

**Pall Mall Finance Limited**  
**Directors' report and financial statements**

For the year ended 31 March 2011  
Registered number 5684084

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## **Directors' report**

*for the year ended 31 March 2011*

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

### **Principal activities and business review**

Pall Mall Finance Limited ("the Company") is an investment holding company whose principal objective is to make and manage investments. The Company purchased a 68.6% investment in Cabot Financial Group Limited by purchasing 171,505 ordinary shares on 7 April 2006. Cabot Financial Group Limited is the holding company of a debt purchasing group.

### **Results and dividend**

The Company made an after tax loss of £44,619,000 for the year ended 31 March 2011 (2010: loss of £15,722,000). The Company has net liabilities of £156,904,000 as at 31 March 2011, compared to a net liability position of £112,285,000 as at 31 March 2010.

The performance principally reflects an increased provision against the loan notes of Cabot Financial Limited, and the effect of interest payable to the parent company not matched by interest receivable from the loan notes which had been provided against. The combination of difficult trading conditions and the current credit environment has led the directors to conclude that the recoverability of interest accruing with investee companies continues to be impaired.

The directors do not propose to pay a dividend.

### **Going concern**

The directors have carefully considered the adoption of the going concern basis of preparation of the financial statements of the Company. Pall Mall Finance Limited continues to enjoy the support of its parent company in the form of funding provided to it and the directors consider that, the Company has access to sufficient funding to allow it to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

### **Future developments**

Subsequent to the year end, the Company entered into agreements with its parent and a subsidiary undertaking in relation to a waiver of portion of the Company's loan note investments and a portion of the loan notes issued by the Company to its parent. As a result of the agreements, an aggregate amount of £92,407,000 of principal within loan note investments and all loan note interest receivable was waived by the Company. At the same date, the Company's parent waived payment of an aggregate of £92,407,000 of principal under the loan note instruments issued by the Company and the full amount of interest payable then outstanding.

Following these transactions, the Company was able to satisfy its remaining obligations under its issued loan note instruments through the transfer of the remaining loan note investments held. As a result of these activities and the subsequent disposal of its equity investment, as of the date of this report the Company no longer holds any of the investments which were held at 31 March 2011.

The Company intends to continue to act as an investment holding company for the foreseeable future.

## **Directors' report**

*for the year ended 31 March 2011 (continued)*

### **Financial risk management**

The principal risk facing the business is the diminution of value of the investment. Additionally, the nature of the Company's operations expose it to a number of financial risks, primarily in relation to liquidity risk, credit risk and interest rate risk. The Company's business plan relies on obtaining long term borrowings from the parent company to fund the investments, including loan notes acquired.

Other risks facing the business are described below.

#### ***Credit risk***

The Company has implemented policies that require appropriate understanding of the expected returns on capital invested. The amount of exposure to any individual counterparty is subject to a limit which is reassessed should additional funding be requested. Impairment provisions are made, if appropriate, in the event of any adverse change in the counterparty credit risk.

#### ***Liquidity risk***

The Company has agreed that its funding requirements will be met from borrowing solely from its parent company and does not intend to utilise third party finance. The liquidity risk is managed with borrowings having a term matched with the loan note receivables. Investments are financed by share capital. The investment horizon period is expected to be 3-5 years.

#### ***Interest rate cash flow risk***

The Company has interest rate cash flow risk as it has interest bearing liabilities and interest earning assets. This risk is mitigated as the Company holds fixed rate interest earning assets and fixed interest bearing liabilities, with an agreement that interest is accrued but only payable on demand by the note-holder.

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

The directors who held office during the year, together with subsequent changes to the date of approval of these financial statements, were as follows:

Edward Green (appointed on 6 April 2011)  
Peter Cartwright (appointed on 6 April 2011)  
Peter Norris (resigned on 6 April 2011)  
John Soden (resigned on 6 April 2011)

### **Company secretary**

The Company secretary holding office during the year was:

Simon Cumming (resigned on 6 April 2011)

## **Directors' report**

*for the year ended 31 March 2011 (continued)*

### **Political and charitable donations**

The Company made no political contributions or donations to UK charities during the year (2010 £nil)

### **Principal place of business**

The Company is managed and controlled in the UK. The office of the Company and the location of board meetings throughout the year was 100 Pall Mall, London, SW1Y 5NN. The registered address of the Company during the year was Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. With effect from 14 April 2011, the registered address of the Company was changed to Two London Bridge, London SE1 9RA.

### **Statement of disclosure of information to auditors**

The directors confirm that

- (a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



**Edward Green**

*Director*

11 May 2012

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**


The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.



