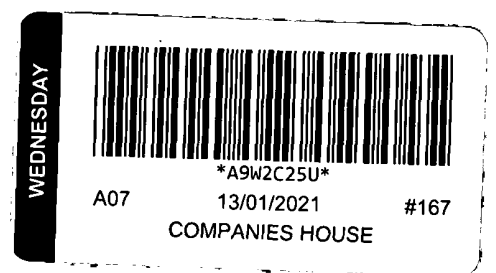


CIB PROPERTIES LIMITED
(Registered Number: 01915885)

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019



CIB PROPERTIES LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors present their report and the financial statements of CIB Properties Limited ('the Company') for the year ended 31 December 2019.

Business environment

The Company is a wholly owned subsidiary of Citigroup Global Markets Europe Finance Limited ('CGMEFL', 'parent') and its principal activity is the provision of office accommodation and related facilities to Citibank, N.A. and other subsidiary undertakings of Citigroup Inc. ('Citi', 'the ultimate parent') in the United Kingdom ('the UK Group'). In pursuance of this activity, the Company from time to time acquires and disposes of interests (short and long leasehold or freehold) in land and buildings suitable for office accommodation.

The main operating lease held by the Company is that of Citigroup Centre 2 ('CGC2'), 25 Canada Square, Canary Wharf, London. The building, together with Citigroup Centre 1 ('CGC1'), 33 Canada Square, acts as Citi's EMEA headquarters and contains a significant portion of Citi's UK employee base and core business operating activities.

As at 31 December 2019, the Company also sublet 26 floors of the CGC2 building with expiration dates ranging from 2020 to 2029.

In recent years, Citi, as an organisation, has continued to make sustained efforts to consolidate office space in a systematically responsible and cost effective manner. At present, Citi's London headquarters comprise a combination of CGC1 and CGC2, however post the lease expiry of CGC1 in 2026, Citi's London headquarters will be CGC2.

Events after the reporting period

A novel strain of coronavirus ("COVID-19") that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers.

This is a non-adjusting event and it is not expected to have any material financial effects to the Company.

Going concern

The financial statements are prepared on a going concern basis. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the implications from the pandemic ("COVID-19") outbreak. The Directors have no plans to change the Company's principal activities.

Dividends

The Company did not pay an interim dividend during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend in respect of the year (2018: £nil). The Company paid a dividend in specie of £nil during the year (2018: £86,603,000).

Directors

The Directors who held office during the year ended 31 December 2019 and since year end were:

J R Killey
D I Sharland (resigned on 29 November 2019)
J D R Smith (resigned on 12 October 2020)
J Warren (appointed on 29 November 2019)

CIB PROPERTIES LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2019

Directors' indemnity

Throughout the year and at the date of this report the Company is party to a group-wide indemnity policy which benefits all of its current directors and is a qualifying third party indemnity provision for the purpose of section 236 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Stakeholder engagement statement

To ensure the most efficient and effective approach, stakeholder engagement is led by Citigroup, in particular where matters are of group-wide significance or have an impact on Citigroup's reputation.

The Company Board considers and discusses information from across the organisation to help it understand the impact on the Company's operations and the interests and views of our key stakeholders. The Board also reviews strategy and financial performance as well as information such as operational and financial risks and regulator priorities. The Board receives this information in advance of each quarterly meeting.

Using all of the above actions, the Board has an overview of engagement with stakeholders, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

CIB PROPERTIES LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2019

Employees

There were no persons employed by the Company during the year and no persons have been employed by the Company since the year end.

Political contributions

The Company made no political contributions or incurred any political expenditure during the year (2018: £nil).

Disclosure of information to auditor

In accordance with, and subject to all the provisions of, section 418 of the Companies Act 2006, it is stated by the Directors who held office at the date of approval of this Directors' Report that

- so far as each is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- each Director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



J Warren
Director

15 December 2020

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
Registered Number: 01915885

CIB PROPERTIES LIMITED

STRATEGIC REPORT

for the year ended 31 December 2019

The Directors present the Strategic Report of CIB Properties Limited for the year ended 31 December 2019.

