

**CITIGROUP GLOBAL MARKETS  
INTERNATIONAL LLC  
(formerly SALOMON INTERNATIONAL LLC)**

**AND SUBSIDIARY UNDERTAKINGS**

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2002**



**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

**CONSOLIDATED PROFIT & LOSS ACCOUNT (Unaudited)**  
for the year ended 31 December 2002

	Notes	2002 \$ Million	2001 \$ Million
Net revenue	2c	420	499
Commission income and fees	2c	1,511	1,845
Interest receivable and similar income	3	2,328	2,603
Interest payable	3	(2,269)	(2,585)
<b>GROSS PROFIT</b>		1,990	2,362
Net operating expenses	4	(2,178)	(2,562)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(188)	(200)
Tax on loss on ordinary activities		12	12
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(200)	(188)
Minority interests	17	5	5
<b>LOSS FOR THE YEAR</b>		(195)	(183)

**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

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**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (Unaudited)**  
for the year ended 31 December 2002

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	Notes	2002 \$ Million	2001 \$ Million
Loss attributable to members of the parent Company		(195)	(183)
Exchange difference on retranslation of net assets of subsidiary undertakings	16	-	(10)
Total recognised losses relating to the year		(195)	(193)

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**RECONCILIATION OF SHAREHOLDERS' FUNDS**

	2002 \$ Million	2001 \$ Million
Total movements during the year	(195)	(193)
Shareholders' funds at 1 January	(591)	(398)
Shareholders' funds at 31 December	(786)	(591)

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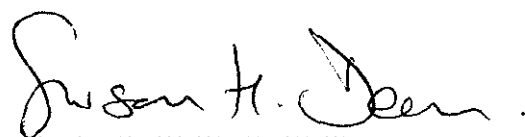
**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

**CONSOLIDATED BALANCE SHEET (Unaudited)**

as at 31 December 2002

	Notes	2002 \$ Million	2002 \$ Million	2001 \$ Million	2001 \$ Million
<b>FIXED ASSETS</b>					
Tangible fixed assets	7		48		60
<b>CURRENT ASSETS</b>					
Debtors	9	92,744		62,202	
Investments	10	30,348		24,883	
Cash at bank and in hand	11	823		1,560	
		123,915		88,645	
<b>CREDITORS: Amounts falling due within one year</b>	12	123,496		86,741	
<b>NET CURRENT ASSETS</b>			419		1,904
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			467		1,964
<b>CREDITORS: Amounts falling due after more than one year</b>	12		550		1,832
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14		-		15
<b>NET (LIABILITIES) / ASSETS</b>			(83)		117
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		501		501
Capital reserve	16		771		771
Profit and loss account	16		(2,058)		(1,863)
<b>EQUITY SHAREHOLDERS' FUNDS</b>			(786)		(591)
<b>MINORITY NON-EQUITY INTERESTS</b>	17		703		708
<b>TOTAL CAPITAL EMPLOYED</b>			(83)		117

The financial statements on pages 1 to 22 were approved by the Board of Managers on and were signed on their behalf by:

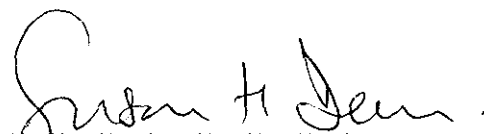
  
.....  
S.H. Dean

**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

**PARENT COMPANY BALANCE SHEET (Unaudited)**  
as at 31 December 2002

	Notes	2002 \$ Million	2002 \$ Million	2001 \$ Million	2001 \$ Million
<b>FIXED ASSETS</b>					
Investments	8		635		635
<b>CURRENT ASSETS</b>					
Debtors	9	101		98	
Cash at bank and in hand – 3 <sup>rd</sup> Party		-		-	
		101		98	
<b>CREDITORS: Amounts falling due within one year</b>	<b>12</b>	<b>34</b>		<b>33</b>	
<b>NET CURRENT LIABILITIES</b>			<b>67</b>		<b>65</b>
<b>NET ASSETS</b>			<b>702</b>		<b>700</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		501		501
Capital reserve	16		765		765
Profit and loss account	16		(564)		(566)
<b>SHAREHOLDERS' FUNDS</b>			<b>702</b>		<b>700</b>

The financial statements on pages 1 to 22 were approved by the Board of Managers on  
and were signed on their behalf by:

  
.....  
S.H. Dean

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2002

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**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, all of which have been applied consistently throughout the current year and the preceding year, are set out below:

(a) Basis of presentation

The financial statements have been prepared under the historical cost convention, except for current asset investments, contractual commitments and foreign exchange transactions which are stated at fair value (as defined in Note 2(d) below) at the balance sheet date. The financial statements have been prepared in US Dollars and in accordance with accounting standards applicable in the United Kingdom. Any reference to \$ in these financial statements, unless otherwise stated, refers to US Dollars.