**Edward Green**

*Director*

11 May 2012

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PALL MALL FINANCE LIMITED**

We have audited the financial statements of Pall Mall Finance Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express our opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its losses for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

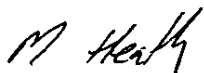
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**M Heath (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
11 May 2012

**Pall Mall Finance Limited**  
**Profit and loss account**

*for the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Investment income</b>	<b>3</b>	<b>-</b>	<b>-</b>
Administrative expenses		-	1
Provision for impairment of fixed asset investment	7	<b>(27,638)</b>	-
		<hr/>	<hr/>
<b>Operating (loss) / profit before interest and taxation</b>	<b>4</b>	<b>(27,638)</b>	<b>1</b>
Interest payable and similar charges	5	<b>(16,981)</b>	<b>(15,723)</b>
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(44,619)</b>	<b>(15,722)</b>
Taxation on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
<b>Loss for the year</b>	<b>12</b>	<b>(44,619)</b>	<b>(15,722)</b>
		<hr/> <hr/>	<hr/> <hr/>

The results above all relate to ordinary continuing activities

There is no difference between the loss on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalents

The Company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 10 to 18 form part of these financial statements



**Pall Mall Finance Limited**  
**Balance sheet**

*at 31 March 2011*

	<i>Note</i>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Fixed assets</b>			
Investments	7	<b>72,362</b>	100,000
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	8	-	-
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	9	<b>(32)</b>	<b>(32)</b>
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(32)</b>	<b>(32)</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>72,330</b>	<b>99,968</b>
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(229,234)</b>	<b>(212,253)</b>
		<hr/>	<hr/>
<b>Net liabilities</b>		<b>(156,904)</b>	<b>(112,285)</b>
		<hr/>	<hr/>
<b>Capital and reserves – equity</b>			
Called up share capital	11	<b>172</b>	172
Profit and loss account reserve	12	<b>(157,076)</b>	<b>(112,457)</b>
		<hr/>	<hr/>
<b>Total shareholder's funds</b>	13	<b>(156,904)</b>	<b>(112,285)</b>
		<hr/>	<hr/>

The notes on pages 10 to 18 form part of these financial statements

The financial statements on pages 8 to 18 were approved by the board of directors on 11 May 2012 and signed on its behalf by



**Edward Green**  
*Director*

## **Notes to the financial statements**

*for the year ended 31 March 2011*

### **1 Accounting policies**

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006, and with applicable Accounting Standards issued by the Accounting Standards Board. Under s400 of the Companies Act 2006 the Company is exempt from preparing consolidated accounts and this exemption has been taken.

The following paragraphs describe the main accounting policies.

#### ***Basis of preparation***

The directors have carefully considered the adoption of the going concern basis of preparation of the financial statements of the Company. Pall Mall Finance Limited continues to enjoy the support of its parent company in the form of funding provided to it and the directors consider that, the Company has access to sufficient funding to allow it to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

#### ***Investment income***

Investment income includes interest receivable on loan note receivables acquired from the underlying investee company as part of the financing provided relating to the acquisition of the fixed asset investment, less provisions made during the year for the diminution of value of interest receivable.

Investment income has been disclosed instead of turnover as this reflects more meaningfully the nature and the results of the Company's activities.

#### ***Taxation***

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Investments***

Debt securities, equity shares and other similar interests intended to be held for the long term or to maturity are treated as fixed asset investments, and are valued at cost less provision for permanent diminution in value.

The intention of holding each asset is regularly reviewed and if appropriate, the investment classification altered accordingly.

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**1 Accounting policies (continued)**

***Diminution***

Diminution provisions are recognised where, in the directors' opinion, the recoverable value of the investment is lower than cost and is expected to remain so for the long term

***Cashflow statement***

At the year end the Company was a wholly owned subsidiary of Citigroup Capital UK Limited and was included in the consolidated financial statements of Citigroup Capital Investments UK Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised 1996)

***Segmental reporting***

All significant business transactions concluded by the Company are conducted with companies that are resident in the UK and the directors are of the opinion that the Company's activities constitute a single business

**2 Directors' emoluments and employee information**

The directors received no emoluments in respect of their services to the Company during the year (2010: £nil)

No staff were employed by the Company during the year (2010: nil). All services are provided by group employees

**3 Investment income / (loss)**

	2011 £'000	2010 £'000
Investment income / (loss) represents		
Interest receivable from loan notes to group undertakings	23,331	21,149
Specific diminution provision against interest receivable	(23,331)	(21,149)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

