



**U.S.\$200,000,000**

**ROTHSCHILDS CONTINUATION FINANCE B.V.**

*(incorporated in The Netherlands with limited liability and having its statutory seat in Rotterdam)*

**Primary Capital Undated Guaranteed Floating Rate Notes**

**guaranteed by**

**ROTHSCHILDS CONTINUATION LIMITED**

*(incorporated in England with limited liability)*

**Issue Price 100%**

*Application has been made to list the Notes on the Luxembourg Stock Exchange.*

The U.S.\$200,000,000 Primary Capital Undated Guaranteed Floating Rate Notes (the "Notes") and the obligations of Rothschilds Continuation Finance B.V. (the "Company") and the Guarantor respectively, subordinated in that principal and interest on the Notes will only be payable to the extent that, after such payment, the Company or the Guarantor (as the case may be) would remain solvent. The payment of interest is dependent upon a dividend having been declared or paid on any class of share capital of the Company or the Guarantor in the six months prior to the relevant Interest Payment Date. The guarantee of the Guarantor will only take effect, following a default by the Company or the dissolution of the Company or the winding-up of the Guarantor, by the substitution of the Guarantor as principal debtor under the Notes in place of the Company. In the event of the winding-up of the Guarantor the rights of the Noteholders will rank as if, on the day prior to the commencement of the winding-up, Noteholders were the holders of a notional class of preference shares of the Guarantor. See "Terms and Conditions of the Notes – Status and Subordination of the Notes; Guarantee; and Interest".

Interest on the Notes will be payable semi-annually in arrear on Interest Payment Dates falling in March and September of each year, commencing on the Interest Payment Date falling in March 1987, initially at LIBOR plus  $\frac{3}{4}\%$  and thereafter at LIBOR plus a margin which reduces during the life of the Notes. See "Terms and Conditions of the Notes – Interest". The Notes will have no final maturity date and will only be repayable as set forth under "Terms and Conditions of the Notes – Redemption and Purchase; Default and Enforcement". This provides, inter alia, subject to certain conditions, for the redemption at the option of the Company of all, or from time to time some, of the Notes on any Interest Payment Date falling in or after September 1991.

The Notes will initially be represented by a temporary Global Note, without interest coupons, to be deposited with a common depository for CEDEL S.A. and the Euro-clear System on or about 26th September, 1986. The temporary Global Note will be exchangeable for definitive Notes in bearer form not earlier than 90 days after completion of the distribution of the Notes as determined by Banque Paribas Capital Markets Limited upon certification as referred to under "Subscription and Sale".

**BANQUE PARIBAS CAPITAL MARKETS LIMITED**

**CREDIT SUISSE FIRST BOSTON LIMITED**

**NOMURA INTERNATIONAL LIMITED**

**N. M. ROTHSCHILD & SONS LIMITED**

**SALOMON BROTHERS INTERNATIONAL LIMITED**

**BANKERS TRUST INTERNATIONAL LIMITED**

**BANQUE WORMS**

**CREDITANSTALT-BANKVEREIN**

**CREDIT LYONNAIS**

**DRESDNER BANK AKTIENGESELLSCHAFT**

**DG BANK DEUTSCHE GENOSSENSCHAFTSBANK**

**EBC AMRO BANK LIMITED**

**GOLDMAN SACHS INTERNATIONAL CORP.**

**E F HUTTON AND COMPANY (LONDON) LTD**

**KIDDER, PEABODY INTERNATIONAL LIMITED**

**MANUFACTURERS HANOVER LIMITED**

**MERRILL LYNCH CAPITAL MARKETS**

**MORGAN GUARANTY LTD**

**THE NIKKO SECURITIES CO., (EUROPE) LTD.**

**PRUDENTIAL-BACHE SECURITIES INTERNATIONAL**

**RABOBANK NEDERLAND**

**SHEARSON LEHMAN BROTHERS INTERNATIONAL**

**SWISS BANK CORPORATION INTERNATIONAL LIMITED**

**TOKAI INTERNATIONAL LIMITED**

**UNION BANK OF SWITZERLAND (SECURITIES) LIMITED**

**YASUDA TRUST EUROPE LIMITED**

The purpose of this Offering Circular is to give information with regard to Rothschilds Continuation Finance B.V. (the "Company"), Rothschilds Continuation Limited (the "Guarantor" or "RCL") and its subsidiaries (together the "Group") and the Notes. The Company has taken all reasonable care to ensure that the facts stated in this Offering Circular in relation to the Company and the Notes are true and accurate in all material respects and that there are no other material facts in relation to the Company and the Notes the omission of which would make misleading any statement herein whether of fact or opinion. The Guarantor has taken all reasonable care to ensure that the facts stated in this Offering Circular in relation to the Company, the Guarantor, the Group and the Notes are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion. The Company and the Guarantor accept responsibility accordingly.

No person has been authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Guarantor or any of the Managers named on the front cover hereof (the "Managers"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company, the Guarantor or the Group since the date hereof.

In connection with the issue of the Notes, the Managers may (for their own account) over-allot or effect transactions with a view to stabilising or maintaining the market price of the Notes at levels other than those which might otherwise prevail in the open market. Such action, if commenced, may be discontinued at any time.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular see "Subscription and Sale". This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

References herein to "Dfl.", "guilders" and "Dutch guilders" are to the currency of The Netherlands, references herein to "£" are to pounds sterling and references herein to "U.S. dollars" and "U.S.\$" are to United States dollars.

On 17th September, 1986 the rate of exchange between the U.S.\$ and the £ was U.S.\$1 = £0.6782, the rate of exchange between the U.S.\$ and the guilder was U.S.\$1 = Dfl.2.285 and the approximate rate of exchange between the £ and the guilder was £1 = Dfl.3.3692.

## TABLE OF CONTENTS

	Page
Rothschilds Continuation Finance B.V.	3
Introduction	3
Capitalisation	3
Rothschilds Continuation Limited	4
Introduction	4
Capitalisation	4
Business Activities	5
Management	7
Terms and Conditions of the Notes	8
Use of Proceeds	21
Taxation	22
Subscription and Sale	24
General Information	25
Financial Statements of Rothschilds Continuation Finance B.V.	27
Accountants' Report of Rothschilds Continuation Finance B.V.	27
Financial Statements of Rothschilds Continuation Limited	32
Accountants' Report of Rothschilds Continuation Limited	32

# ROTHSCHILDS CONTINUATION FINANCE B.V.

## INTRODUCTION

The Company was incorporated on 15th March, 1984 as a "Besloten Vennootschap met beperkte aansprakelijkheid" under Netherlands law with limited liability for an indefinite term. The Company has an authorised share capital of Dfl. 175,000 divided into 175 shares of Dfl. 1,000 each, of which 35 have been issued and fully paid up. RCL owns 18 of these shares and the other 17 shares are owned by Rothschild Holding AG, a subsidiary of Rothschild Bank AG

The objects of the Company are, *inter alia*, to engage in the financing of businesses of every kind and anything that is connected therewith or may be conducive thereto.

The only activities undertaken by the Company since its incorporation have been the issue of long-term debt and the lending of the gross proceeds thereof to the Group, Rothschilds Continuation Holdings AG and its affiliates.

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

<u>Name</u>	<u>Principal outside activities</u>
H. de Graaf	Manager of Pierson Trust B.V.
R.J.A. de Graaf	Managing Director of Pierson Trust B.V.
B.I. Myers	Executive Director of N.M. Rothschild & Sons Limited and Group Finance Director
W.R. Stiefel	Employee of Rothschild Bank AG

## CAPITALISATION

The following table sets out the capitalisation of the Company as at 31st March, 1986, based on the audited accounts and adjusted to take account of the issue of the Notes:—

	<i>As at</i> <u>31st March, 1986(1)(2)</u> (Dfl.000)
<b>Share capital and reserves</b>	
Authorised share capital: Dfl.175,000	
35 Ordinary shares of Dfl.1,000 each, issued and fully paid .. .. .	35
Legal reserve .. .. .	5
Accumulated profits .. .. .	167
	<u>172</u>
<b>Total share capital and reserves .. .. .</b>	<u>207</u>
<b>Long-term debt(3)</b>	
U.S.\$75,000,000 subordinated guaranteed floating rate notes due 2015(4) ..	195,975
U.S.\$20,000,000 guaranteed floating rate notes due 1994 .. .. .	52,260
The Notes(5) .. .. .	457,000
<b>Total long-term debt .. .. .</b>	<u>705,235</u>
<b>Total capitalisation .. .. .</b>	<u>705,442</u>

*Notes:—*

- (1) Save as disclosed herein there has been no material change since 31st March, 1986 in the capitalisation of the Company as set out above.
- (2) Unless otherwise stated foreign currencies have been converted at the rates of exchange prevailing on 31st March, 1986.
- (3) The rights of the holders of the Notes now being issued are subordinated, *inter alia*, to the claims of the holders of all the existing notes issued by the Company.
- (4) The capitalisation of the Company may be reduced, subject to compliance with all necessary regulations, as a result of arrangements for the purchase of up to U.S.\$35,000,000 principal amount of the U.S.\$75,000,000 subordinated guaranteed floating rate notes due 2015.
- (5) Converted into guilders at the rate of exchange prevailing on 17th September, 1986 of U.S.\$1 = Dfl.2.285.

# ROTHSCHILDS CONTINUATION LIMITED

## INTRODUCTION

RCL, which was incorporated in England with limited liability on 31st December, 1941 for an indefinite term, is a co-ordinating company, whose principal operating subsidiary is N.M. Rothschild & Sons Limited ("NMR"). Until 2nd April, 1982, RCL was the ultimate holding company of the Rothschild group, but a reorganisation on that date resulted in the formation of a new holding company in Switzerland, Rothschilds Continuation Holdings AG ("RCH"), and the transfer to it of various overseas interests. RCL now owns all of the share capital of NMR and N.M. Rothschild Asset Management (Holdings) Limited ("RAM Holdings"). Since 1st April, 1986, RAM Holdings, through its subsidiaries, including N.M. Rothschild Asset Management Limited ("RAM"), has carried on the asset management functions previously run as a separate division by NMR and its subsidiaries.