Throughout the year, Citi has continued to make concerted efforts to consolidate office space in CGC2 in a systematically responsible and cost effective manner.

In the prior year, on 6 July 2018, the Company executed a modification and improvement of the lease terms and conditions of CGC2, resulting in a material reduction in the costs of occupying the building going forward. This reinforced Citi's long term intent to occupy and obtain all the economic benefits received under the full lease. At present, Citi's London headquarters comprise a combination of CGC1 and CGC2, however post the lease expiry of CGC1 in 2026, Citi's London headquarters will be CGC2.

As part of the transition to the new IFRS lease accounting standard (IFRS 16 – *Leases*) as of 1st January 2019, the Company recognised the provision in relation to committed third party subleases, where the economic inflows of the sublease do not fully offset the expected economic outflows incurred by the Company for occupying the related space, as part of the initial cost of the right-of-use assets. Further information about the effects of the transition is disclosed in Note 3.

Company performance

The current year loss before tax of the Company amounted to £28.8 million (2018: £18.8 million). The loss for the year 2019 was driven by the decrease in turnover and other operating expenses due to the transfer of lease 1a to Citibank N.A., London Branch in 2018, as the turnover and rent expenses related to this lease were fully recognised in Citibank N.A., London Branch in 2019. The loss for the year, after taxation, amounted to £28.9 million (2018: £18.8 million).

The Company recorded total net operating expense for the year of £52.5 million compared to net operating expense of £78.8 million in the prior year due to the transfer of lease 1a to Citibank N.A., London Branch in 2018.

	2019	2018
	£'000	£'000
Net onerous lease provision reversal	-	12,607
Other operating expenses	(52,471)	(91,425)
Total operating expenses	<u>(52,471)</u>	<u>(78,818)</u>

Company position

The Company's net asset position decreased from a net assets position of £271.9 million in 2018, to net assets of £243 million in 2019.

The main driver of this decrease is that from 1 January 2019, leases are recognised as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

On 28 September 2018 CGMEFL, the Company's immediate parent entity, received a capital contribution of £150 million from Citigroup Financial Products Inc. ('CFPI'), its immediate parent entity. These funds were immediately and directly transferred to CIB Properties Limited as a capital contribution in order to ensure proper capitalisation and strengthen the balance sheet of its subsidiary undertaking. Additionally, as part of a wider internal Citi resolution and recovery planning reorganisation process, CIB Properties Limited transferred the net asset value of lease 1a, to Citibank N.A., London Branch via a deemed dividend in specie, in the amount of £86.6 million.

CIB PROPERTIES LIMITED

STRATEGIC REPORT

for the year ended 31 December 2019

Key performance indicators

The Company's Directors consider that the financial results shown above are the key financial performance indicators for the operations of the Company.

The ultimate parent manages its operations on a divisional basis and the Company's results are included in the results of the ultimate parent. For that reason, the Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Detailed processes are in place to ensure that standards are maintained in relation to all health and safety regulations. Preventative maintenance programs mitigate the inherent risk of building outages such as accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to CGC2's property or assets, which would prevent the UK employee base from effectively performing their function. However, in the event of an unexpected outage, comprehensive plans exist to ensure that Citigroup can continue its normal day-to-day activities. The Company benefits from its ultimate reliance of support from the Company's parent.

Section 172 statement

Section 172(1) of the Companies Act 2006 requires each director of the Company to act in a way in which he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters including:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the Company's members.

The directors of the Company give careful consideration to the matters referred to in section 172(1) when discharging their legal duties. As a Board, we believe in taking decisions for the long-term benefit of the Company and look to safeguard the Company's reputation by upholding the highest standards of business conduct. Depending on the issue in question, the relevance of each stakeholder group and other relevant factors may vary. As such, the Board strives to understand the needs and priorities of each stakeholder group and the other factors relevant to the issue in question during its deliberations and as part of its decision-making.

The Board may seek advice about the implications of their legal duties at any time from our Company Secretary. The Company is in the process of developing series of refresher trainings for its current directors, and a comprehensive induction programme for new directors which includes training on their statutory duties.

