

CITIBASE PUBLIC LIMITED COMPANY
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2010

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CITIBASE PUBLIC LIMITED COMPANY
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FOR THE YEAR ENDED 28 FEBRUARY 2010

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CITIBASE PUBLIC LIMITED COMPANY
COMPANY INFORMATION
FOR THE YEAR ENDED 28 FEBRUARY 2010

DIRECTORS:

I H Read
D M Joseph
P C T Warner
S P Jude
J Addis

SECRETARY

I H Read

REGISTERED OFFICE:

Mount Manor House
16 The Mount
Guildford
Surrey
GU2 4HN

REGISTERED NUMBER.

02767719 (England and Wales)

AUDITORS.

Wilkins Kennedy
Statutory Auditor
Chartered Accountants
Gladstone House
77-79 High Street
Egham
Surrey
TW20 9HY

CITIBASE PUBLIC LIMITED COMPANY
THE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2010

The Board is pleased to report that, during the last 12 months, Citibase has achieved the strategic objectives of doubling the size of the business and becoming the largest operator in the cost-conscious sector of the serviced office market in the UK

During the year to February 2010, Citibase grew the total number of workstations under management from 4,131 to 8,346, a growth of 101%

Last year the Board agreed that Citibase should continue to execute the strategy described in our Pathfinder Admission document (abridged extract below) and we will use the strong cash position to grow the network in this time of significant sector consolidation

"It is the objective of Citibase to become the largest and most profitable operator in its cost-conscious SME sector. The Directors anticipate that the bulk of the planned expansion will be by the acquisition of existing centres, which already have customers in place rather than the acquisition of greenfield sites which would require a potentially expensive period of building the customer base. Citibase then intends to apply its yield maximisation strategy to enhance the returns from each of the centres"

In addition to growth by acquisition, Citibase plans to grow profits organically through a mixture of continued focus on yield management, partnering with companies with empty space and partnering with owners of empty buildings

A small amount of the planned growth may come through start up centres and by way of the acquisition of management contracts. As the number of centres grows, the Directors believe that this will increase the Company's bargaining strength in negotiating with suppliers

The plan is to make the business much bigger and then harness economies of scale and our proven operational abilities in order to drive increased profitability as the economic cycle returns "

In October 2009, the company completed its first acquisition since the acquisition of 6 centres from Birkby Plc. The purchase from TopCentre Limited of 3 centres in Brighton, Burgess Hill and Horsham, was made for cash and demonstrates the ability of the company to grow by using our existing resources

In addition, the company took over 7 centres in Birmingham, Bristol, Coventry, Edinburgh, London, Reading and Wolverhampton under a management contract with our long-standing partner, Close Asset Management Limited. Since acquiring these centres from the previous operators, occupancy has increased from 55% to 72% and revenues and profitability have increased dramatically

Also, during the year, we added a further 260 workstations to the network by increasing the size of our existing centres in both Birmingham and London

This significant growth in the size of the company has been accompanied by a change in the balance of the portfolio. In February 2009 85% of the portfolio was leased and 15% was operated under a management contract. By February 2010, only 49% of the portfolio was leased compared to 51% operated under a management contract

As planned, our growth in size has increased our buying power and increased our economies of scale. Our central purchasing power has generated reductions in the price of cleaning, telephony and insurance, which will result in long-term benefits to our customers and partners. This focus on cost will continue, as we are experiencing inflation in some of our other costs, notably rates and utilities

CITIBASE PUBLIC LIMITED COMPANY
THE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2010

The Board believes that the current results confirm that our strategy of growth continues to be the best way of dealing with the challenging economic environment. In order to further increase the pace of growth, I am delighted that Jon Addis has joined the Board as Finance Director. After qualifying at Arthur Andersen, Jon has undertaken senior roles at Royal Bank Private Equity, Lloyds Development Capital and the successful management buyout of Hydrex Group with funding from Bridgepoint Capital. Jon will work with our CEO, Steve Jude in order to accelerate the pace of growth through acquisition. We are already in discussion with a large number of existing operators, property funds, banks and corporate recovery specialists, all of whom recognise that the operational skills of Citibase can generate cash from under-performing office assets. We believe that the growth experienced in the year to February 2010 will continue, as our pipeline of potential new centres is very strong.