## CAPITALISATION

The following table sets out the consolidated capitalisation of the Group as at 31st March, 1986, based on the audited consolidated accounts of the Group and adjusted to take account of the issue of the Notes:—

	<i>As at</i> <u>31st March, 1986(1)(2)(3)</u> (£000)
<b>Share capital and Reserves</b>	
Issued share capital(4)	
Ordinary shares of 1p each .. .. .	25
Deferred shares of £1 each .. .. .	2,461
5.25% Cumulative preference shares of £1 each .. .. .	1,200
9.715% Cumulative preference shares of £1 each .. .. .	789
Cumulative second preference shares of 10p each .. .. .	<u>1,040</u>
	5,515
Share premium account .. .. .	1,767
General and revaluation reserve .. .. .	<u>84,662</u>
<b>Total share capital and reserves</b> .. .. .	<u><u>91,944</u></u>
<b>Loan capital(5)</b>	
U.S.\$75,000,000 subordinated guaranteed floating rate notes due 2015(6) .. .. .	50,444
U.S.\$20,000,000 guaranteed floating rate notes due 1994 .. .. .	13,452
The Notes(7) .. .. .	<u>135,640</u>
<b>Total loan capital</b> .. .. .	<u>199,536</u>
<b>Total capitalisation</b> .. .. .	<u><u>291,480</u></u>

*Notes:—*

- (1) The consolidated capitalisation of the Group does not include inner reserves.
- (2) Save as disclosed herein there has been no material change since 31st March, 1986 in the consolidated capitalisation of the Group as set out above.
- (3) Unless otherwise stated foreign currencies have been converted at the rate of exchange prevailing on 31st March, 1986.
- (4) Authorised share capital—3 million ordinary shares of 1p each, 3,561,169 deferred shares of £1 each, 1,200,000 5.25% cumulative preference shares of £1 each, 788,831 9.715% cumulative preference shares of £1 each and 11 million cumulative second preference shares of 10p each.
- (5) The rights of the holders of the Notes now being issued are subordinated, *inter alia*, to the claims of the holders of all the existing loan capital of the Group.
- (6) The capitalisation of the Group may be reduced, subject to compliance with all necessary regulations, as a result of arrangements for the purchase of up to U.S.\$35,000,000 principal amount of the U.S.\$75,000,000 subordinated guaranteed floating rate notes due 2015.
- (7) Converted into pounds sterling at the rate of exchange prevailing on 17th September, 1986 of U.S.\$1 = £0.6782.

## BUSINESS ACTIVITIES

### **N. M. Rothschild & Sons Limited**

NMR and its predecessors have carried on the business of merchants and bankers in the City of London since 1803. The name of Rothschild has been closely linked with the development of international banking and finance and, as a consequence, was involved in important industrial, commercial and political events during the last two centuries. NMR continues to provide, from its base in London, international merchant banking services. It has two major areas of activity, namely, banking and corporate finance.

#### *Banking*

Banking activities are broadly divided between the provision of credit and trading activities. The provision of credit includes acceptance credits, advances and the arranging of syndications, as well as off balance sheet financing and leasing. NMR considers that it pursues conservative and tightly controlled lending policies and that this is confirmed by insignificant loan losses in the last five years. Trading activities include the taking of deposits, the trading of a wide range of secondary market instruments both short and long-term, swap facilities, foreign exchange dealing, together with a particular specialisation in the international bullion markets for gold and silver. NMR is a member of the London Gold Market and by tradition provides the chairman of the London Gold Fixing.

#### *Corporate Finance*

The corporate finance activity is essentially the provision of financial advice to a wide range of public and private companies in the United Kingdom, together with advice, both domestically and internationally, on mergers, acquisitions, the long-term corporate debt markets and export and project finance.

In recent months NMR has been prominent, in the U.K., in advising Hanson Trust PLC on its successful acquisition of Imperial Group plc and Woolworth Holdings plc on its successful defence against a bid from Dixon Group plc. It has been active in H.M. Government's privatisation programme and is currently advising in connection with British Gas plc and Rolls-Royce plc. NMR also undertakes overseas projects and is currently advising the Government of Papua New Guinea on the development of the Ok Tedi gold and copper project and the sponsors (Utah International, RTZ and Mitsubishi Corporation) on the development of the Escondida copper project in Chile.

#### *Results of Operations*

NMR is not required to publish a full profit and loss account, but shows a profit figure after transfer to inner reserves equal to the annual dividend. In NMR's Report and Accounts for the year ended 31st March, 1986, the Chairman reported as follows:—

“I am glad to report that N.M. Rothschild & Sons Limited and its subsidiaries have had a very good year. Although not all the markets in which we operated were buoyant, nevertheless, the financial results were excellent.

Both the Banking and Asset Management Divisions did well and the Corporate Finance Division results were exceptionally good, aided by the high level of mergers and acquisition activity during the year.

Our encouraging progress has enabled us to release £10 million from inner reserves, £8 million of which has been transferred to general reserves and the balance of just under £2 million has been applied in increasing our share capital so that it now amounts to £20 million.

Dividends have been increased in respect of the year ended 31st March, 1986 to £3.25 million compared with £3 million in the previous year. Our consolidated balance sheet totals have increased during the year from £2,589 million to £2,771 million.

On 1st April, 1986, we transferred, at cost, our investment in N.M. Rothschild Asset Management Limited to a new company owned by Rothschilds Continuation Limited, our immediate holding company. The asset management activity of N.M. Rothschild & Sons Limited has been run as a separate division within the group entity for some years. We decided, however, to emphasise further the separation of this function from the remainder of the bank by this change of ownership. In future, our asset management function will be conducted outside the bank in an associate company of N.M. Rothschild & Sons Limited.

Our Group has demonstrated its ability to perform well and react quickly in what, for many years, has been a highly competitive and fast-changing industry. We are not complacent but we are confident that we have the right people of high quality in our organisation and the structure to cope with the further challenges foreshadowed by the changes in securities markets.

The achievement of good results would not have been possible without the hard work, dedication and loyalty of our staff for which the Board is grateful."

### **Asset Management**

The Group provides a wide range of investment services including managing the assets of major pension funds, insurance companies and governments, offering unit trusts and other specialist investment vehicles to the large institutional investor and the small investor alike. It has been active in and responsive to the development of the concept of international cash funds. N.M. Rothschild International Asset Management Limited ("RIAM"), an 80 per cent. subsidiary of RAM Holdings, was registered in 1980 with the Securities and Exchange Commission in the U.S.A. RIAM has established an excellent performance record and has been successful in attracting funds for management in markets outside the U.S.A. In Guernsey, N.M. Rothschild Asset Management (C.I.) Limited is a wholly-owned subsidiary of RAM. The range of investments undertaken is wide and as well as equity and fixed-interest securities quoted on all the major world stock markets, investments include property, commodities, biotechnology companies and unquoted companies. At 30th June, 1986, funds under the discretionary management of the Group were estimated at £5.5 billion. The recent transfer to RAM Holdings of the Group's investment management activities was designed to emphasise the separation of this function from those of banking and corporate finance prior to the deregulation of the U.K. securities industry.

### **Other Activities**

In Guernsey N.M. Rothschild & Sons (C.I.) Limited, a wholly-owned subsidiary of NMR, provides banking services similar to NMR. In addition, the Group has affiliates or representatives in Bermuda, Brazil, Chile, Italy, Japan, Malaysia, Mexico and Zimbabwe.

The Group works closely with the overseas interests of RCH. These interests include subsidiaries in Australia, Hong Kong and Singapore and associated companies in New York, Paris and Zurich.

### **Smith New Court PLC**

In anticipation of the forthcoming changes in the U.K. securities industry, various associated companies in the RCH group, including RCL and RCH, have acquired a combined interest of approximately 33 per cent., on a fully diluted basis, in Smith New Court PLC ("SNC"), which is listed on the London Stock Exchange. SNC is a leading market maker in U.K. equities and, in addition, has an agency function as well as dealing in equities in other markets through its subsidiaries in Australia, Hong Kong and New York.

### **Outlook**

RCL does not publish interim statements but trading during the current year to 31st March, 1987 continues at a most satisfactory level.

## MANAGEMENT

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

<u>Name</u>	<u>Principal outside activities</u>
Lord Rothschild (Chairman)	Chairman of RCH
Edmund de Rothschild	Director of NMR
Leopold de Rothschild	Executive Director of NMR
Evelyn de Rothschild	Chairman of NMR
Edmond de Rothschild	Chairman of Banque Privée S.A.
Eric de Rothschild	Vice Chairman of P.O. Banque S.A.
Bernard Myers	Executive Director of NMR and Group Finance Director

## 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:—*

The issue of the U.S.\$200,000,000 Primary Capital Undated Guaranteed Floating Rate Notes (the "Notes") by Rothschilds Continuation Finance B.V. (the "Company") was authorised by resolutions of the Management Board of the Company passed on 3rd September and 19th September, 1986. The authorisation of the obligations of Rothschilds Continuation Limited (the "Guarantor") in respect of the Notes was given by resolutions of the Board of Directors of the Guarantor and of a duly authorised committee of such Board passed on 3rd September and 19th September, 1986, respectively. The 20,000 Notes, serially numbered, comprising the U.S.\$200,000,000 Primary Capital Undated Guaranteed Floating Rate Notes are constituted by a trust deed (the "Trust Deed") entered into between the Company, the Guarantor, N.M. Rothschild & Sons Limited (the "Bank") and The Law Debenture Trust Corporation p.l.c. (the "Trustee"), as trustee for the holders of the Notes (the "Noteholders"). Copies of the Trust Deed together with copies of the paying agency agreement (the "Paying Agency Agreement") entered into in connection with the Notes between the Company, the Guarantor, the Bank, the Trustee, Banque Paribas (Luxembourg) S.A. as principal paying agent (the "Principal Paying Agent") and the other paying agents referred to under "Payments" below (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 Estates House, 66 Gresham Street, London EC2V 7HX) and at the specified offices of each of the Paying Agents. The statements in these particulars 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 U.S.\$10,000 each with 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**

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

The rights of the Noteholders and Couponholders against the Company are subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined below) and accordingly payments of principal and interest by the Company are conditional upon the Company being solvent at the time of such payment and no principal or interest shall be payable by the Company in respect of the Notes except to the extent that the Company could make such payment and still be solvent immediately thereafter. For the purpose of this Condition 2 the Company shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Company by two Managing Directors of the Company or, in certain circumstances as provided in the Trust Deed, the auditors of the Company or, if the Company is being dissolved, its liquidator shall, in the absence of proven error, be treated and accepted by the Company, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof.

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

See note at the end of Condition 3.

### 3. Guarantee

The Guarantor guarantees and undertakes that, if at any time the Company defaults upon its obligations under the Trust Deed or the Notes or the Coupons in accordance with the provisions of Condition 9(A) or an order is made declaring the Company in bankruptcy (within the meaning of the Statute of Bankruptcy of The Netherlands) or an order is made or an effective resolution is passed for the dissolution of the Company or the 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) or an order is made to grant the Company *voorlopige surseance van betaling* (within the meaning of the said Statute) the Guarantor shall immediately and without further formality become the principal debtor under the Trust Deed, the Notes and the Coupons in place of the Company.

Upon becoming such principal debtor the Guarantor shall be liable to make all payments under the Trust Deed, the Notes and the Coupons as if it had originally been named as principal debtor hereunder on a subordinated basis (in the same manner as provided in Condition 2 but with the substitution of references to the Guarantor, Directors and winding-up in place of references to the Company, Managing Directors and dissolution, respectively), provided that no sum shall be payable by the Guarantor as a result of its becoming such principal debtor sooner than the same would have been payable by the Company if no such event had occurred and provided that upon such substitution taking effect the principal of the Notes and any Arrears of Interest (as defined in Condition 4 (B)) or other interest that the Company may owe will not thereby or as a result of the aforesaid default or order become repayable by the Guarantor until such payments become payable by the Guarantor as principal debtor in accordance with these Conditions. The obligations of the Company under the Trust Deed, the Notes and the Coupons shall cease to be of any effect on the Guarantor becoming legally and validly bound as principal debtor and references herein to the payment or declaration of dividends by the Company shall be disregarded. The Guarantor will not be liable to make any payment of principal or interest under the Trust Deed, the Notes or the Coupons prior to its becoming such principal debtor as aforesaid.

