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**CITIGROUP GLOBAL MARKETS  
INTERNATIONAL LLC  
AND SUBSIDIARY UNDERTAKINGS**

**Company No. FC017421  
Branch No. BR001079**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2011**

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# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)

for the year ended 31 December 2011

	Notes	2011 \$ Million	2010 \$ Million
Interest receivable	2	1	1
Dividend income	6	-	891
Operating expenses	3	-	-
<b>Operating profit</b>		1	892
Profit on disposal of investment	6	3	-
Share of associate's loss	6	(153)	(784)
Operating (loss)/profit on ordinary activities before taxation		(149)	108
Tax charge on ordinary activities	4	-	-
<b>(Loss)/profit for the financial year</b>		<b>(149)</b>	<b>108</b>

The accompanying notes on pages 4 to 11 form an integral part of these financial statements

There are no recognised gains or losses other than the profit for the year

All results are derived from continuing operations

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## CONSOLIDATED BALANCE SHEET (Unaudited)

as at 31 December 2011

	Notes	2011 \$ Million	2010 \$ Million
<b>Fixed assets</b>			
Investments	6	2,411	2,389
<b>Current assets</b>			
Debtors amounts falling due within one year	7	211	211
<b>Current liabilities</b>			
Creditors amounts falling due within one year	8	(20)	(24)
<b>Net current assets</b>		<u>191</u>	<u>187</u>
<b>Net assets</b>		<u>2,602</u>	<u>2,576</u>
<b>Capital and reserves</b>			
Called up share capital	10	501	501
Capital reserve	11	2,901	2,726
Profit and loss account	11	(800)	(651)
<b>Total shareholder's funds</b>		<u>2,602</u>	<u>2,576</u>

The accompanying notes on pages 4 to 11 form an integral part of these financial statements

The financial statements on pages 1 to 11 were approved by the Directors on 31 January 2012 and were signed on their behalf by



D I Sharland  
Director

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC


## COMPANY BALANCE SHEET (Unaudited)

as at 31 December 2011

	Notes	2011 \$ Million	2010 \$ Million
<b>Fixed assets</b>			
Investments	6	2,411	2,683
<b>Current assets</b>			
Debtors amounts falling due within one year	7	211	211
<b>Current liabilities</b>			
Creditors amounts falling due within one year	8	(20)	(28)
<b>Net current assets</b>		<u>191</u>	<u>183</u>
<b>Net assets</b>		<u>2,602</u>	<u>2,866</u>
<b>Capital and reserves</b>			
Called up share capital	10	501	501
Capital reserve	11	2,895	2,720
Profit and loss account	11	(794)	(355)
<b>Total shareholder's funds</b>		<u>2,602</u>	<u>2,866</u>

The accompanying notes on pages 4 to 11 form an integral part of these financial statements

The financial statements on pages 1 to 11 were approved by the Directors on 31 January 2012 and were signed on their behalf by

*Daniel Sharland*  


D I Sharland  
Director

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 1. Principal accounting policies

#### (a) Basis of presentation

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

The principal accounting policies, set out below, have been applied consistently throughout the current and preceding year.

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.

As permitted by FRS 1, 'Cash Flow Statements', 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, 'Related Party Disclosures', 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 2011 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.

No profit and loss account is presented for the Company, as permitted by Section 408 of the Companies Act 2006.

#### (c) Financial instruments

##### *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) 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.

#### (e) 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 (Unaudited)

### 1. Principal accounting policies (continued)

#### (f) 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 recorded using the rate of exchange at the date of the transaction. 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.

### 2. Interest receivable

	2011 \$ Million	2010 \$ Million
Interest receivable on loans to other group undertakings	<u>1</u>	<u>1</u>

### 3. Operating expenses

Audit fees of \$13,439 (2010: \$12,534) payable to the Group's auditor for the audit of the Group's annual accounts were borne by another group company.

The Group has no employees, services to the Group are provided by employees of other group entities.

### 4. Tax on profit on ordinary activities

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

	2011 \$ Million	2010 \$ Million
<b>Current tax:</b>		
UK corporation tax	-	-
Total current tax (Note 4(b))	<u>-</u>	<u>-</u>

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 4. Tax on profit on ordinary activities (continued)

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

	2011 \$ Million	2010 \$ Million
(Loss)/profit on ordinary activities before tax	<u>(149)</u>	<u>108</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	(39)	30
Effects of		
Dividend income not taxable	-	(249)
Expenses not deductible for tax purposes	(2)	-
Group relief for nil consideration	-	-
Consolidation adjustment associate's loss	41	219
Current tax charge for year	<u>-</u>	<u>-</u>

The main rate of corporation tax for the year beginning 1 April 2011 was reduced from 28% to 26% in the Finance Bill 2011. The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the Group's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge accordingly.

The weighted average corporate tax rate for 2011 was 26.5% (2010 28%).

### 5. Directors' remuneration

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

	2011 \$ '000	2010 \$ '000
Aggregate emoluments	<u>20</u>	<u>9</u>

Contributions to the money purchase pension schemes are accruing to none of the Directors (2010 one). The Directors of the Company participate in a parent company share plan. Two of the Directors (2010 two) of the Company participate in a parent company share option plan and during the year none of the Directors exercised options (2010 none).

The emoluments of the highest paid Director were \$16,542 (2010 \$5,629). During the year the highest paid Director did not (2010 did not) exercise any share options.