The economic environment remains tough and we are not immune to some of the consequences. However, the board believes that we are implementing the correct strategy to enable Citibase to prosper in uncertain times.

Ian Read
Chairman

CITIBASE PUBLIC LIMITED COMPANY
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 28 FEBRUARY 2010

The directors present their report with the financial statements of the company for the year ended 28 February 2010

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of management and providing serviced office accommodation

REVIEW OF BUSINESS

As described in the Chairman's statement, we believe that the Citibase strategy of providing good value, well-located serviced offices to cost conscious SMEs is well suited to the prevailing economic environment. Due to the challenging economy, it has been difficult to achieve the price rises seen in previous years. However, we have continued to improve our operating rhythm through increased focus on cost cutting, productivity and volume. This relentless attention to detail has resulted in metrics, which compare favourably with the published results of the larger players in the UK.

During the year, our total system revenue increased by 19.3% to £13,110,000. This significant growth was underpinned by a strong performance in new sales. Our ongoing investment in state of the art sales coaching, the roll-out of our Freedom at Work branding and the continued support of our agency partners have combined to deliver an increase in our conversion rate of 44% and an increase in the value of new sales made of 142%.

Despite this success, the competitive pressures caused by the challenging economic environment have produced an OCCPAW (occupancy revenue per available workstation) decline of 13.1% which is a materially better performance than the published results of the larger players in the UK.

However, our strategy of focusing on volume, cost and cash has compensated for the price erosion. Total system occupied workstations have increased by 119% during the year. Our mature occupancy (excluding the impact of new centres) grew from 68.5% to 73.7% during the year. It is encouraging that this trend in occupancy growth has continued since the year end, as at the time of writing, our total system occupancy has increased by a further 5.4% and mature occupancy has grown to 79.1%.

We have continued to drive down the cost of delivering serviced offices to our customers. In the year to February 2010, our like for like CostPaw (Cost per Available Workstation), has reduced significantly from £195.35 per workstation due to the additional workstations available at managed centres and our focus on costs. In addition, our productivity, as measured by total system occupied workstations per FTE (full time equivalent employee) has increased by 51%.

This relentless drive for productivity has enabled Citibase to deliver a best in class centre contribution margin of 20%.

At the beginning of the year, we anticipated an increase in customers leaving. Consequently, we introduced measures to prevent this happening and we are pleased to report that client retention in the year has improved with a renewal rate of 80%.

Doubling the size of our business in a severe recession has been both strenuous and exhilarating. We have been able to increase occupancy, productivity and the size of our network due to a daily focus on our operating rhythm coupled with a continuous policy of investing in talent. One of the most satisfying aspects of a growing business is that we are able to identify and reward people. During the year, 20% of the Citibase team were promoted into new, larger roles and where necessary, we hired quality to complement the existing team.

We would like to thank our customers, suppliers and partners for their continued support and we would like to thank the Citibase team for their energy, creativity and fighting spirit. Long may it continue.

DIVIDENDS

No dividends will be distributed for the year ended 28 February 2010.

CITIBASE PUBLIC LIMITED COMPANY
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 28 FEBRUARY 2010

DIRECTORS

The directors shown below have held office during the whole of the period from 1 March 2009 to the date of this report

I H Read
D M Joseph
P C T Warner
S P Jude

Other changes in directors holding office are as follows

J Addis - appointed 1 September 2009

COMPANY'S POLICY ON PAYMENT OF CREDITORS

Citibase Plc's policy is to agree payment terms with suppliers in advance and, wherever possible, pay in accordance with those terms. This is subject to the supplier providing the goods or services in accordance with the agreed terms and conditions and that a relevant invoice has been presented to Citibase Plc. Creditor days averaged 51 in the year ended 28 February 2010.

FINANCIAL INSTRUMENTS

Revenue and pricing risk

Citibase Plc is exposed to the risk of adverse economic developments reducing revenues. The risk is reduced by our value offering being attractive to cost conscious clients, an increase in the number of centres operated under management contracts and no material customer concentration issues.

