Rothschild & Co Continuation Finance CI Limited

Report of the Directors and Financial Statements
for the year ended 31 December 2022

Strategic Report

Business Model and Strategic Objectives

Rothschild & Co Continuation Finance CI Limited ("the Company") is a wholly-owned subsidiary of Rothschild & Co Continuation Limited ("R&CoCL"). The principal activity of the Company is the raising of finance for the purpose of lending it to other members of the Rothschild & Co Group.

Business Update and Key Performance Indicators

As mentioned above, the Company operates as a finance vehicle which issues debt and lends it onto other Rothschild & Co Group companies on substantially the same terms. The only debt currently in issue is perpetual subordinated notes. Given the nature of this debt and the related loans to group companies, the Directors consider that accrual accounting, as per prior years, best reflects the purpose of the Company as a pass through financing vehicle and to match the £125m loan asset and subordinated guaranteed notes in issue. On this basis, the loan asset and subordinated guaranteed notes would be matched on the balance sheet at £125m which reflects the real asset and liability position of the Company.

However, IFRS 9 has required the Company to report the loan asset, and the Company has elected to report the subordinated guaranteed notes in issue, at fair value of c.£129m.

Both the loans and subordinated guaranteed notes will continue to be taxed on an amortised cost basis so a net deferred tax liability of £23,750 (2021: £23,750) has been recognised on the difference between this and the carrying values.

The results for the year are set out in the statement of comprehensive income on page 12 and show a profit before tax of £18,881 (2021: £18,828). The reserves available for distribution are £203,986 (2021: £188,692).

Principal Risks and Uncertainties

The principal risks of the Company are credit risk, liquidity risk, market risk and operational risk. The Company follows the risk management policies of fellow subsidiary undertaking, N.M. Rothschild & Sons Limited ("NMR").

The Company's principal risk is credit exposure to other group companies, as the notes issued by the Company have been on-lent to R&CoCL and NMR. R&CoCL has also guaranteed, on a subordinated basis, the notes issued. The Company's ability to meet its obligations in respect of notes issued by it is therefore reliant on NMR and R&CoCL to make payments to the Company. Both R&CoCL and NMR are exposed to the aforementioned market disruption but, nevertheless, have sufficient liquidity to continue to operate for the next 12 months even in the scenario where revenue is significantly reduced. Management has considered the going concern basis of preparation as outlined in note 1 to the financial statements.

The Company's market risk exposure is limited to interest rate movements. Exposure to interest rate movements on the perpetual subordinated note issues has been passed to NMR and R&CoCL, as the issue proceeds have been lent onwards at a fixed margin of 1/64 per cent above the rate being paid.

Liquidity risk has similarly been transferred to NMR and R&CoCL as the funds on-lent have the same maturity dates as the notes issued. Operational risk arising from inadequate or failed internal processes, people and systems or from external events is managed by maintaining a strong framework of internal controls.

Report of the Directors

The Directors present their Directors' report and financial statements for the year ended 31 December 2022.

Dividends

During the year, the Company did not pay any dividends (2021: £nil).

Directors

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

Peter Barbour

Mark Crump

David Oxburgh

Paul O'Leary

Directors' Indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the year and remain in force at the date of this report.

Corporate Governance

The Directors have been charged with governance in accordance with the perpetual subordinated notes transaction documents describing the structure and operation of the transaction. The responsibilities of the Directors to both noteholders and shareholders were established at the time of issuance. Additionally, the Company is an integral part of the wider R&Co Group and, as such, benefits from the Group's wider control frameworks and structures, whilst also ensuring that the obligations and requirements of the Company are fully met.

The Company follows the internal control policies of its subsidiary, NMR in maintaining its financial records and preparing its financial reporting. Moreover, the key risks arising from the Company's activities involving the perpetual subordinated notes are monitored as part of the Group's control structures. However, it is the Directors opinion that these risks are limited in nature due to the low level of transactions occurring and the risk management framework in place.

Due to the nature of the perpetual subordinated notes which have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules ("DTR") as detailed in the DTR 7.1 Audit committees and 7.2 Corporate governance statements (save for DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the Directors' Report. The Directors are therefore satisfied that there is no requirement for an audit committee, or a supervisory board entrusted to carry out the functions of an audit committee or to publish a more extensive corporate governance statement.

