

# Five Arrows Finance Limited

## Report of the Directors and Financial Statements for the year ended 31 March 2008



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# Report of the Directors

The Directors present their Directors' report and the financial statements for the year ended 31 March 2008.

## Principal Activities and Business Review

The principal activity of the Company is that of an investment holding company. The results for the year are set out in the income statement on page 6.



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## Dividends

During the year the Company paid a final dividend of £9,750,000 (2007: £4,500,000).

## Directors

The Directors who held office during the year were as follows:

Peter G Birch (Chairman)	Resigned 31 July 2008
Glenn Beatham	Resigned 31 March 2008
John Brown	Resigned 30 June 2008
Sam Geneen	
Peter Johns	Resigned 31 March 2008
Charles Keay	Resigned 31 March 2008
Ian Steward	Resigned 6 May 2008

Christopher Coleman was appointed a Director of the Company on 1 April 2008

## Auditors

KPMG Audit Plc are the appointed auditors of the Company and in accordance with the elective regime adopted on 11 May 2005 the Company has dispensed with the obligation to appoint auditors annually.

## Audit Information

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board  
N M Rothschild & Sons Limited  
Secretary

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

3 October 2008

# Statement of Directors' Responsibilities in Relation to the Report of Directors and Financial Statements



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The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# Independent Auditors' Report to the Members of Five Arrows Finance Limited

We have audited the financial statements of Five Arrows Finance Limited for the year ended 31 March 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.



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This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Independent Auditors' Report to the Members of Five Arrows Finance Limited

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 March 2008, and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London



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3 October 2008

# Income Statement

For the year ended 31 March 2008

	Note	2008 £	2007 £
Income from investments in subsidiary undertakings		9,800,000	4,677,631
Interest receivable		378,553	323,346
Interest payable		(401,130)	(345,055)
Administrative expenses		(70,737)	(61,620)
<b>Profit before tax</b>	<b>3</b>	<b>9,706,686</b>	<b>4,594,302</b>
Taxation	4	27,994	24,998
<b>Profit for the financial year</b>		<b>9,734,680</b>	<b>4,619,300</b>



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## Statement of Recognised Income and Expense

There was no other recognised income or expense during the financial year apart from the profit shown in the income statement (2007: £nil).

The notes on pages 9 to 14 form an integral part of these financial statements

# Balance Sheet

At 31 March 2008



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	Note	2008 £	2008 £	2007 £	2007 £
<b>Non-current assets</b>					
Investments in subsidiary undertakings	5		15,028,508		15,028,508
<b>Current assets</b>					
Loans to subsidiary undertakings	6	5,390,298		5,083,051	
Current tax receivable		75,083		72,087	
Other assets		120,454		412,282	
<b>Current liabilities</b>					
Overdraft with parent undertaking	7	(190,512)		(174,756)	
Other financial liabilities	8	(5,529,035)		(5,511,056)	
<b>Net current liabilities</b>			<b>(133,712)</b>		<b>(118,392)</b>
<b>Net assets</b>			<b>14,894,796</b>		<b>14,910,116</b>
<b>Shareholders' equity</b>					
Share capital	10		14,750,000		14,750,000
Retained earnings			144,796		160,116
<b>Total shareholders' equity</b>	<b>11</b>		<b>14,894,796</b>		<b>14,910,116</b>

Approved by the Board of Directors on 3 October 2008 and signed on its behalf by:

Christopher Coleman, Director

The notes on pages 9 to 14 form an integral part of these financial statements

# Cash Flow Statement

For the year ended 31 March 2008



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	Note	2008 £	2007 £
<b>Cash flows from operating activities</b>			
Net profit for the financial year		9,734,680	4,619,300
Taxation		(27,994)	(24,998)
<b>Operating profit before changes in working capital and provisions</b>		<b>9,706,686</b>	<b>4,594,302</b>
Net decrease/(increase) in other assets		291,828	(323,346)
Net increase in accruals and deferred income		17,979	9,499
<b>Cash generated from operations</b>		<b>10,016,493</b>	<b>4,280,455</b>
Group relief received		24,998	36,143
<b>Net cash from operating activities</b>		<b>10,041,491</b>	<b>4,316,598</b>
<b>Cash flows from investing activities</b>			
(Increase)/decrease in loan to subsidiary undertaking		(307,247)	307,247
<b>Net cash from investing activities</b>		<b>(307,247)</b>	<b>307,247</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(9,750,000)	(4,500,000)
<b>Net cash from financing activities</b>		<b>(9,750,000)</b>	<b>(4,500,000)</b>
Net (decrease)/increase in cash and cash equivalents		(15,756)	123,845
Cash and cash equivalents at 1 April		(174,756)	(298,601)
<b>Cash and cash equivalents at 31 March</b>	<b>If</b>	<b>(190,512)</b>	<b>(174,756)</b>

Cash paid and received for interest during 2008 was £383,151 (2007: £333,556) and £670,381 (2007: £nil) respectively.

