

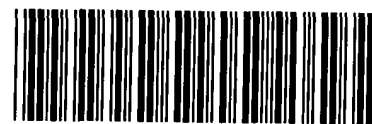
# Citigroup Capital UK Limited

(Registered Number: 03686706)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

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# **CITIGROUP CAPITAL UK LIMITED**

## **DIRECTORS' REPORT**

for the year ended 31 March 2020

The Directors present their report and the audited financial statements of Citigroup Capital UK Limited ("the Company") for the year ended 31 March 2020, which have been prepared in accordance with the provision of the Companies Act 2006.

### **Business environment**

The Company had been a principal finance company that committed capital provided by its parent company to purchase or finance the acquisition of income generating investments. However, the Company's activities regarding new investments have largely been suspended following the takeover of the then parent company, Nikko Cordial Corporation by Citigroup Inc. (interchangeably referred to as "Citi" or "Citigroup"), which completed in May 2007.

Beginning in the first quarter of 2017, Citigroup's activities are conducted through the Global Consumer Banking (GCB) and Institutional Client Group (ICG) business segments. In addition, Corporate/Other includes activities not assigned to a specific business segment e.g. the Citi Holdings operating segment. The Company is considered to be part of the Citi Holdings operating segment of Citi, which consists of businesses and portfolios of assets that Citi has determined are not central to the core Citicorp operating segment. In line with that of Citigroup, the strategy has been to continue to wind down Citi Holdings as soon as practicable, in an economically rational manner.

### **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 basis**

The financial statements have been prepared on a going concern basis, as 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 any potential impact of the pandemic COVID-19.

### **Dividends**

The Company paid a dividend of £nil (2019: £nil) during the year.

### **Strategic Report**

Section 414B of the Companies Act 2006 states that a company is entitled to the small companies exemption in relation to the strategic report for a financial year if it would be so entitled but for being or having been a member of an ineligible group. As such, the Company has elected to exercise this exemption in relation to the preparation of a Strategic Report for this financial year.

### **Employees**

There was no person employed by the Company during the year and no person has been employed by the Company since year end.

### **Directors**

The Directors who held office during the financial year and since year-end were:

T Hassard  
J V Mistry  
R K Pinniger

# **CITIGROUP CAPITAL UK LIMITED**

## **DIRECTORS' REPORT**

for the year ended 31 March 2020

### **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 Directors' Report and the Financial Statements**

The directors are responsible for preparing 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 judgements 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
- use 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.

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.

### **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.

### **Political contributions**

There were no contributions for political purposes made by the Company during the year (2019: £nil).

# **CITIGROUP CAPITAL UK LIMITED**

## **DIRECTORS' REPORT**

for the year ended 31 March 2020

### **Disclosure of information to auditor**

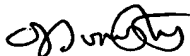
In accordance with section 418, Companies Act 2006 and subject to all the provisions of section 418, it is stated by the Directors who held office at the date of approval of this Directors' Report that:

- so far as each is aware, there is no relevant audit information of which the Company's Auditor is 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 Auditor is 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 V Mistry**  
Director

17 December 2020

Incorporated in England and Wales  
Registered Office: Citigroup Centre, Canada Square, London E14 5LB  
Registered Number: 03686706

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP CAPITAL UK LIMITED**

### **Opinion**

We have audited the financial statements of Citigroup Capital UK Limited ("the company") for the year ended 31 March 2020 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the principal 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 March 2020 and of its profit 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 analyzed 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.

### **Directors' report**

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

Our responsibility is to read the other information 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 Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP CAPITAL UK 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, 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.

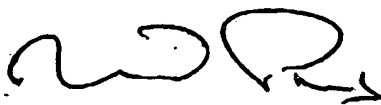
### **Auditor's responsibilities**

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](http://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.



**Richard Pinks (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
London, E14 5GL

18 December 2020

# CITIGROUP CAPITAL UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Interest income	4	1,349	1,106
Net investment (expenses)/income	5	(69)	53
<b>Operating profit</b>		<b>1,280</b>	<b>1,159</b>
Administrative expenses	6	(346)	(88)
Other expense	7	(1)	(12)
Foreign exchange gain		35	31
<b>Profit before taxation</b>		<b>968</b>	<b>1,090</b>
Tax	8	-	-
<b>Profit and total comprehensive income for the financial year</b>		<b>968</b>	<b>1,090</b>

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

There was no other comprehensive income or losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

