

# **Citigroup Capital Finance Ireland Limited**

*(Registered number 2698894)*

**Directors' report and financial statements**

**For the year ended 31 December 2008**

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# Citigroup Capital Finance Ireland Limited

## Directors' report and financial statements

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# **Citigroup Capital Finance Ireland Limited**

## **BOARD OF DIRECTORS AND OTHER INFORMATION**

### **DIRECTORS**

Paul Bushnell  
Anthony Golden  
Amir M Karimi  
Ciaran Kelleher  
Robert Doris

### **SECRETARY**

Simon J Cumming

### **REGISTERED OFFICE**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

### **BANKERS**

Citibank Europe plc  
1 North Wall Quay  
Dublin 1

### **AUDITORS**

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1

### **SOLICITORS**

Matheson Ormsby Prentice  
70 Sir John Rogerson's Quay  
Dublin 2

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **REPORT OF THE DIRECTORS**

**For the year ended 31 December 2008**

The Directors present their report and the financial statements of Citigroup Capital Finance Ireland Limited ("the Company") for the year ended 31 December 2008. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the E.U.

#### **Business review and principal activities**

The Company is a wholly owned subsidiary of Citibank Holdings Ireland Limited. The Company's principal activities are the provision of accounting and treasury back-office services to both Group and third-party companies, and the provision of funding to Group companies.

The Company made a profit after tax for the year of £64,956,144 (2007: £56,594,951). The state of affairs of the Company as at the year-end is detailed in the balance sheet on page 8.

#### **Income**

Operating income was £88,718,102 (2007: £72,245,829), a 23% increase on the previous year. This increase was largely as a result of an increase in loans advanced.

#### **Costs**

Operating expenses decreased by 25% to £1,948,916 (2007: £2,582,390)

#### **Balance Sheet**

Total equity of £1,023,323,480 was 7% higher than at 31 December 2007.

#### **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 interest margin (net interest as a % of interest bearing assets): 2008 – 5.89%; 2007 – 6.10%

#### **Risk management**

Risk management is an important part of the business and the risks affecting the Company and how they are managed are outlined in note 16, pages 16-20.

#### **Future developments**

A strategic review of the entity's treasury services business was undertaken in 2008, which highlighted the limitation of the business to grow economically. This resulted in the directors agreeing to wind-down the business by 30 November 2009.

The economic outlook for the remaining business 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.

#### **Proposed dividend**

The Directors do not recommend the payment of a dividend.

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **Report of the Directors (continued) For the year ended 31 December 2008**

#### **Directors and directors' interests**

The names of the Directors who held office at 31 December 2008 were as follows:

Paul J Bushnell  
Anthony T Golden  
Amir M Karimi  
Ciaran Kelleher  
Robert S Doris

Robert Doris was appointed as director on 12<sup>th</sup> December 2008.

None of the Directors or their immediate families had, at any time during the year, any interest in the shares of or contracts with the Company or any other group undertaking that is required to be disclosed under the Companies Act 1985.

#### **Directors Indemnity**

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

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

There were no charitable donations or 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 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 provisions in Ireland did not, at 31 December 2008, apply to the Company.

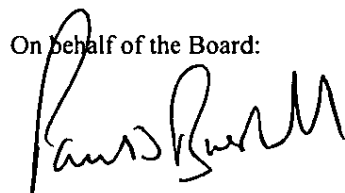
#### **Auditors**

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.

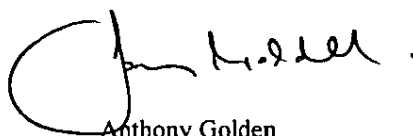
#### **Disclosure of Information to Auditors**

The Directors who held office at the date of approval of this Directors Report confirm 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.

On behalf of the Board:



Paul Bushnell  
Director



Anthony Golden  
Director

16 September 2009

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS; REPORT AND 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 International Financial Reporting Standards ("IFRSs"), as adopted by the E.U.

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. 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 and reference to their achieving fair presentation.

