



CITIBASE

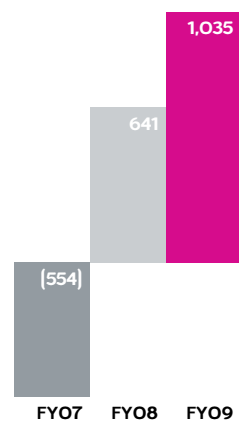
# Citibase

## Annual review 2009

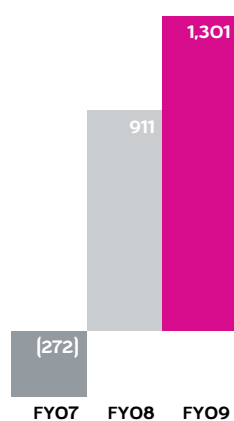
Ruth  
Citibase client  
Birmingham

# Financial highlights

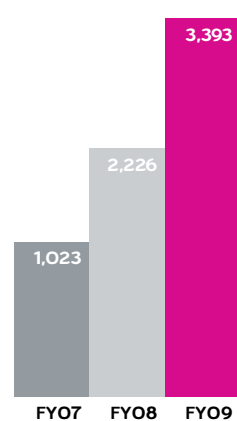
Profit before tax\* (£k)



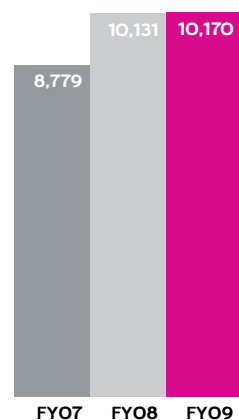
EBITDA (£k)



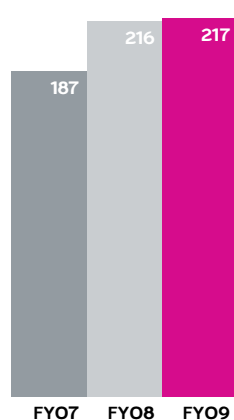
Cash at bank (£k)



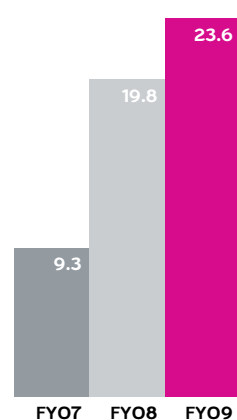
Turnover (£k)



Revenue per available workstation (£ per month)



Gross margin (%)



\*In FY 2009 exceptional items are excluded

# Chairman's statement

The board is pleased to report the best results in the 16-year history of Citibase PLC.

In the year to February 2009, the Company returned a profit before tax and exceptional items of £1,035,572, an increase of 61% on the prior period.

In late 2008, the board considered listing the Company on AIM. In light of the pricing available at that time, the board have decided to delay the listing.

Despite the delay, I am delighted to report however that the Company sailed through financial and legal due diligence, reflecting the professional standards and rigorous operating systems that we have taken care to ensure are in place. It is particularly pleasing that the Company has exceeded all the financial metrics forecast in analyst reports published at the time.

Inevitably, the market for serviced offices reflects the state of the wider economy, which presents challenges to our customers, but also presents long term opportunities.

The Board have agreed that Citibase should continue to execute the strategy described in our Pathfinder Admission document (please see 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 harness economies of scale and our proven operational abilities in order to drive increased profitability as the economic cycle returns.

The original target was to double the number of centres from 14 to 28 within the current year. In the first quarter, we added 8 centres to the network, which included sites from our long-term partners, Close Brothers and Warner Estate Holdings PLC. In addition, we are in the final stages of acquiring 5 more centres and adding extra capacity to our existing centres in London and Birmingham.

We have a very strong pipeline of potential acquisitions and we will continue to add to the network during the rest of the year. We therefore expect to exceed our original annual growth target, which is testament to the strength of Citibase and the scope of the opportunities arising from the recession.

The record results and rapid expansion, delivered against a recessionary background, are a reflection of the positive attitude and skill of the Citibase team. I would like to thank all employees, partners and customers for their continued support.

**Ian Read, Chairman**

## Review of business

### Overview and approach

The record results announced in the Chairman's Statement, reflect the step-change in the operating rhythm of Citibase.

This efficient operating rhythm is central to the success of the business and with our target market of cost-conscious SME's demanding flexibility, quality and low prices, we strive to place a premium on ensuring that each and every day, the whole Company is focused on providing our clients with the products and services they demand.