Future outlook

The Company's strategy continues to be to take advantage of opportunities to maximise the utilisation of, and income from, its property portfolio.

By order of the Board



J Warren
Director

15 December 2020

Incorporated in England and Wales

Registered office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB

Registered number: 01915885

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CIB PROPERTIES LIMITED

Opinion

We have audited the financial statements of CIB Properties Limited ("the Company") for the year ended 31 December 2019, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 101 Reduced Disclosure Framework*, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CIB PROPERTIES LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

15 December 2020

CIB PROPERTIES LIMITED

INCOME STATEMENT

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	36,128	61,560
Operating expense	5	(52,471)	(78,818)
Operating loss		(16,343)	(17,258)
Interest receivable	7	1,943	473
Interest payable and similar charges	7	(14,367)	(1,998)
Loss before income tax		(28,767)	(18,783)
Income tax charge	8	(103)	-
Loss and total comprehensive loss for the year		(28,870)	(18,783)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2019 or 2018 other than those included in the Income Statement.

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

CIB PROPERTIES LIMITED

BALANCE SHEET

as at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	9	681	1,000
Investment property	10	542,647	-
		<u>543,328</u>	<u>1,000</u>
Current assets			
Cash at bank and in hand	11	33,942	42,711
Debtors	12	154,546	168,922
		<u>188,488</u>	<u>211,633</u>
Creditors: amounts falling due within one year	13	(24,531)	(26,891)
Other liabilities	17	(23,168)	-
		<u>140,789</u>	<u>184,743</u>
Net current assets			
Debtors: amounts receivable after one year	12	10,932	149,270
Non-current liabilities			
Provision for liabilities	14	(235)	(63,107)
Other liabilities	17	(451,779)	-
		<u>243,035</u>	<u>271,905</u>
Net assets			
Capital and reserves			
Called up share capital	15	8,233	8,233
Reserves	16	234,802	263,672
		<u>243,035</u>	<u>271,905</u>
Shareholders' funds			

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 December 2020.



J Warren
Director

Registered Number: 01915885

CIB PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share Capital £'000	Reserves £'000	Total equity £'000
Balance as at 1 January 2018	8,233	219,058	227,291
Loss for the year	-	(18,783)	(18,783)
Capital contribution	-	150,000	150,000
Dividend in specie	-	(86,603)	(86,603)
Balance as at 31 December 2018	8,233	263,672	271,905
Loss for the year	-	(28,870)	(28,870)
Balance as at 31 December 2019	8,233	234,802	243,035

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

The accounting policies have been applied consistently throughout the current and preceding year.

1.1 Basis of presentation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, *Reduced Disclosure Framework* ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the following disclosure exemptions available under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of financial statements' to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment and of paragraphs 76 and 79(d) of IAS 40 'Investment Property';
- the requirements of IAS 7 'Statement of cash flows';
- the requirement in paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the requirements of IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 17 and 18A of IAS 24 that relate to transactions with key management personnel;
- the requirements of IFRS 7 'Financial Instruments: Disclosures' and the requirements of IFRS 13 'Fair Value Measurement'.

These financial statements have been prepared under the historical cost convention, except where otherwise indicated. The functional and financial statements presentational currency of the Company is Pound Sterling (£) and all values are rounded to the nearest thousands, except where otherwise indicated.

The Company's results are consolidated in the financial statements of its ultimate parent company, Citigroup Inc., which are made available to the public annually.

The accounting policy set out below has, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The risks and uncertainties faced by the Company are discussed further in the Strategic Report on pages 4-6.

The financial statements are prepared on a going concern basis. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the implications from the pandemic (COVID-19) outbreak.