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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 Group and Company and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



**KPMG**  
**Chartered Accountants**  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

We have audited the financial statements of Citigroup Capital Finance Ireland Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

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 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.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 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*

*16 Sep 2009*

**KPMG**  
**Chartered Accountants**  
**Registered Auditor**  
1 Harbourmaster Place  
IFSC  
Dublin 1

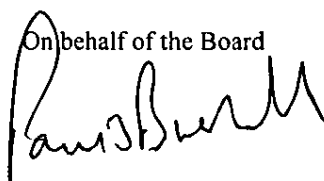
# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## INCOME STATEMENT

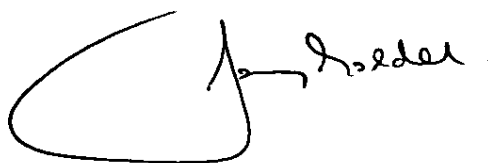
For the year ended 31 December 2008

		2008 GBP	2007 GBP
	Note		
Operating income - continuing activities	2	88,718,102	72,245,829
Administrative expenses	3	(1,948,916)	(2,582,390)
Interest expenses	4	<u>(12,533,593)</u>	<u>(4,983,496)</u>
Profit on ordinary activities before taxation		<u>74,235,593</u>	<u>64,679,943</u>
Tax on profit on ordinary activities	6	<u>(9,279,449)</u>	<u>(8,084,992)</u>
Profit on ordinary activities after taxation	14	<u><u>64,956,144</u></u>	<u><u>56,594,951</u></u>

The Company has 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 income and expense has not been prepared.

On behalf of the Board  


Paul Bushnell  
 Director



Anthony Golden  
 Director

16 September 2009

The notes in pages 11 to 20 are an integral part of these financial statements

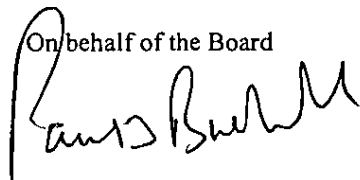
# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## BALANCE SHEET


For the year ended 31 December 2008

		2008 GBP	2007 GBP
	Note		
<b>Fixed assets</b>			
Investments	7	1,120,150,142	927,800,413
<b>Current assets</b>			
Debtors	10	20,250,099	15,303,753
Loans advanced	9	248,100,458	161,535,002
Cash at bank	9	<u>519,328</u>	<u>-</u>
		268,869,885	176,838,755
<b>Creditors: amounts falling due within one year</b>	11	<u>(365,696,547)</u>	<u>(146,271,832)</u>
<b>Net current assets/(liabilities)</b>		(96,826,662)	30,566,923
<b>Net assets</b>		<u><u>1,023,323,480</u></u>	<u><u>958,367,336</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account	14	337,016,463	272,060,319
Capital contribution	15	685,307,017	685,307,017
<b>Shareholders' funds – equity</b>	13	<u><u>1,023,323,480</u></u>	<u><u>958,367,336</u></u>

On behalf of the Board



Paul Bushnell  
Director



Anthony Golden  
Director

16<sup>th</sup> September 2009

The notes in pages 11 to 20 are an integral part of these financial statements.

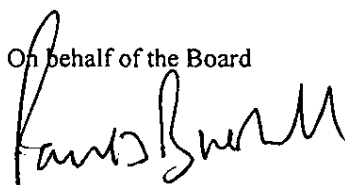
## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### STATEMENT OF CHANGES IN EQUITY

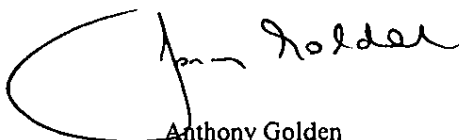
For the year ending 31 December 2008

	2008 GBP	2007 GBP
Shareholders' funds - 1 <sup>st</sup> January	958,367,336	901,772,385
Profit for the year	64,956,144	56,594,951
Shareholders' funds - 31 <sup>st</sup> December	<u>1,023,323,480</u>	<u>958,367,336</u>

On behalf of the Board



Paul Bushnell  
Director



Anthony Golden  
Director

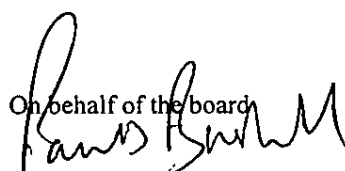
16<sup>th</sup> September 2009

# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## COMPANY CASH FLOW STATEMENT

