

FC 4763 *DM*

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

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2005**



*43*

**CONSOLIDATED PROFIT & LOSS ACCOUNT (Unaudited)**  
for the year ended 31 December 2005

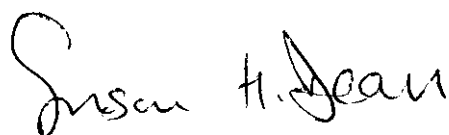
	Notes	Continuing operations 2005 \$ Million	Discontinued operations 2005 \$ Million	Total 2005 \$ Million	Total 2004 \$ Million
Net dealing income		-	61	61	63
Interest receivable and similar income	3	6	1	7	6
<b>Gross profit</b>		<u>6</u>	<u>62</u>	<u>68</u>	<u>69</u>
Net operating expenses	4	-	(65)	(65)	(59)
Other income		1	-	1	-
<b>Operating profit/(loss)</b>		<u>7</u>	<u>(3)</u>	<u>4</u>	<u>10</u>
Group profit on disposal		26	-	26	-
Share of associate's loss	8	(143)	-	(143)	(31)
<b>Loss on ordinary activities before taxation</b>		<u>(110)</u>	<u>(3)</u>	<u>(113)</u>	<u>(21)</u>
Tax on loss on ordinary activities	5	(2)	-	(2)	(6)
<b>Loss on ordinary activities after taxation</b>	12	<u>(112)</u>	<u>(3)</u>	<u>(115)</u>	<u>(27)</u>

**CONSOLIDATED BALANCE SHEET (Unaudited)**

as at 31 December 2005

	Notes	2005 \$ Million	2004 \$ Million
<b>Fixed assets</b>			
Investments	8	544	687
<b>Current assets</b>			
Debtors	9	234	200
Cash held by third parties		-	34
		234	234
<b>Creditors: Amounts falling due within one year</b>	10	(83)	(111)
<b>Net current assets</b>		151	123
<b>Net assets</b>		<u>695</u>	<u>810</u>
<b>Capital and reserves</b>			
Called up share capital	11	501	501
Capital reserve	12	771	771
Profit and loss account	13	(577)	(462)
<b>Shareholders' Funds</b>		<u>695</u>	<u>810</u>

The financial statements on pages 1 to 11 were approved by the Board of Members on 5 October 2006 and were signed on their behalf by:

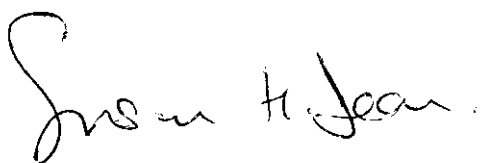


Susan H Dean

**PARENT COMPANY BALANCE SHEET (Unaudited)**  
as at 31 December 2005

	Notes	2005 \$ Million	2004 \$ Million
<b>Fixed assets</b>			
Investments	8	544	603
<b>Current assets</b>			
Debtors	9	198	151
<b>Creditors: Amounts falling due within one year</b>	<b>10</b>	<u>(60)</u>	<u>(61)</u>
<b>Net current assets</b>		<u>138</u>	<u>90</u>
<b>Net assets</b>		<u><b>682</b></u>	<u><b>693</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	501	501
Capital reserve	12	765	765
Profit and loss account	13	(584)	(573)
<b>Shareholders' funds</b>		<u><b>682</b></u>	<u><b>693</b></u>

The financial statements on pages 1 to 11 were approved by the Board of Members on 5 October 2006 and were signed on their behalf by:



Susan H Dean

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2005

**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 financial statements of the Company and all its subsidiary undertakings drawn up to 31 December 2005 unless otherwise stated. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of 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 230 of the Companies Act 1985.

**(c) Net dealing income**

The Group’s net dealing income 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 (continued)**  
for the year ended 31 December 2005

**2. Principal accounting policies – continued**

(c) Net dealing income - 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.

(d) Fixed asset investments

Fixed asset investments, including subsidiary undertakings and associate's, 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 provided on taxable profits/losses at the current rate. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their treatment for tax purposes on an undiscounted basis. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(f) 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2005

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

	<b>2005</b>	<b>2004</b>
	<b>\$ Million</b>	<b>\$ Million</b>
Interest receivable and similar income comprises:		
Interest on current asset investments, interest bearing debtors and cash assets	1	1
Interest on loans to other group undertakings	6	5
	<u>7</u>	<u>6</u>

**4. Net operating expenses**

	<b>2005</b>	<b>2004</b>
	<b>\$ Million</b>	<b>\$ Million</b>
Operating expenses include:		
Auditors' remuneration		
- Audit fees	0.3	-

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

**5. Tax on profit on ordinary activities**

(a) Analysis of tax charge in the year:

	<b>2005</b>	<b>2004</b>
	<b>\$ Million</b>	<b>\$ Million</b>
Current tax:		
UK corporation tax	(1)	(4)
Adjustment in respect of corporation tax for earlier years	(1)	(2)
Total current tax (note 5(b))	<u>(2)</u>	<u>(6)</u>
Deferred tax	-	-
<b>Tax on loss on ordinary activities</b>	<u>(2)</u>	<u>(6)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2005

**5. Tax on profit on ordinary activities (continued)**

(b) Factors affecting tax charge for the year:

