

# **Citigroup Capital Finance Ireland Limited**

Directors' report and  
financial statements

**Year ended 31 December 2006**

*Registered number*      2698894

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# **Citigroup Capital Finance Ireland Limited**

## **Directors' report and financial statements**

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# **Citigroup Capital Finance Ireland Limited**

## **Directors' and other information**

<b>Directors</b>	Paul Bushnell Anthony Golden (appointed 9 June 2006) Martin Brown Amir M Karim Ciaran Kelleher Edward K Murphy
<b>Secretary</b>	Andrew Gaulter
<b>Registered Office</b>	Citigroup Centre Canada Square Canary Wharf London E14 5LB
<b>Bankers</b>	Citibank Europe plc 1 North Wall Quay Dublin 1
<b>Auditors</b>	KPMG Chartered Accountants 1 Harbourmaster Place International Financial Services Centre Dublin 1
<b>Solicitors</b>	Matheson Ormsby Prentice 70 Sir John Rogerson's Quay Dublin 2

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors present their report and the financial statements of Citigroup Capital Finance Ireland Limited ("the Company") for the year ended 31 December 2006

#### **Business review and Principal activities**

Section S234ZZB of the Companies Act 1985 requires companies to produce a business review in their Directors Reports for periods beginning on or after 1 April 2005

The Company is a wholly owned subsidiary of Citibank Holdings Ireland Limited. The principal activities of the Company are the provision of accounting services and funding activities

The accounting services are provided to a number of Client Companies of Citibank Europe plc, a related Company. The details of the current funding activities are detailed in note 6 to the Accounts

#### **Results**

The Company made a profit after tax for the year of GBP 45,457,425 (2005 GBP 43,034,762). The state of affairs of the Company as at the year end is detailed in the balance sheet on page 10

#### **Income**

Total Operating Income was GBP 57,254,970 (2005 GBP 49,911,529), a 15% increase on the previous year

#### **Costs**

Operating expenses increased by 35% to GBP 2,066,167 (2005 GBP 1,527,778)

#### **Balance Sheet**

Total Net Assets of GBP 901,772,385 were 5% higher than at 31 December 2005. This increase was as a result of an increase in loans advanced

#### **Key Financial Performance indicators**

In addition to the Financial results of the group, senior management also consider the following other key financial performance indicator

- Net Margin (Profit on Ordinary activities/Operating Income) as a % of Operating Income 2006 10%  
(2005 4%)

#### **Risk management**

Risk management is an important part of the business. Further discussion of risks affecting the Company and how they are managed are outlined in note 15

#### **Future developments**

The economic outlook for the businesses conducted by the Company is foreseen to be favourable in the near term. The Company's strategy is to continue to take advantage of opportunities for the further development of its business

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Directors, secretary and their interests**

The names of the Directors and Secretary who held office at 31 December 2006 were as follows

Paul Bushnell  
Anthony Golden  
Martin Brown  
Amir M Karimi  
Ciaran Kelleher  
Edward K Murphy

Anthony Golden was appointed a Director with effect from the 9 June 2006

### **Directors Indemnity**

The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

### **Directors' responsibilities for 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 the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 provisions of the Companies Act 1985. They 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

### **Adoption of new accounting standards**

The following accounting standards apply in full from 1 January 2006,

The Company has adopted Financial Reporting Standard 23 The effect of changes in foreign exchange rates. The financial statements are presented in Sterling ("GBP"), which is the functional currency of the Company

The Company has adopted Financial Reporting Standard 25 Financial Instruments Disclosure and Presentation. All required disclosures are made in the financial statements on a retrospective basis

The Company has adopted Financial Reporting Standard 26 Financial Instruments Measurement. The Company has classified certain financial instruments as financial assets or financial liabilities at fair value and certain assets as available for sale

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Employees**

There were 5 people employed by the Company during the year

### **Charitable donations and political contributions**

There were no charitable donations nor any contributions for political purposes made by the Company during the year or the preceding year

### **Close Company provisions**

In the opinion of the Directors, the close Company provisions of the Income and Corporation Taxes Act 1988, as amended, do not apply to the Company during the period in which it was UK resident. Equivalent close Company provisions in Ireland did not at 31 December 2006 apply to the Company.

