

Citi PD Plan Sponsor Limited

(Registered Number: 06482956)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2017



CITI PD PLAN SPONSOR LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2017

The Directors present their report and the financial statements of Citi PD Plan Sponsor Limited ("the Company") for the year ended 31 December 2017.

Principal activities and business review

The primary activity of the Company is to act as the interim sponsor of the P.D. Pension Plan.

The Trustees of the P.D. Pension Plan (the "Scheme") purchased an asset in the form of a bulk insurance policy with Paternoster UK Limited ("Paternoster") which matched the Scheme's Liabilities. The intention is that this asset (bulk insurance policy) will be used to buy annuities with Paternoster in each individual member's name. This will relieve any liability of the Scheme after which the Scheme can be wound up. Paternoster was transferred to Rothesay Life Limited, another UK FCA regulated insurance company in December 2011. The formal wind up process was triggered in December 2011.

On 4 June 2018 a deed poll was issued by Rothesay at the request of the Managers. Under its terms Rothesay assumed a direct obligation to each of the members of the Plan for the payment of their benefits and agreed to issue individual annuity policies accordingly. Under the terms of the individual policies, Rothesay will pay the pension benefits as they fall due, directly to members of the Plan.

The formal wind-up process has now been completed following the issue of the Deed Poll by Rothesay in June 2018. We expect the legal wind-up to be completed in the last quarter of 2018.

Going concern

As the Directors intend to liquidate the Company following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1 - *Accounting policies*.

Key performance indicators

The profit for the year, after taxation, amounted to £182,818 (2016: £477,210). The decrease in profit is attributable to a decrease in interest receivable on intercompany loans.

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 markets and banking 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.

Strategic Report

Section 414B of the Companies Act 2006 states that a company is entitled to the small companies exemption in relation to the strategic report for the financial year if it would be so entitled but for being a member of an ineligible group. As such, the Company has elected to exercise this exemption in relation to the preparation of a Strategic Report for this financial year.

Dividends

The Company did not pay an interim dividend during the year (2016: £nil) and the Directors do not recommend the payment of a final dividend in respect of the year (2016: £nil).

CITI PD PLAN SPONSOR LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2017

Directors

The Directors who held office during the year ended 31 December 2017 and since year end were:

D S J Minarik
M M Ruhdorfer

Employees

The Company had no employees during the current or preceding year. Services are provided to the Company by employees of other Citigroup companies.

Directors' indemnity

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

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 (United Kingdom 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. As explained in note 1 - *Accounting policies*, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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.

CITI PD PLAN SPONSOR LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2017

Charitable donations and political contributions

The Company made no charitable donations and political contributions or incurred any political expenditure during the year (2016: £nil).

Principal risks and uncertainties

The Directors review principal risk at least annually. Due to the completion of the formal wind-up process there are currently no risks or uncertainties. The legal wind-up is expected to be completed in the last quarter of 2018.

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

Pursuant to 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



M M Ruhdorfer
Director

26 September 2018

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
Registered Number: 06482956

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CITI PD PLAN SPONSOR LIMITED

Opinion

We have audited the financial statements of Citi PD Plan Sponsor Limited (“the company”) for the year ended 31 December 2017 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Directors’ report

The Directors are responsible for the Directors’ report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors’ report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors’ report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.
- the Directors were not entitled to take advantage of the small companies exemption or from the requirement to prepare a strategic report.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CITI PD PLAN SPONSOR LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

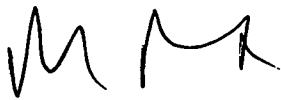
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, 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 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.



Paul Furneaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

26 September 2018

CITI PD PLAN SPONSOR LIMITED

INCOME STATEMENT

for the year ended 31 December 2017

	Note	2017 £	2016 £
Interest income		244,269	495,394
Net interest income		<u>244,269</u>	<u>495,394</u>
Administrative expenses	2	(17,879)	(18,184)
Profit before tax		<u>226,390</u>	<u>477,210</u>
Tax on profit	3	(43,572)	-
Profit for the financial period		<u><u>182,818</u></u>	<u><u>477,210</u></u>

There were no other recognised gains or losses during the year and hence no statement of total recognised gains and losses is presented.

