



Rothschild Private Management Limited

Annual Report 2003

04416252



Rothschild Private Management Limited

Report of the Directors and Financial Statements
for the period from incorporation to 31 March 2003



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Report of the Directors



The directors present their report and the audited financial statements for the period from incorporation to 31 March 2003.

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Principal Activities

The Company was incorporated on 15 April 2002 as Focusrotor Limited. On 3 May 2002 it changed its name to Rothschild Wealth Management Limited. On 13 May 2002 it changed its name to William Street Wealth Management Limited. On 6 November 2002 it changed its name to Rothschild Private Management Limited.

The Company provides a wealth management service for its private clients. In this regard, on 30 November 2002, it acquired the private client business of Rothschild Asset Management Limited for consideration of £4.8 million.

Business Review

The Company made a pre-tax loss during the period of £5.6 million. After relieving its taxable losses by selling them to a fellow subsidiary undertaking, a loss of £0.9 million was transferred to reserves.

Directors

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

Baron Eric de Rothschild (<i>Chairman</i>)	Appointed 26 February 2003	
Michael Bussey (<i>Chief Executive</i>)	Appointed 25 November 2002	
Ian Goodwin	Appointed 3 May 2002	Resigned 20 December 2002
Alexander MacPhee	Appointed 3 May 2002	Resigned 20 December 2002
Paul Manduca	Appointed 3 May 2002	Resigned 30 November 2002
Dean Lush	Appointed 23 May 2002	
Malcolm Roberts	Appointed 23 May 2002	
Isobel Baxter	Appointed 28 January 2003	
David Harris	Appointed 28 January 2003	
Peter Martin	Appointed 28 January 2003	
Peter Smith	Appointed 28 January 2003	
Paul Tuckwell	Appointed 28 January 2003	
Martin Tully	Appointed 26 February 2003	
Guy Wais	Appointed 22 April 2003	
Instant Companies Limited	Appointed 15 April 2002	Resigned 3 May 2002

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 period. No director had any direct beneficial interest in the share capital of Rothschild Concordia AG or Rothschilds Continuation Holdings AG.

Report of the Directors



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At 31 March 2003 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 122,140 shares.

Secretary

Rothschild Asset Management Limited was appointed Secretary on 3 May 2002. It subsequently resigned on 28 January 2003 and was replaced by N M Rothschild & Sons Limited on the same date.

Staff

During the period 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 period 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

A handwritten signature in dark ink, appearing to be 'N M Rothschild & Sons Limited', written over a circular stamp or seal.

N M Rothschild & Sons Limited
Secretary

New Court, St. Swithin's Lane, London EC4P 4DU
24 July 2003

Statement of Directors' Responsibilities



The directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 at the end of the financial period and of the profit or loss for the period. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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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 17.

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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 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 Company'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

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In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2003 and of the loss of the Company for the period 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
24 July 2003

Profit and Loss Account

For the period ended 31 March 2003



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	Note	2003 £'000
Revenue	2	1,294
Administrative expenses		(6,936)
Operating loss		(5,642)
Other interest receivable and similar income	6	59
Loss on ordinary activities before taxation	3	(5,583)
Tax credit on loss on ordinary activities	7	4,714
Loss on ordinary activities after taxation		(869)
Retained loss for the financial period transferred to reserves		(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.

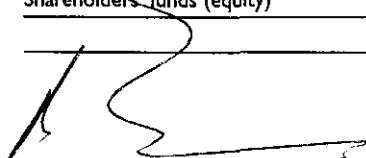
The notes on pages 10 to 17 form an integral part of these financial statements

Balance Sheet

At 31 March 2003



	Note	2003 £'000
Intangible fixed assets	8	4,693
Current assets		
Debtors	9	7,065
Cash at bank and in hand	10	3,331
		10,396
Creditors: amounts falling due within one year	11	(6,158)
Net current assets		4,238
Net assets		8,931
Capital and reserves		
Called up share capital	12	9,800
Profit and loss account	16	(869)
Shareholders' funds (equity)	15	8,931



Michael Bussey, Director

Approved by the Board of Directors on 24 July 2003.

