

CIB PROPERTIES LIMITED
(Registered Number: 01915885)

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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CIB PROPERTIES LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors present their report and the financial statements of CIB Properties Limited ('the Company') for the year ended 31 December 2016.

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 either office accommodation or as retail banking outlets.

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.

The Company also subleases certain accommodation to unconnected parties where such space is surplus to the current requirements of the UK Group.

Due to Citi's strategy of reducing its footprint in high cost locations, such as London, the amount of office space in CGC2 sublet to third parties continues to grow as Citi's core UK employee base is reduced and consolidated into CGC1. In recent years Citi, as an organisation, has become safer, stronger and simpler and the consolidation from CGC2 into CGC1 is part of its overall strategy to focus resources and achieve a simpler and more efficient operating model. For the foreseeable future, Citi's London headquarters will comprise a combination of CGC1 and CGC2, however Citi does not rule out pursuing other real estate options in the longer term.

Going concern basis

The Financial Statements are prepared on a going concern basis taking into account the ultimate reliance on support from the Company's parent. The Directors are satisfied that the Company has the resources and parental support 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 (2015: £nil) and the Directors do not recommend the payment of a final dividend in respect of the year (2015: £nil).

Directors

The Directors who held office during the year ended 31 December 2016 were:

J R Killey
S Rogers (resigned on 18 October 2016)
D I Sharland
J D R Smith (appointed on 28 October 2016)

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 2016

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; 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 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

Charitable donations and political contributions of £nil were made during the year (2015: £nil).

Disclosure of information to auditor

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

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

CIB PROPERTIES LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2016

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

29 September 2017

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 2016

The Directors present the Strategic Report of CIB Properties Limited ('the Company') for the year ended 31 December 2016.

As Citi aims to reduce its presence in high cost locations, react to evolving real estate markets and effectively consolidate its UK resources, the firm continues to make concerted efforts to consolidate office space from CGC2 into CGC1. This transition means that the Company will likely be loss making for the foreseeable future as Citi aims to develop and utilise its UK space in the most effective way in order to achieve its strategic aim of a simpler and more efficient operating model. The transition has resulted in significant office space in CGC2 becoming surplus to the requirements of the UK Group. The subletting of this surplus space to unconnected third parties and the financial impact of this strategy on the performance and position of the Company is discussed in further detail below. Management will continue to look for opportunities to minimise the future costs of the CGC2 lease in line with the future strategy and requirements of the UK Group.

Company performance

The current year loss before tax of the Company amounted to £123.8 million (2015: £89.9 million). The loss for the year was primarily due to a significant increase in the onerous lease provision (discussed further below). The loss for the year, after taxation, amounted to £123.8 million (2015: £85.6 million).

Operating expenses increased by 10% in 2016, mainly due to the fact that the net impact of the onerous lease provision charge of £104.6 million was 57% higher than the prior year (2015: £66.6 million).

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 existence of vacant space or 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.

The onerous contract provision increased to £371.2 million (2015: £264.3 million) and resulted in a charge of £104.6 million to operating expenses (2015: £66.6 million).

| | 2016 £000 | 2015 £000 |
|------------------------------------|--------------|--------------|
| Net onerous lease provision charge | 104,620 | 66,567 |
| Other operating expenses | 101,777 | 120,843 |
| Total operating expenses | 206,397 | 187,410 |

The increase in the onerous contract provision reflects the following;

- an assessment of current conditions in the commercial property market;
- uncertainty in the economic outlook increasing as a result of Brexit;
- recent subletting experience for new office space and Citi's continued focus on reducing its presence in high cost locations and its strategic goal of a simpler and more efficient operating model it continues to be appropriate for the estimates and assumptions supporting the onerous lease calculation to extend until the end of the lease period. Please refer to 'Use of assumptions, estimates and judgements,' for further information.

CIB PROPERTIES LIMITED

STRATEGIC REPORT

for the year ended 31 December 2016

Company position

The Company's net deficit decreased from £37.3 million in 2015 to a deficit of £11.1 million in 2016. The Company's net deficit was eliminated following a capital contribution of £150.0 million during 2016 however this was subsequently eroded in its entirety due to increase in the onerous contract provisions which caused the Company to report a larger than expected loss of £123.7 million on 2016 (discussed above).

