Citigroup Centre 1 Limited

(Registered Number: 06255166)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

WEDNESDAY
A9W2C262
A07 13/01/2021 #168
COMPANIES HOUSE

CITIGROUP CENTRE 1 LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors present their Report and the audited financial statements of Citigroup Centre 1 Limited ('the Company') for the year ended 31 December 2019.

Business environment

The Company is a wholly owned subsidiary of Citibank Investments Limited ('CIL', 'the parent'). The principal activity of the Company 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 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 Citigroup Centre 1 ('CGC1'), 33 Canada Square, Canary Wharf, London and Citigroup Centre 2 ('CGC2'), 25 Canada Square, Canary Wharf, London, however post the lease expiry of CGC1 in 2026, Citi's London headquarters will be at CGC2. In line with the future strategy and requirements of the UK group, on 6 July 2018, Citi executed a modification and improvement of the lease terms and conditions of the CGC2 lease resulting in a material reduction in the costs of occupying the building going forward. On the 12 April 2019 Citi purchased CGC2 further reinforcing Citi's long-term intent to occupy CGC2.

Looking forward, the Directors are considering multiple strategic options for the Company.

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).

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 28 September 2019)
J D R Smith (resigned on 12 October 2020)
J Warren (appointed on 28 September 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 the Directors 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.*

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

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 accounting 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.

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's 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.

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.

DIRECTORS' REPORT
for the year ended 31 December 2019

Political contributions

The Company made no political contributions nor 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

JWarren

J Warren
Director
15 December 2020

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB
Registered Number: 06255166

STRATEGIC REPORT
for the year ended 31 December 2019

The Directors present their Strategic Report for Citigroup Centre 1 Limited ('the Company') for the year ended 31 December 2019.

Overview and principal activities

The Company holds the lease for Citigroup Centre 1 ('CGC1'), 33 Canada Square, Canary Wharf, London. The building, alongside Citigroup Centre 2 ('CGC2'), 25 Canada Square, acts as Citigroup's EMEA headquarters and contains a significant portion of Citigroup's UK employee base and core business operating activities.

The costs incurred in respect of the building's occupancy are charged to Citigroup businesses by expense allocation and via direct charges on actual space occupied. The Company does not sublet space to any third parties and the only property lease held by the Company is for CGC1.

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 CGC 1 in 2026, Citi's London headquarters will be at CGC2. In line with the future strategy and requirements of the UK group, on 6 July 2018, Citi executed a modification and improvement of the lease terms and conditions of the CGC2 lease resulting in a material reduction in the costs of occupying the building going forward. On the 12 April 2019 Citi purchased CGC2 further reinforcing Citi's long-term intent to occupy CGC2.

As part of Citigroup's aim to effectively manage its UK resources, management continues to make concerted efforts to utilise its space in the most cost effective manner, in order to achieve its strategic aim of a simpler and more efficient operating model. This strategy has resulted in non-chargeable vacant space existing, for a limited time during the current and prior year, on certain floors within CGC1, as management aims to develop and utilise this space in the most effective way. This strategy has had implications on the level of income achieved by the Company during the current and prior year and this trend is expected to continue to impact the Company in the short term. As Citi's current long term strategy involves CGC2 becoming Citi's London headquarters (post the lease expiry of CGC1), the Company's performance and position will continue to be closely monitored by the Board to ensure that the Company remains solvent and appropriately capitalised as and when UK resources are consolidated into CGC2.

Looking forward, the Directors are considering multiple strategic options for the Company, including utilisation as a UK holding company or other suitable business activity.

Business review

The Company's loss after tax was £11.4 million compared to a £6.9 million loss in the prior year. Loss before tax for 2019 was £11.2 million compared to a loss of £6.5 million in 2018.

Company's performance

	2019 **£ 000**	**2018** **£ 000**
Turnover	35,838	36,693
Operating loss	(7,422)	(6,115)
Loss before tax for the financial year	(11,184)	(6,533)

Turnover

There was no significant change in turnover as the charge rate for standard CGC1 floor space remained £6.83 /sq ft/ mth in 2019 similarly to 2018.

CITIGROUP CENTRE 1 LIMITED

STRATEGIC REPORT
for the year ended 31 December 2019

Operating Loss

The Company made an operating loss of £7.4 million compared to an operating loss of £6.1 million in 2018, mainly due to the decrease in turnover. Non chargeable space exists within specific areas of CGC1 for a limited time, typically for only a month or two, while it is developed by the Company to be utilised in the most effective way to accommodate Citigroup's strategy going forward.