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 on 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 (ranking *pari passu* with the 5.25 per cent. Cumulative Preference Shares of £1 each and the 9.715 per cent. Cumulative Preference Shares of £1 each 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 (other than the aforementioned preference 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) up to (but excluding) the date of repayment (as provided in the Trust Deed) in respect thereof.

*N.B. The respective obligations of the Company and the Guarantor in respect of the Notes and the Coupons*

*are conditional upon the Company or the Guarantor (as the case may be) being solvent for the purposes of Condition 2 immediately before and after payment by the Company or the Guarantor (as the case may be). If such Condition is not satisfied, any amounts 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.*

#### **4. Interest**

##### *(A) Period of Accrual of Interest and Coupons*

The Notes will bear interest from and including 26th September, 1986 (*or, in the event that payment to the Company is deferred as permitted by the Subscription Agreement referred to in "Subscription and Sale" below, such later date as payment to the Company is made*) (the "Issue Date"). 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 on 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 by reason of 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 (as defined below) 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) shall become void.

##### *(B) Interest Payment Dates, Interest Periods and Arrears of Interest*

Interest on the Notes shall accrue from day to day and shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Company or the Guarantor so decides) the interest accrued in the Interest Period ending on the day immediately preceding such date, but neither the Company nor the Guarantor shall have any obligation to make such payment and any failure to pay shall not constitute a default by either the Company or the Guarantor for any purpose. Any interest not paid on an Interest Payment Date together with any interest not paid on any other Interest Payment Date by reason of Condition 2 shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of either the Company or the Guarantor, be paid in whole or in part (any such part being the whole of the interest accrued during any Interest Period or Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 13, but so that in the case of a partial payment the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. All Arrears of Interest on 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 Company or the Guarantor (ii) the date set for any redemption pursuant to Condition 5(A) or 5(C) or (iii) the commencement of winding-up of the Guarantor (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee). Notwithstanding the foregoing, if notice is given by either the Company or the Guarantor of its intention to pay the whole or part of Arrears of Interest, the Company or the Guarantor (as the case may be) shall be obliged (subject to Condition 2) to do so upon the expiration of such notice. Arrears of Interest and interest otherwise overdue shall not bear interest.

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

"Interest Payment Date" means the date falling six calendar months after the Issue Date and thereafter each date which falls six calendar months after the immediately preceding Interest Payment Date. If any Interest Payment Date would otherwise fall on a day which is not a business day,

it shall be postponed to the next day which is a business day unless it would thereby fall in the next calendar month. In the latter event, the Interest Payment Date shall be the first preceding day which is a business day and all subsequent Interest Payment Dates shall (subject as provided below) be the last business day of each March and September.

“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 Company or the Guarantor.

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date.

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

“business day” means (otherwise than for the purposes of Condition 7) a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in both London and New York City.

(C) *Rate of Interest*

The rate of interest from time to time payable in respect of the Notes (the “Rate of Interest”) shall be determined by the Agent Bank on the basis of the following provisions:—

- (i) On the second business day prior to the first day of each Interest Period (an “Interest Determination Date”), the Agent Bank (as described in Condition 4(H) below) will request the principal London offices of each Reference Bank (as described in Condition 4 (H) below) to provide the Agent Bank with the offered rate quoted by such Reference Bank to leading banks for U.S. dollar deposits in the London inter-bank market for the Interest Period concerned as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for each Interest Period shall be the rate per annum which is the aggregate of (a) the Margin (as defined below) and (b) the arithmetic average (rounded upwards, if necessary, to the nearest  $\frac{1}{16}$  per cent.) of such offered rates of three out of the five quoting Reference Banks (excluding, if all such offered rates are not the same, the highest and lowest such offered rates and, if more than one Reference Bank provides the highest such offered rate, the offered rate of one such Reference Bank shall be excluded and similarly if more than one Reference Bank provides the lowest such offered rate), as determined by the Agent Bank.

The “Margin” shall be:—

- (a) in respect of each Interest Period up to and including the Interest Period ending on the day before the Interest Payment Date falling in September 1988,  $\frac{3}{4}$  per cent.;
- (b) in respect of each Interest Period after those referred to in (a) above up to and including the Interest Period ending on the day before the Interest Payment Date falling in September 1990,  $\frac{5}{8}$  per cent.;
- (c) in respect of each Interest Period after those referred to in (b) above up to and including the Interest Period ending on the day before the Interest Payment Date falling in September 1991,  $\frac{1}{2}$  per cent.;
- (d) in respect of each Interest Period after those referred to in (c) above up to and including the Interest Period ending on the day before the Interest Payment Date falling in September 1996,  $\frac{3}{8}$  per cent.; and
- (e) in respect of each Interest Period after those referred to in (d) above up to and including the final Interest Period,  $\frac{1}{4}$  per cent.

- (ii) If on any Interest Determination Date only four of the Reference Banks provide the Agent Bank with such offered rates, the Rate of Interest for the relevant Interest Period shall be determined in accordance with sub-paragraph (i) above on the basis of the arithmetic average of the offered rates so provided (excluding the quotations in respect of two such Reference Banks on the basis set out in sub-paragraph (i) above).
- (iii) If on any Interest Determination Date, three or two only of the Reference Banks provide the Agent Bank with such offered rates, the Rate of Interest for the relevant Interest Period shall be determined in accordance with sub-paragraph (i) above on the basis of the arithmetic average of all the offered rates so provided (without any exclusion).
- (iv) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such an offered rate, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be either (i) the rate per annum which is the aggregate of (a) the Margin (as defined in sub-paragraph (i) above) and (b) the arithmetic average (rounded upwards, if necessary, to the nearest  $\frac{1}{16}$  per cent.) of the U.S. dollar lending rates which leading New York City banks selected by the Agent Bank (after consultation, if practicable, with the Company and the Guarantor) are quoting, on the relevant Interest Determination Date, for the relevant Interest Period, to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Agent Bank, being so made or (ii) in the event that the Agent Bank can determine no such arithmetic average, the rate per annum which is the aggregate of (a) the Margin (as defined in sub-paragraph (i) above) and (b) the lowest U.S. dollar lending rate which leading New York City banks selected by the Agent Bank (after consultation, if practicable, with the Company and the Guarantor) are quoting on such Interest Determination Date to leading European banks for the relevant Interest Period.

*(D) Determination of Rate of Interest and Calculation of Interest Amount*

The Agent Bank will, on or as soon as practicable after each Interest Determination Date, determine the Rate of Interest and the amount of interest payable in respect of each Note (the "Interest Amount") for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest to the principal amount of one Note, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

*(E) Publication of Rate of Interest and Interest Amount*

The Agent Bank will cause the Rate of Interest, the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to any stock exchange upon which the Notes are for the time being listed or quoted and published in accordance with Condition 13 below as soon as possible after the relevant determination but not later than four business days after the date of commencement of the relevant Interest Period. The Interest Amount and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

*(F) Determination of Rate of Interest and Calculation of Interest Amount by Trustee*

The Trustee shall, if the Agent Bank does not for any reason determine the Rate of Interest or the Interest Amount in accordance with paragraphs (C) and (D) above, determine the Rate of Interest at such a rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (C) above), it shall deem fair and reasonable in all the circumstances and shall calculate the Interest Amount in accordance with paragraph (D) above and such determination and calculation shall be deemed to be a determination and calculation thereof by the Agent Bank.

(G) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations, rates and decisions given, expressed, made or obtained for the purposes of these provisions, whether by the Reference Banks (or any of them), the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Company, the Guarantor, the Reference Banks, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions under or in respect of these particulars.

(H) *Agent Bank and Reference Banks*

The Company will procure that so long as any of the Notes remains outstanding (as defined in the Trust Deed) there shall at all times be an Agent Bank and five Reference Banks for the purposes of the Notes. The initial Reference Banks will be the principal London offices of National Westminster Bank PLC, The Chase Manhattan Bank, N.A., Morgan Guaranty Trust Company of New York, Deutsche Bank Aktiengesellschaft and Swiss Bank Corporation and the initial Agent Bank will be Banque Paribas (Luxembourg) S.A. at its principal Luxembourg office (being at the date hereof at 10A Boulevard Royal, Luxembourg-Ville, Luxembourg). In the event of any such office being unable or unwilling to continue to act as a Reference Bank or of Banque Paribas (Luxembourg) S.A. (at its principal Luxembourg office for the time being) being unable or unwilling to continue to act as the Agent Bank, the Company shall appoint such other bank as may be approved by the Trustee to act as such in its place. Neither the Agent Bank nor any Reference Bank may resign its duties without a successor having been appointed as aforesaid. The Company may, with the prior written approval of the Trustee, terminate the appointment of any Reference Bank or the Agent Bank.

**5. Redemption and Purchase**

The Company shall not be at liberty to redeem the Notes except in accordance with the following provisions of this Condition:—

(A) *Redemption at the Option of the Company*

The Company may on any Interest Payment Date falling in or after September 1991, having given not more than 45 nor less than 30 days' notice to the Noteholders, redeem all or from time to time some of the Notes at their principal amount. Upon the expiration of such notice, the Company shall (subject to Condition 2) be bound to redeem the Notes selected for redemption at their principal amount together with all Arrears of Interest as provided in Condition 4(B).

In the case of a partial redemption of Notes, the Notes to be redeemed will be selected by random drawings of Notes in a manner approved by the Trustee. The serial numbers of the Notes selected for redemption, the total principal amount thereof and the date fixed for redemption thereof will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption thereof.

(B) *Purchase*

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

(C) *Redemption for Taxation Reasons*

If the Trustee is satisfied, immediately prior to the giving of the notice to holders hereinafter referred to, that:—

- (i) as a result of any actual or proposed change in the laws, regulations or treaties of The Netherlands or 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) on the occasion of the next Interest Payment Date (assuming for this purpose that a payment of interest would be made on that date) either:—

- (a) the Company would be required to pay additional amounts in accordance with “Taxation” below; or
  - (b) the Guarantor would be unable to procure the Company to make such payment and, in making payment itself, the Guarantor would be required to pay additional amounts in accordance with “Taxation” below; or
  - (c) the payment of interest in respect of the Notes would be treated as a distribution by the Company for the purposes of the relevant law of The Netherlands or as regards the Guarantor as a “distribution” within the meaning of the Taxes Acts for the time being of the United Kingdom or would otherwise be treated as a payment which would not be deductible for tax purposes by the Company or the Guarantor, as the case may be, other than by reason of any such change which results or would result in payments of interest being generally not deductible for tax purposes in the relevant jurisdiction; or
- (ii) as a result of any actual or proposed change in the laws, regulations or treaties of The Netherlands, the United Kingdom, Guernsey or Switzerland 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), on the next day for a payment, whether of interest or principal, in respect of any loan of the proceeds of the issue of the Notes to the Bank by the Company or any other loan of such proceeds by the Bank or the Company to another subsidiary of the Guarantor or a subsidiary of the Guarantor’s holding company or any subsequent loan by any such subsidiary of such proceeds to any other subsidiary of the Guarantor or a subsidiary of the Guarantor’s holding company:—
- (a) the maker of any such payment would be required to pay additional amounts pursuant to the terms of the relevant loan; or
  - (b) the maker of any such payment would no longer be able to obtain a full tax deduction (other than by reason of an insufficiency of profits against which such deduction could be offset) for the payment in the manner anticipated by that person upon the making of the relevant loan; or
  - (c) the manner in which any fluctuation in the dollar/sterling exchange rate is treated for taxation purposes in relation to such loan would be different from that anticipated upon the making of such loan by the maker of such payment; or
  - (d) an amount of tax would become payable (or would become payable in the absence of any reliefs, deductions or credits) in respect of such loan, or any arrangements directly connected therewith, which is greater than that anticipated upon the making of the relevant loan by the maker of such payment;

the Company may (subject to Condition 2) on any Interest Payment Date and having given not more than 45 nor less than 30 days’ notice to the Noteholders, redeem all (but not some only) of the Notes at their principal amount. Upon the expiration of such notice, the Company shall (subject to Condition 2) be bound to redeem the Notes at their principal amount together with all Arrears of Interest (if any).

