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**CITIGROUP GLOBAL MARKETS  
INTERNATIONAL LLC**

**AND SUBSIDIARY UNDERTAKINGS**

*FC*

**Company No. 17421  
Branch No. 1079**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2007**

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**Citigroup Global Markets International LLC**

**CONSOLIDATED PROFIT & LOSS ACCOUNT (Unaudited)**  
for the year ended 31 December 2007

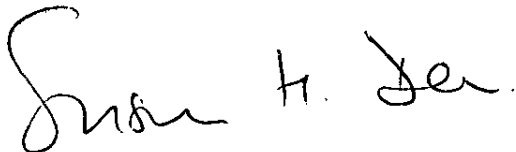
|   | Notes | 2007<br>\$ Million | 2006<br>\$ Million |
|---|-------|--------------------|--------------------|
| Net dealing income  |       | -                  | (1)                |
| Interest receivable   | 3     | 11                 | 7                  |
| Interest payable  | 3     | -                  | (1)                |
| <b>Gross profit</b>   |       | <u>11</u>          | <u>5</u>           |
| Other income  |       | -                  | 3                  |
| <b>Operating profit</b>   |       | <u>11</u>          | <u>8</u>           |
| Share of associate's (loss)/ profit                             | 7(b)  | (175)              | 50                 |
| Operating (loss)/ profit on ordinary activities before taxation |       | <u>(164)</u>       | <u>58</u>          |
| Tax on (loss)/ profit on ordinary activities                    | 5     | (2)                | (1)                |
| <b>(Loss)/ profit for the financial year</b>                    | 14    | <u>(166)</u>       | <u>57</u>          |

All results are derived from continuing operations.

**Citigroup Global Markets International LLC**  
**CONSOLIDATED BALANCE SHEET (Unaudited)**  
as at 31 December 2007

|   | Notes | 2007<br>\$ Million | 2006<br>\$ Million |
|---|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |       |                    |                    |
| Investments   | 7(b)  | 1,837              | 371                |
| <b>Current assets</b>                                 |       |                    |                    |
| Debtors   | 9     | 223                | 212                |
| Investments   | 8     | -                  | 27                 |
| Cash held by third parties                            |       | 3                  | 5                  |
|   |       | 226                | 244                |
| <b>Creditors: Amounts falling due within one year</b> | 10    | (70)               | (97)               |
| <b>Net current assets</b>                             |       | 156                | 147                |
| <b>Net assets</b>                                     |       | <u>1,993</u>       | <u>518</u>         |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Called up share capital                               | 12    | 501                | 501                |
| Capital reserve                                       | 13    | 2,412              | 771                |
| Profit and loss account                               | 13    | (920)              | (754)              |
| <b>Shareholders' funds</b>                            | 14    | <u>1,993</u>       | <u>518</u>         |

The financial statements on pages 1 to 14 were approved by the Board of Members on 29 January 2009 and were signed on their behalf by:



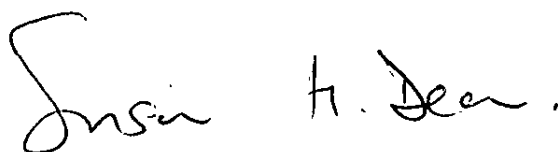
S. H. Dean

Director

**Citigroup Global Markets International LLC**  
**PARENT COMPANY BALANCE SHEET (Unaudited)**  
as at 31 December 2007

|   | Notes | 2007<br>\$ Million | 2006<br>\$ Million |
|---|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |       |                    |                    |
| Investments   | 7(a)  | 1,650              | 184                |
| <b>Current assets</b>                                 |       |                    |                    |
| Debtors   | 9     | 219                | 204                |
| <b>Creditors: Amounts falling due within one year</b> | 10    | <u>(68)</u>        | <u>(62)</u>        |
| <b>Net current assets</b>                             |       | 151                | 142                |
| <b>Net assets</b>                                     |       | <u>1,801</u>       | <u>326</u>         |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Called up share capital                               | 12    | 501                | 501                |
| Capital reserve                                       | 13    | 2,406              | 765                |
| Profit and loss account                               | 13    | (1,106)            | (940)              |
| <b>Shareholders' funds</b>                            | 14    | <u>1,801</u>       | <u>326</u>         |

The financial statements on pages 1 to 14 were approved by the Board of Members on 29 January 2009 and were signed on their behalf by:



S. H. Dean  
Director

## **Citigroup Global Markets International LLC**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2007

#### **1. Principal activity**

Citigroup Global Markets International LLC ("the Company") was incorporated on 26 April 1993 in the State of Delaware, United States of America, and established a registered branch in England under Schedule 21A to the Companies Act 1985. Its principal activity is to act as an intermediate holding company.

