

OFFERING CIRCULAR
Dated 8th February, 1994



£125,000,000

ROTHSCHILDS CONTINUATION FINANCE (C.I.) LIMITED

(Incorporated in Guernsey under the Companies (Guernsey) Laws 1908 to 1990 with limited liability, registered number 27641)

9 per cent. Perpetual Subordinated Guaranteed Notes

guaranteed on a subordinated basis by

ROTHSCHILDS CONTINUATION LIMITED

(Incorporated in England under the Companies Act 1929 with limited liability, registered number 371601)

The £125,000,000 9 per cent. Perpetual Subordinated Guaranteed Notes (the "Notes") and the obligations of Rothschilds Continuation Limited (the "Guarantor" or "RCL") as guarantor will be unsecured obligations of Rothschilds Continuation Finance (C.I.) Limited (the "Company") and the Guarantor respectively, subordinated in that principal and interest on the Notes will only be payable to the extent that, after such payment, the Company or the Guarantor (as the case may be) would remain solvent. The payment of interest is dependent upon a dividend having been declared or paid on any class of share capital of the Guarantor in the six months prior to the relevant Interest Payment Date. In a winding up in the circumstances set out in the final paragraphs of Conditions 2(a) and (b), the rights of the Noteholders will rank as if, on the day prior to the commencement of the winding up of the Company or, as the case may be, the Guarantor, Noteholders were the holders of a notional class of preference shares of the Company or, as the case may be, the Guarantor. See "Terms and Conditions of the Notes — Status and Subordination of the Notes and the Guarantee; and Interest".

Interest will be payable annually in arrears on 15th February at the rate of 9 per cent. per annum, the first such payment (representing a full year's interest) to be made on 15th February, 1995.

The Notes are undated and have no final maturity date. The Notes will only be repayable as set forth herein. In particular the Company may (subject to the consent of the Bank of England) redeem all of the Notes on or after 15th February, 2034 as specified in "Terms and Conditions of the Notes — Redemption and Purchase".

Issue Price 99.989 per cent.

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") for the Notes to be admitted to the Official List. Copies of this document, which comprises listing particulars prepared in accordance with listing rules made under Section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

The Notes will initially be represented by a Temporary Global Note which will be deposited with a common depository on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Cedel S.A. ("Cedel") on or about 15th February, 1994. The Temporary Global Note will be exchangeable for a Permanent Global Note on or after a date which is expected to be 28th March, 1994, upon certification as to non-U.S. beneficial ownership. Definitive Notes will only be available in the limited circumstances set out in the Permanent Global Note. See "Summary of Provisions relating to the Notes while represented by the Global Notes".

Hoare Govett
ABN AMRO Group

N M Rothschild & Sons Limited

Barclays de Zooto Wedd Limited

**Salomon Brothers
International Limited**

Cazenove & Co.

This Offering Circular comprises listing particulars given in compliance with listing rules made by the London Stock Exchange for the purpose of giving information with regard to the Company, the Guarantor, the Guarantor and its subsidiaries (the "Rothschilds Group" or the "Group") and the Notes. The Company and the Guarantor accept responsibility for the information in this Offering Circular. To the best of the knowledge and belief of the Company and the Guarantor (each of which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorised in connection with the issue, offering, subscription, underwriting or sale of the Notes to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Guarantor or the Managers (as defined in "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the issue of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company, the Guarantor or the Group since the date hereof.

No action has been taken or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction other than the United Kingdom. The distribution of this Offering Circular and the offering of Notes in certain jurisdictions may be restricted by law; persons into whose possession this Offering Circular comes are required by the Company, the Guarantor and the Managers to inform themselves about, and to observe, any such restrictions. In particular, attention is drawn to the restrictions set out under "Subscription and Sale" below. This Offering Circular does not constitute an offer to, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The consent of the Advisory & Finance Committee of the States of Guernsey (the "Advisory & Finance Committee") under the Control of Borrowing Ordinances 1959-1989 has been given for the raising of up to £125,000,000 by the issue of the Notes. In giving such consent, the Advisory & Finance Committee does not vouch for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to the Company or the issue of the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, all references to "£", "pounds" or "sterling" are to the currency of the United Kingdom.

In connection with this issue, Hoare Govett Corporate Finance Limited may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

TABLE OF CONTENTS

	<i>Page</i>
Terms and Conditions of the Notes	3
Use of Proceeds	12
Summary of Provisions relating to the Notes while represented by the Global Notes ..	13
Rothschilds Continuation Finance (C.I.) Limited	14
Rothschilds Continuation Limited	15
Taxation	29
Subscription and Sale	31
General Information	32

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which, subject to completion and amendment, will appear on each Note in definitive form:

The issue of the £125,000,000 9 per cent. Perpetual Subordinated Guaranteed Notes (the "Notes", which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 and forming a single series therewith) by Rothschilds Continuation Finance (C.I.) Limited (the "Company") was authorised by a resolution of the Board of Directors of the Company passed on 7th February, 1994. The giving of the guarantee in respect of the Notes (the "Guarantee") by Rothschilds Continuation Limited (the "Guarantor") was authorised by a resolution of the Board of Directors of the Guarantor passed on 18th January, 1994 and a resolution of a duly constituted Committee thereof passed on 7th February, 1994. The Notes are constituted by a trust deed (the "Trust Deed") entered into between the Company, the Guarantor, NM Rothschild & Sons Limited (the "Bank") and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders"). Copies of the Trust Deed, together with copies of the paying agency agreement (the "Paying Agency Agreement") entered into in connection with the Notes between the Company, the Guarantor, the Bank, the Trustee, Bankers Trust Company as principal paying agent (the "Principal Paying Agent") and the other paying agents referred to therein (together with the Principal Paying Agent, where the context permits, the "Paying Agents"), are available for inspection at the registered office for the time being of the Trustee (being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY) and at the specified office of each of the Paying Agents. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Noteholders, the holders (the "Couponholders") of the interest coupons appertaining to the Notes (the "Coupons") and the holders (the "Talonholders") of the talons for further Coupons (the "Talons") are entitled to the benefit of, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement and the Notes, all of which are binding on them. The expressions "Coupons" and "Couponholders" shall, where the context so permits, include "Talons" and "Talonholders" respectively.

1. Form, Denomination and Title

The Notes are issued in bearer form in the denominations of £1,000, £10,000 and £100,000 each with (at the date of issue) Coupons and a Talon attached and title thereto and to the Coupons and Talons will pass by delivery. Notes of one denomination will not be exchangeable for Notes of another denomination.

The holder of each Coupon, whether or not the Coupon is attached to the Note to which it appertains, in his capacity as such, shall be subject to and bound by all the provisions contained in such Note. The holder of any Note and the holder of any Coupon may (to the fullest extent permitted by applicable laws) be treated at all times, by all persons and for all purposes as the absolute owner of such Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss or of any writing thereon.

2. Status and Subordination of the Notes and the Guarantee

(a) The Notes and the Coupons

The Notes and the Coupons are direct and unsecured obligations of the Company, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the Noteholders and Couponholders against the Company are subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in paragraph (c) below) of the Company and accordingly payments of principal and interest by the Company are conditional upon the Company being solvent at the time of such payment and no principal or interest shall be payable by the Company in respect of the Notes except to the extent that the Company could make such payment and still be solvent immediately thereafter.

In the event of the Trustee proving in the winding up of the Company, there shall be payable by the Company in respect of each Note (in lieu of any other payment by the Company), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding up of the Company and thereafter, such Noteholder were the holder of a preference share in the capital of the Company having a preferential right to a return of assets in the winding up over the holders of all issued shares for the time being in the capital of the Company on the assumption that such preference share was entitled to receive on a return of assets in such winding up an

amount equal to the principal amount of such Note together with Arrears of Interest, if any, and any accrued interest (other than Arrears of Interest) as provided in the Trust Deed.

(b) The Guarantee

The due and punctual payment of the principal and interest in respect of the Notes and all other moneys payable by the Company under the Trust Deed has been, subject as provided under Condition 5, guaranteed by the Guarantor in the Trust Deed (the "Guarantee"). For this purpose, payments of principal and/or interest in respect of the Notes shall be deemed to be due and payable by the Company notwithstanding that the condition set out in paragraph (a) above is not satisfied and, if the Company is being wound up, the amount payable under the Guarantee shall be the full principal amount of and interest on, the Notes notwithstanding the provisions of the third paragraph of paragraph (a) above relating to the Company.

The Guarantee constitutes a direct, unsecured and irrevocable obligation of the Guarantor, conditional as described below.

The rights of the Noteholders and Couponholders against the Guarantor under the Guarantee are subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in paragraph (c) below) of the Guarantor and accordingly payments by the Guarantor in respect of the Notes and Coupons under the Guarantee are conditional upon the Guarantor being solvent at the time of such payment and no such payment shall be payable by the Guarantor except to the extent that the Guarantor could make such payment and still be solvent immediately thereafter.

If at any time an order is made or an effective resolution is passed for the winding up in England of the Guarantor (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee), there shall be payable by the Guarantor under its Guarantee in respect of each Note (in lieu of any other payment by the Guarantor), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding up and thereafter, such Noteholder were the holder of a preference share in the capital of the Guarantor having a preferential right to a return of assets in the winding up over the holders of all issued shares for the time being in the capital of the Guarantor on the assumption that such preference share was entitled to receive on a return of assets in such winding up an amount equal to the principal amount of such Note together with Arrears of Interest, if any, and any accrued interest (other than Arrears of Interest) as provided in the Trust Deed.

(c) Solvency and Definitions

For the purpose of this Condition 2, the Company or, as the case may be, the Guarantor shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Company or, as the case may be, the Guarantor by two Directors of the Company or, as the case may be, the Guarantor or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) of the Company or, as the case may be, the Guarantor or, if the Company or, as the case may be, the Guarantor is being wound up, its liquidator shall, in the absence of proven error, be treated and accepted by the Company, the Guarantor, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence thereof.