In accordance with the revised Financial Reporting Standard ("FRS") 1, the Group has not prepared a cash flow statement.

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the parent company and all its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or up to the date on which control passed. Acquisitions are accounted for under the acquisition method and goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired was previously written off against reserves. On disposal of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal. The Company's accounting policy is to amortise goodwill on any future acquisitions over its useful life on a straight-line basis.

No profit and loss account is presented for the Company, as permitted by Section 230 of the Companies Act 1985.

(c) Net revenue, commission income and fees

The Group's net revenue includes trading profits and losses, including dividends, earned from dealing, market making and principal trading in marketable investments, contractual commitments and foreign exchange, the substantial majority of which have liquid markets.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

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**2. Principal accounting policies – continued**

(c) Net revenue, commission income and fees - continued

Dealing securities held as trading inventory are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 of the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to a revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit/loss for the year of a trading enterprise that holds readily marketable investments as current assets since their marketability enables decisions to be taken continually about whether to hold or sell those assets, and hence the economic measure of performance in any period is properly made by reference to market values. It is not practicable to quantify the effect on the accounts of these departures since information on original cost, being of no continuing relevance to the business, is not readily available and therefore a note of the historical cost profit or loss, as required by paragraph 26 of FRS 3, has not been presented.

Commission income and fees are derived from sales activities, underwriting activities, marketing securities owned by other group undertakings, trading services provided to other group undertakings, and corporate finance fees associated with mergers and acquisitions and other corporate finance advisory activities.

Gains and losses, including commission revenues and expenses, are accounted for on the trade date of the related transaction. Corporate finance fees are credited when earned.

(d) Trading inventory

Trading inventory is accounted for on a trade date basis. Long positions are described as current asset investments as outlined in Note 10. Short positions are included within creditors due within one year in Note 12 and comprise both securities sold, but not yet purchased, and options and other contractual commitments. Contractual commitments include obligations with counterparties which may extend for more than one year.

Trading inventory is recorded at fair value, which represents market value or, when market prices are not readily available, instruments are priced on a comparable basis for example by using models. Fair value includes related accrued interest or dividends. The determination of fair value considers various factors, including: closing exchange or over-the-counter market price quotations; time and volatility factors underlying options, warrants and contractual commitments; price activity for equivalent or synthetic instruments in markets located in different time zones; counterparty credit quality; and the potential impact on market prices of liquidating the Company's positions in an orderly manner over a reasonable period of time under prevailing market conditions. Further, in determining the fair value of its contractual commitments, the Company considers future maintenance costs.

(e) Repurchase and resale agreements

Repurchase and resale agreements are treated as collateralised financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

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**2. Principal accounting policies – continued**

(f) Tangible fixed assets

Fixed assets are stated at cost, less accumulated depreciation. The cost of developed software includes directly attributable internal costs and the cost of external consultants. Depreciation is provided at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its expected economic useful life, as follows:

Premises improvements	-	lesser of the life of the lease or 10 years
Equipment and cars	-	3 to 5 years
Capitalised software	-	3 years

(g) 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.

(h) 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.

(i) Pension costs and other Post Retirement Benefit Costs

The Company accounts for pension costs in accordance with Statement of Standard Accounting Practice 24. The Company has made additional disclosures in accordance with FRS 17. For defined contribution benefits, the charge against profit is the amount of contributions payable in respect of the year. For defined benefit obligations, the pension cost is calculated using actuarial valuation methods which give rise to a regular pension cost that is a substantially level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average remaining service lives of current employees in the scheme.

Contributions to the Post Retirement Benefits Scheme in respect of certain employees are assessed in accordance with the advice of an independent qualified actuary and provision is being made on a similar basis to the defined benefit scheme outlined above.

(j) Foreign currency

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 the transaction date.



