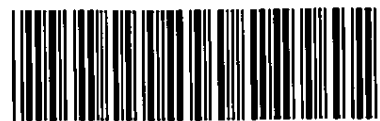


Pall Mall Finance Limited
Directors' report and financial statements

For the year ended 31 March 2009
Registered number 5684084

SATURDAY



A04 16/01/2010 385
COMPANIES HOUSE

Contents

Directors' report	3-5
Statement of directors' responsibilities	6
Auditors' report	7
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11-19

Directors' report

for the year ended 31 March 2009

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

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 a debt purchasing company.

Results and dividend

The Company made an after tax loss of £112,860,054 for the year ended 31 March 2009 (2008: profit of £4,095,122). The Company has net liabilities of £96,563,796 as at 31 March 2009, compared to a net asset position of £16,296,258 as at 31 March 2008.

The loss and net liability position arose as a result of a provision of £64,940,450 made against the loan notes issued by Cabot Financial Limited, and the provision of £52,523,087 made against interest receivable from the loan notes. Difficult trading conditions and the downturn in the current credit environment has led the directors to conclude that the recoverability of these loans has been 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 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

The Company intends to continue to act as an investment holding company for the foreseeable future. It is the intention of the directors to exit the existing investments over an appropriate period of time and to maximise realisable value for the shareholder.

Post balance sheet events

Following the sale of various Nikko group companies in Japan since the year end, Nikko Principal Investments Limited, the Company's immediate parent, changed its name on the 26 October 2009 to Citigroup Capital UK Limited.

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.

Directors' report

for the year ended 31 March 2009 (continued)

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:

Brian Berry	(resigned 8 May 2008)
Peter Gissel	(resigned 12 May 2008)
Simon Oakland	(resigned 15 May 2008)
John Beck	(appointed 15 May 2008)
Andrea Farace	(appointed 15 May 2008; resigned 5 June 2008)
Peter Norris	(appointed 4 June 2008)
John Soden	(appointed 4 June 2008)

Company secretary

The Company secretaries who held office during the year were:

John Beck	(resigned 3 April 2009)
Simon Cumming	(appointed 3 April 2009)

Directors' report

for the year ended 31 March 2009 (continued)

Political and charitable donations

The Company made no political contributions or donations to UK charities during the year (2008: £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. From 16 April 2009 the registered address of the Company was moved to Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The trading address remains as 100 Pall Mall, London, SW1Y 5NN.

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.

Auditors

PricewaterhouseCoopers resigned as auditors on 22 May 2009. KPMG Audit Plc was appointed on 22 May 2009.

By order of the board



Simon Cumming
Secretary to Pall Mall Finance Limited
Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB
18 December 2009

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).

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

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the 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.



John Soden

Director

18 December 2009

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 March 2009 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 6.

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 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.

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

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 March 2009 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 and Registered Auditors
London

22 December 2009

Pall Mall Finance Limited
Profit and loss account

for the year ended 31 March 2009

	<i>Note</i>	2009 £'000	2008 £'000
Investment (loss) / income	3	(98,284)	17,451
Administrative expenses		(17)	(7)
Operating (loss) / profit before interest and taxation	4	(98,301)	17,444
Interest payable and similar charges	5	(14,558)	(13,349)
(Loss) / profit on ordinary activities before taxation		(112,859)	4,095
Taxation on (loss) / profit on ordinary activities	6	-	-
Retained (loss) / profit for the year	12	(112,859)	4,095

The results above all relate to ordinary continuing activities.

There is no difference between the (loss) / profit on ordinary activities before taxation and the retained (loss) / profit 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 11 to 19 form part of these financial statements.