### **Ultimate holding Company**

The Directors regard Citigroup Inc, which is incorporated in the United States of America under laws of the State of Delaware, as the ultimate holding Company at 31 December 2006

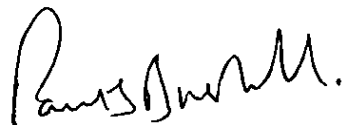
### **Auditors**

An elective resolution to dispense with the annual appointment of auditors pursuant to Section 386 of the Companies Act 1985 is in force. KPMG, Chartered Accountants, Dublin, have expressed their willingness to continue in office

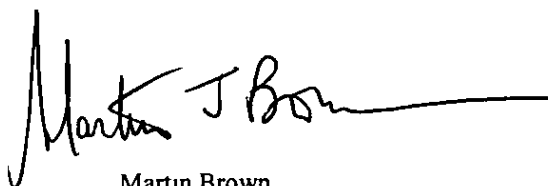
### **Disclosure of Information to Auditors**

In accordance with s 234ZA, Companies Act 1985 it is stated by the Directors who held office at the Date of approval of this Directors Report that, so far as each is aware, there is no relevant audit information of which the Companies Auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. This Statement is made subject to all provisions of s 234ZA

On behalf of the board



Paul Bushnell  
Director



Martin Brown  
Director

12<sup>th</sup> September 2007

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Independent auditors' report to the members of Citigroup Capital Finance Ireland Ltd.**

We have audited the financial statements of Citigroup Capital Finance Ireland Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

As described in the Statement of Directors' Responsibilities on page 5, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgments 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.

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- 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*

**KPMG**

Chartered Accountants  
Registered Auditors  
1 Harbourmaster Place  
IFSC  
Dublin 1

*12 September* 2007

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Statement of accounting policies for the year ended 31 December 2006**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

#### **Basis of preparation**

The financial statements are prepared in accordance with applicable accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants of England and Wales

#### **Cash flow statement**

A cashflow statement has not been prepared as required under Financial Reporting Standards No 1 (Revised) as the Company is a subsidiary of Citigroup Inc, a Company incorporated in the State of Delaware, United States of America which has prepared consolidated cashflow statement including the cashflows of the Company

#### **Income recognition**

Interest receivable and payable is recognised in the profit and loss account as it accrues over the term of the investments and deposits using the effective interest rate pertaining to the period

Fees receivable which represent a return for services provided are credited to income when the related service is performed

#### **Foreign currency**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments

#### **Taxation**

Corporation tax payable is provided on taxable profits at current rates

In accordance with FRS19 "Deferred Tax" except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Provision is made at the rate of taxation expected to prevail at the time of reversal.

A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the directors.

#### **Provision for bad and doubtful debts**

Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, general provisions are carried to cover risks, which, although not specifically identified, are present in any portfolio of bank advances. The total provision for bad and doubtful debts is deducted in arriving at the balance sheet figures of loans and advances to banks and to customers, as appropriate. Provisions made during the year, less existing provisions no longer required and recoveries of bad debts previously written off are charged against profits.



## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Financial Instruments**

Financial assets other than those which are designated at fair value are classified as loans advances and other assets. Loans and advances are initially recognised at fair value, which is the cash given to originate the loan and subsequently measured at amortised cost using the effective interest rate method, less any impairment charges.

### **Derivative contracts**

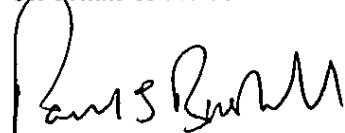
Derivative contracts are carried at their fair value and are initially recognised on the date on which a derivative contract is entered into. Fair values are based on quoted mid-market prices where available. If no quoted price exists for a particular contract, fair value is determined from market prices for its components using appropriate valuation models. Changes in the fair values of derivatives are included in the profit and loss account.

**CITIGROUP CAPITAL FINANCE IRELAND LIMITED****Profit and loss account***for the year ended 31 December 2006*

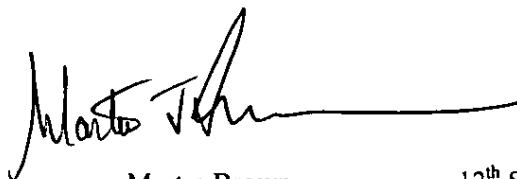
	<i>Note</i>	<b>2006 GBP</b>	<b>2005 GBP</b>
<b>Operating income - continuing activities</b>	<i>1</i>	<b>57,254,970</b>	49,911,529
Administrative expenses	<i>2</i>	<b>(2,066,167)</b>	(1,527,778)
Interest expenses	<i>3</i>	<b>(3,237,460)</b>	(567,349)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>4</i>	<b>51,951,343</b>	47,816,402
Tax on profit on ordinary activities	<i>5</i>	<b>(6,493,918)</b>	(4,781,640)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>	<i>12</i>	<b>45,457,425</b>	43,034,762
		<hr/>	<hr/>