It shall be sufficient, to establish the existence of the circumstances required to be established pursuant to this paragraph (C), if the Company shall deliver to the Trustee (a) a certificate from the Guarantor in a form satisfactory to the Trustee as to all relevant matters of fact; and (b) a certificate of an independent lawyer or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such

circumstances exist or that, upon any change in the laws, regulations or treaties of The Netherlands, the United Kingdom, Guernsey or Switzerland or any political sub-division thereof or of any authority therein or thereof having power to tax, or in the application or interpretation of such laws, regulations or treaties (whether by legislative change, court decision, any general change in practice of the relevant taxing authorities or otherwise), which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

**(D) Cancellation**

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

References in this Condition 5 to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities (as defined in the Trust Deed) 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 5 or Condition 9 below.

**6. Substitution of Principal Debtor**

The Bank has undertaken in the Trust Deed that, if the Guarantor (otherwise than upon, or following, the commencement of its winding-up) ceases beneficially to own, directly or indirectly (as more particularly described in the Trust Deed), at least 75 per cent. of the issued ordinary share capital of the Bank (as defined in the Trust Deed), then the Bank shall (unless it has previously ceased, or will in connection with or as a result of such cessation of ownership of the ordinary share capital cease, to be a recognised bank (as defined in the Trust Deed)) immediately and without further formality become the principal debtor on a subordinated basis (in the same manner as provided in Conditions 2 and 3 but with the substitution in Condition 2 of references to the Bank, Directors and winding-up in place of references to the Company, Managing Directors and dissolution, respectively and in Condition 3 of references to the Bank in place of references to the Guarantor and of references to the preference stock or shares in the capital of the Bank forming or being part of a class having a preferential right in a winding-up over the holders of all other classes of stock or shares in the capital of the Bank in place of references to the existing preference shares of the Guarantor) under the Trust Deed, the Notes and the Coupons in place of the Company and upon such change taking effect references herein to the declaration or payment of dividends by the Company or the Guarantor shall be substituted by references to the declaration or payment of dividends by the Bank. The guarantee by the Guarantor pursuant to Condition 3 and any of its or any of the Company's obligations under the Trust Deed or the Notes or the Coupons shall cease to be of any effect on the Bank becoming legally and validly bound as principal debtor.

The Guarantor or the Company (provided that the Bank is then, and immediately thereafter will continue to be, a recognised bank) may, by notice to the Trustee and without the consent of the Noteholders or the Couponholders, elect that the Bank shall become the principal debtor on a subordinated basis (in the same manner as provided in Conditions 2 and 3 but with the substitution of references in Condition 2 to the Bank, Directors and winding-up in place of references to the Company, Managing Directors and dissolution, respectively and in Condition 3 of references to the Bank in place of references to the Guarantor and of references to the preference stock or shares in the capital of the Bank forming or being part of a class having a preferential right in a winding-up over the holders of all other classes of stock or shares in the capital of the Bank in place of references to the existing preference shares of the Guarantor) under the Trust Deed, the Notes and the Coupons in place of the Company, in which event the Bank shall (and shall undertake in the Trust Deed that it shall) immediately and without further formality become the principal debtor in such manner. Upon such change taking effect references herein to the declaration or payment of dividends by the

Company or the Guarantor shall be substituted by references to the declaration or payment of dividends by the Bank. The guarantee of the Guarantor pursuant to Condition 3 and any of its or any of the Company's obligations under the Trust Deed or the Notes or the Coupons shall cease to be of any effect on the Bank becoming legally and validly bound as 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 (in the same manner as provided in Condition 3) principal debtor under the Trust Deed, the Notes and the Coupons in place of the Company, in which event the Guarantor shall immediately and without further formality become the principal debtor in such manner and references herein to the declaration or payment of dividends by the Company shall be disregarded and other than as principal debtor, the Guarantor shall have no obligations under the Trust Deed, the Notes or the Coupons.

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 3 above, to the substitution on a subordinated basis (in the same manner as provided in Condition 2 but with the substitution of references to the relevant company in place of references to the Company and such other changes as the Trustee considers appropriate) of another subsidiary of the Guarantor as the principal debtor under the Trust Deed, the Notes and the Coupons, in place of the Company. Upon such change taking effect references herein to the declaration or payment of dividends by the Company shall be substituted by references to the declaration or payment of dividends by the relevant company.

In connection with any proposed substitution as aforesaid, the Trustee shall not have regard to the consequences of such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

If any substitution of the principal debtor under this Condition 6 or under Condition 3 shall take place the new principal debtor and the Trustee shall agree such other consequential changes to these Conditions and the Trust Deed as may be necessary upon such substitution taking effect to ensure that all references herein and in the Trust Deed to the Company and/or the Guarantor shall apply, where applicable, solely to such substituted principal debtor, as more particularly provided in the Trust Deed. Such changes may take place without the consent of the Noteholders or the Couponholders. Any company which is substituted under these 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.

## **7. 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) encashment of Notes in U.S. dollars at the specified office of any Paying Agent by a U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City. Payments of interest in respect of Notes will (subject to Conditions 2 and 4) 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, provided that (subject as mentioned below) no payment of interest on Notes will be made at the specified office of any Paying Agent in the United States.

Notwithstanding the provisions to the contrary herein, payments of interest in respect of Notes may be made at a specified office of a Paying Agent in the United States if (i) the Company and the Guarantor shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in U.S. dollars when due, (ii) payment of the full amount of such interest at such offices is illegal or effectively precluded by exchange controls or other similar restrictions, (iii) the Company does not within a reasonable period (as determined by the Trustee)

appoint a Paying Agent with a specified office in a jurisdiction where such payment is not illegal or so precluded and (iv) such payment is permitted by applicable United States law, and shall be so made at the option of the holder if such payment is then permitted by applicable United States law without involving, in the opinion of the Company, adverse consequences to the Company.

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 "Taxation" below. Without prejudice to the generality of the foregoing the Company reserves the right to require a Noteholder or Couponholder to provide a Paying Agent with such certification or information as may be required to enable the Company to comply with the requirements of the United States federal income tax laws.

If any Note is presented for redemption at the specified office of any Paying Agent in the United States, principal only will (subject to Condition 2) be paid and any accrued interest will be paid as provided above and in the Paying Agency Agreement, subject to the provisions for payment of interest in the United States referred to above.

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 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. Each Note presented for redemption must be presented together with all unmatured Coupons appertaining thereto.

If the due date for payment of any amount of principal or interest in respect of any Note is not at any place of payment a business day, then the holder of such Note or the relevant Coupon shall not be entitled to payment at that place of payment of the amount due until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 7 "business day" means any day on which banks are open for business in the relevant place of payment and on which dealings in foreign currency may be carried on both in New York City and in such place of payment.

If the due date for redemption of any Note is not an Interest Payment Date, interest accrued since the last preceding Interest Payment Date will be paid to the holder of the relevant Note against surrender of the relevant Note at the specified office of any Paying Agent other than (subject as referred to above) any such specified office in the United States.

The names of the initial Paying Agents and their respective specified offices are as follows:—

**Principal Paying Agent**

Banque Paribas (Luxembourg) S.A.,  
10A Boulevard Royal,  
Luxembourg-Ville,  
Luxembourg.

**Paying Agents**

Banque Paribas,  
3 rue d'Antin,  
75002 Paris, France.

Morgan Guaranty  
Trust Company  
of New York,  
1 Angel Court,  
London EC2R 7AE.

Swiss Bank Corporation,  
1 Aeschenvorstadt,  
Basle, Switzerland.

Morgan Guaranty  
Trust Company  
of New York,  
Avenue des Arts 35,  
B-1040 Brussels, Belgium.

The Company reserves the right, subject to the prior approval of the Trustee (save in the case of any United Kingdom Paying Agent as provided in the Trust Deed), 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 offices through which any Paying Agent acts, provided that it will at all times maintain a Paying Agent having a specified office in Europe which, so long as the Notes are listed on the Luxembourg Stock Exchange, shall be in Luxembourg. In addition, the Company will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if (i) the Company shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in U.S. dollars when due, (ii) payment of the full amount of such interest at such offices is illegal or effectively precluded by exchange controls or other similar restrictions and the Trustee requests that payment be made in New York City, (iii) the Company does not within a reasonable period (as determined by the Trustee) appoint a Paying Agent with a specified office in a jurisdiction where such payment is not illegal or so precluded and (iv) such payment is then permitted by applicable United States law without involving, in the opinion of the Company, adverse consequences to the Company. Notice of any termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 13.

## **8. Taxation**

All payments of principal and interest in respect of the Notes and the Coupons by the Company or the Guarantor will be made without withholding of, or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of The Netherlands or any political sub-division thereof or by any authority therein or thereof having power to tax, in the case of payments by the Company, or the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, in the case of payments by the Guarantor, unless the Company or, as the case may be, the Guarantor, is required by law to withhold or deduct amounts for, or on account of, such taxes, duties, assessments or charges. In that event, the Company or, as the case may be, the Guarantor, will, subject as provided in Condition 2, pay such additional amounts as will result in the receipt by the Noteholders or, as the case may be, the Couponholders of the sums which would otherwise have been received in respect thereof; except that no such additional amounts shall be payable:—

- (a) with respect to any Note or Coupon presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or charges in respect of such Note or Coupon by reason of his having or having had some connection with The Netherlands or the United Kingdom, as the case may be, other than the mere holding of such Note or Coupon; or
- (b) with respect to any Note or Coupon presented for payment to a specified office in the United Kingdom of a Paying Agent by or on behalf of a holder who could have avoided such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts if such Note had been presented for payment on the last day of such 30 day period.

As used herein, the “Relevant Date” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount of the moneys payable has not been received in New York City by the Trustee or the Principal Paying Agent on or prior to such due date, the date on which, the full amount of such moneys having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 13.

References to principal and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or under any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 9. Default and Enforcement

(A) If the Company shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of 7 days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Company shall be considered to be in default under the Trust Deed, the Notes and the Coupons for the purposes of Condition 3. For the purpose of this paragraph a payment otherwise due (in the case of principal) or compulsory (in the case of interest) shall be deemed so due or compulsory notwithstanding that the condition set out in Condition 2 is not satisfied. Upon the Guarantor becoming legally and validly bound as principal debtor in accordance with Condition 3, none of the Trustee, the Noteholders or the Couponholders may institute any proceedings against the Company whether in The Netherlands or elsewhere and whether in connection with its dissolution or otherwise or in any way proceed against the Company in connection with the Company's failure to pay principal or interest in respect of the Notes.