Net current assets increased by £126.9 million. This mainly reflects a significant increase in the Company's cash at bank following the £150.0 million capital contribution and a decrease of £42.1 million in amounts owed by group undertakings which is mainly due to the transfer of the Riverdale Data Centre and the Belfast Gateway properties to Citibank N.A. on 31 December 2015.

Key performance indicators

In addition to the financial results of the Company, senior management considers the monitoring of vacant space as a proportion of the total space available as a key performance indicator.

| Description | 2016 | 2015 | Change sq. ft. | Change % |
|--|-----------|-----------|----------------|----------|
| Average total space available in sq. ft. | 1,326,160 | 1,557,822 | -231,662 | -15% |
| Average vacant space in sq. ft. | 47,944 | 119,052 | -71,108 | -60% |
| Average vacancy rate | 4% | 8% | | |

The reduction in the total space available is a result of the sale of Riverdale Data Centre and Belfast Gateway properties to Citibank N.A. on 31 December 2015. While the overall annual average vacant space decreased in 2016, CGC2's vacant space as at 31 December 2016 increased to 8.36% compared to 4.98% in the prior year end due to a decrease in subletting. This increase in vacant space at year end is a key element in the higher onerous contract provision in 2016.

Management's aim is to maintain a vacancy rate of less than ten percent.

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

The principal risks and uncertainties facing the Company surround its ability to fully occupy or let its leased premises in consideration of the competitive nature of the real estate market and the current ongoing pressures affecting the economic environment. The Company's performance is likely to be negatively impacted by further decline in the demand for office accommodation from Citibank N.A. and other subsidiary undertakings of Citigroup Inc. The cost of vacant space can be mitigated if the Company can let certain accommodation to unconnected parties. However, the risk of significant costs being incurred remains where;

- (a) it is not possible to sub-let the amount of vacant space estimated, and/or
- (b) it is not possible to achieve the level of rental income anticipated.

CIB PROPERTIES LIMITED

STRATEGIC REPORT

for the year ended 31 December 2016

Principal risks and uncertainties (continued)

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

As mentioned above, Citi's strategy of reducing its footprint in high cost locations, such as London, the amount of office space in CGC2 sublet to third parties continues to grow as Citi's core UK employee base is reduced and consolidated into CGC1. In recent years Citi, as an organisation, has become safer, stronger and simpler and the consolidation from CGC2 into CGC1 is part of its overall strategy to focus resources and achieve a simpler and more efficient operating model. For the foreseeable future, Citi's London headquarters will comprise a combination of CGC1 and CGC2, however Citi does not rule out pursuing other real estate options in the longer term.

By order of the Board



D I Sharland
Director

29 September 2017

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 MEMBERS OF CIB PROPERTIES LIMITED

We have audited the financial statements of CIB Properties Limited ("the Company") for the year ended 31 December 2016 set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express our opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Namrata Basker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

29 September 2017

CIB PROPERTIES LIMITED

INCOME STATEMENT

for the year ended 31 December 2016

| | Note | 2016 £000 | 2015 £000 |
|--|------|------------------|-----------------|
| Turnover | 3 | 83,903 | 95,851 |
| Operating expenses | 4 | (206,397) | (187,410) |
| Operating loss | | (122,495) | (91,559) |
| Gain on disposal of fixed assets | 5 | - | 9,637 |
| Interest payable and similar charges | 7 | (1,300) | (7,938) |
| Loss on ordinary activities before taxation | | (123,794) | (89,860) |
| Tax credit on loss on ordinary activities | 8 | - | 4,304 |
| Loss for the financial year | | (123,794) | (85,556) |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2016 or 2015 other than those included in the Income Statement.

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

CIB PROPERTIES LIMITED

BALANCE SHEET

as at 31 December 2016

| | Note | 2016 £000 | 2015 £000 |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Tangible fixed assets | 9 | 30,084 | 29,155 |
| Current assets | | | |
| Cash at bank and in hand | 10 | 321,035 | 142,872 |
| Debtors | 11 | 29,324 | 82,352 |
| | | 350,359 | 225,224 |
| Creditors: amounts falling due within one year | 12 | (30,532) | (32,326) |
| Net current assets | | 319,827 | 192,898 |
| Debtors: amounts receivable after one year | 11 | 12,488 | 7,808 |
| Provisions for liabilities and charges | | | |
| Provisions for liabilities | 14 | (373,505) | (267,173) |
| Net deficit | | (11,106) | (37,312) |
| Capital and reserves | | | |
| Called up share capital | 15 | 8,233 | 8,233 |
| Capital reserves | 16 | 334,000 | 184,000 |
| Profit and loss account | | (353,339) | (229,545) |
| Shareholders' funds | | (11,106) | (37,312) |

The accompanying notes on pages 11 to 20 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 29 September 2017.