Report of the Directors

Auditor

Pursuant to the Companies (Guernsey) Law 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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 auditor is 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

DocuSigned by:

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Paul O'Leary

Director

26 April 2023

Report of the Directors

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report 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 that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. 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, relevant and reliable;
- state whether they have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB");
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 (Guernsey) Law 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and Corporate Governance Statement that complies with that law and those regulations.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Independent Auditor's Report to the Members of Rothschild & Co Continuation Finance CI Limited

1. Our opinion is unmodified

We have audited the financial statements of Rothschild & Co Continuation Finance CI Limited ("the Company") for the year ended 31 December 2022 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and
- comply with Companies (Guernsey) Law 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the ICAEW Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: financial statements as a whole		£1.39 million (31 December 2021: £1.56 million) 1% (31 December 2021: 1%) of Total Assets
Risks of material misstatement		**vs December 2021**
Recurring risks	Valuation of loans to group undertakings and Debt securities in issue	No change

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed, in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2021):

Key audit matter	The risk	Our response
Valuation of Loans to group undertakings and debt securities in issue Loan to parent undertaking (£129.20 million; 31 December 2021: £145.63 million) Debt securities in issue (£129.08 million; 31 December 2021: £145.50 million) *Refer to page 19 (Note 6) and page 21 (Note 11) (financial* disclosure*)*	**Low Risk, high value:** The amount of the intercompany loan receivable represents 99% (December 2021: 99%) of the Company's total assets. The terms of the loan to parent are similar to the debt securities in issue. The fair value of debt securities in issue is based on available quotes from brokers and third-party transactions where available. As a result, valuation is not at a high risk of material misstatement or subject to significant judgement. However, due to its materiality in the context of the financial statements, valuation of loan to parent undertaking and debt securities in issue is considered to be an area that has the greatest effect on our audit.	Our procedures included: - Test of details: We involved our valuation specialists to independently determine the fair value of the loan to the parent undertaking and the debt securities in issue at 31 December 2022. - We performed the test above rather than seeking to rely on any of the Company's controls because the small number of transactions meant that substantive testing is inherently the most effective means of obtaining audit evidence. - We considered the adequacy of the Company's disclosures in relation to fair value and the compliance with the relevant standards.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £1.39 million (2021: £1.56 million), determined with reference to a benchmark of total assets (of which it represents 1% (2021: 1%). In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

3. Our application of materiality and an overview of the scope of our audit (cont.)

Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £1.04 million (2021: £1.17 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding £0.07 million (2021: £0.08 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality and performance materiality levels specified above and was all performed at the Company's head office in London.

We were able to rely upon the Company's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period was the availability of funding and liquidity. The liquidity position has been assessed by taking into account the forecast liquidity of the parent undertaking and the fellow subsidiary, and their ability to continue to pay the interest of the intercompany loan provided by the Company.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of members, and senior management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited opportunity to commit fraud due to the fact that revenue transactions are not complex and there are no judgmental aspects involved.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user, those posted to unusual accounts, and any unusual pairings identified.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations;

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

5. Fraud and breaches of laws and regulations – ability to detect (cont.)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Directors' report and the Financial Statements

The directors are responsible for the other information presented in the Directors' report and the Financial Statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Guernsey) Law 2008, we are required to report to you if, in our opinion:

- the company has not kept proper accounting records, or
- the company financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.
The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law 2008. 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.

Onisiforos Chourres

Onisiforos Chourres
for and on behalf of KPMG LLP
Chartered Accountants and Recognised Auditor
15 Canada Square
London E14 5GL
26 April 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Interest income		11,269,531	11,269,478
Interest expense		(11,250,000)	(11,250,000)
Net interest income		**19,531**	**19,478**
Revaluation of loans	6	(16,426,250)	(3,333,750)
Revaluation of subordinated guaranteed notes	11	16,426,250	3,333,750
Administrative expenses		(650)	(650)
Profit before tax		**18,881**	**18,828**
Income tax expense	5	(3,587)	(3,577)
Profit for the financial year		**15,294**	**15,251**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**15,294**	**15,251**

All amounts are in respect of continuing activities.