# CITIGROUP CAPITAL UK LIMITED

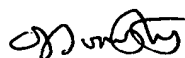
## BALANCE SHEET

as at 31 March 2020

	Notes	2020 £'000	2019 £'000
<b>Current assets</b>			
Debtors	10	25	572
Investment securities	11	248	697
Cash at bank	12	21,217	18,719
Loans and advances to group undertakings	13	180,000	180,000
		<u>201,490</u>	<u>199,988</u>
<b>Current liabilities</b>			
Creditors	14	(520)	(195)
		<u>200,970</u>	<u>199,793</u>
<b>Net current assets</b>			
		200,970	199,793
<b>Provision for liabilities</b>			
Other provision	16	(2,537)	(2,328)
		<u>198,433</u>	<u>197,465</u>
<b>Net assets</b>			
		<u>198,433</u>	<u>197,465</u>
<b>Capital and reserves</b>			
Called up share capital	17	168,471	168,471
Capital reserve		290,969	290,969
Profit and loss account		(261,007)	(261,975)
		<u>198,433</u>	<u>197,465</u>
<b>Shareholder's funds</b>			
		<u>198,433</u>	<u>197,465</u>

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

The financial statements were approved by the Directors on 17 December 2020 and signed on their behalf by:



**J V Mistry**  
Director

Registered Number: 03686706



## CITIGROUP CAPITAL UK LIMITED

### STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	<b>Share capital £'000</b>	<b>Capital reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>As at 1 April 2018</b>	168,471	290,969	(263,065)	196,375
<b>Profit for the year</b>	-	-	1,090	1,090
<b>As at 1 April 2019</b>	168,471	290,969	(261,975)	197,465
<b>Profit for the year</b>	-	-	968	968
<b>As at 31 March 2020</b>	168,471	290,969	(261,007)	198,433

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

# CITIGROUP CAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

#### (a) Basis of presentation

The financial statements are prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Practice and the Companies Act 2006.

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 exemption available under FRS 101 not to disclose all transactions with other group companies and investees of the group qualifying as related parties. It has also taken the exemption available under FRS 101 not to prepare a cash flow statement and the effects of new but not yet effective IFRSs.

The financial statements have been prepared in Pounds Sterling ("£"), which is the presentational and functional currency of the Company.

#### (b) Going concern

The financial statements have been prepared on a going concern basis, as 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 any potential impact of the pandemic COVID-19.

#### (c) 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 lease assets and lease liabilities on the balance sheet 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. The change in accounting standard did not have any impact on the Company, as it does not enter into lease arrangements.
- **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 did not have any impact on the Company.

#### (d) Net interest income

Interest income and expense on financial assets and liabilities are recognised in the statement of comprehensive income using the effective interest rate method.

# CITIGROUP CAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### (e) Net interest income

Interest income and expense on financial assets and liabilities are recognised in the statement of comprehensive income using the effective interest rate method.

#### (f) Net investment income

Dividends and other returns on investments including gains and losses on sale are included within net investment income.

#### (g) Investment securities

Investment securities consist of investments in certain real estate investment funds acquired or incurred with the strategic aim of selling in the near term at optimum value and are therefore initially and subsequently measured at fair value through profit and loss. For further details please refer to Note 9 - '*Financial assets and liabilities*'.

#### (h) Financial assets and liabilities

##### *Loans and advances and other assets*

Loans and advances and other assets consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. They are initially recognised at fair value at trade date including direct and incremental transaction costs and subsequently measured at amortised cost. Loans are recognised when cash is advanced to borrowers. Loans and advances are classified and measured at amortised cost under IFRS 9 unless they failed the business model or SPPI test.

#### (i) Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from assets has expired or the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

#### (j) Impairment of financial assets

Under IFRS 9, the same impairment model is applied to all financial assets, except for: (a) debt investments classified or designated as FVTPL, and (b) equity investments, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss (ECL) impairment model includes amortised cost financial assets, debt securities classified as FVOCI, and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

The estimation of an ECL is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

IFRS 9 has three 'stages' for impairment recognition, whereby the measure of expected credit losses, and the interest income recognition, differs depending on the change in credit risk of the financial asset since initial recognition.

Due to the nature of business activities and the financial assets on the Company's balance sheet the recognition of incremental expected credit losses has a minimal impact. Therefore, for the vast majority of its exposures the Company has taken advantage of the practical expedient allowed by IFRS 9 in which lifetime expected credit losses are recognised irrespective of changes in credit risk (i.e. other assets).