For the purposes of this Condition 2, "Senior Creditors" means creditors of the Company or, as the case may be, the Guarantor (i) who are depositors or other unsubordinated creditors of the Company or, as the case may be, the Guarantor or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding up of the Company or, as the case may be, the Guarantor or otherwise) to the claims of depositors and other unsubordinated creditors of the Company or, as the case may be, the Guarantor but not further or otherwise or (iii) who are subordinated creditors of the Company or, as the case may be, the Guarantor other than those with whose claims the claims of the Noteholders and Couponholders are expressed to rank *pari passu* and those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders and Couponholders; "Assets" means the unconsolidated gross assets of the Company or, as the case may be, the Guarantor; and "Liabilities" means the unconsolidated gross liabilities of the Company or, as the case may be, the Guarantor, all as shown by the latest published audited balance sheet of the Company or, as the case may be, the Guarantor, but adjusted for contingencies and for subsequent events, all in such manner as two Directors of the Company or, as the case may be, the Guarantor, the Auditors of the Company or, as the case may be, the Guarantor or its liquidator (as the case may be) may determine.

(d) Set Off

Subject to applicable law, on a winding up of the Company or, as the case may be, the Guarantor, neither any Noteholder or Couponholder nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the Company or the Guarantor arising under or in connection with the Notes, the Coupons or the Guarantee and each Noteholder and Couponholder shall, by virtue of his subscription, purchase or holding of any Note or Coupon, be deemed to have waived all such rights of set-off.

N.B. The respective obligations of the Company and the Guarantor in respect of the Notes and Coupons are conditional upon the Company or the Guarantor being solvent for the purposes of this Condition immediately before and after payment by the Company or the Guarantor. If such condition is not satisfied, any amount which might otherwise have been allocated in or towards payment of principal and interest in respect of the Notes may be used to absorb losses.

3. Interest

(a) Period of Accrual of Interest and Coupons

The Notes bear interest from (and including) 15th February, 1994 (the "Issue Date") at the rate of 9 per cent. per annum, payable, subject as provided in these Terms and Conditions, annually in arrear on each Interest Payment Date (as defined below), the first such payment (representing a full year's interest) to be made on 15th February, 1995. On issue, Coupons and a Talon will be attached to each Note and interest payments will be made against surrender of the appropriate Coupons in accordance with and subject to the provisions of Condition 7. After all the Coupons attached to or issued in respect of a Note have matured, a coupon sheet comprising further Coupons (other than any Coupon which would be void) and one further Talon (together a "Coupon Sheet") will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Interest in respect of each Note will cease to accrue from the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or is not made pursuant to Condition 2 or default is otherwise made in payment thereof. After such date for redemption all unmatured Coupons (which expression means Coupons maturing on Interest Payment Dates falling after the due date for redemption but, for the avoidance of doubt, shall not include Coupons maturing on Interest Payment Dates falling on or before such due date in respect of which interest has not been paid) appertaining to such Note (whether or not attached thereto) and any unmatured Talon appertaining to such Note shall become void. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

(b) Interest Payment Dates, Interest Periods and Arrears of Interest

Interest on the Notes shall accrue from day to day and shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Company or the Guarantor so decides) the interest accrued in the Interest Period ending on the day immediately preceding such date, but neither the Company nor the Guarantor shall have any obligation to make such payment and any failure to pay shall not constitute a default by either the Company or the Guarantor for any purpose. Any interest not paid on an Interest Payment Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of either the Company or the Guarantor, be paid in whole or in part (any such part being the whole of the interest accrued during any Interest Period or Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 12, but so that in the case of payment of only part of the Arrears of Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. All Arrears of Interest in respect of all Notes outstanding shall (subject to Condition 2) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Guarantor (ii) the date set for any redemption pursuant to Condition 4(a) or 4(c) and (iii) the commencement of winding up of the Guarantor (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee). Notwithstanding the foregoing, if notice is given by either the Company or the Guarantor of its intention to pay the whole or part of Arrears of Interest, the Company or the Guarantor (as the case may be) shall be obliged (subject to Condition 2) to do so upon the expiration of such notice. So long as, and to the extent that, the same have not become due and payable, Arrears of Interest shall not bear interest.

For the purposes hereof the expressions following have the following meanings:

"Interest Payment Date" means 15th February in each year.

"Compulsory Interest Payment Date" means any Interest Payment Date if, in the immediately preceding six calendar months, any dividend has been declared or paid on any class of share capital of the Guarantor.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Interest Period" means the period from (and including) one Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date.

All references in these Terms and Conditions to interest shall, unless the context otherwise requires, include Arrears of Interest.

4. Redemption and Purchase

The Company shall not be at liberty to redeem or purchase the Notes except in accordance with the following provisions and any such redemption or purchase is subject to the prior consent of the Bank of England (so long as the requirement to obtain such consent subsists):

(a) Redemption at the Option of the Company

The Company may, having given not more than 45 nor less than 30 days' notice to the Trustee and (in accordance with Condition 12) the Noteholders, redeem all (but not some only) of the Notes:—

(i) from and including 15th February, 2004 to but excluding 15th February, 2024 at:—

(x) their principal amount; or, if higher,

(y) the price as shall be determined by a leading bank, investment bank or stockbroker in London (to be selected by the Company and approved in writing by the Trustee) as being the price expressed as a percentage of the principal amount of the Notes (rounded, if necessary, to the third decimal place, with 0.0005 being rounded upwards) at which the gross redemption yield on the Notes (calculated on the assumption that the Notes were to be repaid at their principal amount and to have a final maturity date of 15th February, 2024) would equal the gross redemption yield in respect of the 8% per cent. Treasury Stock 2017 (or such other United Kingdom government security as may be determined by the Company (with the prior approval of the Trustee) to be more appropriate) (the "Reference Gilt") on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Reference Gilt quoted by three brokers and/or gilt-edged market makers selected by the Company (with the prior approval of the Trustee) (on a dealing basis for settlement on the next following dealing day in London) at or about 3 p.m. (London time) on the day that is the second business day prior to the London dealing day in the gilt-edged market before the relevant notice of repayment is given and on the basis that the gross redemption yield in respect of the Notes and the Reference Gilt will be calculated *mutatis mutandis* on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18; or

(ii) on 15th February, 2024 or on any fifteenth anniversary of 15th February, 2024 at their principal amount.

Upon the expiration of any such notice, the Company shall (subject to Condition 2) be bound to redeem the Notes at the relevant price aforesaid together with all Arrears of Interest (if any) and accrued interest (if any) as provided in Condition 3. All references in these Terms and Conditions to principal shall, unless the context otherwise requires, include any additional amounts payable pursuant to Condition 4(a)(i)(y).

(b) Purchase

The Company, the Guarantor or any of the Guarantor's other subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining thereto are attached thereto or delivered therewith) at any price in the open market or otherwise.

(c) Redemption for Taxation Reasons

If the Trustee is satisfied, immediately prior to the giving of the notice to Noteholders hereinafter referred to, that on the next date for payment of interest in respect of the Notes:—

- (i) as a result of any actual or proposed change in the laws, regulations or treaties of Guernsey or the United Kingdom (in the case of the Company) or the United Kingdom (in the case of the Guarantor) or any political sub-division thereof or of any authority therein or thereof having power to tax, or in the application or interpretation of such laws, regulations or treaties (whether by legislative change, court decision, any general change in practice of the relevant taxing authorities or otherwise):
 - (x) the Company would (for reasons outside its reasonable control) be required to pay additional amounts in accordance with Condition 7; or
 - (y) the Company would be unable for any reason to make such payment and, in making payment itself, the Guarantor would (for reasons outside its reasonable control) be required to pay additional amounts in accordance with Condition 7; or
- (ii) the payment of interest in respect of any of the Notes would be treated as a "distribution" within the meaning of the Tax Acts for the time being of the United Kingdom or would otherwise be treated as a payment which would not be deductible for tax purposes by the Company or the Guarantor, as the case may be,

the Company may (subject to Condition 2) having given not more than 45 nor less than 30 days' notice to the Trustee and (in accordance with Condition 12) the Noteholders, redeem on any date all (but not some only) of the Notes at their principal amount. Upon the expiration of such notice, the Company shall (subject to Condition 2) be bound to redeem the Notes at their principal amount together with all Arrears of Interest (if any) and accrued interest as provided in Condition 3.

It shall be sufficient, to establish the existence of the circumstances required to be established pursuant to this paragraph (c), if the Company shall deliver to the Trustee (a) a certificate from the Guarantor in a form satisfactory to the Trustee as to all relevant matters of fact; and (b) a certificate of an independent lawyer or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon any change in the laws, regulations or treaties of the United Kingdom or Guernsey or any political sub-division thereof or of any authority therein or thereof having power to tax, or in the application or interpretation of such laws, regulations or treaties (whether by legislative change, court decision, any general change in practice of the relevant taxing authorities or otherwise), which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

(d) Cancellation

All Notes redeemed or purchased as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered therewith, and may not be resold or re-issued.

References in this Condition 4 to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owner.

(e) No Fixed Maturity

The Notes will be undated and will have no final maturity date and will only be redeemable or repayable in accordance with the foregoing provisions of this Condition 4 or Condition 8 below.

