

# N M Rothschild & Sons Limited

## Report of the Directors and Consolidated Financial Statements for the year ended 31 March 2004

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# Directors

## Chairman

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Sir Evelyn de Rothschild (*to 31 March 2004*)

David de Rothschild (*from 1 April 2004*)

## Executive Directors

Anthony Alt	Adam Greenbury	Kamal Murari
Richard Bailey	Peter Griggs	Andrew Radkiewicz
Isobel Baxter	Timothy Hancock	Thomas Smyth
Glenn Beatham	Nigel Higgins	Geoffrey Spice
Christopher Blunt	David Holmes	David Street
Anthony Chapman	Peter Johns	Philip Swatman
Christopher Coleman	Charles Keay	Paul Tuckwell
Paul Copsey	Debra Lewis	James Vaux
Graham Curds	Craig MacDougall	Ian Walker
Andrew Didham	Paul Merrick	Jonathan Westcott
Paul Duffy	Rachel Miller	Kenneth White
Martin Fraenkel	Richard Millward	Simon White
Vincent Godier	Ranjit Munro	Philip Yeates

## Non-Executive Directors

Eric de Rothschild	Sir Edward George	Peter Smith
Leopold de Rothschild	Lord Guthrie	Sir Clive Whitmore
Sir John Collins	Sir Graham Hearne	George Wong
	Gerald Rosenfeld	

# Chairman's Statement

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N M Rothschild & Sons Limited achieved reasonable results despite the lack of any significant improvement in general corporate activity levels, which affect our investment banking advisory business. Pre-tax profits for the year were £22.5 million, £3.3 million above last year.

Our banking business had a good year. Our lending activities develop both on- and off-balance sheet, and debt advisory work continues to be a valuable source of revenues. During the year, Real Estate Capital, the property lending vehicle to which we act as loan introducer and servicer, successfully securitised approximately £200 million of commercial property loans. We are looking at other opportunities to use our lending expertise in innovative funding structures.

In investment banking, we continued to maintain a strong market share, as demonstrated by our league table positions, although markets remained somewhat depressed. Our commitment to providing relationship-based objective advice to our clients has stood us in good stead and enabled us to win a number of high profile mandates in a very competitive environment. ABN AMRO Rothschild performed well during the year, also maintaining strong league table positions and acting in a number of headline transactions.

We have made further efforts to reduce our cost base and have achieved savings in a number of areas. We continue to look at ways of improving operational efficiency.

As this will be the last annual report that I will be writing, I thought I would add a few more points. Firstly, the opportunity for change has to be seized upon. When one looks back at where we have come from in the last 30 years, it is very important to realise that there will be many more changes and we have to be more versatile in our thinking to take advantage of the opportunities that are provided.

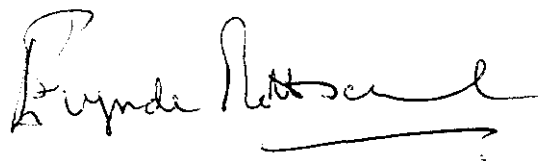
Secondly, it is important that we maintain our ethical standards. Ethics are the bedrock of our reputation and should never be in any way compromised.

Finally it is important to have a vision of the world as a whole and not overlook global opportunities. There is a feeling today that London is our centre but the Group's business is global and we should be more outward-looking in our thinking.

Our staff are key to our success as a firm and I should like to thank them for their hard work and commitment. I should also like to extend my thanks to Peter Birch for his services as a non-executive director over the last six years, and to Malcolm Aish who has retired after seventeen years as a director, first in our Banking division and then as Group Risk Director.

As long as we continue to focus on our strategic objective of providing high-quality, independent advice and banking services to our clients, I am confident that we will continue to succeed. I extend all best wishes for the future to David de Rothschild, my successor as Chairman.

Sir Evelyn de Rothschild  
13 May 2004



# Review of Operations

## Trading Performance

### Profit

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Profit before tax was £22.5 million, £3.3 million above the previous year. Profit after tax of £15.0 million was £1.1 million lower than last year, which had an unusually low tax charge.

### Income

Total operating income was £192.4 million, 6.2 per cent lower than last year. Net interest income reduced by £5.4 million (9.9 per cent), as a result of reduced earnings on our treasury money books and on the investment of capital, and a reduction in N M Rothschild & Sons (CI) Limited's loan portfolio. Net fee and commission income reduced from £140.9 million to £134.7 million, with reduced investment banking fees reflecting the lower levels of general corporate activity during the year. Dealing profits of £5.3 million were £3.0 million below last year; bullion revenues suffered from a continuing lack of producer hedging activity.

### Costs

Administrative expenses (excluding profit share) reduced by £1.0 million, with an increase in pension costs offset by reductions in other expenses. Directors' and employees' profit share of £57.9 million was £12.2 million below last year.

### Balance Sheet

Shareholders' funds increased from £315.2 million to £317.7 million. Balance sheet totals increased from £4,602 million to £4,957 million, partly as a result of the acquisition of Five Arrows Finance Limited on 31 March 2004. The risk asset ratio reduced during the year, but remains well in excess of the minimum level prescribed by the Financial Services Authority.

## Operating Divisions

### Banking

Our Banking activities encompass both lending and advisory businesses. These include project financing, structured finance, asset financing and debt capital markets advice.

Debt capital markets advice is a core part of our business. We act for companies across the full spectrum of debt products and assist them in raising finance from the bank, bond, leasing and securitisation markets. We also provide ratings advice to companies and assistance in restructuring their debts, a particularly active area recently as business conditions have continued to be challenging across Europe.

# Review of Operations

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We arrange and provide senior and mezzanine loan facilities to finance acquisitions, and have specialist teams across sectors as diverse as mining, property and financial services. Our loan portfolio comprises mainly loans to medium/large UK and other continental European companies, but we also conduct private lending through our Channel Islands subsidiary, N M Rothschild & Sons (CI) Limited. Asset financing is provided under the Five Arrows label. We have established a commercial property lending vehicle, Real Estate Capital, which is externally funded and to which we act as loan introducer and servicing agent. We are also progressing the launch of our first CDO and mezzanine funds.

During the year, we advised:

- ☐ Ahold, the Dutch supermarket multinational, on its €4.8 billion financial restructuring;
- ☐ Arsenal Football Club on raising £380 million of debt to support the construction of a new stadium at Ashburton Grove, associated further developments and working capital for the club;
- ☐ Buhrmann, the global office products group, on its €860 million refinancing;
- ☐ Ericsson on a \$1.0 billion forward start facility;
- ☐ TDR, owners of Pizza Express, on the acquisition financing for Ask Pizzas;
- ☐ Debis AirFinance on the restructuring of over \$1.7 billion of debt facilities providing the company with new long term committed finance;
- ☐ the BBC on the financing of the development of Broadcasting House which involved the issue of an £800 million structured sterling bond;
- ☐ BAA on a range of debt and hedging matters including a £400 million sterling bond issue and the refinancing of the debt facilities in NATS;
- ☐ Accor, the French hotels group, on the restructuring of three UK property leasing arrangements;
- ☐ Pierre & Vacances, the European hotel and leisure company, on the sale and leaseback of some of the European Centre Parc properties.

We also arranged:

- ☐ £600 million of funding and a £197 million securitisation for Real Estate Capital;
- ☐ £130 million of funding for Prime Commercial Group to finance four UK shopping centres;
- ☐ £92 million of senior debt facilities for the recapitalisation of Sterna Group, the world's leading manufacturer of kettle controls.

We also purchased ABN AMRO's mezzanine loan portfolio and have subsequently undertaken management of these assets. Through Five Arrows Leasing Group Limited, we also acquired State Securities plc from Abbey National. This acquisition forms part of our strategy to develop a portfolio of specialist finance companies in the UK to complement our other banking activities.

# Review of Operations

## Treasury

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Shortly after the financial year end, we announced our withdrawal from commodities trading, ending our long involvement in the gold market and our recently established oil trading business. This decision was made following a strategic review which concluded that commodities trading was no longer a core area of activity for the bank. Our Banking division will, however, continue to provide loan facilities and other banking services to clients in the natural resources sector.

Revenues from commodities trading were low during the year, reflecting the continuing lack of producer hedging business.

Our Financial Products business, which comprises money market and foreign exchange activities, is unaffected by the withdrawal from commodities trading. This part of our Treasury business, which manages our funding and liquidity and our currency and interest rate exposures, remains a key part of our banking activities. Earnings from the Financial Products business reduced in the year as relatively flat interest rate yield curves reduced opportunities in the market place.

## Investment Banking

The Rothschild group continued to be the most active Investment Bank in Europe during 2003, achieving a No.1 ranking from Thomson Financial for European M&A by number of deals for the second consecutive year. There were outstanding performances in the UK and France, both with a No.1 position, as well as strong No.2 rankings in Germany and Italy. The Rothschild group has once again won the Crossborder Deal of the Year award from Acquisitions Monthly – this year, through advising Pechiney on the €5.7 billion recommended tender offer from Alcan.

Areas where we have focused expansion, such as restructuring, the private placement of debt and equities, and the servicing of financial sponsors, continue to develop. The €4.8 billion restructuring of Ahold highlights the success in this particular area.

Rothschild's continued focus on specific industry sectors, combining our in-depth global knowledge with our understanding of local markets, has enabled the Rothschild group to maintain strong positions in the European sector league tables. 2003 saw Rothschild again dominate two of the most active European industry sectors – utilities and financial institutions – with No.1 rankings.

Our success and leading market position is exemplified by the size and market profile of our long term major clients as well as more recent additions to our expanding client base. Excellence in our chosen markets and the quality and value of our expertise are demonstrated by Rothschild's advice to:

- ☐ Chubb on the £1.2 billion recommended offer from United Technologies;
- ☐ GE Consumer Finance on the £890 million acquisition of First National from Abbey National;
- ☐ Deutsche Telekom on the €2.1 billion disposal of its remaining six cable assets to a consortium of Apax Partners, Goldman Sachs, and Providence Equity Partners;
- ☐ The State of the Netherlands on the €2 billion disposal of a 12 per cent stake in KPN to Citigroup;

# Review of Operations

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- ☐ Guardian Media Group on the £1.1 billion acquisition of the remaining 52 per cent stake in Trader Media Group from BC Partners;
- ☐ SAUR, a subsidiary of Bouygues, on the £426 million disposal of South East Water to Macquarie Bank;
- ☐ Cinven on the £402.8 million recommended cash offer for Fitness First;
- ☐ E.ON on the €1.6 billion disposal of a 15.9 per cent stake in Bouygues Telecom to Bouygues;
- ☐ Project Telecom on the £162 million recommended cash offer from Vodafone;
- ☐ Bridgepoint Capital and Permira Advisers on the £210 million recommended offer for Holmes Place from Health Club Group.

ABN AMRO Rothschild, our equity capital markets collaboration with ABN AMRO, continues to deliver strong results. As a bulge bracket distributor of major equity issues, it has maintained a top 10 position in the European league tables and was also ranked the No.1 bookrunner in European aftermarket performance on transactions versus closing stock price one month after offering.

Recent headline equity capital markets transactions include:

- ☐ France Telecom's €15 billion share capital increase, where ABN AMRO Rothschild's mandate to carry out all major roles was unique: financial adviser to the company, joint global co-ordinator and special co-ordinator to the warrants offer. IFR magazine gave France Telecom its European Equity Issue of 2003 award, making this the second year running in which a deal where ABN AMRO Rothschild played a leading role won the award;
- ☐ Ahold's €2.25 billion rights issue where ABN AMRO Rothschild acted as joint bookrunner;
- ☐ ABN AMRO Holding's €1.25 billion secondary offering where ABN AMRO Rothschild acted as sole bookrunner;
- ☐ PT Mandiri Bank's \$327 million Initial Public Offering, where ABN AMRO Rothschild acted as joint global co-ordinator and bookrunner. This was the largest Indonesian IPO since 1996, and it was named Indonesian Equity Deal of 2003 by IFR magazine and Best Overall Equity Deal and Best Privatisation of 2003 by Asiamoney;
- ☐ Chungwah Picture Tubes' \$227 million Global Depositary Share Offering, where ABN AMRO Rothschild acted as joint bookrunner. This deal achieved the Highly Commended ADR 2003 award from Corporate Finance magazine;
- ☐ Perusahaan Gas Negara's \$320 million IPO, in which ABN AMRO Rothschild was joint bookrunner.