David Sharland

D I Sharland
Director

Registered Number: 01915885

CIB PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

| | Share capital | Capital | Profit and | Total equity |
|-------------------------------|----------------------|----------------|---------------------|---------------------|
| | £'000 | reserve | loss account | £'000 |
| | | £'000 | £'000 | |
| As at 1 January 2015 | 8,233 | 54,000 | (143,989) | (81,756) |
| Capital contribution | - | 130,000 | - | 130,000 |
| Result for the financial year | - | - | (85,556) | (85,556) |
| As at 31 December 2015 | <u>8,233</u> | <u>184,000</u> | <u>(229,545)</u> | <u>(37,312)</u> |
| Capital contribution | - | 150,000 | - | 150,000 |
| Result for the financial year | - | - | (123,794) | (123,794) |
| As at 31 December 2016 | <u>8,233</u> | <u>334,000</u> | <u>(353,339)</u> | <u>(11,106)</u> |

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Basis of presentation

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

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

The risks and uncertainties faced by the Company are discussed further in the Strategic Report on pages 5-6. 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.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) from the beginning of the accounting period. 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*.

The financial statements have been prepared in Pound sterling ('£'), which is the functional and presentational currency of the Company.

b) 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 the provision of facilities management services is recognised in the period in which the service is provided. The impact of lease incentives on turnover is explained in note 1d).

c) Property, plant and equipment

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 |

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

c) Property, plant and equipment (continued)

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.

d) 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.

e) Income taxes

The charge for taxation is based on the taxable profits/losses for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their treatment for tax purposes except as otherwise provided by IAS 12 on an undiscounted basis.

f) 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.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions, estimates and judgements

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

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

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

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

Onerous contract provision

The Company's accounting policy for the onerous contract provision is described in Note 1 f). 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 sublet any vacant space until the end of the lease obligation as well as any potential sub lease loss reserves that will be incurred. These estimates are determined by the judgement of the Company's management based on current real estate trends and strategic considerations, supplemented by experience of similar transactions and, where applicable, reports from independent experts. The Company also considers any break clauses present in the lease contract that can be exercised by management in the future.

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 that it is not possible to sub-let the amount of vacant space estimated, and/or it is not possible to achieve the level of rental income anticipated.

3. Turnover

| | 2016 £000 | 2015 £000 |
|---------------------------------------|---------------|---------------|
| Amounts receivable from third parties | 33,586 | 28,961 |
| Rental income from group undertakings | 50,317 | 66,890 |
| | <u>83,903</u> | <u>95,851</u> |

All turnovers arose within the United Kingdom.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses

Operating expenses include:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Charge from changes in onerous contract provision | 104,620 | 66,567 |
| Operating lease rentals and other premise expenses | 60,247 | 64,471 |
| Depreciation of tangible fixed assets | | |
| - owned by the company | 4,633 | 7,556 |
| Auditor's remuneration | 97 | 57 |

5. Gain on disposal of fixed assets

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Proceeds | - | 74,228 |
| Less: Carrying value of fixed assets sold | - | (63,878) |
| Less: Cost to sell | - | (713) |
| Gain on sale | - | 9,637 |

On 11 June 2015, the Company sold its Lewisham House property to an unrelated party. The proceeds from the sale were £21.1 million, the carrying value amounted to £10.8 million and the cost to sell was £0.7 million. This resulted in a gain on sale of £9.6 million.

The Company also disposed its Riverdale Data Centre and Belfast Gateway properties to a related party, Citibank N.A., on 31 December 2015. Proceeds from the sale were the same amount as the carrying value of assets sold of £53.1 million. Therefore there was no gain or loss in relation to these sales.

