

**CITIGROUP PROPERTY LIMITED**  
(Registered Number 3687297)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 December 2006



**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2006

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**DIRECTORS' REPORT**

for the year ended 31 December 2006

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The Directors present their report and the financial statements of Citigroup Property Limited ('the Company') for the year ended 31 December 2006

**Business review and principal activities**

Section 234ZZB of the Companies Act 1985 requires companies to produce a business review in their Directors' Reports for the periods beginning on or after 1 April 2005

The Company's principal activity is the leasing of space in 25 Canada Square, Canary Wharf, London. The Company has also let office accommodation to unconnected parties where vacant floors in the building were surplus to the current requirements of the UK Group.

During the year, the Company continued to vacate its London properties as a result of the migration of the UK Group's main offices to Canary Wharf, London.

**Results**

The profit before tax of the Company for the year amounted to £1,213,000 (2005: loss £18,080,000). This is after crediting £13,443,000 (2005: £2,612,275) of the onerous contracts provision created in 2002 to cover the cost of unlet floors in 25 Canada Square until expected occupation. After tax, the Company made a loss for the year of £2,030,000 (2005: £19,106,000).

The immediate parent company has committed to support the Company and therefore the accounts have been prepared on a going concern basis.

**Fixed Assets**

Fixed assets comprise completed floors within 25 Canada Square as well as capitalised work in progress costs.

The building is held for the purpose of the UK Group's businesses and its companies continue to occupy the majority of the space provided. The Directors believe that the fixed assets are fairly stated in accordance with UK GAAP.

**Key Financial Performance Indicators**

In addition to the financial results of the Company, senior management also consider the following key financial performance indicators:

- vacant space as a proportion of the total space available
- cost of space is analysed by type of expense and by business activity of each floor within the building

Citigroup Inc. manages its operations on a divisional basis and the Company's results are included in the banking and markets 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.

The Company's strategy is to continue with the consolidation of facilities management services in support of the respective operations of the UK Group.

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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### **Principal risks**

Detailed processes are in place to ensure that standards are maintained in relation to all health and safety regulations. The inherent risks of building outages are mitigated by preventative maintenance programmes. However, in the event of an unexpected outage comprehensive plans exist to ensure Citigroup can continue its normal day-to-day activities.

### **Dividends**

The Company paid no dividends during the year and the Directors do not recommend the payment of a final dividend in respect of the year (2005 £nil).

### **Directors and their interests**

The names of those Directors who held office at 31 December 2006 were as follows:

Lucy V Dası Sutton  
Nigel Fitzgerald  
John R Killey

Peter R Spratley  
John M Wertheim  
Neil R Williams

Mr Peter R Spratley and Mr John M Wertheim resigned as Directors of the Company with effect from 18 May 2007.

Mr Stephen Rogers, Mr David Sharland and Mr John Westwood were appointed Directors of the Company with effect from 6 June 2007.

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 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 financial year and at the date of this report.

### **Environment**

The Company has implemented a number of Group initiatives designed to minimise the Company's impact on the environment. These include safe disposal of waste, recycling and reducing energy consumption. Ongoing strategic initiatives to reduce CO<sub>2</sub> emissions across all sites are being progressed and implemented in conjunction with the landlord and business partners.

### **Employment of disabled people**

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within the Company. Opportunities for training, career development and promotion of disabled persons are, as far as possible, identical to those available to other employees who are not disabled.

**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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**Employee consultation**

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed by written communications and meetings on matters affecting them as employees and on the various factors affecting the Company's business

**Employees**

In accordance with established practices and arrangements with fellow United Kingdom Citigroup Inc subsidiaries there were a number of persons (not employees of the Company) engaged either on a full-time or part-time basis in the performance of certain functions in connection with the Company's business

The Company has, in accordance with the terms of those arrangements, been charged with and paid management fees for the personnel and services so provided

**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 Auditor is 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 Auditor is 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 auditors pursuant to Section 386 Companies Act 1985 is in force. Accordingly the Company's present Auditors, KPMG Audit Plc shall be deemed to be re-appointed for 2007 and subsequently until further notice

Approved by the Board of Directors on 12 October 2007 and signed on their behalf by



S J Cumming  
Company Secretary

Registered office

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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**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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company 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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

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

**Independent Auditors Report to the Members of Citigroup Property Limited**

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We have audited the financial statements of Citigroup Property 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**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 are 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.

