

Rothschild Private Management Limited

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



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Report of the Directors



The directors present their report and the audited financial statements for the year ended 31 March 2004.

Principal Activities

The Group provide a wealth management service for its private clients.

Business Review

The Group made a pre-tax loss during the year of £11.0 million (2003: £5.6 million). After relieving its taxable losses by selling them to a fellow subsidiary undertaking, a loss of £7.9 million (2003: £0.9 million) was transferred to reserves.

The Company's subsidiary, Rothschild Private Fund Management Limited, commenced operations on 13 February 2004. As a result, the Company has prepared consolidated financial statements for the year under review.

Directors

The names of the directors who have served during the year are:

Baron Eric de Rothschild (*Chairman*)

Michael Bussey (*Chief Executive*)

Dean Lush

Malcolm Roberts

Isobel Baxter

David Harris

Peter Martin

Peter Smith

Paul Tuckwell

Martin Tully

Guy Wais

Appointed 22 April 2003

Neil Jenkins

Appointed 16 September 2003

Marcel Nicolai

Appointed 1 March 2004

According to the register kept by the Company, no director had any direct beneficial interest in the share capital of the Company at any time during the year. No director had any direct beneficial interest in the share capital of Rothschild Concordia AG or Rothschilds Continuation Holdings AG.

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

Report of the Directors



Parent Undertaking

On 29 March 2004 Rothschild Holding AG acquired control of 70 per cent of the Company's issued share capital thus succeeding Rothschild Asset Management Holdings AG as the Company's immediate parent undertaking.

Staff

During the year the Company provided employees with information on matters of concern to them and on developments within the wider Rothschild 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 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.

Charitable Donations

During the year the Company made no charitable donations.

Auditors

A resolution is to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc as auditor of the Company.

By Order of the Board

N M Rothschild & Sons Limited
Secretary

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

Statement of Directors' Responsibilities



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 Rothschild Private Management Limited



We have audited the financial statements on pages 8 to 18.

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 Auditor

The directors are responsible for preparing the directors' report and, as described on page 5, 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 director's 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 Company 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
Rothschild Private Management 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 loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London
14 May 2004

Consolidated Profit and Loss Account

For the year ended 31 March 2004



	Note	2004 £'000	2003 £'000
Revenue	2	5,267	1,294
Administrative expenses		(16,407)	(6,936)
Operating loss		(11,140)	(5,642)
Other interest receivable and similar income	6	94	59
Loss on ordinary activities before taxation	3	(11,046)	(5,583)
Tax credit on loss on ordinary activities	7	3,181	4,714
Loss on ordinary activities after taxation	8	(7,865)	(869)
Retained loss for the financial year transferred to reserves		(7,865)	(869)

Statement of Total Recognised Gains and Losses

There were no other recognised gains or losses other than those referred to above, which arose on continuing operations.

The notes on pages 10 to 18 form an integral part of these financial statements

Balance Sheets

At 31 March 2004



	Note	Group 2004 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets				
Investments	9	—	250	—
Tangible fixed assets	10	44	44	—
Intangible fixed assets	11	4,373	4,373	4,693
		4,417	4,667	4,693
Current assets				
Debtors	12	5,610	5,451	7,065
Cash at bank and in hand	13	6,869	6,733	3,331
		12,479	12,184	10,396
Creditors: amounts falling due within one year	14	(5,543)	(5,521)	(6,158)
Net current assets		6,936	6,663	4,238
Total assets less current liabilities		11,353	11,330	8,931
Creditors: amounts falling due after more than one year	15	(787)	(787)	—
Net assets		10,566	10,543	8,931
Capital and reserves				
Called up share capital	16	19,300	19,300	9,800
Profit and loss account	20	(8,734)	(8,757)	(869)
Shareholders' funds (equity)	19	10,566	10,543	8,931

Michael Bussey, Director

Approved by the Board of Directors on 14 May 2004.

The notes on pages 10 to 18 form an integral part of these financial statements

Notes to the Accounts

For the year ended 31 March 2004



1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a. Basis of presentation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

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 undertaking Rothschild Private Fund Management Limited.

c. Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, on a straight-line basis over its estimated useful life as follows:

Office equipment, fixtures and fittings	5 years
Motor vehicles	5 years

d. Intangible fixed assets and amortisation

Positive goodwill arising on the acquisition of the Company's private client business from Rothschild Asset Management Limited is amortised on a straight line basis over its estimated useful economic life of fifteen years.

e. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the contracted rate, where covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

f. Pensions

The pension cost relating to UK 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.

g. Revenue

Revenue comprises management fees, transaction charges and commissions which are recognised on an accruals basis.

