Pall Mall Directories Limited

Directors' report and financial statements

For the year ended 31 March 2007
Registered number 5355303

Contents

Directors' report

for the year ended 31 March 2007

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Principal activities and business review

Pall Mall Directories Limited ("the Company") is an investment holding company whose principal objective is to make and manage investments

The Company made an after tax loss of £4,587,493 for the year ended 31 March 2007 (2006 loss of £3,983,679 for the period 7 February 2005 to 31 March 2006)

The directors consider the results to be satisfactory given the nature of the investments made which are not expected to generate a return in the short term

Future developments

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

Dividend

The directors do not propose to pay a dividend

Post balance sheet events

On 9 May 2007, Citigroup Inc acquired a 61 08% stake in Nikko Cordial Corporation, a further 8% in June 2007, and is therefore regarded as the ultimate parent company at the date of signing these financial statements

Financial risk management

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 does not lend itself to matching borrowing terms to investment terms, as it involves borrowing from the parent company to fund investments with a three to five year investment horizon

The principal 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 The Company borrows solely from its parent company, and does not utilise external debt funding

Directors' report

for the year ended 31 March 2007 (continued)

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 by the borrowings being for a longer term than the expected term of the investments, as 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 but no interest earning assets This risk is mitigated as the Company has entered into fixed rate interest bearing liabilities, with an agreement that interest is accrued but only payable on demand by the note-holder

Foreign exchange risk

The Company has investments denominated in Euros and has matched this risk by also borrowing the full amount of the investment in Euros

Directors and directors' interests

The directors who held office during the period were as follows

Brian Berry	(appointed 9 February 2005)
Philip Busfield	(appointed 9 February 2005)
Simon Oakland	(appointed 6 May 2005)

According to the Register of Directors' Interests maintained under Section 325 of the Companies Act 1985, none of the directors had at the end of the financial period any interest pursuant to Section 324 of the Companies Act 1985 in the Company

In addition, according to the Register maintained under Section 325 of the Companies Act 1985, none of the Directors or any member of their respective immediate family (as defined in paragraph 2(B) (3) of Schedule VII of the Companies Act 1985) was granted or exercised during the financial period any right to subscribe for shares in or debentures of the Company

Company Secretary

The secretaries who held office during the period were

John Beck	(appointed 9 February 2005)

Directors' report

for the year ended 31 March 2007 (continued)

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

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

The directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for the dispensation from the annual appointment of auditors The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office

By order of the board

J R Beck

John Beck
Secretary to Pall Mall Directories Limited
100 Pall Mall
London
SW1Y 5NN
23 November 2007

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which 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 those financial statements, the directors are required to

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

The directors are responsible for maintaining proper accounting records which 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 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

Brian Berry
Director
23 November 2007

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

We have audited the financial statements of Pall Mall Directories Limited for the year ended 31 March 2007 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

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 Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 November 2007

Pall Mall Directories Limited
Profit and loss account

for the year ended 31 March 2007

	Note	2007 £'000	07 February 2005 to 31 March 2006 £'000
Administrative expenses		**(204)**	(330)
Other operating income		**131**	-
Operating loss before interest and taxation	*3*	**(73)**	(330)
Interest receivable and similar income		**-**	137
Interest payable and similar charges	*4*	**(4,514)**	(3,791)
Loss on ordinary activities before taxation		**(4,587)**	(3,984)
Taxation on loss on ordinary activities	*5*	**-**	-
Retained loss for the year	*10*	**(4,587)**	(3,984)

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 period s 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 16 form part of these financial statements

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Pall Mall Directories Limited
Balance sheet

at 31 March 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	6	**56,744**	58,467
Creditors: amounts falling due within one year	7	**(120)**	(105)
Net current liabilities		**(120)**	(105)
Total assets less current liabilities		**56,624**	58,362
Creditors. amounts falling due after more than one year	8	**(65,195)**	(62,346)
Net liabilities		**(8,571)**	(3,984)
Capital and reserves – Equity			
Called up share capital	9	**-**	-
Profit and loss account	10	**(8,571)**	(3,984)
Total shareholder's deficit	11	**(8,571)**	(3,984)

The financial statements on pages 8 to 16 were approved by the board of directors on 23 November 2007 and signed on its behalf by

Brian Berry
Director

The notes on pages 10 to 16 form part of these financial statements

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Notes to the financial statements

for the year ended 31 March 2007

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

The following paragraphs describe the main policies

Investment income

Investment income represents net profits and losses from disposals of investments less provisions made during the year for the diminution of value of investments held

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

In computing income in respect of debt and equity investments, interest income on loan notes and dividends on shares carrying an entitlement to a fixed amount or at a pre-determined rate are recognised in the period to which such income and dividends relate

Financing fees

Financing fees incurred in relation to raising loan note finance are capitalised and amortised to the profit and loss account over the term to maturity of the related debt Debt is shown in the balance sheet at the amount of the net proceeds received after deduction of the capitalised financing fees

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised to the extent that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

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 2007 (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling monthly and recorded at the rate of exchange ruling at the date of translation

Monetary assets and liabilities at the balance sheet date denominated in foreign currencies have been translated into sterling at the market rates of exchange at the balance sheet date and exchange differences are recognised in the profit and loss