Cash flow risk

The highest costs to Citibase Plc are rents and service charges which are largely paid quarterly in advance and result in a material quarterly working capital requirement. The cash flow risks are reduced by Citibase Plc having significant positive cash balances, no indebtedness, break clauses within the leases, and the terms on which Citibase Plc earns revenue and pays suppliers being to some extent matched. The Directors produce and review detailed 3 month cash forecasts and 12 month rolling cash forecasts on a regular basis to ensure that Citibase Plc maintains a robust financial structure and sufficient cash headroom.

Credit risk

Credit risk is the risk of financial loss to Citibase Plc if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The risk to Citibase Plc arises solely from the company's receivables from customers. Citibase Plc minimises this risk by ensuring that a high proportion of clients pay by direct debit, close monitoring of outstanding balances (trade debtors were only £5,823 at 28 February 2010) and the requirement of clients to pay a deposit at the commencement of the licence as security for their receivables due to Citibase Plc.

CITIBASE PUBLIC LIMITED COMPANY
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 28 FEBRUARY 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

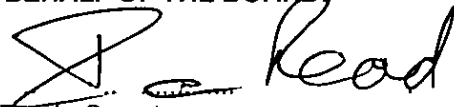
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also required to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


I H Read - Secretary

Date 27th August 2010

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
CITIBASE PUBLIC LIMITED COMPANY**

We have audited the financial statements of Citibase Public Limited Company for the year ended 28 February 2010 on pages nine to twenty. 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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page six, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 28 February 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
CITIBASE PUBLIC LIMITED COMPANY

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

Wilkins Kennedy

Ms Michaela Izquierdo (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy
Statutory Auditor
Chartered Accountants
Gladstone House
77-79 High Street
Egham
Surrey
TW20 9HY

Date *31 August 2010*

CITIBASE PUBLIC LIMITED COMPANY
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28 FEBRUARY 2010

	Notes	2010 £	2009 £
TURNOVER	2	8,939,917	10,170,065
Administrative expenses		<u>(8,813,346)</u>	<u>(9,490,785)</u>
		126,571	679,280
Operating profit pre exceptional items and impairment review			
		126,571	954,126
Exceptional administrative expense relating to abortive listing costs		-	(157,869)
Exceptional administrative expenses relating to strategic business review		-	(116,977)
Impairment of goodwill written off		<u>(116,766)</u>	<u>-</u>
Operating profit		9,805	679,280
OPERATING PROFIT	4	9,805	679,280
Interest receivable		<u>15,181</u>	<u>85,494</u>
		24,986	764,774
Interest payable	5	<u>(524)</u>	<u>(4,048)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,462	760,726
Tax on profit on ordinary activities	6	<u>(48,060)</u>	<u>(348,001)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(23,598)</u>	<u>412,725</u>

CONTINUING OPERATIONS AND ACQUISITIONS

Included within turnover is an amount of £401,430 relating to the acquisition of a business during the current year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements


CITIBASE PUBLIC LIMITED COMPANY

BALANCE SHEET
28 FEBRUARY 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Intangible assets	7	87,992	-
Tangible assets	8	<u>1,961,757</u>	<u>1,776,321</u>
		<u>2,049,749</u>	<u>1,776,321</u>
CURRENT ASSETS			
Debtors	9	918,444	835,227
Cash at bank and in hand		<u>2,968,379</u>	<u>3,393,371</u>
		3,886,823	4,228,598
CREDITORS			
Amounts falling due within one year	10	<u>(4,694,184)</u>	<u>(4,755,295)</u>
NET CURRENT LIABILITIES		<u>(807,361)</u>	<u>(526,697)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,242,388	1,249,624
PROVISIONS FOR LIABILITIES	14	<u>(166,625)</u>	<u>(150,263)</u>
NET ASSETS		<u>1,075,763</u>	<u>1,099,361</u>
CAPITAL AND RESERVES			
Called up share capital	15	58,834	58,834
Share premium	16	241,176	241,176
Profit and loss account	16	<u>775,753</u>	<u>799,351</u>
SHAREHOLDERS' FUNDS	19	<u>1,075,763</u>	<u>1,099,361</u>