# Review of Operations

## Risk Management

The identification, measurement and containment of risk is integral to the management of our businesses. Our risk policies and procedures are regularly updated to meet changing business requirements and to comply with best practice. The Group Risk Director co-ordinates risk policy and promotes the development and maintenance of effective procedures throughout the group. Our internal audit team reviews our internal control framework and reports its findings to the Audit Committee.

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The responsibilities and membership of the Board Committees involved in the oversight of risk management are set out on pages 15 and 16.

## Market Risk

Market risk arises as a result of our activities in commodities, currency and interest markets. During the year, our exposure to market risk has continued to be small in relation to our capital, as our trading activities have been focused on servicing client requirements rather than on proprietary risk-taking. Market risk figures for the Company are set out in note 32 to the accounts with a description of the sensitivity-based value at risk methodology used to monitor and control market risk.

We use financial instruments, including derivatives, to provide clients with solutions to meet their commercial objectives. We also use financial instruments to manage our own exposure to market risks and to take or alter our views on future movements in metal prices, exchange rates, interest rates and volatility levels. Interest rate derivatives are used to hedge interest rate exposures arising from our lending and corporate treasury activities.

Limits on market risk exposure are set by the Executive Committee using the value at risk methodology described in note 32. Monitoring of market risk limits and determination of trading profits are undertaken independently of the dealing area. Whilst value at risk is central to the communication and control of risk, it is complemented by other controls. These include stress testing, which estimates the losses which could occur when markets behave in unusually volatile ways and with little liquidity.

## Credit Risk

Credit risk arises from our lending and trading activities. The Credit Committee sets limits, reviews concentrations, monitors exceptions and makes recommendations on credit decisions to the Executive Committee.

Credit risk arising from dealing activities is measured on a real-time basis whereby all exposures relating to a particular counterparty are aggregated and monitored against limits. Credit risk on derivative transactions is measured by summing the current exposure with an allowance for potential future exposure.



# Review of Operations

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## Liquidity Risk

Liquidity is measured by classifying assets, liabilities and other cashflows into future time bands using a series of prudent assumptions and calculating the resultant surplus or deficit in each period. The Assets & Liabilities Committee recommends policies and procedures for the management of liquidity risk. The Executive Committee has set deficit limits for each period, which are monitored daily independently of the dealing area.

## Operational Risk

Operational risk, which is inherent in all business activities, is the risk of loss arising from the failure of internal controls, operational processes or systems, or from external events. Key to our management of operational risk is the maintenance of a strong framework of internal controls. These are subject to regular independent review by our internal audit department, whose findings are reported to the Audit Committee which monitors the implementation of any recommendations. Operational risk encompasses reputational risk, which is particularly relevant to our business. Reputational risk is managed through formal approval processes for new business and operational procedures for the conduct of business. The Group maintains insurance policies to mitigate loss in the event of certain operational risk events.

# Report of the Directors

To be submitted at the thirty seventh Annual General Meeting of the shareholders on 13 May 2004.

## Principal Activities and Business Review

N M Rothschild & Sons Limited ("the Company") and its subsidiary undertakings ("the Group"), operating out of the UK and the Channel Islands, provide a comprehensive range of banking and financial services. A review of the activities of the Group for the year, including an indication of likely future developments, is contained in the Chairman's Statement on page 6 and the Review of Operations on pages 7 to 12.

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## Results and Dividends

The operating profit of the Group for the financial year before directors' and employees' profit shares and before tax, amounted to £78,270,000 (2003: £89,342,000) and after profit share and tax to £14,975,000 (2003: £16,079,000). It is recommended that this amount be dealt with as follows:

	2004 £'000	2003 £'000
Ordinary dividends		
Interim paid	7,500	5,000
Final proposed	5,000	7,500
Transfer to reserves	2,475	3,579
	<b>14,975</b>	<b>16,079</b>

## Post Balance Sheet Event

As disclosed in note 38 to the financial statements on page 59, on 14 April 2004 the Company announced its withdrawal from commodities trading.

## Group Transfers

On 31 January 2004, the Company acquired 50 per cent of the issued share capital of Rothschild Europe BV from Rothschilds Continuation Holdings AG. The remaining 50 per cent is held by Rothschild & Cie Banque. On 31 March 2004, the Company acquired 100 per cent of the issued share capital of Five Arrows Finance Limited from a fellow subsidiary of Rothschilds Continuation Limited. These transactions, and their impact on the financial statements, are described in notes 16a. and 16b. to the financial statements on pages 42 to 44.

## Donations

The sum of £717,000 (2003: £901,000) was charged against the profits of the Group during the year in respect of gifts for charitable purposes. No political contributions were made during the year.

# Report of the Directors

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## Staff

During the year the Group continued with its long-established policy of providing employees with information on matters of concern to them and on developments within the Group by a series of notices to staff. The Group encourages staff to put forward their views through a staff consultative committee. The interest of all staff in the performance of the Group is realised through the Group's profit sharing scheme in which staff at all levels participate.

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable employees who become disabled during employment to continue their career with the Group.

## Directors

The names of the present Directors of the Company are shown on page 5. Brief biographical details of the Independent Non-Executive Directors are included on page 60.

The following Directors have been appointed since the last Annual General Meeting: Christopher Blunt, Anthony Chapman, Sir Edward George, Vincent Godier, Adam Greenbury, Timothy Hancock, David Holmes, Debra Lewis, Craig MacDougall, Rachel Miller, David Street, Nicola Sutton and Ian Walker.

The following Directors have resigned since the last Annual General Meeting: Sir Evelyn de Rothschild, Malcolm Aish, Peter Birch, David Cain, Jervis Rhodes, Nicola Sutton and Hanns Witting.

## Directors' Interests in Shares

Details of the interests of the directors of the Company in the shares of Group companies are set out in note 34 to the financial statements.

## Auditors

KPMG Audit Plc have indicated their willingness to continue in office and a resolution to re-appoint them and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Jonathan Westcott, Secretary



New Court, St. Swithin's Lane, London EC4P 4DU  
13 May 2004

# Committees

To facilitate the efficient administration of the Company's and Group's affairs, certain functions and responsibilities have been delegated by the board to the following committees, the terms of reference and membership of which are regularly reviewed.

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## Management Committee

Subject to the overall supervision of the board, this committee meets monthly, and as required, to plan future strategy and to approve annual business plans, capital and general expenditure, staff budgets and income estimates and to review divisional performance.

Membership: David de Rothschild (Chairman), Anthony Alt, Anthony Chapman, Andrew Didham, Nigel Higgins, Charles Keay, Geoffrey Spice, Paul Tuckwell, Sir Clive Whitmore, Nicholas Wrigley.

## Executive Committee

This committee meets twice a week, and as required, to approve key underwriting commitments, loans, credit decisions, dealing limits, new clients and new products, and to consider major business and market developments.

Membership: Anthony Alt (Chairman), Leopold de Rothschild, Christopher Coleman, Graham Curds, Jonathan Eddis, Timothy Hancock, Charles Keay, Simon Linnett, Charles Mercey, Geoffrey Spice, Paul Tuckwell.

## Credit Committee

This committee authorises and reviews all credit exposure to new and existing counterparties. Exposures exceeding certain limits are subject to ratification by the Executive Committee.

Membership: Peter Johns (Chairman), Leopold de Rothschild, Glenn Beatham, Christopher Coleman, Peter Griggs, Charles Keay, Debra Lewis, Craig MacDougall, Andrew Radkiewicz, Geoffrey Spice, David Street, Paul Tuckwell, Simon White, Philip Yeates.

## Assets and Liabilities Committee

This committee meets weekly and considers funding strategy, liquidity and balance sheet management and the deployment of capital.

Membership: Andrew Didham (Chairman), Isobel Baxter, Graham Curds, Timothy Hancock, Peter Johns, Debra Lewis, Geoffrey Spice, Paul Tuckwell.

# Committees

## Audit Committee

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This committee of the board of Rothschilds Continuation Holdings AG supervises and reviews the Group's internal audit arrangements, liaises with the Group's external auditors and monitors the overall system and standards of internal control.

Membership: Peter Smith (Chairman), Sir Graham Hearne, Bernard Myers, Sir Clive Whitmore.

## Remuneration and Nominations Committee

This committee approves the appointment, and sets the remuneration, of executive directors and other senior executives and approves guidelines for the Company's annual pay reviews and profit sharing scheme.

Membership: Sir Clive Whitmore (Chairman), David de Rothschild, Eric de Rothschild, Sir John Collins, Sir Graham Hearne.

# Statement of Directors' Responsibilities in Relation to Financial Statements

The directors have responsibility for ensuring that the Company and the Group keep proper accounting records which 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 comply with the Companies Act 1985. They are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss for the year. They are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors consider that appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these financial statements on a going concern basis, and that applicable accounting standards have been followed. These policies and standards, for which the directors accept responsibility, have been discussed with the auditors. The directors are required to use the going concern basis in preparing the financial statements unless this is inappropriate.

# Report of the Independent Auditors, KPMG Audit Plc, to the Members of N M Rothschild & Sons Limited

We have audited the financial statements on pages 20 to 59.

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This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 17, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of Audit Opinion

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

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

# Report of the Independent Auditors, KPMG Audit Plc, to the Members of N M Rothschild & Sons Limited

## Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004, and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

*KPMG Audit Plc*

13 May 2004



# Consolidated Profit and Loss Account

For the year ended 31 March 2004

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	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Interest receivable</b>					
Interest receivable and similar income arising from debt securities			64,618		70,970
Other interest receivable and similar income			103,884		114,361
			168,502		185,331
Interest payable			(118,964)		(130,363)
Net interest income			49,538		54,968
Dividend income			140		208
Fees and commissions receivable			146,344		151,111
Fees and commissions payable			(11,672)		(10,210)
Dealing profits	31		5,278		8,232
Other operating income			2,734		783
Total operating income			192,362		205,092
Administrative expenses (excluding profit share)	2		(101,140)		(102,119)
Directors' and employees' profit share	2		(57,945)		(70,112)
Depreciation	17b		(4,619)		(7,382)
Provisions for bad and doubtful debts	13		(8,333)		(7,419)
Amounts written off/released from fixed asset investments	14		—		1,170
Operating profit before profit share and tax		78,270		89,342	
Directors' and employees' profit share	2	(57,945)		(70,112)	
Operating profit on ordinary activities before tax			20,325		19,230
Share of operating profit/(loss) of associate	16b		2,125		(76)
Profit on ordinary activities before tax			22,450		19,154
Tax on profit on ordinary activities	6		(7,475)		(3,075)
Profit for the financial year	7		14,975		16,079
Dividends paid and proposed	8		(12,500)		(12,500)
Retained profit of the group for the financial year	26		2,475		3,579

There is no difference between the amounts stated above for the profit on ordinary activities before tax and the profit for the financial year, and their historical cost equivalents.