1.2 Changes in accounting policy and disclosures

Standards issued and effective

There are a number of accounting standards that have been issued by the International Accounting Standards Board ("IASB"), which became effective during 2019. They include:

- **IFRS 16 – Leases.** In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of 'right of use' lease assets and lease liabilities on the statement of financial position for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the income statement. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 was implemented on 1 January 2019. The Company elected to adopt the modified retrospective approach, which did not require the Company to restate comparatives but rather recognised the cumulative effect of adopting the standard as an adjustment to equity. Refer to Note 3 for the transition disclosure for further information.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

1.2 Changes in accounting policy and disclosures (continued)

Standards issued and effective (continued)

- **IFRIC 23 – Uncertainty over Income Tax Treatments.** The interpretation provides requirements that add to the requirements in IAS 12 – Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes. The interpretation applies for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted. The interpretation did not have any impact on the Company.
- **Prepayment Features with Negative Compensation (Amendments to IFRS 9).** In October 2017, IFRS 9 was amended to enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The application of these amendments did not have any impact on the Company.
- **Annual Improvements to IFRS Standards 2015–2017 Cycle.** In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing minor amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes*, and IAS 23 *Borrowing Costs*. The application of these amendments did not have a material impact on the Company.

1.3 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of office accommodation and related facilities services to third party and group undertakings. Income from office accommodation and related facilities services is recognised in the period in which the service is provided. The impact of lease incentives on turnover is explained in Note 1.6.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold premises improvements	- Lesser of the life of the lease or 50 years
Building fittings	- 5 to 10 years
Assets in the course of construction	- No depreciation

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period during which they are incurred.

A review for the impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

Interest costs incurred in funding assets in the course of construction are capitalised on projects where material. Interest ceases to be capitalised when the project is complete and ready for its intended use.

1.5 Income taxes

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. Deferred tax assets and liabilities are recognised for taxable and deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that there will be sufficient profits available against which these differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

1.6 Leases

As explained in Note 1.2, following the adoption of IFRS 16 – Leases, the Company changed its accounting policy for leases where the Company is the lessee. The impact of the change is explained in the transition Note 3.

Leases Policy applicable from 1 January 2019

Until 31 December 2018, if the Company had leases of property and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership, such leases would have been classified as finance leases and capitalised and depreciated. The finance cost would have been charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Rentals payable under operating leases were charged to the income statement on a straight line basis over the lease term and were included within “Other expenses”.

From 1 January 2019, leases are recognised as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

This policy is applied to contracts entered into, on or after 1 January 2019. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration.

The following process is followed when determining if a contract is, or contains a lease:

- Identified Asset - An asset is typically identified by being explicitly specified in a contract. However, an asset also can be identified by being implicitly specified at the time that the asset is made available for use;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- The Company has the right to direct how and for what purpose the identified asset is used throughout the period of use;
- The Company has the right to operate the asset throughout the period of use without the supplier’s having the right to change those operating instructions; and
- The Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any incentives received.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the ROU asset reflects that the Company will exercise a purchase option, the Company shall depreciate the ROU asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the ROU asset from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Further, the ROU asset is assessed for impairment losses at each reporting period and adjusted for certain remeasurements in the lease liability.

Payments associated with short term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The Company does not have any short term or low value leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Company, the lessee’s incremental borrowing rate (IBR) is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The IBR is the rate of interest that the Company would have to pay to borrow on a collateralised basis over a similar term an amount equal to the lease payments in a similar economic environment.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

1.6 Leases (continued)

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at commencement date; and
- Amounts expected to be payable under a residual guarantee.

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured to reflect changes in lease payments caused by a change in index or rate (other than in floating interest rates) and if the Company is reasonably certain to exercise a purchase option, or if there is a change in the amount the Company is expected to pay under a residual value guarantee.

When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases – as lessor

The Company determines at lease inception whether or not each lease is a finance lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership to the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether or not the lease is for the major part of the economic life of the asset.

As an intermediate lessor, the Company accounts for its interests in the head lease and the sub-leases separately. The lease classification of a sublease is assessed based with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company recognises lease payments on a straight-line basis over the term of the lease as part of Note 4 – 'Turnover'.

The accounting policies applicable to the Company as lessor in the comparative period were not different from IFRS 16. However, as intermediate lessor, the subleases were classified with reference to the underlying asset (albeit transition to IFRS 16 did not result in any change in classification of subleases).

Policy applicable before 1 January 2019

Finance and operating leases – as lessor

Where the Company leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease. Operating leases are leases other than finance leases.

