



OFFERING CIRCULAR

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ROTHSCHILD

Rothschilds Continuation Finance PLC

(incorporated with limited liability in England and Wales under the Companies Act 1985 with registered number 4064727)

€125,000,000 EUR-TEC10-CNO Indexed Floating Rate Perpetual Subordinated Guaranteed Notes

guaranteed by

N. M. Rothschild & Sons Limited

(incorporated with limited liability in England and Wales under the Companies Act 1985 with registered number 925279)

Issue price: 100 per cent.

The €125,000,000 EUR-TEC10-CNO Indexed Floating Rate Perpetual Subordinated Guaranteed Notes (the **Notes**) are issued by Rothschilds Continuation Finance PLC (the **Issuer**) and are guaranteed by N. M. Rothschild & Sons Limited (the **Guarantor**).

In a winding up in the circumstances set out in the final paragraphs of Condition 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 Issuer or, as the case may be, the Guarantor, Noteholders were the holders of a notional class of preference shares of the Issuer or, as the case may be, the Guarantor. See "*Conditions of the Notes – Status and Subordination of the Notes and the Guarantee; and Interest*".

Interest will be payable in arrear on 5th February, 5th May, 5th August and 5th November of each year (each an **Interest Payment Date**). Interest will accrue from and including 5th August, 2004 at the Interest Rate (as defined herein) for such Interest Period as further described, and except as mentioned, under "*Conditions of the Notes – Interest*".

Subject to the prior consent of the Financial Services Authority (so long as the requirement to obtain such consent subsists), the Issuer may redeem the Notes at par on any Interest Payment Date falling in or after August 2014 and on any Interest Payment Date in the event of certain tax changes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 5th August, 2004 (the **Closing Date**) with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 15th September, 2004 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances – see "*Summary of Provisions relating to the Notes while represented by the Global Notes*".

HSBC

Rabobank International

The date of this Offering Circular is 3rd August, 2004

This document comprises listing particulars approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000 (the FSMA) prepared for the purpose of giving information with regard to the Issuer, N. M. Rothschild & Sons Limited (the **Guarantor**), the Guarantor and its subsidiaries (the **Group**) and the Notes. A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with section 83 of the FSMA.

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor (each having 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.

Any reference in this document to listing particulars means this document excluding all information incorporated by reference. The Issuer and the Guarantor have confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in these listing particulars to satisfy the requirements of the Financial Services and Markets Act 2000 or the Listing Rules. The Issuer and the Guarantor believe that none of the information incorporated therein by reference conflicts in any material respect with the information included in these listing particulars.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers (as defined under “*Subscription and Sale*” below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Guarantor or the Group since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Guarantor or the Managers to subscribe for, or purchase, any of the Notes. This document does not constitute an offer, 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 an offer or solicitation is not authorised or is unlawful.

The Managers and J.P. Morgan Corporate Trustee Services Limited (the **Trustee**) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Notes or their distribution.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor or the Managers that any recipient of this Offering Circular should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (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. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see “*Subscription and Sale*” below.

IN CONNECTION WITH THE ISSUE OF THE NOTES, HSBC BANK PLC OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON HSBC BANK PLC OR ANY AGENT OF ITS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

All references in this document to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended and to **Sterling** and **£** refer to the currency of the United Kingdom.

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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 EUR-TEC10-CNO Indexed Floating Rate 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 PLC (the **Issuer**) was authorised by a resolution of the Board of Directors of the Issuer passed on 2nd August, 2004. The giving of the guarantee in respect of the Notes (the **Guarantee**) by N. M. Rothschild & Sons Limited (the **Guarantor**) was authorised by a resolution of the Board of Directors of the Guarantor passed on 22nd July, 2004 and a resolution of a duly constituted Committee thereof passed on 2nd August, 2004. The Notes are constituted by a trust deed (the **Trust Deed**) entered into between the Issuer, the Guarantor and J.P. Morgan Corporate Trustee Services Limited (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 Issuer, the Guarantor, the Trustee, JPMorgan Chase Bank 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 Trinity Tower, 9 Thomas More Street, London E1W 1YT) 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 denomination of €1,000 with (at the date of issue) Coupons and a Talon attached and title thereto and to the Coupons and Talons will pass by delivery. 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 Issuer, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the Noteholders and Couponholders against the Issuer 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 Issuer and accordingly payments of principal and interest by the Issuer are conditional upon the Issuer being solvent at the time of such payment and no principal or interest shall be payable by the Issuer in respect of the Notes or Coupons except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

In the event of the Trustee proving in the winding up of the Issuer, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), 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 Issuer and thereafter, such Noteholder were the holder of a preference share in the capital of the Issuer 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 Issuer 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 Issuer under the Trust Deed has been, subject as provided under Condition 5, guaranteed by the Guarantor in the Trust Deed. For this purpose, payments of principal and/or interest in respect of the Notes shall be deemed to be due and payable by the Issuer notwithstanding that the condition set out in paragraph (a) above is not satisfied and, if the Issuer 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 Issuer.

