at on the assumption that all convertible stock was converted at the balance sheet date. By 31 March 2000, all convertible stock had been converted or redeemed.
3. The earnings per share is the fully diluted earnings per share, based on the profit after tax and the weighted average fully diluted number of ordinary shares in issue during each period. Where the fully diluted earnings per share exceeded the undiluted earnings per share the latter figure has been shown in accordance with standard accounting practice.
4. Dividends per share represent the amounts paid in respect of the relevant financial year.

Financial Calendar

Annual General Meeting	Thursday 26 July 2012 at 11:00 a.m.
Payment of proposed dividend of 28 pence per ordinary share	24 August 2012, to shareholders on the register on 15 June 2012

Advisers

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