The notes on pages 16 to 22 form an integral part of these financial statements

Balance Sheet

At 31 December 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Non-current assets					
Loans to group undertakings	6		129,202,500		145,628,750
Current assets					
Other financial assets	7	6,496,190		6,496,190	
Cash and cash equivalents	8	3,542,325		3,527,021	
		10,038,515		**10,023,211**	
Current liabilities					
Current tax liability		(3,587)		(3,577)	
Deferred tax liability	9	(23,750)		(23,750)	
Other financial liabilities	10	(9,832,192)		(9,832,192)	
Net current assets			**178,986**		**163,692**
Total assets less current liabilities			**129,381,486**		**145,792,442**
Non-current liabilities					
Subordinated guaranteed notes	11		(129,077,500)		(145,503,750)
Net assets			**303,986**		**288,692**
Shareholders' equity					
Share capital	12		100,000		100,000
Retained earnings			203,986		188,692
Total shareholders' equity			**303,986**		**288,692**

Approved by the Board of Directors and signed on its behalf on 26 April 2023 by:

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Paul O'Leary

Director

The notes on pages 16 to 22 form an integral part of these financial statements

Statement of Changes in Equity
For the Year ended 31 December 2022

	Share Capital	Retained Earnings	Total Equity
	£	£	£
At 31 December 2021	**100,000**	**188,692**	**288,692**
Total comprehensive income for the year	-	15,294	15,294
At 31 December 2022	**100,000**	**203,986**	**303,986**
At 31 December 2020	**100,000**	**173,441**	**273,441**
Total comprehensive income for the year	-	15,251	15,251
At 31 December 2021	**100,000**	**188,692**	**288,692**

The notes on pages 16 to 22 form an integral part of these financial statements

Cash Flow Statement

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Cash flow from operating activities			
Profit for the financial year		15,294	15,251
Income tax expense		3,587	3,577
Operating profit before changes in working capital		**18,881**	**18,828**
Fair value movements of loans		16,426,250	3,333,750
Fair value movements of subordinated guaranteed notes		(16,426,250)	(3,333,750)
Net decrease/(increase) in debtors		-	30,876
Net (decrease)/increase in financial liabilities		-	(30,822)
Cash generated from operations		**18,881**	**18,882**
Income taxes paid		(3,577)	(3,598)
Net cash flow from operating activities		**15,304**	**15,284**
Net increase in cash and cash equivalents		15,304	15,284
Cash and cash equivalents at beginning of year		**3,527,021**	**3,511,737**
Cash and cash equivalents at end of year	**8**	**3,542,325**	**3,527,021**

Interest paid and received during the year were as follows :

	2022 £	2021 £
Interest paid	11,250,000	11,280,822
Interest received	11,269,531	11,300,354

The notes on pages 16 to 22 form an integral part of these financial statements

Notes to the Financial Statements

(forming part of the Financial Statements)

For the year ended 31 December 2022

1. Accounting Policies

Rothschild & Co Continuation Finance CI Limited ("the Company") is a private limited company incorporated in Guernsey. 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") as issued by the International Accounting Standards Board ("IASB") and with those requirements of the Companies (Guernsey) Law 2008 applicable to companies reporting under IFRS.

Functional and presentation currency

These financial statements are presented in sterling, which is the Company's functional currency.

Going Concern

Management has performed an assessment to determine whether there are any material uncertainties that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management considered:

- The financial impact of the uncertainty on the Company's balance sheet;
- The Company's liquidity position based on current and projected cash resources. The liquidity position has been assessed taking into account the forecast liquidity of N.M. Rothschild & Sons Limited ("NMR") and Rothschild & Co Continuation Limited ("R&CoCL") and their ability to continue to pay the interest on the intercompany loan provided by the Company. This included severe but plausible downside scenarios for NMR and R&CoCL as part of their assessment, including scenarios with a significant reduction in revenues; and

Based on the above assessment of the Company's financial position, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Standards affecting the financial statements

There were no new standards or amendments to standards that have been applied in the financial statements for the year ended 31 December 2022.