The notes on pages 24 to 59 form an integral part of these financial statements

# Statements of Total Recognised Gains and Losses

For the year ended 31 March 2004

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Profit for the financial year	14,975	18,410	16,079	15,553
Currency translation differences on foreign currency net investments	(1)	–	(247)	–
Revaluation of investments in subsidiary and associated undertakings	–	(3,436)	–	279
<b>Total recognised gains and losses relating to the financial year</b>	<b>14,974</b>	<b>14,974</b>	<b>15,832</b>	<b>15,832</b>

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## Reconciliations of Movements in Shareholders' Funds

For the year ended 31 March 2004

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Profit for the financial year	14,975	18,410	16,079	15,553
Dividends	(12,500)	(12,500)	(12,500)	(12,500)
Retained profit for the financial year	2,475	5,910	3,579	3,053
Other recognised gains and losses	(1)	(3,436)	(247)	279
Net addition to shareholders' funds	2,474	2,474	3,332	3,332
Equity shareholders' funds brought forward	315,201	315,201	311,869	311,869
<b>Equity shareholders' funds carried forward</b>	<b>317,675</b>	<b>317,675</b>	<b>315,201</b>	<b>315,201</b>

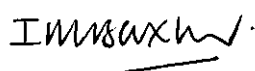
# Consolidated Balance Sheet

At 31 March 2004

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	Note	2004 £'000	2003 £'000
<b>Assets</b>			
Cash and balances at central banks		257,693	195,430
Loans and advances to banks	11	336,858	332,216
Loans and advances to customers		2,253,358	1,978,419
Less non-recourse finance		(688,065)	(544,640)
	12	1,565,293	1,433,779
Debt securities	14	2,181,157	2,248,265
Equity shares	15	1,567	1,300
Interest in associated undertaking	16b.	7,082	..
Intangible fixed assets	17a.	3,580	..
Tangible fixed assets	17b.	29,216	23,636
Other assets	18	514,729	311,163
Prepayments and accrued income		59,967	56,016
		<b>4,957,142</b>	<b>4,601,805</b>
<b>Liabilities</b>			
Deposits by banks	19	1,658,056	1,390,176
Customer accounts	20	1,440,300	1,589,146
Debt securities in issue	21	847,939	835,425
Other liabilities	22	458,090	255,139
Accruals and deferred income		102,563	78,417
Subordinated loan capital	23	129,358	138,301
Minority interests – equity	24	3,161	..
		4,639,467	4,286,604
Called up share capital	25	50,000	50,000
Profit and loss account	26	267,675	265,201
Equity shareholders' funds		317,675	315,201
		<b>4,957,142</b>	<b>4,601,805</b>
<b>Memorandum items</b>	27		
<b>Contingent liabilities</b>			
Acceptances and endorsements		..	198,887
Guarantees		91,287	97,376
		<b>91,287</b>	<b>296,263</b>
<b>Commitments</b>		<b>283,376</b>	<b>300,591</b>

The accounts on pages 20 to 59 were approved by the Board of Directors on 13 May 2004 and were signed on its behalf by:



Isobel Baxter, Finance Director


The notes on pages 24 to 59 form an integral part of these financial statements

# Company Balance Sheet

At 31 March 2004

	Note	2004 £'000	2003 £'000
<b>Assets</b>			
Cash and balances at central banks		257,693	195,430
Loans and advances to banks	11	242,078	218,940
Loans and advances to customers		1,690,803	1,329,553
Less non-recourse finance		(399,480)	(160,054)
	12	1,291,323	1,169,499
Debt securities	14	1,436,447	1,605,750
Equity shares	15	1,178	905
Shares in group undertakings	16a.	114,476	85,406
Interest in associated undertaking	16b.	7,082	~
Tangible fixed assets	17b.	18,452	21,496
Other assets	18	493,964	303,149
Prepayments and accrued income		45,099	40,843
		<b>3,907,792</b>	<b>3,641,418</b>
<b>Liabilities</b>			
Deposits by banks	19	1,512,529	1,241,746
Customer accounts	20	1,102,005	1,121,989
Debt securities in issue	21	333,340	510,942
Other liabilities	22	420,122	240,410
Accruals and deferred income		92,763	72,829
Subordinated loan capital	23	129,358	138,301
		3,590,117	3,326,217
Called up share capital	25	50,000	50,000
Revaluation reserve	26	81,212	84,648
Profit and loss account	26	186,463	180,553
Equity shareholders' funds		317,675	315,201
		<b>3,907,792</b>	<b>3,641,418</b>
<b>Memorandum items</b>			
	27		
<b>Contingent liabilities</b>			
Acceptances and endorsements		—	198,887
Guarantees		595,964	392,640
		<b>595,964</b>	<b>591,527</b>
<b>Commitments</b>			
		<b>269,728</b>	<b>288,007</b>

The accounts on pages 20 to 59 were approved by the Board of Directors on 13 May 2004 and were signed on its behalf by:



Isobel Baxter, Finance Director

The notes on pages 24 to 59 form an integral part of these financial statements

# Notes to the Financial Statements

For the year ended 31 March 2004

## 1. Accounting Policies

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The principal accounting policies which have been consistently adopted in the presentation of the group financial statements are as follows:

### a. Basis of presentation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investments in subsidiary companies and associated undertakings in the company's own financial statements. The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups, applicable accounting standards issued by the Accounting Standards Board, and Statements of Recommended Accounting Practice issued jointly by the British Bankers' Association and the Irish Bankers' Federation. Comparative amounts for 2003 for other interest receivable and similar income and for interest payable have been restated to net down internal interest of £29 million that was previously grossed up. This has no effect on net interest income or profit. Comparative amounts for 2003 for directors' and employees' profit share have been restated to include social security costs, which were previously included in administrative expenses.

### b. Basis of consolidation

The financial statements of the Group are made up to 31 March 2004 and consolidate the audited financial statements of the Company and its subsidiary undertakings. In order to avoid undue delay in the preparation of the consolidated financial statements, the financial statements of certain subsidiary undertakings are made up to 31 December 2003. Where a Group company is party to a joint arrangement which is not an entity (as defined by FRS9) that company accounts directly for its share of the income, expenditure, assets and liabilities of the joint arrangement. Such joint arrangements are reported in the consolidated financial statements on the same basis.

### c. Goodwill

Goodwill arising on the purchase of subsidiary undertakings is amortised over its useful economic life (between 3 and 6 years).

### d. Fees and commissions receivable and payable

Advisory and equity capital markets fees are recognised when they are receivable. Fees relating to loans, guarantees and acceptances are recognised over the period of the loan facility or exposure, except for fees in respect of work performed at the inception of a transaction which are recognised when receivable. Fees and commissions payable to third parties are recognised in the profit and loss account when payable.

### e. Net interest income/interest receivable and payable

Interest receivable and payable includes all interest arising out of banking activities, namely lending and deposit taking business, interest on related hedging transactions and interest on debt securities, and is accounted for on an accruals basis.

# Notes to the Financial Statements

## I. Accounting Policies (continued)

### f. Dealing profits

Dealing profits arising from trading activities are reported on a mark to market basis after deduction of related funding costs.

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### g. Operating leases

Rental payments under operating leases are charged to the profit and loss account in accordance with each agreement on a straight line basis.

Income on operating leases is credited to the profit and loss account on the basis of rentals due. Depreciation on some assets subject to operating leases has been charged to the profit and loss account using the reverse annuity method.

### h. Finance leases

The net investment in finance lease and lease purchase contracts is equal to the total of the minimum lease rentals receivable less the amounts apportioned to finance charges for future periods. The finance charges are allocated to accounting periods to give a constant periodic rate of return on the net investment in the leases and profit is recognised using the actuarial before tax method.

### i. Depreciation

Land is not depreciated. The directors' assessment of the residual value and useful economic lives of freehold properties is such that the charge for depreciation would not be significant; consequently these properties are not depreciated. In accordance with the requirements of FRS15, freehold properties are assessed for impairment in value at the end of each financial year.

Depreciation is provided to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computers	3-5 years
Software development	3-5 years
Cars	5 years
Fixtures and fittings	4-10 years
Leasehold improvements	5-15 years

### j. Deferred tax

Except where otherwise required by accounting standards, full provision has been made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

# Notes to the Financial Statements

## 1. Accounting Policies (continued)

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### k. Loans and advances and doubtful debts

Provisions for bad and doubtful debts are made as considered necessary having regard to both specific and general factors. Specific provisions are made on a case by case basis where the repayment of identified loans is in doubt, and reflect estimates of the amount needed to reduce the carrying value of the asset to the estimated net realisable value. Provisions made less amounts released during the year are charged against profits. Provisions are applied to write off advances, in part or in whole, when they are considered irrecoverable.

The general bad debt provision augments specific provisions and relates to the inherent risk of losses which, although not separately identified, is known from experience to be present in any loan portfolio, and to those identified loans where material uncertainty exists as to the quantum of specific provisions required. The amount of the general bad debt provision is assessed in relation to the size and asset quality of the loan portfolio.

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability; thereafter, and until all or part of the loan is written off, interest continues to accrue on loans and advances, but is not included in income.

### l. Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at rates of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated at average rates of exchange.

Translation differences arising from the application of year end rates of exchange to opening net assets of overseas subsidiary undertakings and differences in those entities' profit and loss accounts between their translation at average and closing rates of exchange are dealt with through reserves.

Other translation differences are recognised in the profit and loss account.

### m. Bullion

Assets and liabilities in bullion are included in the balance sheet at market rates ruling at the balance sheet date. Bullion stocks held are included in cash and balances at central banks. Bullion balances held in safe custody for customers on an allocated basis are excluded from the financial statements of the Group and Company.

### n. Debt securities and equity shares

Debt securities and equity shares which are held for the longer term or until maturity are classified as investment securities. They are stated at cost less any amounts written off to reflect impairment in value. The cost of dated investment securities is adjusted to reflect amortisation and accretion of premiums and discounts on acquisition on a straight-line basis over the residual period to maturity. The amortisation and accretion of premiums and discounts is included in interest income.

Debt securities and equity shares other than investment securities are classified as dealing securities and are held at market value in the case of listed securities, or directors' estimate of market value in the case of unlisted securities.

# Notes to the Financial Statements

## I. Accounting Policies (continued)

### o. Interests in associates and shares in subsidiary undertakings

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The Group's interests in associates are included in the consolidated balance sheet at the Group's share of net assets. Shares in subsidiary undertakings and interests in associates are stated in the balance sheet of the Company at the attributable share of net asset value.

### p. Derivatives

Foreign exchange, bullion and interest rate contracts used in trading activities are carried at fair value and all gains and losses are taken to the profit and loss account. Fair values are based on quoted market prices when available. Where no quoted prices are available for a particular derivative, its fair value is determined by reference to quoted market prices for its component parts. Fair values reflect adjustments for credit risk and market risk. Credit risk adjustments are made by reference to default probabilities based on the counterparty's credit rating. Market risk adjustments reflect the cost which would be incurred in closing out market risk positions.

Derivative instruments are used to hedge exposures in the non-trading book. In order to qualify as a hedge, a transaction must be designated as such at inception and be demonstrably effective as a hedge by reducing exposure. The accounting treatment of such instruments reflects the accounting treatment of the assets and liabilities being hedged. If the underlying position matures or is extinguished, the hedge is transferred to the trading book at fair value and any gain or loss is taken to the profit and loss account. If a hedge ceases to be effective through the sale, termination, maturity or extinguishing of the hedge position, any gain or loss is deferred and amortised in the profit and loss account over the original life of the hedge.

### q. Pensions

The pension cost relating to defined benefit schemes is assessed in accordance with the advice of independent qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives. Costs in respect of defined contribution schemes are recognised as incurred.

### r. Cash flow statement

The Group is exempt from the requirement of Financial Reporting Standard 1 (Revised 1996) to prepare a cash flow statement as it is a wholly-owned subsidiary of Rothschilds Continuation Limited, which is in turn also exempt as it is a wholly-owned subsidiary of Rothschilds Continuation Holdings AG.



# Notes to the Financial Statements

## 2. Administrative Expenses

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	Note	2004 £'000	2003 £'000
Staff costs			
Salaries (excluding profit share)		48,862	50,625
Social security costs		4,646	4,277
Pension costs	5	10,592	5,914
Staff benefits and other staff costs		5,656	6,102
Property, computer, communications and general expenses		31,384	35,201
<b>Administrative expenses (excluding profit share)</b>		<b>101,140</b>	<b>102,119</b>
Directors' and employees' annual profit share		47,685	57,218
Long term profit share schemes		10,260	12,894
<b>Directors' and employees' profit share</b>		<b>57,945</b>	<b>70,112</b>
		<b>159,085</b>	<b>172,231</b>

The average number of persons employed by the Group during the year was 741 (2003: 787). The number of persons employed at 31 March 2004 was 969 (2003: 763), including 242 (2003: nil) in the Five Arrows Finance Limited group of companies, which was acquired on 31 March 2004.