The accompanying notes on pages 9 to 13 form an integral part of these financial statements.

CITI PD PLAN SPONSOR LIMITED

BALANCE SHEET

as at 31 December 2017

	Note	2017 £	2016 £
Current assets			
Debtors	4	48,102,305	47,858,108
Cash at bank and in hand		170,914	171,130
		<hr/>	<hr/>
		48,273,219	48,029,238
Creditors: amounts falling due within one year	5	(123,665)	(106,074)
Current tax liability		(43,572)	-
		<hr/>	<hr/>
Net assets		48,105,982	47,923,164
		<hr/>	<hr/>
Equity shareholders' funds			
Called up share capital	7	35,000,001	35,000,001
Profit and loss account		13,105,981	12,923,163
		<hr/>	<hr/>
Total shareholders' funds		48,105,982	47,923,164
		<hr/>	<hr/>

The accompanying notes on pages 9 to 13 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 September 2018.



M M Ruhdorfer
Director

Registered Number: 06482956

CITI PD PLAN SPONSOR LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital	Profit and loss account	Total
	£	£	£
Balance as at 1 January 2016	35,000,001	12,445,953	47,445,954
Total comprehensive profit for the year	-	477,210	477,210
Balance as at 31 December 2016 and 1 January 2017	35,000,001	12,923,163	47,923,164
Total comprehensive profit for the year	-	182,818	182,818
Balance as at 31 December 2017	35,000,001	13,105,981	48,105,982

The accompanying notes on pages 9 to 13 form an integral part of these financial statements.

CITI PD PLAN SPONSOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Basis of preparation of financial statements

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Due to the reasons detailed in note 6 – *Pensions*, the Directors intend to liquidate the Company following the settlement of the remaining net assets, therefore the Directors have not prepared the financial statements on going concern basis but on a net realisable value basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

The financial statements are prepared under the historical cost accounting rules.

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

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). 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 and Capital management disclosures.

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.

b) Net interest income

Interest income and expense on financial assets and liabilities are recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

c) Income taxes

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which the losses can be utilised.

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 suitable profits available against which these differences can be utilised.

CITI PD PLAN SPONSOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Error! Reference source not found.. Accounting policies (continued)

c) Income taxes (continued)

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. Deferred tax balances are not discounted.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current and deferred taxes are recognised as income tax benefit or expense in the income statement.

d) Pension

The Company accounts for pension costs in accordance with IAS 19 "Employee benefits". Insurance policies that exactly match the amount and timing of the benefits payable under the scheme are measured at the same amount as the related obligations. As insurance assets have been purchased to match the total obligation, the funded status of the defined benefits scheme is recognised on the balance sheet as £nil.

e) Loans and accounts receivables and payables

Loans and accounts receivables presented as loans and advances to banks on the Balance Sheet and are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest rate method. Accounts payables are measured at amortised cost using the effective interest rate method.

2. Administrative expenses

Included within administrative expenses is Auditor's remuneration as follows:

	2017	2016
	£	£
Auditor's remuneration:		
- fees payable for the audit of the annual statutory accounts	17,591	17,950

None of the Directors received any emoluments during the year in respect of their services to the Company (2016: £nil).

CITI PD PLAN SPONSOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017	2016
	£	£
Profit before tax	226,390	477,210
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	43,572	95,442
Effects of:		
Group relief for nil consideration	-	(95,442)
Current tax charge for the year	43,572	-

The main rate of corporation tax in the UK was reduced from 21% to 20% on 1 April 2015. 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.

4. Debtors

	2017	2016
	£	£
Amounts owed by group undertakings	48,102,305	47,858,108

Amounts owed by group undertakings represent loans that provide funding to other group companies.

5. Creditors: amounts falling due within one year

	2017	2016
	£	£
Amounts owed to group undertakings	123,665	106,074

CITI PD PLAN SPONSOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Pensions

The P.D. Pension Plan ("the Plan") was a funded pension scheme providing benefits on a final salary defined benefit basis. Citi PD Plan Sponsors Ltd replaced Powell Duffryn Ltd as the principal employer of the Scheme on 2 September 2008. On this date active membership of the Plan ceased and the Plan was closed to future accrual.