Future accounting policies

A number of new standards, amendments to standards and interpretations are effective for accounting periods ending after 31 December 2022 and therefore have not been applied in preparing these financial statements. The Company has reviewed these new standards to determine their effects on the Company's

1. Accounting Policies (continued)

financial reporting, and none are expected to have a material impact on the Company's financial statements.

b. Interest income and expense

Interest income and expense represents interest arising out of lending and borrowing activities. Interest income and expense is recognised in the income statement using the effective interest rate method.

c. Taxation

Tax payable on profits is recognised in the statement of comprehensive income.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when a deferred tax asset is realised, or when a deferred tax liability is settled.

d. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with other group companies that are readily convertible to cash and are subject to an insignificant risk of changes in value.

e. Capital management

The Company is not subject to any externally imposed capital requirements. It is dependent on Rothschild & Co Continuation Limited (the parent undertaking) to provide capital resources which are therefore managed on a group basis.

f. Financial assets and liabilities

Financial assets and liabilities are recognised on trade date and derecognised on either trade date, if applicable, or on maturity or repayment.

i. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recorded at fair value with any subsequent movement in fair value being recognised in the income statement

ii. Financial liabilities

Subordinated guaranteed notes in issue are recorded at fair value with any changes in fair value recognised in the income statement. All other financial liabilities are recognised at amortised cost.

g. Accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

Notes to the Financial Statements

(forming part of the Financial Statements)

1. Accounting Policies (continued)

Valuation of financial assets and liabilities

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as this is the best evidence of the fair value of a financial instrument. Where no active market price or rate is available, fair values are estimated using inputs based on market conditions at the balance sheet date.

Deferred tax

The recoverability of deferred tax assets is based on management's assessment of the availability of future taxable profits against which the deferred tax assets will be utilised.

2. Financial Risk Management

The Company follows the financial risk management policies of the immediate parent, R&CoCL. The key risks arising from the Company's activities involving financial instruments, which are monitored at the group level, are as follows:

- 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 13 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.

3. Directors' Emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (2021: £nil).

4. Audit Fee

The amount receivable by the auditors and their associates in respect of the audit of these financial statements is £19,000 (2021: £14,000). 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)

5. Taxation

	2022	2021
	£	£
Current tax	3,587	3,577
Total tax	**3,587**	**3,577**

The tax charge can be explained as follows:

	Note	2022	2021
		£	£
Profit/(loss) before tax		18,881	18,828
United Kingdom corporation tax charge at 19%		3,587	3,577
Total tax		**3,587**	**3,577**

6. Non-Current Assets: Loans to Group Undertakings

	2022	2021
	£	£
At beginning of year	145,628,750	148,962,500
Fair value movements	(16,426,250)	(3,333,750)
At end of year	**129,202,500**	**145,628,750**
Due		
In 5 years or more	129,202,500	145,628,750

In accordance with the business model assessment under IFRS 9, the loan to parent undertaking is a non-equity financial asset that doesn't meet SPPI requirements and has been classified at Fair Value Through Profit or Loss (FVTPL). The fair value of the £125,000,000 loans as at 31 December 2022 was £129,202,500 (2021: £145,628,750). On an amortised cost basis, the value of the loan at 31 December 2022 would be £125,000,000 (2021: £125,000,000). The fair values are based on the market value of the external subordinated guaranteed notes (level 2).

The interest rate charged on the subordinated perpetual loans to group undertakings is 9 1/64 per cent.

7. Other Financial Assets

	2022	2021
	£	£
Amounts owed by parent undertaking	3,939,705	3,939,705
Amounts owed by fellow subsidiary undertaking	2,556,485	2,556,485
	6,496,190	6,496,190

8. Cash and Cash Equivalents

At the year end the Company held cash of £3,542,325 (2021: £3,527,021) at a fellow subsidiary undertaking.