## 3. Group Profit on Ordinary Activities Before Tax

	2004 £'000	2003 £'000
<b>Is stated after</b>		
<b>i. Income</b>		
Income from listed investments	28	79
Profits less losses on securities dealing	5	1,420
Profits less losses on disposal of investment securities	2,727	33
<b>ii. Charges</b>		
Charges incurred with respect to subordinated loan capital	100	5
Interest payable on subordinated liabilities	7,736	8,355
Charges in respect of operating leases	8,149	8,871

The auditor's remuneration was £386,000 (2003: £366,000) of which £279,000 (2003: £260,000) related to the Company. Remuneration payable to the auditor and its associates for non-audit work for the Company and its UK subsidiary undertakings was £278,000 (2003: £165,000), and comprised fees for tax advice of £53,000 (2003: £60,000), regulatory advice £nil (2003: £14,000), transaction support £214,000 (2003: £86,000) and other work £11,000 (2003: £5,000).

# Notes to the Financial Statements

## 4. Remuneration of Directors

	2004 £'000	2003 £'000
Directors' emoluments	19,011	18,229
Amounts receivable under long term profit share schemes	3,737	3,849
	22,748	22,078
Pension contributions to money purchase schemes	226	110
Compensation for loss of office	578	318
	23,552	22,506

The emoluments of the highest paid director were £2,546,000 (2003: £2,697,000). The highest paid director was a member of a defined benefit pension scheme under which his accrued pension at the year end was £90,000 (2003: £78,000).

	2004	2003
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	19	11
Defined benefit schemes	40	28

## 5. Pensions

The Company is a member of a group scheme, the NMR Pension Fund, which is operated by N M Rothschild & Sons Limited for the benefit of employees of certain Rothschild group companies in the United Kingdom. The Fund comprises a defined benefit section, which closed to new entrants in April 2003, and a defined contribution section established with effect from April 2003. The assets of the Fund are held separately from those of the Company and are administered by trustees. The costs of running the Fund are assessed with the advice of independent actuaries. In addition, the Company has made a number of unfunded pension promises, which have been fully provided for.

The Group's total pension charge for the year amounted to £10.6 million (2003: £5.9 million) of which £7.9 million (2003: £5.0 million) related to contributions to the above defined benefit section. £0.7 million of the total pension charge (2003: £0.4 million) related to other schemes of the defined benefit type in respect of overseas employees, £0.1 million (2003: £nil) to the defined contribution section and £1.9 million (2003: £0.5 million) to other pension costs.

# Notes to the Financial Statements

## 5. Pensions (continued)

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### Defined Benefit Section

Disclosures regarding the defined benefit section are made in respect of the whole of that section of the Fund. Employees of the Company account for 91.6 per cent of the members in service.

A net prepayment of £1.6 million (2003: £2.8 million) is included in the Company's balance sheet, and comprises a prepayment of £2.8 million (2003: £2.8 million) representing the historic excess of pension contributions over the pension cost charged to the profit and loss account and a provision of £1.2 million (2003: £nil) relating to the unfunded pension promises.

The latest formal actuarial valuation was conducted at 31 March 2003 using the projected unit method. At this date, the market value of the assets amounted to £244 million. The smoothed market value was £254 million, which, on an ongoing funding basis, covered approximately 94 per cent of accrued benefits after allowing for future increases in pensionable salaries and benefits. For the purposes of Statement of Standard Accounting Practice 24 "Accounting for Pension Costs" ("SSAP24"), the principal assumptions used in the valuation were as follows:

	Accrued liabilities	Future contributions
Price inflation	2.50%	3.00%
Rate of return for non pensioners	7.50%	7.50%
Rate of return for pensioners	5.75%	6.50%
Earnings increases	3.50%	4.00%
Pension increases	2.50%	3.00%

It is assumed that equities will be held for all members below retirement age, but the return for pensioners reflects a degree of investment in bonds.

Due to the closure of the defined benefit section, the regular cost, as calculated under the projected unit method, is expected to increase as a percentage of pensionable salaries as the remaining active members reach retirement, but ultimately to reduce in monetary terms.

Whilst the Company continues to account for pension costs in accordance with SSAP24, under FRS17 "Retirement Benefits" the following transitional disclosures are required:

The latest formal actuarial valuation was carried out as at 31 March 2003 and was updated for FRS17 purposes to 31 March 2004 by qualified independent actuaries. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method. As at 31 March 2004, there was a deficit in the defined benefit section as set out below. The deficit has been considered in determining the level of contributions payable by the participating employers. The funding policy is reviewed with the independent actuary to ensure that the contributions made are adequate to enable the Fund to meet its liabilities over the long term.

The major assumptions used were as follows:

	2004	2003	2002
Price inflation	2.80%	2.50%	2.75%
Discount rate	5.70%	5.80%	6.00%
Earnings increases	3.80%	3.50%	4.75%
Pension increases	2.80%	2.50%	2.75%

# Notes to the Financial Statements

## 5. Pensions (continued)

The fair value of the defined benefit section assets, the expected rate of return on those assets, the present value of the liabilities and the surplus or deficit in the defined benefits section at 31 March were as follows:

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	2004 Value £m	2004 Expected rate of return	2003 Value £m	2003 Expected rate of return	2002 Value £m	2002 Expected rate of return
Equities	215.7	8.00%	177.7	8.00%	255.4	8.00%
Bonds	14.2	5.70%	14.4	5.80%	18.4	6.00%
Gilts/cash	54.3	4.60%	46.9	4.40%	38.7	5.20%
Property	8.8	6.30%	8.4	6.00%	8.3	6.60%
Total market value of assets	293.0		247.4		320.8	
Present value of liabilities	(335.1)		(291.5)		(294.9)	
(Deficit)/surplus	(42.1)		(44.1)		25.9	

Corporate bond yields are lower as at 31 March 2004 than at 31 March 2003. In addition the outlook for future inflation as measured by the difference between the yields on index-linked gilts and fixed interest gilts is greater. The effect of both of these changes is that a higher value is placed on the liabilities.

Under FRS17, the defined benefit section would be represented on the balance sheet as a liability of £42.1 million (2003: £44.1 million) (£29.5 million (2003: £30.9 million) net of deferred tax) as at 31 March 2004.

As at 31 March 2004, there were 667 members in service of which 611 were employees of the Company. The total contributions during the year were £9.0 million (2003: £8.9 million), approximately £0.2 million (2003: £2.0 million) of which was in respect of money purchase benefits.

The total current service cost for the year to 31 March 2004 in respect of all members of the defined benefit section was £7.9 million; of this amount, £7.2 million relates to members employed by the Company.

The movement during the year in the deficit under FRS17 was as follows:

	2004 £m	2003 £m
(Deficit)/surplus at 1 April	(44.1)	25.9
Current service cost	(7.2)	(15.1)
Past service cost	(1.4)	—
Contributions	8.2	7.0
Gain on curtailment	—	7.0
Other finance income	0.7	6.1
Actuarial gain/(loss)	1.7	(75.0)
Deficit at 31 March	(42.1)	(44.1)

# Notes to the Financial Statements

## 5. Pensions (continued)

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The following amounts would have been included within operating profit under FRS17:

	2004 £m	2003 £m
Current service cost	(7.2)	(15.1)
Past service cost	(1.4)	–
Gain on curtailment	–	7.0
<b>Total operating charge</b>	<b>(8.6)</b>	<b>(8.1)</b>

As the defined benefit section is closed to new entrants, the current service cost calculated using the projected unit method will increase as members approach retirement.

The following amounts would have been included as other finance income under FRS17:

	2004 £m	2003 £m
Expected return on pension scheme assets	17.6	23.9
Interest on liabilities	(16.9)	(17.8)
	<b>0.7</b>	<b>6.1</b>

The following amounts would have been recognised within the statement of recognised gains and losses under FRS17:

		2004	2003
Actual return less expected return on assets	£m	28.8	(92.2)
	%	9.83%	(37.27%)
Experience gains and losses arising on liabilities	£m	1.4	2.1
	%	0.42%	0.72%
(Loss)/gain due to changes in assumptions underlying liabilities	£m	(28.5)	15.1
	%	(8.50%)	5.18%
Actuarial gain/(loss)	£m	1.7	(75.0)
	%	0.51%	(25.73%)

The above percentages show the components of the actuarial gain/loss as a percentage of the defined benefit section assets or liabilities as appropriate.

# Notes to the Financial Statements

## 6. Tax on Group Profit on Ordinary Activities

Tax is based on the results for the year and comprises:

	2004 £'000	2003 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 30% (2003: 30%)		
– current period	7,507	9,065
– adjustments in respect of prior periods	–	894
Overseas tax	1,491	2,757
Double tax relief	(298)	(2,365)
Tax related to associated undertaking	635	237
	9,335	10,588
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,141)	(6,194)
Prior year adjustments	281	(1,319)
<b>Tax on profit on ordinary activities</b>	<b>7,475</b>	<b>3,075</b>

The current tax charge for the year may be explained as follows:

	2004 £'000	2003 £'000
Tax charge at UK standard corporation tax rate of 30% (2003: 30%)	6,735	5,746
Timing difference on deferred capital allowances	(1,005)	1,956
Permanently disallowed expenses	624	393
Timing differences on allowable expenses	1,896	4,238
Timing differences on overseas tax credits	1,250	–
Net benefit of group relief received from fellow subsidiaries	–	(2,903)
Differences in foreign tax rates	(40)	(172)
Prior year adjustments	–	894
Other	(125)	436
<b>Current tax charge for the year</b>	<b>9,335</b>	<b>10,588</b>

The current tax charge for the year is higher than the standard rate of corporation tax as a result of timing differences on allowable expenses and overseas tax credits, and permanently disallowed expenses.

# Notes to the Financial Statements

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## 7. Group Profit Dealt with in the Financial Statements of the Company

£18,410,000 (2003: £15,553,000) of the Group profit for the financial year attributable to ordinary shareholders has been dealt with in the financial statements of the Company. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company has not been presented separately.

## 8. Dividends

	2004 per share	2004 £'000	2003 per share	2003 £'000
<b>Equity Interests</b>				
Interim (paid)	15p	7,500	10p	5,000
Final (proposed)	10p	5,000	15p	7,500
	<b>25p</b>	<b>12,500</b>	<b>25p</b>	<b>12,500</b>

## 9. Segmental Reporting

The Group's business is that of banking and financial services primarily located in the United Kingdom.

## 10. Currency Analysis of Assets and Liabilities

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>Assets</b>				
Denominated in sterling	2,295,853	1,692,822	2,224,668	1,812,935
Denominated in currencies other than sterling	2,661,289	2,214,970	2,377,137	1,828,483
<b>Total assets</b>	<b>4,957,142</b>	<b>3,907,792</b>	<b>4,601,805</b>	<b>3,641,418</b>
<b>Liabilities</b>				
Denominated in sterling	2,297,514	1,706,453	2,308,578	1,832,789
Denominated in currencies other than sterling	2,659,628	2,201,339	2,293,227	1,808,629
<b>Total liabilities</b>	<b>4,957,142</b>	<b>3,907,792</b>	<b>4,601,805</b>	<b>3,641,418</b>

These figures do not demonstrate the exposure of the Group or of the Company to foreign exchange risk, since off-balance sheet instruments are not included.

# Notes to the Financial Statements

## 10. Currency Analysis of Assets and Liabilities (continued)

The Company and its subsidiary undertakings, N M Rothschild & Sons (CI) Limited and Five Arrows Finance Limited, hold currency exposures in the non-trading book. At 31 March 2004, non-trading book currency positions arising on monetary assets and liabilities, after taking account of off-balance sheet hedges, comprise:

	2004 Group £'000	2003 Group £'000
US\$	3,683	258
Euro	3,682	2,829
Canadian \$	(68)	177
Rand	106	1
Australian \$	105	68
New Zealand \$	1	178
Other	18	(19)

## 11. Loans and Advances to Banks

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>Remaining maturity</b>				
5 years or less but over 1 year	8,383	8,383	--	--
1 year or less but over 3 months	25,000	--	14,200	14,200
3 months or less but not repayable on demand	186,312	145,943	210,745	160,170
Repayable on demand	117,163	87,752	107,271	44,570
	<b>336,858</b>	<b>242,078</b>	<b>332,216</b>	<b>218,940</b>
<b>Amounts include</b>				
Due from subsidiary and fellow subsidiary undertakings	3,672	3,672	2	--



# Notes to the Financial Statements

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## 12a. Loans and Advances to Customers

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>Remaining maturity</b>				
Over 5 years	388,644	272,399	424,900	240,806
5 years or less but over 1 year	838,855	706,475	688,270	635,938
1 year or less but over 3 months	167,901	166,625	172,796	158,241
3 months or less but not repayable on demand	84,205	56,336	120,260	108,853
Repayable on demand	110,511	109,715	42,280	39,779
General and specific bad and doubtful debt provisions	(24,823)	(20,227)	(14,727)	(14,118)
	<b>1,565,293</b>	<b>1,291,323</b>	<b>1,433,779</b>	<b>1,169,499</b>
<b>Amounts include</b>				
Due from parent undertaking	4,312	–	4,312	–
Due from subsidiary and fellow subsidiary undertakings	41,399	91,210	103,252	103,175
Net investments in lease contracts	39,006	–	–	–
Net investments in lease purchase contracts	97,652	–	–	–
	<b>136,658</b>	<b>–</b>	<b>–</b>	<b>–</b>

Of the lease contracts, £24,893,000 (2003: £nil) is due after more than one year and of the lease purchase contracts, £74,750,000 (2003: £nil) is due after more than one year.