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 Issuer 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 Issuer or, as the case may be, the Guarantor by two Directors of the Issuer or, as the case may be, the Guarantor or, if the Issuer or, as the case may be, the Guarantor is being wound up, its liquidator shall, in the absence of manifest error, be treated and accepted by the Issuer, 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 Issuer or, as the case may be, the Guarantor (i) who are depositors or other unsubordinated creditors of the Issuer 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 Issuer or, as the case may be, the Guarantor or otherwise) to the claims of depositors and other unsubordinated creditors of the Issuer or, as the case may be, the Guarantor but not further or otherwise or (iii) who are subordinated creditors of the Issuer 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 Issuer or, as the case may be, the Guarantor; and **Liabilities** means the unconsolidated gross liabilities of the Issuer or, as the case may be, the Guarantor, all as shown by

the latest published audited balance sheet of the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer and the Guarantor in respect of the Notes and Coupons are conditional upon the Issuer or the Guarantor being solvent for the purposes of this Condition immediately before and after payment by the Issuer 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) 5th August, 2004 (the **Issue Date**), and interest will be payable, subject as provided in these Terms and Conditions, on 5th February, 5th May, 5th August and 5th November in each year (each an **Interest Payment Date**). The first Interest Payment Date will be 5th November, 2004. The period from and including the Issue Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

(b) Interest Rate

Interest on the Notes in respect of any Interest Period will be payable on each Interest Payment Date quarterly in arrear at the Interest Rate for such Interest Period calculated as provided below.

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

Calculation Agent means JPMorgan Chase Bank or any successor or assignee appointed under the Agency Agreement;

Interest Determination Date means, with respect to any Interest Period, the second TARGET Settlement Day prior to the first day of such Interest Period;

Interest Rate means a rate per annum equal to the sum of the Reference Rate and the Margin provided that the Interest Rate shall not exceed 9.00 per cent. per annum;

Margin means 0.35 per cent. per annum;

Reference Rate means, in respect of any Interest Period, the EUR-TEC10-CNO rate calculated by *Comité de Normalisation Obligataire* which appears on the Reuters Screen TRESORTEC10 Page as of 10:00 a.m., Paris time, as determined by the Calculation Agent on the relevant Interest Determination Date. *For information purposes only, the EUR-TEC10-CNO, established in April 1996, is the percentage yield (rounded to the nearest second decimal point, 0.005 per cent. being rounded upwards) of a notional 10 year French Treasury Bond (Obligation Assimilable du Trésor, OAT) corresponding to the linear interpolation between the yield to maturity of the two actual OATs (the Reference OATs) whose periods to maturity are closest in duration to the notional 10 year OAT, one Reference OAT's duration being of less than 10 years and the other Reference OAT's duration being greater than 10 years.* If, on any Interest Determination Date, such rate does not appear on the Reuters Screen TRESORTEC10 Page (or on any successor or replacement page), EUR-TEC10-CNO shall be determined by the Calculation Agent on the basis of the mid-market prices for each of the two reference *Obligations Assimilables du Trésor*, which would have been used by

the *Comité de Normalisation Obligataire* for the calculation of EUR-TEC10-CNO, quoted by five *Spécialistes en Valeurs du Trésor* at approximately 10:00 a.m., Paris time on the Interest Determination Date in question. The Calculation Agent will request each *Spécialiste en Valeurs du Trésor* to provide a quotation of its price and the relevant EUR-TEC10-CNO will be the redemption yield of the arithmetic mean of such quotations as determined by the Calculation Agent after disregarding the highest and lowest such quotations. The above-mentioned redemption yield shall be determined by the Calculation Agent in accordance with the formula that would have been used by the *Comité de Normalisation Obligataire* for the determination of EUR-TEC10-CNO;

TARGET Settlement Day means any day on which the TARGET System, or any successor thereto, is operating; and

TARGET System means the Trans-European Automated Real-time Gross settlement Express Transfer system.

(c) Determination of Interest Amount

The euro amount payable in respect of interest on each €1,000 principal amount of Notes for the relevant Interest Period (the **Interest Amount**) shall be calculated by multiplying such principal amount by the relevant Interest Rate, dividing by four, and rounding the resultant figure to the nearest euro cent (half a cent being rounded upwards). For the avoidance of doubt, neither the accrual of any interest nor the Interest Amount will be adjusted if an Interest Payment Date is postponed or brought forward in accordance with the applicable business day convention.

The Interest Amount for a period which is shorter than an Interest Period (a **relevant period**) shall be calculated by multiplying the product of the principal amount and the relevant Interest Rate by the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the relevant period unless, in the case of the final relevant period the date of redemption of the Notes is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(d) Notification of Interest Rate and Interest Amount

The Calculation Agent shall, as soon as practicable after 10.00 a.m., Paris time, on the relevant Interest Determination Date, calculate the interest payable (if any) on the relevant Interest Payment Date on each Note for the relevant Interest Period. For so long as the Notes are admitted to official listing on the London Stock Exchange, the Interest Rate, the Interest Period and the Interest Amount shall be notified by the Calculation Agent to the London Stock Exchange and details of such rate, period and amount shall be available at the offices of the Paying Agent in London from the date such rate, period and amount is calculated.

(e) Determination by the Trustee

The Trustee shall, if the Calculation Agent defaults at any time in its obligation to determine the Interest Rate and/or Interest Amount in accordance with the above provisions, determine the Interest Rate and/or Interest Amount, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above, but subject to the maximum Interest Rate specified), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 3(c) and the determinations shall be deemed to be determinations by the Calculation Agent.