6. Directors' remuneration

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Aggregate emoluments | 173 | 168 |
| Contributions to money purchase pension scheme | 8 | 7 |
| | 181 | 175 |

Contributions to money purchase pension schemes are accruing to three of the Directors (2015: one). Contributions to defined benefit pension schemes are accruing to two of the Directors (2015: two).

The Directors of the Company participate in parent company share and share option plans and, during the year, none (2015: three) of the Directors exercised options.

The remuneration of the highest paid Director was £121,355 (2015: £113,427) and accrued pension of £7,350 (2015: £7,323).

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

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

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Interest payable

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Interest on borrowings from other group undertakings | - | 1,097 |
| Unwinding of discount (see Note 14 'Provisions') | 1,300 | 6,841 |
| | <u>1,300</u> | <u>7,938</u> |

The unwinding of discount represents the effects of the time value of money specific to the onerous lease provision.

8. Taxation

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

| | 2016 £000 | 2015 £000 |
|---|--------------|----------------|
| Analysis of tax charge in the year | | |
| Current tax | | |
| UK corporation tax charge on loss for the year | - | - |
| Deferred tax | | |
| Deferred tax for the year | - | - |
| Adjustment to prior year's deferred tax | - | (4,304) |
| Total deferred tax (see Note 13 'Deferred taxation') | <u>-</u> | <u>(4,304)</u> |
| Tax credit on loss on ordinary activities | <u>-</u> | <u>(4,304)</u> |

8b. Factors affecting tax charge for the year:

| | 2016 £000 | 2015 £000 |
|---|--------------|----------------|
| Loss on ordinary activities before tax | (123,794) | (89,860) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%) | (24,759) | (18,197) |
| Effects of: | | |
| Expense not deductible for tax purposes | - | (1,531) |
| CY movement in timing differences not recognised for DT | 87 | 911 |
| Group relief surrendered for no consideration | 24,672 | 18,702 |
| Adjustment in respect of deferred tax for earlier years | - | (4,304) |
| Difference in current tax and deferred tax rate on current year balance | - | 114 |
| Total tax credit for the year (see Note 8a) | <u>-</u> | <u>(4,304)</u> |

The main rate of corporation tax in the UK was reduced from 21% to 20% on 1 April 2015. Finance Act 2016 provides that the corporation tax rate will reduce to 19% from 1 April 2017 and further to 17% from 1 April 2020. The deferred tax at 31 December 2016 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Tangible fixed assets

| | Freehold land & buildings | Long leasehold | Building improvements & fittings | Assets in the course of construction | Total |
|--------------------------|---------------------------|----------------|----------------------------------|--------------------------------------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | |
| At 1 January 2016 | - | - | 109,669 | 4,584 | 114,253 |
| Additions | - | - | - | 4,306 | 4,306 |
| Transfer from CEP | - | - | 24,656 | - | 24,656 |
| Write off | - | - | (293) | (61) | (354) |
| Disposal | - | - | (453) | - | (453) |
| Transfer between classes | - | - | 6,187 | (6,187) | - |
| At 31 December 2016 | - | - | 139,766 | 2,642 | 142,408 |
| Depreciation | | | | | |
| 1 January 2016 | - | - | 85,098 | - | 85,098 |
| Charge for the year | - | - | 4,633 | - | 4,633 |
| Transfer from CEP | - | - | 22,782 | - | 22,782 |
| On disposals | - | - | (189) | - | (189) |
| 31 December 2016 | - | - | 112,324 | - | 112,324 |
| Net book value | | | | | |
| At 31 December 2016 | - | - | 27,442 | 2,642 | 30,084 |
| At 31 December 2015 | - | - | 24,571 | 4,584 | 29,155 |

Citibank Europe Plc UK Branch (CEP) transferred specific fixed assets to the Company during the year in order to align asset owners with asset users and simplify the UK depreciation recharge process.

Included in Freehold land and buildings is freehold land at a cost of £nil (2015: £nil), which is not depreciated.

Included in the cost of Freehold land and buildings is £nil of capitalised interest (2015: £nil).

The Company transferred its Riverdale Data Centre and Belfast Gateway properties to Citibank N.A. on 31 December 2015, please refer to Note 5 'Gain on disposal of fixed assets' for further information.