**Opinion**

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 loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit Plc**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

**19** October 2007

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2006

|   | Notes    | 2006<br>£'000 | 2005<br>£'000 |
|---|----------|---------------|---------------|
| Turnover  | 1(b) & 2 | 68,729        | 54,274        |
| Cost of Sales (including a credit of £13,443,000 for onerous contracts provision (2005 credit of £2 612,275)) | 3        | (64,954)      | (70,272)      |
| GROSS PROFIT/(LOSS)   |          | 3,775         | (15,998)      |
| Other interest receivable and similar income  | 4        | 382           | 990           |
| Interest payable and similar charges  | 4        | (2,944)       | (3,072)       |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION  | 6        | 1,213         | (18,080)      |
| Tax on profit on ordinary activities  | 7        | (3 243)       | (1,026)       |
| LOSS FOR THE FINANCIAL YEAR   | 15       | (2,030)       | (19,106)      |

There are no recognised gains or losses in either 2006 or 2005 other than the loss for the year

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year, and their historical cost equivalents

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

for the year ended 31 December 2006

|                                   | 2006<br>£'000 | 2005<br>£'000 |
|-----------------------------------|---------------|---------------|
| Loss for the financial year       | (2,030)       | (19,106)      |
| Net change in shareholders' funds | (2,030)       | (19,106)      |
| Opening shareholders' funds       | (39,375)      | (40,269)      |
| Issue of shares                   | 60,000        | 20,000        |
| Closing shareholders' funds       | 18,595        | (39,375)      |

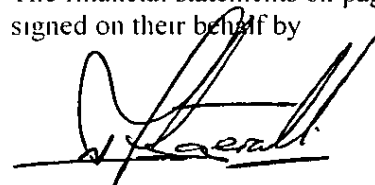


**BALANCE SHEET**

as at 31 December 2006

|  | Notes | 2006<br>£'000 | 2006<br>£'000 | 2005<br>£'000 | 2005<br>£'000 |
|--|-------|---------------|---------------|---------------|---------------|
| <b>FIXED ASSETS</b>                                  |       |               |               |               |               |
| Tangible fixed assets                                | 8     |               | 52,924        |               | 57,549        |
| <b>CURRENT ASSETS</b>                                |       |               |               |               |               |
| Debtors  | 9     | 59,736        |               | 13,227        |               |
| Cash at bank and in hand                             | 10    | 3,118         |               | -             |               |
|  |       | 62,854        |               | 13,227        |               |
| <b>CREDITORS</b> Amounts falling due within one year | 11    | (52,288)      |               | (55,814)      |               |
| <b>NET CURRENT LIABILITIES</b>                       |       |               | 10,566        |               | (42,587)      |
| <b>TOTAL ASSETS, LESS CURRENT LIABILITIES</b>        |       |               | 63,490        |               | 14,962        |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>        |       |               |               |               |               |
| Deferred Tax   | 12    |               | (6,146)       |               | (2,903)       |
| Other provisions                                     | 13    |               | (38,749)      |               | (51,434)      |
| <b>NET LIABILITIES / ASSETS</b>                      |       |               | 18,595        |               | (39,375)      |
| <b>CAPITAL AND RESERVES</b>                          |       |               |               |               |               |
| Called up share capital                              | 14    |               | 190,000       |               | 130,000       |
| Profit and loss account                              | 15    |               | (171,405)     |               | (169,375)     |
| <b>SHAREHOLDERS FUNDS / (DEFICIT)</b>                |       |               | 18,595        |               | (39,375)      |

The financial statements on pages 6 to 16 were approved by the Directors on 12 October 2007 and were signed on their behalf by



Nigel Fitzgerald  
Director

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

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### 1. Principal accounting policies

The accounting policies have been applied consistently throughout the current year and the preceding year

#### (a) Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

In accordance with the revised FRS 1, the Company has not prepared a cash flow statement. The Company's results are consolidated in the financial statements of its ultimate parent company, Citigroup Inc., which are made available to the public annually.