Balance Sheet

	2019 £ 000	2018 £ 000
Non-current assets	169,201	48,398
Current assets	32,558	36,813
Current liabilities	(19,724)	(281)
Net current assets	12,834	36,532
Non-current liabilities	(140,711)	(32,189)
Net assets	41,324	52,741

Net assets of £41.3 million decreased by £11.4 million compared to the prior year net assets of £52.7 million.

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. At year end it resulted in a £120.8 million and a £112.3 million increase in non-current assets and non-current liabilities respectively, compared to the prior year.

The remaining movement in the non-current liabilities relates to the annual review of the dilapidation provision, which resulted in a decrease of £4 million in the dilapidation provision amount.

The decrease in net current assets was mainly driven by the recognition of £17.5 million current lease liability and a £3.3 million decrease in the cash balance.

Principal Risks

The principal risks facing the Company are building outages, such as accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to CGC1's property or assets, which would prevent the UK employee base from effectively performing their function. 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 risks of building outages. However, in the event of an unexpected outage comprehensive plans exist to ensure Citigroup can continue its normal day-to-day activities.

Key financial and non-financial 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. Key performance indicators have been analysed in the financial statements 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.

CITIGROUP CENTRE 1 LIMITED

STRATEGIC REPORT
for the year ended 31 December 2019

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

As mentioned above, the strategy is to move the UK employee base from CGC1 to CGC2, following the expiry of the CGC1 lease in 2026. This will result in fluctuations of chargeable and non-chargeable space as the Company partners with CGC2 on the most efficient way to migrate staff. Management will continue to monitor the Company's performance and position during this transition.

By order of the Board

Jwarren

J Warren
Director
15 December 2020

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB
Registered Number: 06255166

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CITIGROUP CENTRE 1 LIMITED

Opinion

We have audited the financial statements of Citigroup Centre 1 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CITIGROUP CENTRE 1 LIMITED

Directors' responsibilities

As explained more fully in their statement set out on pages 2 and 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.

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

CITIGROUP CENTRE 1 LIMITED

INCOME STATEMENT

for the year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	35,838	36,693
Operating expenses	5	(43,260)	(42,808)
Operating loss		(7,422)	(6,115)
Interest payable and similar charges	7	(3,762)	(418)
Loss before income tax		(11,184)	(6,533)
Income tax charge	8	(233)	(362)
Loss and total comprehensive loss for the year		(11,417)	(6,895)

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 13 to 25 form an integral part of these financial statements.

CITIGROUP CENTRE 1 LIMITED

BALANCE SHEET
as at 31 December 2019

	Note	2019	2018
		£ 000	**£ 000**
Non-current assets			
Tangible fixed assets	**9**	37,029	48,398
Investment property	**10**	132,172	-
		169,201	48,398
Current assets			
Cash at bank and in hand	**11**	32,190	35,529
Debtors	**12**	368	1,284
		32,558	36,813
Current liabilities			
Creditors: amounts falling due within one year	**13**	(2,271)	(281)
Other liabilities	**16**	(17,453)	-
		(19,724)	(281)
Net current assets		12,834	36,532
Total assets, less current liabilities		182,035	84,930
Non-current liabilities			
Provision for liabilities	**14**	(27,637)	(31,639)
Deferred tax liabilities	**8**	(783)	(550)
Other liabilities	**16**	(112,291)	-
		(140,711)	(32,189)
Net assets		41,324	52,741
Capital and reserves			
Called up share capital	**15**	-	-
Capital reserve		74,000	74,000
Profit and loss acoount		(32,676)	(21,259)
Total liabilities and equity		41,324	52,741

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Directors and were signed on their behalf on 15 December 2020 by:

JWarren

J Warren
Director

Registered Number: 06255166

CITIGROUP CENTRE 1 LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share Capital £ 000	Capital reserves £ 000	Profit and loss account £ 000	Total £ 000
Balance as at 1 January 2018	-	74,000	(14,364)	59,636
Total comprehensive loss for the year	-	-	(6,895)	(6,895)
Balance as at 31 December 2018	-	74,000	(21,259)	52,741
Total comprehensive loss for the year	-	-	(11,417)	(11,417)
Balance as at 31 December 2019	-	74,000	(32,676)	41,324

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

1. Principal accounting policies

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

1.1 Basis of preparation

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 thousand pounds, 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 5-7.

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.

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 group undertakings. Income from the provision of office accommodation and related facilities is recognised in the period in which the service is provided.

