

Company No. 2106633

CITINET LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 DECEMBER 1996.



CITINET LIMITED

DIRECTORS AND OFFICERS

Directors

Mr Anthony M Brooks

Mr Peter W Randall

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 1996 ('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 9.68% interest in FXNET Limited and an interest in 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 Electronic Broking Services Limited ('EBSL') during the year represented approximately 7.14% of the issued share capital thereof. Since the year, on 13 March 1996, a new shareholder was admitted to EBSL with the result that the Company's interest therein was diluted to approximately 6.25%.

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 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 and Directors' Interests

The names of the present Directors are as given on page 1. There have been no changes in the composition of the Board during or since the year.

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.

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.

CITINET LIMITED

REPORT OF THE DIRECTORS continued

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.

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 1996, apply to the Company.

Ultimate Holding Company

The Directors regard Citicorp, which is incorporated in the United States of America under the laws of the State of Delaware, as the Company's ultimate holding company as at 31 December 1996.

CITINET LIMITED

REPORT OF THE DIRECTORS continued

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 5 September 1997 and signed on their behalf by:

A handwritten signature in black ink, consisting of a large loop followed by a series of smaller, connected loops.

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 1996 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
5 September 1997

CITINET LIMITED

BALANCE SHEET

as at 31 December 1996

31 December		1996	1995
	Note	£	£
FIXED ASSETS			
Investments	7	19,304	19,304
CURRENT ASSETS			
Cash at bank		3,232	3,232
CURRENT LIABILITIES			
Amount due to group undertaking		(12)	(12)
		-----	-----
NET CURRENT ASSETS		3,220	3,220
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,524</u>	<u>22,524</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	8	25,000	25,000
Profit and loss account		(2,476)	(2,476)
		-----	-----
		<u>22,524</u>	<u>22,524</u>
		=====	=====

These Accounts were approved by the Board of Directors on 5 September 1997 and signed on their behalf by:



Anthony M Brooks, 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 1996**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:

(a) Basis of preparation:

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

(b) Income from investments:

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

(c) 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.

2 PROFIT AND LOSS ACCOUNT

The Company has not conducted any transactions during the year and has neither earned nor received any income nor has it incurred any expenditure during or in respect of the year and accordingly no profit and loss account has therefore been prepared.

3 CASH FLOW STATEMENT

The Company, being a wholly-owned subsidiary undertaking of a parent undertaking which is incorporated in Great Britain under the laws of a Member State of the European Union, is exempt from the requirement to prepare a cash flow statement under the provisions of paragraph 8(c) of Financial Reporting Standard No 1.

4 AUDITORS' REMUNERATION

The Auditors' remuneration for the year which amounted to £750 (1995 £750) has been borne by the Company's immediate holding company.

5 DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments during the year in respect of their services to the Company (1995 £nil).

CITINET LIMITED

NOTES TO THE ACCOUNTS continued
for the year ended 31 December 1996

6 TAXATION

No provision has been made for taxation in respect of the current year (1995 nil).

7 INVESTMENTS

	1996	1995
	£	£
Investments held at cost	19,304	19,304
	=====	=====

8 SHARE CAPITAL

	1996	1995
	£	£
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
	=====	=====

9 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 1996 this liability amounted in aggregate to £nil (1995 £nil). No valuable consideration has been provided by the Company in respect of this contingency.

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

The Company is a subsidiary undertaking of Citicorp 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 Citicorp. Copies of these group accounts are available to the public and may be obtained from their offices at 399 Park Avenue, 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.