(f) Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the *Spécialistes en Valeurs du Trésor* (or any of them), the Calculation Agent or the Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor or the

Noteholders or the Couponholders shall attach to the *Spécialistes en Valeurs du Trésor* (or any of them), the Calculation Agent or, if applicable, the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition.

(g) Calculation Agent

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times a Calculation Agent for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Trustee, terminate the appointment of the Calculation Agent. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine the Interest Rate and the Interest Amount for any Interest Period, the Issuer shall, subject to the prior written approval of the Trustee, appoint another major bank to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

(h) 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 ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer or the Guarantor so decides) the interest accrued in the Interest Period ending on the day immediately preceding such date, but neither the Issuer nor the Guarantor shall have any obligation to make such payment and any failure to pay shall not constitute a default by either the Issuer 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 Issuer 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 Issuer or the Guarantor of its intention to pay the whole or part of Arrears of Interest, the Issuer 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:

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.

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

4. Redemption and Purchase

The Issuer 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 Financial Services Authority or any successor (so long as the requirement to obtain such consent subsists):

(a) Redemption at the Option of the Issuer

From and including the Interest Payment Date falling in August 2014 and every Interest Payment Date thereafter, the Issuer 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 at their principal amount.

Upon the expiration of any such notice, the Issuer 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 (if any) as provided in Condition 3.

(b) Purchases

The Issuer, 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 the United Kingdom 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 Issuer would (for reasons outside its reasonable control) be required to pay additional amounts in accordance with Condition 7; or
 - (y) the Issuer 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 Issuer or the Guarantor, as the case may be,

the Issuer 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 Interest Payment Date all (but not some only) of the Notes at their principal amount. Upon the expiration of such notice, the Issuer 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 Issuer shall deliver to the Trustee (a) a certificate from the Issuer or the Guarantor signed by two directors of the Issuer or the Guarantor (as the case may be) 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 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 interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist. The Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

(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 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 Issuer (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 Issuer 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 Issuer, 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 Issuer.

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 Issuer 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 euro cheque drawn on, or, at the option of the payee, by transfer to a euro account maintained by the payee with, a bank in the euro-zone. 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.

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.

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 Issuer 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 Issuer 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 Presentation 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 Presentation 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 commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;

Presentation Date means a day which (subject to Condition 9):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET Settlement Day.

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

The Issuer 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 (a) a Principal Paying Agent; (b) at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Notes are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve; (c) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive

2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and (d) a Paying Agent in a jurisdiction within continental Europe. 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 Issuer 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 Issuer 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 the United Kingdom 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 Issuer 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 the United Kingdom 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) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) 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 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 interest due on the Notes for a period of fourteen days or more the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of both the Issuer 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 Issuer 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 England of the Issuer, 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 Issuer 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 Issuer 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 any time at its discretion and without further notice institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer and/or the Guarantor, or to prove in such winding up, except that if the Trustee, having become bound to proceed against the Issuer 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 Issuer 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, minor or technical nature or which is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

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 Issuer 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 Issuer 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 Issuer 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 Issuer 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.

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 Issuer and/or the Guarantor and/or any of the Guarantor's other subsidiaries without accounting for any profit resulting therefrom.

15. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and will be construed in accordance with English law.

USE OF PROCEEDS

The proceeds of the issue of the Notes, amounting to €125,000,000, will be paid to the order of the Issuer and used in the Issuer's financing business. A combined selling, management and underwriting commission of 2.75 per cent. of the principal amount of the Notes will be paid to the Managers by the Guarantor.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE THEY ARE REPRESENTED IN GLOBAL FORM

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 Clearstream, Luxembourg 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 Issuer, 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 Issuer will issue definitive Notes in bearer form, serially numbered, in the denomination of €1,000 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 Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (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 Clearstream, Luxembourg (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 Clearstream, Luxembourg 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 Clearstream, Luxembourg 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 Issuer, 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 Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.
5. Claims against the Issuer 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.

DESCRIPTION OF THE ISSUER

Introduction

Rothschilds Continuation Finance PLC is a wholly-owned subsidiary of N. M. Rothschild & Sons Limited and was incorporated with limited liability on 30th August, 2000 under the Companies Act 1985. The registered and head office of the Issuer is at New Court, St. Swithin's Lane, London EC4P 4DU. The Issuer is a finance vehicle for the Rothschild group of companies.

Management

The directors of the Issuer, the business address of each of whom is New Court, St Swithin's Lane, London EC4P 4DU, are as follows:

Isobel Baxter	<i>Executive Director, Director N. M. Rothschild & Sons Limited</i>
Andrew Didham	<i>Executive Director, Director N. M. Rothschild & Sons Limited</i>
Paul Tuckwell	<i>Executive Director, Director N. M. Rothschild & Sons Limited</i>

Capitalisation and Indebtedness

The following sets out the Capitalisation and Indebtedness of the Issuer:

	<i>As at 31st March, 2004</i>
Share Capital and Reserves	
Authorised, issued and fully paid ordinary Shares of £1 each	£100,000
Profit and loss account	£9,327
Total Capitalisation	£109,327
Indebtedness⁽¹⁾	
Medium term notes: €320,000,000 due 24th March, 2005 ⁽²⁾	£213,859,200
Medium term notes: €250,000,000 due 18th September, 2006 ⁽²⁾	£167,077,500
Medium term notes: €200,000,000 due 12th March, 2009 ⁽²⁾	£133,662,000
Total Capitalisation and Indebtedness⁽³⁾	£514,708,027

Notes:

1. The Issuer had no contingent liabilities or guarantees at 31st March, 2004.
2. The notes are unsecured and are guaranteed by N. M. Rothschild & Sons Limited.
3. There has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of Rothschilds Continuation Finance PLC since 31st March, 2004.