	<b>2005</b> <b>\$ Million</b>	<b>2004</b> <b>\$ Million</b>
Loss on ordinary activities before tax	<u>(113)</u>	<u>(21)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	34	6
Effects of:		
Expenses not deductible for tax purposes	-	(1)
Consolidation adjustment: associate's loss	(43)	(9)
Non-taxable gain on sale of subsidiary	8	-
Adjustments to tax charge in relation to previous years	(1)	(2)
<b>Current tax charge for year</b>	<u><u>(2)</u></u>	<u><u>(6)</u></u>

**6. Discontinued operations**

**Group**

	<b>Continuing operations 2005 \$ Million</b>	<b>Discontinued operations 2005 \$ Million</b>	<b>Total 2005 \$ Million</b>	<b>Continuing operations 2004 \$ Million</b>	<b>Discontinued operations 2004 \$ Million</b>	<b>Total 2004 \$ Million</b>
Net dealing income	-	61	61	-	63	63
Interest receivable and similar income	6	1	7	6	-	6
Net operating expenses	-	(65)	(65)	(2)	(57)	(59)
Profit on ordinary activities before tax	(110)	(3)	(113)	(27)	6	(21)

Discontinued operations relate to the sale of the Company's entire investment in Citigroup Asset Management Limited to a third party on 1 December 2005.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2005

**7. Directors' emoluments**

The Directors received no emoluments in respect of their services to the Company as directors or otherwise. The Group's Directors received \$5 million (2004: \$5 million) in respect of their services for subsidiary undertakings during the year.

**8. Fixed asset investments**

**Company**

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

	2005 \$ Million	2004 \$ Million
At 1 January	603	611
Capital contribution	3	-
Disposals	(10)	-
Impairment provision	(52)	(8)
Net book value at 31 December	544	603

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
Cheapside Holdings (Jersey) Limited	Ordinary	100%	Holding Company (registered in Jersey)
Cheapside (SSL) Limited	Ordinary	100%	In voluntary liquidation *
Salomon Brothers UK Limited	Ordinary	100%	In voluntary liquidation *

\* Dissolved during 2006

On 28 November 2005 the Company acquired an additional 3,000,000 ordinary shares of \$1 fully paid for a consideration of \$3 million in Citigroup Asset Management Limited.

On 1 December 2005 the Company sold the entire issued share capital of Citigroup Asset Management Limited to a third party for a consideration of \$54 million.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2005

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

**(b) Investment in associate undertaking**

**Group**

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

	<b>2005</b>	<b>2004</b>
	<b>\$ Million</b>	<b>\$ Million</b>
Fixed assets	6	5
Current assets	46,838	33,779
Liabilities due within one year	(44,952)	(32,641)
Liabilities due after more than one year	(1,294)	(406)
Provisions for liabilities and charges	(44)	(50)
Net pension liabilities	(10)	-
	<u>544</u>	<u>687</u>
Share of associate's loss	<u>143</u>	<u>31</u>

<b>Group</b>	<b>Proportion of voting shares held by the company</b>	<b>Proportion of shares held by the company</b>	<b>Principal activity</b>
Citigroup Global Markets Europe Limited	31.73%	18.76%	Holding Company

**9. Debtors**

The following amounts are included in debtors:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Amounts falling due within one year:	<b>\$ Million</b>	<b>\$ Million</b>	<b>\$ Million</b>	<b>\$ Million</b>
Trade debtors	-	14	-	-
Due from other group undertakings	107	32	71	2
Due from associated undertakings	127	149	127	149
Corporation tax recoverable	-	5	-	-
	<u>234</u>	<u>200</u>	<u>198</u>	<u>151</u>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 December 2005

**10. Creditors**

The following amounts are included in creditors:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Amounts falling due within one year:	<b>\$ Million</b>	<b>\$ Million</b>	<b>\$ Million</b>	<b>\$ Million</b>
Bank loans and overdrafts	-	42	-	-
Due to other group undertakings	60	26	38	28
Due to associated undertakings	17	34	17	29
Other creditors and accruals	2	1	1	1
Group relief	4	8	4	3
	<b>83</b>	<b>111</b>	<b>60</b>	<b>61</b>

**11. Called-up share capital**

The Company's share capital comprises:

	<b>2005</b>	<b>2004</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
	<b>1,076,729</b>	<b>1,076,729</b>
	<b>2005</b>	<b>2004</b>
	<b>\$ Million</b>	<b>\$ Million</b>
Allotted and issued:		
980,140 Class A Stock, without par value	501	501

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 December 2005

**12. Reserves**

<b>Group</b>	<b>Capital reserve \$ Million</b>	<b>Profit &amp; loss account \$ Million</b>	<b>Total \$ Million</b>
Balance at 1 January 2005	771	(462)	309
Loss for the year	-	(115)	(115)
Balance at 31 December 2005	<u>771</u>	<u>(577)</u>	<u>194</u>

<b>Company</b>	<b>Capital reserve \$ Million</b>	<b>Profit &amp; loss account \$ Million</b>	<b>Total \$ Million</b>
Balance at 1 January 2005	765	(573)	192
Loss for the year	-	(11)	(11)
Balance at 31 December 2005	<u>765</u>	<u>(584)</u>	<u>181</u>

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

	<b>Group 2005 \$ Million</b>	<b>Company 2005 \$ Million</b>
Balance at 1 January	(462)	(573)
Loss for the year	(115)	(11)
Balance at 31 December	<u>(577)</u>	<u>(584)</u>

**14. Post balance sheet events**

Cheapside (SSL) Limited and Salomon Brothers U.K. Limited were dissolved on 4 April 2006.

**15. 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., 13th Floor, 850 Third Avenue, New York, NY 10043.