**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**3. Interest receivable and similar income and interest payable**

	2002 \$ Million	2001 \$ Million
Interest receivable and similar income comprises:		
Interest on current asset investments, interest bearing debtors and cash assets	2,023	2,086
Interest on loans to other group undertakings	275	500
Interest on loans to associated undertakings	30	17
	2,328	2,603

Interest payable comprises:

Interest on bank loans and overdrafts	14	14
Interest on other third party borrowings	1,765	2,019
Interest on borrowing from other group undertakings	486	546
Interest on borrowing from associated undertakings	4	6
	2,269	2,585

**4. Net operating expenses**

	2002 \$ Million	2001 \$ Million
Net operating expenses include:		
Employee remuneration	1,037	1,358
Social security costs	103	142
Pension costs (Note 5)	43	45
Auditors' remuneration:		
- Audit fees	1	1
- Other non audit-related fees	-	1

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

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**4. Net operating expenses - continued**

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

The Group employed an average of 3,591 (2001: 3,443) employees during the year

**5. Pension costs**

The Citigroup Global Markets Limited Pension and Life Assurance Scheme ("the Scheme") is a funded pension scheme providing benefits on both a defined benefit and defined contribution basis. The Scheme is now closed to new entrants. The assets of the Scheme are held separately from those of the Group, in a trustee administered fund. Employees are not required to contribute to the Scheme, which is contracted out of the State Earnings Related Pension Scheme.

The Citigroup (UK) Pension Plan was established in September 2000 and provides defined contribution benefits to all new hires. The pension cost for this Plan is equal to the contributions made by the Group.

The pension cost in respect of defined benefit obligations is assessed in accordance with the advice of a qualified actuary using a defined accrued benefit method with a three year control period. The most recent full actuarial valuation on behalf of the trustees of the pension cost for the Scheme was at 5 April 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment return would be 7% pre-retirement, 6% post-retirement per annum, that salary increases would be 4% per annum subject to the application of limits on pensionable salary in line with statute and Group practice, that statutory required increases would apply to guaranteed minimum pensions in deferment and payment and that increases of 3% per annum would apply to the remainder of pensions in deferment (where increases are required by statute) and in payment.

Costs of the Scheme in respect of the defined benefit obligations which include both a regular pension cost and variations from the regular cost, are charged to the profit and loss account. The cost of variations are spread over 10 years, which is the average remaining service life of current employees in the Scheme. The pension charge for the year comprises \$15 million (2001: \$12 million) in respect of the defined benefit obligations and \$28 million (2001: \$33 million) in respect of the various defined contribution arrangements which represents contributions paid and payable in respect of the year.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**5. Pension costs - continued**

**Additional disclosures required under FRS 17**

Whilst the Group continues to account for pension costs in accordance with SSAP 24, under FRS 17 the following transitional disclosures are required for the Group's defined benefit scheme operated in the UK.

The main financial assumptions used in calculating the defined benefit scheme liabilities as at 31 December 2002 are as follows:

	<b>2002</b>	<b>2001</b>
Inflation	2.0%	2.0%
Rate of general long-term increase in salaries	3.5%	4.0%
Rate of increase to pensions in payment	2.0%	2.0%
Discount rate for scheme liabilities	5.5%	5.75%

Expected return on assets:

	<b>Long-term rate of return expected 2002</b>	<b>Value 2002 \$ Million</b>	<b>Long-term rate of return expected 2001</b>	<b>Value 2001 \$ Million</b>
Equities	7.5%	180	8.0%	212
Government bonds	4.5%	-	5.0%	-
Other	4.0%	100	4.5%	3
<b>Total market value of assets</b>		<b>280</b>		<b>215</b>

Included within other is \$94 million cash paid into the scheme in December 2002 to ensure the full funding of the accumulated benefit obligations as measured under US GAAP.

The amount that would be charged to operating expenses under FRS 17 is entirely in respect of current service cost of \$17 million.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**5. Pension costs - continued**

Additional disclosures required under FRS 17 – continued

Analysis of amount that would be included in interest receivable and similar income under FRS 17:

	<b>2002</b>
	<b>\$ Million</b>
Expected return on pension scheme assets	19
Interest on pension scheme liabilities	(14)
Net return	5

Analysis of amount that would be recognised in Statement of Total Recognised Gains and Losses (“STRGL”) under FRS 17:

	<b>2002</b>
	<b>\$ Million</b>
Actual return less expected return on pension scheme assets	(78)
Experience gains and losses arising on the scheme liabilities	(17)
Changes in assumptions underlying the present value of the scheme liabilities	(32)
Actuarial loss that would be recognised in STRGL	(127)

Reconciliation to balance sheet:

	<b>2002</b>	<b>2001</b>
	<b>\$ Million</b>	<b>\$ Million</b>
Total market value of assets	280	215
Present value of scheme liabilities	(314)	(216)
Deficit in scheme	(34)	(1)
Related deferred tax liability	-	-
Net pension liability	(34)	(1)

Analysis of movement in deficit during the year:

	<b>2002</b>
	<b>\$ Million</b>
Deficit in scheme at beginning of the year	(1)
Current service cost	(17)
Contributions	106
Other finance income	5
Actuarial loss	(127)
Deficit in scheme at end of year under FRS 17	(34)

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

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**5. Pension costs - continued**

Additional disclosures required under FRS 17 – continued

As at 31 December 2002, the Scheme was fully funded to the amount of its accumulated benefit obligations as measured under US GAAP. The deficit in the Scheme as measured under UK GAAP principally arose from using a different discount rate assumption. The discount rate of 5.5% was determined in accordance with prescribed rates under FRS 17.

History of experience gains and losses:

	<b>2002</b>
Difference between expected and actual return on scheme assets	
• Amount (\$ Million)	(78)
• Percentage of scheme assets	27.8%
Experience gains and losses on scheme liabilities:	
• Amount (\$ Million)	(17)
• Percentage of the present value of the scheme liabilities	5.5%
Total amount that would be recognised in STRGL:	
• Amount (\$ Million)	(127)
• Percentage of the present value of the scheme liabilities	40.6%

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**6. Directors' emoluments**

The Directors received no emoluments in respect of their services to the Company as directors or otherwise. The Directors received \$6,041,000 (2001: \$4,865,000) in respect of their services for subsidiary undertakings during the year.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

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**7. Tangible fixed assets**

The movement in tangible fixed assets for the year was as follows:

	<b>Group</b>
	<b>Leasehold improvements fixtures &amp; fittings, equipment &amp; cars \$ Million</b>
<b>COST -</b>	
Balance at 1 January 2002	201
Additions	13
Disposals	(62)
<hr/>	
Balance at 31 December 2002	152
<hr/>	
<b>DEPRECIATION -</b>	
Balance at 1 January 2002	141
Charge for the year	25
Disposals	(62)
<hr/>	
Balance at 31 December 2002	104
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Net Book Value at 31 December 2002	48
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Net Book Value at 1 January 2002	60

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**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**8. Fixed asset investments**

The following amounts for subsidiary undertakings are included in fixed asset investments:

COST	2002 \$ Million	2001 \$ Million
At 1 January 2002	635	717
Additions	-	-
Return of Capital	-	(82)
<b>Net Book Value at 31 December 2002</b>	<b>635</b>	<b>635</b>

The Company's 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	Proportion of shares held by the company	Principal activity
Citigroup Global Markets Europe Limited	Ordinary Preference	See below	Holding Company
Cheapside Holdings (Jersey) Limited	Ordinary	100%	Holding Company (registered in Jersey)
Cheapside (SSL) Limited	Ordinary	100%	Holding Company
Citigroup Asset Management Limited	Ordinary	100%	Asset management
Cheapside (SJL) Limited	Ordinary Preference	100% 100%	Dormant (registered in Cayman Irelands)
Citigroup Global Markets U.K. Limited	Ordinary	100%	Dormant

As at 31 December 2002, the Company owns 97.3% of the ordinary share capital of Citigroup Global Markets Europe Limited ("CGMEL"). The remaining 2.7% is owned by Citigroup Global Markets (International) Finance AG, which is a fellow subsidiary undertaking of Citigroup Financial Products Inc.

On 15 May 2002 Citigroup Global Markets Limited ("CGML") issued 200,000,000 ordinary shares of \$1 each for cash at par to CGMEL.

On 25 September 2002 CGML issued 500,000,000 ordinary shares of \$1 each for cash at par to CGMEL.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**9. Debtors**

The following amounts are included in debtors:

	2002	Group 2001	2002	Company 2001
	\$ Million	\$ Million	\$ Million	\$ Million
Amounts falling due within one year:				
Trade debtors	71,203	47,544	-	-
Due from other Group undertakings	20,814	14,065	101	98
Due from associated undertakings	537	410	-	-
Corporation tax recoverable	2	16	-	-
Other debtors	84	153	-	-
Prepayments and accrued income	104	14	-	-
	92,744	62,202	101	98

Trade debtors include collateralised financing transactions with counterparties of \$60,426 million (2001: \$38,537 million). These positions are entered into to cover short trading positions and to facilitate customer financing activity. The market value of collateral securing these positions was \$71,276 million (2001: \$50,787 million), the majority of which are government bonds.