The financial statements were approved by the Board of Directors on
and were signed on its behalf by

27 August 2010


I H Read - Director

The notes form part of these financial statements

CITIBASE PUBLIC LIMITED COMPANY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	1	642,485	1,488,404
Returns on investments and servicing of finance	2	14,657	81,446
Taxation		(297,257)	(66,903)
Capital expenditure	2	(442,876)	(280,089)
Acquisitions and disposals	2	(322,058)	-
		(405,049)	1,222,858
Financing	2	(19,943)	(56,245)
(Decrease)/Increase in cash in the period		<u>(424,992)</u>	<u>1,166,613</u>
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		(424,992)	1,166,613
Cash outflow from decrease in debt and lease financing		<u>19,943</u>	<u>56,245</u>
Change in net funds resulting from cash flows		<u>(405,049)</u>	<u>1,222,858</u>
Movement in net funds in the period		<u>(405,049)</u>	<u>1,222,858</u>
Net funds at 1 March		<u>3,373,428</u>	<u>2,150,570</u>
Net funds at 28 February		<u>2,968,379</u>	<u>3,373,428</u>

The notes form part of these financial statements

CITIBASE PUBLIC LIMITED COMPANY
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2010

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	9,805	679,281
Depreciation charges	367,390	347,496
Loss on disposal of fixed assets	-	1,457
Amortisation	7,350	-
Impairment of goodwill	116,766	-
Increase in debtors	(83,217)	(42,272)
Increase in creditors	<u>224,391</u>	<u>502,442</u>
Net cash inflow from operating activities	<u>642,485</u>	<u>1,488,404</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	15,181	85,494
Interest paid	(230)	(3,870)
Interest element of hire purchase or finance lease rentals payments	<u>(294)</u>	<u>(178)</u>
Net cash inflow for returns on investments and servicing of finance	<u>14,657</u>	<u>81,446</u>
Capital expenditure		
Purchase of tangible fixed assets	<u>(442,876)</u>	<u>(280,089)</u>
Net cash outflow for capital expenditure	<u>(442,876)</u>	<u>(280,089)</u>
Acquisitions and disposals		
Acquisition of new centres	<u>(322,058)</u>	-
Net cash outflow for acquisitions and disposals	<u>(322,058)</u>	<u>-</u>
Financing		
Loan repayments in year	(19,943)	(54,890)
Capital repayments in year	<u>-</u>	<u>(1,355)</u>
Net cash outflow from financing	<u>(19,943)</u>	<u>(56,245)</u>

The notes form part of these financial statements

CITIBASE PUBLIC LIMITED COMPANY

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2010

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 3 09 £	Cash flow £	At 28 2 10 £
Net cash			
Cash at bank and in hand	<u>3,393,371</u>	<u>(424,992)</u>	<u>2,968,379</u>
	<u>3,393,371</u>	<u>(424,992)</u>	<u>2,968,379</u>
 Debt			
Debts falling due within one year	<u>(19,943)</u>	<u>19,943</u>	<u>-</u>
	<u>(19,943)</u>	<u>19,943</u>	<u>-</u>
 Total	<u><u>3,373,428</u></u>	<u><u>(405,049)</u></u>	<u><u>2,968,379</u></u>

The notes form part of these financial statements

CITIBASE PUBLIC LIMITED COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2010

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

Turnover

Turnover represents net invoiced sales of services, excluding value added tax

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2009, is being amortised evenly over its estimated useful life of fifteen years

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Improvements to property	- Straight line over period of the lease
Fixtures and fittings	- 25% on cost and 15% on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

Management fee income from profit related management contracts included in the company's turnover was £376,860 (2009 - £47,105) and turnover relating to the company's own provision of serviced office accommodation was £8,545,597 (2009 - £10,122,960). The total turnover managed by the company was £13.11m (2009 - £10.99m).