5. Substitution of Principal Debtor

The Bank has undertaken in the Trust Deed that, if the Guarantor (otherwise than upon, or following, the commencement of its winding up) ceases beneficially to own, directly or indirectly (as more particularly described in the Trust Deed), at least 75 per cent. of the issued ordinary share capital of the Bank (as defined in the Trust Deed), then the Bank shall (unless it has previously ceased, or will in connection with or as a result of such cessation of ownership of the issued ordinary share capital cease, to be an authorised institution (as defined in the Trust Deed)) immediately and without further formality become the principal

debtor on a subordinated basis under the Trust Deed, the Notes and the Coupons in place of the Company (in the same manner as provided in Condition 2 but with the substitution of references to the Bank in place of references to the Company in Condition 2(a) and in place of references to the Guarantor in the final paragraph of Condition 2(b)), the deletion of the final paragraph of Condition 2(a) and the first three paragraphs of Condition 2(b) and the substitution of references to the Bank in place of references to the Company and the Guarantor in Condition 2(d) and upon such change taking effect references herein to the declaration or payment of dividends by the Guarantor shall be substituted by references to the declaration or payment of dividends by the Bank). On the Bank becoming legally and validly bound as principal debtor, the amounts that would otherwise have been payable by the Company or the Guarantor, as the case may be, in respect of each Note or Coupon shall be payable by it to the Bank and the guarantee by the Guarantor pursuant to Condition 2 and any of its or any of the Company's obligations under the Trust Deed, the Notes or the Coupons shall cease to be of any effect.

The Guarantor or the Company (provided that the Bank is then, and immediately thereafter will continue to be, an authorised institution) may, by notice to the Trustee and without the consent of the Noteholders or the Couponholders, elect that the Bank shall become the principal debtor on a subordinated basis under the Trust Deed, the Notes and the Coupons in place of the Company (in the same manner as provided in Condition 2 but with the substitution of references to the Bank in place of references to the Company in Condition 2(a) and in place of references to the Guarantor in the final paragraph of Condition 2(b)), the deletion of the final paragraph of Condition 2(a) and the first three paragraphs of Condition 2(b) and the substitution of references to the Bank in place of references to the Company and the Guarantor in Condition 2(d)), in which event the Bank shall (and shall undertake in the Trust Deed that it shall) immediately and without further formality become the principal debtor in such manner. Upon such change taking effect references herein to the declaration or payment of dividends by the Guarantor shall be substituted by references to the declaration or payment of dividends by the Bank. On the Bank becoming legally and validly bound as principal debtor, the amounts that would otherwise have been payable by the Company or the Guarantor, as the case may be, in respect of each Note or Coupon shall be payable by it to the Bank and the guarantee of the Guarantor pursuant to Condition 2 and any of its or any of the Company's obligations under the Trust Deed, the Notes or the Coupons shall cease to be of any effect.

The Guarantor may, by notice to the Trustee and without the consent of the Noteholders or the Couponholders, elect that it shall become on a subordinated basis principal debtor under the Trust Deed, the Notes and the Coupons in place of the Company (in the same manner as provided in Condition 2 but with the deletion of the first two paragraphs of Condition 2(b)), in which event the Guarantor shall immediately and without further formality become the principal debtor in such manner and, other than as principal debtor, the Guarantor shall have no obligations under the Trust Deed, the Notes or the Coupons and the amounts that would otherwise have been payable by the Company in respect of each Note or Coupon shall be payable by it to the Guarantor.

The Trustee may agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, subject to the Notes and the Coupons remaining guaranteed by the Guarantor on a subordinated basis as mentioned in Condition 2 above, to the substitution on a subordinated basis (in the same manner as provided in Condition 2 but with the substitution of references to the relevant company in place of references to the Company, the addition of the relevant company's country of incorporation in Conditions 4 and 7 and such other changes as the Trustee considers appropriate) of another subsidiary of the Guarantor as the principal debtor under the Trust Deed, the Notes and the Coupons, in place of the Company.

If any substitution of the principal debtor under this Condition 5 shall take place the new principal debtor and the Trustee shall agree such other consequential changes to these Terms and Conditions and the Trust Deed as may be necessary upon such substitution taking effect to ensure that all references herein and in the Trust Deed to the Company and/or the Guarantor shall apply, where applicable, solely to such substituted principal debtor, as more particularly provided in the Trust Deed. Such changes may take place without the consent of the Noteholders or the Couponholders. The amounts that would otherwise have been payable in respect of each Note or Coupon by a company which is substituted under these Terms and Conditions shall be payable by it to the new principal debtor. Any company which is substituted under these Terms and Conditions shall cease to have any obligations under the Trust Deed, the Notes or the Coupons other than any obligations which may be imposed as a condition to the Trustee agreeing to such substitution.

6. Payments

Payments of principal in respect of Notes will (subject to Condition 2) be made against presentation and surrender or (as the case may be) endorsement of the relevant Note at the specified office of any Paying

Agent by a pounds sterling cheque drawn on, or, at the option of the payee, by transfer to a pounds sterling account maintained by the payee with, a bank in London. Payments of interest in respect of Notes will (subject to Conditions 2 and 3) be made against presentation and surrender of the appropriate Coupons at the specified office of any Paying Agent in the manner provided in the preceding sentence.

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

Subject to Condition 8(b), if any payment is to be made in respect of interest, the Interest Payment Date for which falls on or after the date on which the winding up of the Company or the Guarantor (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee) has commenced, such payment shall be made only against presentation of the relevant Note, and the Coupon for any such Interest Payment Date shall be void. In the event of the winding up of the Company or the Guarantor (except as aforesaid) each Note which is presented for payment must be presented together with all Coupons appertaining to such Note in respect of Arrears of Interest (if any), failing which the amount payable in respect of any such missing Coupon (or, in the case of payment not being made in full, that proportion of the amount so payable in respect of such missing Coupon which the amount so paid bears to the total amount payable in respect of such Note (inclusive of Arrears of Interest (if any) and accrued interest)) will be deducted from the sum due for payment on presentation of such Note. In the case of any such missing Coupon, the amount so deducted will be payable in the manner mentioned above against presentation and surrender of such Coupon within a period of five years from the Relevant Date (as defined in Condition 7) in relation to the payment of such amount.

If the date for payment of any amount of principal or interest in respect of any Note is not at any place of payment a business day, then the holder of such Note or the relevant Coupon shall not be entitled to payment at that place of payment of the amount due until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6 "business day" means any day on which banks are open for business in the relevant place of payment and (in the case of payment by transfer to a pounds sterling account as referred to above) on which dealings in pounds sterling are generally carried on both in London and in such place of payment.

The names of the initial Paying Agents and their respective initial specified offices are set out below.

The Company or the Guarantor reserves the right, subject to the prior approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and to approve any change in the specified office through which any Paying Agent acts, provided that it will at all times maintain (i) a Paying Agent having a specified office in a city approved by the Trustee in mainland Europe, and (ii) so long as the Notes are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"), a Paying Agent having a specified office in London or such other place as may be approved by the London Stock Exchange. Notice of any termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders promptly by the Company or the Guarantor in accordance with Condition 12.

7. Taxation

All payments of principal and/or interest in respect of the Notes and the Coupons by the Company or the Guarantor will be made without withholding of, or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of Guernsey or the United Kingdom (in the case of payments by the Company) or the United Kingdom (in the case of payments by the Guarantor) or any political sub-division thereof or any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Company or the Guarantor, as the case may be, will, subject to Condition 2, pay such additional amounts as may be necessary in order that the net amounts receivable by the Noteholders or the Couponholders (as the case may be) after such withholding or deduction shall equal the respective amounts of principal and/or interest which would have been receivable in respect of the Notes and/or Coupons (as the case may be) in the absence of such withholding or deduction, except that no such additional amounts shall be payable if, and to the extent that, any Note or Coupon is presented for payment:

- (a) by or on behalf of any person who is liable to such taxes, duties, assessments or charges in respect of such Note or Coupon by reason of his having some connection with Guernsey or the United Kingdom (in the case of payments by the Company) or the United Kingdom (in the case of payments by the Guarantor) other than the mere holding of or having a beneficial interest in such Note or Coupon; or
- (b) at any specified office in the United Kingdom of a Paying Agent; or
- (c) more than 30 days after the Relevant Date except to the extent that the Noteholder or Couponholder would have been entitled to additional amounts on presenting the same for payment at the expiry of such period of 30 days.

As used in this Condition 7, the "Relevant Date" means (a) the date on which such payment first becomes payable or (b) if the full amount of the monies payable has not been received by the Principal Paying Agent (as defined in the Trust Deed) or the Trustee on or prior to such date, it means the date on which, the full amount of such monies having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 12.

Any reference in these Terms and Conditions to principal and/or interest in respect of the Notes or Coupons shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

8. Event of Default and Enforcement

(a) If default shall be made in the payment of any principal or interest due on the Notes for a period of seven days or more in the case of principal or fourteen days or more in the case of interest the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of both the Company and the Guarantor, but may take no other action in respect of such default. For the purpose of determining only whether the Trustee may institute proceedings as aforesaid and not for the purpose of determining the amount payable by the Company or, as the case may be, the Guarantor in respect of the Notes a payment otherwise due or compulsory shall be deemed to be so due or compulsory notwithstanding that the relevant condition set out in Condition 2 is not satisfied.

(b) If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for the winding up in Guernsey of the Company, the Guarantor shall be deemed to have served notice on the Trustee of its election, pursuant to Condition 5, to become on a subordinated basis (in the same manner as provided in Condition 2) principal debtor under the Trust Deed, the Notes and the Coupons in place of the Company in the same manner as provided in Condition 5, in which event the Guarantor shall immediately and without further formality become the principal debtor in such manner.

(c) If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for the winding up in England of the Guarantor, the Notes shall immediately become due and repayable by the Company at their principal amount together with Arrears of Interest, if any, and accrued interest as provided in the Trust Deed subject to Condition 2.

