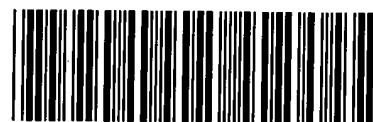


**REGISTERED NUMBER: 02767719 (England and Wales)**

**CITIBASE PUBLIC LIMITED COMPANY**  
**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**CITIBASE PUBLIC LIMITED COMPANY**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**DIRECTORS:**

I H Read  
D M Joseph  
S P Jude

**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 LLP  
Statutory Auditor  
Chartered Accountants  
Mount Manor House  
16 The Mount  
Guildford  
Surrey  
GU2 4HN

**CITIBASE PUBLIC LIMITED COMPANY**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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Citibase has been disrupting the commercial office market for over 23 years. Our essential proposition has always been that restrictive, conventional office leases, do not best serve small business occupiers.

There has always been a conflict between the needs of building owners, who require certainty of income in order to protect their banking covenants and valuation, and the needs of small businesses, who need their cost base to match their variable income.

Like modern day advisors to King Canute, much of the conventional property industry has been unable to accept that the tide has turned and that only a different approach will prevent feet from becoming very damp. Citibase and the rest of the flexible officing industry have understood that the Customer is always King and that many of those Customers require flexible officing.

Occupiers are voting with their dry feet and are choosing more flexible options. The average length of office lease has dropped dramatically since 1993. For those businesses that find even a short lease too restrictive, the flexible officing industry has grown to meet the demand. According to Instant Group, from a small base 23 years ago, the flexible office industry in 2015 was worth £4.8bn in the UK and £15bn worldwide.

This is an enormous and growing market undergoing rapid change and Citibase is at the heart of that change.

The market for flexible officing, in which Citibase was one of the early pioneers, is now about to grow even more rapidly. In 2014, Cushman and Wakefield estimated that 8% of the global office take-up was for flexible space. In addition, a landmark research project conducted by 'The Work Foundation' in 2015, concluded that we are rapidly approaching the tipping point where over 50% of managers and organisations will have adopted mobile working. Reaching this tipping point will further reduce the need for businesses to carry the burden of large amounts of under-utilised office space as they move towards more flexible working practices.

Up until now, this movement towards flexible officing has been driven entirely by the demands of Customers. However, last year this trend was given a further nudge by changes in the regulatory environment.

Firstly, the International Accounting Standards for leases have introduced the requirement, where applicable, for leasehold property assets to be recognised on the balance sheet with a corresponding liability. This has generated much debate as this more onerous treatment will create uncertainty on future reported profits arising from the requirement for annual revaluation. Secondly, in the recent budget, the Chancellor imposed higher rates of Stamp Duty on long-term, expensive leases.

The direction of travel is clear. Expensive, long term leases will become even less financially attractive to potential occupiers and demand for the products and services offered by Citibase should increase as a result.

The irresistible growth of flexible officing has attracted new investors into the sector.

Since the financial crash, there has been one dominant consolidator in the market. However, recent acquisitions in the sector have been made by investors new to the market, which indicates that appetite for our sector is widening and maturing. Big, global money is entering our sector and big global brands are looking at it closely. This wide level of interest in our sector, represents a strong vote of confidence in our basic proposition.

It is the view of the board that new entrants to our sector are welcome. Citibase defines itself as a disruptor of the commercial office market and our prediction that 25% of the global commercial office market will convert to flexible officing will create a sufficiently large prize to accommodate a variety of different operators.

In the 23 years since the formation of Citibase, there has never been such a buzz in our sector. However, whilst the new ubiquity of flexible officing is very welcome indeed, we believe that it is important to stay anchored to the basic, successful proposition of our business. Firstly, we must continue to deliver attractive, cost-effective product to our Customers. Secondly, we must provide a high level of customer service to our Customers. Thirdly, we must deliver on the promises we have made to our Clients.