#### **2. Principal accounting policies**

The principal accounting policies, set out below, have been applied consistently throughout the current year and the preceding year, except for the following changes:

- FRS 26 'Financial Instruments: Recognition and Measurement' the recognition and derecognition rules; and
- FRS 29 'Financial Instruments; disclosures'.

##### **(a) Basis of presentation**

The financial statements have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom and the Companies Act 1985.

The financial statements have been prepared in US Dollars, which is the functional currency of the Group, and any reference to \$ in these financial statements refers to US Dollars.

In accordance with the revised FRS 1, the Group has not prepared a cash flow statement. The Group's results are consolidated in the financial statements of its ultimate parent company, Citigroup Inc., which are made available to the public annually.

Under the subsidiary undertakings exemption of FRS 8, the Group is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

##### **(b) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings to 31 December 2007 unless otherwise stated. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230 (4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

## Citigroup Global Markets International LLC

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2007

#### 2. Principal accounting policies (continued)

##### (c) Financial Instruments

###### *Trading assets*

Financial instruments that have been acquired principally for the purpose of selling in the near term are classified as "held for trading". Trading assets are initially recognised at fair value on trade date and subsequently remeasured at fair value. Unrealised gains and losses from changes in fair value are reported in the Profit and Loss Account as net dealing income.

Financial assets classified as "held for trading" are the current asset investments.

###### *Loans and receivables*

Loans and accounts receivables are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest rate method. Liabilities are measured at amortised cost using the effective interest rate method.

###### *Determination of fair value*

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market value in an active market.

##### (d) Trading income

Net dealing income includes gains and losses relating to financial instruments that are "held for trading" or designated at fair value, and includes all realised and unrealised fair value changes and foreign exchange differences.

##### (e) Fixed asset investments

Fixed asset investments, including subsidiary undertakings and associates, are stated in the Company's balance sheet at cost less any write down for diminution in value regarded as permanent.

##### (f) Taxation

Corporation tax is recognised on taxable profits/losses at the current rate. Deferred taxation, calculated on the liability method at the rate at which the liability is likely to be paid, is provided to take account of timing differences arising from the different treatment of certain items for taxation purposes and for financial statement purposes. No deferred taxation is provided on those differences where, in the opinion of the Directors, it is probable that they will not reverse. The tax benefits arising from group relief are recognised in the financial statements.

## Citigroup Global Markets International LLC

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2007

#### 2. Principal accounting policies (continued)

##### (g) Foreign currency

The Company and Group's presentation and functional currency is US Dollars.

##### *Group and Company*

Monetary assets and liabilities denominated in currencies other than US dollars have been translated into US dollars using the year end spot exchange rates. Non-monetary assets and liabilities, denominated in currencies other than US dollars have been translated at the relevant historical exchange rates. Transactions in foreign currencies are translated into US dollars at rates of exchange approximating those at transaction date. Any exchange profits and losses are taken to the profit and loss account as incurred.

##### *Group*

Exchange differences arising from the re-translation of opening net investments in subsidiary undertakings at year end exchange rates and from translation of the results of those subsidiaries at average rates are taken to reserves.

#### 3. Interest receivable and interest payable

|   | 2007<br>\$ Million | 2006<br>\$ Million |
|---|--------------------|--------------------|
| Interest receivable comprises:                  |                    |                    |
| Interest on loans to other group undertakings   | <u>11</u>          | <u>7</u>           |
|   | <u>11</u>          | <u>7</u>           |
| Interest payable comprises:                     |                    |                    |
| Interest on loans from other group undertakings | <u>-</u>           | <u>(1)</u>         |
|   | <u>-</u>           | <u>(1)</u>         |

#### 4. (Loss)/ profit on ordinary activities before taxation

|  | 2007<br>\$ Million | 2006<br>\$ Million |
|--|--------------------|--------------------|
| (Loss)/ profit on ordinary activities before taxation include: |                    |                    |
| Auditors' remuneration   |                    |                    |
| - Fees payable for the audit of the annual statutory accounts  | 0.03               | 0.03               |

The Company has no employees. All employees of the Group are employed by Citigroup Global Markets Limited and Citibank N.A.

