

# CitiFinancial Holdings Limited

(Registered Number: 04276450)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

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# CITIFINANCIAL HOLDINGS LIMITED

## DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors present their Report and the audited financial statements of CitiFinancial Holdings Limited ("the Company") for the year ended 31 December 2016.

### Business environment

The Company is a wholly owned indirect subsidiary of Citigroup Inc. and acts as a holding company for other UK group subsidiary and associate investments operating within the consumer business. The business transacted in the Company falls under the reporting segment of Citi Holdings within Citigroup Inc., which incorporates the Local Consumer Lending businesses. Citigroup's strategy is to wind down Citi Holdings as soon as practicable in an economically rational manner.

### Consolidation

The Company has applied the exemption in section 401 of the Companies Act 2006 from the preparation of consolidated group accounts as the financial results of the Company and its subsidiary undertakings are included in the consolidated group accounts of Citigroup Inc. on a basis that is consistent with the financial reporting requirements of the Companies Act. As such, these financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of Citigroup Inc. within which the Company is included are available from the address stated in Note 13 – 'Parent companies'.

### Going concern basis

The financial statements have been prepared on a going concern basis taking into account the ultimate reliance on support from the Company's parent. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. In light of the Company's ultimate reliance on the support of the parent, readers may wish to refer to the risk factors impacting Citigroup Inc. from its 2016 annual report, on form 10-K at <http://www.citigroup.com/citi/investor/sec.htm>.

Further information relevant to the assessment is provided in the following sections of the financial statements:

- principal activities, strategic direction and challenges and uncertainties are described in the Strategic Report;
- a financial summary, including a review of the statement of comprehensive income and the statement of financial position, is provided in the financial results section; and

### Post Balance Sheet Events

On 30 January 2017, the existing share capital of the Company was reduced from £685,854,862, divided into 305,854,862 ordinary shares of £1 each and 380,000,000 convertible redeemable preference shares of £1 each, to £200, divided into 90 ordinary shares of £1 each and 110 convertible redeemable preference shares of £1 each, by cancelling and extinguishing 305,854,772 ordinary shares of £1 each which are registered in the name of CitiFinancial Corporation Limited ("CFCL"), and 379,999,890 convertible redeemable preference shares of £1 each which are registered in the name of Citibank Investments Limited ("CIL"); and the share premium account of the Company of £381,225 be cancelled, and that the amount of such reductions be and are hereby credited to the reserves of the Company.

On 20 February 2017, the Company executed a bonus issue using its surplus reserve involving the allotment and issue of 261,600,000 fully-paid ordinary shares of £1 each in the capital of the Company at par with no share premium to the existing shareholders of the Company.

On 20 February 2017, the existing share capital of the Company was reduced from £261,600,200, divided into 261,600,090 ordinary shares of £1 each and 110 convertible redeemable preference shares of £1 each, to £200, divided into 90 ordinary shares of £1 each and 110 convertible redeemable preference shares of £1 each, by cancelling and extinguishing 261,599,989 ordinary shares of £1 each which are registered in the name of CitiFinancial Corporation Limited and 11 ordinary shares of £1 each which are registered in the name of Citibank Investments Limited and that the amount of such reduction be and is hereby credited to the reserves of the Company.

# CITIFINANCIAL HOLDINGS LIMITED

## DIRECTORS' REPORT

for the year ended 31 December 2016

### Dividends

The Company paid a dividend of £nil (2015: £nil) during the year.

### Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, 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), including FRS 101 *Reduced Disclosure Framework*.

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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors

The Directors who held office at 31 December 2016 were:

G A Z Caspi  
S J Cumming

### Directors' indemnity

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

### Employees

There were no persons employed by the Company during the year and no persons have been employed by the Company since the year end.

### Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

# **CITIFINANCIAL HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

for the year ended 31 December 2016

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

The Company made charitable donations and political contributions of £nil during the year (2015: £nil).

### **Disclosure of information to auditor**

In accordance with section 418, Companies Act 2006 and subject to all the provisions of section 418, it is stated by the Directors who held office at the date of approval of this Directors' Report 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.

### **Auditor**

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board



**S J Cumming**  
Director

22 September 2017

Incorporated in England and Wales  
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB  
Registered Number: 04276450

# CITIFINANCIAL HOLDINGS LIMITED

## STRATEGIC REPORT

for the year ended 31 December 2016

The Directors present their Strategic Report of the Company for the year ended 31 December 2016.