3 STAFF COSTS

	2010 £	2009 £
Wages and salaries	1,622,201	1,809,872
Social security costs	<u>165,918</u>	<u>179,735</u>
	<u>1,788,119</u>	<u>1,989,607</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 28 FEBRUARY 2010

3 STAFF COSTS - continued

The average monthly number of employees during the year was as follows

	2010	2009
Directors	4	3
Sales and administration	<u>72</u>	<u>75</u>
	<u>76</u>	<u>78</u>

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2010 £	2009 £
Depreciation - owned assets	367,390	347,496
Loss on disposal of fixed assets	-	1,457
Goodwill amortisation	7,350	-
Auditors' remuneration	12,600	8,500
Auditors' remuneration - non audit work	11,225	73,000
Operating lease rentals - other	2,442,409	2,112,409
Operating lease income	<u>(6,751,165)</u>	<u>(8,034,155)</u>

Directors' remuneration	<u>222,970</u>	<u>197,720</u>
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Information regarding the highest paid director for the year ended 28 February 2010 is as follows

	2010 £	2009 £
Emoluments	<u>170,000</u>	<u>185,000</u>

5 INTEREST PAYABLE

	2010 £	2009 £
Bank interest	3	113
Bank loan interest	227	3,757
Hire purchase	<u>294</u>	<u>178</u>
	<u>524</u>	<u>4,048</u>

All of the above interest was in relation to liabilities falling due within five years

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 28 FEBRUARY 2010

6 TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	2010 £	2009 £
Current tax		
UK corporation tax	4,643	297,257
UK corporation tax prior year	<u>27,055</u>	<u>4,593</u>
Total current tax	31,698	301,850
Deferred tax	<u>16,362</u>	<u>46,151</u>
Tax on profit on ordinary activities	<u><u>48,060</u></u>	<u><u>348,001</u></u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>24,462</u>	<u>760,727</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2009 - 28%)	5,137	213,004
Effects of		
Disallowed expenses	906	45,272
Reversal of accelerated capital allowances	12,504	44,722
Reversal of provisions	(13,904)	-
Small companies marginal rate	-	(7,579)
Underprovision in prior year	27,055	4,593
Change in tax rate	<u>-</u>	<u>1,838</u>
Current tax charge	<u><u>31,698</u></u>	<u><u>301,850</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 28 FEBRUARY 2010

7 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
Additions	212,108
Impairments	<u>(116,766)</u>
At 28 February 2010	<u>95,342</u>
AMORTISATION	
Amortisation for year	<u>7,350</u>
At 28 February 2010	<u>7,350</u>
NET BOOK VALUE	
At 28 February 2010	<u>87,992</u>

8 TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Totals £
COST			
At 1 March 2009	1,842,023	2,507,506	4,349,529
Additions	<u>310,889</u>	<u>241,937</u>	<u>552,826</u>
At 28 February 2010	<u>2,152,912</u>	<u>2,749,443</u>	<u>4,902,355</u>
DEPRECIATION			
At 1 March 2009	904,594	1,668,614	2,573,208
Charge for year	<u>212,758</u>	<u>154,632</u>	<u>367,390</u>
At 28 February 2010	<u>1,117,352</u>	<u>1,823,246</u>	<u>2,940,598</u>
NET BOOK VALUE			
At 28 February 2010	<u>1,035,560</u>	<u>926,197</u>	<u>1,961,757</u>
At 28 February 2009	<u>937,429</u>	<u>838,892</u>	<u>1,776,321</u>

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade debtors	5,823	28,111
Other debtors	5,077	13,970
Accrued income	201,159	149,270
Prepayments	<u>706,385</u>	<u>643,876</u>
	<u>918,444</u>	<u>835,227</u>

CITIBASE PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 28 FEBRUARY 2010**10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2010	2009
	£	£
Bank loans and overdrafts (see note 11)	-	19,943
Payments in advance	777,019	656,813
Trade creditors	1,509,037	1,459,902
Deposits	1,437,427	1,502,926
Corporation tax	31,698	297,257
Other taxes and social security	295,021	240,713
Other creditors	42,095	4,899
Deferred income	63,795	8,780
Accrued expenses	538,092	564,062
	<u>4,694,184</u>	<u>4,755,295</u>

11 LOANS

An analysis of the maturity of loans is given below

	2010	2009
	£	£
Amounts falling due within one year or on demand		
Bank loans	<u>-</u>	<u>19,943</u>