**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**5. Tax on (loss)/profit on ordinary activities**

**(a) Analysis of tax charge in the year:**

|  | <b>2007</b>       | <b>2006</b>       |
|--|-------------------|-------------------|
|  | <b>\$ Million</b> | <b>\$ Million</b> |
| Current tax:   |                   |                   |
| UK corporation tax   | (3)               | (1)               |
| Adjustment in respect of corporation tax for earlier years | 1                 | -                 |
|  | <hr/>             | <hr/>             |
| Total current tax (note 5(b))                              | (2)               | (1)               |
|  | <hr/>             | <hr/>             |
| Tax on (loss)/profit on ordinary activities                | <u>(2)</u>        | <u>(1)</u>        |

**(b) Factors affecting tax charge for the year:**

|  | <b>2007</b>       | <b>2006</b>       |
|--|-------------------|-------------------|
|  | <b>\$ Million</b> | <b>\$ Million</b> |
| (Loss)/profit on ordinary activities before tax  | <hr/> (164)       | <hr/> 58          |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 49                | (17)              |
| Effects of:  |                   |                   |
| Expenses not deductible for tax purposes   | -                 | 1                 |
| Consolidation adjustment: associate's (loss)/ profit   | (52)              | 15                |
| Adjustments to tax charge in relation to previous years  | 1                 | -                 |
|  | <hr/>             | <hr/>             |
| Current tax charge for year  | <u>(2)</u>        | <u>(1)</u>        |



**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**6. Directors' emoluments**

The Company's Directors remuneration in respect of services to the Group was as follows:

|                      | 2007<br>\$'000 | 2006*<br>\$'000 |
|----------------------|----------------|-----------------|
| Aggregate emoluments | 8              | 8               |

The contributions to the money purchase pension schemes are accruing to one of the Directors (2006: one). The Directors of the Company participate in a parent company share plan. One of the Directors of the Company participates in a parent company share option plan and during the year one Director exercised options (2006: two).

The emoluments of the highest paid Director were \$7,544 (2006: \$8,072\*). During the year the highest paid Director did not exercise share options.

\* Restated to be consistent with previous years.

**7. Fixed asset investments**

**Company**

**(a) Investment in associate and subsidiary undertakings:**

|                               | 2007<br>\$ Million | 2006<br>\$ Million |
|-------------------------------|--------------------|--------------------|
| At 1 January                  | 184                | 544                |
| Capital contribution          | 1,641              | 5                  |
| Impairment provision          | (175)              | (365)              |
| Net book value at 31 December | <u>1,650</u>       | <u>184</u>         |

The Groups principal subsidiary undertakings, all of which are registered in England and Wales unless otherwise specified, are set out below. A schedule of all interests in subsidiary undertakings will be attached to the Company's Annual Return to the Registrar of Companies.

| Company                             | Class of shares | % holding in ordinary share capital | Principal activity                        |
|-------------------------------------|-----------------|-------------------------------------|---|
| Cheapside Holdings (Jersey) Limited | Ordinary        | 100%                                | Holding Company<br>(registered in Jersey) |
| Tanneryle Limited                   | Ordinary        | 100%                                | Funding Company                           |

**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**7. Fixed asset investments (continued)**

**(b) Investment in associate undertaking (continued)**

**Group**

The group's share of net assets in the associate comprises:

|  | 2007<br>\$ Million | 2006<br>\$ Million |
|--|--------------------|--------------------|
| Fixed assets                             | 25                 | 6                  |
| Current assets                           | 78,452             | 33,298             |
| Liabilities due within one year          | (74,855)           | (32,782)           |
| Liabilities due after more than one year | (1,796)            | (147)              |
| Provisions for liabilities and charges   | (16)               | (6)                |
| Net pension asset                        | 27                 | 2                  |
|  | <u>1,837</u>       | <u>371</u>         |
| Share of associate's (loss)/ profit      | <u>(175)</u>       | <u>50</u>          |

| <b>Group</b>   | <b>Proportion of voting shares<br/>held by the Company</b> | <b>Principal activity</b> |
|--|--|---------------------------|
| Citigroup Global Markets Europe Limited<br>("CGMEL") | 35.22%<br>(Effective interest 22.15%)                      | Holding company           |

**8. Current asset investments**

| <b>Group</b>  | 2007<br>\$ Million | 2006<br>\$ Million |
|---------------|--------------------|--------------------|
| Trading asset | -                  | <u>27</u>          |

On 2 February 2007 the Group sold its current asset investment in GLG Equities Long Short – CI for €20,644,000.