(B) If the Guarantor shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of seven days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Trustee may institute proceedings in England (but not elsewhere) for the winding-up of the Guarantor. For the purpose of this paragraph a payment otherwise due (in the case of principal) or compulsory (in the case of interest) shall be deemed so due or compulsory notwithstanding that the condition set out in Condition 2 is not satisfied.

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

(D) The Trustee shall not be bound to take any of the actions referred to in this Condition to enforce the obligations of the Company or the Guarantor in respect of the Notes and Coupons unless (i) it shall have been so requested by Extraordinary Resolution of the Noteholders or 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.

(E) No Noteholder or Couponholder shall be entitled to institute proceedings for the winding-up of the Guarantor, or to prove in the winding-up of the Guarantor, or take any other proceedings except that if the Trustee, having become bound to institute such proceedings, fails to do so, or, being able to prove in such winding-up, fails to do so, in either case within a reasonable period, and such failure continues, then any such 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 in England (but not elsewhere) of the Guarantor and/or prove in any such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do provided that such proceedings may only be instituted for the non-payment of principal or interest in accordance with these Conditions. No remedy against the Company or the Guarantor, other than as specifically provided in this paragraph (E), shall be available to the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Company or the Guarantor of any of its respective obligations under the Trust Deed or the Notes or Coupons.

No remedy against the Company or the Guarantor other than as specifically provided in this Condition shall be available to the Trustee whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any of its respective obligations under the Trust Deed or the Notes or Coupons.

## **10. Prescription**

Notes and Coupons (excluding for this purpose Talons) 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 8) relating thereto.

## **11. Meetings of Noteholders, Modification and Waiver**

The Trust Deed will contain provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of the Terms and Conditions of the Notes or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two 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 two 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 determination of the Rate of Interest 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 persons holding or representing not less than two-thirds or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any meeting of Noteholders shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

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

## **12. 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 Luxembourg (or such other place of which notice shall be given in accordance with Condition 13) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Company may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **13. Notices**

All notices regarding the Notes will be valid if published in the *Financial Times* in London and, so long as the Notes are listed on the Luxembourg Stock Exchange, in the *Luxemburger Wort* in Luxembourg. If at any time publication in either or both of such newspapers is not practicable, notices will be valid if published in such other manner as the Company, with the approval of the Trustee, shall determine. 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 or on different dates, on the first date on which publication shall have been made in the newspaper or both the newspapers in which publication is required.

## **14. Further Issues**

The Company shall be at liberty from time to time, without the consent of the Noteholders or the Couponholders, to create and issue further bearer or registered bonds or notes either, in the case of bearer notes, 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 Notes or upon such terms as to interest, premium, redemption, subordination and otherwise as the Company may at the time of the issue thereof determine. Any further bearer notes forming a single series with the Notes shall, and any other

further bearer notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of bearer and/or registered bonds or notes of other series in certain circumstances where the Trustee so decides.

#### **15. Indemnification of, and Transactions by, the Trustee**

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

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

#### **16. Governing Law**

The Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law and the Company has, in the Trust Deed, submitted to the non-exclusive jurisdiction of the English Courts for all purposes in connection with the Trust Deed, the Notes and the Coupons. In the case of a substitution of the principal debtor as provided above, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

### **USE OF PROCEEDS**

The net proceeds from the issue of the Notes (amounting to approximately U.S.\$199,000,000 after deduction of commissions and concessions) will be used in the Company's financing business, including making loans to the Group, RCH and its affiliates and repaying existing indebtedness. Any loans of such proceeds may be made on a subordinated basis similar to that described in Conditions 2 and 3 of the Terms and Conditions of the Notes and otherwise on terms (including provisions enabling interest payments to be passed) which are similar, *mutatis mutandis*, to the Terms and Conditions of the Notes.

## TAXATION

The comments below are of a general nature, and are based on the Company's and the Guarantor's and their respective advisers' understanding as to current Netherlands and United Kingdom law and practice. They relate only to the position of persons holding their Notes for investment who are the absolute beneficial owners of such Notes and any relevant Coupons and in circumstances where the Coupons are not deemed to be the income of any other person for taxation purposes. The comments may not apply to certain other classes of persons, such as dealers, and, insofar as they relate to payments, relate only to payments by the Company, except as otherwise indicated. Persons who are in any doubt as to their taxation position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

### Netherlands Taxation

Payments of principal and interest in respect of the Notes or Coupons will not be subject to Netherlands withholding tax and will not be distributions for Netherlands taxation purposes.

A holder of a Note or Coupon will not be subject to Netherlands net wealth tax thereon provided that such holder is not an individual or, if he is an individual, provided that:—

- (i) such holder is not a resident or a deemed resident of The Netherlands; and
- (ii) such holder does not have an enterprise, or an interest in an enterprise, which carries on a business in The Netherlands through a permanent establishment or a permanent representative to which or to whom such Note or Coupon is attributable; and
- (iii) such Note or Coupon is not and has not been secured by a mortgage on real property situated or established in The Netherlands.

A holder of a Note or Coupon will not be subject to Netherlands taxes on income (including capital gains) arising therefrom provided that the conditions mentioned under (i), (ii) and (iii) above are met and provided that such holder does not have, directly or indirectly, a substantial or deemed substantial interest in the share capital of the Issuer, or, in the event that such holder does have such a substantial interest, such interest belongs to an enterprise.

No gift, estate or inheritance tax will arise in The Netherlands on a gift of a Note or Coupon by, or on the death of, a holder, provided that the conditions mentioned under (i), (ii) and (iii) above are met.

### United Kingdom Taxation

Interest on the Notes will not have a United Kingdom source and, accordingly, payments of both interest and principal in respect of the Notes may, except as mentioned below, be made without deduction or withholding for or on account of United Kingdom income tax.

If a United Kingdom paying agent is appointed, it will normally deduct income tax from payments of interest at the basic rate (currently 29 per cent.). However, no such deduction will normally need to be made in either of the following alternative circumstances:—

- (a) it has been proved on or before the payment, on a claim in that behalf made to the Inland Revenue, that the person who owns the Notes and is entitled to the interest is not resident in the United Kingdom: under current Inland Revenue practice, an appropriate form of declaration of non-residence provided to the paying agent would be sufficient proof; or
- (b) the Notes are held in a "recognised clearing system" (CEDEL S.A. and Euro-clear have been designated as recognised clearing systems for this purpose): under current Inland Revenue practice, a letter from the holder certifying that the Note is held in a recognised clearing system would be sufficient to enable the paying agent to make the payment without deduction or withholding.

A collecting agent in the United Kingdom who obtains payment of any interest elsewhere than in the United Kingdom on behalf of a Noteholder, including obtaining payment of any warrant or cheque relating to the interest, will also normally withhold or deduct for or on account of basic rate income tax. So also will a banker, or any person acting as a banker, in the United Kingdom who sells or otherwise realises Coupons, including any related cheque or warrant, and pays over the proceeds to another person or carries them to his account. However, no such deduction or withholding as is mentioned in this paragraph will need to be made from the amounts referred to if it has been proved, on a claim in that behalf made to the Inland Revenue, that the person who owns the Notes and is entitled to the amounts is not resident in the United Kingdom.

*The Notes may give rise to United Kingdom source income if payments in respect of them were to be made by a substituted principal debtor resident in the United Kingdom for United Kingdom taxation purposes, including the Guarantor or the Bank. Such change in source could, depending on a Noteholder's particular circumstances, also give rise to a change in the United Kingdom taxation treatment of income arising on the Notes. In particular, the position in relation to deduction or withholding for or on account of United Kingdom income tax might not be as described above.*

The Notes will not constitute "qualifying corporate bonds" for the purposes of Section 64 of the Finance Act 1984. Accordingly, on a disposal of Notes by a person 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, any gain or loss will be a chargeable gain or allowable loss. Such a person may also, on such a disposal, be chargeable to United Kingdom taxation on any interest accrued on the Notes at the date of disposal.

No United Kingdom inheritance tax will generally be chargeable on the death of, or on a gift of Notes by, a person who is neither domiciled, nor deemed for inheritance tax purposes to be domiciled, in the United Kingdom, provided that the Notes are physically situated outside the United Kingdom at the date of death or gift.

## SUBSCRIPTION AND SALE

The Managers have, pursuant to a Subscription Agreement dated 22nd September, 1986, jointly and severally agreed with the Company and the Guarantor, subject to the satisfaction of certain conditions, to procure, as agents of the Company, subscribers, or, failing which, to subscribe for the Notes at the issue price of 100 per cent., less a selling concession of 0.25 per cent. of the principal amount thereof plus accrued interest (if any). The Company will pay to the Managers a combined management and underwriting commission of 0.25 per cent. of the principal amount of the Notes. The Company will also reimburse the Managers for certain expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate such Agreement in certain circumstances prior to payment to the Company.

The Notes will initially be represented by a temporary Global Note (the "temporary Global Note") which will be deposited on or about 26th September, 1986 with a common depositary for CEDEL S.A. ("CEDEL") and the Euro-clear System ("Euro-clear") for credit to accounts designated by the subscribers of the Notes with CEDEL or Euro-clear. The temporary Global Note will be exchangeable not earlier than 90 days (the "Exchange Date") after completion of the distribution of the Notes as determined by Banque Paribas Capital Markets Limited into definitive Notes, with Coupons attached, upon certification that the beneficial owners of such Notes are not (i) U.S. persons (as defined below) or (ii) persons who have acquired such Notes for resale to any U.S. person or (iii) upon certification as otherwise provided in the temporary Global Note. No interest coupons will be attached to the temporary Global Note, and each beneficial owner must exchange his interest in the temporary Global Note for definitive Notes before interest payments can be collected.

The Notes and Coupons will bear 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 U.S. Internal Revenue Code of 1954, as amended".

The Notes have not been and will not be registered under the United States Securities Act of 1933.

Each subscriber has represented that it has not offered or sold, and has agreed not to offer, sell or deliver at any time, any Notes acquired in connection with the distribution contemplated hereby directly or indirectly in the United States or to any U.S. person (as defined below) as part of the distribution of the Notes except for offers or sales outside the United States to United States Managers or, with the prior written approval of Banque Paribas Capital Markets Limited, to branches of a United States bank located outside the United States ("United States bank branches") who represent and agree substantially as follows. Each purchaser of the Notes which is a United States bank branch must agree that it will subscribe for Notes in a minimum principal amount of U.S.\$500,000 and must represent that it is acquiring the Notes subscribed by it for its own account for investment and not with a view to any re-sale, distribution, delivery or other disposition thereof and must agree that, in the event that at some future time it shall dispose of any such Notes (such disposition not being presently foreseen or contemplated), it will not offer or sell any such Notes, directly or indirectly, in the United States or to, or for the account of, U.S. persons (except, with the prior written approval of Banque Paribas Capital Markets Limited, to United States bank branches who similarly represent and agree). In addition, each subscriber has agreed not to offer, sell or deliver, prior to the Exchange Date, any Notes, however acquired, directly or indirectly in the United States or to or for the account of any U.S. person.