Under the subsidiary undertakings exemption of FRS 8, the Company is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

The accounts have been prepared on a going concern basis because the parent company has committed to support the company through debt or equity injections to the value of £250,000,000.

#### (b) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of facilities management services to third party and group undertakings.

#### (c) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Premises and leasehold improvements are depreciated, from the date they are first brought into use, on a straight-line basis over the estimated useful life. Assets in the course of construction are not depreciated. Depreciation is provided at rates as follows:

|                                 |   |   |
|---------------------------------|---|---|
| Leasehold premises improvements | - | Lesser of the life of the lease or 50 years |
| Building fittings               | - | 5 to 10 years                               |

#### (d) Taxation

Corporation tax is provided on taxable profits/losses at the current rate.

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their treatment for tax purposes on an undiscounted basis. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The tax benefits arising from group relief are recognised in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

**1 Principle accounting policies - continued**

**(e) Operating leases**

Operating leases are accounted for by charging the rentals to the profit and loss account on a straight-line basis over the life of the lease

**(f) Capitalised interest**

Interest costs incurred in funding assets in the course of construction are capitalised on projects where the total cost exceeds £3.5 million. Interest ceases to be capitalised when the project is complete and ready for its intended use.

**(g) Provision for onerous contract**

The unavoidable costs in respect of long term leases for floors that are available for subletting, which exceed expected economic benefits are provided as onerous contracts. The provision is discounted to reflect current market assessments of the time value of money and the risks specific to the liability.

**2 Turnover and results**

|  | <b>2006</b>   | <b>2005</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| Turnover comprises                         |               |               |
| Amounts receivable from third parties      | 7,823         | 4,095         |
| Amounts receivable from group undertakings | 54,572        | 50,179        |
| Release of deferred credit                 | 6,334         | -             |
|  | <b>68,729</b> | <b>54,274</b> |

**3. Cost of Sales**

|  | <b>2006</b>   | <b>2005</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| Cost of sales comprise                             |               |               |
| Rental and service charge expenses                 | 47,819        | 47,867        |
| Other premises expenses                            | 21,481        | 17,688        |
| Other operating costs                              | 3,811         | 2,770         |
| Depreciation                                       | 5,286         | 4,559         |
| Provision for onerous property contracts (note 13) | (13,443)      | (2,612)       |
|  | <b>64,954</b> | <b>70,272</b> |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

**4 Interest receivable and similar income and interest payable**

|  | <b>2006</b>  | <b>2005</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Interest receivable and similar income comprises |              |              |
| Interest on loans to other group undertakings    | 255          | 444          |
| Interest on loans to third parties               | 127          | 546          |
|  | <b>382</b>   | <b>990</b>   |

Interest payable comprises

|  |              |              |
|--|--------------|--------------|
| Interest on borrowings from other group undertakings | 2,186        | 2,151        |
| Unwinding of discount on onerous contract provision  | 758          | 921          |
|  | <b>2,944</b> | <b>3,072</b> |

**6. Profit on ordinary activities before tax**

|  | <b>2006</b>   | <b>2005</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| Profit on ordinary activities before tax is after charging |               |               |
| Auditors' remuneration                                     |               |               |
| - Audit fees   | 15            | 15            |
| Depreciation   | 5,498         | 4 559         |
| Other operating lease rentals                              | <b>47,819</b> | <b>47,867</b> |