**CITIBASE PUBLIC LIMITED COMPANY**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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None of these basic propositions can be delivered without the energy, intelligence and commitment of the Citibase team. On behalf of the board, I would like to thank all of our people for continuing to deliver our three, basic propositions to our Customers and Clients, each and every day.

**CITIBASE PUBLIC LIMITED COMPANY**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**OPERATING REVIEW**

In FY16, Citibase delivered record EBITDA of £2.0m, a record operating margin of 15.2% and record cash at bank of £4.3m.

These excellent results are the early indication that our strategy of changing the business model, growing the size of the network and re-engineering our processes and systems is starting to flow through to increased profitability.

Our medium term plan has been to de-risk the business model by changing the balance of the network from a predominantly leasehold model to a predominantly managed model.

In FY14, we took the decision to trigger the early break clause in our leased centre in Birmingham Temple Row. In order to do this, we took an exceptional charge of £488k in our results in FY15. However in FY16, this decision was vindicated, as the profitability of the Citibase operations in the city of Birmingham increased from (£300k) in FY14 to £100k in FY16: a swing of £400k. The building we vacated in Temple Row remains unoccupied.

In order to change the business model, we have continued to grow our expertise in managing empty buildings for Clients. This expertise has resulted in fee income for the year being in excess of £1m for the first time.

Of the 500,000 sqft in the network, our centres managed on behalf of Clients now account for 65% of our total network. We have become an expert in the management of secondary buildings for our Clients and have developed a more balanced business model as a result. Our unique Client management proposition has been pressure tested and is growing.

Since the financial crash of 2008, we have been constantly re-engineering our processes and systems to ensure that we can deliver product to Customers in the most cost-effective manner, whilst maintaining a compound annual growth rate of almost 10%.

Our centralised sales team have driven this performance by making 8552 calls to prospective Customers, booking 4691 first viewings and closing £5.4m of new sales.

As most new sales are now handled centrally, our Centre Managers have been freed to concentrate on serving Customers and upselling. This has enabled us to maintain our leased mature centre occupancy levels at 81%, whilst delivering a revenue per available workstation (REVPAW) increase of 26% and holding mature centre operating costs (COSTPAW) at just 2%, which are some of the key performance indicators of the business.

The Centre Managers and Central Sales team have been supported by our new operational management structure which was rolled-out fully in 2015. This new structure sees three regional Business Development Managers take responsibility for the profitability of up to 10 centres and three Regional Operations Managers take specific responsibility for daily operations, costs and compliance. In the Midlands region where this structure has been in place for the full year, we have already seen the benefits of this new structure which will be fully realised in the other two regions next year.

The new structure is being enabled by the continued extension of our new, bespoke systems platform. Following the successful roll-out of our new finance system, intranet and website, we are now rolling out our new lead management module. Our previous system extensions have driven productivity in our operations and finance management, and we are confident that the new lead management module will create similar productivity gains in sales.

The investment in systems has been matched by investment in the IT infrastructure and interior design of the centres. Only two centres in our network are not enabled with super-fast broadband and the centres which have made the switch are providing a significantly enhanced product for our Customers. Despite our own efforts in supporting small business connectivity, we remain concerned that the UK will not benefit fully from

**CITIBASE PUBLIC LIMITED COMPANY**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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the digital economy due to the unacceptably slow and geographically limited provision of broadband. Citibase is supporting the BCA to ensure that the government delivers on its promise to enable 95% of the UK to be able to connect to super-fast broadband by the end of 2017.

We have continued to upgrade the fabric of our centres, with Brighton, Bristol Aztec West, Croydon and London Victoria all having benefited from a new interior design style. We also unveiled innovative myPODs, exclusive to Citibase and handcrafted by renowned furniture designer Luke Hughes to cater for those customers wanting individual work spaces. In addition we began rolling out new in-house interior designed show offices, each with a cost-effective, unique and carefully curated style which have assisted in increasing the price of new sales in the centres featured.