10. Cash at bank and in hand

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

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Cash at bank held by other group undertakings | 321,035 | 142,872 |

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Debtors

| | 2016 £000 | 2015 £000 |
|-------------------------------------|---------------|---------------|
| Due after more than one year | | |
| Accrued income | 12,488 | 7,808 |
| Due within one year | | |
| Trade debtors | 2,618 | 2,222 |
| Amounts owed by group undertakings | 227 | 52,573 |
| Prepayments and accrued income | 26,479 | 27,557 |
| | 29,324 | 82,352 |
| Debtors total | 41,812 | 90,160 |

Prepayments include prepaid rent, real estate tax, utilities and professional fees. Accrued income includes lease incentives which are discussed further in Note 1 d).

12. Creditors

Amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 18,770 | 19,434 |
| Accruals and deferred income | 11,762 | 12,892 |
| Total | 30,532 | 32,326 |

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

13. Deferred taxation

| | 2016 £000 | 2015 £000 |
|---------------------------------------|--------------|--------------|
| At beginning of year | - | 4,304 |
| Prior year adjustments | - | (4,304) |
| Released during year | - | - |
| Deferred tax liability at end of year | - | - |

The provision for deferred taxation is made up as follows:

| | 2016 £000 | 2015 £000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | - | 3,497 |
| Tax losses carried forward | - | (3,497) |
| | - | - |

At 31 December 2016, the Company had an unrecognised deferred tax asset of £20 million (2015: £17 million). This has not been recognised on the grounds that there is insufficient evidence that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

The main rate of corporation tax in the UK was reduced from 21% to 20% on 1 April 2015. Finance Act 2016 provides that the corporation tax rate will reduce to 19% from 1 April 2017 and further to 17% from 1 April 2020. The deferred tax at 31 December 2016 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

14. Provisions

| | Onerous contracts £000 | Dilapidation provision £000 | Carbon reduction commitment £000 | Other provision £000 | Total £000 |
|------------------------|------------------------------|-----------------------------------|---|-------------------------|---------------|
| At 1 January 2016 | 264,291 | 1,900 | 449 | 533 | 267,173 |
| Provision for the year | 126,584 | 312 | 137 | - | 127,033 |
| Utilised in the year | (20,965) | - | (449) | - | (21,414) |
| Amounts reversed | - | (54) | - | (533) | (587) |
| Unwinding of discount | 1,300 | - | - | - | 1,300 |
| Other movements | - | - | - | - | - |
| At 31 December 2016 | 371,210 | 2,158 | 137 | - | 373,505 |

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 available for subletting and is not expected to be fully occupied in the short term or has been, or is expected to be, let to third parties at below cost until the end of the lease obligation.

Dilapidation provision

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

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. 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.

Other provision

Other provision amount related to the Valuation Office Agency assessment of CGC's rateable values and rates. The incremental real estate tax has been fully paid off during 2016.

15. Share capital

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 8,233,150 ordinary shares of £1 each | 8,233 | 8,233 |

16. Capital reserves

Capital reserves relate to capital contributions received by the Company's parent and are fully distributable. The Company received a capital contribution of £150 million on 28 December 2016.

17. Operating lease and capital commitments

(a) Operating lease commitments

At 31 December 2016 the Company had annual commitments under non-cancellable operating leases payable as follows:

| | Land and buildings | |
|----------------------------|--------------------|------------------|
| | 2016 £000 | 2015 £000 |
| Less than one year | 61,881 | 61,069 |
| Between one and five years | 244,145 | 241,783 |
| More than five years | 772,068 | 816,955 |
| Total | 1,078,094 | 1,119,807 |

(b) Capital commitments

As at 31 December 2016 the Company was committed to fit out costs in respect of assets in the course of construction of £17,271,011 (2015: £15,705,898).

CIB PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. Parent companies

The Company's immediate parent undertaking is Citigroup Global Markets Europe Finance Limited, a company registered at Citigroup Centre, Canada Square, Canary Wharf, London, TBD, E14 5LB, England. The Company's ultimate parent company and ultimate controlling party is Citigroup Inc., registered at 1209 Orange Street, Wilmington, New Castle, DE, 19810, United States of America.

The audited financial statements of the 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 audited consolidated financial statements of the ultimate parent are available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from www.citigroup.com/citi/corporategovernance/ar.htm.