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 tangible 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.

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.

The accounting treatment for right-of-use assets, recognised subsequent to transition to IFRS 16, is described below in Note 1.6.

1. Principal accounting policies (continued)

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Generally, tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. 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. Current and deferred tax balances are not discounted.

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. If the supplier has a substantive substitution right, then the asset is not identified;
- 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. The ROU assets are classified as investment property as the Company holds them to earn rentals.

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

1.6 Leases (continued)

Leases Policy applicable from 1 January 2019 (continued)

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.

Lease payments included in the measurement of the lease liability comprise 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.

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. Principal accounting policies (continued)

1.7 Dilapidation provision

A dilapidation provision has been recognised in 'Provisions for liabilities' in accordance with IAS 37 - '*Provisions, contingent liabilities and contingent assets*' in relation to a commitment to make good dilapidations at the end of the lease period. As per IAS 37, a provision should be recognised when (i) an entity has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision should be recognised. It is necessary that the entity has no realistic alternative to settling the obligation created by the event.

The provision continues to be subsequently remeasured in accordance with IFRIC 1 'Changes in Existing Decommissioning, Restoration and Similar Liabilities') and changes in the liability shall be added to, or deducted from, the cost of the related asset (i.e., the ROU asset) in the current period.

Policy applicable before 1 January 2019

When a provision or a change in a provision is recognised, an asset is also recognised when the incurring of the present obligation recognised as a provision gives access to future economic benefits; otherwise the setting up of the provision is charged immediately to the profit and loss account. When an asset is recognised this way it is amortised over the period during which future economic benefits are expected to be realised.

1.8 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets are impaired. The non-financial assets are tested for impairment annually or more frequently if events or changes in circumstance indicate that they might be impaired. An impairment loss is recognised if the non-financial assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the non-financial assets' fair value less costs of disposal and value in use. Impairment losses are recognised in the profit and loss account.

1.9 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 the functional currency are translated into the functional currency using the year end spot exchange rates. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are translated into the functional currency using the date the fair value was determined. Non-monetary assets and liabilities, denominated in currencies other than the functional currency that are not measured at fair value, have been translated at the relevant historical exchange rates. Any gains or losses on exchange are generally taken to the income statement as incurred.

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.

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in Note 14 – *Provisions for Liabilities*.

CITIGROUP CENTRE 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 2.4%. 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 – there were no onerous contracts as at 1 January 2019.

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	161,192
Restated operating lease commitments on 1 January 2019	161,038
Discounted using the incremental borrowing rate at 1 January 2019	146,782
Lease liabilities recognised at 1 January 2019	146,782

4. Turnover

	2019	**2018**
	£ 000	**£ 000**
Amounts receivable from group undertakings	35,838	36,693
	35,838	36,693

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

5. Operating expenses

	2019 £ 000	2018 £ 000
Operating expenses include:		
Auditor's remuneration	66	60
Depreciation of tangible fixed assets (Note 9)	5,917	5,886
Amortisation of dilapidation asset*	-	1,286
Depreciation of right-of-use assets (Note 10)	19,819	-
Operating lease rentals and other premises expenses	2,156	22,244

* Dilapidation asset 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.

There were no employees of the Company, nor any related costs. Operating expenses include recharges for services rendered by Citibank N.A. on behalf of the Company.

6. Directors' remuneration

	2019 £ 000	2018 £ 000
Aggregate emoluments	149	146
Company pension contributions to money purchase pension scheme	10	10
	159	156

Contributions to money purchase pension schemes are accruing to four (2018: three) of the Directors. 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 £86,244 (2018: £82,600) and accrued pension of £6,871 (2018: £6,890).

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 is borne by other group undertakings.

7. Interest payable

	2019 £ 000	2018 £ 000
Interest on lease liability	3,305	-
Interest accretion of liability provision (Note 14)	457	418
	3,762	418

The interest accretion of liability provision represents the effects of the time value of money specific to the dilapidation obligation provision.

8. Taxation

8a. Analysis of tax charge in the year

	2019 £ 000	2018 £ 000
Current tax		
Total current tax	-	-
Deferred tax		
Change in tax rate	(27)	(43)
Origination and reversal of temporary differences	260	405
Movement of total deferred tax (Note 8c)	233	362
Taxation for the year	233	362

8b. Factors affecting tax charge for the year:

	2019 £ 000	2018 £ 000
Loss before tax	(11,184)	(6,533)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,125)	(1,241)
Effects of:		
Expense not deductible for tax purposes	281	281
Losses surrendered for nil consideration	2,104	1,365
Adjustment due to change in tax rate	(27)	(43)
Income tax charge (Note 8a)	233	362

Factors that may affect future tax charges

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 balances have been calculated at this rate.