Our strategy of rebalancing the business model, growing the size of the business and re-engineering our processes and systems should be considered to be a journey rather than a destination. Nevertheless, the changes made in previous years are already paying dividends and are an early indication of more to come.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Revenue and pricing risk

Citibase 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 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 having significant positive cash balances, no indebtedness, break clauses within the leases, and the terms on which Citibase 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 maintains a robust financial structure and sufficient cash headroom.


Credit risk

Credit risk is the risk of financial loss to Citibase if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The risk to Citibase arises solely from the company's receivables from customers. Citibase minimises this risk by ensuring that a high proportion of clients pay by direct debit, close monitoring of outstanding balances (trade debtors were only £47,420 at 29 February 2016) and the requirement of clients to pay a deposit at the commencement of the licence as security for their receivables due to Citibase.

**COMPANY'S POLICY ON PAYMENT OF CREDITORS**

Citibase'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. Creditor days averaged 29 in the year ended 29 February 2016 (2015 - 25 days).

**ON BEHALF OF THE BOARD:**



I H Read - Director

Date: 29<sup>th</sup> April 2016

**CITIBASE PUBLIC LIMITED COMPANY**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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The directors present their report with the financial statements of the company for the year ended 29 February 2016.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of management and providing business centres.

**DIVIDENDS**

No dividends will be distributed for the year ended 29 February 2016.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 March 2015 to the date of this report.

I H Read  
D M Joseph  
S P Jude

**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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**CITIBASE PUBLIC LIMITED COMPANY**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**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:**

  
.....  
J. Read - Director

Date: 29<sup>th</sup> April 2016



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CITIBASE PUBLIC LIMITED COMPANY**

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We have audited the financial statements of Citibase Public Limited Company for the year ended 29 February 2016 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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, 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 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. In addition, we read all the financial and non-financial information in the Chairman's Statement the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 29 February 2016 and of its profit 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 Strategic Report and 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 MEMBERS OF  
CITIBASE PUBLIC LIMITED COMPANY**

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**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.



James Leigh (Senior Statutory Auditor)  
for and on behalf of Wilkins Kennedy LLP  
Statutory Auditor  
Chartered Accountants  
Mount Manor House  
16 The Mount  
Guildford  
Surrey  
GU2 4HN

29 April 2016

**Note:**

The maintenance and integrity of the Citibase Public Limited Company website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**CITIBASE PUBLIC LIMITED COMPANY**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

	Notes	2016 £	2015 £
<b>TURNOVER</b>	2	<b>13,069,868</b>	12,045,564
Administrative expenses		<u>(11,665,766)</u>	<u>(11,829,420)</u>
		<b>1,404,102</b>	216,144
Operating profit before exceptional item		<b>1,404,102</b>	704,557
Exceptional administrative expense Relating to property closure	7	<u>-</u>	<u>(488,413)</u>
Operating profit after exceptional item		<b>1,404,102</b>	216,144
<b>OPERATING PROFIT</b>	4	<b>1,404,102</b>	216,144
Interest receivable		<u>9,396</u>	<u>5,255</u>
		<b>1,413,498</b>	221,399
Interest payable	5	<u>(2,785)</u>	<u>(6,795)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,410,713</b>	214,604
Tax on profit on ordinary activities	6	<u>(295,004)</u>	<u>(69,681)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>1,115,709</b></u>	<u>144,923</u>

The notes form part of these financial statements

**CITIBASE PUBLIC LIMITED COMPANY**  
**OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

	Notes	2016 £	2015 £
<b>PROFIT FOR THE YEAR</b>		<b>1,115,709</b>	144,923
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>1,115,709</b></u>	<u><b>144,923</b></u>

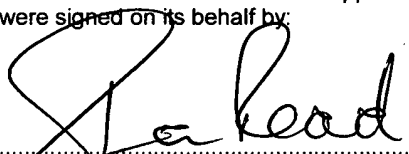
The notes form part of these financial statements

