

Citigroup Capital Finance Ireland Limited

Directors' report and
financial statements

Year ended 31 December 2003

Registered number 2698894



Citigroup Capital Finance Ireland Limited

Directors' report and financial statements

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Citigroup Capital Finance Ireland Limited

Directors' and other information

Directors

Paul Bushnell
Joshua Fine
Brian Hayes
Keith MacDonald
Kunal Parkash

Secretary

Andrew Gaulter

Registered Office

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Bankers

Citibank International plc Ireland
1 North Wall Quay
Dublin 1

Auditors

KPMG
Chartered Accountants
1 Harbourmaster Place
International Financial Services Centre
Dublin 1

Citigroup Capital Finance Ireland Limited

Directors' report

for the year ended 31 December 2003

The Directors submit their report together with the audited financial statements of the company for the year ended 31 December 2003, which have been prepared in accordance with the provisions of the Companies Act 1985.

Principal activities, business review and future developments

The Company's principal activity is that of the provision of financing activities to members of the parent group. The Directors expect the current levels of activity to continue for the foreseeable future.

On 26 October 2001 the Company purchased a number of subordinated floating rate notes and subordinated floating rate partnership securities from group companies. The Company's principal source of income is interest income earned on these debt instruments.

Results and dividends

The results for the year are set out on page 7. No dividend was paid or proposed in the year.

Directors

The following served as Directors during 2003:

Mr. Aidan M. Brady (resigned 7 January 2003).

Mr. Paul J. Bushnell.

Mr. Nial A. Whelan (resigned 7 January 2003).

Mr. Joshua Marc Fine

Mr Kunal Parkash (appointed 7 January 2003)

Mr Keith MacDonald (appointed 7 January 2003)

Mr Brian Hayes (appointed 7 January 2003)

In accordance with the Articles of Association, the directors are not required to retire by rotation.

Citigroup Capital Finance Ireland Limited

Directors' report *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, in accordance with applicable United Kingdom law and accounting standards, which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. 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 the 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 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.

Interests of directors and secretary

Neither the directors nor the company secretary have any interest in the share capital of the Company. The directors' and secretary's interests in the shares of the ultimate holding company, Citigroup Inc., are as follows:

Director	31 December 2003 Ordinary shares	On appointment or 31 December 2002 Ordinary shares
Paul Bushnell	270	270
Joshua Fine	-	-
Kunal Parkash	-	-
Keith MacDonald	7,690	7,690
Brian Hayes	1,900	1,900

The Company forms part of the Citigroup Inc. Group ('the Group'). The Group operates a staff share option scheme and, in addition to the interests disclosed above, certain directors of the Company have options to acquire shares in the ultimate parent holding company, Citigroup Inc. Full details are as follows:

Citigroup Capital Finance Ireland Limited

Directors' report

For the year ended 31 December 2003

Director/	Non-qualified stock options over common stock of Citigroup Inc. (notes (a) and (b))				Exercise Price US\$
	at 31 December 2002	During the year Granted Exercised/lapsed		at 31 December 2003	
Paul Bushnell	1,250	-	-	1,250	24.00
Joshua Fine	-	-	-	-	-
Kunal Parkash	715	-	-	715	41.44
Keith MacDonald	26,060	7,690	-	33,750	32.75-49.50
Brian Hayes	13,009	-	-	13,009	25.67

Notes:

- (a) Options outstanding, once vested, are exercisable at the discretion of the holders.
- (b) Details of the Share Option Scheme are contained in the financial statements of Citigroup Inc. The middle market price of Citigroup Inc. common stock at 31 December 2003 was US\$48.36 (2002: US\$35.19) and, during the calendar year ended 31 December 2003, the closing price ranged from a low of US\$31.42 (2002: US\$25.18) to a high of US\$49.00 (2002: US\$48.50).

Employees

There was one person employed by the company during 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 apply to the Company during the period in which it was UK resident.

Equivalent close company provisions in Ireland did not at 31 December 2003 apply to the Company.

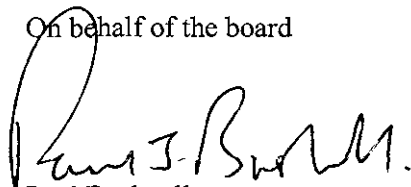
Ultimate holding company

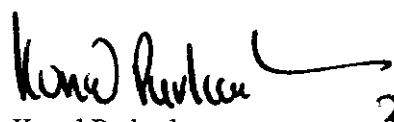
The Directors regard Citigroup Inc., which is incorporated in the United States of America under laws of the State of Delaware, as the ultimate holding company at 31 December 2003.

Auditors

An elective resolution to dispense with the annual appointment of auditors pursuant to Section 386 of the Companies Act 1985 is in force. KPMG, Chartered Accountants, Dublin, have expressed their willingness to continue in office.