# **CITIGROUP CAPITAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Principal accounting policies (continued)**

#### **(k) Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

#### **(l) Cash and cash equivalents**

Cash and cash equivalents comprise balances with original maturity of less than three months, including cash at bank and in hand and cash held for the benefit of employees.

#### **(m) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in currencies other than Pound Sterling are translated into Pound Sterling using the year end spot exchange rates. Non-monetary assets and liabilities denominated in currencies other than Pound Sterling that are classified as "held for trading" are translated into Pound Sterling using the year end spot rate. Non-monetary assets and liabilities denominated in currencies other than Pound Sterling that are not measured at fair value have been translated at the relevant historical exchange rates. Any gains or losses on exchange are taken to the profit and loss account as incurred.

#### **(n) Taxation**

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.

### **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 year in which the estimate is revised and in any future years affected.

**CITIGROUP CAPITAL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3. Directors' remuneration**

	2020 £'000	2019 £'000
Aggregate emoluments	80	131
Company pension contributions to money purchase scheme	1	2
	<u>81</u>	<u>133</u>

The aggregate of the emoluments paid to the highest paid Director was £62,444 (2019: £62,616) and accrued pension of £735 (2019: £608).

Retirement benefits have been accrued for 3 (2019: 3) Directors during the year under a money purchase scheme.

The above remuneration is based on the apportionment of time incurred by the Directors for services to the group, both in their capacity as a Director and, where applicable, their normal employment and has been borne without recharge by a fellow group company.

**4. Interest income**

	2020 £'000	2019 £'000
Interest receivable from other Citigroup undertakings	<u>1,349</u>	<u>1,106</u>

**5. Net investment (expenses)/income**

	2020 £'000	2019 £'000
(Loss)/return on investments	<u>(69)</u>	<u>53</u>

The decrease in net investment income was mainly driven by the continuous liquidation of an investment in CBRE funds.

**6. General administrative expenses**

	2020 £'000	2019 £'000
Audit fee	(76)	48
Provision charge	209	38
Other administrative expenses	<u>213</u>	<u>2</u>
	<u>346</u>	<u>88</u>

The provision charge in 2020 relates to the increase of a potential inheritance tax liabilities and interest payable to HMRC in relation to the Employee Benefit Trusts (EBT).

From 1 April 2019, audit fees for these financial statements are borne and paid by another group company, and consequently previously accrued audit fee expenses have been reversed. The audit fees for these financial statements amounted to £49,250 (2019: £48,426).

**CITIGROUP CAPITAL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Other expense**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
CBRE related expenses	<u>1</u>	<u>12</u>

**8. Taxation**

**a) Tax on loss on ordinary activities**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
Adjustment to prior year's current tax	<u>-</u>	<u>-</u>
Tax on ordinary activities	<u>-</u>	<u>-</u>

**b) Factors affecting tax charge for the year**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	<u>968</u>	<u>1,090</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	184	207
Effects of:		
Group relief	-	3,948
Movement on unrecognised deferred tax	(184)	(4,099)
Other	-	(56)
Current tax for the period	<u>-</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 2020 Budget removed the reduction to 17% such that the rate remains at 19%. The deferred tax balances have been calculated at this rate.

**CITIGROUP CAPITAL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**9. Financial assets and liabilities**

2020	Assets measured at fair value through profit and loss £'000	Assets and liabilities measured at amortised cost £'000	Total carrying amount £'000	Fair value £'000
<b>Assets</b>				
Cash at bank and in hand	-	21,217	21,217	21,217
Loans and advances to group undertakings	-	180,000	180,000	180,000
Investment securities	248	-	248	248
Debtors	-	25	25	25
<b>Total financial assets</b>	<b>248</b>	<b>201,242</b>	<b>201,490</b>	<b>201,490</b>
<b>Liabilities</b>				
Amounts due to group undertakings	-	400	400	400
Other creditors	-	1	1	1
<b>Total financial liabilities</b>	<b>-</b>	<b>401</b>	<b>401</b>	<b>401</b>
2019	Assets measured at fair value through profit and loss £'000	Assets and liabilities measured at amortised cost £'000	Total carrying amount £'000	Fair value £'000
<b>Assets</b>				
Cash at bank and in hand	-	18,719	18,719	18,719
Loans and advances to group undertakings	-	180,000	180,000	180,000
Investment securities	697	-	697	697
Debtors	-	572	572	572
<b>Total financial assets</b>	<b>697</b>	<b>199,291</b>	<b>199,988</b>	<b>199,988</b>
<b>Liabilities</b>				
Amounts due to group undertakings	-	23	23	23
Other creditors	-	2	2	2
<b>Total financial liabilities</b>	<b>-</b>	<b>25</b>	<b>25</b>	<b>25</b>