The Company had no recognised gains or losses in the financial period or the preceding year other than those set out in the profit and loss account and, accordingly, a separate statement of total recognised gains and losses has not been prepared

On behalf of the board



Paul Bushnell  
*Director*



Martin Brown  
*Director*

12<sup>th</sup> September 2007

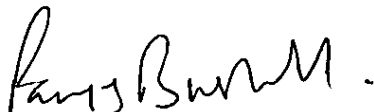
# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## Balance sheet


at 31 December 2006

	Note	2006 GBP	2005 GBP
<b>Fixed assets</b>			
Investments	6	907,342,823	911,819,206
<b>Current assets</b>			
Debtors	7	12,842,537	10,277,806
Loans advanced	8	90,722,157	37,401,426
Cash at bank		7,045,261	4,265,907
		<u>110,609,955</u>	<u>51,945,139</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(116,180,393)</u>	<u>(107,449,385)</u>
<b>Net current assets</b>		<u>(5,570,438)</u>	<u>(55,504,246)</u>
<b>Net assets</b>		<u><u>901,772,385</u></u>	<u><u>856,314,960</u></u>
<b>Capital and reserves</b>			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account	12	215,465,368	170,007,943
Capital contribution	13	685,307,017	685,307,017
<b>Shareholders' funds – equity</b>	11	<u><u>901,772,385</u></u>	<u><u>856,314,960</u></u>

On behalf of the board



Paul Bushnell  
Director



Martin Brown  
Director

12<sup>th</sup> September 2007

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### Notes

*forming part of the financial statements*

#### 1 Operating income

	2006 GBP	2005 GBP
Interest on loans	25,603,172	19,206,328
Interest from partnership securities	27,221,898	27,468,839
Interest on deposits	2,585,953	2,182,464
Fee income	247,097	560,398
Fx Gains/(Losses)	1,596,850	493,500
	<u>57,254,970</u>	<u>49,911,529</u>

#### 2 Administration Expenses

	2006 GBP	2005 GBP
Staff Costs	309,031	265,425
Echo Charges	1,265,713	1,090,614
Other Administration expenses	491,423	171,739
	<u>1,066,167</u>	<u>1,527,778</u>

The average number of persons employed by the Company during the year was 5 (2005 8)

#### 3 Interest payable and similar charges

	2006 GBP	2005 GBP
Interest payable on group loan	<u>3,237,460</u>	<u>567,349</u>

#### 4 Statutory information

Profit on ordinary activities before taxation is stated after charging

	2006 GBP	2005 GBP
Directors' remuneration	-	-
Auditors' remuneration	<u>4,099</u>	<u>4,114</u>

Directors' remuneration is borne by Citibank Europe plc

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### Notes (continued)

#### 5 Tax on profit on ordinary activities

The Company pays tax at a rate of 12.5% on qualifying activities. Passive income is taxable at 25%.

Analysis of charge in year	2006 GBP	2005 GBP
<i>Current tax</i>		
Irish corporation tax on profits for the period	(6,493,918)	(4,781,640)

#### Factors that may affect future tax charges

Corporation tax rates in respect of trading income in the Republic of Ireland increased from 10% to 12.5% from 1 January 2006.

#### 6 Investments in Subordinated floating rate notes and securities

	2006 GBP	2005 GBP
Investments	907,342,823	911,819,206

In 2001, the Company purchased subordinated floating rate notes of StgGBP335,750,000 from Citibank Investments Limited and subordinated floating rate partnership securities of StgGBP350,000,000 from Citigroup Partners UK. The Company is the Limited Partner of Citigroup Partners UK. The above notes are due to be redeemed in 2031. On the 26th October 2005 there was a further purchase of Floating rate notes denominated in Euro330,000,000 (StgGBP226,069,206).