Pall Mall Finance Limited

Balance sheet

at 31 March 2009

	<i>Note</i>	2009 £'000	2008 £'000
Fixed assets			
Investments	7	100,000	164,940
Current assets			
Debtors: amounts falling due after more than one year	8	-	33,344
Creditors: amounts falling due within one year	9	(32)	(15)
Net current (liabilities) / assets		(32)	33,329
Total assets less current liabilities		99,968	198,269
Creditors: amounts falling due after more than one year	10	(196,531)	(181,973)
Net (liabilities) / assets		(96,563)	16,296
Capital and reserves – equity			
Called up share capital	11	172	172
Profit and loss account reserve	12	(96,735)	16,124
Total shareholder's funds	13	(96,563)	16,296

The financial statements on pages 9 to 19 were approved by the board of directors on 18 December 2009 and signed on its behalf by:


John Soden
Director

The notes on pages 11 to 19 form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2009

1 Accounting policies

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985, and with applicable Accounting Standards issued by the Accounting Standards Board. Under s228 of the Companies Act 1985 the Company is exempt from preparing consolidated accounts and this exemption has been taken.

The following paragraphs describe the main 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 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 investments held and 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

The investment was intended to be held on a long term basis or to maturity and is disclosed as fixed asset investment, which is included in the balance sheet at cost. Provision is made for permanent diminution in value.

The investment made by the Company was acquired with the intention of realising a target return within a 3 – 5 year investment horizon. However, as there is no intention to hold the investment for the long term, or with the purpose of obtaining a benefit commensurate with a parent/subsidiary relationship, the investment is treated as current asset investments and is valued at the lower of cost or net realisable value.

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

Notes to the financial statements

for the year ended 31 March 2009 (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. The recoverable value of the investment is calculated using a discounted cash flow of future recoverable amounts including, often, the sale of the investment. Forecast sales proceeds are estimated using forecast, current and historic earnings multiples, industry sector and Company performance data, and considering macroeconomic factors. Significant judgement on the part of the directors is required.

Cashflow statement

The Company is a wholly owned subsidiary of Citigroup Capital UK Limited (formerly Nikko Principal Investments Limited) and is included in the consolidated financial statements of Citigroup Capital Hold Co UK Limited (formerly NPIL Hold Co 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).

2 Directors' emoluments and employee information

The directors received no emoluments in respect of their services to the Company during the year (2008: £nil).

No staff were employed by the Company during the year (2008: nil). All services are provided by group employees.

3 Investment (loss) / income

	2009 £'000	2008 £'000
Investment (loss) / income represents:		
Permanent diminution of investment	(64,940)	-
Interest receivable from loan notes to group undertakings	19,179	17,451
Specific diminution provision against interest receivable	(52,523)	-
	<hr/>	<hr/>
	(98,284)	17,451
	<hr/>	<hr/>

Notes to the financial statements
for the year ended 31 March 2009 (continued)

4 Operating (loss) / profit before interest and taxation

	2009 £'000	2008 £'000
This is stated after charging :		
Auditors' remuneration (see below)	16	7
 Services provided by the Company's auditors and network firms		
During the year the Company obtained the following services from the Company's auditors and its associates		
Fees payable to the Company's auditors for audit services	8	-
 Services provided by the Company's previous auditors and network firms		
Fees payable to the Company's previous auditors for audit services	2	6
Fees payable to the Company's previous auditors and its associates for other services:		
Tax services	6	1
	<u>16</u>	<u>7</u>

The Company's previous auditors were PricewaterhouseCoopers.

5 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable on loans from parent company	<u>14,558</u>	<u>13,349</u>

Refer to Note 10 for further details.

Notes to the financial statements
for the year ended 31 March 2009 (continued)

6 Taxation on (loss) / profit on ordinary activities

	2009 £'000	2008 £'000
UK Corporation tax on (loss) / profit for the period	-	-
	<hr/>	<hr/>
Factors affecting the current tax charge for the period:		
(Loss) / profit on ordinary activities before tax	(112,859)	4,095
	<hr/>	<hr/>
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	(31,601)	1,229
Expenses not deductible for tax	32,890	-
Losses carried forward	5	2
Transfer pricing adjustment on interest payable	(164)	(246)
Transfer pricing adjustment on interest receivable	(1,130)	(985)
	<hr/>	<hr/>
Current tax charge for the period	-	-
	<hr/>	<hr/>

A deferred tax asset of £9k (2008: £4k) has not been recognized as its recoverability from future taxable profit cannot be assessed with sufficient certainty. The standard rate of corporation tax changed in the UK from 30% to 28% with effect from 1 April 2008 although this had negligible impact on the deferred tax asset brought forward.