The calculation of fair value incorporates the Company's estimate of the fair value of financial assets and financial liabilities. It does not reflect the economic benefits and costs that the Company expects to flow from the instruments' cash flows over their expected future lives. Other entities may use different valuation methods and assumptions in determining fair values, so comparisons of fair values between entities may not necessarily be meaningful.

**Fair value information**

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realisation. The carrying value has been disclosed as fair value where discounting does not have a material impact on the carrying value of the financial instrument.

# CITIGROUP CAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Financial assets and liabilities (continued)

#### Fair value measurement

IFRS 13 - *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Among other things, the standard requires the Company to maximise the use of observable inputs and minimise the use of unobservable inputs when measuring fair value.

#### Determination of fair value

The Company holds investments in certain real estate alternative investment funds that are managed by third parties. The third party has the expertise to provide valuations via a consistent, transparent, comprehensive and appropriately documented valuation process. The fair values of these investments are estimated using the net asset value (NAV) per unit of the Company's ownership interest in the funds, where it is not probable that the Company will sell an investment at a price other than the NAV. Appropriate adjustments could be made to valuations by the third party to ensure the valuation reflects the fair value to the investment.

These financial assets consist of non-listed closed ended funds and are classified as level 3 in the fair value hierarchy as they are valued using unobservable inputs. There is no liquid market for the fund's investments therefore their values may differ from the values that might be achieved. The valuation basis is INREV (European Association for Investors in Non-listed Real Estate Vehicles) NAV which follows best practice industry guidelines for the valuation of non-listed real estate funds.

INREV NAV valuation basis follows the fundamental underlying assertion that it:

Reflects the economic value of the investment as it would be realised by the investor;

- In a theoretical sale, as of the balance sheet date;
- Assuming an arm's length transaction;
- A willing buyer/seller;
- Adequate time to market; and
- No duress.

#### Fair value hierarchy

IFRS 13 specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.



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**NOTES TO THE FINANCIAL STATEMENTS**

**9. Financial assets and liabilities (continued)**

**Fair value hierarchy (continued)**

**Changes in Level 3 Fair value Category**

<b>2020</b>	<b>As at 1 April 2019</b>	<b>Gains and losses recorded in the statement of comprehensive income</b>	<b>Distributions</b>	<b>As at 31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investment securities	697	(24)	(425)	248

<b>2019</b>	<b>As at 1 April 2018</b>	<b>Gains and losses recorded in the statement of comprehensive income</b>	<b>Distributions</b>	<b>As at 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investment securities	2,637	47	(1,987)	697

**10. Debtors**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Amounts owed by group undertakings	25	572

**11. Investment securities**

	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Investment securities:</b>		
- unlisted	248	697

Investment securities consist of investments in certain real estate investment funds acquired or incurred with the strategic aim of selling in the near term at optimum value and are therefore initially and subsequently measured at fair value through profit and loss. The fund in which the Company has the majority of its investments has a documented strategy currently focusing on a controlled wind up.

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**12. Cash at bank**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash held for the benefit of employees		2
Cash at bank and in hand	<u>21,217</u>	<u>18,717</u>
	<u>21,217</u>	<u>18,719</u>

Cash held for the benefit of employees by the NPIL Employee Benefit Trust is administered by Ogier Employee Benefit Trustees Limited ("the Trustees"). At 31 March 2020, the trust funds totaled £nil (2019: £1,727).

**13. Loans and advances to group undertakings**

Loans and advances to group undertakings represents time deposit held by other group undertakings.

**14. Creditors**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to group undertakings	400	23
Other creditors	1	2
Accruals	<u>119</u>	<u>170</u>
	<u>520</u>	<u>195</u>

Accruals include payables in connection with payroll tax liabilities due on historic payments to the Employee Benefit Trusts.

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**15. Deferred taxation**

The Company has not recognised a deferred tax asset of £940,239 at 31 March 2020 (2019: £1,005,712) in respect of carried forward trading losses, non trade deficits and other temporary differences. The Company has not recognised a deferred tax asset as it is not probable that future taxable profits will be available against which the deferred tax asset can be utilised.

