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*Citigroup Capital Property UK Limited  
Directors' report and financial statements  
31 March 2011*

**Citigroup Capital Property UK Limited  
Directors' report and financial statements**

For the year ended 31 March 2011  
Registered number 5330715

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## **Directors' report**

*for the year ended 31 March 2011*

The directors present their annual report and the audited financial statements of Citigroup Capital Property UK Limited ("the Company") for the year ended 31 March 2011

### **Principal activities and business review**

As a result of the sale of various Nikko companies in Japan, Nikko Property Limited changed its name on the 26 October 2009 to Citigroup Capital Property UK Limited

Since inception to the balance sheet date the Company has issued Loan Notes for proceeds of £3,718,736 (2010 £3,210,000) to its parent company, Citigroup Capital UK Limited, and purchased £4,012,486 (2010 £3,503,750) 10% Loan Notes from Regeneration Capital Limited, a joint venture investment, which invests in brownfield site redevelopment projects. During the year, Regeneration Capital Limited acquired Cref and subsidiaries which owned land on the primary investment site with a view to improving funding and development opportunities at the site.

The Company intends to continue in its capacity as a holding company

### **Results**

The Company made a loss after tax of £508,736 for the year ended 31 March 2011 (2010 loss of £4,509,916)

The net liability position of the Company was £4,701,807 as at 31 March 2011 (2010 net liability position of £4,193,071). The reduction is a result of a fixed asset impairment of £508,736. This impairment reflects uncertainty in the property market and is made after due consideration to alternative options at the major redevelopment site.

The directors consider the results to be satisfactory given the nature of the investments made which are not expected to generate a return in the short term.

### **Strategy**

#### **Going concern**

The directors have carefully considered the adoption of the going concern basis of preparation of the financial statements of the Company. Citigroup Capital Property UK Limited continues to enjoy the support of its parent company in the form of funding provided to it and the directors consider that the Company has access to sufficient funding to allow it to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

#### **Post balance sheet events**

Since the year end, the Company has issued £88,000 of further loan notes to its parent company and purchased a further £88,000 of loan notes from Regeneration Capital Limited.

#### **Key financial performance indicators**

Management monitor progress made on the Company's key business strategy by focusing on the profitability and cash flows of individual investments, although the profitability trend can be quite unpredictable, depending on the timing of the exit of investments.

Given the nature of the business, the Company's directors are of the opinion that an analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

## **Directors' report**

*for the year ended 31 March 2011 (continued)*

### **Risks and Uncertainties**

#### **Financial risk management**

The nature of the Company's operations expose it to a limited number of financial risks, primarily in relation to market risk, liquidity risk, credit risk and interest rate risk. The Company's business plan does not lend itself to matching borrowing terms to investment terms, as it involves long term financing from the immediate parent company to fund short term investments.

#### **Market risk**

The principal risk to the Company is the failure of the joint venture to recover the value of the investments. Valuations are regularly performed and market forces are considered to monitor this risk. The investment is currently valued at £nil (2010: £nil).

#### **Credit risk**

The Company has implemented policies that require appropriate understanding of the expected returns on capital invested. The amount of exposure to any individual counterparty is subject to a limit which is reassessed should additional funding be requested.

#### **Liquidity risk**

The Company has agreed that its funding requirements will be met exclusively from its parent company, including any additional funding that may be required for future developments, and there is no intention to utilise third party finance. This funding agreement should ensure that the Company will have sufficient available funds to meet its operational requirements.

#### **Interest rate cash flow risk**

The Company currently has interest earning assets but no interest bearing liabilities. The directors will continue to monitor the position and in the event that this changes, a policy change will be implemented.

### **Dividend**

The directors do not recommend the payment of a dividend (2010: £nil).