## **Notes to the financial statements**

*for the year ended 31 March 2011 (continued)*

### **4 Operating profit / (loss) before interest and taxation**

Operating expenses are borne by fellow group companies. This includes the audit fee for the year ended 31 March 2011 of £15 000 (2010 £8,813)

### **5 Interest payable and similar charges**

	<b>2011</b> <b>£'000</b>	2010 £'000
Interest payable on loans from parent company	<b>16,981</b>	15,723

Refer to Note 10 for further details

### **6 Taxation on loss on ordinary activities**

	<b>2011</b> <b>£'000</b>	2010 £'000
UK Corporation tax on loss for the period	-	-
Factors affecting the current tax charge for the period		
Loss on ordinary activities before tax	<b>(44,619)</b>	(15,722)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 28%)	<b>(12,493)</b>	(4,402)
(Income) / expenses not chargeable / deductible for tax	<b>14,271</b>	5,922
Transfer pricing adjustment on interest payable	<b>(158)</b>	(154)
Transfer pricing adjustment on interest receivable	<b>(1,620)</b>	(1,366)
Current tax charge for the period	-	-

A deferred tax asset of £9 000 (2010 £9 000) has not been recognised as its recoverability from future taxable profit cannot be assessed with sufficient certainty. The standard rate of corporation tax changed in the UK from 28% to 26% with effect from 1 April 2011 although this had negligible impact on the deferred tax asset brought forward at that date.

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**7 Fixed asset investment**

	2011 £'000	2010 £'000
<b>Cost:</b>		
At 1 April	164,940	164,940
At 31 March	164,940	164,940
<b>Provision for diminution</b>		
At 1 April	(64,940)	(64,940)
Provision during the year	(27,638)	-
At 31 March	(92,578)	(64,940)
<b>Net book value</b>	72,362	100,000

The fixed asset investment includes an equity investment with a net book value of £1 (2010 £171,505) in the ordinary share capital of Cabot Financial Group Limited, an unlisted company registered in the UK. The equity investment's net book value is stated after a provision for diminution in value (2010 at cost) as a result of the Directors' assessment of realisable value of the shares. This net book value reflects the market value ascribed to the equity shares as part of a third party transaction concluded shortly after the balance sheet date.

Additionally, this investment comprises two loan notes with Cabot Financial Limited having a cost at 31 March 2011 and at 31 March 2010 as follows:

Maturity date			Interest rate on loan advanced	Loan balance £'000
31 December 2016	GBP	112,665,927	8%	112,666
31 December 2016	GBP	52,102,778	13%	52,102
				164,768

The loan notes were repayable in full on maturity in 2016 and were unsecured.

During the year to 31 March 2011, the provision for diminution in value of the fixed asset investment was increased by a total of £27,638,000 (2010 £nil). This reflects the lower realisable value of equity shares described above, and the value ultimately received for the loan note components which were disposed of subsequent to the year end after waiving a portion of the principal.

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**8 Debtors: amounts falling due after more than one year**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Amounts receivable from group undertakings	<b>97,003</b>	73,672
Less provision for impairment		
At 1 April	<b>(73,672)</b>	(52,523)
Charge for year	<b>(23,331)</b>	(21,149)
	<hr/>	<hr/>
At 31 March	<b>(97,003)</b>	(73,672)
	<hr/>	<hr/>
Net book value of amounts receivable from group undertakings	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>

Amounts receivable from group undertakings include interest receivable on the two loan notes with Cabot Financial Limited (see Note 7) and interest receivable on any related unpaid amounts of interest

**9 Creditors: amounts falling due within one year**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Amounts due to parent company	<b>32</b>	31
Accruals and deferred income	<b>-</b>	1
	<hr/>	<hr/>
	<b>32</b>	32
	<hr/>	<hr/>

Amounts due to parent company are unsecured and interest free

**10 Creditors: amounts falling due after more than one year**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Amounts due to parent company	<b>229,234</b>	212,253
	<hr/>	<hr/>

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**10 Creditors: amounts falling due after more than one year (continued)**

Analysis of the amounts due to parent company, comprising two loans, at 31 March 2011

Maturity date			Interest rate on loan advanced	Loan balance £'000
31 December 2016	GBP	115,768,705	8%	115,768
31 December 2016	GBP	49,000,000	8%	49,000
Accrued and deferred interest				64,466
				<u>229,234</u>

Amounts due to parent company are unsecured and repayable in 2016

Analysis of the amounts due to parent company, comprising two loans, at 31 March 2010