7 Debtors	2006 GBP	2005 GBP
Accrued interest	11,810,800	9,879,716
Unrealised gain on fx forward	895,208	-
Fee income	136,529	398,090
	<u>12,842,537</u>	<u>10,277,806</u>

All amounts fall due within one year.

# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## Notes (continued)

<b>8</b>	<b>Loans advanced</b>	<b>2006 GBP</b>	<b>2005 GBP</b>
	Amounts falling due within one year	<u>90,722,157</u>	<u>37,401,426</u>
<b>9</b>	<b>Creditors amounts falling due within one year</b>	<b>2006 GBP</b>	<b>2005 GBP</b>
	Accruals	185,924	14,986
	Corporation tax payable	190,212	434,870
	Amounts due to fellow group undertakings	11,782	815,508
	Loan Interest due	1,509,495	-
	Loan payable	<u>114,282,980</u>	<u>106,184,021</u>
		<u>116,180,393</u>	<u>107,449,385</u>
<b>10</b>	<b>Share capital</b>	<b>2006 GBP</b>	<b>2005 GBP</b>
	<i>Authorised</i>		
	100,000,000 ordinary shares of StgGBP1 each	<u>100,000,000</u>	<u>100,000,000</u>
	<i>Allotted, called up and fully paid</i>		
	1,000,000 ordinary shares of StgGBP1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>11</b>	<b>Reconciliation of movement in shareholders' funds</b>	<b>2006 GBP</b>	<b>2005 GBP</b>
	Shareholders' funds at beginning of year	856,314,960	813,280,198
	Total recognised gains and losses for the year	<u>45,457,425</u>	<u>43,034,762</u>
	Shareholders' funds at end of year - equity	<u>901,772,385</u>	<u>856,314,960</u>

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### Notes (continued)

<b>12 Profit and Loss</b>	<b>2006 GBP</b>	<b>2005 GBP</b>
<b>Opening balance</b>	<b>170,007,943</b>	<b>126,973,181</b>
<b>Profit for the year</b>	<b>45,457,425</b>	<b>43,034,762</b>
<b>Closing balance</b>	<b>215,465,368</b>	<b>170,007,943</b>

### 13 Capital contribution

The capital contribution amount of GBP685,307,017 is non repayable and forms part of distributable reserves

### 14 Ultimate parent undertaking

The Company's ultimate parent undertaking is Citigroup Inc , which is incorporated in the State of Delaware, United States of America

The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc The consolidated financial statements of Citigroup Inc are available to the public and may be obtained from Citigroup Document Services, 140 58th Street, Suite 51, Brooklyn, New York, NY11220, United States of America

The smallest group in which the results of the accounts are consolidated is that headed by Citibank Holdings Ireland Limited, which became the parent Company on 24 November 2003 Copies of these group accounts will be available to the public and may be obtained from its offices at Citigroup Centre, 1 North Wall Quay, Dublin 1

### 15 Risk Management

#### Operational Risks

The operations of the Company are subject to quarterly risk and control self-assessments and periodic reviews by Citigroup Internal Audit

#### Foreign Currency Risk

The principal foreign currency in which the company earns income is Euros ("EUR") This gives rise to a foreign currency risk on the translation of this income to Sterling Out of Net Assets of GBP 901,663,010 all amounts are in Sterling except for GBP 230,916,790 which is denominated in Euro During the financial year ended 31st December 2006 such exposures are included in the Company foreign currency hedging strategy

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Notes (*continued*)**

#### **Risk Management (cont'd)**

##### **Credit Risk**

The Company may be exposed to credit Risk in respect of balances held by group counterparties. The Company is guided by the Citigroup Corporate and Investment Bank ("CIB") Credit Policies and Procedures which ensure consistent standards across the CIB for the origination, documentation and maintenance of extensions of credit and establish a consistent approach towards problem recognition, the classification of problem exposures and remedial action.

##### **Interest rate Risk**

The Company's exposure to interest rate fluctuations on its borrowings and deposits is proactively managed and monitored within approved guidelines.

##### **Market Risk**

The Company's exposure to market Risk is proactively managed on an ongoing basis.

#### **16 Related parties**

As the Company is ultimately a subsidiary of Citigroup Inc. it is availing of the disclosure exemption under Financial Reporting Standard No. 8 for subsidiary undertakings.

#### **17 Approval of financial statements**

The financial statements of the Company were approved by the Board of Directors on 12<sup>th</sup> September 2007.