The 2020 Budget has removed the reduction to 17% such that the rate will remain at 19%, however, the impact of this has not been reflected, as this has not been substantively enacted at the balance sheet date.

8c. Deferred taxation

	2019 £ 000	2018 £ 000
At beginning of year	(550)	(188)
Charged for the year	(260)	(405)
Change in tax rate	27	43
At end of year	(783)	(550)

8. Taxation (continued)

8c. Deferred taxation (continued)

The deferred tax liability is made up as follows:

	2019 £ 000	2018 £ 000
Accelerated capital allowances	(783)	(550)

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 balances have been calculated at this rate.

9. Tangible fixed assets

	Building improvements & fittings £ 000	Assets in the course of construction £ 000	Total £ 000
Cost			
At 1 January 2019	81,471	997	82,468
Additions	-	4,580	4,580
Transfer from other group companies	663	-	663
Disposals	(233)	-	(233)
Transfer between classes	5,130	(5,130)	-
At 31 December 2019	87,031	447	87,478
Depreciation and amortisation			
At 1 January 2019	44,295	-	44,295
Charge for the year	5,917	-	5,917
Transfer from other group companies	252	-	252
Disposals	(15)	-	(15)
At 31 December 2019	50,449	-	50,449
Net book value			
At 31 December 2019	36,582	447	37,029
At 31 December 2018	37,176	997	38,173

£10.2 million dilapidation asset 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	157,007
At 1 January 2019	157,007
Transfer from other group companies	380
Remeasurement of restoration costs (Note 14)	(5,396)
At 31 December 2019	151,991
Depreciation and amortisation	
Recognition of right-of-use asset on initial application of IFRS 16	-
At 1 January 2019	-
Charge for the year	19,819
At 31 December 2019	19,819
Net book value	
At 31 December 2019	132,172
At 31 December 2018	-

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

	31 December 2019 £ 000
Fair value of the investment property	132,172

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	32,190	35,529

CITIGROUP CENTRE 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Debtors due within one year

	2019 £ 000	2018 £ 000
Amounts due from group undertakings	368	1,284
	368	1,284

Amounts due from group undertakings relate to management recharges due from Citibank N.A.

13. Creditors due within one year

	2019 £ 000	2018 £ 000
Amounts due to group undertakings	(2,271)	(281)
	(2,271)	(281)

Amounts due to group undertakings relate to other operating costs paid by other group companies on the Company's behalf.

14. Provisions for liabilities

	2019 £ 000	2018 £ 000
As at 1 January	31,639	31,283
Transfer from other group companies	937	-
Interest accretion during the year charged to interest expense (Note 7)	457	418
Revision of provision calculation	(5,396)	(62)
As at 31 December	27,637	31,639

In line with the requirements of IAS 37 - *'Provisions, contingent liabilities and contingent assets'*, the Company updates the market rates used to estimate the present value of its asset retirement and dilapidation obligation at each reporting date. An annual review of the appropriateness of future cash flows and the discount rate has resulted in a revision of the provision calculation.

15. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

16. Leases

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	157,007
Depreciation charge for the year	(19,819)
Transfer from other group companies	380
Remeasurement of restoration costs (Note 14)	(5,396)
Balance at 31 December 2019	132,172

Lease liabilities

Maturity analysis	31 December 2019 £ 000
Expiring:	
- within one year	17,453
- between one and five year	74,166
- in five years and more	38,125
Total discounted lease liabilities at 31 December	129,744

Total cash outflow for the leases amounted to £20,344,032 (2018: £20,344,032).

Amounts recognised in profit or loss

2019 - Leases under IFRS 16	2019 £ 000
Interest on lease liabilities	3,306

2018 – Operating leases under IAS 17	2018 £ 000
Lease expense	20,344

17. Capital reserves

Capital reserves relate to capital contributions received from the Company's parent and are fully distributable. The Company has not received any capital contribution during the financial year (2018: £nil).

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 £8.2 million (2018: £12.9 million).

19. Ultimate parent company and parent companies

The Company's immediate parent undertaking is Citibank Investments Limited, incorporated in England and Wales. The audited financial statements of the immediate parent are made available to the public annually in accordance with Companies House regulations and may be obtained from its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

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 of Citigroup Inc. 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.