Finance and operating leases – as lessee

Leases are classified as operating leases where the risks and rewards of ownership are retained by the lessor. Rentals under operating leases are charged to the Income Statement on a straight-line basis over the lease term.

1.7 Onerous contract provision - Policy applicable before 1 January 2019

Onerous contract provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation. Please see Note 2 - 'Uses of assumptions, estimates and judgements' for further information.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions, estimates and judgements

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The accounting policies used in the preparation of the financial statements are described in detail above.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Further information about those areas where estimation, uncertainty and the application of critical judgements to accounting policies have the most significant effect on the amounts recognised in the financial statements are set out below.

Onerous contract provision - Policy applicable before 1 January 2019

The Company's accounting policy for the onerous contract provision is described in Note 1.7. In estimating this provision the Company considers all unavoidable costs of meeting its obligations under the lease. Unavoidable costs include all those that exist independent of the Company's future actions but also take into consideration any future events that may affect the amount required to settle the obligation where there is sufficient objective evidence that they will occur.

In making its assessment, the Company considers the ability of management to fully occupy and utilise any current sublet space once such subleases expire in the future. These estimates are determined by the judgement of the Company's management based on current strategic considerations.

A discount rate reflective of current market assessments of the time value of money and the risks specific to the liability is applied to the estimated cash outflows arising until the end of the lease obligation.

There is a risk that the onerous contract provision in the financial statements could be understated if future market conditions mean it is not possible to achieve the level of rental income anticipated.

3. Transition disclosures

This note explains the impact of the adoption of IFRS 16 *Leases* on the Company's financial statements.

As indicated in Note 1.6, the Company has adopted IFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard (i.e., the Simplified Approach). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The net impact on retained earnings on 1 January 2019 was £nil.

The new accounting policies are disclosed in Note 1.6.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.9%. The Company recognised a right-of-use (ROU) asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any incentives received.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Transition disclosures (continued)

Measurement of lease liabilities:

	1 January 2019 £ 000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Company's financial statements	649,473
Restated operating lease commitments on 1 January 2019	649,290
Discounted using the incremental borrowing rate at 1 January 2019	500,620
Lease liabilities recognised at 1 January 2019	<u>500,620</u>

4. Turnover

	2019 £'000	2018 £'000
Amounts receivable from third parties	28,951	27,698
Amounts receivable from group undertakings	7,177	33,862
	<u>36,128</u>	<u>61,560</u>

All turnover arose within the United Kingdom and related to the investment property.

5. Operating expenses

	2019 £'000	2018 £'000
Operating expenses include:		
(Income)/charge from changes in onerous contract provision	-	(12,607)
Operating lease rentals and other premises expenses	1,089	59,535
Depreciation of tangible fixed assets (Note 9)		
- owned by the company	241	2,987
Depreciation of right-of-use assets (Note 10)	32,750	-
Auditor's remuneration	133	123

There were no employees of the Company, nor any related costs. Operating expenses also include utilities, repairs and maintenance charges.

6. Directors' remuneration

	2019 £'000	2018 £'000
Aggregate emoluments	295	287
Company pension contributions to money purchase pension scheme	19	19
	<u>314</u>	<u>306</u>

Contributions to money purchase pension schemes are accruing to four of the Directors (2018: three). Contributions to defined benefit pension schemes are accruing to one of the Directors (2018: one). Two of the Directors of the Company (2018: two) participate in parent company share plans.

The remuneration of the highest paid Director was £172,488 (2018: £165,199) and accrued pension of £13,742 (2018: £13,780).

The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The above remuneration is based on the apportionment of time incurred by the Directors for services to the Company, both in their capacity as a Director and, where applicable, their normal employment. The cost of Directors' emoluments are borne by other group undertakings.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Interest receivable and payable

	2019 £'000	2018 £'000
Interest received from other group undertakings	1,943	473
Interest accretion of liability provision	-	(1,998)
Interest on lease liability	(14,367)	-
	<u>(12,424)</u>	<u>(1,525)</u>

The interest accretion of liability provision represented in prior year the effects of the time value of money specific to the onerous lease provision.