There were no employees of the company (2005 nil) nor any related costs

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

**7. Tax on loss on ordinary activities**

| <b>7a</b> | <b>Analysis of tax charge in the year</b>               | <b>2006<br/>£'000</b> | <b>2005<br/>£'000</b> |
|-----------|---|-----------------------|-----------------------|
|           | Current tax   |                       |                       |
|           | UK current taxation                                     | 710                   | -                     |
|           | Prior year utilisation of losses                        | (710)                 | -                     |
|           | <b>Total current tax (note 7b)</b>                      | <b>-</b>              | <b>-</b>              |
|           | Deferred tax  |                       |                       |
|           | Deferred tax for the year                               | 1,487                 | 1,190                 |
|           | Adjustment in respect of deferred tax for earlier years | 1,756                 | (164)                 |
|           | <b>Total deferred tax (note 12)</b>                     | <b>3,243</b>          | <b>1,026</b>          |
|           | <b>Tax on profit on ordinary activities</b>             | <b>3,243</b>          | <b>1,026</b>          |

| <b>7b</b> | <b>Factors affecting tax charge for the year</b>  | <b>2006<br/>£'000</b> | <b>2005<br/>£'000</b> |
|-----------|---|-----------------------|-----------------------|
|           | Profit/(loss) on ordinary activities before tax   | 1,213                 | (18,080)              |
|           | Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 364                   | (5,424)               |
|           | Effects of  |                       |                       |
|           | Depreciation in excess of capital allowances  | (310)                 | (1,425)               |
|           | Interest  | 656                   | 645                   |
|           | Losses surrendered for no consideration   | -                     | 6,204                 |
|           | Prior year utilisation of losses  | (710)                 | -                     |
|           | <b>Current tax charge for period</b>  | <b>-</b>              | <b>-</b>              |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

**8. Tangible fixed assets**

The movement in tangible fixed assets for the year was as follows

|                                    | <b>Building<br/>improvements<br/>&amp; fittings<br/>£'000</b> | <b>Assets in the course<br/>of construction<br/>£'000</b> | <b>Total<br/>£'000</b> |
|------------------------------------|---|---|------------------------|
| <b>COST</b>                        |   |   |                        |
| At 1 January 2006                  | 70,736  | 812   | 71,548                 |
| Additions                          | 2,088   | 2,618   | 4,706                  |
| Reclassification                   | (1,580)   | (2,465)   | (4,045)                |
| At 31 December 2006                | 71,244  | 965   | 72,209                 |
| <b>DEPRECIATION</b>                |   |   |                        |
| At 1 January 2006                  | 13,999  | -   | 13,999                 |
| Charge for the year                | 5,286   | -   | 5,286                  |
| At 31 December 2006                | 19,285  | -   | 19,285                 |
| Net book value at 31 December 2006 | 51,959  | 965   | 52,924                 |
| Net book value at 31 December 2005 | 56,737  | 812   | 57,549                 |

Included in cost is £2,176,000 (2005 £2,176,000) of capitalised interest

**9 Debtors**

The following amounts are included in debtors

|                                     | <b>2006<br/>£'000</b> | <b>2005<br/>£'000</b> |
|-------------------------------------|-----------------------|-----------------------|
| Amounts falling due within one year |                       |                       |
| Due from other group undertakings   | 55,371                | 12,672                |
| Other debtors                       | 4,365                 | 555                   |
|                                     | 59,736                | 13,227                |

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2006

**10. Cash at bank and in hand**

| The following amounts are included within cash at bank and in hand | <b>2006</b><br><b>£'000</b> | <b>2005</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| Cash at bank held by other group undertakings                      | 3,118                       | -                           |

**11. Creditors**

| The following amounts are included within creditors | <b>2006</b><br><b>£'000</b> | <b>2005</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Amounts falling due within one year                 |                             |                             |
| Due to other group undertakings                     | 48,042                      | 45,222                      |
| Short term borrowings by other group undertakings   | -                           | 994                         |
| Other creditors including taxation                  | 2,976                       | 2,690                       |
| Deferred income                                     | 1,270                       | 6,908                       |
|   | 52,288                      | 55,814                      |