12 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2010	2009
	£	£
Expiring		
Within one year	558,000	226,500
Between one and five years	608,609	424,600
In more than five years	<u>1,275,800</u>	<u>1,461,309</u>
	<u>2,442,409</u>	<u>2,112,409</u>

13 SECURED DEBTS

The following secured debts are included within creditors

	2010	2009
	£	£
Bank loans	<u>-</u>	<u>19,943</u>

The Royal Bank of Scotland holds a debenture charge over the assets of the company in respect of any amounts due or to become due by the company

CITIBASE PUBLIC LIMITED COMPANY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 28 FEBRUARY 2010**

14 PROVISIONS FOR LIABILITIES

	2010	2009
	£	£
Deferred tax	<u>166,625</u>	<u>150,263</u>
		Deferred tax
		£
Balance at 1 March 2009		150,263
Accelerated capital allowances		<u>16,362</u>
Balance at 28 February 2010		<u>166,625</u>

15 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2010	2009
Number	Class	Nominal value	£	£
58,824	A Ordinary	1p	588	588
58,824	A Preference	99p	58,236	58,236
1,000	B Ordinary	1p	<u>10</u>	<u>10</u>
			<u>58,834</u>	<u>58,834</u>

Each class of share is an equity share having entitlement to receive notice of, attend and vote at meetings of the company

Each class of share is entitled to to be paid dividends at such rate or rates at such times as may be resolved by and in the absolute discretion of the directors subject to

- in the case of A Ordinary shares, they shall not be entitled to be paid any dividends out of distributable reserves in existence at the date of adoption of the company's current Articles of Association

- in the case of B Ordinary shares, they shall not be entitled to be paid any dividends out of distributable reserves in existence at the date of issue of such B Ordinary shares

Upon a sale the classes of shares shall entitle their holders to the following proceeds

A Preference shares

The first £3,000,000 of the net proceeds of sale ("the Priority Share")

A and B Ordinary shares

A proportion of the remaining net proceeds of sale (net proceeds of sale less the Priority Share) The proportion allotted to the A Ordinary and B Ordinary shares is dependent on the value and timing of the sale

CITIBASE PUBLIC LIMITED COMPANY
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 28 FEBRUARY 2010

16 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 March 2009	799,351	241,176	1,040,527
Deficit for the year	<u>(23,598)</u>	<u> </u>	<u>(23,598)</u>
At 28 February 2010	<u>775,753</u>	<u>241,176</u>	<u>1,016,929</u>

17 RELATED PARTY DISCLOSURES

During the year, the company paid a rent for the amount of £260,000 (2009 - £260,000) to Echoback Limited, a company in which I H Read and Linda B Joseph Will Trust have a controlling interest. As at 28 February 2010 £76,375 (2009 - £74,750) was owed to Echoback Limited.

The company also paid management charges amounting to £13,988 (2009 - £12,598) to Ashtenne Asset Management Limited, a subsidiary of Warner Estates Holdings Plc, a company of which P C T Warner is chairman. As at 28 February 2010 £1,318 (2009 - £nil) was owed to Ashtenne Asset Management Limited. Warner Estates Holdings Plc is the beneficial owner of Ashtenne Asset Management Limited.

During the year, the company paid management charges for the amount of £18,000 (2009 - £18,000) and £18,000 (2009 - £18,000) in respect of professional services received from Barnship Limited and David Joseph Property Consultants Limited respectively. At the year end £7,931 (2009 - £23,014) and £22,500 (2009 - £4,500) was owed to Barnship Limited and David Joseph Property Consultants Limited respectively. Both companies are related as a consequence of having common directors.

Included in exceptional items are professional services fees of £nil (2009 - £25,650) paid to Barnship Limited during the year.

18 ULTIMATE CONTROLLING PARTY

The company has no ultimate controlling party.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
(Loss)/Profit for the financial year	<u>(23,598)</u>	<u>412,726</u>
Net (reduction)/addition to shareholders' funds	<u>(23,598)</u>	<u>412,726</u>
Opening shareholders' funds	<u>1,099,361</u>	<u>686,635</u>
Closing shareholders' funds	<u>1,075,763</u>	<u>1,099,361</u>