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Report of the Directors and
Financial Statements
for the Year Ended 31 December 1997
for
CITIB@SE LIMITED



CITIB@SE LIMITED

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for the Year Ended 31 December 1997

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CITIBOSE LIMITED

Company Information
for the Year Ended 31 December 1997

DIRECTORS: D M Joseph
I H Read

SECRETARY: I H Read

REGISTERED OFFICE: Mount Manor House
16 The Mount
Guildford
Surrey
GU2 5HS

REGISTERED NUMBER: 02767719

AUDITORS: Pridie Brewster
Registered Auditors
Chartered Accountants
Mount Manor House
16 The Mount
Guildford
Surrey GU2 5HS

CITIB@SE LIMITED

Report of the Directors
for the Year Ended 31 December 1997

THE BOARD'S STATEMENT

The directors are pleased to report that Citib@se turnover increased for the year to 31st December 1997 to £1.5 million up from £244,000 in 1996. Profit before tax over the same period climbed to £116,000 from £16,000 recorded in 1996.

This has been achieved thanks to a number of factors: two major business centre acquisitions concluded at the end of 1996, the development and successful application of efficient operating and marketing systems and the unremitting hard work of our centre managers and their teams.

In late 1996, the company completed the acquisition of a leasehold business centre, Vigilant House, neat to Victoria Station in London. The performance of Citib@se Victoria for the year was strong and exceeded directors' expectations, given the usual teething problems after acquisition.

In December 1996, the company was instrumental in setting up One St Colme Street Ltd to acquire an existing serviced office building in Edinburgh, which was totally refurbished in 1990. Citib@se Edinburgh, which operate within a prime freehold, New Town building, has flourished since acquisition, achieving its second year's forecast within the first year. The company holds a management contract which is incentivised and has benefited accordingly.

In December 1997, the company acquired a 20,000 sq. ft. leasehold business centre at the Aztec Centre, Aztec West Business Park, Bristol. Early indications are encouraging and Citib@se Aztec West is expected to increase the company's turnover by £1m in 1998 and to enhance profitability further.

At Citib@se High Wycombe, the incentivised management contract continued to contribute to the profitability of the company.

Looking to the future, we believe that working practices within the UK will continue to evolve towards the type of flexible and cost-effective business accommodation and 'presence' solutions which we offer. Early on, in 1993, Citib@se realised the significance of the trends towards this way of working and we now find ourselves well placed to tap what we believe is a considerable reservoir of latent or unsatisfied demand.

The company plans to add to its national network of serviced office and business support centres but will only consider centre opportunities which fully meet its exacting criteria for quality and commercial potential. To this end, Citib@se is currently in discussion with owners of a number of existing business centres so as to grow the portfolio in 1998.

The board believes that its proven formula of marketing skills, operating systems and service philosophy can be applied to further centres to enhance client service, create fruitful business communities and to increase the overall level of return.

As importantly, our centre managers and their teams are empowered to address the individual needs of their clients and are themselves incentivised to perform. We believe that this has been another key ingredient in a highly successful year. We would like to thank all our staff for their efforts and support during 1997.

CITIB@SE LIMITED

Report of the Directors
for the Year Ended 31 December 1997

The directors present their report with the financial statements of the company for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of property management and providing serviced office accommodation.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

Citib@ase creates and manages business communities, at the centre of which is sophisticated telephony. Associated with this is fully serviced accommodation and a range of support services, including board rooms, mailing and electronic communication.

Its clients are both commercial organisations and individual businesspeople choosing to work principally within the business communities or from their own premises while making use of Citib@ase support.

The company's operations extend nationwide and are currently accessed through prime locations in the major commercial centres of London, Edinburgh and Bristol.

Citib@ase is developing the national business in two principal ways. It will take on the operation of business centres directly and/or assemble groups of investors with a view to providing management expertise to acquire and run these centres.

DIRECTORS

The directors during the year under review were:

D M Joseph
I H Read

The beneficial interests of the directors holding office on 31 December 1997 in the issued share capital of the company were as follows:

	31.12.97	1.1.97
Ordinary £1 shares		
D M Joseph	48	48
I H Read	48	48

CITIB@SE LIMITED

Report of the Directors
for the Year Ended 31 December 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those 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;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

AUDITORS

The auditors, Pridie Brewster, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


.....
- DIRECTOR I READ

Dated: *5th May 1998*
5 May 1998

CITIBOSE LIMITED

Report of the Auditors to the Shareholders of
CITIBOSE LIMITED

We have audited the financial statements on pages six to eleven which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and the accounting policies set out on page nine.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

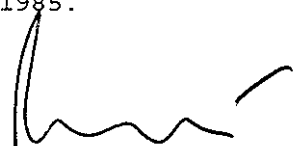
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Pridie Brewster
Registered Auditors
Chartered Accountants
Mount Manor House
16 The Mount
Guildford
Surrey GU2 5HS