I am delighted to report that due to this culture of operating efficiency, our Gross Margin has increased by 19% to £2,418,521, a margin of 23%. This performance is particularly pleasing when considered alongside the fact that this margin was achieved in the face of a severe recession, which has put pricing under significant pressure.

That we have been able to report this margin, is testament to our constant focus on driving down the cost of delivering product to market. Our Cost Per Available Workstation Per Month (CostPaw) in the year ending February 2009 was £195.35, which reflects a reduction in real terms of 7.3%, excluding exceptional items and this low cost base allows Citibase to enjoy a relatively low Revenue per Available Workstation per month (RevPaw) of £217.08, whilst still delivering an excellent best in class gross margin.

In the current environment, the timely collection of cash is essential. During the year, we launched a cash collection initiative, which has resulted in over 700 customers transferring to Direct Debit.

### Branding and product development

The flexibility demanded by our customers is reflected in our 'Freedom at Work' branding. This year saw the launch of our web-site [www.freedomatwork.com](http://www.freedomatwork.com), which has been very well received by customers, prospects and employees. Indeed, our ratio from first taking an enquiry to then arranging for a viewing of one of our centres has increased to over 30% as prospects have responded to the new branding.

The Citibase team know that our default position is 'Yes!' and our branding and operating procedures reflect this. We have introduced flexibility across all our products. Perhaps the best received has been the re-packaging of our menu of office services, in which customers can buy from an À la carte or Set menu. (We charge corkage for special requests.) This ensures that our offering remains tailored to the needs of the SME so that customers only purchase those services they need and can afford.

### People

Despite the competitive pressures caused by the recession, the percentage of clients renewing at the end of their contract has increased slightly to 70% and this is a great credit to the quality of service delivered by the Citibase team.

During the year, we have made a number of organisational changes in order to improve our operating rhythm and structure. In every case, we have backed talent, regardless of age or background. We have supported our young leaders with training and coaching designed to add new skills to their raw talent and the energy, pace and humour of the team is infectious, both appealing to customers and as the basis for our record results. I would like to thank everyone at Citibase for their drive, hard work and loyalty over the past year.