Notes to the Accounts



1. Accounting Policies (continued)

h. Interest

Interest receivable and payable is dealt with on an accruals basis.

i. Deferred taxation

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.

j. Cashflow statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Rothschilds Continuation Holdings AG controls more than 90 per cent of the Company.

k. Related party transactions

The Company is controlled by Rothschild Holding AG, its immediate parent undertaking. The ultimate controlling party is Concordia BV, its ultimate holding company. 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 FRS8 in respect of transactions with other entities within the Rothschilds Continuation Holdings AG Group and associates of that Group.

2. Analysis of Revenue

	2004 £'000	2003 £'000
Turnover		
Management fees	4,938	1,302
Commission receivable and other income	490	27
	5,428	1,329
Cost of sales		
Investment advisory fees paid	(161)	(35)
	5,267	1,294

Notes to the Accounts



5 Loss on Ordinary Activities before Taxation

Loss on ordinary activities before taxation is stated after charging:

	2004 £'000	2003 £'000
Amortisation	(320)	(107)
Service charges from fellow subsidiary undertaking	(2,706)	(184)
Exceptional cost of buyout of staff incentive scheme	—	(4,137)
Auditors' remuneration for audit services	56	25

6 Remuneration of Directors

	2004 £'000	2003 £'000
Directors' emoluments	2,695	2,513
Pension contributions to money purchase schemes	47	11
Total remuneration	2,742	2,524

The numbers of directors belonging to money purchase pension schemes and defined benefit pension schemes during the year are as follows:

Pensions	2004 Number	2003 Number
Money purchase pension schemes	5	4
Defined benefit pension schemes	6	5

5 directors (2003: 4) are members of both the money purchase pension schemes and defined benefit pension schemes.

	2004 £'000	2003 £'000
Highest paid director	765	1,090
Aggregate emoluments	—	—
Accrued pension at year end	9	2

Notes to the Accounts



5. Staff Numbers and Costs

The average number of persons employed by the Company (including directors) during the year, was as follows:

	Number of employees	
	2004	2003
Fund management	42	29

The aggregate payroll costs of these persons were as follows:

	Note	2004 £'000	2003 £'000
Wages and salaries		5,743	5,207
Social security costs		644	630
Other pension costs	14	611	87
		6,998	5,924

6. Other Interest Receivable and Similar Income

	2004 £'000	2003 £'000
Receivable from a fellow subsidiary undertaking	94	59

7. Tax Credit on Loss on Ordinary Activities

	2004 £'000	2003 £'000
Current tax		
Current period	2,945	4,714
Deferred tax		
Origination and reversal of timing differences	236	—
Tax credit on loss on ordinary activities	3,181	4,714

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

Tax credit at UK standard corporation tax rate of 30% (2003: 86%)	3,313	1,675
Group relief received in excess of 30% rate	—	3,077
Permanently disallowed expenses	(36)	(6)
Timing differences on allowable expenses	(236)	—
Goodwill written off	(96)	(32)
Current tax charge for year	2,945	4,714

Notes to the Accounts



8. Group Loss on Ordinary Activities After Tax

Of the Group loss for the financial year attributable to ordinary shareholders, a loss of £7,888,000 (2003: £869,000) 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.

9. Fixed Assets Investments

The Company's investments in subsidiary undertakings at 31 March 2004 comprise:

	£'000
At cost at beginning of year	—
Acquired in year	250
At cost at end of year	250

The Company's sole subsidiary undertaking at 31 March 2004 is Rothschild Private Fund Management Limited which is registered in England and Wales. Rothschild Private Fund Management Limited is the Authorised Corporate Director of an Open Ended Investment Company and is a wholly owned subsidiary.

10. Tangible Fixed Assets

	Office Equipment, Fixtures & Fittings £'000	Motor Vehicle £'000	Group and Company Total £'000
Cost			
At beginning of year	—	—	—
Additions	30	14	44
At end of year	30	14	44

No depreciation has been charged as the office equipment, fixtures and fittings had not been brought into use by the year end and the motor vehicle was acquired immediately prior to the year end.