FINANCIAL STATEMENTS OF THE ISSUER

Profit and loss account for the year ended 31st March, 2004

	<i>for the year ended 31st March,</i>	
	2004	2003
Interest receivable	£10,320,663	£11,656,815
Interest payable	£(10,317,260)	£(11,654,711)
Foreign exchange translation differences	£84	£(51)
Profit on ordinary activities before tax	£3,487	£2,053
Tax on profit on ordinary activities	£(1,046)	£(616)
Retained profit for the financial year	£2,441	£1,437
<i>Retained profit brought forward</i>	£6,886	£5,449
Retained profit carried forward	£9,327	£6,886

Balance sheet

	<i>31st March,</i>	<i>31st March,</i>
	2004	2003
<i>Current assets</i>		
Debtors: Amounts falling due within one year	£214,293,373	£103,763,221
Amounts falling due after more than one year	£300,739,500	£220,924,292
Cash at bank and in hand	£112,575	£109,105
	£515,145,448	£324,796,618
Creditors: Amounts falling due within one year	£(214,296,621)	£(103,765,440)
Net current assets	£300,848,827	£221,031,178
Creditors: Amounts falling due after more than one year	£(300,739,500)	£(220,924,292)
Net assets	£109,327	£106,886
<i>Capital and reserves</i>		
Called up share capital	£100,000	£100,000
Profit and loss account	£9,327	£6,886
	£109,327	£106,886

DESCRIPTION OF THE GUARANTOR

N. M. Rothschild & Sons Limited

Introduction

N. M. Rothschild & Sons Limited (NMR) is an authorised institution under the Financial Services and Markets Act 2000. NMR was incorporated in England with limited liability on 1st January, 1968 under the Companies Acts 1948 to 1967 and is a wholly-owned subsidiary of Rothschilds Continuation Limited, which is also incorporated in England. NMR's ultimate parent company is Concordia BV, which is incorporated in The Netherlands and is controlled by the Rothschild family and their interests. NMR's registered office and principal place of business in the United Kingdom is at New Court, St. Swithin's Lane, London EC4P 4DU. NMR has regional offices in Manchester, Leeds and Birmingham.

NMR's principal operating subsidiaries are N. M. Rothschild & Sons (C.I.) Limited, a merchant banking company registered in Guernsey, Channel Islands, Five Arrows Leasing Group Limited, a lease asset finance company registered in the UK and Five Arrows Commercial Finance Limited, an invoice discounting company registered in the UK.

Business Profile

In July 2003, it was announced that David de Rothschild would take on management responsibility for NMR. Sir Evelyn de Rothschild retired as Chairman of NMR on 31st March, 2004. This change in management took place in the context of a restructuring of the English and French Rothschild families' shareholdings in the Rothschilds Continuation Holdings AG group. Following the change in management, NMR is engaged in a business planning process, examining the performance of all business lines in the context of the Rothschild group's strategic objectives. One consequence of this review has been the withdrawal from commodities trading announced in April 2004 (see below).

NMR's main businesses and activities are described below:

Investment Banking

NMR provides financial advice and execution expertise, encompassing mergers and acquisitions, restructuring, private placements, privatisations and, through the ABN AMRO Rothschild joint venture, equity capital markets.

NMR has developed expertise in a number of industry sectors, including utilities, natural resources, financial services, telecoms, media, technology and consumer products.

The Rothschild group's experience and excellence in our chosen markets is evident from our consistent positioning in the top 10 in UK and European league tables based on value. The Rothschild group also has the distinction of having worked on more European deals in 2003 than any other investment bank, ranking No. 1 by number of completed deals in Europe, the UK and France, and No. 2 in Germany and Italy.

Recent transactions include providing advice to:

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

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

In 1996, the ABN AMRO Rothschild (AAR) joint venture was created. This unique arrangement in equity capital markets combines the research, trading and sales distribution of ABN AMRO with the origination ability of both parties.

As a bulge bracket distributor of major equity issues, AAR has maintained a Top 10 position in European market league tables and was also ranked the No. 1 Bookrunner in European aftermarket performance on transactions versus closing stock price one month after offering.

Recent equity capital markets transactions include:

- France Telecom's €15 billion share capital increase where AAR acted as financial adviser to the company, joint global co-ordinator and special co-ordinator to the warrants offer;
- PT Mandiri Bank's US\$327 million initial public offering where AAR acted as joint global co-ordinator and bookrunner;
- The LogicaCMC €303 million convertible bond offering, where AAR acted as joint global co-ordinator and bookrunner.

Banking and Treasury

NMR's banking activities encompass both lending and advisory businesses. These include commercial lending, project financing, structured finance, asset financing and debt capital markets advice.

NMR arranges and provides borrowing and other facilities, principally loans, acceptance credits and guarantees. Lending facilities are provided mainly to medium-sized UK companies across a range of industrial and commercial sectors. Project financing is also provided to metals and mining companies worldwide.

