CIB PROPERTIES LIMITED
(Registered Number: 01915885)

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018

CIB PROPERTIES LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2018

The Directors present their report and the financial statements of CIB Properties Limited ('the Company') for the year ended 31 December 2018.

Business environment

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

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

As at 31 December 2018, the Company also sublet 26 floors of the CGC2 building with expiration dates ranging from 2019 to 2029.

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

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.

Dividends

The Company did not pay an interim dividend during the year (2017: £nil) and the Directors do not recommend the payment of a final dividend in respect of the year (2017: £nil). The Company paid a dividend in specie of £86,603,000 during the year (2017: £nil).

Directors

The Directors who held office during the year ended 31 December 2018 and since year end were:

J R Killey
D I Sharland
J D R Smith

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.

CIB PROPERTIES LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2018

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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.

Charitable donations and political contributions

The Company made no charitable donations and political contributions or incurred any political expenditure during the year (2017: £nil).

CIB PROPERTIES LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2018

Post balance sheet events

On 12 April 2019, Citibank N.A. became the sole shareholder of Canada Square Investment Limited, the immediate parent company of the owner of the CGC2 building, R. B. Bishopsgate Investments Limited. Citigroup Inc. will consolidate these entities as the ultimate beneficiary, and will record the CGC2 building and associated assets in its consolidated financial statements.

Disclosure of information to auditor

In accordance with 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 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. This statement is made subject to all the provisions of section 418.

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

S J Cumming
Secretary

28 November 2019

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

CIB PROPERTIES LIMITED

STRATEGIC REPORT

for the year ended 31 December 2018

The Directors present the Strategic Report of CIB Properties Limited for the year ended 31 December 2018.

Throughout the year, Citi has continued to make concerted efforts to consolidate office space in CGC2 in a systematically responsible and cost effective manner. In line with its strategic aim of creating a more efficient operating model, Citi has identified certain opportunities to minimise the future costs of the CGC2 lease. On 6 July 2018, the Company executed a modification and improvement of the lease terms and conditions of CGC2, resulting in a material reduction in the costs of occupying the building going forward. This reinforced Citi's long term intent to occupy and obtain all the economic benefits received under the full lease. At present, Citi's London headquarters comprise a combination of CGC1 and CGC2, however post the lease expiry of CGC1 in 2026, Citi's London headquarters will be CGC2.

The Company recognises an onerous contract provision in relation to its operating lease commitment held on the CGC2 building. The provision recognises that certain costs incurred in respect to the building's occupancy are not fully recoverable due to the fact that the third party subleases entered into in order to minimise vacant space do not fully offset the expected economic outflows incurred by the Company for occupying the related space. Please refer to Note 2 - *'Use of assumptions, estimates and judgements'* for further details on the methods and assumptions used to estimate the onerous contract provision.

In 2017, the Company released a significant portion of the onerous lease contract provision in relation to its operating lease commitment held on the CGC2 building. The significant release in the onerous contract provision was primarily driven by management's assertion that Citi's London headquarters will be CGC2 post the lease expiry of CGC1 in 2026.

The Company continues to recognise a provision in relation to committed third party subleases, entered into at the year end, where the economic inflows of the sublease do not fully offset the expected economic outflows incurred by the Company for occupying the related space.

Citi occupies space in the CGC2 building in one of the four lease arrangements (lease 1a), the others relate to third party occupancies. Effective 30 September 2018, as part of a wider internal Citi resolution and recovery planning reorganisation process, CIB Properties Limited transferred the net asset value of lease 1a, to Citibank N.A., London Branch via a deemed dividend in specie, in the amount of £86.6 million.

Components of the net asset value of lease 1a (£86.6 million) comprised as follows:

- Tangible fixed assets: £29.2 million (see note 8)
- Prepayments: £59 million
- Other debtors: £1.5 million
- Creditors: £1.8 million
- Provision: £1.3 million (see note 12)

Company performance

The current year loss before tax of the Company amounted to £18.8 million (2017: profit before tax of £267.7 million). The profit for the year 2017 was driven by the release in the onerous lease provision (discussed above). The loss for the year, after taxation, amounted to £18.8 million (2017: profit for the year, after taxation: £238.4 million).