### Overview and Principal activities

The Company is a wholly owned indirect subsidiary of Citigroup Inc. and acts as a holding company for other UK group subsidiary and associate investments operating within the consumer business. The business transacted in the Company falls under the reporting segment of Citi Holdings within Citigroup Inc., which incorporates the Local Consumer Lending businesses. Citigroup's strategy is to wind down Citi Holdings as soon as practicable in an economically rational manner.

### Business Review and financial results

The main challenge facing the Company is the recoverability of its investments in subsidiary undertakings and associate undertakings. During the year, the Company impaired its holdings in CitiFinancial Europe Limited ("CFE") and Canada Square Operations Limited ("CSOL") as the investment in these entities was no longer considered fully recoverable by the management of the Company. This resulted in a £80.2 million (2015: £64.1 million) impairment loss being recognised in the profit and loss account.

The Company made a loss after tax for the year of £80.2 million (2015: £64.1 million) which was driven by the impairment recognised on its investment in CFE and CSOL during the year.

### *The Company position as at 31 December 2016*

Total net assets of the Company amounted to £20.4 million (2015: £100.6 million). This decrease was driven by an increase in capital contributions paid by the Company to its investments in subsidiary undertakings (CFE), and associate undertaking (CSOL), and subsequent impairment.

On 25 February 2016, a capital contribution of £10 million was made by the Company to CFE.

On 22 April 2016 a capital contribution of £4.5 million was made by the Company to CSOL.

On 13 May 2016, a capital contribution of £15 million was made by the Company to CFE.

On 21 June 2016, a capital contribution of £13.6 million was made by the Company to CSOL.

On 15 September 2016, a capital contribution of £25 million was made by the Company to CFE.

On 21 September 2016, a capital contribution of £12 million was made by the Company to CSOL.

### Key Performance Indicators

The Company's Directors 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 global consumer group 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

The Company and its related entities continue to be faced with the ongoing uncertainty surrounding the United Kingdom economy combined with the numerous regulatory initiatives underway both in the United Kingdom and globally.

The mis-selling of PPI by financial institutions in the UK has been, and continues to be, the subject of intense review and focus by UK regulators, particularly the FCA. The FCA has found certain problems across the industry with how these products were sold, including customers not realising that the cost of PPI premiums was being added to their loan or PPI being unsuitable for the customer.

PPI is designed to cover a customer's loan repayments if certain events occur, such as long-term illness or unemployment. Prior to 2008, certain of Citi's legacy UK consumer finance businesses, including the Company's subsidiary, CFE, and the Company's associate, CSOL, engaged in the sale of PPI.

# CITIFINANCIAL HOLDINGS LIMITED

## STRATEGIC REPORT

for the year ended 31 December 2016

### Principal Risks (continued)

While Citi has completed the disposal of these businesses, and the remaining businesses are in the process of wind down, Citi generally remains subject to customer complaints for, and retains the potential liability relating to, the sale of PPI by these businesses.

During the fourth quarter of 2014, the UK Supreme Court issued a ruling in a case (Plevin) involving PPI pursuant to which the court ruled, independent of the sale of the PPI contract, the PPI contract at issue in the case was “unfair” due to the high sales commissions earned and the lack of disclosure to the customer thereof. During the fourth quarter of 2015, the FCA issued a consultation paper that proposed (1) a deadline for PPI complaints (both non-Plevin and Plevin complaints) of two years after the effective date of the final rules; (2) an FCA-led customer communications campaign in advance of the deadline, with bank funding of the campaign; and (3) a failure to disclose a sales commission of 50% or more would be deemed unfair when assessing a new PPI complaint and require a customer refund of the difference between the commission paid and 50%, plus interest.

In the first quarter of 2017 FCA announced final rules and guidance on PPI complaints. The new rule sets a deadline of 29 August 2019 by which consumers will need to make their PPI complaints or lose their right to have them assessed by firms or by the Financial Ombudsman Service. FCA-led consumer communications campaign will begin on 29 August 2017, the same time the deadline rule comes into force. There is a new fee rule on 18 firms to fund this consumer communications campaign, which came into force on 31 March 2017, with the first half of the fee collected one month later.