For the year ending 31 December 2008

	Note	2008 GBP	2007 GBP
<b>Cash flow from operating activities</b>			
Profit after tax	14	64,956,144	56,594,951
<b>Adjustments to reconcile net profit to cash flow from operating activities</b>			
<b>Net (increase) / decrease in operating assets:</b>			
Due from/to banks		(3,122,809)	1,952,659
Accrued income, prepaid expenses and other assets		(4,946,346)	(2,461,216)
<b>Net increase/(decrease) in operating liabilities:</b>			
Accrued expenses and other liabilities		30,197,795	7,698,208
<b>Net cash flow from operating activities</b>		<u>87,084,784</u>	<u>63,784,602</u>
<b>Net increase in cash and cash equivalents</b>		87,084,784	63,784,602
Cash and cash equivalents, beginning of the year		161,535,002	97,767,418
Overdraft			(17,018)
<b>Cash and cash equivalents, end of the year</b>	9	<u>248,619,786</u>	<u>161,535,002</u>

On behalf of the board  


Paul Bushnell  
 Director



Anthony Golden  
 Director

16<sup>th</sup> September 2009

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ending 31 December 2008**

#### **1. Principal accounting policies**

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

##### **a) Basis of preparation**

The financial statements are prepared in accordance with applicable accounting principles under the historical cost convention and comply with the financial reporting standards of IFRS, as adopted by the E.U., with the exception of derivative financial instruments measured at fair value.

##### **b) Functional and presentation currency**

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

##### **c) Income recognition**

Interest receivable and payable is recognised in the profit and loss account using the effective interest rate pertaining to the period.

##### **d) Fees & Commissions**

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

##### **e) 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, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in the income statement.

##### **f) Taxation**

Corporation tax payable is provided on taxable profits at current rates.

##### **g) 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

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

#### h) Financial assets and liabilities

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

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. Where substantially all the risk and rewards relating to amounts receivable under loan agreements are transferred to another party, neither the amounts receivable under the loans nor the amounts payable to the other party are recognised in the financial statements as assets and liabilities and only the excess of interest received over interest paid is dealt with in the income statement.

The fair value for loans and advances and other lending are estimated using internal valuation techniques. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the loan being valued.

#### i) 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 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 income statement.

#### j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than three months, including: cash, loans and advances to banks and amounts due from other banks.

#### k) Expenses

Expenses are accounted for on an accrual basis.

### 2. Operating income

	2008 GBP	2007 GBP
Interest on loans	43,776,048	32,483,510
Interest from partnership securities	31,785,525	29,452,281
Interest on deposits	9,341,044	6,394,273
Fee income	1,885,216	1,887,318
Net realised/unrealised on derivatives at fair value	1,432,742	2,028,447
Foreign currency translation gains	497,527	-
	<u>88,718,102</u>	<u>72,245,829</u>

# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

### 3. Administration expenses

	2008 GBP	2007 GBP
Staff costs	1,443,501	1,651,783
Head office	-	243,768
Other administration expense	505,415	289,277
Foreign currency translation losses	-	397,562
	<u>1,948,916</u>	<u>2,582,390</u>

The average number of persons employed by the company during the year was 23 (2007:28).

### 4. Interest payable and similar charges

	2008 GBP	2007 GBP
Interest payable on group loans	<u>12,533,593</u>	<u>4,983,496</u>

### 5. Statutory information

Profit on ordinary activities before taxation is stated after charging:

	2008 GBP	2007 GBP
Directors' remuneration	-	-
Auditors' remuneration	<u>15,406</u>	<u>3,743</u>

Directors' remuneration is borne by other subsidiaries of Citigroup Inc.

### 6. Tax on profit on ordinary activities

The Company pays tax at a rate of 12.5% on all activities.

Analysis of charge in year	2008 GBP	2007 GBP
<i>Current tax:</i>		
Irish corporation tax on profits for the period	<u>(9,279,449)</u>	<u>(8,084,992)</u>

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ending 31 December 2008

#### 7. Investments in subordinated floating rate notes and securities

	Cost GBP	Fair Value GBP
Investments - 2008	<u>1,120,150,142</u>	<u>1,102,535,507</u>
Investments - 2007	<u>927,800,413</u>	<u>883,460,099</u>

The fair value for loans and advances and other lending are estimated using internal valuation techniques. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the loan being valued.

In 2001, the Company purchased subordinated floating rate notes of GBP 335,750,000 from Citibank Investments Limited and subordinated floating rate partnership securities of GBP 350,000,000 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 purchase of Floating rate notes denominated in Euro 330,000,000 (GBP 314,368,533) followed by a further purchase on the 8<sup>th</sup> October 2008 denominated in Euro 126,000,000 (GBP 120,031,609).