Each subscriber has agreed to send (at or prior to the confirmation of sale) to each purchaser from it of any of the Notes acquired by it in connection with the distribution contemplated hereby a notice stating in substance that the Notes have not been registered under the United States Securities Act of 1933 and that, by purchasing such Notes, such purchaser represents and agrees (a) that it has not offered or sold, and will not offer, sell or deliver at any time, any of such Notes directly or indirectly in the United States or to any U.S. person, and that it will not offer, sell or deliver, prior to the Exchange Date, any Notes, however acquired, directly or indirectly in the United States or to any U.S. person, and (b) if such purchaser is a dealer, that it will send (at or prior to the confirmation of sale) to any other person to whom it sells any of such Notes a notice containing substantially the same statement as contained in this sentence, which notice shall contain the definitions of United States and U.S. person set forth below.

As used herein, "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "U.S. person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

The Notes may not be offered or sold in Great Britain by means of this Offering Circular or any other document other than to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or as agent) (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985), nor may this Offering Circular or any other offering material relating to the Notes be distributed in or from Great Britain (except by persons permitted to do so under the securities laws of Great Britain) otherwise than to persons whose business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent).

### GENERAL INFORMATION

1. The issue of the Notes was authorised by resolutions dated 3rd September and 19th September, 1986 of the Management Board of the Company and the giving of the guarantee in respect thereof was authorised by a resolution dated 3rd September, 1986 of the Board of Directors of the Guarantor and a resolution dated 19th September, 1986 of a duly authorised committee of such Board.
2. Application has been made to list the Notes on the Luxembourg Stock Exchange. The legal notice relating to the issue of the Notes and the Deed of Incorporation of the Company, including its statutes, together with English translations thereof, and the Memorandum and Articles of Association of the Guarantor will be lodged with the *Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg* where such documents may be examined and copies obtained.
3. The registered office of the Company is at Schiedamse Vest 154, Rotterdam, The Netherlands and the registered office of the Guarantor is at New Court, St. Swithin's Lane, London EC4P 4DU.
4. The Notes have been accepted for clearance through Euro-clear (reference no.18170) and CEDEL (reference no.146927).
5. Neither the Company nor the Guarantor nor any of its subsidiaries is involved in any legal, arbitration, administrative or other proceedings which are material in the context of the issue of the Notes, nor, so far as either of the Company or the Guarantor is aware, are any such proceedings pending or threatened.
6. There has been no adverse change in the financial position or results of operations of the Company or of the Guarantor and its subsidiaries (taken as a whole) since 31st March, 1986, which is material in the context of the issue of the Notes.
7. Under present Bank of England practice no redemption of the Notes for taxation or other reasons at the option of the Company or of any substituted principal debtor nor any purchase or cancellation of the Notes by the Company, the Guarantor or any of the Guarantor's other subsidiaries may be made without the prior consent of the Bank of England; provided that such consent is not necessary for purchases of Notes otherwise than as beneficial owner.
8. The obligations of the Company and the Guarantor in respect of the Notes and the Coupons are conditional upon the Company and the Guarantor, as the case may be, being solvent for the purpose of Condition 2 of the Terms and Conditions of the Notes at the time of payment by the Company or the Guarantor, as the case may be, and immediately thereafter. The Terms and Conditions of the Notes do not provide any remedy for non-payment of interest thereon so long as no dividend has been paid or declared in respect of any class of share capital of the Company or the Guarantor in the six months immediately preceding the relevant Interest Payment Date (as defined in Condition 4 (B)). In the event of the winding-up of the Guarantor the right to principal, Arrears of Interest (as defined in Condition 4 (B)) and accrued interest may be limited by applicable insolvency law.

9. Banks and licensed deposit-takers authorised by the Bank of England should be aware that a holding of the Notes will be treated by the Bank of England in accordance with the provisions of paragraphs 3 to 12 inclusive of its notice of March 1986 on the holding of subordinated loan capital issued by other banks.

10. Legal opinions as to the validity of the Notes will be given to the Managers as to the laws of The Netherlands by Dutilh van der Hoeven & Slager, legal advisers to the Managers, and as to English law by Linklaters & Paines, legal advisers to the Managers. Legal opinions will be given to the Company and the Guarantor as to laws of The Netherlands by De Brauw & Westbroek, legal advisers to the Company and the Guarantor, and as to English law by Freshfields, legal advisers to the Company and the Guarantor.

11. Copies of the Deed of Incorporation of the Company, including its statutes, together with English translations thereof and the Memorandum and Articles of Association of the Guarantor and the Trust Deed incorporating the form of the Notes, will be available for inspection during usual business hours on any day (except Saturdays, Sundays and legal holidays) at the specified offices of each of the Paying Agents. Copies of the most recent audited financial statements of the Company and the Guarantor and its consolidated subsidiaries will also be available at such offices so long as any of the Notes are listed on the Luxembourg Stock Exchange.

Neither the Company nor the Guarantor publishes or makes publicly available any statements of source and application of funds or any interim financial statements. The Guarantor does not publish or make publicly available any non-consolidated profit and loss account.

**ROTHSCHILDS CONTINUATION FINANCE B.V.**

**FINANCIAL STATEMENTS**

**ACCOUNTANTS' REPORT**

To the Directors of Rothschilds Continuation Finance B.V.

We have examined the financial information set out on pages 28 to 31 of this Offering Circular which is based on the accounts of Rothschilds Continuation Finance B.V. (the "Company") for the two years ended 31st March, 1986 on which we reported as auditors.

In our opinion, the financial statements, which have been prepared on the basis of the accounting policies set out on page 30, give a true and fair view of the state of the Company's affairs at 31st March, in each of the years 1985 and 1986 and its results of operations for the years then ended.

The Hague

PEAT MARWICK NEDERLAND

22nd September, 1986

The financial information concerning the Company contained in this Offering Circular does not constitute full accounts within the meaning of The Netherlands Civil Code Book 2.

## ROTHSCHILDS CONTINUATION FINANCE B.V.

### PROFIT AND LOSS ACCOUNTS

The following is a summary of the profits of the Company for the two financial years ended 31st March, 1986, based upon the Company's audited accounts:—

	<u>Note</u>	<u>Year to 31st March,</u>	
		<u>1985</u>	<u>1986</u>
		<i>(Dfl.)</i>	<i>(Dfl.)</i>
Interest income		19,218,626	24,974,872
Interest expense		18,780,687	24,185,618
<b>Net Interest Income</b>		<u>437,939</u>	<u>789,254</u>
General and administrative expenses		62,229	147,637
Exchange results, net		(137)	132,158
		62,092	279,795
Less: Reimbursable expenses		<u>62,229</u>	<u>147,637</u>
		(137)	132,158
<b>Profit before Taxation</b>		438,076	657,096
Taxation	4	<u>187,855</u>	<u>334,810</u>
<b>Net Profit</b>		250,221	322,286
Transfer to legal reserve		—	5,000
Dividends		—	<u>400,000</u>
<b>Retained Profit</b>		250,221	(82,714)
Accumulated reserves brought forward		(187)	<u>250,034</u>
<b>Accumulated Reserves Carried Forward</b>		<u>250,034</u>	<u>167,320</u>

## ROTHSCHILDS CONTINUATION FINANCE B.V.

### BALANCE SHEETS

The following is a summary of the balance sheets of the Company at 31st March in each of the two years 1985 and 1986 based on the Company's audited accounts:—

	<i>Note</i>	<i>At 31st March,</i>	
		<u>1985</u> <i>(Dfl.)</i>	<u>1986</u> <i>(Dfl.)</i>
<b>Fixed Assets</b>			
Financial fixed assets:			
Loans to group companies	3	150,983,328	151,006,448
<b>Current Assets</b>			
Bank deposits with group company		179,806,672	97,276,069
Interest receivable from group companies		8,134,470	5,412,187
Other amounts due from group company		216,446	137,551
Other debtors		5,708	1,046
Cash at bank		206,849	434,164
		188,370,145	103,261,017
<b>Current Liabilities</b>			
Income tax payable	4	188,042	176,450
Dividend payable		—	400,000
Interest payable on floating rate notes		7,926,275	5,233,891
Accrued expenses		164,122	14,804
		8,278,439	5,825,145
<b>Net Current Assets</b>		180,091,706	97,435,872
<b>Total Assets less Current Liabilities</b>		331,075,034	248,442,320
<b>Long-Term Debt</b>			
Floating rate notes	5	330,790,000	248,235,000
		285,034	207,320
<b>Capital and Reserves</b>	6		
Share capital		35,000	35,000
Legal reserve		—	5,000
Accumulated reserves		250,034	167,320
		285,034	207,320

# ROTHSCHILDS CONTINUATION FINANCE B.V.

## NOTES ON THE ACCOUNTS

### 1. GROUP AFFILIATION AND PRINCIPAL ACTIVITY

The Company was incorporated under Netherlands law on 15th March, 1984. The principal shareholders are Rothschilds Continuation Limited, Great Britain and Rothschild Holding AG, Switzerland.

The Company's principal activity is to act as a finance company.

### 2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

Throughout the periods under review the accounts have been prepared under the historical cost convention in accordance with principles of accounting generally accepted in The Netherlands, the most significant of which are as follows:—

#### (a) Foreign currencies

Assets and liabilities denominated in foreign currencies, principally balances due from an affiliated company and the balance of the Floating Rate Notes, have been translated into Dutch guilders at rates of exchange prevailing at the respective balance sheet dates.

Transactions in foreign currencies have been converted at the approximate rates in effect on the dates of the transactions. All exchange differences have been reflected in the profit and loss account in the year in which they arose.

#### (b) Other assets and liabilities

All other assets and liabilities have been shown at face value.

### 3. LOANS TO GROUP COMPANIES

	<u>1985</u> (Dfl.)	<u>1986</u> (Dfl.)
N.M. Rothschild & Sons Limited		
U.S.\$40,000,000 Subordinated loans January 2015	—	104,520,000
U.S.\$20,000,000 Subordinated loans January 2015	69,640,000	—
U.S.\$20,000,000 Subordinated loans May 1994	69,640,000	—
Other group companies		
NMR International N.V.	11,703,328	3,684,330
Arcan N.V.	—	10,586,237
Rothschilds Continuation Holdings AG	—	32,215,881
	<u>150,983,328</u>	<u>151,006,448</u>

On 9th January, 1985, the Company and N.M. Rothschild & Sons Limited replaced a Subordinated Loan due in March 1996 with the Subordinated Loan due in January 2015. On 29th May, 1985 the Subordinated Loan due in May 1994 was also replaced by increasing by a like amount the Subordinated Loan due in January 2015.

The loan to Rothschilds Continuation Holdings A.G. is repayable in April 1987. The remaining loans are repayable on demand. Interest on the above loans is determined periodically being interest on the corresponding floating rate notes plus at least 1/4 per cent. per annum.

### 4. TAXATION

The Company has obtained a ruling from the Dutch Tax Authorities stipulating certain minimum taxes to be paid. Provision for such taxes has been made in accordance with that ruling.

The Company's tax returns since incorporation remain open to examination by the Tax Authorities.