**9. Debtors**

The following amounts are included in debtors:

|                                      | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | 2007<br>\$ Million | 2006<br>\$ Million | 2007<br>\$ Million | 2006<br>\$ Million |
| Amounts falling due within one year: |                    |                    |                    |                    |
| Due from other group undertakings    | 9                  | 13                 | 5                  | 5                  |
| Due from associated undertakings     | 214                | 197                | 214                | 197                |
| Group relief                         | -                  | 2                  | -                  | 2                  |
|                                      | <u>223</u>         | <u>212</u>         | <u>219</u>         | <u>204</u>         |

**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**10. Creditors**

The following amounts are included in creditors:

|                                      | <b>Group</b>      |                   | <b>Company</b>    |                   |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                      | <b>2007</b>       | <b>2006</b>       | <b>2007</b>       | <b>2006</b>       |
| Amounts falling due within one year: | <b>\$ Million</b> | <b>\$ Million</b> | <b>\$ Million</b> | <b>\$ Million</b> |
| Due to other group undertakings      | 12                | 44                | 10                | 9                 |
| Due to associated undertakings       | 56                | 52                | 56                | 52                |
| Corporation tax                      | 2                 | 1                 | 2                 | 1                 |
|                                      | <b>70</b>         | <b>97</b>         | <b>68</b>         | <b>62</b>         |

**11. Financial instruments and risks**

The Group holds financial instruments for operational purposes. The financial instruments held for trading are held as part of portfolios which are maintained and monitored by instrument or risk type.

The Group's approach to risk management is described below:

*Operational risk*

The operational risks of the Group are subject to periodic reviews by Citi Internal Audit and risk and control self-assessment reviews conducted by management.

*Credit risk*

The Group is exposed to credit risk to the extent that counterparties to financial instruments fail to discharge their obligations and the Group incurs a financial loss. The Group monitors and limits its exposure to credit risk through the application of Citi policies and procedures in relation to credit.

*Market Risk*

The following table shows the earlier of contractual re-pricing and maturity terms for each category of financial asset and liability. Positions may not be reflective of those in subsequent periods. In addition, significant variation in interest rate sensitivity may exist within the re-pricing periods presented and amount the currencies in which the Company has interest rate positions.

| <b>Group</b>                     | <b>Trading or non-interest bearing</b> | <b>3 months or less</b> | <b>1-5 years</b>  | <b>Total</b>      |
|----------------------------------|--|-------------------------|-------------------|-------------------|
|                                  | <b>\$ Million</b>                      | <b>\$ Million</b>       | <b>\$ Million</b> | <b>\$ Million</b> |
| <b>2007</b>                      |  |                         |                   |                   |
| <b>Assets</b>                    |  |                         |                   |                   |
| Cash                             | -                                      | 3                       | -                 | 3                 |
| Debtors:                         |  |                         |                   |                   |
| Due from group undertakings      | 5                                      | 4                       | -                 | 9                 |
| Due from associated undertakings | 24                                     | 190                     | -                 | 214               |
| <b>Total assets</b>              | <b>29</b>                              | <b>197</b>              | <b>-</b>          | <b>226</b>        |
| <b>Liabilities</b>               |  |                         |                   |                   |
| Creditors:                       |  |                         |                   |                   |
| Due to group undertakings        | 2                                      | 10                      | -                 | 12                |
| Due to associated undertakings   | 56                                     | -                       | -                 | 56                |
| <b>Total liabilities</b>         | <b>58</b>                              | <b>10</b>               | <b>-</b>          | <b>68</b>         |

**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**11. Financial instruments and risks (continued)**

| <b>Group</b>                     | <b>Trading or<br/>non-interest<br/>bearing<br/>\$ Million</b> | <b>3 months<br/>or less<br/>\$ Million</b> | <b>1-5 years<br/>\$ Million</b> | <b>Total<br/>\$ Million</b> |
|----------------------------------|---|--|---------------------------------|-----------------------------|
| <b>2006</b>                      |   |  |                                 |                             |
| <b>Assets</b>                    |   |  |                                 |                             |
| Cash                             | -   | 5  | -                               | 5                           |
| Current asset investments        | 27  | -  | -                               | 27                          |
| <b>Debtors:</b>                  |   |  |                                 |                             |
| Due from group undertakings      | 11  | 2  | -                               | 13                          |
| Due from associated undertakings | 21  | 176  | -                               | 197                         |
| <b>Total assets</b>              | <b>59</b>   | <b>183</b>                                 | <b>-</b>                        | <b>242</b>                  |
| <b>Liabilities</b>               |   |  |                                 |                             |
| <b>Creditors:</b>                |   |  |                                 |                             |
| Due to group undertakings        | 4   | 40   | -                               | 44                          |
| Due to associated undertakings   | 52  | -  | -                               | 52                          |
| <b>Total liabilities</b>         | <b>56</b>   | <b>40</b>                                  | <b>-</b>                        | <b>96</b>                   |

**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**11. Financial instruments and risks (continued)**

Current asset investments classified as "held for trading" are shown within 'Trading or non-interest bearing' which management believes most accurately reflects the short term nature of the trading activities.