### **Directors and directors' interests**

The directors who held office during the period were as follows:

John Soden	(resigned 31 May 2011)
Peter Norris	(resigned 11 March 2011)
Vincent Fandozzi	(appointed 14 March 2011)
May Livingstone	(appointed 14 March 2011)

## **Directors' report**

*for the year ended 31 March 2011 (continued)*

### **Company Secretary**

The Company secretary who held office during the year was

Simon Cumming

### **Political and charitable donations**

The Company made no political contributions or donations to UK charities during the period (2010 £nil)

### **Principal place of business**

The Company is managed and controlled in the UK. The office of the Company and the location of board meetings throughout the period was 100 Pall Mall, London, SW1Y 5NN. From 16 April 2009 the registered address of the Company was moved to Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The trading address was 100 Pall Mall, London, SW1Y 5NN throughout the year, but has moved to Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, as of 8 July 2011.

### **Statement of disclosure of information to auditors**

The directors confirm that

- (a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



**Simon Cumming**  
Company secretary  
Citigroup Centre  
Canada Sq  
Canary Wharf  
London  
E14 5LB  
15 September 2011

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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.



**Vincent Fandozzi**

*Director*

15 September 2011

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

We have audited the financial statements of Citigroup Capital Property UK Limited ("the Company") for the year ended 31 March 2011 set out on pages 9 to 17. 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).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 an 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 (APB'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 APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 March 2011 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**

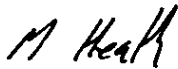
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP  
CAPITAL PROPERTY UK LIMITED (continued)**

**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



**M Heath (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
Canary Wharf  
London E14 5GL  
**23/9/2011**



**Citigroup Capital Property UK Limited  
Profit and loss account**

*for the year ended 31 March 2011*

	<i>Note</i>	<b>2011 £'000</b>	<b>2010 £'000</b>
<b>Investment loss</b>	<b>2</b>	<b>(509)</b>	<b>(4,504)</b>
Administrative expenses		-	(6)
<b>Loss on ordinary activities before taxation</b>	<b>4</b>	<b>(509)</b>	<b>(4,510)</b>
Taxation on loss on ordinary activities	5	-	-
<b>Loss for the year</b>	<b>11</b>	<b>(509)</b>	<b>(4,510)</b>

The results above all relate to ordinary continuing activities

There is no difference between the loss on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalents

The Company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 11 to 17 form part of these financial statements

## **Citigroup Capital Property UK Limited**

### **Balance sheet**

Registered number 5330715

*As at 31 March 2011*

	<i>Note</i>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Fixed assets</b>			
Investments	6	-	-
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors amounts falling due after one year	7	-	-
		<hr/>	<hr/>
Creditors amounts falling due within one year	8	(983)	(983)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(983)	(983)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		(983)	(983)
		<hr/>	<hr/>
Creditors amounts falling due after more than one year	9	(3,719)	(3,210)
		<hr/>	<hr/>
<b>Net liabilities</b>		(4,702)	(4,193)
		<hr/>	<hr/>
<b>Capital and reserves – Equity</b>			
Called up share capital	10	1,000	1,000
Profit and loss account	11	(5,702)	(5,193)
		<hr/>	<hr/>
<b>Total shareholder's deficit</b>	12	(4,702)	(4,193)
		<hr/>	<hr/>

The financial statements on pages 9 to 17 were approved by the board of directors on 15 September 2011 and signed on its behalf by

  
**Vincent Fandozzi**  
*Director*

The notes on pages 11 to 17 form part of these financial statements

## **Notes to the financial statements**

*for the year ended 31 March 2011*

### **1 Accounting policies**

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006, and applicable Accounting Standards issued by the Accounting Standards Board

The following paragraphs describe the main policies

#### ***Going Concern***

The directors have carefully considered the adoption of the going concern basis of preparation of the financial statements of the Company. Citigroup Capital Property UK Limited continues to act as a holding company and enjoy the support of its parent company in the form of funding provided to it and the directors consider that the Company has access to sufficient funding to allow it to meet its obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements

#### ***Investment income /loss***

Investment income / loss is disclosed instead of turnover as this reflects more meaningfully the nature and the results of the Company's activities