Maturity date			Interest rate on loan advanced	Loan balance £'000
31 December 2016	GBP	115,768,705	8%	115,768
31 December 2016	GBP	49,000,000	8%	49,000
Accrued and deferred interest				47,485
				<u>212,253</u>

**11 Called up share capital**

	2011 £'000	2010 £'000
<i>Authorised</i>		
200,000 Ordinary shares of £1 each	200	200
<i>Allotted, called up and fully paid</i>		
171,505 Ordinary shares of £1 each	172	172

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**12 Profit and loss account reserve**

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
At 1 April	(112,457)	(96,735)
Loss for the year	(44,619)	(15,722)
	<hr/>	<hr/>
At 31 March	<b>(157,076)</b>	<b>(112,457)</b>
	<hr/>	<hr/>

**13 Reconciliation of movements in shareholder's funds**

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
Shareholder's funds at 1 April	(112,285)	(96,563)
Loss for the year	(44,619)	(15,722)
	<hr/>	<hr/>
Shareholder's deficit at 31 March	<b>(156,904)</b>	<b>(112,285)</b>
	<hr/>	<hr/>

**14 Capital and other commitments**

The Company had no capital or other commitments not provided for at 31 March 2011 (2010: £nil)

**15 Contingent liabilities**

The Company had no contingent liabilities at 31 March 2011 (2010: £nil)

**16 Related party transactions**

As 100% of the Company's voting rights are held by Citigroup Capital UK Limited, the Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)



## **Notes to the financial statements**

*for the year ended 31 March 2011 (continued)*

### **17 Parent and controlling undertaking**

At 31 March 2011 the following were the Company's parent undertakings

<b>Name</b>	<b>Country of incorporation</b>	<b>Address from where group accounts are obtainable</b>
<i><b>Immediate Parent Company</b></i>		
Citigroup Capital UK Limited	United Kingdom	Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB
<i><b>Intermediate Holding Company</b></i>		
Citigroup Capital Investments UK Limited	United Kingdom	Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB
<i><b>Ultimate Parent Company</b></i>		
Citigroup Inc	United States	399 Park Avenue, New York NY10043

The parent undertaking of the smallest and largest group that presents consolidated financial statements including the results of the Company is Citigroup Capital Investments UK Limited, a company registered in England & Wales

Copies of the financial statements for Citigroup Capital Investments UK Limited are available from the Company Secretary at the above address. Copies of the financial statements for Citigroup Inc are available on request at the above address.

As noted below, the ownership of the Company changed during April 2011

### **18 Post Balance Sheet Events**

On 5 April 2011 the Company entered into waiver and amendment agreements with its parent company and with the issuer of its loan note investments in relation to a waiver of portion of the loan notes issued by the Company to its parent and a portion of the Company's loan note investments

As a result of the agreements, the Company waived payment of an aggregate amount of £92,407,000 of principal within the Company's loan note investments and all loan note interest receivable at 6 April 2011. This was in consideration of the parent company entering into agreements waiving an aggregate of £92,407,000 of principal under the loan note instruments issued by the Company and the full amount of interest payable then outstanding.

The net effect of the loan waiver transactions would be a cost to the company of the amount by which the waived interest receivable exceeded the waived interest payable. In the year-end balance sheet at 31 March 2011, the interest receivable had been fully provided against, and the principal of the loan investment had been impaired to its realisable value. Consequently the impact of the waiver transactions on the Company's operating result for the year to 31 March 2012 is the full amount of the interest and principal waived by the parent company. This will be income of approximately £156,872,000.

On 6 April 2011, Citigroup Capital UK Limited, the sole shareholder of the Company, transferred 100% of its holding in the Company to Calcium Holdings S a r l, a company incorporated in Luxembourg which became the new immediate parent undertaking with effect from that date. As part of the same transaction the new parent acquired all of the remaining loan notes issued by the Company.

## **Notes to the financial statements**

*for the year ended 31 March 2011 (continued)*

### **18 Post Balance Sheet Events (continued)**

On 6 April 2011, the Company transferred the remaining balance of its loan note investments to its new parent in full satisfaction of the amounts outstanding on its issued loan notes. The loan note instruments issued by the Company were cancelled and it was released from any further obligations.

On 3 June 2011, the board passed resolutions to dispose of the Company's holding of 171,505 B ordinary shares in Cabot Financial Group Limited to Calcium Holdings S a r l for consideration of £1. This equates to the carrying value of the shares at 31 March 2011.

Following the events described above, the company had no remaining investments and had no loans payable.