## 12b. Non-Recourse Finance

Loans and advances to customers include commercial mortgage loans that have been introduced by the Company to Real Estate Capital Limited (“REC”), a special purpose company owned by a charitable trust, established to advance loans meeting certain pre-defined eligibility criteria. REC has assigned the beneficial interest in the loans to Real Estate Capital No. 1 plc (“REC1”) and Real Estate Capital Funding No. 2 Limited (“RECF2”), also special purpose companies owned by charitable trusts. REC1 is primarily funded by the issue of floating rate notes whereas RECF2 is funded by loan facilities provided by third party banks. The Company has received fees for the introduction and servicing of the commercial mortgage loans. The Company has made a subordinated loan of £2.1 million to REC1 and provided credit support to RECF2 in the form of a £20 million letter of credit. Apart from the credit support provided to REC1 and RECF2, the Company and its subsidiaries are under no obligation to support any losses that may be incurred by the noteholders or third party banks, nor is there any intention to provide such support.

After payment of REC1’s operating expenses (including payment of a servicing fee to the Company), revenue receipts arising from the underlying loans will be applied in the following order of priority: amounts payable to the swap counterparty, interest due on the floating rate notes, redemption of certain classes of notes, interest on and then principal of the subordinated loan provided by the company, with any residual income to REC. Principal receipts are used to redeem the floating rate notes with any excess being treated as a revenue receipt.

The property loans originated by REC are included on the Company’s balance sheet with linked presentation in accordance with Financial Reporting Standard 5 (“FRS5”).

# Notes to the Financial Statements

## 12b. Non-Recourse Finance (continued)

During the year, N M Rothschild & Sons (CI) Limited ("NMR(CI)") assigned approximately £21 million (2003: £92 million) of customer loans to Guernsey Loan Asset Securitisation Scheme Limited ("Glass"). A beneficial interest in certain of these loans was subsequently acquired by Glass MTN Funding 1 Limited ("Glass MTN"). Both Glass and Glass MTN are special purpose companies owned by charitable trusts. The Company and its subsidiaries are under no obligation to support any losses that may be incurred by Glass and Glass MTN, nor is there any intention to provide such support. The customer loans are included on the consolidated balance sheet of the Group with linked presentation in accordance with FRS5.

Benton Finance Limited ("Benton") and County Leasing & Finance Limited ("County"), motor finance companies within the Five Arrows Leasing Group, have assigned finance agreements with a book value of £101 million to Auto Receivables Conduit No 1 Plc ("ARC"). No members of the Group own, directly or indirectly, any of the share capital of ARC and the terms of the sale agreement include provisions that ARC has no recourse to Benton, County or any other members of the Group. The Company and its subsidiaries are under no obligation to support any losses that may be incurred by ARC, nor is there any intention to do so. Benton and County have the option to make a number of further securitisations into the same company over a fixed period of time. The finance agreements are included on the consolidated balance sheet of the Group with linked presentation in accordance with FRS5.

Premier Cru Purchase BV and Premier Cru Funding Corporation (together "Premier Cru"), special purpose companies owned by charitable trusts, were established to acquire investment grade bonds issued by special purpose companies that have securitised assets originated or introduced by companies in the Rothschild Continuation Limited group. Premier Cru is funded by the issuance of commercial paper and has been provided with a liquidity facility by a third party bank. The Company has assumed the interest rate basis risk in the transaction by providing an interest rate swap to Premier Cru for the amount of bonds held. As at the year end, Premier Cru Purchase had acquired £144 million (2003: £82 million) of such bonds, issued by REC1, Glass MTN and ARC.

The Company and its subsidiaries received fees for the introduction and servicing of the underlying loans in REC, REC1, RECF2, ARC, Premier Cru and Glass. The amount of fee income recognised during the year amounted to £4,712,000 (2003: £4,806,000).

The loans subject to non-recourse finance and shown with linked presentation are:

	Group		Company	
	Customer Loans £'000	Non-recourse Finance £'000	Customer Loans £'000	Non-recourse Finance £'000
<b>As at 31 March 2004</b>				
Commercial mortgage loans	424,751	(399,480)	424,751	(399,480)
Other customer loans	246,530	(246,281)	–	–
Motor finance agreements	49,497	(42,304)	–	–
	<b>720,778</b>	<b>(688,065)</b>	<b>424,751</b>	<b>(399,480)</b>
<b>As at 31 March 2003</b>				
Commercial mortgage loans	185,054	(160,054)	185,054	(160,054)
Other customer loans	385,143	(384,586)	–	–
	<b>570,197</b>	<b>(544,640)</b>	<b>185,054</b>	<b>(160,054)</b>

# Notes to the Financial Statements

## 12c. Residual Values

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The Group has an interest in residual values of equipment which has been leased to customers on finance and operating leases. The Group manages its exposure proactively by monitoring the residual value set against prices obtained for similar assets in the market place and, in the event of a shortfall, the residual value would be written down to the realisable value and a charge taken to the profit and loss account.

The residual values mature on the following basis:

	Operating Leases		Finance Leases		Total £'000
	Vehicles £'000	Other £'000	Vehicles £'000	Other £'000	
Over 5 years	–	–	133	44	177
5 years or less but over 2 years	371	276	858	42	1,547
2 years or less but over 1 year	460	187	716	208	1,571
Under 1 year	320	229	561	35	1,145
	<b>1,151</b>	<b>692</b>	<b>2,268</b>	<b>329</b>	<b>4,440</b>

## 13. Provisions for Bad and Doubtful Debts

	Specific £'000	Group General £'000	Total £'000	Specific £'000	Company General £'000	Total £'000
At 1 April 2003	6,894	7,833	14,727	6,285	7,833	14,118
Acquisition of subsidiary	–	4,102	4,102	–	–	–
Charge against profits	8,333	–	8,333	8,325	–	8,325
Amounts written off	(2,859)	–	(2,859)	(2,736)	–	(2,736)
Recoveries	611	–	611	611	–	611
Exchange adjustments	(91)	–	(91)	(91)	–	(91)
<b>At 31 March 2004</b>	<b>12,888</b>	<b>11,935</b>	<b>24,823</b>	<b>12,394</b>	<b>7,833</b>	<b>20,227</b>

Specific and general bad debt provisions relate to loans to customers.

# Notes to the Financial Statements

## 13. Provisions for Bad and Doubtful Debts (continued)

### Non-performing Lending Excluding Problem Country Exposure

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Gross non-performing lending	11,604	10,077	18,452	14,979
Interest in suspense	(1,187)	(1,187)	(868)	(868)
	10,417	8,890	17,584	14,111
Provisions	(7,344)	(6,850)	(6,036)	(5,427)
<b>Net non-performing lending</b>	<b>3,073</b>	<b>2,040</b>	<b>11,548</b>	<b>8,684</b>

### Problem Country Exposure

	2004 £'000	2003 £'000
<b>Group and Company</b>		
Exposure to problem countries	19,141	12,020

Exposure is stated after taking into account provisions against commercial risk. "Problem country" means a country that is having difficulty servicing its external debt as evidenced, for example, by rescheduling or arrears of interest or principal payments. Exposures to problem countries include advances to counterparties in problem countries and debt securities issued by borrowers in problem countries.

### Concentration of Exposure

Commercial lending is concentrated on companies domiciled in the UK. The Group has a diversified portfolio covering all sectors of the economy.

# Notes to the Financial Statements

## 14. Debt Securities

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	2004 Group		2004 Company		2003 Group		2003 Company	
	Balance Sheet £'000	Market Value £'000	Balance Sheet £'000	Market Value £'000	Balance Sheet £'000	Market Value £'000	Balance Sheet £'000	Market Value £'000
<b>Analysed by issuer</b>								
<b>Issued by public bodies</b>								
Investment securities								
-- other public sector securities	1,087	1,087	1,087	1,087	1,264	1,265	1,264	1,265
	<b>1,087</b>	<b>1,087</b>	<b>1,087</b>	<b>1,087</b>	<b>1,264</b>	<b>1,265</b>	<b>1,264</b>	<b>1,265</b>
<b>Issued by other issuers</b>								
Investment securities								
-- bank and building society certificates of deposit	718,581	718,578	285,176	285,173	1,056,556	1,057,767	620,758	621,969
-- other debt securities	1,461,489	1,465,075	1,150,184	1,153,627	1,190,445	1,188,217	983,728	981,453
	<b>2,180,070</b>	<b>2,183,653</b>	<b>1,435,360</b>	<b>1,438,800</b>	<b>2,247,001</b>	<b>2,245,984</b>	<b>1,604,486</b>	<b>1,603,422</b>
<b>Total debt securities</b>	<b>2,181,157</b>	<b>2,184,740</b>	<b>1,436,447</b>	<b>1,439,887</b>	<b>2,248,265</b>	<b>2,247,249</b>	<b>1,605,750</b>	<b>1,604,687</b>
<b>Analysed by listing status</b>								
Investment securities								
-- listed on a recognised UK exchange	701,941	703,924	515,603	517,570	562,380	562,525	439,466	439,610
-- listed elsewhere	576,910	578,782	452,027	453,772	442,733	441,519	359,369	358,144
-- unlisted	902,306	902,034	468,817	468,545	1,243,152	1,243,205	806,915	806,933
	<b>2,181,157</b>	<b>2,184,740</b>	<b>1,436,447</b>	<b>1,439,887</b>	<b>2,248,265</b>	<b>2,247,249</b>	<b>1,605,750</b>	<b>1,604,687</b>
<b>Analysed by maturity</b>								
Due within one year	905,366		391,125		1,142,012		636,148	
Due one year and over	1,275,791		1,045,322		1,106,253		969,602	
	<b>2,181,157</b>		<b>1,436,447</b>		<b>2,248,265</b>		<b>1,605,750</b>	
Unamortised premiums (net of discounts) on investment securities								
	2,711		2,706		(531)		(585)	

Debt securities with a book value of £69,955,000 (2003: £69,923,500) were charged as security for liabilities of the Company.

# Notes to the Financial Statements

## 14. Debt Securities (continued)

Movements in investment securities were as follows:

	Group £'000	Company £'000
At 1 April 2003	2,248,265	1,605,750
Exchange adjustments and amortisation of premiums and discounts	(72,009)	(59,428)
Acquisitions	2,610,902	602,607
Disposals and maturities	(2,606,001)	(712,482)
At 31 March 2004	2,181,157	1,436,447

## 15. Equity Shares

	2004 Group		2004 Company		2003 Group		2003 Company	
	Balance Sheet £'000	Market Value £'000	Balance Sheet £'000	Market Value £'000	Balance Sheet £'000	Market Value £'000	Balance Sheet £'000	Market Value £'000
<b>Investment securities</b>								
– listed on a recognised UK exchange	197	836	142	142	82	522	39	39
– listed on a recognised exchange overseas	139	139	139	139	175	176	175	176
– unlisted	1,202	1,977	868	1,643	714	714	362	362
	1,538	2,952	1,149	1,924	971	1,412	576	577
<b>Other securities</b>								
– listed on a recognised UK exchange	29		29		71		71	
– listed on a recognised exchange overseas	–		–		258		258	
<b>Total equity shares</b>	<b>1,567</b>		<b>1,178</b>		<b>1,300</b>		<b>905</b>	

# Notes to the Financial Statements

## 15. Equity Shares (continued)

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Movements in investment securities were as follows:

	Cost £'000	Provisions £'000	Carrying Value £'000
<b>Group</b>			
At 1 April 2003	3,350	2,379	971
Acquisitions	523	–	523
Exchange movements	(114)	(72)	(42)
Disposals	(42)	(11)	(31)
Provisions made	–	(117)	117
<b>At 31 March 2004</b>	<b>3,717</b>	<b>2,179</b>	<b>1,538</b>
	Cost £'000	Provisions £'000	Carrying Value £'000
<b>Company</b>			
At 1 April 2003	2,950	2,374	576
Acquisitions	511	–	511
Exchange movements	(96)	(72)	(24)
Disposals	(42)	(11)	(31)
Provisions made	–	(117)	117
<b>At 31 March 2004</b>	<b>3,323</b>	<b>2,174</b>	<b>1,149</b>

The cost of other securities to the Group and Company is £648,000 (2003: £1,624,000).