Following a transfer pricing review carried out during the year, the basis of calculating the adjustments on loan interest has been amended and the comparative figures restated to be in accordance with this new basis. There was no effect on the previously reported tax charge as a consequence of the restatement.

Notes to the financial statements
for the year ended 31 March 2009 (continued)

7 Fixed asset investment

	2009 £'000	2008 £'000
Cost:		
At 1 April	164,940	164,940
At 31 March	164,940	164,940
Provision for diminution		
At 1 April	-	-
Charge for the period	(64,940)	-
At 31 March	(64,940)	-
Net book value	100,000	164,940

The fixed asset investment includes an equity investment of £171,505 (2008: £171,505) in Cabot Financial Group Limited which is stated at cost, and loan note investments from group undertakings with Cabot Financial Limited, comprising two loans, at 31 March 2009:

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 are repayable in full on maturity in 2016 and are unsecured.

Analysis of the loan note investments from group undertakings with Cabot Financial Limited, comprising two loans, at 31 March 2008:

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

Notes to the financial statements

for the year ended 31 March 2009 (continued)

8 Debtors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Amounts receivable from group undertakings	-	33,344

Amounts receivable from group undertakings are disclosed net of an impairment provision of £52,523,087 (2008: £nil).

9 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Amount due to parent company	23	6
Accruals and deferred income	9	9
	<u>32</u>	<u>15</u>

Amount due to parent company is unsecured and interest free.

10 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Amounts due to parent company	196,531	181,973

Analysis of the amounts due to parent company, comprising two loans, at 31 March 2009:

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				31,763
				<hr/> 196,531

Amounts due to parent company are unsecured and repayable in 2016.

Notes to the financial statements
for the year ended 31 March 2009 (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 2008:

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			17,205
			<u>181,973</u>

11 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
<i>Allotted, called up and fully paid</i>		
171,505 Ordinary shares of £1 each	<u>171,505</u>	<u>171,505</u>

12 Profit and loss account reserve

	2009 £'000	2008 £'000
At 1 April	16,124	12,029
Retained (loss) / profit for the year	<u>(112,859)</u>	<u>4,095</u>
At 31 March	<u>(96,735)</u>	<u>16,124</u>

Notes to the financial statements

for the year ended 31 March 2009 (continued)

13 Reconciliation of movements in shareholder's funds

	2009	2008
	£'000	£'000
Shareholder's funds at 1 April	16,296	12,201
(Loss) / profit for the year	(112,859)	4,095
	<hr/>	<hr/>
Shareholder's (deficit) / funds at 31 March	(96,563)	16,296
	<hr/>	<hr/>

14 Capital and other commitments

The Company had no capital or other commitments not provided for at 31 March 2009 (2008: £nil).

15 Contingent liabilities

The Company had no contingent liabilities at 31 March 2009 (2008: £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 2009 (continued)

17 Parent and controlling undertaking

Name	Country of incorporation	Address from where group accounts are obtainable
<i>Immediate Parent Company</i>		
Citigroup Capital UK Limited (formerly Nikko Principal Investments Limited)	United Kingdom	Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB
<i>Intermediate Holding Company</i>		
Citigroup Capital Hold Co UK Limited (formerly NPIL Hold Co Limited)	United Kingdom	Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB
<i>Ultimate Parent Company</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 Hold Co UK Limited, a company registered in England & Wales.

Copies of the financial statements for Citigroup Capital Hold Co 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.

18 Post balance sheet events

Following the sale of various Nikko group companies in Japan since the year end, Nikko Principal Investments Limited, the Company's immediate parent, changed its name on the 26 October 2009 to Citigroup Capital UK Limited.