The notes on pages 10 to 17 form an integral part of these financial statements

Notes to the Accounts

For the period ended 31 March 2003



1. Accounting Policies

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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. As this is the first reporting period for the Company no comparative financial information is available.

b. 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.

c. 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.

d. Operating leases

Rental charges are charged to the profit and loss account on an accruals basis.

e. 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.

f. Revenue

Revenue comprises management fees, performance fees and commissions. Fees and commissions in respect of fund management activities are recognised on an accruals basis. Performance fees are recognised at the end of the basis period to which they relate.

g. Interest

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

h. Taxation

The credit for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes to the Accounts



i. Cashflow statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Rothschilds Continuation Holdings AG.

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j. Related party transactions

The Company is controlled by Rothschild Asset Management Holdings AG, its immediate parent undertaking. The ultimate controlling party is Rothschild Concordia AG, 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

	2003 £'000
Turnover	
Management fees	1,302
Commission receivable and other income	27
	1,329
Cost of sales	
Investment advisory fees paid	(35)
	1,294

3. Loss on Ordinary Activities before Taxation

Loss on ordinary activities before taxation is stated after charging:

	2003 £'000
Amortisation	(107)
Service charges from fellow subsidiary undertaking	(184)
Exceptional cost of buyout of staff incentive scheme	(4,137)

Auditors' remuneration is paid by N M Rothschild & Sons Limited in whose financial statements the costs have been disclosed.

Notes to the Accounts



4. Remuneration of Directors

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	2003 £'000
Directors' emoluments	2,513
Pension contributions to money purchase schemes	11
Ex-gratia payments and payments to former directors	—
Total remuneration	2,524

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

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

4 directors are members of both the money purchase pension schemes and defined benefit pension schemes.

	2003 £'000
Highest paid director	
Aggregate emoluments	1,090
Pension contributions to money purchase pension schemes	—
Accrued pension at year end	2

5. Staff Numbers and Costs

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

	Number of employees 2003
Fund management	29

The aggregate payroll costs of these persons were as follows:

	Note	2003 £'000
Wages and salaries		5,207
Social security costs		630
Other pension costs	14	87
		5,924

Notes to the Accounts



6. Other Interest Receivable and Similar Income

	2003 £'000
Receivable from a fellow subsidiary undertaking	59

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7. Tax Credit on Loss on Ordinary Activities

	2003 £'000
The tax credit comprises	
UK corporation tax group relief receivable	4,714

The Company's taxation loss has been group relieved at an effective rate of approximately 86 per cent by a fellow subsidiary undertaking.

8. Intangible Fixed Assets

	Goodwill £'000
Cost	
At beginning of period	–
Additions	4,800
At end of period	4,800
Amortisation	
At beginning of period	–
Charge for period	107
At end of period	107
Net book value at 31 March 2003	4,693

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.

9. Debtors

	2003 £'000
Due within one year	
Amounts owed by fellow subsidiary undertaking	1,198
Corporation taxation recoverable (group relief receivable)	4,714
Other debtors, prepayments and accrued income	1,153
	7,065

Notes to the Accounts



10. Cash at Bank and in Hand

At the period end the Company held cash of £3,331,000 at a fellow group undertaking.

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11. Creditors: Amounts Falling Due Within One Year

	2003 £'000
Amounts owed to fellow subsidiary undertakings	1,534
Accruals and deferred income	4,624
	6,158

12. Called Up Share Capital

The authorised share capital of the Company upon incorporation was £1,000 (comprising 1,000 £1 ordinary shares). This was increased to 20,000,000 £1 ordinary shares during the period.

	£'000
Allotted, called up and fully paid	
Ordinary shares of £1 each	
Issued during the period for cash	9,800
At 31 March 2003	9,800

13. Contingent Liabilities

The Company did not have any contingent liabilities as at 31 March 2003.