The Plan is now closed to new entrants and has no active members. On 2 April 2008 the Trustees of the Plan invested in a bulk annuity insurance policy with Paternoster UK Limited ("Paternoster") which matched the Plan's liabilities and secures the benefits of all Plan members. In 2009, an actuarial valuation recommended that no further contributions were required as the bulk annuity insurance policy with Paternoster covered all the Plan's liabilities and there were no further benefits accruing. Paternoster was transferred to Rothesay Life Limited ("Rothesay"), another UK FCA regulated insurance company on 14 December 2011.

On 4 June 2018 a deed poll was issued by Rothesay at the request of the Managers. Under its terms Rothesay assumed a direct obligation to each of the members of the Plan for the payment of their benefits and agreed to issue individual annuity policies accordingly. Under the terms of the individual policies, Rothesay will pay the pension benefits as they fall due, directly to members of the Plan.

The formal wind-up process has now been completed following the issue of the Deed Poll by Rothesay in June 2018. We expect the legal wind-up to be completed in the last quarter of 2018.

With effect from 19 December 2011, the formal wind up process of the Plan was triggered in accordance with the Plan Rules. In January 2012 the members and the Pensions Regulators were informed of this action.

The assets of the Plan are held separately from those of the Company, in a trustee administered fund. The Board of the Plan comprises of an independent Chairman, three Managers appointed by the Company and three Managers elected by the members. The Board of the Plan meet regularly to consider changes in policy which are necessary to reflect changes in legislation, the funding of the Plan and general pension scheme practice. It also monitors the management of the Plan's investments, the administration of the Plan and the wind up process.

The investments of the Plan are invested in accordance with The Occupational Pension Schemes (Investment) (Amendment) Regulations 2006.

In January 2017, the Plan had an estimated residual surplus in the Scheme of around £15 million. As a result of the allocation of the surplus in April 2017 to improve members' benefits, the value of the surplus assets is currently Nil.

Under the terms of the insurance policy with Rothesay Life, the insurance policy covers all of the obligations of the plan and hence the amount recognised on the balance sheet of the company is nil.

Following consultation with the Pension Regulator it was deemed that an actuarial valuation of the Plan was no longer deemed necessary after the Plan triggered the formal wind up process in December 2011. Furthermore, due to the purchase and associated terms and conditions of the insurance policy the Company is not considered to be exposed to any actuarial risk.

As per the recent communication provided by the trustee of the plan, it is anticipated that members will receive an individual annuity policy document in near future i.e. in the second half of 2018. Once all policies to individual members have been issued this will eliminate from the Company any further legal or constructive obligation for the benefits provided under the Plan. A contingent liability relating to the time period prior to policies being issued to individual members has been disclosed (see note 8 - *Contingent Liability* for further details).

The issuance of the individual policies to members is expected to be completed in the second half of 2018 and is considered to be the final legal formality to close the plan. The Directors believe that no further details around the assets and obligations of the Plan are necessary for a further understanding of the key risk characteristics of the Plan, the associated amounts recognised in its financial statements and any uncertainty on future cash flows.

CITI PD PLAN SPONSOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Share capital

	2017	2016
	£	£
Allotted, called up but not paid		
35,000,001 ordinary shares of £1 each	35,000,001	35,000,001

8. Contingent liability

Under a Framework Agreement (between the Company, the Trustees and Powell Duffryn Ltd) the Company entered into when it became sponsor of the P.D. Pension Plan, the Company committed to cover the cost of securing liabilities with an alternative provider in the event that Paternoster was 'in default' (as defined under FSCS rules) prior to completion of the buy out. Due to the completion of the formal wind-up process there are currently no contingent liability (2016: £35 million).

9. Ultimate parent company and parent companies

The Company's immediate parent undertaking is Citigroup Financial Products Inc., incorporated in United States of America. The audited financial statements of the immediate parent are available to the public annually and may be obtained from its registered office at 388 Greenwich Street, New York, New York, NY, 10013, United States.

The Company's ultimate parent company and ultimate controlling party is Citigroup Inc., incorporated in United States of America for which the audited consolidated financial statements are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from its registered office at 1209 Orange Street, Wilmington, New Castle, DE, 19810, United States of America and www.citigroup.com/citi/corporategovernance/ar.htm.