(d) The Trustee may at its discretion and without further notice institute such proceedings against the Company and/or the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the Company and/or the Guarantor under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or Coupons) provided that neither the Company nor the Guarantor shall by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(e) The Trustee shall not be bound to take any of the actions referred to in paragraphs (a) or (d) above to enforce the obligations of the Company and/or the Guarantor in respect of the Notes and Coupons or any other proceedings pursuant to or in connection with the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

(f) No Noteholder or Couponholder shall be entitled to proceed directly against the Company and/or the Guarantor unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Noteholder or Couponholder shall be entitled to institute proceedings for the winding up of the Company and/or the Guarantor, or to prove in such winding up, except that if the Trustee, having become bound to proceed against the Company and the Guarantor as aforesaid, fails to do so, or being able to prove in such a winding up, fails to do so (in each case, within a reasonable period), then any holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Company and the Guarantor and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

9. Prescription

Notes and Coupons will become void unless presented for payment within a period of ten years in the case of Notes and five years in the case of Coupons respectively from the Relevant Date (as defined in Condition 7) relating thereto.

10. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding or at any adjourned such meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented by them, except that at any meeting the business of which includes the modification of certain provisions (including *inter alia* those concerning the amount and currency for payment of principal and interest in respect of the Notes, the rate of interest in respect of the Notes and the provisions as to subordination referred to in Condition 2, other than in relation to such provisions as to subordination to the extent that the modification thereof would, in the opinion of the Trustee, not be materially prejudicial to the interests of Noteholders) the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any meeting of Noteholders shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification (except as aforesaid) of, or to any waiver or authorisation of any breach or proposed breach of any provision of, the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which is of a formal or technical nature or which is made to correct a manifest error.

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent for the time being in London (or such other place of which notice shall be given in accordance with Condition 12) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Company may

reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

All notices regarding the Notes will be valid if published in one leading London daily newspaper or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Company or the Guarantor and the Trustee shall agree.

It is expected that publication of notices will normally be made in the *Financial Times*.

13. Further Issues

The Company shall be at liberty from time to time, without the consent of the Noteholders or the Couponholders, to create and issue further bearer or registered notes or bonds either ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon), and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) or upon such terms as to interest, premium, redemption, subordination and otherwise as the Company may at the time of the issue thereof determine. Any further notes forming a single series with the outstanding notes or bonds of any series (including the Notes) shall, and any other further notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of bearer and/or registered notes or bonds of other series in certain circumstances where the Trustee so decides.

14. Indemnification of, and Transactions by, the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking proceedings to enforce payment unless indemnified to its satisfaction.

The Trustee is entitled to enter into business transactions with the Company and/or the Guarantor and/or any of the Guarantor's other subsidiaries without accounting for any profit resulting therefrom.

15. Governing Law and Submission to Jurisdiction

The Trust Deed, the Notes and the Coupons are governed by and will be construed in accordance with English law. The Company has in the Trust Deed irrevocably agreed for the exclusive benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts. The Company has in the Trust Deed irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Company and may be enforced in the courts of any other jurisdiction. Nothing contained in this provision shall limit any right to take Proceedings against the Company in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction whether concurrently or not. The Company has in the Trust Deed irrevocably and unconditionally appointed the Guarantor at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

USE OF PROCEEDS

The net proceeds from the issue of the Notes (amounting to approximately £124,008,750 after payment of commissions) will be used in the Company's financing business.

**SUMMARY OF PROVISIONS RELATING TO THE NOTES
WHILE REPRESENTED BY THE GLOBAL NOTES**

The following is a summary of the provisions contained in the Trust Deed and the Global Notes (as defined below) which apply, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Temporary Global Note or the Permanent Global Note (together the "Global Notes"):

1. The Permanent Global Note will be exchangeable (free of charge to the holder) for definitive Notes (i) upon the happening of any of the events referred to in "Terms and Conditions of the Notes — Event of Default and Enforcement" above in relation to the Guarantor or if an order is made or an effective resolution is passed for the winding up of the Guarantor, (ii) if either Euroclear or Cedel is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available or (iii) if the Trustee is satisfied that on the occasion of the next payment in respect of the Notes the Company, the Guarantor or any Paying Agent would be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form. In such situation, the Company will issue definitive Notes in bearer form, serially numbered, in the denominations of £1,000, £10,000 and £100,000 each with interest coupons and a talon attached on issue (in exchange for the entire Permanent Global Note) within 45 days of the occurrence of the relevant event in (i), (ii) or (iii) above.
2. Payments of principal and interest in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Note by or on behalf of the Principal Paying Agent. Payments of interest on the Temporary Global Note will only be made upon certification as to non-U.S. beneficial ownership.
3. So long as the Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear and/or Cedel, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Cedel (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by the Conditions. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the date on which such notice is delivered to Euroclear and/or Cedel (as the case may be) as aforesaid.
4. For so long as any of the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or Cedel as the holder of a particular principal amount of such Notes (each an "Accountholder") (in which regard any certificate or other document issued by Euroclear or Cedel as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Company, the Guarantor and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Cedel, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.
5. Claims against the Company and/or the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in "Terms and Conditions of the Notes — Taxation" above).
6. Cancellation of any Note represented by the Permanent Global Note and required by the Conditions to be cancelled following its purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the Permanent Global Note on the relevant schedule to the Permanent Global Note.

ROTHSCHILDS CONTINUATION LIMITED

Introduction

Rothschilds Continuation Limited ("RCL"), which was incorporated in England with limited liability on the 31st December, 1941, for an indefinite term, is a co-ordinating company, the two principal subsidiaries of which are N M Rothschild & Sons Limited and Rothschild Asset Management Limited. Until the 2nd April, 1982, RCL was the ultimate holding company of the Rothschild group, but a re-organisation on that date resulted in the formation of a new holding company in Switzerland, Rothschilds Continuation Holdings A.G. ("RCH"), and the transfer to it of various overseas interests. RCL's ordinary share capital is wholly owned by RCH.

Capitalisation

The following table sets out the consolidated capitalisation of the RCL group as at 31st March, 1993, based on the audited consolidated accounts of RCL, and adjusted to take account of the issue of the Notes:—

		<i>As at 31st March, 1993</i>
		<i>(£'000)</i>
Share capital and reserves		
Issued share capital:		
Ordinary shares of £1 each, issued and fully paid	.. .. .	6,970
5.25% Cumulative Preference Shares of £1 each ..	.. .. .	1,200
9.175% Cumulative Preference Shares of £1 each	.. .. .	789
Cumulative Second Preference Shares of 10p each	.. .. .	1,041
Total share capital		10,000
General reserve		151,829
Capital reserve		30,000
Total share capital and reserves		191,829
Loan capital		
US\$ 200,000,000 Primary Capital Undated Guaranteed Floating Rate Notes ..	.. .. .	132,846
US\$ 20,000,000 Guaranteed Floating Rate Notes due 1994		13,285
US\$ 45,000,000 Subordinated Guaranteed Floating Notes due 2015		29,890
The Notes		125,000
Total loan capital		301,021
Total capitalisation		492,850

Notes to the statement of consolidated capitalisation:—

- (1) The consolidated capitalisation of RCL does not include inner reserves of banking subsidiaries.
- (2) Save in respect of the issue of the Notes, there have been no material changes since the 31st March, 1993 in the consolidated capitalisation of the RCL group, as set out above.
- (3) Unless otherwise stated, foreign currencies have been translated at the rate of exchange prevailing on 31st March, 1993.
- (4) The authorised share capital is the same as the issued share capital.

ROTHSCHILD'S CONTINUATION FINANCE (C.I.) LIMITED

Introduction

The Company was incorporated on 31st December, 1993 as a limited liability company under Guernsey law, for an indefinite term. The Company has an authorised capital of £100,000 divided into 100,000 shares of £1 each. All 100,000 shares are beneficially owned by RCL.

The business of the Company will be the raising of finance for the purpose of lending it to other companies, including other members of the Group.

The Company has not undertaken any activities since its incorporation. It is anticipated that the Company will be resident in the United Kingdom for taxation purposes.

The present composition of the Board of Directors of the Company and their principal outside activities are as follows:—

<i>Name</i>	<i>Principal outside activities</i>
Bernard Myers	Managing Director N M Rothschild & Sons Limited
David Sullivan	Managing Director N M Rothschild & Sons Limited
James Yates	Director N M Rothschild & Sons Limited

The directors are all executive directors. The business address for each of the directors is New Court, St. Swithin's Lane, London EC4P 4DU.

Capitalisation

The following table sets out the capitalisation of the Company as at 31st January, 1994, adjusted to take account of the issue of the Notes:—

	<i>as at 31st January, 1994 (£'000)</i>
Share capital and reserves	
Authorised ordinary shares of £1 each, issued and fully paid	100
Long-term debt	
The Notes	125,000
Total capitalisation	<u>125,100</u>

Note:

Save in respect of the issue of the Notes, there has been no material change since 31st January, 1994 in the capitalisation of the Company.

REPORT OF THE AUDITORS

To the directors of Rothschild's Continuation Finance (C.I.) Limited

Rothschild's Continuation Finance (C.I.) Limited was incorporated on 31st December, 1993. It has not yet commenced business, no accounts have been made up nor have any dividends been declared or paid since the date of incorporation.

KPMG Peat Marwick
Chartered Accountants
London, 8th February, 1994

HISTORY AND BUSINESSES

N M Rothschild & Sons Limited

N M Rothschild & Sons Limited ("NMR"), and its predecessors, have carried on the business of merchants and bankers in the City of London since 1803. NMR today has three main areas of activity: banking, treasury and corporate finance.

Banking

NMR arranges and provides borrowing and other facilities, principally loans, acceptance credits and guarantees. It can arrange facilities for working capital, asset finance and acquisition finance and offers advice in all areas of funding and debt strategy, including restructuring. Clients range from small, private businesses to large international corporations and cover most industries. NMR seeks to develop close relationships with clients so as to achieve a thorough understanding of the risks and strengths of their business and pursues a tightly controlled lending policy as confirmed by the low level of loan losses over the past five years.