8. Taxation

8a. Analysis of tax charge on profit for the year

	2019 £'000	2018 £'000
Current tax		
UK corporation tax charge on profit for the year	-	-
Adjustment in respect of prior years	103	-
Deferred tax		
Deferred tax for the year	-	-
Tax charge on profit	<u>103</u>	<u>-</u>

8b. Factors affecting tax charge for the year

	2019 £'000	2018 £'000
Loss before tax	<u>(28,767)</u>	<u>(18,783)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(5,466)	(3,569)
Effects of:		
Adjustment in respect of prior years	103	-
Expenses not deductible	1,472	874
Current year movement in timing differences not recognised for deferred tax	4	215
Group relief surrendered for no consideration	3,990	2,480
Total tax charge for the year (Note 8a)	<u>103</u>	<u>-</u>

The main rate of corporation tax in the UK has been 19% from 1 April 2017. The Finance Act 2016, which was enacted on 15 September 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. The deferred tax balance have been calculated at this rate. The 2020 Budget has removed the reduction to 17% such that the rate remain at 19%, however, the impact of this has not been reflected, as this has not been substantively enacted as the balance sheet date.

8c. Deferred taxation

The deferred tax at 31 December 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date. At 31 December 2019, the Company had an unrecognised deferred tax asset of £5,617 (2018: £1,593).

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Tangible fixed assets

	Building improvements & fittings £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 January 2019	17,122	140	17,262
Additions	8	4	12
Disposal	(25)	-	(25)
Transfer to Citibank N.A. London Branch and other group companies	(2,837)	-	(2,837)
Transfer between classes	13	(13)	-
At 31 December 2019	<u>14,281</u>	<u>131</u>	<u>14,412</u>
Depreciation			
At 1 January 2019	16,262	-	16,262
Charge for the year	238	-	238
Transfer to Citibank N.A. London Branch and other group companies	(2,769)	-	(2,769)
At 31 December 2019	<u>13,731</u>	<u>-</u>	<u>13,731</u>
Net book value			
At 31 December 2019	<u>550</u>	<u>131</u>	<u>681</u>
At 31 December 2018	<u>860</u>	<u>140</u>	<u>1,000</u>

£61.9 million onerous provision had been recognised within the measurement of the initial cost of the right-of-use assets at initial application of IFRS 16 on 1 January 2019.

No impairment was recognised in relation to tangible fixed assets as at 31 December 2019 (2018: £nil).

There were no capitalised borrowing costs related to the acquisition of fixed assets during the year (2018: £nil).

10. Investment property

The ROU assets are classified as investment property as the Company holds them to earn rentals.

	Right-of-use assets £'000
Cost	
Recognition of right-of-use asset on initial application of IFRS 16	578,169
At 1 January 2019	578,169
Additions	803
Transfer to Citibank N.A. London Branch and other group companies	(3,575)
At 31 December 2019	<u>575,397</u>
Depreciation	
At 1 January 2019	-
Charge for the year	32,750
At 31 December 2019	<u>32,750</u>
Net book value	
At 31 December 2019	<u>542,647</u>
At 31 December 2018	<u>-</u>

No impairment was recognised in relation to the ROU asset as at 31 December 2019.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Investment property (continued)

	31 December 2019 £ 000
Fair value of the investment property	<u>542,647</u>

The carrying value of the right of use asset is a reasonable approximation of its fair value, as the lease was executed at arm's length, with periodic rent reviews reflecting market rates. In addition, the Company's current use of a non-financial asset is presumed to be its highest and best.

The fair value of the investment property as disclosed above is based on a valuation performed by the Company, and not on a valuation by an independent valuer.

11. Cash at bank and in hand

The following amounts are included within cash at bank and in hand.