**16. Provision for liabilities**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	2,328	24,424
Charged to profits	209	38
Provision utilised	-	(22,134)
At 31 March	<u>2,537</u>	<u>2,328</u>

Employee related provision of £2.5 million relates to inheritance tax liabilities and interests due on historic payments to the EBT. In June and in August 2018, the Company settled its tax liabilities due to HMRC in connection with payroll tax liabilities and interest on historic payments to the EBT. The settlements amounted to £22.1 million in total.

**17. Share capital**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<i>Allotted, called up and fully paid :</i>		
83,375,002 (2019: 83,375,002) Ordinary shares of £1 each	83,375	83,375
88,641,563 (2019: 88,641,563) Ordinary 'A' shares of £0.96 each	85,096	85,096
	<u>168,471</u>	<u>168,471</u>

**18. Financial instruments and risk management**

**Market risk**

The principal risk facing the Company is the impairment in the value of its remaining investments that management are seeking to dispose of at optimum value.

**Currency risk**

The Company also holds investment securities denominated in Euros. Management do not believe that this exposure has a material impact on the Company although management monitor ongoing exposures closely and are looking to liquidate these investments in the near future.

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**NOTES TO THE FINANCIAL STATEMENTS**

**18. Financial instruments and risk management (continued)**

**Liquidity risk**

The Company defines liquidity risk as the risk that the Company will not be able to efficiently meet both expected and unexpected current and future cash flows without adversely affecting either daily operations or the financial condition of the Company.

The Company's funding and liquidity objectives aim to maintain liquidity to fund its existing asset base and ensure it can comfortably meet its obligations.

Liquidity risk management policy is set at a Citigroup level.

As demonstrated by the cash held on the Company's balance sheet relative to its ongoing operating profile and wind down strategy, the Company has limited exposure to liquidity risk.

The following table analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Note that in managing liquidity risk, management use certain assumptions based on behavioral characteristics which differ from the contractual maturity dates shown below.

<b>2020</b>	<b>1 year or less £'000</b>	<b>1 year to 5 years £'000</b>	<b>Greater than 5 years £'000</b>	<b>Total £'000</b>
<b>Assets</b>				
Investment securities	248	-	-	248
All other assets	201,242	-	-	201,242
<b>2020 Total assets</b>	<b>201,490</b>	<b>-</b>	<b>-</b>	<b>201,490</b>
<b>2019 Total assets</b>	<b>199,988</b>	<b>-</b>	<b>-</b>	<b>199,988</b>
<b>Liabilities</b>				
All other liabilities and equity	3,057	-	198,433	201,490
<b>2020 Total liabilities and equity</b>	<b>3,057</b>	<b>-</b>	<b>198,433</b>	<b>201,490</b>
<b>2019 Total liabilities and equity</b>	<b>2,523</b>	<b>-</b>	<b>197,465</b>	<b>199,988</b>
<b>2020 Net liquidity gap</b>	<b>198,433</b>	<b>-</b>	<b>(198,433)</b>	<b>-</b>
<b>2019 Net liquidity gap</b>	<b>197,465</b>	<b>-</b>	<b>(197,465)</b>	<b>-</b>

**Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct in which Citigroup is involved.

## **CITIGROUP CAPITAL UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **18. Financial instruments and risk management (continued)**

##### **Operational risk (continued)**

###### *Framework*

Citigroup's global operational risk is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognised ownership of the risk by the businesses;
- oversight by Citigroup's independent risk management and control functions; and
- independent assessment by Citigroup's Internal Audit function.

The goal is to keep operational risk at appropriate levels relative to the characteristics of the Company's businesses, the markets in which it operates, its capital and liquidity, and the competitive, economic and regulatory environment.

#### **19. Parent companies**

The Company is a 51.5% owned subsidiary undertaking of COHM Overseas Mexico Holding, S. de R.L. de C.V., registered at Actuario Roberto Medellin No. 800, Col. Santa Fe, C.P., Mexico City, C.P. 01219 Mexico. Citigroup Capital Investments UK Ltd., registered at Citigroup Centre, Canada Square, London E14 5LB owns the remaining 48.5% of the Company.

The Company's ultimate parent company is Citigroup Inc., registered at 1209 Orange Street, Wilmington, New Castle, DE, 19810, United States of America.

The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc. The audited consolidated financial statements of Citigroup Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from [www.citigroup.com/citi/corporategovernance/ar.htm](http://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.