NMR is active in syndicating credit facilities and has recently arranged syndications for Northern Foods (£150 million), Satellite Information Services (£50 million) and T&N (£150 million). The bank also has a small structured finance portfolio and has recently provided debt to the management buy-outs of Spaldings from Haden MacLellan and Citrus Colloids from H.P. Bulmer.

Treasury

NMR offers a comprehensive range of treasury services including bullion, foreign exchange, futures and options, swaps and related hedging services. As a leading market maker in the spot and forward international bullion markets, NMR provides a full service to both producers and consumers and has trading and advisory relationships with a large number of central banks. Over the past decade there has been a significant increase in the corporate client base for all treasury activities, particularly in the derivatives business.

A member of the London Gold Market, NMR by tradition provides the Chairman of the London Gold Fixing which takes place twice a day at the bank's New Court offices and is also a market making member of the London Bullion Market Association and the London Platinum and Palladium Market. Following its recent admission as an Associate Member of the London Metal Exchange, NMR is also now trading in several base metals including copper, zinc and aluminium. NMR's treasury division works closely with other group companies and has participated in several recent gold mine financings including a US\$105 million syndicated loan for the Zarafshan-Newmont gold project in Uzbekistan.

Corporate Finance

NMR provides financial advice to a wide range of public and private companies in the United Kingdom and overseas. Recent domestic transactions include advising Rothmans on the reorganisation of its tobacco and luxury goods interests, Sedgwick on the acquisition of Noble Lowndes from TSB and Headline Books on its acquisition of Hodder & Stoughton whilst internationally, NMR has advised British Airways on its investments in TAT and Qantas, BT on its US\$4.3 billion link-up with MCI and T&N on its DM250 million acquisition of Goetze.

One of the world's leading advisers on privatisation and utility projects, over the past year NMR has advised the UK Government on the £362 million NIE share offer, the Hungarian Government on the US\$875 million sale of a 30 per cent. stake in Matav and Electricidade de Portugal on the £710 million sale of the Pego power station. Current appointments include advising the Dutch Government on the planned privatisation of KPN, the Belgian Government on its privatisation programme and the Italian Government on the sale of the ENI Group.

NMR is active in the international capital markets, recent transactions including the £373 million sale of a 54.8 per cent. holding in Mirror Group and rights issues for Rolls-Royce, Sedgwick, Bowthorpe and Sociedad Comercial del Plata, the first Argentine rights issue to have been underwritten and distributed internationally. In addition, in 1993 NMR led four Euroconvertible issues including those for Sun Alliance (£155 million), Northern Foods (£92 million) and BPB Industries (£64 million).

Results of operations

NMR was not, at the last balance sheet date, required to publish a full profit and loss account, but shows a profit figure after transfer to inner reserves equal to the annual dividend. In NMR's report and accounts for the year ended 31st March, 1993 the Chairman reported as follows:—

"Profits for the year were ahead of last year. This should be seen as satisfactory against the background of difficult economic circumstances and volatile trading conditions. We have been able to declare total dividends of £14.5 million compared to £6 million in the previous year.

The Bank's disclosed consolidated shareholders' funds and subordinated loan capital now stand at £272 million. The consolidated balance sheet now amounts to £4.8 billion, compared to £4.7 billion in 1992. As a result the Bank comfortably exceeds the margin by which it meets the minimum requirement under the Basle capital adequacy rules. The Bank is engaged on a major recomputerisation programme to upgrade its present hardware and software. The costs of this software development are charged to the Bank's revenue account as incurred.

The Treasury division's income is in excess of that achieved last year. Excellent results were achieved by the money market and foreign exchange books. The office in Denver continues to provide a useful contact with the North American gold mining industry with metal related businesses continuing to be an important source of income to the Bank. The European markets also presented a number of interesting opportunities for us to apply our skills. The Credits division increased income substantially due to lower bad debt provision charges and improved margins on the portfolio.

The Corporate Finance division's overall income was lower this year as a result of lower levels of activity in the UK market, particularly in mergers and acquisitions. The Natural Resources and Utilities group, however, produced increased income compared with previous years.

The Manchester office continues to provide a useful source of banking and corporate finance business while N M Rothschild & Sons (C.I.) Limited had another excellent trading year, the disclosed profits being £5.0 million.

This year saw the retirement of Mr James Roe and Richard Katz from the Board. Together they served the Rothschild Group for some sixty years and I would like to record our sincere thanks to them for their valuable contributions.

The Group continues to be committed to providing its clients with the highest quality of service and also to being innovative in its ideas. As with all international financial service groups, our achievements and successes are dependent upon the quality and hard work of the staff. The Board wishes to thank them."

Rothschild Asset Management Limited

In April 1986, in common with other institutions and as a result of the changing regulatory environment, Rothschild Asset Management Limited ("RAM") was incorporated as a separate company. Together with its subsidiaries, such as Rothschild International Asset Management and Rothschild Asset Management (C.I.) Limited, RAM now has funds under management of approximately £11 billion covering all major equity, fixed interest and currency markets as well as more specialised areas such as biotechnology and property.

The Institutional Funds Department provides investment services to UK pension funds and currently manages some £2 billion. The Fixed Interest and Currency Group offers currency and international bond management services to a range of clients including pension funds, insurance companies and government institutions and has approximately £7 billion under management. The Private Client Department manages portfolios in excess of £500,000 for private individuals and has some £500 million under management. In addition, RAM's extensive range of investment funds, mainly under the *Five Arrows* name, now total £1.5 billion.

Registered with the SEC in the United States, Rothschild International Asset Management provides investment management services to American pension and other institutional funds investing in global securities whilst Guernsey based Rothschild Asset Management (C.I.) Limited provides fund management services for ex-patriate investors and manages a number of offshore funds.

The various Rothschild Asset Management companies around the world, which are affiliated to the RCH group, now have funds in excess of US\$25 billion under management.

Other Activities

Rothschild Ventures Limited, a subsidiary of RCL, acts as manager and advisor to venture capital funds investing in start-ups and MBOs. In Guernsey, N M Rothschild & Sons (C.I.) Limited, a wholly owned subsidiary of NMR, provides private banking services.

Rothschilids Continuation Holdings AG

RCL is a part of the RCH group which holds approximately 26.2 per cent. (on a fully diluted basis) of Smith New Court PLC ("SNC"), a company listed on the London Stock Exchange. SNC is a leading securities house specialising in UK and international equities, and in addition has subsidiaries in Hong Kong, Japan, Malaysia, Singapore and New York. NMR and SNC work together on international equity issues.

The RCH group is represented globally with subsidiaries or affiliates throughout Europe, North America, Latin America, Asia, Australia and Central Africa.

OUTLOOK

RCL does not publish interim statements, but trading during the current year, to 31st March, 1994, continues at a most satisfactory level.

MANAGEMENT

The present composition of the Board of Directors of RCL and their principal outside activities of significance to the group are as follows:—

<i>Name</i>	<i>Principal RCL activities</i>	<i>Principal outside activities</i>
Sir Evelyn de Rothschild	Chairman of RCL	Chairman of RCH and NMR
David de Rothschild	Non-executive Director	Managing Partner, Rothschild et Cie Banque
Edmund de Rothschild	Non-executive Director	Non-executive Director of NMR
Leopold de Rothschild	Non-executive Director	Non-executive Director of NMR
Eric de Rothschild	Non-executive Director	Partner, Rothschild et Cie Banque
Hon. Amschel Rothschild	Executive Director	Chairman of RAM
Michael Marks	Non-executive Director	Chief Executive of SNC
Carel Mosselmanns	Non-executive Director	Non-executive Director of RAM
Bernard Myers	Executive Director	Managing Director of NMR
David Sullivan	Executive Director	Managing Director of NMR

The business address for each of the directors is New Court, St. Swithin's Lane, London EC4P 4DU.

ROTHSCHILDS CONTINUATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The consolidated profit and loss accounts of the Group for the three financial years ended 31st March, 1993 are as follows:—

	Notes	Year to 31st March,		1991
		1993	1992	
		(£'000)	(£'000)	(£'000)
Disclosed profit for the year after providing for minority interests and taxation and making a transfer to inner reserves out of which provision has been made for diminution in the value of assets		14,239	6,076	2,228
Transfer from inner reserves		—	15,000	12,000
		<u>14,239</u>	<u>21,076</u>	<u>14,228</u>
Dividends	7	(16,357)	(6,357)	(9,857)
		<u>(2,118)</u>	<u>14,719</u>	<u>4,371</u>
Transfer (from)/to general reserve				

The notes on pages 23 to 27 form an integral part of the accounts.

ROTHSCHILDS CONTINUATION LIMITED

CONSOLIDATED BALANCE SHEET

The consolidated balance sheets of the Group as at 31st March, 1992 and 31st March, 1993 are as follows:—

	<i>Notes</i>	<i>1993</i>	<i>1992</i>
		(£'000)	(£'000)
Share capital	2	10,000	10,000
General reserve	2	151,829	153,947
Capital reserve		30,000	30,000
		<hr/>	<hr/>
Shareholders' funds		191,829	193,947
Loan capital	3	176,021	153,107
		<hr/>	<hr/>
		367,850	347,054
		<hr/>	<hr/>
Minority interests		216	623
		<hr/>	<hr/>
Current liabilities, provisions and other accounts			
Current, deposit and other accounts, including bullion			
liabilities, provision for taxation and inner reserves		3,849,129	3,576,922
Acceptances for customers		681,034	705,304
		<hr/>	<hr/>
		4,530,163	4,282,226
		<hr/>	<hr/>
Amounts owing to group undertakings			
Fellow subsidiary undertakings		21,436	134,501
Proposed dividend	7	3,000	—
		<hr/>	<hr/>
		24,436	134,501
		<hr/>	<hr/>
		4,922,665	4,764,404
		<hr/>	<hr/>

The notes on pages 23 to 27 form an integral part of the accounts.