## 16a. Shares in Group Undertakings

	£'000
<b>Company</b>	
The Company's investments in subsidiary undertakings comprise:	
At valuation at 1 April 2003	85,406
Acquisition	34,060
Revaluation	(4,990)
<b>At valuation at 31 March 2004</b>	<b>114,476</b>
Of which	
– banks	75,403
– other	39,073
	<b>114,476</b>

On 31 March 2004, the Company acquired 100 per cent of the issued ordinary share capital of Five Arrows Finance Limited from a fellow subsidiary of Rothschilds Continuation Limited for a cash consideration of £34 million; this transaction has been accounted for on an acquisition basis. Five Arrows Finance Limited is the holding company for a group of companies undertaking asset based financing activities.

# Notes to the Financial Statements

## 16a. Shares in Group Undertakings (continued)

The assets and liabilities as noted in the books and records of Five Arrows Finance Limited at the date of acquisition and the total consideration paid are set out in the following table:

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	£'000
<b>At date of acquisition</b>	
Tangible fixed assets	7,080
Debtors (net of securitised debtors)	160,839
Cash at bank	21,458
Creditors	(155,736)
Net assets	33,641
Minority interests	(3,161)
Net assets acquired	30,480
Goodwill	3,580
Purchase consideration	34,060

It is the directors' opinion that the net asset values above reflect the fair value of the assets acquired and that no adjustment was necessary.

The consolidated profit after taxation and minority interests of Five Arrows Finance Limited for the year ended 31 March 2004 was £2.2 million (2003: £3.5 million). The consolidated profit and loss account and statement of recognised gains and losses of Five Arrows Finance Limited for the year ended 31 March 2004 is summarised below:

	£'000
Turnover	33,605
Operating profit	5,404
Profit before tax	4,148
Tax	(1,746)
Minority interests	(238)
Profit after tax and minority interests	2,164
Total recognised gains and losses	2,164

At 31 March 2004 the investments in the principal subsidiary undertakings were revalued to reflect the change in attributable net asset values as disclosed in the accounts of the subsidiary undertakings.

The historical cost of the investments in subsidiaries held at valuation was £34,786,000 (2003: £726,000).

	2004 £'000	2003 £'000
Of which		
– banks	70	70
– other	34,716	656
	<b>34,786</b>	<b>726</b>



# Notes to the Financial Statements

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## 16a. Shares in Group Undertakings (continued)

The principal subsidiary undertakings of the Company are detailed below. All the principal subsidiary undertakings are registered in England and Wales except where otherwise indicated. The Company's remaining subsidiary undertakings are not material and accordingly no disclosure has been made in respect of these entities.

	Percentage held
N M Rothschild & Sons (CI) Limited (Merchant Banking Company) (Registered in Guernsey, Channel Islands)	100
Five Arrows Finance Limited (Investment Holding Company)	100
Five Arrows Leasing Group Limited (Lease Asset Finance Company)	91
Five Arrows Commercial Finance Limited (Invoice Discounting Company)	100
Rothschilds Continuation Finance PLC (Finance Company)	100

In addition, in accordance with Financial Reporting Standard 5, Real Estate Capital Limited, Real Estate Capital Funding Limited, Real Estate Capital Funding No. 2 Limited, Real Estate Capital No.1 plc, Auto Receivables Conduit No. 1 Plc, Glass MTN Funding 1 Limited and Guernsey Loan Asset Securitisation Scheme Limited, special purpose companies referred to in note 12b., have been treated as quasi-subsidiaries.

## 16b. Interest in Associated Undertaking

	Group £'000	Company £'000
At 1 April 2003	—	—
Acquisition	5,528	5,528
Share of profit	2,125	—
Share of tax	(635)	—
Revaluation	—	1,554
Exchange adjustment	64	—
At 31 March 2004	7,082	7,082

The Company has acquired, with effect from 31 January 2004, 50.0 per cent of the issued ordinary share capital of Rothschild Europe BV from Rothschilds Continuation Holdings AG. Rothschild Europe BV, incorporated in The Netherlands, is a holding company whose subsidiary undertakings carry out investment banking advisory activities in continental Europe.

## 17a. Intangible Fixed Assets

	Note	£'000
Group		
At 1 April 2003		—
Goodwill in subsidiary acquired	16a.	3,580
At 31 March 2004		3,580

# Notes to the Financial Statements

## 17b. Tangible Fixed Assets

	Freehold Land and Buildings £'000	Leasehold Buildings £'000	Leasehold Improvements £'000	Cars, Fixtures and Fittings £'000	Computers and Software Development £'000	Total £'000
<b>Group</b>						
Cost at 1 April 2003	1,778	—	16,746	15,500	33,533	67,557
Acquisition of subsidiary undertaking	—	—	—	12,266	2,620	14,886
Additions	16	1,341	76	838	987	3,258
Disposals	—	—	(98)	(609)	(15,090)	(15,797)
<b>At 31 March 2004</b>	<b>1,794</b>	<b>1,341</b>	<b>16,724</b>	<b>27,995</b>	<b>22,050</b>	<b>69,904</b>
Accumulated depreciation at 1 April 2003	—	—	2,559	10,328	31,034	43,921
Acquisition of subsidiary undertaking	—	—	—	5,917	1,889	7,806
Disposals	—	—	(98)	(471)	(15,089)	(15,658)
Charge for year	—	134	1,556	1,378	1,551	4,619
<b>At 31 March 2004</b>	<b>—</b>	<b>134</b>	<b>4,017</b>	<b>17,152</b>	<b>19,385</b>	<b>40,688</b>
<b>Net book value at 31 March 2004</b>	<b>1,794</b>	<b>1,207</b>	<b>12,707</b>	<b>10,843</b>	<b>2,665</b>	<b>29,216</b>
Net book value at 31 March 2003	1,778	—	14,187	5,172	2,499	23,636
<b>Company</b>						
Cost at 1 April 2003	—	—	16,746	15,281	32,862	64,889
Additions	—	—	76	512	654	1,242
Disposals	—	—	(98)	(437)	(14,901)	(15,436)
<b>At 31 March 2004</b>	<b>—</b>	<b>—</b>	<b>16,724</b>	<b>15,356</b>	<b>18,615</b>	<b>50,695</b>
Accumulated depreciation at 1 April 2003	—	—	2,559	10,166	30,668	43,393
Disposals	—	—	(98)	(299)	(14,900)	(15,297)
Charge for year	—	—	1,556	1,291	1,300	4,147
<b>At 31 March 2004</b>	<b>—</b>	<b>—</b>	<b>4,017</b>	<b>11,158</b>	<b>17,068</b>	<b>32,243</b>
<b>Net book value at 31 March 2004</b>	<b>—</b>	<b>—</b>	<b>12,707</b>	<b>4,198</b>	<b>1,547</b>	<b>18,452</b>
Net book value at 31 March 2003	—	—	14,187	5,115	2,194	21,496

Included within the net book value of cars, fixtures and fittings for the Group as at 31 March 2004 is £5,025,000 (2003: £nil) relating to assets held for use in operating leases.

### Group and Company

Capital expenditure contracted but not provided for in the accounts amounted to £28,000 (2003: £256,000).

# Notes to the Financial Statements

## 18. Other Assets

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	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Foreign exchange, commodity and interest rate contracts	440,516	433,768	237,700	232,004
Deferred tax	10,512	7,615	5,656	5,756
Other assets	63,701	52,581	67,807	65,389
	<b>514,729</b>	<b>493,964</b>	<b>311,163</b>	<b>303,149</b>

Foreign exchange, commodity and interest rate contracts represent the gross mark to market gains on off-balance sheet instruments. Other assets comprise sundry assets and trade receivables.

The deferred tax asset at 31 March 2004 represented the future tax allowances from timing differences relating to:

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Depreciation in excess of capital allowances	4,457	1,460	2,746	2,746
Deferred profit share arrangements	3,926	3,926	2,390	2,390
Other	2,129	2,229	520	620
	<b>10,512</b>	<b>7,615</b>	<b>5,656</b>	<b>5,756</b>

The movements during the year were:

	Group £'000	Company £'000
Deferred tax asset at 1 April 2003	5,656	5,756
Acquisition of subsidiary undertaking	2,996	—
Credit to profit and loss account	1,860	1,859
<b>Deferred tax asset at 31 March 2004</b>	<b>10,512</b>	<b>7,615</b>

No provision is made for any United Kingdom or foreign tax that may arise on the realisation of investments in subsidiary undertakings at the increased book value at which they have been included in the financial statements of the Company as these investments are not held for resale. Except to the extent that dividends have been accrued as receivable, no provision has been made for deferred tax which may arise should the undistributed profits of overseas subsidiary undertakings be remitted to the United Kingdom. The potential deferred tax liability if such profits were distributed is £9.6 million (2003: £9.9 million) taking account of United Kingdom double taxation relief.

# Notes to the Financial Statements

## 19. Deposits by Banks

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>With agreed maturity dates or periods of notice, by remaining maturity</b>				
Over 5 years	38,530	11,464	—	—
5 years or less but over 1 year	544	544	—	—
1 year or less but over 3 months	196,201	236,047	142,039	165,774
3 months or less but not repayable on demand	1,136,411	973,998	1,125,821	949,981
Repayable on demand	286,370	290,476	122,316	125,991
	<b>1,658,056</b>	<b>1,512,529</b>	<b>1,390,176</b>	<b>1,241,746</b>
<b>Amounts include</b>				
Due to subsidiary and fellow subsidiary undertakings	3,261	68,449	15,093	43,071

## 20. Customer Accounts

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>With agreed maturity dates or periods of notice, by remaining maturity</b>				
Over 5 years	3,426	—	503	—
5 years or less but over 1 year	27,682	303,738	9,386	332,163
1 year or less but over 3 months	127,001	252,747	110,385	43,511
3 months or less but not repayable on demand	981,421	378,673	1,136,337	529,444
Repayable on demand	300,770	166,847	332,535	216,871
	<b>1,440,300</b>	<b>1,102,005</b>	<b>1,589,146</b>	<b>1,121,989</b>
<b>Amounts include</b>				
Due to subsidiary and fellow subsidiary undertakings	39,226	585,932	38,002	364,594
Due to parent undertaking	25,458	—	17,958	—

# Notes to the Financial Statements

## 21. Debt Securities in Issue

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	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>Bonds and medium term notes</b>				
5 years or less but over 2 years	300,740	—	—	—
2 years or less but over 1 year	—	—	220,925	—
1 year or less	213,859	—	103,558	—
	<b>514,599</b>	<b>—</b>	<b>324,483</b>	<b>—</b>
<b>Certificates of deposit in issue, by remaining maturity</b>				
1 year or less but over 3 months	60,397	60,397	82,796	82,796
3 months or less	272,943	272,943	428,146	428,146
	<b>333,340</b>	<b>333,340</b>	<b>510,942</b>	<b>510,942</b>
<b>Total debt securities in issue</b>	<b>847,939</b>	<b>333,340</b>	<b>835,425</b>	<b>510,942</b>

## 22. Other Liabilities

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Foreign exchange, commodity and interest rate contracts	373,481	365,910	196,103	188,567
Tax	6,514	1,320	4,460	371
Proposed dividend	5,000	5,000	7,500	7,500
Other liabilities	73,095	47,892	47,076	43,972
	<b>458,090</b>	<b>420,122</b>	<b>255,139</b>	<b>240,410</b>

Foreign exchange, commodity and interest rate contracts represent the gross mark to market losses on off-balance sheet instruments. Other liabilities comprise sundry creditors and trade payables.