Investment income / loss represents net profits and losses from disposals of investments less provisions made during the year for the diminution of value of investments held and any management fees receivable

In computing income in respect of debt and equity investments, interest income on loan notes and dividends on shares carrying an entitlement to a fixed amount or at a pre-determined rate are recognised in the period to which such income and dividends relate

#### ***Taxation***

The charge for taxation is based on the loss 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 is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### ***Investments***

The investment was intended to be held on a long term basis or to maturity and is disclosed as fixed asset investment, which is included in the balance sheet at cost. Provision is made for permanent diminution in value

The intention of holding each investment is regularly reviewed and if appropriate, the investment classification altered accordingly

#### ***Diminution***

Diminution provisions are recognised where, in the directors' opinion, the recoverable value of the investment is lower than cost and is expected to remain so for the long term. The recoverable value of the investment is calculated using a discounted cash flow of future recoverable amounts including, often, the sale of the investment. Significant judgement on the part of the directors is required

## **Notes to the financial statements**

*for the year ended 31 March 2011 (continued)*

### **1 Accounting policies (continued)**

#### ***Provision for doubtful debts***

To the extent the recoverability of future cash flows on debt security investments and related interest are considered doubtful, a provision is made against the future cash flows. Debtor balances are valued at cost less provision for doubtful debts.

The need for a provision is reviewed regularly.

#### ***Cash flow Statement***

The Company is a wholly owned subsidiary of Citigroup Capital UK Limited and is included in the consolidated financial statements of Citigroup Capital Investments UK Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

#### ***Segmental reporting***

All significant business transactions concluded by the Company are conducted with companies that are resident in the UK and the directors are of the opinion that the Company's activities constitute a single business.

### **2 Investment loss**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Interest income	<b>488</b>	408
Provision against interest income	<b>(488)</b>	(408)
Permanent diminution of investments	<b>(509)</b>	(4,504)
	<hr/> <b>(509)</b> <hr/>	<hr/> (4,504) <hr/>

### **3 Directors' emoluments and employee information**

The directors received no emoluments in respect of their services to the Company during the period (2010: £nil).

No staff were employed by the Company during the period (2010: nil). Services are rendered by group employees without recharge.

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

<b>4</b>	<b>Loss on ordinary activities before interest and taxation</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
	This is stated after charging		
	Auditor's remuneration (see below)	-	-
		<u>          </u>	<u>          </u>

The audit fee of £9,000 (£2010 £8,813) for the current year was borne by the parent company

<b>5</b>	<b>Tax on loss on ordinary activities</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
	UK Corporation tax on loss for the period	-	-
		<u>          </u>	<u>          </u>
	Factors affecting the current tax charge for the period		
	Loss on ordinary activities before tax	(509)	(4,510)
		<u>          </u>	<u>          </u>
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 28%)	(143)	(1,263)
	Expenses not deductible for tax purposes	143	1,261
	Loss available for group relief	-	2
		<u>          </u>	<u>          </u>
	Current tax charge for the period	-	-
		<u>          </u>	<u>          </u>

A deferred tax asset of £83,300 relating to losses (2010 £88,000 relating to losses) has not been recognised as its recoverability from future taxable profit cannot be assessed with sufficient certainty. The reduction in the unrecognised asset is primarily as a result of the change in the future rate of corporation tax announced in the June 2010 budget.

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**6 Fixed asset investments**

	2011 £'000	2010 £'000
<b>Cost.</b>		
At 1 April	4,504	4,188
Additions	509	316
	<hr/>	<hr/>
<b>At 31 March</b>	<b>5,013</b>	<b>4,504</b>
	<hr/>	<hr/>
<b>Provision For diminution:</b>		
At 1 April	(4,504)	-
Charge for the year	(509)	(4,504)
	<hr/>	<hr/>
<b>At 31 March</b>	<b>(5,013)</b>	<b>(4,504)</b>
	<hr/>	<hr/>
<b>Net book value at 31 March</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

The investments comprise an unlisted equity investment and certain loans (2010 unlisted equity investment and loans)

The Company acquired a 50% stake in the ordinary share capital of Regeneration Capital Limited, a company incorporated in the United Kingdom, for a consideration of £1,000,000 in May 2005. The investee company's principal activity is to invest in brownfield site redevelopment projects.