During 2016, CFE increased its PPI reserves by approximately £27.0 million, compared to an increase of £50.8 million during 2015 and CSOL increased its PPI reserves by approximately £95.1 million, compared to an increase of £84.6 million during 2015. The decrease in the CFE reserves was primarily due to the high level of claims paid in the year. The higher PPI provisions of CSOL in 2016 were driven by the continued elevated level of customer complaints driving PPI claim volumes.

The Company recognises the number of PPI complaints and any associated payments are subject to continued review and therefore the impact on the company could remain uncertain.

### Future Outlook

The Company expects the operating environment to remain challenging as its investments continue to manage and efficiently meet their legacy customer remediation liabilities, while minimising, as much as possible, any negative financial impact to its shareholders.

By Order of the Board



**S J Cumming**  
Director  
22 September 2017

Incorporated in England and Wales  
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB  
Registered Number: 04276450

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CITIFINANCIAL HOLDINGS LIMITED

We have audited the financial statements of CitiFinancial Holdings Limited for the year ended 31 December 2016 set out on pages 8 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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'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 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 3, 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the requirements of the Companies Act 2006.

### 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.



**Namrata Basker (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

15 Canada Square  
London  
E14 5GL

22 September 2017

# CITIFINANCIAL HOLDINGS LIMITED

## INCOME STATEMENT

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Amounts written off investments	7, 8	(80,150)	(64,120)
Operating expenses	5	(50)	-
<b>Loss on ordinary activities before taxation</b>		<u>(80,200)</u>	<u>(64,120)</u>
Taxation	6	-	-
<b>Loss for the year</b>		<u><u>(80,200)</u></u>	<u><u>(64,120)</u></u>

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

There was no other comprehensive income or losses for 2016 or 2015 other than those included in the Income Statement.



# CITIFINANCIAL HOLDINGS LIMITED

## BALANCE SHEET

as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	7	-	-
Investments in associate undertakings	8	-	-
<b>Current assets</b>			
Cash at bank and in hand		20,954	-
Amounts due from group undertakings	9	-	123,204
		<u>20,954</u>	<u>123,204</u>
<b>Current liabilities</b>			
Amounts falling due within one year	10	(589)	(22,639)
<b>Net current assets</b>		<u>20,365</u>	<u>100,565</u>
<b>Net assets</b>		<u>20,365</u>	<u>100,565</u>
<b>Capital and reserves</b>			
Called up share capital	11	685,855	685,855
Share premium account		381	381
Capital reserve		261,600	261,600
Profit and loss account		(927,471)	(847,271)
<b>Shareholders' funds</b>		<u>20,365</u>	<u>100,565</u>

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

The financial statements were approved by the Directors on 22 September 2017 and signed on their behalf by:



**S J Cumming**  
Director

Registered Number: 04276450

## CITIFINANCIAL HOLDINGS LIMITED

### STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total equity £'000
As at 1 January 2015	685,855	381	261,600	(783,151)	164,685
Profit for the financial year	-	-	-	(64,120)	(64,120)
As at 1 January 2016	<u>685,855</u>	<u>381</u>	<u>261,600</u>	<u>(847,271)</u>	<u>100,565</u>
Loss for the financial year	-	-	-	(80,200)	(80,200)
As at 31 December 2016	<u>685,855</u>	<u>381</u>	<u>261,600</u>	<u>(927,471)</u>	<u>20,365</u>

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

# CITIFINANCIAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

The accounting policies which have been applied consistently throughout the current and preceding year are set out below:

#### (a) Basis of presentation

The financial statements are prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Practice and the Companies Act 2006.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") from the beginning of the prior accounting period. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken exemption available under FRS 101 not to disclose all transactions with other group companies and investees of the group qualifying as related parties. It has also taken the exemption available under FRS 101 not to prepare a cash flow statement and the effects of new but not yet effective IFRSs.

As the Company does not meet the definition of financial institutions according to FRS 101, it has also taken advantage of the disclosure exemptions related to IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement.

The financial statements have been prepared in Pounds Sterling ("£"), which is the presentational and functional currency of the Company.

The financial statements have been prepared on a going concern basis taking into account the ultimate reliance on support from the Company's parent. The risks and uncertainties identified by the Company are discussed further in the Strategic Report on pages 5 to 6. Taking these risk factors into account the Directors acknowledge and accept the intent and ability of Citigroup to provide support to the Company if required and consequently present these financial statements on a going concern basis. Given the Company's ultimate reliance on the support of our parent, please refer to the risk factors impacting Citigroup Inc. from its 2016 annual report, on form 10-K at <http://www.citigroup.com/citi/investor/sec.htm>.