	2019 £'000	2018 £'000
Cash at bank held by other group undertakings	<u>33,942</u>	<u>42,711</u>

12. Debtors

	2019 £'000	2018 £'000
Due after more than one year		
Accrued income	10,932	9,270
Amounts owed by group undertakings	-	140,000
	<u>10,932</u>	<u>149,270</u>
Due within one year		
Trade debtors	1,434	4,785
Amounts owed by group undertakings	139,998	3,306
Prepayments and accrued income	12,488	160,102
Corporation tax receivable	626	729
	<u>154,546</u>	<u>168,922</u>
Debtors total	<u>165,478</u>	<u>318,192</u>

Prepayments include prepaid rent, real estate tax, utilities and professional fees. Accrued income includes lease incentives which are discussed further in Note 1.6.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Creditors

Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts due to group undertakings	17,936	13,376
Accruals and deferred income	6,595	13,515
Corporation tax payable	-	-
	<u>24,531</u>	<u>26,891</u>

Amounts owed to group undertakings consist of intercompany loans and other balances derived from the normal course of business.

Accruals and deferred income comprise of lease incentives and deferred income from subtenants.

14. Provisions

	Dilapidation provision £'000	Carbon reduction commitment £'000	Total £'000
At 1 January 2019	773	449	1,222
Transfer to Citibank N.A. London Branch	(229)	-	(229)
Provision for the year	5	-	5
Utilised in the year	(133)	(449)	(582)
Amounts reversed	(181)	-	(181)
As at 31 December 2019	<u>235</u>	<u>-</u>	<u>235</u>

Onerous contract

£61.9 million onerous provision had been recognised within the measurement of the initial cost of the right-of-use assets at initial application of IFRS 16 on 1 January 2019.

Dilapidation provision

The Company has recognised an obligation in relation to dilapidation costs in connection with leases it holds on a number of properties.

Carbon reduction commitment scheme

The Company was required to participate in the Carbon Reduction Commitment ('CRC') Energy Efficiency Scheme. The Company was required to purchase and retrospectively surrender CRC allowances on the basis of carbon dioxide emitted. As carbon dioxide was emitted a liability and an expense was recognised, measured at the best estimate of expenditure based on the current market price of the number of allowances required to meet the liability as at the end of the financial year. The CRC Energy Efficiency scheme closed as of 31 March 2019, therefore the Company released all related provisions during the year.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
8,233,150 ordinary share of £1	8,233	8,233

16. Reserves

Capital reserves relate to capital contributions received from the Company's parent and are fully distributable. The Company hasn't received any capital contribution during 2019 (2018: £150 million).

17. Leases

As a lessee

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Right-of-use assets £ 000
Balance at 1 January 2019	578,169
Depreciation charge for the year	(32,750)
Additions	803
Transfer to Citibank N.A. London Branch and other group companies	(3,575)
Balance at 31 December 2019	<u>542,647</u>

Lease liabilities

Maturity analysis

Expiring:

	31 December 2019 £ 000
- within one year	23,168
- between one and five year	88,471
- in five years and more	363,308

Total discounted lease liabilities at 31 December

474,947

Total cash outflow for the leases amounted to £36.9 million (2018: £59.5 million).

Amounts recognised in profit or loss

	2019 £ 000
2019 - Leases under IFRS 16	
Interest on lease liabilities	14,367
	2018 £ 000
2018 – Operating leases under IAS 17	
Lease expense	59,535

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Leases (continued)

As a lessor

As at 31 December 2019, the Company sublet 26 floors of the CGC2 building with expiration dates ranging from 2020 to 2029.

The Company recognises lease payments on a straight-line basis over the term of the lease, for further details refer to Note 4 – ‘*Turnover*’.

18. Capital commitments

As at 31 December 2019 the Company was committed to fit out costs in respect of assets in the course of construction of £14,640,820 (2018: £11,635,033).

19. Ultimate parent company and parent companies

The Company’s immediate parent undertaking is Citigroup Global Markets Europe Finance Limited, incorporated in England and Wales. The audited financial statements of the immediate parent are available to the public annually and may be obtained from its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

The Company’s ultimate parent company and ultimate controlling party is Citigroup Inc., incorporated in United States of America for which the audited consolidated financial statements are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from its registered office at 1209 Orange Street, Wilmington, New Castle, DE, 19810, United States of America and www.citigroup.com/citi/corporategovernance/ar.htm.

20. Events after the reporting period

A novel strain of coronavirus (“COVID-19”) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers.

This is a non-adjusting event and it is not expected to have any material financial effects to the Company.