On behalf of the board


Paul Bushnell
Director

 30/9/2004
Kunal Parkash
Director

Independent auditors' report to the members of Citigroup Capital Finance Ireland Limited

We have audited the financial statements on pages 8 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. *To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.*

Respective responsibilities of directors and independent auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you if, in our opinion the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

30 September 2004

Citigroup Capital Finance Ireland Limited

Statement of accounting policies

for the year ended 31 December 2003

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 are prepared in accordance with applicable accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants of England and Wales.

Cash flow statement

A cashflow statement has not been prepared as required under Financial Reporting Standards No. 1 (Revised) as the company is a subsidiary of Citigroup Inc., a company incorporated in the State of Delaware, United States of America which has prepared consolidated financial statements which are publicly available.

Income recognition

Interest receivable and payable is recognised in the profit and loss account as it accrues over the term of the investments and deposits.

Investments

All investments are held at the lower cost and net realisable value.

Loans and advances

Loans and advances are stated at the amount advanced, less any provision for bad debts.

Foreign currency

The financial statements are expressed in British pounds (Stg£).

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profits at current rates.

In accordance with FRS19 "Deferred Tax" except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Provision is made at the rate of taxation expected to prevail at the time of reversal.

A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the directors.

Citigroup Capital Finance Ireland Limited

Statement of accounting policies *(continued)*

Provision for bad and doubtful debts

Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, general provisions are carried to cover risks, which, although not specifically identified, are present in any portfolio of bank advances. The total provision for bad and doubtful debts is deducted in arriving at the balance sheet figures of loans and advances to banks and to customers, as appropriate. Provisions made during the year, less existing provisions no longer required and recoveries of bad debts previously written off are charged against profits.

Citigroup Capital Finance Ireland Limited

Profit and loss account

for the year ended 31 December 2003

	<i>Note</i>	2003 Stg£	2002 Stg£
Operating income - continuing activities	<i>1</i>	43,005,424	42,907,135
Administrative expenses		(314,475)	(73,569)
		<hr/>	<hr/>
Operating profit - continuing activities		42,690,949	42,833,566
Interest payable and similar charges		-	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>3</i>	42,690,949	42,833,566
Tax on profit on ordinary activities	<i>4</i>	(4,059,009)	(4,283,356)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		38,631,940	38,550,210
		<hr/>	<hr/>
Retained profit for financial year		38,631,940	38,550,210
Profit and loss account at beginning of year		46,572,883	8,022,673
		<hr/>	<hr/>
Profit and loss account at end of year		85,204,823	46,572,883
		<hr/>	<hr/>

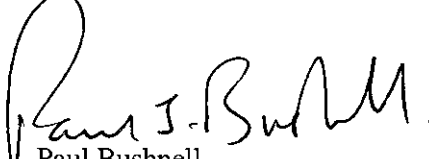
The company had no recognised gains or losses in the financial period or the preceding period other than those set out in the profit and loss account and, accordingly, a separate statement of total recognised gains and losses has not been prepared.

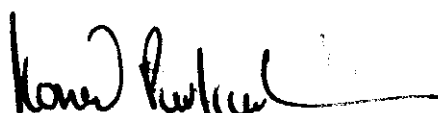
Citigroup Capital Finance Ireland Limited

Balance sheet
at 31 December 2003

	Note	2003 Stg£	2002 Stg£
Fixed assets			
Investments	5	685,750,000	685,750,000
Current assets			
Debtors	6	8,642,872	7,735,647
Loans advanced	7	33,864,137	33,971,778
Cash at bank		45,096,842	8,963,536
		<u>87,603,851</u>	<u>50,670,961</u>
Creditors: amounts falling due within one year	8	<u>(1,842,011)</u>	<u>(3,541,061)</u>
Net current assets		<u>85,761,840</u>	<u>47,129,900</u>
Net assets		<u>771,511,840</u>	<u>732,879,900</u>
Capital and reserves			
Called up share capital	9	1,000,000	1,000,000
Profit and loss account		85,204,823	46,572,883
Capital contribution	11	685,307,017	685,307,017
Shareholders' funds – equity	10	<u>771,511,840</u>	<u>732,879,900</u>

On behalf of the board


Paul Bushnell
Director


Kunal Parkash
Director

Citigroup Capital Finance Ireland Limited

Notes

forming part of the financial statements

1 Operating income

	2003 Stg£	2002 Stg£
Interest on loans notes	14,239,300	15,323,037
Interest from partnership securities	27,140,491	27,035,750
Interest on deposits	1,625,633	548,348
	<u>43,005,424</u>	<u>42,907,135</u>

2 Staff numbers and costs

The average number of persons employed by the Company during the year was 1 (2002: Nil).