	<i>Notes</i>	<i>1993</i>	<i>1992</i>
		<i>(£'000)</i>	<i>(£'000)</i>
Current assets			
Cash at banks and in hand, money at call and up to 7 days' notice, bullion and base metals		1,142,123	786,771
Money at short notice with banks and public authorities ..		387,152	302,107
Bills discounted, bank certificates of deposit, short dated ..			
British Government securities and floating rate stocks ..		962,497	737,037
Other loans and deposits with banks and public authorities ..		529,160	1,046,279
		<u>3,020,932</u>	<u>2,872,194</u>
Loans, advances and acceptances			
Customers and other accounts including bullion loans		1,059,082	1,064,229
Liabilities of customers for acceptances		681,034	705,304
		<u>1,740,116</u>	<u>1,769,533</u>
Investments	<i>d</i>		
Investments in associated undertakings		620	543
Investment in fellow subsidiary undertaking		629	629
Other investments		18,724	25,306
		<u>19,973</u>	<u>26,478</u>
Amounts owing by group undertakings			
Parent and fellow subsidiary undertakings		83,038	37,717
Fixed assets			
Freehold properties		45,644	45,618
Long leasehold property		5,332	5,332
Plant and equipment		7,630	7,532
		<u>58,606</u>	<u>58,482</u>
		<u>4,922,665</u>	<u>4,764,404</u>

The notes on pages 23 to 27 form an integral part of the accounts.

ROTHSCHILDS CONTINUATION LIMITED

BALANCE SHEET

The balance sheets of RCL as at 31st March, 1992 and 31st March, 1993 are as follows:—

	Notes	1993	1992
		(£'000)	(£'000)
Fixed assets			
Long leasehold property		5,332	5,332
Investments	4		
Shares in subsidiary undertakings		202,758	202,123
Other investments		11,190	12,243
		<u>219,280</u>	<u>219,698</u>
Current assets			
Amounts owing by subsidiary undertakings		839	3,389
Other debtors		910	65
		<u>1,749</u>	<u>3,454</u>
Creditors: amounts falling due within one year			
Amounts owing to subsidiary undertakings		8,740	8,740
Accrued expenses		38	42
		<u>8,778</u>	<u>8,782</u>
Net current liabilities		<u>(7,029)</u>	<u>(5,328)</u>
Total assets less current liabilities		<u>212,251</u>	<u>214,370</u>
Creditors: amounts falling due after more than one year	3		
Amounts owing to subsidiary undertakings		17,979	17,979
Amounts owing to fellow subsidiary undertakings		2,431	2,431
		<u>(20,410)</u>	<u>(20,410)</u>
Net assets		<u>191,841</u>	<u>193,960</u>
Capital and reserves			
Share capital	2	10,000	10,000
General reserve	2	15,364	18,123
Revaluation reserve	2	166,477	165,837
		<u>191,841</u>	<u>193,960</u>

The notes on pages 23 to 27 form an integral part of the accounts.

ROTHSCHILDS CONTINUATION LIMITED

NOTES TO THE ACCOUNTS

The principal accounting policies adopted in the presentation of the accounts are as follows:—

1. Accounting Policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified to include the revaluation of certain freehold property and certain financial instruments as noted below and in accordance with applicable accounting standards. In RCL's balance sheet shares in subsidiary undertakings are included at valuation.

The information shown in respect of subsidiary undertakings is, with the consent of the Department of Trade and Industry, given in the manner authorised for a banking group. These accounts have been prepared in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 relating to banking groups. As a consequence information required under Statements of Standard Accounting Practice and Financial Reporting Standards is not given where this would require disclosure of information which the Group is exempt from disclosing. The balance sheet of RCL has been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985. In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account dealing with the results of RCL is not presented.

(b) Basis of consolidation

The consolidated accounts comprise the accounts of RCL and its subsidiary undertakings. The accounts of the principal subsidiary and associated undertakings are made up to 31st March, 1993. In order to avoid undue delay in the preparation of the consolidated accounts or to comply with local law, the accounts of certain minor subsidiary undertakings are made up to 31st December, 1992. The accounts of foreign subsidiary undertakings are translated into sterling at rates of exchange ruling at the balance sheet date. The accounts incorporate the Group's share of net assets of associated undertakings.

(c) Foreign currencies

Assets and liabilities in foreign currencies are valued at rates of exchange ruling at the balance sheet date. Forward foreign exchange contracts, other than those entered into as part of cross-currency loan and deposit transactions, are valued at the balance sheet date at the market rates applicable to their various maturities and the difference between the valuation and the contract price, discounted on a net present value basis, is included in the profit and loss account. The gains or losses on forward foreign exchange contracts entered into as part of cross-currency loan and deposit transactions are accrued evenly over the life of the related transactions.

(d) Bullion and base metals

Assets and liabilities in bullion and base metals are included in the balance sheet at market values ruling at the balance sheet date. Bullion held in safe custody for customers on an allocated basis is not included within these accounts.

(e) Securities and negotiable instruments

Securities and negotiable instruments, comprising bills, certificates of deposit, short dated British Government securities and floating rate stocks, are accounted for according to the purpose for which they were acquired. Long and short securities positions arising from trading activities are included at market value. Long positions held for investment purposes are included at cost, adjusted for discount accretion or premium amortisation, as appropriate. Positions held for hedging purposes are valued on a basis consistent with the underlying transaction.

(f) Interest rate and exchange rate instruments

Off balance sheet contracts, such as financial futures, forward rate agreements, interest rate swaps and options are valued at the market rates ruling at the balance sheet date, except where the contracts are held for hedging purposes, in which case they are valued on a basis consistent with the underlying transaction.

(g) Investments

Listed investments are included at the lower of cost and market value unless held for the long term in which case the investments are included at cost less provision where, in the opinion of the directors, there has been a permanent diminution in the value. Unlisted investments are included at the lower of cost and directors' valuation.

(h) Fixed assets

Freehold property is stated at cost or valuation and in view of the Group's policy of continuous refurbishment no depreciation is provided except on the cost of property improvements which are written off in equal instalments over their estimated useful lives.

Plant and equipment is stated at cost less depreciation calculated to write off the cost over its useful life which is estimated to be between 3 and 5 years.

(i) Taxation

Provision is made in full for current taxation and for deferred taxation in respect of timing differences to the extent that it is probable that an actual liability will crystallise. No provision has been made for taxation which might arise if the reserves of overseas subsidiary undertakings were distributed, except to the extent that dividends have been declared.

(j) Pensions

Pension contributions are charged to the profit and loss account over the expected service lives of all employees belonging to the schemes in which Group undertakings participate.

2. Capital and Reserves

(a) Share capital comprises:—

	1993 and 1992	
	Authorised £'000	Issued and fully paid £'000
Ordinary Shares of £1 each	6,970	6,970
5.25% Cumulative Preference Shares of £1 each	1,200	1,200
9.714% Cumulative Preference Shares of £1 each	789	789
Cumulative Second Preference Shares of 10p each	1,041	1,041
	<u>10,000</u>	<u>10,000</u>

The holders of Cumulative Second Preference Shares are entitled to a fixed cumulative dividend of 16.5p net per share, per annum and to a premium of 90p per share on a winding up or other repayment of capital.

(b) The movement in the general reserve was:—

	Group £'000	RCL £'000
At 1st April, 1992	153,947	18,123
Retained deficit, after dividends	(2,118)	(2,759)
At 31st March, 1993	<u>151,829</u>	<u>15,364</u>

(c) The movement in RCL's revaluation reserve was:—

	£'000
At 1st April, 1992	165,837
Arising on revaluation of shares in subsidiary undertakings to attributable net asset value	640
At 31st March, 1993	<u>166,477</u>

£9,366,000 (1992: £9,366,000) of RCL's non-distributable revaluation reserve is held as a Second Preference Share Capital Reserve, being an amount equivalent to 90p per Cumulative Second Preference Share of 10p each now in issue.

3. Loan Capital

	Group		RCL	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
US\$200,000,000 Primary Capital Undated Guaranteed Floating Rate Notes	132,846	115,553	—	—
US\$20,000,000 Guaranteed Floating Rate Notes due 1994	13,285	11,555	—	—
US\$45,000,000 Subordinated Guaranteed Floating Rate Notes due 2015	29,890	25,999	—	—
11 25/32% Unsecured Loan Stock due 2005	—	—	2,225	2,225
11 29/32% Guaranteed Unsecured Loan Stock due 2005	—	—	2,431	2,431
Subordinated Floating Rate Loan due 1994	—	—	15,754	15,754
	<u>176,021</u>	<u>153,107</u>	<u>20,410</u>	<u>20,410</u>

The issue by Rothschild's Continuation Finance B.V., (a subsidiary undertaking incorporated in the Netherlands) of US\$20 million Guaranteed Floating Rate Notes due 1994 has been guaranteed by RCL. The issues of US\$45 million Subordinated Guaranteed Floating Rate Notes due 2015 and US\$200 million Primary Capital Undated Guaranteed Floating Rate Notes have been guaranteed on a subordinated basis by RCL. In the case of the US\$200 million Primary Capital Undated Guaranteed Floating Rate Notes, the guarantee will only take effect following either a default by Rothschild's Continuation Finance B.V. or the dissolution of that company or the winding up of the guarantor, and will be effected by the substitution of the guarantor as principal debtor under the Notes in place of Rothschild's Continuation Finance B.V.

The 11 25/32% Unsecured Loan Stock due 2005 is held by a subsidiary undertaking. The 11 29/32% Guaranteed Unsecured Loan Stock due 2005 is due to a fellow subsidiary undertaking which advanced funds of a similar amount to a subsidiary undertaking. The Subordinated Floating Rate Loan due 1994 is due to a subsidiary undertaking.

