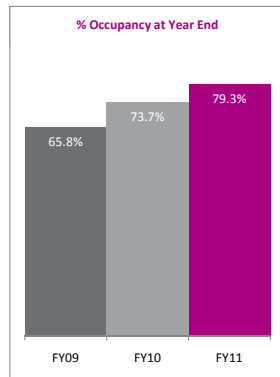
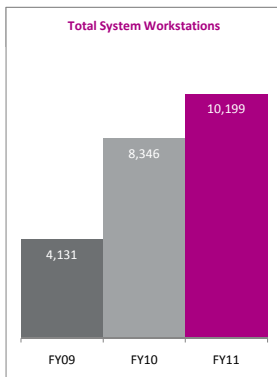
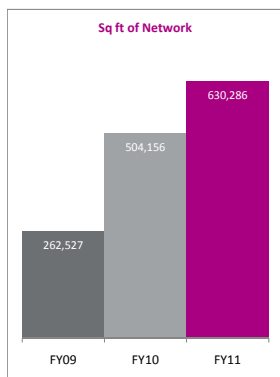
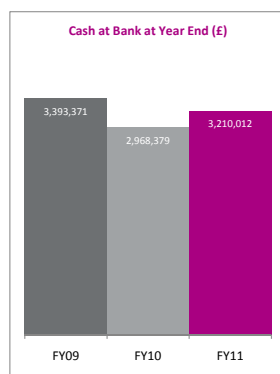
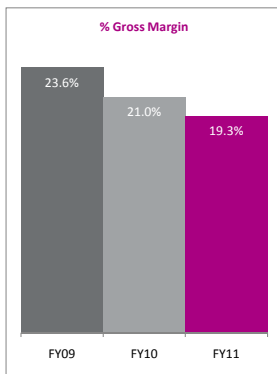
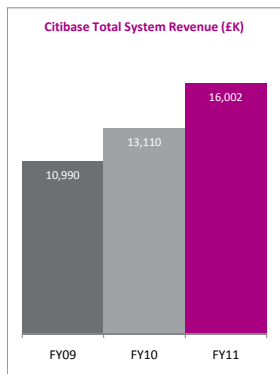


A black and white close-up portrait of a young woman with blonde hair, smiling broadly and looking slightly to the right. The background is dark and out of focus.

CITIBASE

Citibase
Annual review 2011

Financial highlights



Chairman's statement

The Board is pleased to report that Citibase has consolidated its position as the market leader in the cost-conscious segment of the business centre industry.

During FY 2010/11, Citibase took over a further 7 centres in Bath, Fareham, Nottingham (3), Sheffield and Woolwich and opened a new centre in Bristol. Also, an extra 10,500 sq ft was added to our existing centre in Cambridge when we renewed our expiring lease.

This takes the total number of centres to 33 and the total number of available workstations to over 10,000 for the first time.

This continued growth now means that Citibase either leases or manages over 630,000sqft of secondary offices across the country.

It is particularly pleasing to note that many of the new centres are operated in partnership with some of the biggest brands in Banking, Fund Management, Fixed Charge Receivership and Property Development. What links these companies is that they have recognised the unique ability of Citibase to generate cash from under-performing secondary offices.

It is the view of the Board that the traditional leasing market for secondary office stock remains weak, partly due to the lack of flexibility offered to many cost-conscious SMEs. As the economy remains fragile, companies are increasingly nervous about signing onerous and costly leases. This has increased vacancy rates to high levels, particularly in secondary stock.

In such a challenging environment, companies such as allsop, Alpha Real, Anglo-Irish, DTZ and Max Office GP have recognised that Citibase can deliver cash, defray holding costs and provide a service to building owners and their customers. I would like to thank all of our partners for placing their trust in Citibase and for their continued support.

In 2010, virtually all growth in UK employment has

come from SMEs. As the 'Travelodge of Business Centres', Citibase is well placed to attract customers from this growing sector. It is our experience that many SMEs do not want expensive, highly-specified buildings. However, they do demand honest, well-located, cost-effective business centres from which to grow their own enterprise.

Our 'Freedom at Work' attitude, combined with a resolutely cost-conscious positioning has made Citibase very attractive to the SME sector. This is demonstrated by a continued growth in occupancy from 73.7% in February 2010 to 79.3% in February 2011.

The dramatic reduction in demand in the traditional leasing market has also had a detrimental effect on the high priced, serviced office companies. Since the start of the financial crisis, the absence of larger corporate requirements has led to significant consolidation in this segment. Although the high-price/high cost strategy is perfectly valid, it does encourage significant cyclical swings in profitability driven by the effect of price.

The Board is convinced that our low-cost/high service positioning remains the best long-term strategy for Citibase, as evidenced by yet another year of profitability.

The Board believes that the UK economy will remain tough for a number of years. Citibase is not immune to the stresses of the market and trading remains challenging. However, the unique convergence of weak secondary office lettings, the growth of employment in SMEs and the clear positioning of Citibase in the market creates the ideal environment in which to accelerate the growth strategy adopted in 2007. We have an increasing number of potential partners who are asking us to help them generate cash from under-performing buildings. Our plan to grow through the recession remains on course.



Ian Read, Chairman

Review of business

During FY2010/11, the Citibase team continued to meet our operational imperative of running up the down escalator. In the most hostile market for over 20 years, the Citibase team was able to expand the network, increase revenue, delight our customers and deliver a profit.

The expansion of the network is being fuelled by an increase in enquiries from the growing SME sector of the economy. Current demand is encouraging as, between January and June 2011, we have received an increase in year on year enquiries of 26.5%.

