

Company No. 2106633

CITINET LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 DECEMBER 1998.



CITINET LIMITED

DIRECTORS AND OFFICERS

Directors

Mr Peter W Randall

Mr Jeffrey R Walsh.

Secretary

Citicorporate Limited
336 Strand
LONDON WC2R 1HB

Registered Office

336 Strand
LONDON WC2R 1HB

Auditors

KPMG Audit Plc
Chartered Accountants & Registered Auditor
8 Salisbury Square
LONDON EC4Y 8BB

CITINET LIMITED

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited financial statements ('Accounts') of the Company for the year ended 31 December 1998 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985 (as amended).

Principal Activities and Review of the Business

The Company's principal activity is, and was during the year, the holding of an interest in FXNET Limited and a 6.25% interest in the issued share capital of Electronic Broking Services Limited which acts as the General Partner in a limited partnership known as 'The EBS Partnership'. The purpose of The EBS Partnership is to develop and thereafter directly or indirectly provide a facility for anonymous screen-based trading of spot foreign exchange and also an information service to third parties derived from foreign exchange dealing information principally from the aforesaid facility.

The Company's interest in FXNET Limited during the year represented approximately 9.68% of the issued share capital thereof until 3 March 1998 when the Company's interest was diluted by the admission of a new shareholder on that date with the result that the Company's interest therein was reduced to approximately 8.82%.

The Company is a wholly owned subsidiary of Citibank Investments Limited.

Future Developments

The Directors have no plans nor intentions, at this time, to develop further or expand the activity of the Company.

Results and Dividends

The Company has not incurred any expenses nor earned any revenues during or in respect of the year, or in the preceding year and, as a consequence, the Company has made neither a profit nor a loss in respect of the year or in the preceding year. A profit and loss account has not, therefore, been prepared.

The state of affairs of the Company as at the year end were otherwise as detailed in the accompanying balance sheet.

No dividends were declared or paid by the Company during the year and the Directors do not recommend the declaration of a dividend in respect of the year.

Directors

The names of the present Directors are as given on page 1.

During the year there was one appointment to the Board. Mr Jeffrey R Walsh was appointed as an additional Director of the Company on 1 July 1998. In addition there was one departure from the Board. Mr Anthony M Brooks resigned as a Director of the Company on 30 June 1998.

No service contracts have subsisted between the Company and any of its Directors during the year and no such contracts have come into being since the year.

CITINET LIMITED

REPORT OF THE DIRECTORS continued

Directors' Interests

None of the Directors, during the year, nor any member of their respective families had any material interests in contracts involving the Company or interests in the share or loan capitals of the ultimate holding company, or its subsidiaries, at the relevant dates which required disclosure.

Directors' Responsibilities for Financial Statements

Company law requires the Directors to prepare financial statements for each accounting reference period which give a true and fair view of the state of affairs of the Company and of the profit or, as the case may be, loss of the Company for that period (the 'financial statements').

In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985 as amended.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Employees

There were no persons employed by the Company during the year or in the preceding year and no persons have been employed by the Company since the year.

Year 2000 issues

The Directors have considered the potential issues posed by the Year 2000 date change ('Y2K') in relation to the Company and its activities.

The Directors are satisfied that, in the circumstances, there are no implications for the Company presented by Y2K.

CITINET LIMITED

REPORT OF THE DIRECTORS continued

Charitable Donations and Political Contributions

There were no charitable donations nor any contributions for political purposes made by the Company during the year or the preceding year.

Close Company Provisions

In the opinion of the Directors, the close company provisions of the Income and Corporation Taxes Act 1988 (as amended) do not, and did not at 31 December 1998, apply to the Company.

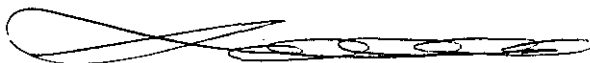
Ultimate Holding Company

Following the merger between Citicorp and Travelers Group Inc on 8 October 1998 and the change of name of Travelers Group Inc to Citigroup Inc, the Directors regard Citigroup Inc, which is incorporated in the United States of America under the laws of the State of Delaware, as the ultimate holding company at 31 December 1998.