4. Investments

(a) RCL's investments in subsidiary undertakings at 31st March, 1993 comprise:—

	£'000
At valuation:	
At 1st April, 1992	202,123
Proceeds from disposals	(5)
Revaluation	640
At 31st March, 1993	<u>202,758</u>

At 31st March, 1993 the investments in subsidiary undertakings were revalued to reflect the attributable net asset values, as disclosed in the accounts of the subsidiary undertakings. The historical cost of the investments held at valuation was £36,281,000 (1992: £36,286,000).

The principal subsidiary undertakings are listed in note 5 to the accounts.

(b) Investments in associated undertakings:—

	1993 £'000	1992 £'000
Share of net asset value	<u>620</u>	<u>543</u>

The principal associated undertakings are listed in note 5 to the accounts.

(c) Investment in fellow subsidiary undertaking:

	1993 £'000	1992 £'000
Shares in fellow subsidiary undertaking, at cost	<u>629</u>	<u>629</u>

The Group has an investment of 24.3 per cent. (1992: 24.3 per cent.) of the 'A' ordinary shares of N M Rothschild & Sons (Australia) Pty Limited, which is incorporated in Australia, the principal business of which is that of merchant banking. The investment has not been accounted for as an associated undertaking as the company is controlled by another group undertaking.

(d) Other investments:

	Group		RCL	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Listed on a recognised exchange in Great Britain	14,755	19,652	10,430	10,430
Listed outside Great Britain	586	1,830	—	—
	15,341	21,482	10,430	10,430
Unlisted	3,383	3,824	760	1,813
	<u>18,724</u>	<u>25,306</u>	<u>11,190</u>	<u>12,243</u>

The Group has an investment of 17.6 per cent. (of which 12.7 per cent. is held directly by RCL) of the ordinary shares in Smith New Court Plc, which is registered in England & Wales.

5. Principal subsidiary and associated undertakings

RCL's principal subsidiary undertakings at 31st March, 1993 are detailed below. All the principal subsidiary undertakings are registered in England & Wales and are involved in merchant banking, fund or asset management, except where otherwise indicated.

	Percentage held
N M Rothschild & Sons Limited – ordinary shares	100
Rothschild Asset Management Limited – ordinary shares	100
Rothschild International Asset Management Limited	
– ordinary shares*	80
– preference shares*	100
N M Rothschild & Sons (Denver) Limited (marketing of group treasury products) – ordinary shares*	100
Rothschild Ventures Limited (venture capital) – ordinary shares	100
Shield Trust Limited (investment holding company) – ordinary shares*	100
<i>Incorporated in Guernsey, C.I.</i>	
N M Rothschild & Sons (C.I.) Limited – ordinary shares*	100
Rothschild Asset Management (C.I.) Limited – ordinary shares*	100
<i>Incorporated in The Netherlands</i>	
Rothschilds Continuation Finance B.V. (finance company) – ordinary shares*	52

The Group's principal associated undertaking at 31st March, 1993 was:—

Incorporated in Bermuda

Rothschild Asset Management Asia Pacific Limited (investment adviser)	
– redeemable convertible cumulative preference shares*	27
– ordinary shares*	21

* held by a subsidiary undertaking

In October 1992 RCL disposed of its holding in Rothschilds Continuation Finance B.V. at historical cost of £5,129 to Rothschild Holdings Limited, a wholly owned subsidiary of RCL.

6. Profit for the financial year

The profit for the financial year dealt with in the accounts of RCL was £10,598,000 (1992: £5,244,000).

7. Dividends

Dividends comprise:—

	1993 £'000	1992 £'000
Preference shares dividends paid	1,857	1,857
Ordinary shares – interim dividends paid	11,500	4,500
– final dividend proposed	3,000	—
	<u>16,357</u>	<u>6,357</u>

8. Directors' Emoluments

The gross emoluments paid to the directors, including payments made under the Group's profit sharing schemes for the prior year, for the year ended 31st March, 1993 amounted to £1,979,000 (1992: £3,074,000).

The number of directors whose emoluments (excluding pension contributions) for the year ended 31st March, 1993 fell within the following ranges, were:—

	1993	1992
£ 5,001 to £ 10,000	2	2
£ 10,001 to £ 15,000	1	—
£ 35,001 to £ 40,000	1	1
£ 45,001 to £ 50,000	1	1
£ 50,001 to £ 55,000	1	1
£ 60,001 to £ 65,000	—	1
£ 65,001 to £ 70,000	1	—
£130,001 to £135,000	—	1
£210,001 to £215,000	1	—
£370,001 to £375,000	1	—
£375,001 to £380,000	1	1
£385,001 to £390,000	—	1
£640,001 to £645,000	1	—
£675,001 to £680,000	—	1
£910,001 to £915,000	—	1

For the year ended 31st March, 1993 the emoluments (excluding pension contributions) of the highest paid director and the Chairman of RCL, included above, were £642,000 (1992: £915,000).

9. Contingent Liabilities

In the ordinary course of business, there are contingent liabilities in respect of guarantees and confirmed credits, forward contracts in foreign currencies and bullion, other off balance sheet instruments, underwriting commitments and customers' undrawn facilities.

10. Directors' Loans

The aggregate amounts outstanding at 31st March, 1993 disclosed pursuant to Section 255R of the Companies Act 1985 in respect of loans and other transactions made by N M Rothschild & Sons Limited (an institution authorised under the Banking Act 1987) to its directors and/or persons connected with them were £220,000 in respect of 2 directors. At that date no other amount was outstanding in respect of quasi loans and credit transactions for any director and/or connected person.

11. Audit Fee

The remuneration of the Auditors for the audit of the group amounted to £295,000 (1992: £292,000). The remuneration of the Auditors for other services amounted to £494,000.

12. Pensions

The Group's major pension scheme in the UK is operated by N M Rothschild & Sons Limited for the benefit of employees and consists of a defined benefit arrangement. The costs are assessed with the advice of independent actuaries. The assets of the scheme are administered by trustees and are held separately from those of the Group. The latest Actuarial Valuation was conducted as at 31st March, 1993 using the projected unit method. The value of assets amounted to approximately £137 million which covered approximately 101 per cent. of accrued benefits after allowing for future increases in pensionable salary. The principal assumptions used in the Valuation were that the annual rate of return on investments would be approximately 2 per cent. higher than the annual increase in pensionable salaries (and allowances for promotional increases were also made) and 3 per cent. higher than the annual increase in present and future pensions.

The total pension charge for the year amounted to £6.7 million (1992: £6.4 million) of which £6.1 million related to contributions to the above defined benefit scheme, £0.5 million to other schemes of the defined benefit type in respect of overseas employees and £0.1 million related to contributions to Personal Pension Schemes for certain employees in the UK.

13. Directors' Interests

The following directors of RCL at 31st March, 1993 were, according to the Register kept by RCL in accordance with Section 325 of the Companies Act 1985, interested in the shares shown below:—

	Rothschild Concordia AG		"A" Participation		"B" Participation	
	1993	Shares of SF 100 each 1992	1993	Shares of SF 10,000 each 1992	1993	Shares of SF 10,000 each 1992
Sir Evelyn de Rothschild	30,445	31,295	3,044	3,130	1,521	1,564
Leopold de Rothschild	3,063	3,063	306	306	153	153
	Rothschilds Continuation Holdings AG		Rothschilds Continuation Limited		Cumulative Second Preference shares of 10p each	
	1993	Shares of SF 100 each 1992	1993	1992	1993	1992
Sir Evelyn de Rothschild	..	..	709,406	708,116	1,467,389	1,467,389
Edmund de Rothschild	..	..	5,240	5,240	107,543	107,543
Leopold de Rothschild	..	..	26,208	26,208	1,617,781	1,617,781
Hon. Amschel Rothschild	..	..	517	517	—	—
Sir Michael Richardson	..	..	800	800	—	—

Edmund de Rothschild and Leopold de Rothschild were each interested in 5,000 (1992: 5,000) Rothschilds Continuation Limited 9.715% Cumulative Preference Shares of £1 each at 31st March, 1993. Sir Evelyn de Rothschild, Edmund de Rothschild and Leopold de Rothschild were at 31st March, 1993 interested in 617,700, (1992: 617,700), 343,650 (1992: 343,650) and 300,700 (1992: 300,700) Rothschilds Continuation Limited 5.25% Cumulative Preference Shares of £1 each, respectively. Certain holdings shown above are duplicated.

14. Parent and Ultimate Holding Company

The parent undertaking is Rothschilds Continuation Holdings AG, which is incorporated in Switzerland.

The ultimate holding company is Rothschild Concordia AG, which is incorporated in Switzerland.

Under Swiss law group accounts are not required to be published. As a result no parent company prepares group accounts.

REPORT OF THE AUDITORS

To the directors of Rothschilds Continuation Limited

We have examined the financial information presented on pages 19 to 27.

In our opinion the financial information is consistent with the annual consolidated accounts of Rothschilds Continuation Limited ("RCL") for the three years ended 31st March, 1993, which we audited in accordance with Auditing Standards and on which we expressed opinions in the terms of the following audit opinion which we gave on 18th June, 1993 in respect of the year ended 31st March, 1993:

"As set out in Note 1, the accounts include information in respect of subsidiary undertakings in the manner authorised for a banking group.

In our opinion RCL's accounts give a true and fair view of the state of RCL's affairs at 31st March, 1993 and have been properly prepared in accordance with the Companies Act 1985. In our opinion the consolidated accounts have been properly prepared in accordance with the Companies Act 1985 in the manner authorised for a banking group."

KPMG Peat Marwick
Chartered Accountants

London, 8th February, 1994

TAXATION

The comments below are of a general nature, and are based on the Company's and its advisers' understanding as to current Guernsey law and practice and the Company's and its advisers' understanding as to current United Kingdom law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers. Persons who are in any doubt as to their taxation position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

Guernsey Taxation

Guernsey does not levy taxes on capital inheritance, capital gains, gifts or sales. No stamp duty or transfer duty would be levied in Guernsey on the issue, transfer or redemption of the Notes and no Guernsey income tax will be withheld in respect of the payment of interest by the Company to persons who are not resident in Guernsey for the purposes of Guernsey taxation.