The number of new sales made in FY2010/11 continued to be strong, resulting in a full-year growth in total system revenue of 22.1%. Again, leading indicators are encouraging, with a 27.6% increase in new deals sold during the first 6 months of 2011.

Since the beginning of the financial crisis, the market has been very price competitive. This has been driven by the decline in the number of larger requirements from corporates and the willingness of the high-price/high-cost operators to drop their prices significantly in order to maintain occupancy. The effect of this pricing policy has been to reduce the REVPAW [Revenue Per Available Workstation] of the high-price/high-cost operators. As the largest low-cost/high-service provider, our REVPAW has also come under pressure. However, although the competitive landscape remains harsh, we are delighted to report a mature centre year on year increase in REVPAW of 6.3%.

The early signs of pricing increases are also reflected in the renewal rates of existing customers. At the start of the financial crisis, Citibase experienced a steady decline in the price and term of customers at renewal. Now that we are 3 years in to a tougher economic environment, many of our existing customers are deciding to expand the size of their business within the Citibase centres. The continued lack of flexibility in the conventional letting market means that expanding into a lease is still too risky for many small businesses.

This trend has changed our renewal performance from one of break-even at best to one which has

produced an annualised uplift of £34,498 based on the value of renewals between January and June 2011.

These results are particularly pleasing as they suggest that our low-cost/high-service proposition is valued by our customers. This service is delivered by the Citibase team and we would like to thank all of them for their commitment to excellence. We know that our customers have a choice, and it is heartening to see that an increasing numbers are choosing Citibase.

As always, the Citibase team has focussed on improving our operating rhythm all day, every day. Due to the hard work and dedication of the team, productivity per FTE has increased again by 11%. Despite pressure on property costs and utilities, our relentless focus on cost saw cost per available workstation (COSTPAW) squeezed down by 10.7%.

It is the continuous search for improvements to our operating rhythm and the commitment of our team which has enabled Citibase to maintain our best in class mature gross margin at 19.3%.

This healthy mature gross margin creates a strong financial platform from which to grow. The company has significant net cash reserves and has been able to grow without access to external funding. It is particularly pleasing that our year end cash at bank has increased by 8.1% to £3.2m.

The strong operating metrics described above are not the result of alchemy or good fortune. They are derived from the constant efforts of a smart, hard-working, service friendly team, who are encouraged to innovate on a daily basis. This positive culture improves our offer to clients in small ways, every day and these clients are choosing Citibase in increasing numbers. At Citibase we work really hard on behalf of our customers.... but we have great fun doing it!



Steve Jude, Chief Executive

Profit and loss account

	2011	2010
	£	£
<i>For the year ended 28 February</i>		
Total System Revenue	16,002,032	13,110,000
Turnover	9,669,052	8,939,917
Other Income	13,192	15,181
	9,682,244	8,955,098
Expenditure		
Property	4,898,117	3,941,105
People	1,488,097	1,470,431
Utilities	475,736	484,025
Telecoms	636,429	647,341
Depeciation & Amortisation	376,661	354,794
Marketing	166,282	179,217
Other	105,108	97,355
	8,146,430	7,174,268
Centre Contribution	1,535,814	1,780,830
Mature Centre Contribution Margin*	19.3%	21.0%
Central administrative costs	1,209,621	1,367,230
Operating Profit (pre exceptionals & other costs)	326,193	413,600
Exceptionals items	0	0
Strategic Development Costs	275,898	252,283
Goodwill Impairment	0	116,766
Finance costs	25,972	20,089
Pre Tax Profit	24,323	24,462

Balance sheet

As at 28 February	2011 £	2010 £
Fixed Assets		
Tangible Assets	2,041,544	1,961,757
Intangible Assets	107,462	87,992
Total Fixed Assets	2,149,006	2,049,749
Current Assets		
Debtors	794,411	918,444
Cash at Bank and in Hand	3,210,012	2,968,379
Total Current Assets	4,004,423	3,886,823
Creditors		
Amounts falling due within one year	(4,881,354)	(4,694,184)
Net Current Liabilities	(876,931)	(807,361)
Total Assets less Current Liabilities	1,272,075	1,242,388
Creditors		
Amounts falling due within one year	(28,796)	(0)
Provisions for liabilities	(133,309)	(166,625)
Net Assets	1,109,970	1,075,763
Capital and Reserves		
Called Up Share Capital	58,839	58,834
Share Premium	241,176	241,176
Profit and Loss Account	809,955	775,753
Shareholders' Funds	1,109,970	1,075,763

Notes

Note* - in accordance with industry practice the mature centre margin excludes centres acquired/ disposed in the 18 months pre year end. [Source: Citibase PLC Statutory Accounts]

Company information

Directors:	I H Read D M Joseph P C T Warner S P Jude JP Addis
Secretary:	I H Read
Registered office:	Mount Manor House 16 The Mount Guildford Surrey GU2 4HS
Registered number:	02767719 (England and Wales)
Auditors:	Wilkins Kennedy Chartered Accountants and Registered Auditor Gladstone House 77 – 79 High Street Egham Surrey TW20 9HY
Bank:	The Royal Bank of Scotland Mayfair Commercial Office PO Box 2354 65 Piccadilly London W1A2PP
Solicitors:	Radcliffes Le Brasseur 5 Great College Street London SW1P 3SJ
Financial PR:	Peckwater Public Relations Ltd 1 Warwick Row London SW1E 5ER
Prospective Nominated Adviser and Broker:	FinnCap Ltd. 60 New Broad Street London EC2M 1JJ
Marketing:	Spada Limited Lion House 72-75 Red Lion Street London WC1R 4NA



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