#### 8. Derivative financial instruments

Exchange related contracts	Note	Notional principal amount GBP	Fair Value GBP	
			Asset	Liability
<b>2008</b>				
FX Forward with Citibank NA London maturing 7/1/09	11	<u>151,730,807</u>	<u>-</u>	<u>34,970,298</u>
<b>2007</b>				
FX Forward with Citibank NA London maturing 7/1/08	11	<u>136,723,613</u>	<u>-</u>	<u>7,046,937</u>

#### 9. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of the following balances that mature within three months:

	2008 GBP	2007 GBP
Cash	519,328	-
Loans advanced	<u>248,100,458</u>	<u>161,535,002</u>
	<u>248,619,786</u>	<u>161,535,002</u>

All deposits and cash balances are intercompany.

# CITIGROUP CAPITAL FINANCE IRELAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

### 10. Debtors

	2008 GBP	2007 GBP
Accrued interest	19,738,371	14,876,103
Fee income	511,728	387,941
VAT receivable	-	39,709
	<u>20,250,099</u>	<u>15,303,753</u>

### 11. Creditors

	2008 GBP	2007 GBP
<b>Amounts falling due within 3 months</b>		
Loan payable - intercompany	325,920,147	136,693,229
Unrealised loss on derivatives	34,970,298	7,046,937
Cash overdraft	-	17,018
Due to fellow group undertakings	13,819	11,839
Loan interest payable	4,174,525	2,079,210
Accruals	128,616	67,879
<b>Amounts falling due within 1 year</b>		
Corporation tax payable	489,142	355,720
	<u>365,696,547</u>	<u>146,271,832</u>

### 12. Share capital

	2008 GBP	2007 GBP
<i>Authorised:</i>		
100,000,000 ordinary shares of GBP 1 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 GBP 1 each	<u>1,000,000</u>	<u>1,000,000</u>

The Company has no externally imposed capital requirements.

### 13. Reconciliation of movement in shareholder's funds

	2008 GBP	2007 GBP
Shareholders' funds at beginning of year	958,367,336	901,772,385
Total recognised gains and losses for the year	64,956,144	56,594,951
Shareholders' funds at end of year - equity	<u>1,023,323,480</u>	<u>958,367,336</u>

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

#### 14. Profit and Loss

	2008 GBP	2007 GBP
Opening balance	272,060,319	215,465,368
Profit for the year	64,956,144	56,594,951
Closing balance	<u>337,016,463</u>	<u>272,060,319</u>

#### 15. Capital contribution

The capital contribution amount of GBP 685,307,017 is non repayable and forms part of distributable reserves.

#### 16. Financial instruments and risk management

##### Objectives, policies and strategies

Financial instruments are fundamental to the Company's business and constitute the core element of its operations. Financial instruments create, modify or reduce the liquidity, credit and market risk of the Company balance sheet.

The purpose for which the Company holds or issues financial instruments can be classified into two main categories:

- **Loans and deposits:** All Company loans and deposits are intercompany.
- **Hedging:** Where financial instruments for part of the Company's management strategy they are classified as economic hedges. The objective for holding financial instruments as hedges is to match or minimise the risk arising from adverse movements in exchange rates. Foreign exchange forwards are used for economically hedging the balance sheet.
  - **Forwards:** short term forward foreign exchange contracts are all agreements to deliver, or take delivery of a specified amount of a currency based on a specified rate at a specified date.

##### Risk Management

Risks arise from lending and other activities routinely undertaken. The main risks faced by the Company are market risk, liquidity risk, credit risk and operational risk. The following section summarises the processes that were in place in 2008 for managing these risks.

##### Market Risk

Market risk encompasses a number of components including currency risk, interest rate risk and other price risk.

**Interest rate risk:** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company has no significant interest rate risk as it is the Company's policy to fund all financial instruments on a matched basis.

**Other price risk:** the Company has no material other price risks.

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

#### 16. Financial instruments and risk management (continued)

**Foreign currency risk;** currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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. During the financial year ended 31st December 2008 such exposures are included in the Company's foreign currency hedging strategy.