Turnover and other operating expenses decreased due to the above discussed transfer of lease 1a to Citibank N.A., London Branch, as the turnover and rent expenses related to this lease were recognised in Citibank N.A., London Branch effective from 30 September 2018.

The Company recorded total net operating expense for the year of £78.8 million compared to net operating income of £197.9 million in the prior year, due to the fact that the net impact of the onerous lease provision reversal was £12.6 million, while the prior year's onerous lease provision reversal was £300.8 million.

	2018 £'000	2017 £'000
Net onerous lease provision reversal	12,607	300,838
Other operating expenses	(91,425)	(102,949)
Total operating (expenses)/income	(78,818)	197,889

CIB PROPERTIES LIMITED

STRATEGIC REPORT

for the year ended 31 December 2018

Company position

The Company's net asset position improved from a net assets position of £227.3 million in 2017, to net assets of £271.9 million in 2018. The reason for the increase in the Company's net assets was mainly due to the capital contribution received from its immediate parent company, CGMEFL, offset by a deemed dividend in specie.

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

Net current assets decreased by £74.8 million, mainly due to the decrease of its cash at bank and in hand balance by £245 million, offset by the increase in its prepayments by £137 million. This was mainly driven by the upfront payment to the landlord of £200 million as part of the modification and improvement of the lease terms and conditions effective from 6 July 2018, and its recognition as a prepayment and amortisation throughout the lease term.

Key performance indicators

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

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

Principal risks and uncertainties

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

Future outlook

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

By order of the Board

David Sharland

D I Sharland
Director

28 November 2019

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

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

Opinion

We have audited the financial statements of CIB Properties Limited ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, and 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 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Strategic report and directors' report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

15 Canada Square
London
E14 5GL

28 November 2019

CIB PROPERTIES LIMITED

INCOME STATEMENT
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	61,560	72,207
Operating (expense)/income	4	(78,818)	197,889
Operating (loss)/profit		(17,258)	270,096
Interest receivable	6	473	-
Interest payable and similar charges	6	(1,998)	(2,428)
(Loss)/profit before income tax		(18,783)	267,668
Income tax charge	7	-	(29,271)
(Loss)/profit and total comprehensive (loss)/profit for the year		(18,783)	238,397

All amounts relate to continuing operations.

There were no recognised gains and losses for 2018 or 2017 other than those included in the Income Statement.

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

CIB PROPERTIES LIMITED

BALANCE SHEET
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	8	1,000	34,076
Current assets			
Cash at bank and in hand	9	42,711	288,021
Debtors	10	168,922	30,888
		211,633	318,909
Creditors: amounts falling due within one year	11	(26,891)	(59,321)
Net current assets		184,742	259,588
Debtors: amounts receivable after one year	10	149,270	11,302
Provisions for liabilities and charges			
Provision for liabilities	12	(63,107)	(77,675)
Net assets		271,905	227,291
Capital and reserves			
Called up share capital	13	8,233	8,233
Reserves	14	263,672	219,058
Shareholders' funds		271,905	227,291

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 November 2019.

D I Sharland
Director

Registered Number: 01915885

CIB PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share Capital £'000	Reserves £'000	Total equity £'000
Balance as at 1 January 2017	8,233	(19,339)	(11,106)
Profit for the year	-	238,397	238,397
Balance as at 31 December 2017	8,233	219,058	227,291
Loss for the year	-	(18,783)	(18,783)
Capital contribution	-	150,000	150,000
Dividend in specie	-	(86,603)	(86,603)
Balance as at 31 December 2018	8,233	263,672	271,905

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

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

1.1 Basis of presentation

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

The Company has taken 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, the effects of new but not yet effective IFRSs, the disclosure requirements of IFRS 7 - *Financial Instruments: Disclosures* and 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, except where otherwise indicated.

