

Registration No 3061140

**Registered Office :
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB**

QUILTER HOLDINGS LIMITED

Annual Report and Financial Statements

31 December 2007

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QUILTER HOLDINGS LIMITED

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QUILTER HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements of Quilter Holdings Limited ("the Company") for the period 1 December 2006 to 31 December 2007 ("the period")

Accounting reference date

The accounting reference period was extended from 30 November to 31 December

Change of registered office

The registered office of the Company was changed from 25 Cabot Square, Canary Wharf, London E14 4QA to Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB on 28 February 2007

Business review and principal activities

Section 234ZZB 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 an intermediate holding company. On 28 February 2007 the Company and its subsidiaries were acquired by Citibank Investments Limited. During the period the Company's subsidiary, Quilter & Co Limited, provided financial services to corporations, governments, financial institutions and individual investors

Results

The Company made a profit after tax for the thirteen month period ended 31 December 2007 of £198,000 (2006 profit after tax of £820,000). The state of affairs of the Company as at the period end is detailed in the balance sheet on page 7

Income

Total income for the thirteen month period to 31 December 2007 was £283,000 (2006 £939,000)

Costs

Operating expenses for the period were £nil (2006 £68,000)

Balance sheet

Total assets of £22,963,000 at 31 December 2007 were 1 per cent higher than at 30 November 2006. This is comparable with the prior year.

The Company's senior management consider that the financial results indicated above are the key financial performance indicators for the operations of the Company.

Citigroup Inc manages its operations on a divisional basis and the Company's results are included in the segmental results of Citigroup Inc. For that reason, the Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks

Risk management is an important part of the business. The principal risk which the Company is exposed to is operational risk. The operational risks of the Company are subject to periodic reviews by Citigroup Internal Audit and risk and control self assessment reviews conducted by management.

QUILTER HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

Dividends

No dividends were declared or paid by the Company during the period (2006 £696,000) and the Directors do not recommend the declaration of a dividend in respect of the year

Financial instruments

The Company is an intermediate holding company, and as such is not exposed to price risk, credit risk, and liquidity risk

Directors and their interests

The following Directors held office at 31 December 2007

M H Baines
R E Stemmons
S J Wakil
C M Weir

T Harms, D R Nichol and C Van Aeken resigned as Directors with effect from 28 February 2007 R E Stemmons was appointed a Director with effect from 28 February 2007 M L Hay was appointed a Director with effect from 28 February 2007 and resigned as a Director with effect from 1 September 2007 E P Boles was appointed a Director with effect from 28 February and resigned as a Director with effect from 28 September 2007 C Weir was appointed a Director with effect from 17 December 2007

None of the Directors nor their immediate families had, at any time during the period, any interest in the shares of or contracts with the Company or any other group undertaking which is required to be disclosed by the Companies Act 1985

Directors' indemnity

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

Statement of Directors' responsibilities

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 prepared the Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU

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

QUILTER HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities (continued)

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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.

Disclosure of information to auditors

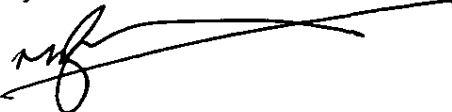
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as each is aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself 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 the provisions of section 234ZA.

Auditors

An elective resolution to dispense with the annual appointment of the Auditor pursuant to Section 386 of the Companies Act 1985 is in force.

Deloitte & Touche LLC tendered their resignation as auditors of the Company with effect from 27 February 2007. In accordance with Section 394 Companies Act 1985, they confirmed that there were no circumstances connected with their ceasing to hold office as auditors that they considered should be brought to the attention of members or creditors of the Company. KPMG Audit Plc were appointed as auditors with effect from 1 March 2007.

By order of the Board



M Baines
Director

17 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUILTER HOLDINGS LIMITED

We have audited the financial statements of Quilter Holdings Limited for the period 1 December 2006 to 31 December 2007 which comprise the Income Statement, Balance Sheet, the Cash Flow Statement and the related notes 1 to 11. 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 auditors' 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 2.

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

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

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

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

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUILTER HOLDINGS LIMITED (Continued)

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 2007 and of its profit for the 13 month period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc

*Chartered Accountants and Registered Auditor
London
17 March 2008*

QUILTER HOLDINGS LIMITED

INCOME STATEMENT

Thirteen-month period ended 31 December 2007

		Period 1 December 2006 to 31 December 2007 £'000	Year ended 30 November 2006 £'000
	Note		
Interest and similar income		283	171
Dividend income		-	768
Operating profit		<u>283</u>	<u>939</u>
Impairment of subsidiary undertaking	5	-	(68)
Profit before income tax		<u>283</u>	<u>871</u>
Income tax expense	4	(85)	(51)
Profit for the financial period	6	<u><u>198</u></u>	<u><u>820</u></u>

There were no recognised income or expenses during the current or prior period other than those disclosed above. Accordingly no statement of recognised income and expense has been prepared.