**CITIBASE PUBLIC LIMITED COMPANY (REGISTERED NUMBER: 02767719)**

**BALANCE SHEET  
29 FEBRUARY 2016**

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Intangible assets	8	50,247	62,407
Tangible assets	9	<u>2,371,966</u>	<u>2,129,862</u>
		<u>2,422,213</u>	<u>2,192,269</u>
<b>CURRENT ASSETS</b>			
Debtors	10	1,093,833	1,209,391
Cash at bank and in hand		<u>4,336,160</u>	<u>3,528,688</u>
		5,429,993	4,738,079
<b>CREDITORS</b>			
Amounts falling due within one year	11	<u>(5,294,729)</u>	<u>(5,434,140)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>135,264</u>	<u>(696,061)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,557,477	1,496,208
<b>CREDITORS</b>			
Amounts falling due after more than one year	12	(650,054)	(849,591)
<b>PROVISIONS FOR LIABILITIES</b>	15	<u>(199,959)</u>	<u>(54,862)</u>
<b>NET ASSETS</b>		<u>1,707,464</u>	<u>591,755</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	58,839	58,839
Share premium	17	241,176	241,176
Retained earnings	17	<u>1,407,449</u>	<u>291,740</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>1,707,464</u>	<u>591,755</u>

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



I H Read - Director

29<sup>th</sup> April 2016

The notes form part of these financial statements

**CITIBASE PUBLIC LIMITED COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 March 2014</b>	58,839	146,817	241,176	446,832
<b>Changes in equity</b>				
Total comprehensive income	<u>-</u>	<u>144,923</u>	<u>-</u>	<u>144,923</u>
<b>Balance at 28 February 2015</b>	<u>58,839</u>	<u>291,740</u>	<u>241,176</u>	<u>591,755</u>
<b>Changes in equity</b>				
Total comprehensive income	<u>-</u>	<u>1,115,709</u>	<u>-</u>	<u>1,115,709</u>
<b>Balance at 29 February 2016</b>	<u><u>58,839</u></u>	<u><u>1,407,449</u></u>	<u><u>241,176</u></u>	<u><u>1,707,464</u></u>

The notes form part of these financial statements

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**CITIBASE PUBLIC LIMITED COMPANY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,651,197	1,490,515
Interest paid		(2)	(345)
Interest element of hire purchase payments paid		(2,783)	(6,450)
Tax paid		<u>(1,051)</u>	<u>-</u>
Net cash from operating activities		<u>1,647,361</u>	<u>1,483,720</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(830,524)	(686,628)
Sale of tangible fixed assets		2,325	-
Interest received		<u>9,396</u>	<u>5,255</u>
Net cash from investing activities		<u>(818,803)</u>	<u>(681,373)</u>
<b>Cash flows from financing activities</b>			
HP repayments in year		<u>(21,086)</u>	<u>(31,429)</u>
Net cash from financing activities		<u>(21,086)</u>	<u>(31,429)</u>
<b>Increase in cash and cash equivalents</b>		<u>807,472</u>	<u>770,918</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>3,528,688</u>	<u>2,757,770</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>4,336,160</u></u>	<u><u>3,528,688</u></u>

The notes form part of these financial statements

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2016	2015
	£	£
Profit before taxation	1,410,713	214,604
Depreciation charges	586,095	498,003
Loss on disposal of fixed assets	-	98,868
Amortisation	12,160	15,449
Finance costs	2,785	6,795
Finance income	<u>(9,396)</u>	<u>(5,255)</u>
	<b>2,002,357</b>	<b>828,464</b>
Decrease/(increase) in trade and other debtors	115,558	(114,968)
(Decrease)/increase in trade and other creditors	<u>(466,718)</u>	<u>777,019</u>
<b>Cash generated from operations</b>	<b><u>1,651,197</u></b>	<b><u>1,490,515</u></b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 29 February 2016**

	29.2.16	1.3.15
	£	£
Cash and cash equivalents	<u>4,336,160</u>	<u>3,528,688</u>

**Year ended 28 February 2015**

	28.2.15	1.3.14
	£	£
Cash and cash equivalents	<u>3,528,688</u>	<u>2,757,770</u>

The notes form part of these financial statements

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**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 March 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 21.