## 23. Subordinated Loan Capital

	2004 £'000	2003 £'000
<b>Group and Company</b>		
Due to fellow subsidiary undertakings		
Perpetual Floating Rate Subordinated Loan (US\$100m)	54,358	63,301
Perpetual Fixed Rate Subordinated Loan	75,000	75,000
	<b>129,358</b>	<b>138,301</b>

The US\$100 million perpetual floating rate subordinated loan is due to Rothschilds Continuation Finance BV. The £75 million perpetual fixed rate subordinated loan is due to Rothschilds Continuation Finance (C.I.) Limited; the interest rate has been fixed at 9 1/64 per cent.

# Notes to the Financial Statements

## 24. Minority Interests – Equity

	Note	£'000
<b>Group</b>		
At 1 April 2003		–
Minority interests in subsidiary undertakings acquired in year	16a.	3,161
<b>At 31 March 2004</b>		<b>3,161</b>

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## 25. Share Capital

	Authorised, Allotted, Called Up and Fully Paid
	£'000
At 31 March 2003 and 31 March 2004	50,000,000 Ordinary Shares of £1 each
	50,000

## 26. Reserves

	Profit and Loss Account		
	£'000		
<b>Group</b>			
At 1 April 2003			265,201
Retained profit for the financial year			2,475
Translation differences			(1)
<b>At 31 March 2004</b>			<b>267,675</b>
	Profit and Loss Account	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
<b>Company</b>			
At 1 April 2003	180,553	84,648	265,201
Retained profit for the financial year	5,910	–	5,910
Revaluation of subsidiary undertakings	–	(4,990)	(4,990)
Revaluation of interest in associated undertaking	–	1,554	1,554
<b>At 31 March 2004</b>	<b>186,463</b>	<b>81,212</b>	<b>267,675</b>

Reserves include £1,554,000 (2003: £nil) relating to an associate (see note 16b.).

# Notes to the Financial Statements

## 27. Contingent Liabilities and Commitments

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	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
<b>Contingent liabilities</b>				
Acceptances and endorsements	–	–	198,887	198,887
<b>Guarantees</b>				
– guarantees and irrevocable letters of credit	91,287	595,964	97,376	392,640
	<b>91,287</b>	<b>595,964</b>	<b>296,263</b>	<b>591,527</b>
<b>Amounts include</b>				
<b>Guarantees</b>				
– amounts undertaken on behalf of subsidiary undertakings	–	516,398	–	327,938
<b>Commitments</b>				
Undrawn formal standby facilities, credit lines and other commitments to lend				
1 year and over	232,530	230,894	208,453	206,690
Less than 1 year	48,476	36,464	88,827	78,006
Underwriting commitments	2,370	2,370	3,311	3,311
	<b>283,376</b>	<b>269,728</b>	<b>300,591</b>	<b>288,007</b>

From time to time the Group is involved in judicial proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, the directors do not believe that there are any potential or actual proceedings or other claims which will have a material adverse impact on the Group's financial position.

# Notes to the Financial Statements

## 28. Derivatives

The Company and its subsidiary undertaking, N M Rothschild & Sons (CI) Limited, use off-balance sheet financial instruments (derivatives) to meet clients' requirements, for proprietary trading and to hedge interest rate risk, foreign exchange rate risk and other market risks. Companies in the Five Arrows Finance Limited group use interest rate derivatives for hedging purposes. Contracts used for hedging purposes are classified as "other contracts" in the table below.

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	Contracts held for trading purposes						Other contracts	
	Notional principal		Positive value		Negative value		Notional principal	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Foreign exchange contracts</b>								
Forward foreign exchange deals	1,501,995	1,088,986	61,185	35,481	(21,032)	(13,031)	—	—
OTC options bought and sold	—	4,143	—	—	—	—	—	—
	<b>1,501,995</b>	<b>1,093,129</b>	<b>61,185</b>	<b>35,481</b>	<b>(21,032)</b>	<b>(13,031)</b>	<b>—</b>	<b>—</b>
<b>Interest rate contracts</b>								
Swaps	811,727	594,064	14,302	17,576	(11,831)	(12,135)	1,237,243	969,330
Forward rate agreements	87,041	82,696	1,681	318	—	(133)	—	—
OTC options bought and sold	131,247	102,610	66	26	(67)	(28)	—	—
	<b>1,030,015</b>	<b>779,370</b>	<b>16,049</b>	<b>17,920</b>	<b>(11,898)</b>	<b>(12,296)</b>	<b>1,237,243</b>	<b>969,330</b>
Exchange traded futures	1,806,891	1,193,327	906	434	(1,351)	(1,176)	—	—
Exchange traded options	100	—	19	—	(19)	—	—	—
	<b>2,837,006</b>	<b>1,972,697</b>	<b>16,974</b>	<b>18,354</b>	<b>(13,268)</b>	<b>(13,472)</b>	<b>1,237,243</b>	<b>969,330</b>
<b>Commodities contracts</b>								
Forward commodities deals	3,525,831	4,166,614	257,865	124,049	(248,460)	(109,773)	—	—
OTC options bought and sold	1,785,399	1,606,392	76,407	38,385	(55,694)	(34,508)	—	—
	<b>5,311,230</b>	<b>5,773,006</b>	<b>334,272</b>	<b>162,434</b>	<b>(304,154)</b>	<b>(144,281)</b>	<b>—</b>	<b>—</b>
Exchange traded futures	1,408,442	1,085,047	27,536	20,393	(33,673)	(21,215)	—	—
Exchange traded options	105,511	123,686	549	1,038	(1,354)	(4,104)	—	—
	<b>6,825,183</b>	<b>6,981,739</b>	<b>362,357</b>	<b>183,865</b>	<b>(339,181)</b>	<b>(169,600)</b>	<b>—</b>	<b>—</b>

These figures do not demonstrate the exposure of the Group to interest rate, foreign exchange or commodity market risks, since they include only off-balance sheet instruments. The market risk exposure arising from such instruments may be increased or offset by on-balance sheet transactions.



# Notes to the Financial Statements

## 28. Derivatives (continued)

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	Foreign exchange contracts		Interest rate contracts		Commodities contracts		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Replacement cost of OTC derivatives</b>								
<b>Maturity analysis</b>								
1 year or less	61,185	11,577	7,274	10,809	194,004	94,909	262,463	117,295
1 to 5 years	—	23,904	11,760	23,585	121,182	57,512	132,942	105,001
Over 5 years	—	—	5,322	6,627	19,086	10,013	24,408	16,640
	<b>61,185</b>	<b>35,481</b>	<b>24,356</b>	<b>41,021</b>	<b>334,272</b>	<b>162,434</b>	<b>419,813</b>	<b>238,936</b>
<b>Counterparty analysis</b>								
Financial institutions	51,512	31,731	21,937	38,654	159,824	86,102	233,273	156,487
Non-financial institutions	9,673	3,750	2,419	2,367	174,448	76,332	186,540	82,449
	<b>61,185</b>	<b>35,481</b>	<b>24,356</b>	<b>41,021</b>	<b>334,272</b>	<b>162,434</b>	<b>419,813</b>	<b>238,936</b>
<b>Notional principal of OTC derivatives</b>								
<b>Maturity analysis</b>								
1 year or less	1,501,995	930,713	733,043	625,358	3,736,600	4,112,589	5,971,638	5,668,660
1 to 5 years	—	162,416	1,304,649	996,145	1,392,112	1,515,038	2,696,761	2,673,599
Over 5 years	—	—	229,566	127,197	182,518	145,379	412,084	272,576
	<b>1,501,995</b>	<b>1,093,129</b>	<b>2,267,258</b>	<b>1,748,700</b>	<b>5,311,230</b>	<b>5,773,006</b>	<b>9,080,483</b>	<b>8,614,835</b>
<b>Counterparty analysis</b>								
Financial institutions	952,058	756,844	1,925,324	1,509,588	3,187,942	3,712,384	6,065,324	5,978,816
Non-financial institutions	549,937	336,285	341,934	239,112	2,123,288	2,060,622	3,015,159	2,636,019
	<b>1,501,995</b>	<b>1,093,129</b>	<b>2,267,258</b>	<b>1,748,700</b>	<b>5,311,230</b>	<b>5,773,006</b>	<b>9,080,483</b>	<b>8,614,835</b>

An analysis of the movement of unrecognised gains and losses on "other contracts" comprises:

	Gains 2004	Gains 2003	Losses 2004	Losses 2003	Net 2004	Net 2003
	£'000	£'000	£'000	£'000	£'000	£'000
Unrecognised gains & losses brought forward	10,729	5,980	6,348	3,076	4,381	2,904
Acquisition of subsidiary	211	—	396	—	(185)	—
Recognised in period	(8,079)	(9,574)	(3,008)	(2,431)	(5,071)	(7,143)
Recognised by reclassification to trading contracts	—	—	(440)	(324)	440	324
Gains and losses arising in period but not recognised	(495)	14,323	1,845	6,027	(2,340)	8,296
<b>Unrecognised gains &amp; losses carried forward</b>	<b>2,366</b>	<b>10,729</b>	<b>5,141</b>	<b>6,348</b>	<b>(2,775)</b>	<b>4,381</b>
Expected to be recognised in next 12 months	2,003	7,733	2,599	2,961	(596)	4,772
Recognised in greater than 12 months	363	2,996	2,542	3,387	(2,179)	(391)
	<b>2,366</b>	<b>10,729</b>	<b>5,141</b>	<b>6,348</b>	<b>(2,775)</b>	<b>4,381</b>

# Notes to the Financial Statements

## 29. Non-Trading Book Interest Rate Risk

The Company and its subsidiary undertakings, N M Rothschild & Sons (CI) Limited and Five Arrows Finance Limited, hold interest rate exposure in the non-trading book. Instruments are allocated to time bands by reference to the earlier of their next contractual interest rate repricing date and their maturity date. Non-trading book interest rate risk, after taking account of off-balance sheet hedges, comprises:

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As at 31 March 2004	3 months or less £m	More than 3 months but not more than 6 months £m	More than 6 months but not more than 1 year £m	More than 1 year but not more than 5 years £m	More than 5 years £m	Non- interest bearing £m	Trading £m	Total £m
Loans and advances to banks	287	–	–	1	–	–	49	337
Loans and advances to customers	1,589	76	92	309	140	–	47	2,253
Less: non-recourse finance	(540)	(4)	(8)	(53)	(83)	–	–	(688)
Debt securities	1,651	216	111	195	8	–	–	2,181
Other assets	–	–	–	–	–	150	724	874
<b>Assets</b>	<b>2,987</b>	<b>288</b>	<b>195</b>	<b>452</b>	<b>65</b>	<b>150</b>	<b>820</b>	<b>4,957</b>
Deposits by banks	(1,155)	(62)	(60)	–	–	(10)	(371)	(1,658)
Customer accounts	(1,258)	(51)	(80)	(26)	(3)	(1)	(21)	(1,440)
Debt securities in issue	(788)	(50)	(10)	–	–	–	–	(848)
Subordinated loan capital	–	(54)	–	–	(75)	–	–	(129)
Shareholders' funds	–	–	–	–	–	(318)	–	(318)
Other liabilities	–	–	–	–	–	(136)	(428)	(564)
<b>Liabilities</b>	<b>(3,201)</b>	<b>(217)</b>	<b>(150)</b>	<b>(26)</b>	<b>(78)</b>	<b>(465)</b>	<b>(820)</b>	<b>(4,957)</b>
Off-balance sheet hedges	(147)	129	105	(62)	(25)	–	–	–
<b>Gap</b>	<b>(361)</b>	<b>200</b>	<b>150</b>	<b>364</b>	<b>(38)</b>	<b>(315)</b>		
<b>Cumulative gap</b>	<b>(361)</b>	<b>(161)</b>	<b>(11)</b>	<b>353</b>	<b>315</b>	<b>–</b>		