*Fair values of financial instruments*

In the normal course of its operations, the Group enters into various financial instruments involving forward settlement. As discussed in Note 2(c), financial instruments are recorded at fair value or amortised cost.

In both 2007 and 2006, the Group carrying values of all financial assets and liabilities was substantially the same as the fair value.

Financial instruments 'held for trading' are priced with reference to a quoted market price for those instruments.

Given the short term nature and characteristics of amounts due to and from other Group and Associate companies, fair value has been assumed to be equivalent to carrying value.

**12. Called-up share capital**

The Company's share capital comprises:

|  | <b>2007</b>       | <b>2006</b>       |
|--|-------------------|-------------------|
|  | <b>Number</b>     | <b>Number</b>     |
| Authorised:                              |                   |                   |
| Class A Stock, without par value         | 1,000,000         | 1,000,000         |
| Class B Stock, without par value         | 25,000            | 25,000            |
| Class C Stock, without par value         | 31,327            | 31,327            |
| Class D Stock, without par value         | 20,402            | 20,402            |
|  | <u>1,076,729</u>  | <u>1,076,729</u>  |
|  |                   |                   |
|  | <b>2007</b>       | <b>2006</b>       |
|  | <b>\$ Million</b> | <b>\$ Million</b> |
| Allotted and issued:                     |                   |                   |
| 980,140 Class A Stock, without par value | <u>501</u>        | <u>501</u>        |

**Citigroup Global Markets International LLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**13. Reserves**

| <b>Group</b>                | <b>Capital<br/>reserve<br/>\$ Million</b> | <b>Profit &amp;<br/>loss account<br/>\$ Million</b> | <b>Total<br/>\$ Million</b> |
|-----------------------------|---|---|-----------------------------|
| Balance at 1 January 2007   | 771                                       | (754)   | 17                          |
| Capital contribution        | 1,641                                     | -   | 1,641                       |
| Profit for the year         | -   | (166)   | (166)                       |
| Balance at 31 December 2007 | <u>2,412</u>                              | <u>(920)</u>  | <u>1,492</u>                |

| <b>Company</b>              | <b>Capital<br/>reserve<br/>\$ Million</b> | <b>Profit &amp;<br/>loss account<br/>\$ Million</b> | <b>Total<br/>\$ Million</b> |
|-----------------------------|---|---|-----------------------------|
| Balance at 1 January 2007   | 765                                       | (940)   | (175)                       |
| Capital contribution        | 1,641                                     | -   | 1,641                       |
| Loss for the year           | -   | (166)   | (166)                       |
| Balance at 31 December 2007 | <u>2,406</u>                              | <u>(1,106)</u>                                      | <u>1,300</u>                |

**14. Reconciliation of movements in shareholder's funds**

|                        | <b>Group<br/>2007<br/>\$ Million</b> | <b>Company<br/>2007<br/>\$ Million</b> |
|------------------------|--------------------------------------|--|
| Balance at 1 January   | 518                                  | 326                                    |
| Capital contribution   | 1,641                                | 1,641                                  |
| Loss for the year      | (166)                                | (166)                                  |
| Balance at 31 December | <u>1,993</u>                         | <u>1,801</u>                           |

## **Citigroup Global Markets International LLC**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** for the year ended 31 December 2007

#### **15. Post balance sheet events**

On 19 December 2008 the Company received a capital contribution of \$698,412,677 from Citigroup Financial Products Inc ('CFPI'). On the same day a capital contribution of \$698,412,677 was made by the Company to CGMEL.

On 29 December 2008 the Company received a capital contribution of \$279,365,071 from CFPI. On the same day a capital contribution of \$279,365,071 was made by the Company to CGMEL.

#### **16. Group structure**

The Company's immediate parent undertaking is CFPI, registered in the State of Delaware, United States of America. The Company's parent company and ultimate controlling party is Citigroup Inc., incorporated in the State of Delaware, United States of America.

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 Citigroup Document Services, 140 58th Street, Suite 51, Brooklyn, New York, NY 11220.