The financial statements are presented in sterling (£) which is also the functional currency for the company.

**Turnover**

Revenue from the provision of office accommodation to customers is recognised evenly over the period the service is rendered as amounts received or receivable (excluding value added tax). Where rent free periods are granted to customers, rental income is spread on a straight line basis over the length of the customer contract. Amounts invoiced in advance are deferred and recognised as revenue upon provision of the service.

Service income (including the rental of meeting rooms) is recognised as services are rendered.

Management fees received for the provision of initial and subsequent services are recognised as revenue as the services are rendered.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of businesses in 2009, 2011, and 2012, is being amortised over the shorter of fifteen years and the remaining lease term.

**Tangible fixed assets**

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

Internal fit out	- Straight line over period of the lease
Furniture & fittings	- 25% on cost, 20% on cost and 15% on reducing balance

**Taxation**

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. The provision is calculated at the prevailing tax rate when the differences are expected to reverse.

**Pension costs**

The company operates a defined contribution pension scheme. Contributions payable by the company to the scheme are charged to the profit and loss account in the period to which they relate.

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**1. ACCOUNTING POLICIES - continued**

**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 the useful economic lives. Those held under finance leases are depreciated over their estimated useful economic lives or the lease term, whichever is shorter.

The interest element of the 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.

Rentals under operating leases are charged on a straight line basis over the lease term.

**Employee benefits**

Short term employee benefits, including holiday entitlement and other non-monetary benefits, and contributions to personal pension schemes are recognised as an expense in the period in which they are incurred. The company has no further responsibility in respect of those schemes.

**Trade and other receivables**

Trade and other receivables are measured at transaction price less any impairment unless the arrangement constitutes a financing transaction in which case the transaction is measured at the present value of the future receipts discounted at the prevailing market rate of interest.

**Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

**Trade and other payables**

Trade and other payables are measured at their transaction price unless the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at prevailing market rate of interest.

**Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 9)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, or the length of the lease for the property to which they relate, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

**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 £1,011,019 (2015 - £877,228) and turnover relating to the company's own provision of serviced office accommodation was £12,058,849 (2015 - £11,168,336). The total turnover managed by the company was £19.9m (2015 - £19.3m).

**3. STAFF COSTS**

	2016 £	2015 £
Wages and salaries	3,442,952	3,371,015
Social security costs	305,856	280,376
Other pension costs	<u>19,572</u>	<u>11,761</u>
	<u><b>3,768,380</b></u>	<u><b>3,663,152</b></u>

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

	2016	2015
Directors	3	3
Sales and administration	77	77
Managed centres	<u>56</u>	<u>54</u>
	<u><b>136</b></u>	<u><b>134</b></u>

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2016 £	2015 £
Depreciation - owned assets	586,095	498,003
Loss on disposal of fixed assets	-	98,868
Goodwill amortisation	12,160	15,449
Auditors' remuneration	15,500	15,000
Auditors' remuneration - tax compliance	2,850	3,780
Auditors' remuneration - other non-audit work	33,011	14,007
Director's fees	18,000	18,000
Operating lease rentals - other	2,652,790	2,754,785
Operating lease income	<u>(8,885,610)</u>	<u>(8,026,081)</u>
	<u><b>216,860</b></u>	<u><b>212,890</b></u>
Directors' remuneration	<u><b>216,860</b></u>	<u><b>212,890</b></u>

Information regarding the highest paid director is as follows:

	2016 £	2015 £
Emoluments etc	<u><b>195,500</b></u>	<u><b>191,250</b></u>

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

**5. INTEREST PAYABLE**

	2016	2015
	£	£
Bank interest	2	345
Hire purchase	<u>2,783</u>	<u>6,450</u>
	<u>2,785</u>	<u>6,795</u>