Debt capital markets advice, often undertaken in conjunction with Investment Banking, remains a growing source of fee income for NMR. In these roles, NMR provides advice and arranges financing rather than using its own capital. NMR was Ahold's independent adviser on its debt restructuring in 2003. NMR was Ericsson's debt adviser on a new \$1 billion forward start facility and Buhrmann's independent adviser on a €860 million debt refinancing and €110 million convertible.

Structured finance advisory assignments include advising the BBC on a £800 million bond issue to finance the redevelopment of Broadcasting House, Box Clever on the restructuring of its securitisation and BAA on the financial re-capitalisation of NATS (National Air Traffic Control Services).

NMR's treasury financial products activities comprise money markets, foreign exchange and interest rate management.

Shortly after the financial year end, NMR announced its withdrawal from commodities trading, ending a long involvement in the gold market and the recently established oil trading business. The decision was made following a strategic review which concluded that commodities trading was no

longer a core area of activity for the bank. The Banking division of NMR will, however, continue to provide loan facilities and other banking services to clients in the natural resources sector.

N. M. Rothschild & Sons (C.I.) Limited

N. M. Rothschild & Sons (C.I.) Limited (NMR (CI)) was established in 1967 as one of the first Guernsey merchant banks. NMR (CI) is licensed under the Banking Supervision (Bailiwick of Guernsey) Law 1994. It provides private banking services, including call and fixed sterling and currency accounts, foreign exchange dealing, offshore private credit services, loans and guarantees and fiduciary deposit services.

Acquisitions

NMR acquired in January 2004 a 50 per cent. interest in Rothschild Europe BV from Rothschilds Continuation Holdings AG. The remaining 50 per cent. is held by Rothschild & Cie Banque. Rothschild Europe BV is the holding company for the Rothschild group's European investment banking advisory businesses. The consideration for the purchase was £5.5 million. Rothschild Europe BV made a profit of €4.1 million after tax and minority interests for the year ended 31st March, 2004.

NMR acquired from a fellow subsidiary of Rothschilds Continuation Limited the whole of the issued share capital of Five Arrows Finance Limited, whose subsidiaries include the Five Arrows Leasing Group. This transaction took place in March 2004, and the purchase consideration was £34 million. The consolidated profit of Five Arrows Finance Limited after tax and minority interests for the year ended 31st March, 2004 was £2.2 million.

Risk Management

NMR's risk policies and procedures are regularly updated to meet changing business requirements and to comply with best practice. The Group Risk Director co-ordinates risk policy and promotes the development and maintenance of effective procedures.

The Credit Committee sets credit limits, monitors exceptions and makes recommendations on credit decisions to NMR's Executive Committee. Credit risk arising from dealing activities is measured on a real-time basis where all on- and off-balance sheet exposures for a particular counterparty are aggregated and monitored against limits.

Market risk limits are set by the Executive Committee, using a sensitivity-based value at risk methodology. Limits are monitored independently of the dealing area. Whilst value at risk is central to the communication and control of risk, it is complemented by other controls. These include stress testing, which estimates the losses which could occur when markets are unusually volatile.

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

Directors

The directors of NMR, the business address of each of whom is New Court, St. Swithin's Lane, London EC4P 4DU, and their respective principal outside activities, where significant to NMR, are as follows:

David de Rothschild	<i>Chairman</i> <i>Chairman of Rothschilds Continuation Holdings AG</i>
Anthony Alt	<i>Executive Director, Investment Banking</i> <i>Director of Rothschilds Continuation Holdings AG</i>
Richard Bailey	<i>Executive Director, Investment Banking</i>

Isobel Baxter	<i>Managing Director, Finance Director</i>
Glenn Beatham	<i>Managing Director, Banking</i>
Christopher Blunt	<i>Executive Director, Banking</i>
Anthony Chapman	<i>Executive Director</i>
Christopher Coleman	<i>Managing Director, Banking</i>
	<i>Director of N. M. Rothschild & Sons (C.I.) Limited</i>
Paul Copsey	<i>Executive Director, Treasury</i>
Graham Curds	<i>Managing Director, Treasury</i>
	<i>Director of N. M. Rothschild & Sons (C.I.) Limited</i>
Andrew Didham	<i>Executive Director, Group Finance Director</i>
Paul Duffy	<i>Managing Director, Banking</i>
Vincent Godier	<i>Executive Director, Treasury</i>
Adam Greenbury	<i>Executive Director, Banking</i>
Peter Griggs	<i>Executive Director, Banking</i>
Timothy Hancock	<i>Executive Director, Group Risk Director</i>
Nigel Higgins	<i>Executive Director, Investment Banking</i>
David Holmes	<i>Executive Director, Treasury</i>
Peter Johns	<i>Managing Director, Banking</i>
	<i>Chairman of N. M. Rothschild & Sons (C.I.) Limited</i>
Charles Keay	<i>Managing Director, Banking</i>
Debra Lewis	<i>Executive Director, Banking</i>
Paul Merrick	<i>Executive Director, Treasury</i>
Richard Millward	<i>Executive Director, Banking</i>
Ranjit Munro	<i>Executive Director, Banking</i>
Kamal Murari	<i>Executive Director, Treasury</i>
Andrew Radkiewicz	<i>Executive Director, Banking</i>
Thomas Smyth	<i>Managing Director, Banking</i>
Geoffrey Spice	<i>Managing Director, Treasury</i>
David Street	<i>Executive Director, Banking</i>
Philip Swatman	<i>Executive Director, Investment Banking</i>
Paul Tuckwell	<i>Managing Director, Banking & Treasury</i>
James Vaux	<i>Managing Director, Banking</i>
Ian Walker	<i>Executive Director, Banking</i>
Jonathan Westcott	<i>Managing Director, Compliance Director</i>
Kenneth White	<i>Executive Director, Banking</i>
Philip Yeates	<i>Managing Director, Banking</i>
Eric de Rothschild	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
Leopold de Rothschild	<i>Non-executive Director</i>
	<i>Chairman of Rothschilds Continuation Limited</i>
Sir John Collins	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
Sir Edward George	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
Lord Guthrie	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
Sir Graham Hearne	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
Gerald Rosenfeld	<i>Non-executive Director</i>
Peter Smith	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
Sir Clive Whitmore	<i>Non-executive Director</i>
	<i>Director of Rothschilds Continuation Holdings AG</i>
George Wong	<i>Non-executive Director</i>

CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

Capitalisation and Indebtedness

The following table sets out the consolidated capitalisation and indebtedness of N. M. Rothschild & Sons Limited as at 31st March, 2004.

	£'000
Share Capital and Reserves	
Authorised, issued and fully paid share capital:	
50,000,000 ordinary shares of £1 each	50,000
Profit and loss account	267,675
	<u>317,675</u>
Subordinated Liabilities	
Perpetual floating rate subordinated loan (US\$100 million) due to Rothschilds Continuation Finance BV ⁽¹⁾	54,358
Perpetual fixed rate subordinated loan due to Rothschilds Continuation Finance (C.I.) Limited ⁽¹⁾⁽²⁾	75,000
	<u>129,358</u>
Other Indebtedness⁽³⁾	
Medium term notes ⁽⁴⁾	514,599
Certificates of deposit in issue ⁽⁵⁾	333,340
	<u>847,939</u>
TOTAL CAPITALISATION AND INDEBTEDNESS⁽⁶⁾	<u>1,294,972</u>

Notes:

1. The subordinated liabilities are unguaranteed and unsecured.
2. The interest rate has been fixed at 9 1/64%.
3. At 31st March, 2004, N. M. Rothschild & Sons Limited had consolidated contingent liabilities of £91.3 million in respect of acceptances, endorsements and guarantees.
4. €770,000,000 notes issued by Rothschilds Continuation Finance PLC. The notes are unsecured and are guaranteed by N. M. Rothschild & Sons Limited.
5. The certificates of deposit are unsecured and unguaranteed.
6. At 30th June, 2004, there were certificates of deposit in issue of £423.8 million. Consolidated contingent liabilities were £79.5 million at 30th June, 2004. There has been no other material change in consolidated capitalisation, indebtedness and contingent liabilities or guarantees since 31st March, 2004.

CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March,

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

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

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>for the year ended 31st March,</i>			
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	<u>Group</u>	<u>Guarantor</u>	<u>Group</u>	<u>Guarantor</u>
	<i>(£ thousands)</i>			
Profit for the financial year	14,975	18,410	16,079	15,553
Currency translation differences on foreign currency net investments	(1)	–	(247)	–
Revaluation of investments in subsidiary undertakings	–	(3,436)	–	279
Total recognised gains and losses relating to the financial year	<u>14,974</u>	<u>14,974</u>	<u>15,832</u>	<u>15,832</u>

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>for the year ended 31st March,</i>			
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	<u>Group</u>	<u>Guarantor</u>	<u>Group</u>	<u>Guarantor</u>
	<i>(£ thousands)</i>			
Profit for the financial year	14,975	18,410	16,079	15,553
Dividends	(12,500)	(12,500)	(12,500)	(12,500)
Retained profit for the financial year	2,475	5,910	3,579	3,053
Other recognised gains and losses	(1)	(3,436)	(247)	279
Net addition to shareholders' funds	2,474	2,474	3,332	3,332
Equity shareholders' funds brought forward	315,201	315,201	311,869	311,869
Equity shareholders' funds carried forward	<u>317,675</u>	<u>317,675</u>	<u>315,201</u>	<u>315,201</u>

The notes to the accounts form an integral part of these financial statements

CONSOLIDATED BALANCE SHEET

at 31st March,

2004 2003

(*£ thousands*)

Assets

Cash and balances at central banks	257,693	195,430
Loans and advances to banks	336,858	332,216
Loans and advances to customers	2,253,358	1,978,419
Less non-recourse finance	(688,065)	(544,640)
	1,565,293	1,433,779
Debt securities	2,181,157	2,248,265
Equity shares	1,567	1,300
Interest in associated undertaking	7,082	–
Intangible fixed assets	3,580	–
Tangible fixed assets	29,216	23,636
Other assets	514,729	311,163
Prepayments and accrued income	59,967	56,016
	<u>4,957,142</u>	<u>4,601,805</u>

Liabilities

Deposits by banks	1,658,056	1,390,176
Customer accounts	1,440,300	1,589,146
Debt securities in issue	847,939	835,425
Other liabilities	458,090	255,139
Accruals and deferred income	102,563	78,417
Subordinated loan capital	129,358	138,301
Minority interests – equity	3,161	–
	<u>4,639,467</u>	<u>4,286,604</u>
Called up share capital	50,000	50,000
Profit and loss account	267,675	265,201
Equity shareholders' funds	317,675	315,201
	<u>4,957,142</u>	<u>4,601,805</u>