#### (b) Consolidation

As permitted under section 401 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company is a wholly owned subsidiary of the ultimate parent Citigroup Inc. which prepares consolidated financial statements under US GAAP. Citigroup Inc. makes its financial statements available to the public on a quarterly basis.

# **CITIFINANCIAL HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Principal accounting policies (continued)**

#### **(c) Investments in subsidiary and associate undertakings**

Investments in subsidiary undertakings and associate undertakings are stated in the Company's balance sheet at cost less any provision for impairment.

The Company assesses at each balance sheet date whether there is objective evidence that its investment in subsidiary and associate undertakings are impaired. Investments are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the investment and prior to the balance sheet date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the investment that can be reliably estimated. If it is considered that a loss event has occurred, an assessment of impairment is performed and an impairment loss recognised if the estimated future cash flows of the investments are less than the carrying value.

If, in a subsequent year, management consider that part or all of the impaired investment in subsidiary and associate undertakings become recoverable, the previously recognised impairment loss is reversed and is recognised in the income statement up to an amount not exceeding the original cost.

#### **(d) Taxation**

The charge for taxation is based on the taxable profits/losses 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 assets and liabilities are recognised for taxable and deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that there will be sufficient profits available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the balance sheet date.

### **2. Use of assumptions estimates and judgements**

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 year in which the estimate is revised and in any future years affected.

Further information about those areas where estimation, uncertainty and the application of critical judgements to accounting policies have the most significant effect on the amounts recognised in the financial statements are set out below.

#### **Impairment of investments in subsidiary and associate undertakings**

The Company considers, based on its best estimates and judgements, that the investments in subsidiary and associate undertakings are not recoverable. The Company has come to this view after reviewing the estimated carrying value of its future profits and cash flows and has decided that its subsidiary and associate undertakings will not be in a position to repay the investment.

# CITIFINANCIAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Auditor's remuneration

The auditor's remuneration of £8,970 (2015: £6,500) for these financial statements is borne and paid by CFE.

### 4. Directors' remuneration

Directors emoluments were £nil during the year in respect of their services to the Company (2015: £nil).

The Company had no employees throughout the current and preceding year.

### 5. Operating expenses

Operating expenses consist administrative expenses of £50,000 (2015: £nil).

### 6. Taxation

#### a) Tax on ordinary activities

There was no charge incurred during the year (2015: £nil).

#### b) Factors affecting tax charge for the year

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	(80,200)	(64,120)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 20.00% (2015: 20.25%)	(16,040)	(12,984)
Effects of:		
Expenses not deductible for tax purposes	16,040	12,984
Current tax for the year	-	-

# CITIFINANCIAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Taxation (continued)

The standard rate of Corporation Tax in the UK remained at 20% in 2016 and did not change on 1 April 2016. Finance Act 2016 provides that the corporation tax rate will reduce to 19% from 1 April 2017 and further to 17% from 1 April 2020.

### 7. Investments in subsidiary undertakings

The movement in investments in subsidiary undertakings was as follows:

	2016 £'000	2015 £'000
As at 1 January	-	-
Capital Contribution	50,000	37,000
Amounts written off investments	(50,000)	(37,000)
<b>As at 31 December</b>	<b>-</b>	<b>-</b>

During the year the Company performed impairment reviews on its investments in subsidiary undertakings.

Impairment is recognised when the recoverable amount of the investment falls below its carrying value. Recoverable amount is estimated as the amount the associate is expected to be able to repay upon disinvestment. Due to the fact that capital contributions have been made to fund potential future PPI liabilities, which continue to be subject to significant uncertainty, the Directors have fully written down the Company's investment in CFE.