Notes to the Financial Statements

(forming part of the Financial Statements)

9. Deferred Income Taxes

	2022	2021
	£	£
At beginning of year	**(23,750)**	**(23,750)**
At end of year	**(23,750)**	**(23,750)**

Deferred tax assets less liabilities are attributable to the following items:

	2022	2021
	£	£
Fair value of intra group loans	(798,475)	(3,919,463)
Fair value of subordinated guaranteed notes in issue	774,725	3,895,713
	(23,750)	**(23,750)**

Both the intra-group loans and subordinated guaranteed notes in issue are taxed on an amortised cost basis of accounting and accordingly taxable/deductible temporary differences arise following the adoption of IFRS 9. Deferred tax is provided using rates that have been substantively enacted at the balance sheet date and that are expected to apply when the temporary difference is realised.

10. Other Financial Liabilities

	2022	2021
	£	£
Interest payable	9,832,192	9,832,192

Interest payable on the subordinated guaranteed notes is fixed at 9 per cent per annum.

Notes to the Financial Statements

(forming part of the Financial Statements)

11. Subordinated Guaranteed Notes

	2022	2021
	£	£
At beginning of year	145,503,750	148,837,500
Fair value movements	(16,426,250)	(3,333,750)
At end of year	**129,077,500**	**145,503,750**
Repayable		
In 5 years or more	129,077,500	145,503,750

The Company has elected to fair value through P&L the subordinated guaranteed notes, which as at 31 December 2022 was £129,077,500 (2021: £145,503,750), to significantly reduce the accounting mismatch from the corresponding loan to group undertaking which is classified as fair value through P&L. On an amortised cost basis, the value of the subordinated guaranteed notes at 31 December 2022 would be £125,000,000 (2021: £125,000,000). Consistent with the prior period, the fair value was derived from quoted market prices at the balance sheet date. In accordance with IFRS 13 and due to a reduction in the frequency and volume of transactions observed in the immediate run up to the period end, the fair value is considered to be level 2 as at 31 December 2022 (2021: level 1).

The following table shows contractual cash flows payable by the Company on the subordinated guaranteed notes, analysed by remaining contractual maturity at the balance sheet date. Interest cash flows on the loan are shown up to five years only, with the principal balance being shown in the > 5yr column.

At 31 December 2022	Demand	Demand-3m	3m – 1yr	1yr – 5yr	> 5yr	Total
	£	£	£	£	£	£
Loan notes in issue	-	11,250,000	-	45,000,000	125,000,000	181,250,000

At 31 December 2021	Demand	Demand-3m	3m – 1yr	1yr – 5yr	> 5yr	Total
	£	£	£	£	£	£
Loan notes in issue	-	11,250,000	-	45,000,000	125,000,000	181,250,000

12. Share Capital

	2022	2021
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	100,000	100,000

Notes to the Financial Statements

(forming part of the Financial Statements)

13. 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 key management personnel, the parent Company, subsidiaries and fellow subsidiaries.

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

	2022	2021
	£	£
Subordinated perpetual loan to parent undertaking – at fair value	51,681,000	58,251,500
Subordinated perpetual loan to fellow subsidiary undertaking – at fair value	77,521,500	87,377,250
Amounts owed by parent undertaking	3,939,705	3,939,705
Amounts owed by fellow subsidiary undertaking	2,556,485	2,556,485
Cash at fellow subsidiary undertaking	3,542,325	3,527,021

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

	2022	2021
	£	£
Interest receivable from parent undertaking	4,507,813	4,507,791
Interest receivable from fellow subsidiary undertaking	6,761,687	6,761,687

There were no loans made to Directors during the year (2021: none) and no balances outstanding at the year end (2021: £nil). There were no employees of the Company during the year (2021: none).

14. Parent Undertaking and Ultimate Holding Company

The largest group in which the results of the Company are consolidated is that headed by Rothschild & Co Concordia SAS, incorporated in France, and whose registered office is at 23bis, Avenue de Messine, 75008 Paris. The smallest group in which they are consolidated is that headed by Rothschild & Co SCA, a French public limited partnership whose registered office is also at 23bis, Avenue de Messine, 75008 Paris. The accounts are available on Rothschild & Co website at www.rothschildandco.com.

The Company's immediate parent company is Rothschild & Co Continuation Limited, incorporated in England and Wales and whose registered office is at New Court, St Swithins Lane, London EC4N 8AL.

The Company's registered office is located at St Julian's Court, St Peter Port, Guernsey, GY1 3BP.