Memorandum items

Contingent liabilities

Acceptances and endorsements	–	198,887
Guarantees	91,287	97,376
	<u>91,287</u>	<u>296,263</u>

Commitments

	<u>283,376</u>	<u>300,591</u>
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The notes to the accounts form an integral part of these financial statements

BALANCE SHEET OF THE GUARANTOR

	<i>at 31st March,</i>	
	<i>2004</i>	<i>2003</i>
	<i>(£ thousands)</i>	
Assets		
Cash and balances at central banks	257,693	195,430
Loans and advances to banks	242,078	218,940
Loans and advances to customers	1,690,803	1,329,553
Less non-recourse finance	(399,480)	(160,054)
	1,291,323	1,169,499
Debt securities	1,436,447	1,605,750
Equity shares	1,178	905
Shares in group undertakings	114,476	85,406
Interest in associated undertaking	7,082	–
Tangible fixed assets	18,452	21,496
Other assets	493,964	303,149
Prepayments and accrued income	45,099	40,843
	<u>3,907,792</u>	<u>3,641,418</u>
Liabilities		
Deposits by banks	1,512,529	1,241,746
Customer accounts	1,102,005	1,121,989
Debt securities in issue	333,340	510,942
Other liabilities	420,122	240,410
Accruals and deferred income	92,763	72,829
Subordinated loan capital	129,358	138,301
	3,590,117	3,326,217
Called up share capital	50,000	50,000
Revaluation reserve	81,212	84,648
Profit and loss account	186,463	180,553
Equity shareholders' funds	317,675	315,201
	<u>3,907,792</u>	<u>3,641,418</u>
Memorandum items		
Contingent liabilities		
Acceptances and endorsements	–	198,887
Guarantees	595,964	392,640
	<u>595,964</u>	<u>591,527</u>
Commitments	<u>269,728</u>	<u>288,007</u>

The notes to the accounts form an integral part of these financial statements

TAXATION

The comments below are of a general nature and are based on the Issuer's understanding of current United Kingdom law and practice relating to certain aspects of United Kingdom taxation. The comments relate to the position of persons (other than dealers or persons connected with the Issuer) who are the absolute beneficial owners of the Notes and Coupons. These comments do not necessarily apply where the interest is for tax purposes deemed to be the income of any other person. Any person who is subject to tax in a jurisdiction outside the United Kingdom or who is unsure about their tax position should seek professional advice.

Interest on the Notes

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange", within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the **Taxes Act**). The London Stock Exchange is a recognised stock exchange for these purposes. Under Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. Whilst the Notes are and continue to be listed, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, the Inland Revenue can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person may be required to provide certain information to the United Kingdom Inland Revenue (including the name and address of the beneficial owner of the interest) and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

The interest has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even where paid without withholding. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes (other than certain trustees) who are not resident for tax purposes in the United Kingdom, except where such persons carry on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable), in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency or permanent establishment.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes cease to be listed on a recognised stock exchange), 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*” of the Notes above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

Payments made under the Guarantee

If the Guarantor makes a payment in respect of interest on the Notes, the payment could be subject to withholding or deduction for or on account of United Kingdom income tax even though the Notes are listed on a recognised stock exchange.

United Kingdom Corporation Taxpayers

Noteholders within the charge to United Kingdom corporation tax will generally be subject to tax as income on all profits and gains arising from, and fluctuations in the value of, the Notes broadly in accordance with their statutory accounting treatment.

Other United Kingdom Taxpayers

A disposal of a Note by an individual Noteholder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a chargeable gain or allowable loss for the purposes of taxation of capital gains.

A disposal of a Note by a holder resident or ordinarily resident for tax purposes in the United Kingdom or who 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 to tax on income in respect of an amount representing interest on the Note which has accrued since the preceding interest payment date under the rules of the accrued income scheme as set out in Chapter II of Part XVII of the Taxes Act.

The Notes should constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme on a disposal of Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable the Noteholder may be charged to income tax on an amount of interest which is just and reasonable in the circumstances. The purchaser of such a Note will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Notes (which may therefore be taxable in full).

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.

EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

HSBC Bank plc and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) (the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 3rd August, 2004, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 100.00 per cent. of the principal amount of Notes. A combined selling, management and underwriting commission of 2.75 per cent. of the principal amount of the Notes will be paid to the Managers. The Issuer has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part VI of the FSMA except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

No action has been taken by the Issuer, the Guarantor or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Authorisation

1. The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 2nd August, 2004 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor dated 22nd July, 2004 and a resolution of a duly constituted Committee thereof passed on 2nd August, 2004.

Listing

2. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that official listing will be granted on or about 6th August, 2004 subject only to the issue of the Temporary Global Note. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0197703118 and the Common Code is 019770311.

No significant change

4. Save as disclosed in this Offering Circular (a) there has been no significant change in the financial or trading position, and no material adverse change in the financial position or prospects, of the Issuer since 31st March, 2004 and (b) there has been no significant change in the financial or trading position, and no material adverse change in the financial position or prospects, of the Guarantor and the Guarantor on a Group basis since 31st March, 2004.