**Steve Jude**, Chief Executive

## Profit and loss account

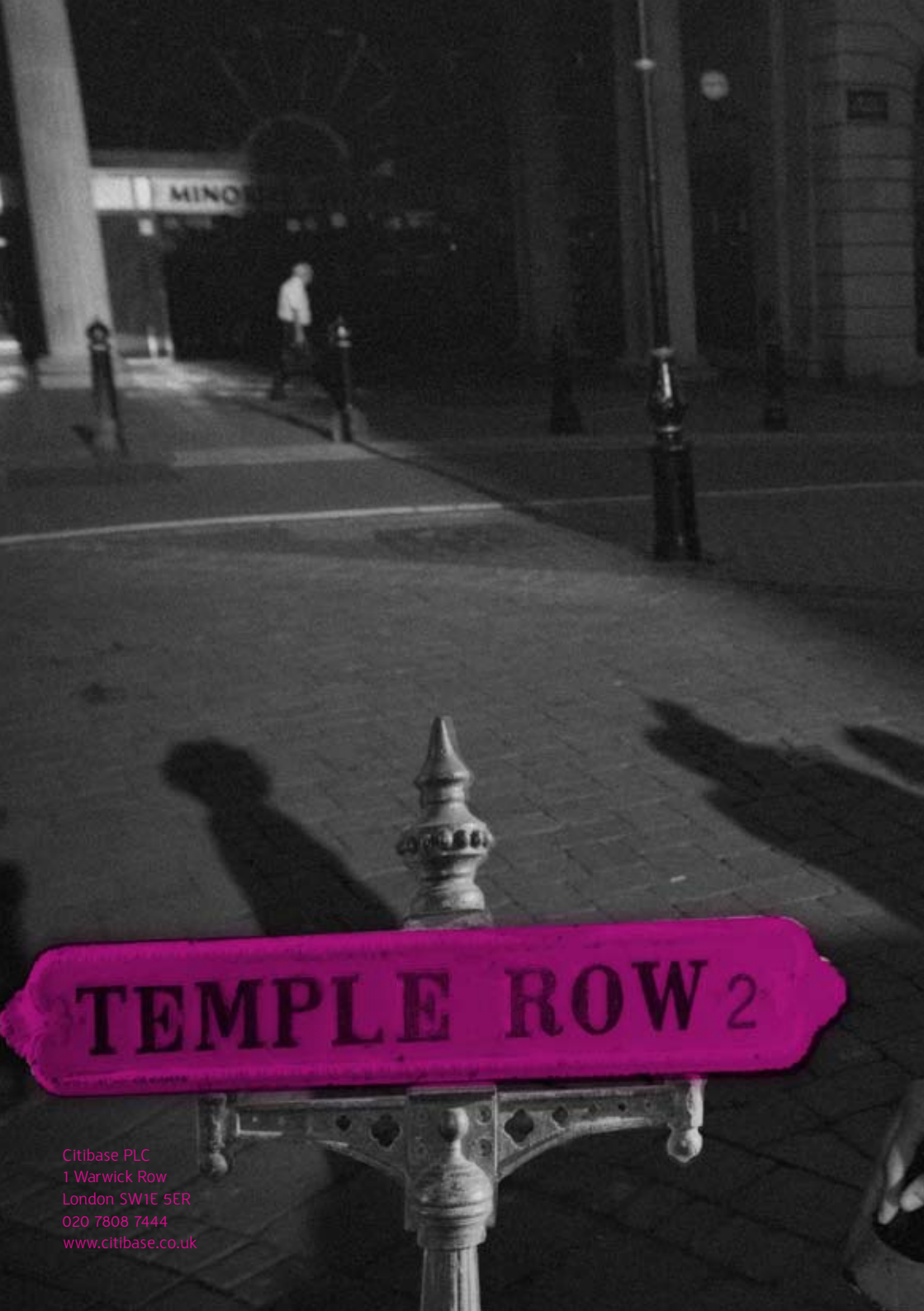
	2009 £	2008 £
<i>For the year ended 28 February 2009</i>		
<b>Turnover</b>	10,170,065	10,131,864
Other income	85,494	65,072
	<b>10,255,559</b>	<b>10,196,936</b>
<b>Expenditure</b>		
Property	4,249,630	4,360,727
People	1,721,400	1,933,080
Utilities	427,104	321,850
Telecoms	726,341	866,426
Depreciation	326,105	303,576
Marketing	262,880	274,750
Other	123,578	113,684
	<b>7,837,038</b>	<b>8,174,093</b>
<b>Centre contribution</b>	<b>2,418,521</b>	<b>2,022,843</b>
Central administrative costs	1,356,931	1,354,354
	<b>1,061,590</b>	<b>668,489</b>
Finance costs	26,018	27,125
	<b>1,035,572</b>	<b>641,364</b>
Exceptional items	274,846	–
	<b>760,726</b>	<b>641,364</b>

## Balance sheet

	2009 £	2008 £
<i>For the year ended 28 February 2009</i>		
<b>Fixed assets</b>		
Tangible assets	1,776,321	1,845,185
<b>Current assets</b>		
Debtors	835,227	792,955
Cash at bank and in hand	3,393,371	2,226,758
	<b>4,228,598</b>	<b>3,019,713</b>
<b>Creditors</b>		
Amounts falling due within one year	(4,755,296)	(4,049,455)
<b>Net current liabilities</b>	<b>(526,698)</b>	<b>(1,029,742)</b>
<b>Total assets less current liabilities</b>	<b>1,249,623</b>	<b>815,443</b>
<b>Creditors</b>		
Amounts falling due after more than one year	–	(24,696)
Provisions for liabilities	(150,263)	(104,112)
<b>Net assets</b>	<b>1,099,360</b>	<b>686,635</b>
<b>Capital and reserves</b>		
Called up share capital	58,834	58,834
Share premium	241,176	241,176
Profit and loss account	799,350	386,625
<b>Shareholders' funds</b>	<b>1,099,360</b>	<b>686,635</b>

## Company information

<b>Directors:</b>	I H Read D M Joseph FRICS P C T Warner S P Jude
<b>Secretary:</b>	I H Read
<b>Registered office:</b>	Mount Manor House 16 The Mount Guildford Surrey GU2 4HS
<b>Registered number:</b>	02767719 (England and Wales)
<b>Auditors:</b>	Wilkins Kennedy Chartered Accountants and Registered Auditor Gladstone House 77 – 79 High Street Egham Surrey TW20 9HY
<b>Bank:</b>	The Royal Bank of Scotland Mayfair Commercial Office PO Box 2354 65 Piccadilly London W1A 2PP
<b>Solicitors:</b>	Radcliffes Le Brasseur 5 Great College Street London SW1P 3SJ
<b>Financial PR:</b>	Peckwater Public Relations Ltd 1 Warwick Row London SW1E 5ER
<b>Nominated Adviser and Broker:</b>	FinnCap 4 Coleman Street London EC2R 5TA



MINOR

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