3 Statutory information

Profit on ordinary activities before taxation is stated after charging:

	2003 Stg£	2002 Stg£
Directors' remuneration	-	-
Auditors' remuneration	7,602	5,651
	<u>7,602</u>	<u>5,651</u>

Directors' remuneration is borne by Citibank Ireland Financial Services plc.

4 Tax on profit on ordinary activities

The Company has received approval for a licence to operate in the International Financial Services Centre under Section 446 of the Taxes Consolidation Act 1997 which entitles the company to the 10% rate of tax on qualifying activities. Passive income is taxable at 25%.

Citigroup Capital Finance Ireland Limited

Notes (continued)

4 Tax on profit on ordinary activities (continued)

	2003 Stg £	2002 Stg £
(a) Analysis of charge in year		
<i>Current tax:</i>		
Irish corporation tax on profits for the period	(4,059,009)	(4,283,356)
Prior year under provision in corporation tax		
	<hr/>	<hr/>
Total current tax (note 4 (b))	(4,059,009)	(4,283,356)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>(4,059,009)</u>	<u>(4,283,356)</u>

(b) Factors affecting tax charge in year

The tax assessed for the year is lower than the standard rate of corporation tax in Ireland. The differences are explained below:

	2003 Stg £	2002 Stg £
Profit on ordinary activities before tax	<u>42,690,949</u>	<u>42,833,566</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 12.5% (2002: 16%)	(5,336,369)	(6,853,371)
<i>Effects of:</i>		
Prior year over provision in corporation tax	210,086	-
Utilisation of 10% tax rate	<u>1,067,274</u>	<u>2,570,015</u>
Current tax charge for year (note 4 (a))	<u>(4,059,009)</u>	<u>(4,283,356)</u>

(c) Factors that may affect future tax charges

The company's activities have been approved for operation in the IFSC, Dublin and as such are taxable at 10%. This 10% tax rate that the company utilises will be in place until 31 December 2005.

Corporation tax rates in respect of trading income in the Republic of Ireland decreased to 12.5% from 1 January 2003, this will not impact the company until 1 January 2006.

Citigroup Capital Finance Ireland Limited

Notes (continued)

5 Investments	2003 Stg£	2002 Stg£
Investments	685,750,000	685,750,000

In 2001, the Company purchased subordinated floating rate notes of Stg£335,750,000 from Citibank Investments Limited and subordinated floating rate partnership securities of Stg£350,000,000 from Citigroup Partners UK. The Company is the Limited Partner of Citigroup Partners UK. All notes are due to be redeemed in 2031.

6 Debtors	2003 Stg£	2002 Stg£
Accrued interest	7,933,063	7,735,647
Intercompany	709,809	-
	8,642,872	3,541,061

All amounts fall due within one year.

7 Loans advanced	2003 Stg£	2002 Stg£
Amounts falling due within one year	33,864,137	33,971,778

8 Creditors: amounts falling due within one year	2003 Stg£	2002 Stg£
Accruals	56,645	39,615
Corporation tax payable	1,785,366	3,501,446
	1,842,011	3,541,061

Citigroup Capital Finance Ireland Limited

Notes (continued)

9 Share capital	2003 Stg£	2002 Stg£
<i>Authorised:</i>		
100,000,000 ordinary shares of Stg£1 each	100,000,000	100,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of Stg£1 each	1,000,000	1,000,000
	<hr/>	<hr/>
 10 Reconciliation of movement in shareholders' funds	 2003 Stg£	 2002 Stg£
Shareholders' funds at beginning of year	732,879,900	694,329,690
Total recognised gains and losses for the year	38,631,940	38,550,210
	<hr/>	<hr/>
Shareholders' funds at end of year - equity	771,511,840	732,879,900
	<hr/>	<hr/>

11 Capital contribution

The capital contribution amount of Stg£685,307,017 is non repayable and forms part of distributable reserves.

Citigroup Capital Finance Ireland Limited

Notes *(continued)*

12 Ultimate parent undertaking

The Company's ultimate parent undertaking is Citigroup Inc., which is incorporated in the State of Delaware, United States of America.

The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc. The consolidated financial statements of Citigroup Inc. are available to the public and may be obtained from Citigroup Document Services, 140 58th Street, Suite 51, Brooklyn, New York, NY11220, United States of America.

The smallest group in which the results of the accounts are consolidated is that headed by Citibank Holdings Ireland Limited, which became the parent company on 24 November 2003. Copies of these group accounts will be available to the public and may be obtained from its offices at Citigroup Centre, 1 North Wall Quay, Dublin 1.

13 Related parties

As the Company is ultimately a subsidiary of Citigroup Inc. it is availing of the disclosure exemption under Financial Reporting Standard No. 8 for subsidiary undertakings.

14 Approval of financial statements

The financial statements of the Company were approved by the Board of Directors on 30 September 2004.