14. 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. It is a defined benefit arrangement, the assets of which 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. The latest formal actuarial valuation was conducted at 31 March 2002 using the projected unit method. The market value of the assets amounted to £321 million which, on an ongoing funding basis, covered approximately 109 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:

Notes to the Accounts



14. Pension Scheme (continued)

	Accrued liabilities	Future contributions
Price inflation	2.75%	3.00%
Rate of return for non-pensioners	7.50%	7.50%
Rate of return for pensioners	5.25%	6.50%
Earnings increases	3.75%	4.00%
Pension increases	2.75%	3.00%

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It is assumed that equities will be held for all members below retirement age, but that the Fund will invest in bonds for pensioner members.

The Company's total pension charge for the period amounted to £87,000 of which £76,000 related to contributions to the above defined benefit scheme. £11,000 related to other pension costs.

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

The Company participates in a group defined benefit pension scheme. Because the Company is unable to identify its share of the Fund assets and liabilities on a consistent and reasonable basis, the Fund will be accounted for by the Company as a defined contribution scheme when FRS17 is fully adopted by the Company.

The disclosures given below are in respect of the Fund as a whole.

The latest formal actuarial valuation was carried out as at 31 March 2002 and was updated for FRS17 purposes to 31 March 2003 by qualified independent actuaries. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method. As at 31 March 2003, there was a deficit in the Fund as set out below. 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. In April 2003, the Company increased its contributions to the Fund.

The major assumptions used were as follows:

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

Notes to the Accounts



14. Pension Scheme (continued)

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The fair value of the Fund's assets, the expected rate of return on those assets, the present value of the Fund's liabilities and the surplus or deficit in the Fund at 31 March were as follows:

	2003 Value £m	2003 Expected rate of return	2002 Value £m	2002 Expected rate of return
Equities	177.7	8.00%	255.4	8.00%
Bonds	14.4	5.80%	18.4	6.00%
Gilts/cash	46.9	4.40%	38.7	5.20%
Property	8.4	6.00%	8.3	6.60%
Total market value of assets	247.4		320.8	
Present value of scheme liabilities	(291.5)		(294.9)	
(Deficit)/surplus in the scheme	(44.1)		25.9	

On 31 March 2003, 133 members, mainly employees of Rothschild Asset Management Limited, withdrew from the Fund and, at the close of 31 March 2003, the Fund had 821 members in service of which 34 were employees of the Company. The total contributions to the Fund during the year were £8.9 million (2002: £6.4 million), approximately £2.0 million of which was in respect of money purchase benefits.

The movement during the year to 31 March 2003 in the surplus/deficit in the scheme under FRS17 was as follows:

	£m
Surplus at 31 March 2002	25.9
Current service cost	(15.1)
Contributions	7.0
Gain on curtailment	7.0
Other finance income	6.1
Actuarial gain/(loss)	(75.0)
Deficit at 31 March 2003	(44.1)

15. Reconciliation of Movement in Shareholders' Funds

	2003 £'000
Opening shareholders' funds	—
Ordinary shares issued	9,800
Loss for the financial period	(869)
Closing shareholders' funds	8,931

Notes to the Accounts



16. Reserves

	Profit and loss account £'000
At beginning of period	-
Transfer from profit and loss account	(869)
At end of period	(869)

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17. 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.

18. Parent Company and Ultimate Holding Company

The Company's ultimate holding company is Rothschild Concordia AG, which is incorporated in Zug, Switzerland. Throughout the period, Rothschild Concordia AG was controlled by the Rothschild family and their interests.

The largest group in which the results of the Company are consolidated is that headed by Rothschild Concordia AG. The smallest group in which they are consolidated is that headed by Rothschilds Continuation Holdings AG registered in Zug, Switzerland. The consolidated accounts of Rothschilds Continuation Holdings AG are available to the public and may be obtained from Baarerstrasse 95, Postfach 735, 6301 Zug, Switzerland.