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

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

The risks and uncertainties faced by the Company are discussed further in the Strategic Report on pages 4-5. The Directors acknowledge and accept the intent and ability of Citigroup to provide support to the Company if required and consequently present these financial statements on a going concern basis.

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 2018. They include:

A. IFRS 9 – Financial Instruments

<u>Introduction</u>

IFRS 9 – Financial Instruments includes a new model for classification and measurement of financial assets, a forward-looking 'expected credit loss' impairment model and a substantially reformed approach to hedge accounting. The standard replaces the existing guidance in IAS 39 – Financial Instruments: Recognition and Measurement.

The key changes to the Company's accounting policies resulting from the implementation of IFRS 9 are summarised below:

<u>Classification and measurement</u>

From a classification and measurement perspective, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of:

(i) the entity's business model for managing the assets whether collecting cash flows, selling financial assets, or both are integral to the business model); and

(ii) the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest ("SPPI")).

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

1.2 Changes in accounting policy and disclosures (continued)

Standards issued and effective (continued)

A. IFRS 9 – Financial Instruments (continued)

Classification and measurement (continued)

The IAS 39 measurement categories for financial assets have been replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 also allows entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

The accounting for financial liabilities is largely the same as the requirements under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are now presented in OCI (instead of P&L) with no subsequent reclassification to the income statement.

The transition to IFRS 9 has not resulted in any changes to the measurement basis of the financial instruments of the Company, as financial assets meet the SPPI test and are held to collect contractual cashflows, and will therefore continue to be measured at amortised cost.

Impairment

IFRS 9 introduces an expected credit loss ("ECL") impairment model that differs significantly from the incurred loss model under IAS 39 and is expected to result in the earlier recognition of credit losses going forward.

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL, which are not subject to an impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized 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 (IAS 37).

Transition

To manage transition to IFRS 9, Citi implemented a comprehensive enterprise-wide program led jointly by Finance and Risk Management functions that focused on key areas of impact, including financial reporting, data, systems and processes, as well as communication and training. Dedicated Governance, including a IFRS 9 Implementation Group, monitored and continuously assessed the Company's preparation for the impact of the new standard on internal processes and systems.

On transition, the impact to the Company's allowances for credit losses, due to the adoption of IFRS 9, was immaterial.

B. IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – *Revenue from Contracts with Customers* was published by the IASB on 28 May 2014. The core principle of the new Standard is to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The revenue is recognised when the control over the goods or services is transferred to the customer. IFRS 15 has been effective for annual reporting periods beginning on or after 1 January 2018.

Where the Company is acting in a principal capacity, in which it has primary responsibilities for fulfilling the contract with the customer, it will continue to record revenue when the performance obligation is fulfilled.

There is no significant impact to the Company from the adoption of IFRS 15.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

1.3 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of office accommodation and related facilities services to third party and group undertakings. Income from office accommodation and related facilities services is recognised in the period in which the service is provided. The impact of lease incentives on turnover is explained in Note 1.5.

1.4 Tangible fixed assets

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

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

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

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

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

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

1.5 Operating leases and lease incentives

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.

Where the Company has incurred the costs of fitting out a tenant's space and the fittings are deemed to be suitable for that lessee only, the costs are treated as a lease incentive. They are disclosed in the accounts as a debtor and deducted from rental income over the period of the sub-lease on a straight-line basis.

Where the Company has provided a rent free period to a subtenant as part of a lease incentive it is accounted for as a debtor and the rental income arising from lease is recognised over the contractual period of the sub-lease on a straight line basis.

1.6 Income taxes

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

1.7 Onerous contract provision

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

2. Use of assumptions, estimates and judgements

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

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

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

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

Onerous contract provision

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

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

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

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

3. Turnover

	2018	**2017**
	£'000	**£'000**
Amounts receivable from third parties	27,698	34,058
Amounts receivable from group undertakings	33,862	38,149
	61,560	72,207

All turnover arose within the United Kingdom.