Litigation

5. The Guarantor is aware of proceedings arising out of an international offering (outside the United States), and a concurrent offering in the United States to qualified institutional buyers, of shares in the Dutch internet service provider, WorldOnline International NV (**World Online**). ABN AMRO Rothschild, the equity capital markets joint venture arrangement between ABN AMRO and the Guarantor, acted as one of two Joint Global Co-ordinators for the offering in March 2000. It was also Joint Lead Manager, Joint Bookrunner and an underwriter of the international offering and Senior Co-Manager of the US offering.

The price of shares in World Online fell significantly following the offering and the company was subsequently acquired by Tiscali S.p.A. Proceedings based upon alleged misstatements made to investors in relation to the offering were commenced in the Netherlands on behalf of two groups of investors who purchased shares in the international offering (or shortly thereafter) against ABN AMRO Bank N.V. (describing it as also acting under the name ABN AMRO Rothschild). The second set of proceedings also named various other parties as defendants. The first group of investors sought to set aside their purchases and/or to recover damages whilst the second sought damages only. A first instance judgment dismissing the first of these actions was delivered in May 2003. It is now the subject of an appeal.

A further, third, set of Dutch proceedings by the Dutch Shareholders Protection Group on behalf of certain other investors was also commenced against various parties, including ABN AMRO Bank N.V. (describing it as acting in this matter under the name ABN AMRO Rothschild). These further proceedings, which also relate to the international offering and are again based upon alleged misstatements made to investors in relation to the offering, seek damages for those investors on whose behalf claims are advanced as well as declarations for the benefit generally of investors who subscribed for shares in the offering or purchased shares shortly thereafter. A first instance judgment in this action was delivered in December 2003, holding that World Online was liable to investors for certain misstatements, but dismissing all claims made against ABN AMRO

and the other defendants. This judgment is also now the subject of an appeal. Should proceedings be commenced against the Guarantor they would be vigorously contested. The amount of damages claimed has not been quantified in any of the three sets of proceedings.

The Guarantor is also aware of proceedings in the US District Court of Maryland in relation to Royal Ahold NV (Ahold).

The proceedings are by way of a class action on behalf of purchasers of Ahold common shares or American Depositary Shares (ADSs) during the period March 1998 to February 2003 (the **Class**). The **Complaint** (which sets out the details of the claims) advances claims against various parties, including a number of parties who acted as underwriters and financial advisers to Ahold (the **Underwriter Defendants**). ABN AMRO Rothschild (being described as the unincorporated equity capital markets joint venture between the Rothschild and ABN AMRO Groups) is named as an Underwriter Defendant. The Complaint alleges that by virtue of various alleged misstatements in offering documents (and documents allegedly incorporated within them), the Underwriter Defendants are liable to members of the Class who purchased common stock and/or ADSs in and/or traceable to a September 2001 global offering in Ahold common stock and ADSs. ABN AMRO Rothschild acted as joint global coordinator and an underwriter of that offering. These proceedings are being rigorously contended. The amount of damages claimed has not been quantified.

Save as disclosed above, neither the Issuer nor the Guarantor is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer, the Guarantor or the Group as a whole.

Accounts

6. The auditors of the Issuer are KPMG Audit Plc, Chartered Accountants and Registered Auditor, of 1 Canada Square, Canary Wharf, London E14 5AG who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the three financial years ended on 31st March, 2004.

The auditors of the Guarantor are KPMG Audit Plc, Chartered Accountants and Registered Auditor, of 1 Canada Square, Canary Wharf, London E14 5AG who have audited the Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the three financial years ended on 31st March, 2004.

Limitation of liability of the Auditors

The audit reports of KPMG Audit plc for the year ended 31st March, 2004 state that the report has been made solely to the members of the Issuer or the Guarantor, as applicable, as a body, in accordance with section 235 of the Companies Act 1985 and that, to the fullest extent permitted by law, KPMG Audit plc did not accept or assume responsibility to anyone other than the Issuer or the Guarantor, as applicable, and the members of the Issuer or the Guarantor, as applicable, as a body, for their audit work, for the audit report, or for the opinions they have formed.

U.S. tax

7. The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents

8. Copies of the following documents will be available for inspection from registered office of the Issuer for 14 days from the date hereof/and from the specified office of the Paying Agent for the time being in London so long as any of the Notes remains outstanding:
 - (a) the Memorandum and Articles of the Issuer and the Memorandum and Articles of the Guarantor;
 - (b) the financial statements of the Issuer in respect of the period ended 31st March, 2003 and in respect of the financial year ended 31st March, 2004 and the consolidated financial statements of the Guarantor in respect of the financial years ended 31st March, 2003 and 31st March, 2004;
 - (c) the most recently published audited annual financial statements of the Issuer and the Guarantor (together with the auditors' report in respect thereof);
 - (d) the Subscription Agreement, the Trust Deed, and the Agency Agreement; and
 - (e) a copy of this Offering Circular.

Reliance on Limited Liability Certificates

9. Any certificate or report of the auditors of the Issuer or the Guarantor or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or the Guarantor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

REGISTERED AND HEAD OFFICE OF THE ISSUER

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REGISTERED AND HEAD OFFICE OF THE GUARANTOR

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JPMorgan Chase Bank

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To the Issuer and the Guarantor as to English law To the Managers and the Trustee as to English law

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