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 6 Fixed asset investments

#### (a) Investment in associate undertaking

##### Group

The Group's share of net assets in the associate comprises

	2011 \$ Million	2010 \$ Million
Fixed assets	52	53
Current assets	70,402	61,128
Current liabilities	(67,003)	(57,910)
Liabilities after one year	(1,038)	(880)
Provision for liabilities and charges, net of pension assets	(2)	(2)
	<u>2,411</u>	<u>2,389</u>
Share of associate's loss	<u>(153)</u>	<u>(784)</u>

##### Company

	2011 \$ Million	2010 \$ Million
At 1 January	2,683	2,832
Capital contribution	175	-
Write down in investments	(447)	(149)
At 31 December	<u>2,411</u>	<u>2,683</u>

Name of associate	Proportion of voting shares held by the Company	Principal activity
Citigroup Global Markets Europe Limited ("CGMEL")	34.92% (Effective interest 22.86%)	Holding company

During 2010 the Company received a dividend of \$891 million from CGMEL

#### (b) Investment in subsidiary undertaking

The Group's and Company's subsidiary undertaking, which is registered in England and Wales, is 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. The net carrying value of the investment in the subsidiary of the Group and Company was \$nil (2010: \$nil).

Name of subsidiary	Class of shares	% holding in ordinary share capital	Principal activity
Tanneryle Limited	Ordinary	100%	Funding Company

Cheapside Holdings (Jersey) Limited was dissolved on 5 September 2011. The Group recognised a profit of \$3 million on the disposal.



# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 7. Debtors amounts falling due within one year

	Group and Company	
	2011	2010*
	\$ Million	\$ Million
Due from other group undertakings	3	4
Due from associated undertakings	208	207
	<u>211</u>	<u>211</u>

\*restated to be consistent with current year's presentation

### 8. Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	\$ Million	\$ Million	\$ Million	\$ Million
Due to other group undertakings	7	10	7	14
Due to associated undertakings	13	14	13	14
	<u>20</u>	<u>24</u>	<u>20</u>	<u>28</u>

### 9. 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 tables on the following page show 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 Group has interest rate positions.

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 9. Financial instruments and risks (continued)

Group and Company	Trading or non- interest bearing \$ Million	3 months or less \$ Million	Total \$ Million
<b>2011</b>			
Debtors			
Due from group undertakings	3	-	3
Due from associated undertakings	15	193	208
<b>Total financial assets</b>	<b>18</b>	<b>193</b>	<b>211</b>
Creditors			
Due to group undertakings	-	7	7
Due to associated undertakings	13	-	13
<b>Total financial liabilities</b>	<b>13</b>	<b>7</b>	<b>20</b>
<b>Group</b>	<b>Trading or non- interest bearing \$ Million</b>	<b>3 months or less* \$ Million</b>	<b>Total \$ Million</b>
<b>2010</b>			
Debtors			
Due from group undertakings	4	-	4
Due from associated undertakings	18	189	207
<b>Total financial assets</b>	<b>22</b>	<b>189</b>	<b>211</b>
Creditors			
Due to group undertakings	3	7	10
Due to associated undertakings	-	14	14
<b>Total financial liabilities</b>	<b>3</b>	<b>21</b>	<b>24</b>
<b>Company</b>	<b>Trading or non- interest bearing \$ Million</b>	<b>3 months or less* \$ Million</b>	<b>Total \$ Million</b>
<b>2010</b>			
Debtors			
Due from group undertakings	4	-	4
Due from associated undertakings	18	189	207
<b>Total financial assets</b>	<b>22</b>	<b>189</b>	<b>211</b>
Creditors			
Due to group undertakings	7	7	14
Due to associated undertakings	-	14	14
<b>Total financial liabilities</b>	<b>7</b>	<b>21</b>	<b>28</b>

\*restated to be consistent with current year's presentation

#### *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 1 (c), financial instruments are recorded at fair value or amortised cost.

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.

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 10. Called-up share capital

	2011 Number	2010 Number
<b>Authorised:</b>		
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>
	2011 \$ Million	2010 \$ Million
<b>Alloted and issued.</b>		
980,140 Class A Stock, without par value	<u>501</u>	<u>501</u>

### 11. Reserves

Group	Capital reserve \$ Million	Profit and loss account \$ Million	Total \$ Million
At 1 January 2011	2,726	(651)	2,075
Capital contribution received	175	-	175
Loss for the year	-	(149)	(149)
At 31 December 2011	<u>2,901</u>	<u>(800)</u>	<u>2,101</u>
	Capital reserve \$ Million	Profit and loss account \$ Million	Total \$ Million
<b>Company</b>			
At 1 January 2011	2,720	(355)	2,365
Capital contribution received	175	-	175
Loss for the year	-	(439)	(439)
At 31 December 2011	<u>2,895</u>	<u>(794)</u>	<u>2,101</u>

On 2 May 2011 the Company received a capital contribution from Citigroup Financial Products Inc of \$175 million. On the same day the Company paid a capital contribution of \$175 million to CGMEL.

# CITIGROUP GLOBAL MARKETS INTERNATIONAL LLC

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 12. Reconciliation of movements in shareholder's funds

	Group		Company	
	2011 \$ Million	2010 \$ Million	2011 \$ Million	2010 \$ Million
Balance at 1 January	2,576	3,341	2,866	2,996
Capital contribution received	175	-	175	-
Dividends paid	-	(873)	-	(873)
(Loss)/profit for the year	(149)	108	(439)	743
Balance at 31 December	<u>2,602</u>	<u>2,576</u>	<u>2,602</u>	<u>2,866</u>

### 13. Group structure

The Company's immediate parent undertaking is Citigroup Financial Products Inc, registered in the State of Delaware, United States of America. The Company's 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 [www.citigroup.com/citi/corporategovernance/ar.htm](http://www.citigroup.com/citi/corporategovernance/ar.htm)