Auditors

The Company's Auditor KPMG Audit Plc, Chartered Accountants and Registered Auditor, has indicated its willingness to continue in office and, accordingly, a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 385 of the Companies Act 1985, as amended.

Approved by the Board of Directors on 22nd October 1999 and signed on their behalf by:



for Citicorporate Limited
Secretary.

Registered Office:
336 Strand, LONDON WC2R 1HB

CITINET LIMITED

**REPORT OF THE AUDITORS KPMG AUDIT Plc
TO THE MEMBERS OF CITINET LIMITED**

We have audited the financial statements on pages 6 to 8.

Respective Responsibilities of Directors and Auditors

As described on page 3, the Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc


Chartered Accountants
Registered Auditor

London
22 October 1999

CITINET LIMITED**BALANCE SHEET**
as at 31 December 1998

		1998	1997
	Note	£	£
Fixed Assets			
Investments	5	19,304	19,304
Current Assets			
Cash at bank		3,232	3,232
Current Liabilities			
Creditors: amounts due within one year	6	(12)	(12)
		-----	-----
Net Current Assets		3,220	3,220
		-----	-----
Net Assets		22,524	22,524
		=====	=====
Capital and Reserves			
Called up share capital	7	25,000	25,000
Profit and loss account		(2,476)	(2,476)
		-----	-----
		22,524	22,524
		=====	=====

During the financial year and the proceeding year the Company did not trade and received no income and incurred no expenditure. Consequently, during those years the Company made neither a profit nor a loss.

These Accounts were approved by the Board of Directors on 22nd October 1999 and signed on their behalf by: 



Jeffrey R Walsh
Director.

The notes on pages 7 and 8 form an integral part of these Accounts.

CITINET LIMITED**NOTES TO THE ACCOUNTS**
for the year ended 31 December 1998**1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

Basis of preparation:

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Income from investments:

Income from investments is included in the profit and loss account for the accounting period in which it is received.

Investments:

Investments in limited partnerships are stated at cost, less any provision for permanent diminution in value, and not treated as associated companies where in the opinion of the Directors the Company is not in a position to exercise a significant influence over the limited partnership in which the investment is made.

Related Party Transactions:

Under Financial Reporting Standard number 8, the Company is exempt from the requirement to disclose the detail of related party transactions with other Citigroup Inc controlled companies.

2 CASH FLOW STATEMENT

Under Financial Reporting Standard No.1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is wholly owned and controlled by a company incorporated in the United States of America. The ultimate parent company is Citigroup Inc, incorporated in the United States of America under the laws of the State of Delaware. The Company's cash flows are included within the cash flow statement of that company and its accounts are publicly available from its offices at 153 East 53rd Street, New York, New York 10043, United States of America.

3 AUDITORS' REMUNERATION

The Auditors' remuneration for the year has been borne by the Company's immediate holding company.

4 DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments during the year in respect of their services to the Company (1997 £nil).

CITINET LIMITED**NOTES TO THE ACCOUNTS continued**
for the year ended 31 December 1998**5 INVESTMENTS**

	1998	1997
	£	£
Investments held at cost	19,304	19,304
	=====	=====

6 CREDITORS

	1998	1997
	£	£
Amount owed to fellow subsidiary company	12	12
	=====	=====

7 SHARE CAPITAL

	1998	1997
	£	£
Authorised:		
25,000 Ordinary shares of £1 each	25,000	25,000
	=====	=====
Allotted, called up and fully paid:		
25,000 Ordinary shares of £1 each	25,000	25,000
	=====	=====

8 CONTINGENT LIABILITIES

Under a group registration made pursuant to the provisions of the Value Added Tax Act 1994, the Company is jointly and severally liable for VAT due by other group companies. At 31 December 1998 this liability amounted in aggregate to £nil (1997 £nil). No valuable consideration has been provided by the Company in respect of this contingency.

9 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

The Company is a subsidiary undertaking of Citigroup Inc which is incorporated in the United States of America under the laws of the State of Delaware.

The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc. Copies of these group accounts are available to the public and may be obtained from their offices at 153 East 53rd Street, New York, New York 10043, United States of America.

The smallest group in which the results of the accounts are consolidated is that headed by Citibank Investments Limited. Copies of these group accounts are available to the public and may be obtained from its offices at 336 Strand, London WC2R 1HB.