The notes on pages 9 to 14 form an integral part of these financial statements

# Notes to the Financial Statements

*(forming part of the Financial Statements)*

For the year ended 31 March 2008



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## 1. Accounting Policies

Five Arrows Finance Limited ("the Company") is a company incorporated in the United Kingdom. The principal accounting policies which have been consistently adopted in the presentation of the financial statements are as follows:

### a. Basis of preparation

The financial statements are prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, endorsed by the European Union ("EU") and with those requirements of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost accounting rules.

### b. Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provisions to take account, where appropriate, of impairment in their value.

### c. Income from investments in subsidiary undertakings

Dividend income from investments is included in the financial statements when the right to receive payment is established.

### d. Interest receivable and payable

Interest is recognised in the income statement using the effective interest rate method.

### e. Taxation

Tax credits receivable on profits are recognised in the income statement.

### f. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises an overdraft with the parent undertaking used in the cash management of the Company. In the balance sheet, this overdraft is included in current liabilities.

### g. Capital management

The capital of the Company is managed at the group level by the parent undertaking, Rothschilds Continuation Limited.

# Notes to the Financial Statements

*(forming part of the Financial Statements)*



## 1. Accounting Policies (continued)

### h. Financial risk management

The Company follows the financial risk management policies of the parent undertaking, Rothschilds Continuation Limited. The key risks arising from the Company's activities involving financial instruments, which are monitored at the group level, are as follows:

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- Credit risk – the risk of loss arising from client or counterparty default is not considered a significant risk to the Company as all asset balances are with other group companies as detailed in note 12 Related Party Transactions.
- Market risk – exposure to changes in market variables such as interest rates, currency exchange rates, equity and debt prices is not considered significant as the terms of financial assets substantially match those of financial liabilities.
- Liquidity risk – the risk that the Company is unable to meet its obligations as they fall due or that it is unable to fund its commitments is not considered significant as material cash inflows and outflows from financial assets and liabilities are substantially matched.

## 2. Director's Emoluments

Total emoluments paid to the Directors' in respect of their services as directors of the Company were £70,737 (2007: £61,620).

## 3. Profit Before Tax

	2008 £	2007 £
<b>Is stated after</b>		
<b>i. Income</b>		
Dividend income from subsidiary undertakings	9,800,000	4,677,631
Interest receivable on loan to subsidiary undertaking	378,553	321,059
Other interest receivable from parent undertaking	-	2,287
<b>ii. Charges</b>		
Interest payable on overdraft with parent undertaking	22,577	23,996
Interest payable on loan from parent undertaking	378,553	321,059

The amount receivable by the auditors and their associates in respect of the audit of these financial statements is £2,330 (2007: £2,330). The audit fee is paid on a group basis by N M Rothschild & Sons Limited.

# Notes to the Financial Statements

*(forming part of the Financial Statements)*



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## 4. Taxation

	2008 £	2007 £
United Kingdom corporation tax at 30% (2007: 30%)	27,994	24,998

The tax credited on income differs from the theoretical amount that would arise using the standard tax rate as follows:

	2008 £	2007 £
Profit before tax	9,706,686	4,594,302
United Kingdom corporation tax charge at 30% (2007: 30%)	2,912,006	1,378,291
Income not subject to tax	(2,940,000)	(1,403,289)
Total tax credited to income statement	(27,994)	(24,998)

## 5. Investments in Subsidiary Undertakings

The principal subsidiary undertakings of the Company are detailed below. Both the principal subsidiary undertakings are registered in England and Wales.

	Percentage held %
Five Arrows Leasing Group Limited – ordinary shares*	100
Five Arrows Commercial Finance Limited – ordinary shares*	100

\* held by a subsidiary undertaking

The historical cost of the investments in subsidiaries was £15,028,508 (2007: £15,028,508).

On 1 May 2008 a subsidiary undertaking of the Company disposed of its investment in Five Arrows Commercial Finance Limited for consideration of £4,000,000.