4. Operating expenses

	2018 £'000	2017 £'000
Operating expenses include:		
(Income)/charge from changes in onerous contract provision	(12,607)	(300,838)
Operating lease rentals and other premises expenses	59,535	61,752
Depreciation of tangible fixed assets (Note 8)		
- owned by the company	2,987	4,380
Auditor's remuneration	123	95

In 2017, the Company released a significant portion of the onerous lease contract provision in relation to its operating lease commitment held on the CGC2 building. The significant release in the onerous contract provision was primarily driven by management's assertion that Citi's London headquarters will be CGC2 post the lease expiry of CGC1 in 2026.

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

5. Directors' remuneration

	2018 £'000	2017 £'000
Aggregate emoluments	287	281
Company pension contributions to money purchase pension scheme	19	16
	306	297

Contributions to money purchase pension schemes are accruing to three of the Directors (2017: three). Contributions to defined benefit pension schemes are accruing to one of the Directors (2017: one). Two of the Directors of the Company (2017: two) participate in parent company share plans.

The remuneration of the highest paid Director was £165,199 (2017: £159,661) and accrued pension of £13,780 (2017: £11,036).

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

The cost of Directors' emoluments are borne by other group undertakings.

6. Interest receivable and payable

	2018 £'000	2017 £'000
Interest received from other group undertakings	473	-
Interest accreation of liability provision (Note 12)	(1,998)	(2,428)
	(1,525)	(2,428)

The interest accretion of liability provision represents the effects of the time value of money specific to the onerous lease provision.

NOTES TO THE FINANCIAL STATEMENTS

7. Taxation

7a. Analysis of tax charge on profit for the year

	2018 £'000	2017 £'000
Current tax		
UK corporation tax charge on profit for the year	-	29,271
Deferred tax		
Deferred tax for the year	-	-
Tax charge on profit	-	29,271

7b. Factors affecting tax charge for the year

	2018 £'000	2017 £'000
(Loss)/profit before tax	(18,783)	267,668
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(3,569)	51,516
Effects of:		
Expenses not deductible	874	-
Current year movement in timing differences not recognised for deferred tax	215	(22,245)
Group relief surrendered for no consideration	2,480	-
Total tax charge for the year (Note 7a)	-	29,271

The main rate of corporation tax in the UK was reduced from 20% to 19% on 1 April 2017. Finance Act 2016 provides that the corporation tax rate will reduce to 17% from 1 April 2020. Despite the Company having no deferred tax as at 31 December 2018, it would have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

7c. Deferred taxation

At 31 December 2018, the Company had an unrecognised deferred tax asset of £0.0 million (2017: £0.3 million)

8. Tangible fixed assets

	Building improvements & fittings £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 January 2018	139,188	7,362	146,550
Additions	569	4,103	4,672
Disposal	(39,089)	(2,346)	(41,435)
Transfer to Citibank N.A. London Branch and other group companies	(91,023)	(1,502)	(92,525)
Transfer between classes	7,477	(7,477)	-
At 31 December 2018	17,122	140	17,262
Depreciation and amortisation			
At 1 January 2018	112,474	-	112,474
Charge for the year	2,987	-	2,987
On disposals	(36,568)	-	(36,568)
Transfer to Citibank N.A. London Branch and other group companies	(62,631)	-	(62,631)
At 31 December 2018	16,262	-	16,262
Net book value			
At 31 December 2018	860	140	1,000
At 31 December 2017	26,714	7,362	34,076

Effective 30 September 2018, as part of a wider internal Citi resolution and recovery planning reorganisation process, CIB Properties Limited transferred the net asset value in relation to lease 1a, to Citibank N.A., London Branch via a deemed dividend in specie in the amount of £86.6 million. The related tangible fixed assets' net book value amounted to £29.2 million upon the transfer.

For further information on the transfer, see breakdown of assets and liabilities in the Strategic report on page 4.

9. Cash at bank and in hand

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

	2018 £'000	2017 £'000
Cash at bank held by other group undertakings	42,711	288,021

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Debtors

	2018	2017
	£'000	£'000
Due after more than one year		
Accrued income	9,270	11,302
Amounts owed by group undertakings	140,000	-
	149,270	11,302
Due within one year		
Trade debtors	4,785	2,293
Amounts owed by group undertakings	3,306	5,545
Prepayments and accrued income	160,102	23,050
Corporation tax receivable	729	-
	168,922	30,888
Debtors total	318,192	42,190

Prepayments include prepaid rent, real estate tax, utilities and professional fees. Accrued income includes lease incentives which are discussed further in Note 1.5.