Exchange gains and losses arising on the translation of foreign currency borrowings used to finance foreign currency equity investments at the balance sheet date are taken to reserves and offset against the corresponding exchange gains and losses arising on the equity investments

Cashflow Statement

The Company is a wholly owned subsidiary of Nikko Principal Investments Limited and is included in the consolidated financial statements of 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 period (2006 nil)

No staff were employed by the Company during the period (2006 nil) Services are rendered by group employees

3 Operating loss before interest and taxation

	2007 **£'000**	07 February 2005 to 31 March 2006 £'000
This is stated after charging		
Fees payable to the company's auditor and its associates for other services		
- the audit of the company pursuant to legislation	**6**	6
- tax services	**4**	-
Amortisation of capitalised financing fees	**190**	175

Notes to the financial statements
for the year ended 31 March 2007 (continued)

4 Interest payable and similar charges

	2007 £'000	07 February 2005 to 31 March 2006 £'000
Interest payable on loans from group undertakings	**4,514**	3,791

5 Tax on loss on ordinary activities

	2007 £'000	07 February 2005 to 31 March 2006 £'000
UK Corporation tax on profits for the period	-	-
Factors affecting the current tax charge for the period		
Loss on ordinary activities before tax	**(4,587)**	(3,984)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**(1,376)**	(1,195)
UK to UK transfer pricing adjustment	**1,411**	-
Disallowable legal and professional expenses	**2**	-
Group relief utilised for no payment	**(37)**	1,195
Current tax charge for the period	-	-

Notes to the financial statements

for the year ended 31 March 2007 (continued)

6 Fixed asset investments

	2007	2006
	£000	£000
Cost·		
At 1 April	**58,467**	-
Additions	**-**	57,034
Foreign Currency Revaluation	**(1,723)**	1,433
At 31 March	**56,744**	58,467

The investment represents an 11 3% shareholding in European Directories SA and is stated at cost The investment consists of a portfolio of shares and convertible zero coupon 2015 loan notes

7 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Amount due to group undertakings	**113**	99
Accruals	**7**	6
	120	105

Notes to the financial statements

for the year ended 31 March 2007 (continued)

8 Creditors: amounts falling due after more than one year

	2007	2006
	£000	£'000
Amounts due to group undertakings	**65,195**	62,346

Analysis of amount due to Group undertakings 31 March 2007

	EUR	GBP
	€'000	£'000
Loan	87,067	58,992
Accrued and deferred interest		8,096
Less Unamortised capitalised financing fees		(1,893)
		65,195

The amounts due to Group undertakings are unsecured and are repayable on 31 March 2017 Interest is accrued at 7% per annum and is payable on demand

9 Called up share capital

	2007	2006
	£	£
Authorised		
100 Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
1 Ordinary share of £1 each	**1**	1

Notes to the financial statements
for the year ended 31 March 2007 (continued)

10 Profit and loss account reserve

	2007 £000	2006 £000
1 April	**(3,984)**	-
Retained loss for the year	**(4,587)**	(3,984)
At 31 March	**(8,571)**	(3,984)

11 Reconciliation of movements in shareholder's funds

	2007 £000	2006 £000
Shareholder's funds at 1 April	**(3,984)**	-
Share capital issued	-	-
Loss for the year	**(4,587)**	(3,984)
Shareholder's funds at 31 March	**(8,571)**	(3,984)

12 Capital and other commitments

The Company had no capital or other commitments not provided for at 31 March 2007 (2006 nil)

13 Contingent liabilities

The Company had no contingent liabilities at 31 March 2007 (2006 nil)

14 Related party transactions

As 100% of the Company's voting rights are held by Nikko Principal Investments 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)

15 Post balance sheet events

On 9 May 2007, Citigroup Inc acquired a 61 08% stake in Nikko Cordial Corporation, a further 8% in June 2007, and is therefore regarded as the ultimate parent company at the date of signing these financial statements

Notes to the financial statements
for the year ended 31 March 2007 (continued)

16 Parent and controlling undertaking

Name	**Country of Registration or incorporation**	**Address from where group accounts are obtainable**
Immediate Parent Company		
Nikko Principal Investments Limited	United Kingdom	100 Pall Mall, London, SW1Y 5NN
Intermediate Holding Company		
NPIL Hold Co Limited	United Kingdom	100 Pall Mall, London, SW1Y 5NN
Ultimate Parent Company to 9 May 2007		
Nikko Cordial Corporation	Japan	6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo 103-8825 Japan
Ultimate Parent Company from 9 May 2007		
Citigroup Inc	United States	399 Park Avenue, New York NY10043

The parent undertaking of the smallest group of undertakings that presents consolidated financial statements including the results of the Company is NPIL Hold Co Limited, a company registered in England & Wales

Nikko Cordial Corporation, a Company incorporated in Japan, has the beneficial ownership of the entire shareholding of NPIL Hold Co Limited as at 31 March 2007 On 9 May 2007, Citigroup Inc acquired a 61 08% stake in Nikko Cordial Corporation, a further 8% in June 2007, and is therefore regarded as the ultimate company at the date of signing these financial statements

Copies of the financial statements for NPIL Hold Co Limited are available from the Company Secretary at the above address Copies of the financial statements for Nikko Cordial Corporation are available on request from Nikko Cordial Corporation at the above address