**6. TAXATION**

**Analysis of the tax charge**

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

	2016	2015
	£	£
Current tax:		
UK corporation tax	149,907	1,051
Deferred tax	<u>145,097</u>	<u>68,630</u>
Tax on profit on ordinary activities	<u>295,004</u>	<u>69,681</u>

**Reconciliation of total tax charge included in profit and loss**

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

	2016	2015
	£	£
Profit on ordinary activities before tax	<u>1,410,713</u>	<u>214,604</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	282,143	42,921
Effects of:		
Capital allowances in excess of depreciation	(23,105)	(29,209)
Utilisation of tax losses	(109,882)	(12,667)
Disallowed expenses	2,000	6
Deferred taxation movements	145,097	68,630
Other	<u>(1,249)</u>	<u>-</u>
Total tax charge	<u>295,004</u>	<u>69,681</u>

**7. EXCEPTIONAL ITEM**

During the prior year the company vacated one of its leased centres resulting in one off exceptional costs of £488,413.

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

**8. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>COST</b>	
At 1 March 2015	<b>147,941</b>
Disposals	<u><b>(46,592)</b></u>
At 29 February 2016	<u><b>101,349</b></u>
<b>AMORTISATION</b>	
At 1 March 2015	<b>85,534</b>
Amortisation for year	<b>12,160</b>
Eliminated on disposal	<u><b>(46,592)</b></u>
At 29 February 2016	<u><b>51,102</b></u>
<b>NET BOOK VALUE</b>	
At 29 February 2016	<u><b>50,247</b></u>
At 28 February 2015	<u><b>62,407</b></u>

**9. TANGIBLE FIXED ASSETS**

	<b>Internal fit out £</b>	<b>Furniture &amp; fittings £</b>	<b>Totals £</b>
<b>COST</b>			
At 1 March 2015	<b>3,076,325</b>	<b>3,239,711</b>	<b>6,316,036</b>
Additions	<b>607,931</b>	<b>222,593</b>	<b>830,524</b>
Disposals	<u><b>(186,468)</b></u>	<u><b>(117,816)</b></u>	<u><b>(304,284)</b></u>
At 29 February 2016	<u><b>3,497,788</b></u>	<u><b>3,344,488</b></u>	<u><b>6,842,276</b></u>
<b>DEPRECIATION</b>			
At 1 March 2015	<b>1,722,070</b>	<b>2,464,104</b>	<b>4,186,174</b>
Charge for year	<b>416,946</b>	<b>169,149</b>	<b>586,095</b>
Eliminated on disposal	<u><b>(186,468)</b></u>	<u><b>(115,491)</b></u>	<u><b>(301,959)</b></u>
At 29 February 2016	<u><b>1,952,548</b></u>	<u><b>2,517,762</b></u>	<u><b>4,470,310</b></u>
<b>NET BOOK VALUE</b>			
At 29 February 2016	<u><b>1,545,240</b></u>	<u><b>826,726</b></u>	<u><b>2,371,966</b></u>
At 28 February 2015	<u><b>1,354,255</b></u>	<u><b>775,607</b></u>	<u><b>2,129,862</b></u>

Included within furniture and fittings are assets held on hire purchase contracts with a cost of £41,390 (2015 - £92,249) and accumulated depreciation of £29,409 (2015 - £43,165).

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Trade debtors	47,420	24,051
Other debtors	5,144	378
Accrued income	292,288	220,397
Prepayments	748,981	964,565
	<u>1,093,833</u>	<u>1,209,391</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Hire purchase contracts (see note 13)	6,893	21,086
Payments in advance	846,142	773,176
Trade creditors	970,543	1,237,055
Deposits	1,590,135	1,417,922
Corporation tax	149,907	1,051
Other taxes and social security	517,595	457,005
Other creditors	29,023	40,949
Deferred income	19,621	25,314
Accrued expenses	1,164,870	1,460,582
	<u>5,294,729</u>	<u>5,434,140</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2016	2015
	£	£
Hire purchase contracts (see note 13)	-	6,893
Trade creditors	-	120,000
Deposits	650,054	722,698
	<u>650,054</u>	<u>849,591</u>