Due from other group undertakings include collateralised financing transactions of \$15,916 million (2001: \$11,730 million) and amounts due in respect of group relief of \$20 million (2001: \$71 million). Due from other associated undertakings include collateralised financing transactions of \$526 million (2001: \$91 million). The market value of collateral securing these positions was \$12,371 million (2001: \$2,856 million), the majority of which are government bonds.

**10. Current asset investments**

The current asset investments comprise marketable securities and related instruments taken into inventory as part of the Group's principal trading activities. The Group's accounting policy for such investments is explained in Note 1(e). Included within current asset investments are:

	2002	2001
	\$ Million	\$ Million
Government bonds	13,034	9,883
Eurobonds and other corporate bonds	7,168	5,920
Equities	787	582
- listed on a recognised UK exchange	1,638	3,123
- listed elsewhere	1,704	430
Certificates of deposit	6,017	4,945
Options and other contractual commitments (Note 18(b))	30,348	24,883



**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**11. Cash at bank and in hand**

	2002 \$ Million	Group 2001 \$ Million
Cash held by third parties	661	1,246
Cash held by other group undertakings	162	314
	823	1,560

Included within cash held by third parties is \$298 million (2001: \$417 million) that is held on behalf of clients in segregated accounts and \$20 million (2001: \$188 million) which is subject to an appropriation in favour of a trust for certain employees of the Company and other group undertakings.

**12. Creditors**

The following amounts are included in creditors:

	2002 \$ Million	Group 2001 \$ Million	2002 \$ Million	Company 2001 \$ Million
Amounts falling due within one year:				
Bank loans and overdrafts	255	523	-	-
Trade creditors	75,352	51,240	-	-
Securities sold not yet purchased (Note 2(d))	13,321	13,450	-	-
Options and other contractual commitments (Notes 2(d), 18(b))	11,199	7,625	-	-
Due to other group undertakings	19,564	12,436	34	33
Due to associated undertakings	1,106	375	-	-
Subordinated loans	1,480	178	-	-
Other creditors and accruals	1,059	727	-	-
Social security and PAYE	160	187	-	-
	123,496	86,741	34	33
Amounts falling due after more than one year:				
Subordinated loans	550	1,831	-	-

Trade creditors primarily represent amounts payable under repurchase and stock lending agreements (secured and unsecured) and amounts due to counterparties including other financial institutions. The value of collateralised financing transactions at the balance sheet date was \$64,767 million (2001: \$42,440 million). Security for financing transactions is provided in the form of current asset investments and securities obtained from trade debtor financing amounting to \$77,370 million (2001: \$51,105 million).

Due to other group undertakings include collateralised financing transactions of \$10,264 million (2001: \$9,367 million). Due to other associated undertakings include collateralised financing transactions of \$1,096 million (2001: \$298 million). The market value of collateral securing these positions was \$13,138 million (2001: \$3,106 million), the majority of which are government bonds.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**13. Subordinated loans**

The subordinated loans form part of the Group's financial resources required to comply with the capital adequacy requirements of the Financial Services Authority and can only be repaid with their consent.

At 31 December 2002 the Group had in place the following subordinated loan facilities:

Facilities falling due within one year:

	<b>Total facilities available \$ Million</b>	<b>Drawn down \$ Million</b>
Due to other group undertakings	4,700	1,480

Facilities falling due after one year:

	<b>Total facilities available \$ Million</b>	<b>Drawn down \$ Million</b>
Due to other group undertakings	800	550

**14. Provisions for liabilities and charges**

The provisions for liabilities and charges comprises deferred taxation. The movement during the year is as follows:

	<b>2002 \$ Million</b>	<b>Group 2001 \$ Million</b>	<b>2002 \$ Million</b>	<b>Company 2001 \$ Million</b>
At 1 January	15	14	-	5
Prior year adjustment	(15)	1	-	-
At 31 December	-	15	-	5

**Citigroup Global Markets International LLC (formerly Salomon International LLC) and  
Subsidiary Undertakings**

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**15. Called-Up Share Capital**

The Company's share capital comprises:

	2002 Number	2001 Number
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
	1,076,729	1,076,729

	2002 \$ Million	2001 \$ Million
Allotted and issued:		
980,140 Class A Stock, without par value	501	501
	501	501

**16. Reserves**

Group	Capital Reserve \$ Million	Profit & loss account \$ Million	Total \$ Million
Balance at 1 January 2002	771	(1,863)	(1,092)
Exchange difference on retranslation of net assets and results of subsidiary undertakings	-	-	-
Loss for the year	-	(195)	(195)
Balance at 31 December 2002	771	(2,058)	1,287