QUILTER HOLDINGS LIMITED

BALANCE SHEET

31 December 2007

	Note	31 December 2007 £'000	30 November 2006 £'000
Assets			
Cash and balances at banks	8	44	23
Shares in subsidiary undertakings	5	18,045	18,045
Other assets		4,874	4,612
Total assets		<u>22,963</u>	<u>22,680</u>
Liabilities			
Current tax liabilities		85	-
Total liabilities		<u>85</u>	<u>-</u>
Equity shareholders' funds			
Share capital	7	12,053	12,053
Share premium account	6	9,900	9,900
Retained earnings	6	925	727
Total shareholders' funds		22,878	22,680
Total liabilities and equity shareholders' funds		<u>22,963</u>	<u>22,680</u>

Approved by the Directors on 17 March 2008 and signed on their behalf by

S Vakil
Director



QUILTER HOLDINGS LIMITED

CASH FLOW STATEMENT

Thirteen-month period ended 31 December 2007

	Note	Period 1 December 2006 to 31 December 2007 £'000	Year ended 30 November 2006 £'000
Cash flow from operating activities			
Profit before income tax		283	871
Adjustments to reconcile net profit to cash from operating activities			
Non-cash items included in net profit and other adjustments			
Net changes in shares in subsidiary undertakings		-	1,065
Net increase in operating assets:			
Other assets		(262)	(1,128)
Net increase/(decrease) in operating liabilities:			
Other liabilities		-	(140)
Income taxes paid		-	(51)
Net cash flow from operating activities		<u>21</u>	<u>617</u>
Cash flow used in financing activities			
Dividends paid		-	(696)
Net cash flow used in financing operating activities		<u>-</u>	<u>(696)</u>
Net increase/(decrease) in cash and cash equivalents		21	(79)
Cash and cash equivalents, beginning of the period		23	102
Cash and cash equivalents, end of the period		<u>44</u>	<u>23</u>

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

1. Principal accounting policies

a) Basis of presentation

The financial statements have been prepared under the historical cost convention and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU

The Company prepared its 2006 financial statements in accordance with applicable United Kingdom company law and accounting standards

The Company is preparing its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1 First-time Adoption of International Financial Reporting Standards. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 11

The date of transition to IFRS for the Company and the date of the opening IFRS balance sheet was 1 December 2005

The current financial period contains thirteen months, whereas the prior period contained twelve months. As such, the financial performance is not entirely comparable

b) Consolidation

The Company is not required to prepare consolidated accounts by virtue of the exemption under section 228 of the Companies Act 1985. The results of the Company are included within the accounts of Citibank Investments Limited, a company registered in England and Wales, which will prepare consolidated accounts for the year to 31 December 2007. The accounts therefore present information about the Company as an individual entity and not about its group

c) Segmental reporting

The Company has only one class of business as described in the Directors' report and operates in one geographic market, the United Kingdom

d) Foreign currencies

The financial statements are presented in Pounds Sterling ("£"), which is the presentation and functional currency of the Company

The Company does not undertake transactions in any currency other than its functional currency

e) Dividend income

Dividend income is recognised when the right to receive payment is established

f) Shares in subsidiary undertakings

Shares in subsidiary undertakings, comprising unlisted securities, are shown at cost, less allowance for impairment

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

1 Principal accounting policies (continued)

g) Income taxes

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise

h) 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 and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term trading securities

2. Use of assumptions and estimates

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The accounting policies used in the preparation of the financial statements are described in detail above.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Operating profit

The audit fee has been borne by another Group company in both the current and prior period.

The Company employed no staff during the year (2006 Nil)

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

4. Income tax expense

	Period 1 December 2006 to 31 December 2007 £'000	Year ended 30 November 2006 £'000
a) Analysis of tax charge in the period		
Current tax:		
UK corporation tax on profits of the period	85	51
Tax charge	<u>85</u>	<u>51</u>

b) Factors affecting tax charge for the period

The tax assessed for the Company for the period is equal to (2006 lower) the standard rate of corporation tax in the UK (30%) The differences are explained below

	Period 1 December 2006 to 31 December 2007 £'000	Year ended 30 November 2006 £'000
Profit before tax	<u>283</u>	<u>871</u>
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	85	261
Effects of		
Dividends received from UK companies	-	(230)
Write down of fixed asset investments	-	20
Income tax expense	<u>85</u>	<u>51</u>

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

5. Shares in subsidiary undertakings

The movement in the Company's investments in the share capital of subsidiary undertakings was as follows

	31 December 2007 £'000	30 November 2006 £'000
At the beginning of the period	18,045	19,110
Liquidation	-	(1,065)
At the end of the period	<u>18,045</u>	<u>18,045</u>

During the prior period a subsidiary undertakings of the Company, Foster & Braithwaite Ltd, was liquidated. The Company wrote down its investment in this company to nil, resulting in an expense charged to the income statement of £68,000.