**12. Provisions for liabilities and charges - Deferred Tax**

| Deferred tax provided in the accounts is as follows | <b>2006</b><br><b>£'000</b> | <b>2005</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Capital allowances                                  | 5,835                       | 5 339                       |
| Capitalised and unpaid interest                     | 534                         | (2,436)                     |
| Other timing differences                            | (223)                       | -                           |
|   | 6,146                       | 2,903                       |

| Deferred tax in respect of short term timing differences | <b>2006</b><br><b>£'000</b> | <b>2005</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| At 1 January   | 2,903                       | 1,877                       |
| Adjustments in respect of prior years                    | 1,756                       | (164)                       |
| Arising during the year                                  | 1,487                       | 1,190                       |
| Deferred Tax at 31 December                              | 6,146                       | 2,903                       |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

**13 Provisions for liabilities and charges – other provisions**

|  | <b>2006</b>  | <b>2005</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| The following amounts are included within provisions |              |              |
| Provision for onerous contracts                      |              |              |
| At 1 January 2006                                    | 51,434       | 53,125       |
| Utilised in the year                                 | (15,917)     | (19,340)     |
| Profit & Loss- Unwinding of discount                 | 758          | 921          |
| - Provision for the year                             | 2,474        | 16,728       |
| At 31 December 2006                                  | 38,749       | 51,434       |

The provision relates to the operating lease contract in respect of space, which is currently available for subletting, and is not expected to be fully occupied in the short term or has been let to third parties at below cost

**14 Called up share capital**

| The Company's share capital comprises                     | <b>2006</b>  | <b>2005</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Authorised  |              |              |
| 200,000,002 (2005 200,000,002) ordinary shares of £1 each | 200,000      | 200,000      |
| Allotted, called-up and fully paid                        |              |              |
| 190,000,002 (2005 130,000,002) ordinary shares of £1 each | 190,000      | 130,000      |

As part of its capitalisation to support ongoing operations the Company issued the following number of ordinary shares of £1 each for cash at par

On 21 December 2006 the issued ordinary share capital of the Company was increased by the allotment of 60,000,000 shares of £1 each for cash at par to the major shareholder, Citicorp Banking Corporation

**15. Reserves**

| The Company's reserves comprise | <b>Profit and loss Account</b> |              |
|---------------------------------|--------------------------------|--------------|
|                                 | <b>2006</b>                    | <b>2005</b>  |
|                                 | <b>£'000</b>                   | <b>£'000</b> |
| At 1 January 2005               | (169,375)                      | (150,269)    |
| Loss for the year               | (2,030)                        | (19,106)     |
| At 31 December 2005             | (171,405)                      | (169,375)    |



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

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**16. Contractual commitments and contingencies**

(a) Capital commitments

Capital commitments as at 31 December 2006 amounted to £4.7 million (2005: £5.5 million). The amounts mainly represent the fit out of a number of floors of the office building at Canary Wharf.

(b) Operating lease commitments

| At the year end the company had commitments to make the following payments during the next year under operating leases which expire | 2006<br>£'000 | 2005<br>£'000 |
|---|---------------|---------------|
| Over 5 years  | 49,544        | 48,311        |

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**17. Group structure**

The Company's immediate parent undertaking, and smallest group in which the Company is consolidated, is Citicorp Banking Corporation, a company incorporated in the State of Delaware, United States of America. The Company's ultimate parent company undertaking, and largest group in which the company is consolidated, is Citigroup Inc., incorporated in the State of Delaware, United States of America.

The audited consolidated financial statements of Citicorp Banking Corporation are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from its offices at One Penn's Way, New Castle, Delaware 19720, United States of America.

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 51, Brooklyn, New York, NY 11220.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2006

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**18 Directors' emoluments**

Directors' remuneration in respect of services to the Company was as follows

|  | <b>2006</b>  | <b>2005</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Salaries and benefits in kind                  | 63           | 54           |
| Contributions to money purchase pension scheme | 5            | 4            |
|  | <b>68</b>    | <b>58</b>    |

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Contributions to money purchase pension schemes are accruing to 2 (2005 4) of the Directors

The Directors of the Company participate in a parent company share plan. The Directors of the Company also participate in a parent company share option plan and, during the year, 1 (2005 1) of the Directors exercised options.