### 5. FLOATING RATE NOTES

At 31st March, 1985 and 1986 the following floating rate notes were outstanding:—

	<u>1985</u>	<u>1986</u>
Due 1994	U.S.\$ 20,000,000	20,000,000
Due 2015	U.S.\$ 75,000,000	75,000,000
	<u>U.S.\$ 95,000,000</u>	<u>95,000,000</u>
Equivalent in Dutch guilders	<u>Dfl. 330,790,000</u>	<u>248,235,000</u>

On 30th May, 1984, the Company issued U.S.\$20,000,000 Floating Rate Notes due 1994. The Notes bear interest payable in May and November of each year at a rate equal to 3/16 per cent. per annum above the rates offered in the London inter-bank market for six month U.S. dollar deposits, subject to a minimum rate of 5 per cent. per annum. The payment of principal and interest on the Notes is unconditionally guaranteed by Rothschilds Continuation Limited.

On 9th January, 1985, the Company issued U.S.\$75,000,000 Subordinated Floating Rate Notes due 2015 on the Luxembourg Stock Exchange. The Notes are in denominations of U.S.\$10,000 each. The Notes bear interest from 9th January, 1985 payable in January and July of each year at a rate equal to  $\frac{1}{4}$  per cent. per annum above the rates offered in the London inter-bank market for six month U.S. dollar deposits, subject to a minimum of  $5\frac{1}{4}$  per cent. per annum for the period up to January 1991. Thereafter, there will be no minimum rate of interest. The payment of principal and interest on the Notes is unconditionally guaranteed on a subordinated basis by Rothschilds Continuation Limited.

#### **6. CAPITAL AND RESERVES**

The authorised share capital is 175 shares of Dfl.1,000 each, amounting to Dfl.175,000. As of 31st March, 1985 and 1986, 35 shares with a nominal value of Dfl.35,000 were issued and fully paid.

An undistributable reserve of Dfl.5,000 has been created out of the accumulated profits to comply with the legal requirement for a minimum paid in capital of Dfl.40,000.

# **ROTHSCHILDS CONTINUATION LIMITED**

## **FINANCIAL STATEMENTS**

### **ACCOUNTANTS' REPORT**

To the Directors of  
Rothschilds Continuation Limited

We have examined the financial information set out on pages 33 to 41 of this Offering Circular which is based on the accounts of Rothschilds Continuation Limited and its subsidiaries ("the Group") for the five years ended 31st March, 1986 on which we reported as auditors.

In our opinion, the balance sheets of Rothschilds Continuation Limited ("RCL"), which have been prepared on the basis of the accounting policies set out on page 36, give a true and fair view of the state of its affairs at 31st March in each of the years 1982 to 1986 inclusive. In our opinion, the consolidated balance sheets and consolidated profit and loss accounts, which have been prepared on the basis of the accounting policies set out on page 36, have been properly presented in the manner authorised for a banking group.

London

**PEAT, MARWICK, MITCHELL & CO.**

22nd September, 1986

Chartered Accountants

The financial information concerning RCL and the Group contained in this Offering Circular does not constitute full accounts within the meaning of Section 254 of the Companies Act 1985. For each of the five financial years ended 31st March, 1986, full accounts for RCL and the Group have been made up and unqualified reports thereon made by the auditors of RCL and copies thereof delivered to the Registrar of Companies. No audited accounts of RCL or any of its subsidiaries have been made up in respect of any period subsequent to 31st March, 1986.

## ROTHSCHILDS CONTINUATION LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The following is a summary of the profits of the Group for the five financial years ended 31st March, 1986 based on the Group's consolidated accounts:—

	<i>Note</i>	<i>Year to 31st March,</i>				
		<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
		<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
Disclosed profit of RCL and the banking group after providing for minority interests and taxation and making a transfer to inner reserves out of which provision has been made for diminution in the value of assets	1,2	1,649	2,384	2,809	3,703	4,176
Extraordinary items	3	—	12,435	—	—	—
<b>Net profit</b>		<u>1,649</u>	<u>14,819</u>	<u>2,809</u>	<u>3,703</u>	<u>4,176</u>
<b>General reserves brought forward</b>		43,724	54,533	59,707	70,635	71,893
Transfer from inner reserves of the banking group, less amount attributable to minority interests		9,952	9,976	9,976	—	9,956
Goodwill written off		(17)	—	—	(88)	—
		<u>55,308</u>	<u>79,328</u>	<u>72,492</u>	<u>74,250</u>	<u>86,025</u>
<b>Dividends</b>	4	775	19,621	1,857	2,357	2,357
<b>General reserves carried forward</b>		<u><u>54,533</u></u>	<u><u>59,707</u></u>	<u><u>70,635</u></u>	<u><u>71,893</u></u>	<u><u>83,668</u></u>

## ROTHSCHILDS CONTINUATION LIMITED

### BALANCE SHEETS

The following is a summary of the balance sheets of RCL at 31st March in each of the years 1982 to 1986 inclusive, based on its audited accounts:—

	<i>Note</i>	<i>At 31st March,</i>				
		<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
		<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
Subsidiary companies	6	67,057	70,914	80,378	79,180	88,836
Investments	7	2,872	3,022	453	5,194	6,652
Loans, advances and taxation recoverable	8	43	4,555	2,992	738	201
		<u>69,972</u>	<u>78,491</u>	<u>83,823</u>	<u>85,112</u>	<u>95,689</u>
Share capital	10	4,450	5,515	5,515	5,515	5,515
Share premium account	11	2,561	1,767	1,767	1,767	1,767
General and revaluation reserves	12	54,504	59,480	70,440	71,727	83,437
Shareholders' funds		61,515	66,762	77,722	79,009	90,719
Loan capital	13	4,986	2,989	2,773	3,253	2,704
Current liabilities and provisions	14	3,471	8,740	3,328	2,850	2,266
		<u>69,972</u>	<u>78,491</u>	<u>83,823</u>	<u>85,112</u>	<u>95,689</u>

## ROTHSCHILDS CONTINUATION LIMITED

### CONSOLIDATED BALANCE SHEETS

The following is a summary of the balance sheets of the Group at 31st March in each of the years 1982 to 1986 inclusive, based on the Group's audited consolidated accounts of:—

	<i>Note</i>	<i>At 31st March,</i>				
		<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
		<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
Freehold property	5	5,790	5,910	5,863	6,199	6,142
Subsidiary company not consolidated	6	565	547	547	—	—
Investments	7	10,833	8,672	9,464	13,941	20,294
Loans, advances and acceptances	8	428,839	466,750	515,534	840,362	925,920
Current assets	9	<u>1,150,429</u>	<u>1,273,088</u>	<u>1,584,112</u>	<u>1,730,522</u>	<u>1,825,510</u>
		<u>1,596,456</u>	<u>1,754,967</u>	<u>2,115,520</u>	<u>2,591,024</u>	<u>2,777,866</u>
Share capital	10	4,450	5,515	5,515	5,515	5,515
Share premium account	11	2,561	1,767	1,767	1,767	1,767
General reserves		54,533	59,707	70,635	71,893	83,668
Revaluation reserve		—	—	—	—	994
Shareholders' funds		<u>61,544</u>	<u>66,989</u>	<u>77,917</u>	<u>79,175</u>	<u>91,944</u>
Loan capital	13	4,986	442	13,982	77,280	63,896
Minority interests		149	143	173	32	77
Current liabilities, provisions and other accounts	14	<u>1,529,777</u>	<u>1,686,158</u>	<u>2,023,025</u>	<u>2,435,909</u>	<u>2,625,414</u>
Amounts owing to/(by) group companies		—	1,235	423	(1,372)	(3,465)
		<u>1,596,456</u>	<u>1,754,967</u>	<u>2,115,520</u>	<u>2,591,024</u>	<u>2,777,866</u>

# ROTHSCHILDS CONTINUATION LIMITED

## NOTES ON THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The principal accounting policies of the Group which have been applied in the foregoing financial information consistently throughout the period under review are as follows:—

(a) *Basis of preparation*

The accounts have been prepared under the historical cost convention, modified to incorporate the revaluation of certain subsidiaries in the RCL balance sheet as set out in note 1(h).

The accounts of NMR and its subsidiaries (the "banking group") comply with the provisions of the Companies Act 1985 in the manner authorised for banking companies, the consolidated accounts having been prepared in accordance with Sections 258 and 259 of, and Schedule 9 to, the Companies Act 1985. Therefore, the consolidated accounts do not disclose charges for taxation or movements on reserves and, in particular, the profit for the year is stated after providing for taxation and making a transfer to inner reserves out of which provision has been made for diminution in the value of assets. The balance sheet of RCL has been prepared in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985.

Statements of source and application of funds are not included in the accounts of the Group as, in the opinion of the Directors, such statements would involve disclosure of information which a banking group is exempted from disclosing under the provisions of the Companies Act.

(b) *Basis of consolidation*

The consolidated accounts comprise the accounts of RCL and its subsidiary companies, other than Starclass Limited in the years to 31st March 1982, 1983, 1984 and 1985 (see note 6(b)). With effect from the year ended 31st March, 1983, RCL disposed of certain of its overseas interests to its parent company. Prior to that year, the assets, liabilities and profits of those interests were consolidated in the Group's accounts. The accounts of the principal subsidiary companies are made up to 31st March for the five years ended 31st March, 1986. In order to avoid undue delay in the preparation of the consolidated accounts or to comply with local law the accounts of certain subsidiary companies which do not materially affect the assets, liabilities or the profits of the Group are made up to 31st December for the five years under consideration. Goodwill arising on consolidation is written off against general reserve in the year in which it arises.

(c) *Bullion*

Assets and liabilities in bullion are stated in the balance sheet at market values ruling at the balance sheet date and include bullion held on deposit for customers on an unallocated basis. Bullion held in safe custody for customers on an allocated basis is not dealt with in these accounts.

(d) *Forward contracts*

Foreign exchange contracts with maturities up to five months are valued at market rates as at the balance sheet date. For contracts in excess of five months, the more conservative of the five months rate or the actual market rate at the balance sheet date is applied. The difference between the valuation and the contract price is brought into the profit and loss account and is included in the balance sheet as a debtor or creditor.

Bullion forward contracts are valued at the market rates ruling at the balance sheet date and the difference between the values at those rates and the contract price is brought into the profit and loss account and included in the balance sheet as a debtor or creditor, except for those contracts matched against spot transactions where the dealing profit is taken on exchange of contracts.

(e) *Depreciation*

Depreciation of fixed assets other than freehold property is provided by writing off the cost of the asset wholly in the financial year in which it is purchased. Freehold property is stated at cost or valuation and in view of the Group's policy of continuous refurbishment no depreciation is provided except on the costs of improvements which are written off in equal annual instalments over their estimated useful lives.

(f) *Foreign currencies*

Assets and liabilities in foreign currencies have been valued at the rates ruling at the balance sheet date.

(g) *Deferred taxation*

Deferred taxation is provided at the current corporation tax rate on all timing differences unless it is anticipated that no liability will arise in the foreseeable future.

(h) *Subsidiary companies*

NMR and Second Continuation Limited are major investments of RCL. These investments are reflected in the accounts of RCL at a valuation equivalent to the attributable net asset value as disclosed in the consolidated accounts of those companies.

## 2. PROFIT AFTER TAXATION

The following profits after taxation and before extraordinary items have been dealt with in the accounts of RCL:—

<i>Year to 31st March,</i>				
<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
<u>1,625</u>	<u>2,186</u>	<u>2,841</u>	<u>3,732</u>	<u>4,111</u>

## 3. EXTRAORDINARY ITEMS

Year to 31st March, 1983:—

The extraordinary item of £12,435,000 arose from the transfer of certain investments to Rothschilds Continuation Holdings A.G. net of related taxation of £5,329,000.