Details of principal Company subsidiary undertakings held at 31 December 2007 are as follows

Name	Country of incorporation	Nature of business	% holding in ordinary share capital
Quilter & Co Limited	Great Britain	Financial services	100%
Quilter Fund Management Ltd	Great Britain	Non-operative	100%*

An * denotes shareholdings attributed to the Company which are not directly held by the Company

A full list of the Company's subsidiary and associated holdings will be annexed to the Company's next annual return and filed at the Registrar of Companies

6. Capital and reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 December 2005	12,053	9,900	603	22,556
Profit for the period	-	-	820	820
Dividends	-	-	(696)	(696)
At 1 December 2006	<u>12,053</u>	<u>9,900</u>	<u>727</u>	<u>22,680</u>
Profit for the period	-	-	198	198
At 31 December 2007	<u>12,053</u>	<u>9,900</u>	<u>925</u>	<u>22,878</u>

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

7. Share capital

	31 December 2007 Number	30 November 2006 Number
Authorised		
7,000,000 'A' ordinary shares of 1p each	7,000,000	7,000,000
2,500,000 'B' ordinary shares of 1p each	2,500,000	2,500,000
500,000 ordinary shares of 1p each	500,000	500,000
8,125,000 unclassified shares of 1p each	8,125,000	8,125,000
2,258,065 new ordinary shares of 0.8303560p each	2,258,065	2,258,065
1 deferred share of 0.1466p	1	1
11,934,000 7% cumulative preference shares of £1 each	11,934,000	11,934,000
	31 December 2007 £'000	30 November 2006 £'000
Allotted, called-up and fully paid		
7,000,000 'A' ordinary shares of 1p each	70	70
2,500,000 'B' ordinary shares of 1p each	25	25
500,000 ordinary shares of 1p each	5	5
2,258,065 new ordinary shares of 0.8303560p each	19	19
1 deferred share of 0.1466p	-	-
11,934,000 7% cumulative preference shares of £1 each	11,934	11,934
	12,053	12,053

The preference shares are irredeemable and dividends are payable on 31 March and 30 September. The preference shares do not entitle the holders to vote at general meetings unless the payment of a dividend is in arrears by six months or more. The holders of the preference shares are entitled to receive dividends in priority to holders of any other class of share. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividend.

Each class of ordinary share has the same voting rights and rights to participate in the profits of the Company.

The deferred share does not entitle the holder to receive dividends or vote at general meetings of the Company.

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

8. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances which are on call

9. Related party transactions

The Company is a wholly owned subsidiary undertaking of Citibank Investments Limited, which is incorporated in England. The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc. which is incorporated in the United States. The Company defines related parties as the Board of Directors, their close family members, parent and fellow subsidiaries and associated companies.

A number of arms length transactions are entered into with related parties. These include loans and deposits that provide funding to Group companies. Various services are provided between related parties and these are all also provided at arms length. The table below summarises balances with related parties. No provisions have been recognised in respect of loans given to related parties (2006: £nil).

	31 December 2007 Other Citigroup undertakings £'000	30 November 2006 Other Citigroup undertakings £'000
Assets		
Other assets	4,874	4,612
Income statement		
Interest and similar income	262	167

10. Parent companies

The Company is a subsidiary undertaking of Citibank Investments Limited, which is incorporated in England.

The largest group in which the results of the Group are consolidated is that headed by Citigroup Inc. The audited consolidated financial statements of Citigroup Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from Citigroup Document Services, 140 58th Street, Suite 8G, Brooklyn, New York, NY 11220.

QUILTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Thirteen-month period ended 31 December 2007

11. Transition to IFRS

The Company's reported financial position and financial performance have been affected by the transition from UK GAAP to IFRSs

Key impact analysis of IFRS's on the financial statements and position at 1 December 2005 and 30 November 2006.

Employee Share Ownership Plan (ESOP)

Under UK GAAP, the assets and liabilities of the ESOP trust were aggregated with the assets and liabilities of the Company, as the Company is the settlor of the trust. Under IFRS, the ESOP trust is only consolidated at the Group level, and would not be aggregated within the Company's individual financial statements.

This had the effect of decreasing shareholders' equity of the Company at 30 November 2006 and 1 December 2005 by £3,000 and £30,000 respectively.