United Kingdom Taxation

1. Interest

While the Notes continue to be quoted on a recognised stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988, payments of interest may be made without withholding or deduction for or on account of income tax where:

- (a) the payment of interest is made by or through a person not in the United Kingdom; or
- (b) the payment is made by or through a person who is in the United Kingdom but:
 - (i) it is proved, on a claim made in that behalf to the satisfaction of the Inland Revenue, that the person who is the beneficial owner of the Note and entitled to the interest (or, where the provisions of United Kingdom tax legislation deem the interest to be that of some other person, that person) is regarded as not resident in the United Kingdom for United Kingdom tax purposes. Under current Inland Revenue practice, an appropriate declaration of non-residence provided to the paying agent is sufficient proof; or
 - (ii) the Notes and the related Coupons are held by the same person in a "recognised clearing system". Euroclear and Cedel have each been designated as a "recognised clearing system" for this purpose.

In all other cases interest will be paid under deduction of income tax at the basic rate (currently 25 per cent.) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

A collecting agent in the United Kingdom obtaining payment of interest whether in the United Kingdom or elsewhere (in circumstances where (a) payment was not made by or entrusted to a person in the United Kingdom or (b) the Notes were held in a recognised clearing system) or realising in the United Kingdom any interest on behalf of a holder of a Note or Coupon must withhold or deduct tax unless it is proved on a claim in that behalf made in advance to the satisfaction of the Inland Revenue that the person who is the beneficial owner of the Note and entitled to the interest is not resident in the United Kingdom (and the interest is not deemed under the provisions of the United Kingdom tax legislation to be that of some other person). Under current Inland Revenue practice, an appropriate declaration of non-residence provided to the collecting agent is sufficient proof.

The interest on the Notes has a United Kingdom source and accordingly will be chargeable to income tax by direct assessment even if the interest is paid without withholding or deduction. However, based on Inland Revenue Extra-Statutory Concession ESC B13 the interest will not be assessed to United Kingdom tax in the hands of Noteholders who are regarded as not resident in the United Kingdom for the whole of the relevant year of assessment, except where such persons:

- (i) are chargeable in the name of a trustee or other representative mentioned in section 72 of the Taxes Management Act 1970 or in the name of an agent or branch in the United Kingdom having the management or control of the interest; or
- (ii) seek to claim relief in respect of taxed income from United Kingdom sources; or
- (iii) are chargeable to corporation tax on the income of a United Kingdom branch or agency to which the interest is attributable; or
- (iv) are chargeable to income tax on the profits of a trade carried on in the United Kingdom to which the interest is attributable.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Noteholders should note that the provisions relating to additional amounts referred to in "Terms and Conditions of the Notes — Taxation" above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax on income. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

Subject to the following comments interest on the Notes will not be treated as a distribution for United Kingdom tax purposes. The Notes will constitute "equity notes" within the terms of section 209(9) of the Income and Corporation Taxes Act 1988. Accordingly, when interest is paid in respect of a Note held by a person who is associated with the Company or is a "funded company" within the terms of section 209(11) of that Act it will (subject to section 212 of that Act) be treated as a distribution for the purposes of United Kingdom taxation. For these purposes the Inland Revenue have indicated that a company acquiring equity notes will only be treated as a funded company if there is a linkage between the provision of funds to, and the acquisition of the equity notes by, that company. In other circumstances, including where a Noteholder incidentally has a banking relationship with any associate of the Company, the Noteholder will not be treated as a funded company for these purposes.

2. Disposal (including Redemption)

The Notes are "qualifying corporate bonds" with the result that on a disposal of the Notes neither chargeable gains nor allowable losses will arise for the purposes of taxation of capital gains.

A transfer of a Note by a holder resident or ordinarily resident for tax purposes in the United Kingdom during the whole or part of the relevant chargeable period or who at any time during the relevant chargeable period carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a charge on income in respect of an amount representing interest on the Note which has accrued since the preceding interest payment date.

3. Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Note or on its redemption.

SUBSCRIPTION AND SALE

Hoare Govett Corporate Finance Limited, N M Rothschild & Sons Limited, Salomon Brothers International Limited, Barclays de Zoete Wedd Limited and Cazenove & Co. (the "Managers") have, pursuant to a subscription agreement dated 8th February, 1994 with the Company and the Guarantor (the "Subscription Agreement"), jointly and severally agreed, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at the issue price of 99.989 per cent. of their aggregate principal amount, out of which it will pay a combined management and underwriting commission of 0.75 per cent. of such principal amount. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment being made to the Company.

The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. Each Manager has agreed that it will not offer, sell or deliver any Notes within the United States or to U.S. persons except as permitted by the Subscription Agreement.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Manager has represented and agreed that (i) prior to application for listing of the Notes being made in accordance with Part IV of the Financial Services Act 1986 it did not offer or sell in the United Kingdom any Notes by means of any document other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent or in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985, (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by the listing rules under Part IV of the Financial Services Act 1986 to a person who is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 (as amended) or is a person to whom the document may otherwise be lawfully issued or passed on.

The Notes may not be offered directly or indirectly by issue or sale in Guernsey otherwise than to a nominee or trustee for any person or persons not solely or principally resident in Guernsey or any company not resident in Guernsey for the purposes of liability to Guernsey tax.

GENERAL INFORMATION

1. *The listing of the Notes on the London Stock Exchange will be expressed in sterling as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement and delivery on the fifth dealing day after the date of the transaction. It is expected that listing of the Notes will be granted on or before 11th February, 1994 subject only to the issue of the Temporary Global Note. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.*
2. *The Notes have been accepted for clearance through Euroclear and Cedel. The Common Code for the Notes is 4866223 and the ISIN is XS0048662232.*
3. *Banks authorised by the Bank of England should be aware that a holding of the Notes will be treated by the Bank of England in accordance with its guidelines on the holding of subordinated loan capital issued by banks.*
4. *No redemption of the Notes (for taxation reasons or otherwise) or purchase by the Issuer or the Guarantor of the Notes (except in the ordinary course of business of dealing in securities or otherwise than as beneficial owner) will be made without the consent of the Bank of England.*
5. *KPMG Peat Marwick, London have given, and have not withdrawn, their written consents to the issue of this Offering Circular with the inclusion herein of their reports in the form and context in which they are included.*
6. *Except as disclosed herein, there has been no significant change in the financial or trading position of the Company, the Guarantor or the Group, and no material adverse change in the financial position or prospects of the Company, the Guarantor or the Group, since (in the case of the Company) the date of its incorporation or (in the case of the Guarantor or the Group) 31st March, 1993.*
7. *Neither the Company, the Guarantor nor any of its subsidiaries are or have been involved in any litigation or arbitration proceedings relating to claims or amounts which may have or have had during the previous 12 months a significant effect on the financial position of the Company or the Group nor, so far as the Company or the Guarantor is aware, are any such litigation or arbitration proceedings pending or threatened.*
8. *KPMG Peat Marwick, London, Chartered Accountants, have audited the annual accounts of the Group for each of the three years ended 31st March, 1993 and have issued unqualified reports on such accounts on the basis applicable to banking groups. The financial information contained in this Offering Circular does not constitute statutory accounts for the years ended 31st March, 1993.*
9. *The issue of the Notes was authorised by a resolution of the Board of Directors of the Company passed on 7th February, 1994 and the giving of the guarantee in respect of the Notes was authorised by a resolution of the Board of Directors of the Guarantor passed on 18th January, 1994 and a resolution of a duly constituted Committee thereof passed on 7th February, 1994.*
10. *Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS during the period 14 days from the date of this document:*
 - (i) *the Memorandum and Articles of Association of the Company and the Guarantor;*
 - (ii) *the published audited consolidated Annual Accounts of the Guarantor for the two years ended 31st March, 1993;*
 - (iii) *the Subscription Agreement, a draft (subject to completion) of each of the Trust Deed, pursuant to which the Notes are to be constituted, and the Paying Agency Agreement; and*
 - (iv) *the reports of KPMG Peat Marwick included in this Offering Circular.*

**REGISTERED OFFICE OF
THE COMPANY**
St. Julian's Court,
St. Peter Port,
Guernsey GY1 3BP

**HEAD OFFICE OF
THE COMPANY**
New Court,
St. Swithin's Lane,
London EC4P 4DU

**REGISTERED AND HEAD OFFICE OF
THE GUARANTOR**
New Court,
St. Swithin's Lane,
London EC4P 4DU

TRUSTEE FOR THE NOTEHOLDERS
The Law Debenture Trust Corporation p.l.c.
Princes House,
95 Gresham Street,
London EC2V 7LY

PRINCIPAL PAYING AGENT
Bankers Trust Company
1 Appold Street,
Broadgate,
London EC2A 2HE

PAYING AGENTS
Bankers Trust Luxembourg S.A.
14 Boulevard F.D. Roosevelt,
L-2450 Luxembourg

Credit Suisse
Paradeplatz 8,
8001 Zurich,
Switzerland

LEGAL ADVISERS
*To the Company and the Guarantor
in England*
Freshfields
65 Fleet Street,
London EC4Y 1HS

in Guernsey
**Ozanne Van Leuven
Perrot & Evans**
P.O. Box 186,
1 Le Marchant Street,
St. Peter Port,
Guernsey GY1 4HP

*To the Managers and the Trustee
in England*
Allen & Overy
9 Cheapside,
London EC2V 6AD

AUDITORS OF THE ISSUER AND OF THE GUARANTOR
KPMG Peat Marwick
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

LISTING AGENT
Hoare Govett Corporate Finance Limited
4 Broadgate,
London EC2M 7LE