11. Creditors

Amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts due to group undertakings	13,376	19,071
Accruals and deferred income	13,515	10,979
Corporation tax payable	-	29,271
	26,891	59,321

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

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

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Provisions

	Onerous contracts £'000	Dilapidation provision £'000	Carbon reduction commitment £'000	Total £'000
At 1 January 2018	75,039	2,223	413	77,675
Transfer to Citibank N.A. London Branch	(404)	(938)	-	(1,342)
Provision for the year	18,353	36	449	18,838
Utilised in the year	(14,938)	(503)	(413)	(15,854)
Amounts reversed	(18,163)	(45)	-	(18,208)
Unwinding of the time value of money discount	1,998	-	-	1,998
As at 31 December 2018	61,885	773	449	63,107

	Onerous contracts £'000	Dilapidation provision £'000	Carbon reduction commitment £'000	Total £'000
At 1 January 2017	371,210	2,158	137	373,505
Provision for the year	5,788	355	413	6,556
Utilised in the year	(15,980)	-	(137)	(16,117)
Amounts reversed	(288,407)	(290)	-	(288,697)
Unwinding of the time value of money discount	2,428	-	-	2,428
As at 31 December 2017	75,039	2,223	413	77,675

Effective 30 September 2018, as part of a wider internal Citi resolution and recovery planning reorganisation process, CIB Properties Limited transferred the net asset value in relation to lease 1a, to Citibank N.A., London Branch via a deemed dividend in specie in the amount of £86.6 million. The provision related to the space under lease 1a amounted to £1.3 million upon the transfer.

For further information on the transfer, see breakdown of assets and liabilities in the Strategic report on page 4.

Onerous contract

The onerous contract provision relates to the operating lease in respect of 25 Canada Square, Canary Wharf. The provision covers space in this building that is currently sublet at below cost.

Dilapidation provision

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

NOTES TO THE FINANCIAL STATEMENTS

12. Provisions (continued)

Carbon reduction commitment scheme

The Company is required to participate in the Carbon Reduction Commitment ('CRC') Energy Efficiency Scheme. The Company is required to purchase and retrospectively surrender CRC allowances on the basis of carbon dioxide emitted. As carbon dioxide is emitted a liability and an expense is recognised, measured at the best estimate of expenditure based on the current market price of the number of allowances required to meet the liability as at the end of the financial year.

13. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
8,233,150 ordinary share of £1	8,233	8,233

14. Reserves

Capital reserves relate to capital contributions received from the Company's parent and are fully distributable. The Company received a capital contribution of £150,000,000 on 28 September 2018 (2017: £nil). Additionally, as part of a wider internal Citi resolution and recovery planning reorganisation process, CIB Properties Limited transferred the net asset value of lease 1a, to Citibank N.A., London Branch via a deemed dividend in specie, in the amount of £86.6 million.

15. Operating lease and capital commitments

(a) Operating lease commitments

At 31 December 2018, the Company had annual commitments under non-cancellable operating leases payable as follows:

	2018 £'000	2017 £'000
Less than one year	37,191	63,540
Between one and five year	139,867	250,000
More than five years	472,415	740,635
Total	649,473	1,054,175

(b) Capital commitments

As at 31 December 2018 the Company was committed to fit out costs in respect of assets in the course of construction of £11,635,033 (2017: £14,015,333).

16. Post balance sheet events

On 12 April 2019, Citibank N.A. became the sole shareholder of Canada Square Investment Limited, the immediate parent company of the owner of the CGC2 building, R. B. Bishopsgate Investments Limited. Citigroup Inc. will consolidate these entities as the ultimate beneficiary, and will record the CGC2 building and associated assets on its consolidated financial statements.

17. Ultimate parent company and parent companies

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

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