The Company's investments in subsidiary undertakings at the balance sheet date were as follows:

Name of Company	Class of ordinary shares	Unit value	No of shares	Equity held	Nature of business	Country of incorporation
CitiFinancial Europe Limited	Ordinary	£1	279,102,650	100%	Consumer Finance	Citigroup Centre, Canada Square, Canary Wharf, London, England, E14 5LB
Future Mortgages 1 Limited	Ordinary	£1	500,000	100%	Dormant	Citigroup Centre, Canada Square, Canary Wharf, London, England, E14 5LB

# CITIFINANCIAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Investments in associate undertakings

	2016 £'000	2015 £'000
As at 1 January	-	-
Capital contribution	30,150	27,120
Amounts written off investments	(30,150)	(27,120)
<b>As at 31 December</b>	<b>-</b>	<b>-</b>

Impairment is recognised when the recoverable amount of the investment falls below its carrying value. Recoverable amount is estimated as the amount the associate is expected to be able to repay upon disinvestment. Due to the fact that capital contributions have been made to fund potential future PPI liabilities, which continue to be subject to significant uncertainty, the Directors have fully written down the Company's investment in CSOL.

Name of Company	Class of ordinary shares	Unit value	Equity held	Nature of business	Country of incorporation
Canada Square Operations Limited	Ordinary	£1	30%	Consumer Finance	Citigroup Centre, Canada Square, Canary Wharf, London, England, E14 5LB

Summarised aggregate financial information on associate:

	2016 £'000	2015 £'000
Assets	210,187	206,943
Liabilities	(190,641)	(190,445)
Loss for the year	96,952	106,935

### 9. Amounts due from group undertakings

	2016 £'000	2015 £'000
Amounts due from group undertakings	-	123,204

### 10. Amounts falling due within one year

	2016 £'000	2015 £'000
Amounts falling due within one year	589	22,639

# CITIFINANCIAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Called up share capital

	2016	2015
	£'000	£'000
<i>Allotted, called up and fully paid:</i>		
305,854,862 ordinary shares of £1 each	305,855	305,855
380,000,000 convertible redeemable preference shares of £1 each	380,000	380,000
	<u>685,855</u>	<u>685,855</u>

The preference shares pay a dividend of 1.0 per cent per annum and are non-cumulative. The dividend payment on the preference share ranks in priority to the ordinary shares for the time in issue. The preference shares shall not entitle the holders thereof to any further or other right of participation in the profits of the Company.

The preference shares can be converted into ordinary shares at the end of each quarter after 1 January 2010 with one preference share being equal to one ordinary share. The preference shares may be redeemed by the Company at any point after 1 January 2010 by giving a minimum of 1 month notice.

The preference shares contain the same voting rights as the ordinary shares.

### 12. Post balance sheet events

On 30 January 2017, the existing share capital of the Company was reduced from £685,854,862, divided into 305,854,862 ordinary shares of £1 each and 380,000,000 convertible redeemable preference shares of £1 each, to £200, divided into 90 ordinary shares of £1 each and 110 convertible redeemable preference shares of £1 each, by cancelling and extinguishing 305,854,772 ordinary shares of £1 each which are registered in the name of CitiFinancial Corporation Limited ("CFCL"), and 379,999,890 convertible redeemable preference shares of £1 each which are registered in the name of Citibank Investments Limited ("CIL"); and the share premium account of the Company of £381,225 be cancelled, and that the amount of such reductions be and are hereby credited to the reserves of the Company.

On 20 February 2017, the Company executed a bonus issue using its surplus reserve involving the allotment and issue of 261,600,000 fully-paid ordinary shares of £1 each in the capital of the Company at par with no share premium to the existing shareholders of the Company.

On 20 February 2017, the existing share capital of the Company was reduced from £261,600,200, divided into 261,600,090 ordinary shares of £1 each and 110 convertible redeemable preference shares of £1 each, to £200, divided into 90 ordinary shares of £1 each and 110 convertible redeemable preference shares of £1 each, by cancelling and extinguishing 261,599,989 ordinary shares of £1 each which are registered in the name of CitiFinancial Corporation Limited and 11 ordinary shares of £1 each which are registered in the name of Citibank Investments Limited and that the amount of such reduction be and is hereby credited to the reserves of the Company.



# **CITIFINANCIAL HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **13. Parent companies**

The Company's immediate parent undertaking is Citibank Investments Limited, registered at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Company's ultimate parent company and ultimate controlling party is Citigroup Inc., registered at 1209 Orange Street, Wilmington, New Castle, DE, 19810, United States of America.

The audited financial statements of the parent are made available to the public annually in accordance with Companies House regulations and may be obtained from its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

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 [www.citigroup.com/citi/corporategovernance/ar.htm](http://www.citigroup.com/citi/corporategovernance/ar.htm).