# Notes to the Financial Statements

## 29. Non-Trading Book Interest Rate Risk (continued)

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As at 31 March 2003	3 months or less £m	More than 3 months but not more than 6 months £m	More than 6 months but not more than 1 year £m	More than 1 year but not more than 5 years £m	More than 5 years £m	Non- interest bearing £m	Trading £m	Total £m
Loans and advances to banks	295	3	—	4	—	1	29	332
Loans and advances to customers	1,546	124	41	139	68	—	61	1,979
Less: non-recourse finance	(477)	—	—	—	(68)	—	—	(545)
Debt securities	1,751	238	109	147	3	—	—	2,248
Other assets	—	—	—	—	—	161	427	588
<b>Assets</b>	<b>3,115</b>	<b>365</b>	<b>150</b>	<b>290</b>	<b>3</b>	<b>162</b>	<b>517</b>	<b>4,602</b>
Deposits by banks	(1,059)	(96)	—	(4)	—	—	(231)	(1,390)
Customer accounts	(1,436)	(48)	(62)	(10)	(1)	(2)	(30)	(1,589)
Debt securities in issue	(752)	(83)	—	—	—	—	—	(835)
Subordinated loan capital	—	(63)	—	—	(75)	—	—	(138)
Shareholders' funds	—	—	—	—	—	(315)	—	(315)
Other liabilities	—	—	—	—	—	(79)	(256)	(335)
<b>Liabilities</b>	<b>(3,247)</b>	<b>(290)</b>	<b>(62)</b>	<b>(14)</b>	<b>(76)</b>	<b>(396)</b>	<b>(517)</b>	<b>4,602</b>
Off-balance sheet hedges	(308)	173	83	52	—	—	—	—
<b>Gap</b>	<b>(440)</b>	<b>248</b>	<b>171</b>	<b>328</b>	<b>(73)</b>	<b>(234)</b>		
<b>Cumulative gap</b>	<b>(440)</b>	<b>(192)</b>	<b>(21)</b>	<b>307</b>	<b>234</b>	<b>—</b>		

These figures do not demonstrate the exposure of the Group to particular interest rates as the assets and liabilities included above have been consolidated across all currencies. The Company's non-trading book interest rate risk is included in the consolidated market risk figures set out in note 32.

Off-balance sheet hedges included in the non-trading book interest rate risk above comprise interest rate swaps which are accounted for as hedges as described in note 1.

# Notes to the Financial Statements

## 30. Fair Value Disclosure

The fair value of the financial assets and liabilities of the Group at 31 March 2004 comprises:

	2004 Book Value £'000	2004 Fair Value £'000	2003 Book Value £'000	2003 Fair Value £'000
<b>Trading book financial assets and liabilities</b>				
<b>Assets</b>				
Cash and balances at central banks	257,693	257,693	195,430	195,430
Interest rate contracts	16,974	16,974	18,354	18,354
Foreign exchange contracts	61,185	61,185	35,481	35,481
Commodities contracts	362,357	362,357	183,865	183,865
Equity shares	29	29	329	329
<b>Liabilities</b>				
Interest rate contracts	(13,268)	(13,268)	(13,472)	(13,472)
Foreign exchange contracts	(21,032)	(21,032)	(13,031)	(13,031)
Commodities contracts	(339,181)	(339,181)	(169,600)	(169,600)
<b>Non-trading book financial assets and liabilities</b>				
<b>Derivative financial instruments</b>				
Interest rate contracts				
– with positive fair values	5,941	8,307	12,372	23,101
– with negative fair values	(149)	(5,290)	(491)	(6,839)
<b>Listed securities and other assets for which an active and liquid market exists</b>				
<b>Marketable assets</b>				
Debt securities	2,181,157	2,184,740	2,248,265	2,247,249
Equity shares	336	975	257	698
<b>Liabilities for which an active and liquid market exists</b>				
Debt securities in issue	(847,939)	(848,508)	(835,425)	(835,416)

All financial assets and liabilities held or issued for trading purposes are carried in the financial statements at fair value. For those financial assets and liabilities in the non-trading book, fair values have been determined by valuation against mid-market prices or by discounting forward cash flows.

# Notes to the Financial Statements

## 31. Dealing Profits

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	2004 £'000	2003 £'000
Dealing profits comprise		
Commodities	2,301	4,644
Financial products	2,596	2,168
Equities	381	1,420
	<b>5,278</b>	<b>8,232</b>

Dealing profits arise from the following trading activities:

*Commodities:* through the use of metal, oil and foreign exchange spot, forward and option contracts and interest rate futures, swaps and forward rate agreements.

*Financial products:* through the use of foreign exchange spot, forward and option contracts and interest rate futures, swaps and forward rate agreements.

*Equities:* on equity positions held for trading purposes and on positions arising from the underwriting of equity and equity-related issues.

## 32. Market Risk

	Trading 2004 £'000	Trading 2003 £'000	Non- trading 2004 £'000	Non- trading 2003 £'000	Total 2004 £'000	Total 2003 £'000
The Company's consolidated market risk comprises						
At 31 March	2,075	1,106	983	1,749	2,803	2,464
Highest	2,387	1,672	2,963	1,391	4,940	3,038
Lowest	1,176	1,092	1,403	1,188	2,120	1,880
Average	1,585	1,154	1,948	1,460	3,221	2,430

The market risk figures above are derived from weekly figures covering the year to 31 March. They quantify the market risk arising from the financial instruments held by the Company to achieve the objectives and strategies described in the Review of Operations on pages 7 to 12, under the heading "Market Risk". Market risk in the Company's subsidiary undertaking, N M Rothschild & Sons (CI) Limited, is measured on a gap basis and disclosed in note 29. The market risk arising in the other subsidiaries of the Company is immaterial.

Market risk is measured daily using a sensitivity-based value at risk approach, which determines the effect of changes in market price factors, including currency and commodities prices, interest rates and volatilities, on our positions. Shifts in market price factors and correlations are calculated weekly, or more frequently in turbulent markets, using the industry standard of 99 per cent probability over a ten day holding period for all risks except currency and commodities position risk, which is measured using a 99 per cent probability over a one day holding period.

# Notes to the Financial Statements

## 32. Market Risk (continued)

The main assumption used in the calculation is that price factors are normally distributed. This is a common assumption in value at risk calculations but is known to be tenuous particularly for interest rates and volatilities and is one of the reasons for the use of a high probability over a long holding period. While value at risk is the principal means of measuring, limiting and communicating risk, it is complemented by a number of other measurement methods and controls. We also measure risk using 99 per cent probability over a one day holding period; on this basis, total consolidated market risk at 31 March 2004 was £1,125,000 (2003: £818,000). The Group's approach to market risk management is described in the Review of Operations on pages 7 to 12.

Foreign exchange, commodities and interest rate contracts are used for hedging purposes within the trading book. The maturity of such hedges ranges from short dates to greater than five years. These hedges are accounted for using the accounting policies described in note 1.

## 33. Directors' Loans

The aggregate amounts outstanding at 31 March 2004 under transactions, arrangements and agreements made by authorised institutions within the Group from those who were directors (including connected persons) of the Company during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding £'000	Number of persons
Directors' loans	1,303	14

# Notes to the Financial Statements

## 34. Directors' Interests

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Leopold de Rothschild is a director of Rothschilds Continuation Limited, and his interests in the shares of Group companies are disclosed in the financial statements of that company. The following other directors of the Company at 31 March 2004 were, according to the Register kept by the Company in accordance with Section 325 of the Companies Act 1985, interested in the shares shown below:

	Concordia BV Shares of €100 each		Rothschild Concordia AG Shares of SF40 each	
	2004	2003	2004	2003
Sir Graham Hearne*	320,609	—	—	49,009
Rothschilds Continuation Limited				
	Cumulative Second Preference shares of 10p each		5.25% Cumulative Preference shares of £1 each	
	2004	2003	2004	2003
Sir Graham Hearne*	1,436,596	1,436,596	300,700	300,700

\* As trustee

At 31 March 2004, an executive share option scheme for all of the directors of the Rothschilds Continuation Holdings AG group was interested in shares in Rothschilds Continuation Holdings AG. Certain directors of companies in the Rothschilds Continuation Holdings AG group have options over 110,840 (2003: 122,140) of these shares.

## 35. Lease Commitments

	Land and buildings		Computer equipment	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Group				
Annual commitments under non-cancellable operating leases which expire				
– within one year	88	—	316	—
– between one and five years	595	502	—	415
– in five years or more	6,548	6,597	—	—
	7,231	7,099	316	415

# Notes to the Financial Statements

## 36. Related Party Transactions

- a. As the Company is an indirect wholly-owned subsidiary of Rothschilds Continuation Holdings AG, for which consolidated accounts are publicly available, it is exempt from the disclosure requirements of Financial Reporting Standard 8 ("FRS8") in respect of transactions with other entities within the Rothschilds Continuation Holdings AG group. The consolidated accounts of Rothschilds Continuation Holdings AG may be obtained from the company's registered office at Baarerstrasse 95, Postfach 735, 6301 Zug, Switzerland. In accordance with FRS8, no disclosure has been made of transactions or balances between group entities which have been eliminated on consolidation.
- b. The Company has entered into a collaboration with ABN AMRO Bank NV pursuant to which the equity capital markets activities of the ABN AMRO group and the Rothschild group are conducted jointly. The results of the Company include fee income derived from this joint arrangement.
- c. The Company has entered into joint arrangements with Rothschild & Compagnie whereby certain European cross-border investment banking business is undertaken jointly through an English partnership and a French partnership. The results of the Company include its proportion of the results of the partnerships.

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## 37. Parent Undertaking and Ultimate Holding Company

The largest group in which the results of the Company are consolidated is that headed by Concordia BV, incorporated in The Netherlands. The smallest group in which they are consolidated is that headed by Rothschilds Continuation Limited, registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

With effect from July 2003, the Company's ultimate parent company is Concordia BV which is incorporated in The Netherlands. Prior to then, the Company's ultimate parent company was Rothschild Concordia AG, which is incorporated in Switzerland. Throughout the year, the Company's ultimate parent company has been controlled by the Rothschild family and their interests.

## 38. Post Balance Sheet Event

On 14 April 2004, the Company announced its withdrawal from commodities trading. Following a strategic review, it was concluded that commodities trading was no longer a core area of activity for the Company. The financial effect of the withdrawal is not expected to be significant, but cannot be quantified as the process of exiting from the business and transferring positions has not been completed.



# Independent Non-Executive Directors

Brief biographical details of the Independent Non-Executive directors are as follows:

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## Sir John Collins

Sir John Collins is Chairman of Dixons Group plc and a Non-Executive Director of P&O. His previous career was with Shell, culminating as Chairman and Chief Executive of Shell UK, and from December 1993 until December 2001 he was Chief Executive of the Vestey Group of companies.

## Sir Edward George

Sir Edward George was Governor of the Bank of England from 1993 to 2003, having joined the Bank in 1962. He is a Non-Executive Director of Grosvenor Group Holdings Limited.

## Lord Guthrie

Lord Guthrie was Chief of the Defence Staff from 1997 to 2001, having previously been Chief of the General Staff from 1994 to 1997.

## Sir Graham Hearne

Sir Graham Hearne is Non-Executive Chairman of Novar Plc, Braemar Seascopes Group Plc and Catlin Group Limited and Deputy Chairman of Gallaher Group Plc. He was previously Chairman (1991-2002) and Chief Executive (1984-1991) of Enterprise Oil Plc. He was appointed to the Board of N M Rothschild & Sons Limited in September 1970, becoming Non-Executive in July 1977.

## Peter Smith

Peter Smith is Chairman of RAC plc and a Non-Executive Director and Vice Chairman of the Equitable Life Assurance Society. He was Senior Partner of PricewaterhouseCoopers (and previously Coopers & Lybrand) from 1994 to 2000.

## Sir Clive Whitmore

Sir Clive Whitmore was Permanent Secretary of the Ministry of Defence from 1983 to 1988 and of the Home Office from 1988 to 1994. He is a Non-Executive Director of The Morgan Crucible Co plc.

# Group Directory

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