Additionally, the Company has purchased £4,012,486 (2010 £3,503,750) of loan notes from Regeneration Capital Limited. These loan notes are unsecured and repayable in 2011. Interest is payable at 10% per annum. This investment has been fully impaired.

**7 Debtors: amounts falling due after one year**

	2011 £'000	2010 £'000
Accrued and deferred interest on the loan notes	1,471	983
Less: Provision		
Balance at 1 April	(983)	(575)
Charge for the year	(488)	(408)
	<hr/>	<hr/>
<b>At 31 March</b>	<b>(1,471)</b>	<b>(983)</b>
	<hr/>	<hr/>
<b>Net Book Value</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**8 Creditors: amounts falling due within one year**

	2011 £'000	2010 £'000
Amount due to parent company	983	981
Other accounts payable	-	2
	<u>983</u>	<u>983</u>

Amount due to parent company is unsecured and repayable on demand. The effective rate of interest is 0%.

**9 Creditors: amounts falling due after more than one year**

	2011 £'000	2010 £'000
Amount due to parent company	3,719	3,210
	<u>3,719</u>	<u>3,210</u>

Amount due to the parent company is unsecured and repayable in 2016. The effective rate of interest is 0%.

**10 Called up share capital**

	2011 £'000	2010 £'000
<b>Authorised</b>		
10,000,000 Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
1,000,100 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

**Notes to the financial statements**  
*for the year ended 31 March 2011 (continued)*

**11 Profit and loss account reserve**

	<b>2011</b>	2009
	<b>£'000</b>	£'000
At 1 April	<b>(5,193)</b>	(683)
Loss for the year	<b>(509)</b>	(4,510)
	<hr/>	<hr/>
At 31 March	<b>(5,702)</b>	(5,193)
	<hr/>	<hr/>

**12 Reconciliation of movements in shareholder's funds**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Shareholders' funds at 1 April	<b>(4,193)</b>	317
Loss for the year	<b>(509)</b>	(4,510)
	<hr/>	<hr/>
Shareholder's funds at 31 March	<b>(4,702)</b>	(4,193)
	<hr/>	<hr/>

**13 Capital and other commitments**

The Company has no commitments at 31 March 2011 (2010 commitment of £299,900 under a facility extended to Regeneration Capital Limited)

**14 Contingent liabilities**

The Company had no contingent liabilities at 31 March 2011 (2010 Nil)

**15 Related party transactions**

As 100% of the Company's voting rights are held by Citigroup Capital UK Limited, the Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)



## **Notes to the financial statements**

*for the year ended 31 March 2011 (continued)*

### **16 Post balance sheet events**

Since the year end, the Company has issued £88,000, of further loan notes to its parent company and purchased a further £88,000 of loan notes from Regeneration Capital Limited

### **17 Parent and controlling undertaking**

<b>Name</b>	<b>Country of Registration or incorporation</b>	<b>Address from where group accounts are obtainable</b>
<b><i>Immediate Parent Company</i></b>		
Citigroup Capital UK Limited	United Kingdom	Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB
<b><i>Intermediate Holding Company</i></b>		
Citigroup Capital Investments UK Limited (Until 30 March 2010 Citigroup Capital Hold Co UK Limited formerly NPIL Hold Co Limited)	United Kingdom	Citigroup Centre, Canada Square Canary Wharf, London, E14 5LB
<b><i>Ultimate Parent Company</i></b>		
Citigroup Inc	United States	399 Park Avenue, New York NY10043

The parent undertaking of the smallest and largest group that presents consolidated financial statements including the results of the Company is Citigroup Capital Investments UK Limited, a company registered in England & Wales

Copies of the financial statements for Citigroup Capital Investments UK Limited are available from the Company Secretary at the above address