## 6. Loans to Subsidiary Undertaking

	2008 £	2007 £
Loans to subsidiary undertaking	5,390,298	5,083,051

The interest rate charged on the loans to subsidiary undertaking is 6-month LIBOR plus 1 per cent. The weighted average effective interest rate as at 31 March 2008 was 7.415% (2007: 5.955%). The rate re-prices within 3 months.

## 7. Overdraft with Parent Undertaking

At the year end the Company had an overdraft with the parent undertaking of £190,512 (2007: £174,756). The Company pays interest at base rate.

# Notes to the Financial Statements

(forming part of the Financial Statements)



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## 8. Other Financial Liabilities

	2008 £	2007 £
Loans from parent undertaking	5,390,298	5,390,298
Accruals and deferred income	138,737	120,758
	<b>5,529,035</b>	<b>5,511,056</b>

The loans from the parent undertaking are unsecured and interest is payable at 6-month LIBOR plus 1 per cent. The weighted average effective interest rate as at 31 March 2008 was 7.415% (2007: 5.955%). The rate re-prices within 3 months.

The following table shows contractual cash flows payable by the Company on the loan from parent undertaking, analysed by remaining contractual maturity at the balance sheet date.

	Demand £	Demand-3m £	3m – 1yr £	1yr – 5yr £	> 5yr £	Total £
Loans from parent undertaking	-	200,393	5,585,258	-	-	5,785,651

## 9. Dividends Per Share

	2008 per share	2008 £	2007 per share	2007 £
Final dividend (paid)	66p	9,750,000	31p	4,500,000

## 10. Share Capital

	2008 £	2007 £
Authorised, called up and fully paid		
14,750,000 Ordinary shares of £1 each	14,750,000	14,750,000

# Notes to the Financial Statements

*(forming part of the Financial Statements)*



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## 11. Reconciliation of Movements in Shareholders' Equity

	Share Capital £	Retained Earnings £	Total £
At 1 April 2007	14,750,000	160,116	14,910,116
Profit for the period	-	9,734,680	9,734,680
Shareholders' dividends	-	(9,750,000)	(9,750,000)
<b>At 31 March 2008</b>	<b>14,750,000</b>	<b>144,796</b>	<b>14,894,796</b>
At 1 April 2006	14,750,000	40,816	14,790,816
Profit for the period	-	4,619,300	4,619,300
Shareholders' dividends	-	(4,500,000)	(4,500,000)
<b>At 31 March 2007</b>	<b>14,750,000</b>	<b>160,116</b>	<b>14,910,116</b>

## 12. Related Party Transactions

Parties are considered related if one party controls, is controlled by or has the ability to exercise significant influence over the other party. This includes the parent company, subsidiaries and fellow subsidiaries.

Amounts receivable from and payable to related parties at the year-end were as follows:

	2008 £	2007 £
Loans to subsidiary undertaking	5,390,298	5,083,051
Amounts owed by subsidiary undertaking	120,454	409,995
Amounts owed by parent undertaking	-	2,287
Overdraft with parent undertaking	(190,512)	(174,756)
Loans from parent undertaking	(5,390,298)	(5,390,298)
Amounts owed to parent undertaking	(122,737)	(104,758)

Amounts recognised in the income statement in respect of related party transactions were as follows:

	2008 £	2007 £
Dividend income from subsidiary undertaking	9,800,000	4,677,631
Interest receivable from subsidiary undertaking	378,553	321,059
Interest receivable from parent undertaking	-	2,287
Interest payable to parent undertaking	401,130	345,055

# Notes to the Financial Statements

*(forming part of the Financial Statements)*

## 12. Related Party Transactions (continued)

Amounts recognised directly in equity in respect of related party transactions were as follows:

	2008	2007
	£	£
Dividend paid to parent undertaking	9,750,000	4,500,000

## 13. Parent Undertaking and Ultimate Holding Company

The largest group in which the results of the Company are consolidated is that headed by Rothschild Concordia SAS, incorporated in France. The smallest group in which they are consolidated is that headed by N M Rothschild & Sons Limited, registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

The Company's immediate parent company is N M Rothschild & Sons Limited.

Until 20 November 2007, the Company's ultimate parent company was Concordia BV, a company incorporated in The Netherlands. On 20 November 2007 Paris Orléans SA, a company incorporated in France, became the Company's ultimate parent company, and on 22 January 2008 Rothschild Concordia SAS, became the Company's ultimate parent. Rothschild Concordia SAS, Paris Orléans SA and Concordia BV are controlled by the Rothschild family and their interests.

The Company's registered office is located at New Court, St. Swithin's Lane, London EC4P 4DU.



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