	2008 GBP	2007 GBP
<b>Total Assets</b>		
Denominated in GBP	899,989,401	835,704,137
Denominated in EUR	488,963,936	269,082,900
Denominated in USD	66,690	18,681
	<u>1,389,020,027</u>	<u>1,104,805,718</u>
<b>Total Liabilities</b>		
Denominated in GBP	1,080,297,907	979,289,531
Denominated in EUR	308,662,608	125,365,602
Denominated in USD	59,512	150,585
	<u>1,389,020,027</u>	<u>1,104,805,718</u>

#### Currency exposures

The exposure of the Company's net Euro exposure is hedged by a foreign exchange forward contract.

The following table shows the Company's total foreign exchange exposure:

	2008 GBP	2007 GBP
EUR	186,177,263	143,717,297
EUR hedge	(186,685,001)	(143,739,467)
<b>EUR Exposure</b>	<u>(507,738)</u>	<u>(22,170)</u>
<b>USD Exposure</b>	50,607	(131,904)

#### Foreign exchange sensitivity analysis

The following table shows the impact of a 1% increase / decrease in foreign exchange rates on the Company's balance sheet:

	2008 GBP	2007 GBP
1% increase in EUR / GBP Foreign exchange rate	(5,077)	(222)
1% decrease in EUR / GBP Foreign exchange rate	5,077	222

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

#### 16. Financial instruments and risk management (continued)

##### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Management of liquidity is the responsibility of the Company Treasurer who aims to ensure that all funding obligations are met when due.

The following table analyses the gross contractual cashflows and Company's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	3 months or less GBP '000	> 3 months and < 1 year GBP '000	> 1 year and < 5 years GBP '000	Greater than 5 years GBP '000	Total GBP '000
<b>2008</b>					
Assets	268,869,885	-	-	1,120,150,142	1,389,020,027
Liabilities & Equity	(365,193,587)	(1,103,690)	-	(1,022,722,750)	(1,389,020,027)
2008 net liquidity gap	<u>(96,323,702)</u>	<u>(1,103,690)</u>	<u>-</u>	<u>97,427,392</u>	<u>-</u>
<b>2007</b>					
Assets	176,838,755	-	-	927,800,413	1,104,639,168
Liabilities & Equity	(146,271,832)	-	-	(958,367,336)	(1,104,639,168)
2008 net liquidity gap	<u>30,566,923.0</u>	<u>-</u>	<u>-</u>	<u>(30,566,923.0)</u>	<u>-</u>

The Company funds a portion of its long-term investments through access to short-term borrowings from other group companies. These borrowings are renewed on a three monthly basis.

##### Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct that the Company undertakes. The operations of the Company are subject to quarterly risk and control self-assessments and periodic reviews by Citigroup Internal Audit.

## CITIGROUP CAPITAL FINANCE IRELAND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ending 31 December 2008

#### 16. Financial instruments and risk management (continued)

##### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All material balances are intercompany.

The carrying amount of the financial assets represents the maximum exposure to credit risk at the balance sheet date.

#### 17. Related party transactions

The Company defines related parties as the Board of Directors, their close family members, parent and fellow subsidiaries and associate companies.

A number of arms' length transactions are entered into with related parties. These include loans and deposits that provide funding to Group Companies as well as derivative contracts used to hedge residual risks that are included in the other asset and other liabilities balances.

The table below summaries balances with related parties

	2008 Other Citigroup undertakings GBP	2007 Other Citigroup undertakings GBP
<b>Assets</b>		
Investments	1,120,150,142	927,800,413
Loans and advances to banks	248,100,458	161,535,001
Prepayments and accrued income	19,738,177	14,876,102
Other assets	511,922	267,945
Cash	519,328	-
<b>Liabilities</b>		
Deposits by banks	(325,920,147)	(136,693,228)
Accruals and deferred income	(4,174,525)	(2,079,210)
Other liabilities	(35,080,181)	(6,915,668)
<b>Income statement</b>		
Interest and similar income	84,902,618	68,330,064
Interest payable	(12,533,593)	(4,983,496)
Net fee and commission income	1,885,217	1,547,395
Other income/expense	1,930,267	1,630,886
Administrative expenses	(1,536,905)	(2,140,330)

## **CITIGROUP CAPITAL FINANCE IRELAND LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **For the year ending 31 December 2008**

#### **18. Subsequent events**

A strategic review of the entity's treasury services business was undertaken in 2008, which highlighted the limitation of the business to grow economically. This resulted in the directors agreeing to wind-down the business by 30 November 2009.

The economic outlook for the remaining business 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.

#### **19. 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.