Dated: 5 May 1998

CITIB@SE LIMITED

Profit and Loss Account
for the Year Ended 31 December 1997

		31.12.97	31.12.96
		-----	-----
	Notes	£	£
TURNOVER	2	1,519,600	243,895
GROSS PROFIT		-----	-----
		1,519,600	243,895
Administrative expenses		1,411,400	228,547
OPERATING PROFIT	3	-----	-----
		108,200	15,348
Interest receivable and similar income	4	7,365	680
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-----	-----
		115,565	16,028
Tax on profit on ordinary activities	5	17,477	7,664
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		-----	-----
		98,088	8,364
Retained profit brought forward		34,262	900
		-----	-----
		132,350	9,264
Negative goodwill written off		-	24,998
RETAINED PROFIT CARRIED FORWARD		-----	-----
		£132,350	£34,262
		-----	-----

The notes form part of these financial statements

CITIBOSE LIMITED

Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 1997

	31.12.97	31.12.96
	-----	-----
	£	£
PROFIT FOR THE FINANCIAL YEAR	98,088	8,364
Negative goodwill on acquisition	-	24,998
	-----	-----
TOTAL RECOGNISED GAINS AND LOSSES		
RELATING TO THE YEAR	£98,088	£33,362
	-----	-----

The notes form part of these financial statements

CITIB@SE LIMITED


Balance Sheet
31 December 1997

		31.12.97		31.12.96	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	6		1		-
Tangible assets	7		105,768		24,375
			<u>105,769</u>		<u>24,375</u>
CURRENT ASSETS:					
Debtors	8	325,234		227,135	
Cash at bank and in hand		312,505		125,727	
		<u>637,739</u>		<u>352,862</u>	
CREDITORS: Amounts falling due within one year	9	611,062		342,879	
		<u></u>		<u></u>	
NET CURRENT ASSETS:			26,677		9,983
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£132,446</u>		<u>£34,358</u>
CAPITAL AND RESERVES:					
Called up share capital	10		96		96
Profit and loss account			132,350		34,262
			<u>£132,446</u>		<u>£34,358</u>
Shareholders' funds.			<u></u>		<u></u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

ON BEHALF OF THE BOARD:


.....
I H Read - DIRECTOR


.....
D M Joseph - DIRECTOR

Approved by the Board on 5th May 1998
5 May 1998

CITIBOSE LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 1997

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

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 the previous year has been written off to reserves in the year after revaluing the fixtures, fittings and furniture to a fair value.

Tangible fixed assets

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

Plant and machinery etc - 15% on reducing balance

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2. TURNOVER

The turnover and profit before taxation are attributable to both the principle activities of the company. Turnover relating to property management is £109,340 and turnover relating to the provision of serviced office accommodation is £1,410,260.

3. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.97	31.12.96
	£	£
Depreciation - owned assets	5,593	625
Auditors' remuneration	3,500	3,500
	-----	-----
Directors' emoluments and other benefits etc	-	-
	--	--

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.97	31.12.96
	£	£
Deposit account interest	7,365	680
	-----	-----

CITIBOSE LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 1997

5. TAXATION

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

	31.12.97	31.12.96
	£	£
UK Corporation Tax	17,477	7,664
	-----	-----

UK Corporation Tax has been charged at 21% (1996 - 24%).

6. INTANGIBLE FIXED ASSETS

	Goodwill

	£
COST:	
Additions	1
	--
At 31 December 1997	1
	--
NET BOOK VALUE:	
At 31 December 1997	1
	--

7. TANGIBLE FIXED ASSETS

	Plant and machinery etc

	£
COST:	
At 1 January 1997	24,999
Additions	86,987

At 31 December 1997	111,986

DEPRECIATION:	
At 1 January 1997	625
Charge for year	5,593

At 31 December 1997	6,218

NET BOOK VALUE:	
At 31 December 1997	105,768

At 31 December 1996	24,375

CITIBOSE LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 1997

8. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	31.12.97	31.12.96
	£	£
Trade debtors	201,114	91,274
Other debtors	-	26,268
Prepayments	43,706	109,593
Accrued Income	52,385	-
Insurance claim	28,029	-
	-----	-----
	325,234	227,135
	-----	-----

9. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	31.12.97	31.12.96
	£	£
Bank loans and overdrafts	38,163	-
Trade creditors	40,029	-
Other creditors	10,169	19,215
Deposits	206,608	131,973
Taxation & social security	48,009	26,618
Deferred Income	109,700	81,007
Accrued expenses	158,384	84,066
	-----	-----
	611,062	342,879
	-----	-----

10. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	31.12.97	31.12.96
			£	£
1,000	Ordinary	£1	1,000	1,000
			-----	-----

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.97	31.12.96
			£	£
96	Ordinary	£1	96	96
			--	--

11. TRANSACTIONS WITH DIRECTORS

The management fees of £140,000 in the financial statements were paid to two businesses in which the directors D M Joseph and I H Read both have an interest.