## 4. DIVIDENDS

Dividends paid and proposed comprised:—

<i>Year to 31st March,</i>					
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
Ordinary shares	635	17,764	—	500	500
Preference shares	140	1,857	1,857	1,857	1,857
	<u>775</u>	<u>19,621</u>	<u>1,857</u>	<u>2,357</u>	<u>2,357</u>

An ordinary dividend of £17,764,000 was paid to RCL's parent company in connection with the reorganisation of the Group during the year to 31st March, 1983.

## 5. FREEHOLD PROPERTY

In the opinion of the Directors, the value of the freehold property is substantially in excess of the figure shown.

## 6. SUBSIDIARY COMPANIES AND PRINCIPAL INVESTMENTS

(a) RCL's principal subsidiary companies at 31st March, 1986, all of which are incorporated in Great Britain except where shown, were:—

	<i>Percentage held</i>
N.M. Rothschild & Sons Limited	100
N.M. Rothschild Asset Management (Holdings) Limited	100
N.M. Rothschild Asset Management Limited	100
N.M. Rothschild International Asset Management Limited	80
Rothschild Trust Company Limited	100
Second Continuation Limited	100
Continuation Computers Limited	100
Continuation Investments Limited	100
Incorporated in Guernsey, C.I.:	
N.M. Rothschild & Sons (C.I.) Limited	100
N.M. Rothschild Asset Management (C.I.) Limited	100
Incorporated in The Netherlands:	
Rothschilds Continuation Finance B.V.	51

(b) Subsidiary company not consolidated:

The Group's investment in Starclass Limited comprised the cost of shares of £54,000 and loan notes of £493,000. This subsidiary company was not consolidated in the Group's accounts as it was not the Group's intention to continue to control a majority of the issued share capital. This investment was sold during the year ended 31st March, 1985.

(c) RCL's investment in subsidiary companies comprised:—

<i>At 31st March,</i>					
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
Shares at cost or valuation	61,847	71,823	81,804	81,917	92,872
Dividends receivable	1,250	—	1,500	1,000	1,250
Loans and deposits	5,809	3,086	1,148	337	—
	<u>68,906</u>	<u>74,909</u>	<u>84,452</u>	<u>83,254</u>	<u>94,122</u>
Amounts owing	1,849	3,995	4,074	4,074	5,286
	<u>67,057</u>	<u>70,914</u>	<u>80,378</u>	<u>79,180</u>	<u>88,836</u>

## 7. INVESTMENTS

Investments comprised:—

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
<b>(a) RCL</b>					
Listed in Great Britain	2,419	2,569	—	4,177	5,635
Unlisted	453	453	453	1,017	1,017
	<u>2,872</u>	<u>3,022</u>	<u>453</u>	<u>5,194</u>	<u>6,652</u>
The market value of RCL's listed investments was:	<u>2,632</u>	<u>2,788</u>	<u>—</u>	<u>2,956</u>	<u>6,966</u>
The Directors' valuation of RCL's unlisted investments	<u>429</u>	<u>502</u>	<u>577</u>	<u>1,049</u>	<u>1,024</u>
<b>(b) The Group</b>					
Listed in Great Britain	3,306	6,080	6,361	9,961	12,840
Listed outside Great Britain	1,039	348	475	1,013	2,329
	<u>4,345</u>	<u>6,428</u>	<u>6,836</u>	<u>10,974</u>	<u>15,169</u>
Unlisted	6,488	2,244	2,628	2,967	5,125
	<u>10,833</u>	<u>8,672</u>	<u>9,464</u>	<u>13,941</u>	<u>20,294</u>
The unlisted investments include the following amounts in respect of trade investments:—					
The Group	<u>6,052</u>	<u>1,803</u>	<u>2,129</u>	<u>1,949</u>	<u>4,104</u>

## 8. LOANS, ADVANCES, ACCEPTANCES AND TAXATION RECOVERABLE

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
<b>(a) RCL</b>					
Customers and other accounts	43	43	43	43	—
Taxation recoverable	—	4,512	2,949	695	201
	<u>43</u>	<u>4,555</u>	<u>2,992</u>	<u>738</u>	<u>201</u>
<b>(b) The Group</b>					
Customers and other accounts including bullion loans	267,093	278,059	295,542	483,719	574,999
Liabilities of customers for acceptances	161,746	188,691	219,992	356,643	350,921
	<u>428,839</u>	<u>466,750</u>	<u>515,534</u>	<u>840,362</u>	<u>925,920</u>

## 9. CURRENT ASSETS

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
<b>The Group</b>					
Cash at banks and in hand, money at call and up to 7 days' notice and bullion	495,030	682,544	641,784	515,886	636,652
Bills discounted, bank certificates of deposit and local authority yearling bonds, short dated British Government securities and floating rate stocks	226,822	285,213	406,536	521,738	576,723
Term loans and deposits with banks and public authorities	428,577	305,331	535,792	692,898	612,135
	<u>1,150,429</u>	<u>1,273,088</u>	<u>1,584,112</u>	<u>1,730,522</u>	<u>1,825,510</u>

## 10. SHARE CAPITAL

Share capital comprised:—

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
<b>(a) Authorised</b>					
Ordinary shares of 1p each	—	30	30	30	30
Ordinary shares of £1 each	3,561	—	—	—	—
Deferred shares of £1 each	—	3,561	3,561	3,561	3,561
5.25% cumulative preference shares of £1 each	1,200	1,200	1,200	1,200	1,200
9.715% cumulative preference shares of £1 each	789	789	789	789	789
Cumulative second preference shares of 10p each	—	1,100	1,100	1,100	1,100
	<u>5,550</u>	<u>6,680</u>	<u>6,680</u>	<u>6,680</u>	<u>6,680</u>
<b>(b) Issued and fully-paid</b>					
Ordinary shares of 1p each	—	25	25	25	25
Ordinary shares of £1 each	2,461	—	—	—	—
Deferred shares of £1 each	—	2,461	2,461	2,461	2,461
5.25% cumulative preference shares of £1 each	1,200	1,200	1,200	1,200	1,200
9.715% cumulative preference shares of £1 each	789	789	789	789	789
Cumulative second preference shares of 10p each	—	1,040	1,040	1,040	1,040
	<u>4,450</u>	<u>5,515</u>	<u>5,515</u>	<u>5,515</u>	<u>5,515</u>

The above tables reflect certain changes in share capital resulting from the Group reorganisation on 2nd April, 1982.

The holders of cumulative second preference shares are entitled to a fixed cumulative dividend of 16.5p net per share per annum and to a premium of 90p per share on a winding-up or other repayment of capital.

## 11. SHARE PREMIUM ACCOUNT

The movement on the share premium account was:—

	<i>Company and Group</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
At 1st April	2,291	2,561	1,767	1,767	1,767
Amount capitalised on allotment of 7,690,893 new cumulative second preference shares of 10p each	—	(769)	—	—	—
Amount capitalised on allotment of 2,461,086 ordinary shares of 1p each	—	(25)	—	—	—
Premium on issue of ordinary shares of £1 each	270	—	—	—	—
	<u>2,561</u>	<u>1,767</u>	<u>1,767</u>	<u>1,767</u>	<u>1,767</u>

## 12. GENERAL RESERVES

The movement in general and revaluation reserves was:—

	<i>The Company</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
At 1st April	43,723	54,504	59,480	70,440	71,727
Net profit for the year	1,625	14,621	2,841	3,732	4,111
Amount credited on revaluation of shares in subsidiary companies to attributable net asset value	9,931	9,976	9,976	(88)	9,956
Dividends	(775)	(19,621)	(1,857)	(2,357)	(2,357)
	<u>54,504</u>	<u>59,480</u>	<u>70,440</u>	<u>71,727</u>	<u>83,437</u>

£9,366,000 of RCL's non-distributable revaluation reserve of £70,987,000 at 31st March, 1986 was held as a Second Preference Share Capital Reserve being an amount equivalent to 90p per cumulative second preference share of 10p each in issue.

### 13. LOAN CAPITAL

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
(a) RCL					
12% unsecured loan stock 1985/90	2,597	289	—	—	—
9¼% U.S. dollar loan 1985/90	2,352	2,700	2,773	3,253	2,704
12% unsecured loan stock 1983	37	—	—	—	—
	<u>4,986</u>	<u>2,989</u>	<u>2,773</u>	<u>3,253</u>	<u>2,704</u>

The 12% unsecured loan stock 1983 of £37,000 was included in current liabilities in the balance sheet at 31st March, 1983.

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
(b) The Group					
U.S.\$75,000,000 subordinated guaranteed floating rate notes due 2015	—	—	—	61,010	50,444
U.S.\$20,000,000 guaranteed floating rate notes due 1996	—	—	13,860	—	—
U.S.\$20,000,000 guaranteed floating rate notes due 1994	—	—	—	16,270	13,452
12% unsecured loan stock 1985/90	2,597	289	—	—	—
9¼% U.S. Dollar loan 1985/90	2,352	153	122	—	—
12% unsecured loan stock 1983	37	—	—	—	—
	<u>4,986</u>	<u>442</u>	<u>13,982</u>	<u>77,280</u>	<u>63,896</u>

At 31st March, 1983, 1984, 1985 and 1986, the 12% unsecured loan stock 1985/90 and the 9¼% U.S. dollar loan 1985/90 were held by group companies.

The issues by Rothschilds Continuation Finance B.V., a subsidiary company incorporated in The Netherlands of U.S.\$20 million guaranteed floating rate notes due 1994 and U.S.\$75 million subordinated guaranteed floating rate notes due 2015, have been guaranteed, the latter on a subordinated basis, by RCL.

### 14. CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
(a) RCL					
Current liabilities:					
Accrued charges and short-term loan	10	47	11	17	9
Taxation	3,461	8,693	3,317	2,833	2,257
	<u>3,471</u>	<u>8,740</u>	<u>3,328</u>	<u>2,850</u>	<u>2,266</u>
(b) The Group					
Current deposit and other accounts including bullion liabilities, provision for taxation on profits to date and inner reserves	1,368,031	1,497,467	1,803,033	2,079,266	2,274,493
Acceptances for customers	161,746	188,691	219,992	356,643	350,921
	<u>1,529,777</u>	<u>1,686,158</u>	<u>2,023,025</u>	<u>2,435,909</u>	<u>2,625,414</u>

### 15. CONTINGENT LIABILITIES

In the ordinary course of business, RCL's subsidiary companies have contingent liabilities in respect of guarantees and confirmed credits, forward contracts in foreign currencies and bullion, underwriting commitments and customers' undrawn facilities. Contingent liabilities in respect of uncalled capital of investments were:—

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
RCL	—	—	—	—	—
The Group	<u>23</u>	<u>309</u>	<u>274</u>	<u>199</u>	<u>162</u>

**16. CAPITAL COMMITMENTS**

Capital commitments amounted to:—

	<i>At 31st March,</i>				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	<u>(£000)</u>	<u>(£000)</u>	<u>(£000)</u>	<u>(£000)</u>	<u>(£000)</u>
RCL	—	—	—	—	—
The Group	<u>454</u>	<u>115</u>	<u>354</u>	<u>348</u>	<u>474</u>