**13. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	2016	2015
	£	£
Net obligations repayable:		
Within one year	6,893	21,086
Between one and five years	-	6,893
	<u>6,893</u>	<u>27,979</u>

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

**13. LEASING AGREEMENTS - continued**

**Non-cancellable operating leases**

	2016 £	2015 £
Within one year	2,771,039	3,002,014
Between one and five years	4,676,071	6,978,777
In more than five years	<u>1,307,917</u>	<u>1,776,250</u>
	<u><b>8,755,027</b></u>	<u><b>11,757,041</b></u>

**14. SECURED DEBTS**

The following secured debts are included within creditors:

	2016 £	2015 £
Hire purchase contracts	<u><b>6,893</b></u>	<u><b>27,979</b></u>

Hire purchase contracts are secured over the assets to which they relate.

**15. PROVISIONS FOR LIABILITIES**

	2016 £	2015 £
Deferred tax		
Accelerated capital allowances	199,959	180,879
Tax losses carried forward	<u>-</u>	<u>(126,017)</u>
	<u><b>199,959</b></u>	<u><b>54,862</b></u>

	Deferred tax £
Balance at 1 March 2015	<b>54,862</b>
Provided during year	<u><b>145,097</b></u>
Balance at 29 February 2016	<u><b>199,959</b></u>

**16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2016	2015
Number:	Class:	Nominal value:	£	£
58,824	A Ordinary	1p	<b>588</b>	588
58,824	A Preference	99p	<b>58,236</b>	58,236
1,500	B Ordinary	1p	<u><b>15</b></u>	<u><b>15</b></u>
			<u><b>58,839</b></u>	<u><b>58,839</b></u>

**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**16. CALLED UP SHARE CAPITAL - continued**

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 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.

**17. RESERVES**

	Retained earnings £	Share premium £	Totals £
At 1 March 2015	291,740	241,176	532,916
Profit for the year	<u>1,115,709</u>	<u>-</u>	<u>1,115,709</u>
At 29 February 2016	<u><u>1,407,449</u></u>	<u><u>241,176</u></u>	<u><u>1,648,625</u></u>

**18. CAPITAL COMMITMENTS**

	2016 £	2015 £
Contracted but not provided for in the financial statements	<u><u>11,722</u></u>	<u><u>107,961</u></u>



**CITIBASE PUBLIC LIMITED COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 29 FEBRUARY 2016**

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**19. RELATED PARTY DISCLOSURES**

During the year the company paid rent of £409,143 (2015 - £286,271) to Echoback Limited, a company in which I H Read and Linda B Joseph Will Trust have a controlling interest. Also during the previous year fixed assets with a value of £240,000 were acquired from Echoback Limited following the commencement of a lease at a property owned by Echoback Limited. The company also received £nil (2015 - £104,265) in cash, this being the transfer of deposits held in respect of tenants at the property and other working capital balances. As at 29 February 2016 £153,750 (2015 - £199,101) was owed to Echoback Limited.

During the year the company paid management charges of £81,104 (2015 - £68,159) and £18,000 (2015 - £18,000) in respect of professional services received from Barnship Limited and D M Joseph respectively. At the year end £27,760 (2015 - £16,422) and £3,000 (2015 - £18,000) were owed to Barnship Limited and D M Joseph respectively. Barnship Limited is related to the company as a consequence of having common directors.

**Key Management Personnel**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £572,932 (2015 - £580,158).

**20. ULTIMATE CONTROLLING PARTY**

The company has no ultimate controlling party.

**21. TRANSITION TO FRS102**

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 March 2014. No financial measurement changes have taken place as a result of the transition and accordingly there are no differences in the equity position as at 1 March 2014 or 28 February 2015 and no changes to the profit or loss determined under the previous GAAP.