Notes to the Accounts



11. Intangible Assets

	Group and Company Goodwill £'000
Cost	
At beginning of year	4,800
Additions	—
At end of year	4,800
Amortisation	
At beginning of year	107
Charge for year	320
At end of year	427
Net book value at 31 March 2004	4,373

Goodwill arose on the acquisition from Rothschild Asset Management Limited of its private client business in November 2002. A premium of £4.8 million was paid over the book value of the net assets acquired. The goodwill will be written off over a period of fifteen years which is the directors' best estimate of its useful life.

12. Debtors

	Group 2004 £'000	Company 2004 £'000	Company 2003 £'000
Due within one year			
Amounts owed by fellow subsidiary undertaking	1,453	1,453	1,198
Corporation taxation recoverable (group relief receivable)	2,945	2,945	4,714
Other debtors, prepayments and accrued income	976	817	1,153
	5,374	5,215	7,065
Due after more than one year			
Deferred tax asset	236	236	—
	236	236	—
	5,610	5,451	7,065

The deferred tax asset at 31 March 2004 represented the future tax allowances from timing differences relating to deferred profit share arrangements.

13. Cash at Bank and in Hand

	Group 2004 £'000	Company 2004 £'000	Company 2003 £'000
Cash held at a fellow subsidiary undertaking	6,794	6,733	3,331
Cash held with third party	75	—	—
	6,869	6,733	3,331

Notes to the Accounts



14. Creditors: Amounts Falling Due Within a One Year

	Group 2004 £'000	Company 2004 £'000	Company 2003 £'000
Amounts owed to fellow subsidiary undertakings	2,431	2,431	1,534
Amounts owed to subsidiary undertaking	-	9	-
Accruals and deferred income	3,112	3,081	4,624
	5,543	5,521	6,158

15. Creditors: Amounts Falling Due After More Than One Year

	Group 2004 £'000	Company 2004 £'000	Company 2003 £'000
Amounts due under long term incentive plan	787	787	-
	787	787	-

16. Called Up Share Capital

The authorised share capital of the Company comprised 20,000,000 £1 ordinary shares at 31 March 2004 and 31 March 2003.

	£'000
Allotted, called up and fully paid	
Ordinary shares of £1 each	9,800
Issued during the year at par value for cash	9,500
At 31 March 2004	19,300

17. Contingent Liabilities

The Company did not have any disclosable contingent liabilities as at 31 March 2004 (2003: Nil).

Notes to the Accounts



19. Pension Scheme

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 Group and are administered by trustees. The costs of running the Fund are assessed with the advice of independent actuaries.

As at 31 March 2004, the Company was unable to identify its share of the Fund assets and liabilities on a consistent and reasonable basis and hence disclosures are limited to the Company's contributions to the scheme.

The Company's total pension charge in the period amounted to £611,000 (2003: £87,000) of which £544,000 (2003: £76,000) related to the above defined benefit section, £16,000 (2003: £nil) related to the defined contribution section and £51,000 (2003: £11,000) related to other pension costs.

As at 31 March 2004, there was a deficit of £42.1 million in the Fund under FRS17. The deficit in the Fund has been considered in determining the level of contributions payable by the Company. 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.

19. Reconciliation of Movements in Shareholders' Funds

	Group 2004 £'000	Company 2004 £'000	Company 2003 £'000
Opening shareholders' funds	8,931	8,931	—
Ordinary shares issued	9,500	9,500	9,800
Loss for the financial year	(7,865)	(7,888)	(869)
Closing shareholders' funds	10,566	10,543	8,931

20. Reconciliation

	Profit and loss account Group £'000	Profit and loss account Company £'000
At beginning of year	(869)	(869)
Transfer from profit and loss account	(7,865)	(7,888)
At end of year	(8,734)	(8,757)

Notes to the Accounts



2. Segmental Reporting

The Company's business is that of investment management, primarily located in the United Kingdom. The Company's business is recorded at source and so it is impractical to provide the information based on location of client.

11. Parent Company 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 Holdings AG, registered in Zug, Switzerland. The consolidated financial statements of this group are available to the public and may be obtained from Baarerstrasse 95, Postfach 735, 6301 Zug, Switzerland.

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.

The Company's registered office is located at 1 King William Street, London EC4N 7AR.