Company	Capital reserve \$ Million	Profit & loss account \$ Million	Total \$ Million
Balance at 1 January 2002	765	(566)	199
Profit for the year	-	2	2
Balance at 31 December 2002	765	(564)	201

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**17. Minority interests**

	2002 \$ Million	2001 \$ Million
Balance at 1 January	708	726
Appropriation of loss for the year	(5)	(5)
Return of capital	-	(13)
Balance at 31 December	703	708

**18. Contractual commitments and contingencies**

(a) Risk Management

The Company derives revenues from trading activities that expose it to market, credit and operational risks. These risks are principally managed on a global basis. Global procedures in place to manage such risks are disclosed in the Managing Global Risk section of the consolidated accounts of Citigroup Inc. The Company undertakes local risk management procedures that are integral and consistent with those described for Citigroup Inc.

(b) Fair Values of Contractual Commitments

In the normal course of its operations, the Company enters into various contractual commitments involving forward settlement. These include futures contracts, commitments to buy and sell foreign currencies, interest rate swap, cap and floor agreements, and options or similar contractals. As discussed in Note 2(d), the Company records all contractual commitments involving future settlement at fair value. Consequently, changes in fair values are included in the profit and loss account.

Commitments involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular instrument. The Company's exposure to market risk is determined by a number of factors, including the size, composition and diversification of positions held, the absolute and relative levels of interest rates and foreign currency exchange rates as well as market volatility and liquidity. For instruments such as options and warrants, the time period during which the options or warrants may be exercised and the relationship between the current market price of the underlying instrument and the options' or warrants' strike or exercise price also affects the level of market risk. The most significant factor influencing the overall level of market risk to which the Company is exposed is its use of hedging techniques to mitigate such risk.

As discussed in Note 2(d), the balance sheet includes the fair value of options and other contractual commitments involving forward settlement.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

**18. Contractual commitments and contingencies – continued.**

The following amounts refer to the fair value of contractual commitments.

	Assets 2002 \$ Million	Liabilities 2002 \$ Million	Assets 2001 \$ Million	Liabilities 2001 \$ Million
Swap agreements, swap options, and interest rate cap and floor agreements	3,434	7,802	2,663	5,192
Index and equity options and similar contractual commitments	1,408	2,039	1,037	1,631
Other options and contractual commitments	1,175	1,358	1,245	802
	6,017	11,199	4,945	7,625

(c) Letters of credit

The Group had \$352 million (2001: \$290 million) of unsecured letters of credit outstanding from banks to satisfy collateral requirements under securities borrowing agreements and margin requirements.

(d) Capital commitments

There were no capital commitments at 31 December 2002 (2001: \$nil).

**19. Registered charges**

The Companies within the group have granted to various bankers and other entities a number of fixed and floating charges over certain holdings in securities, properties, collateral and monies held by or on behalf of such banks or other entities, including charges relating to the Group's European Settlements Office agreement with the Bank of England and the Group's participation in clearance/settlement systems.

**NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - continued**  
for the year ended 31 December 2002

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**20. Subsequent events**

Subsequent to the year-end the following significant events have occurred:

During November 2003, Citigroup Financial Products Inc. ("CFPI") issued \$1,000,000,000 of short term subordinated debt to Citigroup Global Markets Limited ("CGML").

On 3 November 2003, CFPI issued \$50,000,000 of short term subordinated debt to Citigroup Global Markets UK Equities Limited ("CGMUKE").

On 9 December 2003, a new company, Citigroup Global Markets Europe Finance Limited ("CGMEFL") was incorporated as a 100% subsidiary of CFPI.

All of the following events occurred on 30 December 2003:

CGMEL issued 353,057,478 ordinary shares of £1.00 each for a cash consideration of £1,129,305,474.14 to CFPI.

CGMEL issued 2,000,000 preference shares of \$1.00 each for a cash consideration of \$2,000,000,000 to CGMEFL.

CGML issued 2,000,000,000 ordinary shares of \$1.00 each at par to CGMEL.

CGML repaid \$2,000,000,000 of short term subordinated debt to CFPI.

During January 2004, CGMEL issued \$700,000,000 of short term subordinated debt to CGML.

**21. 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 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 Corporate Affairs, Citigroup Inc., 13<sup>th</sup> Floor, 850 Third Avenue, New York, NY 10043.