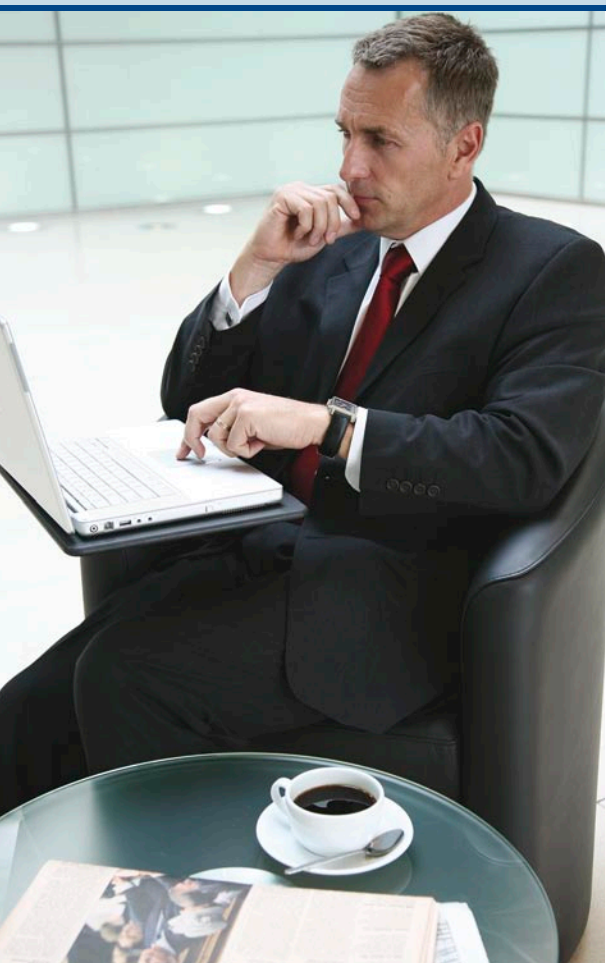
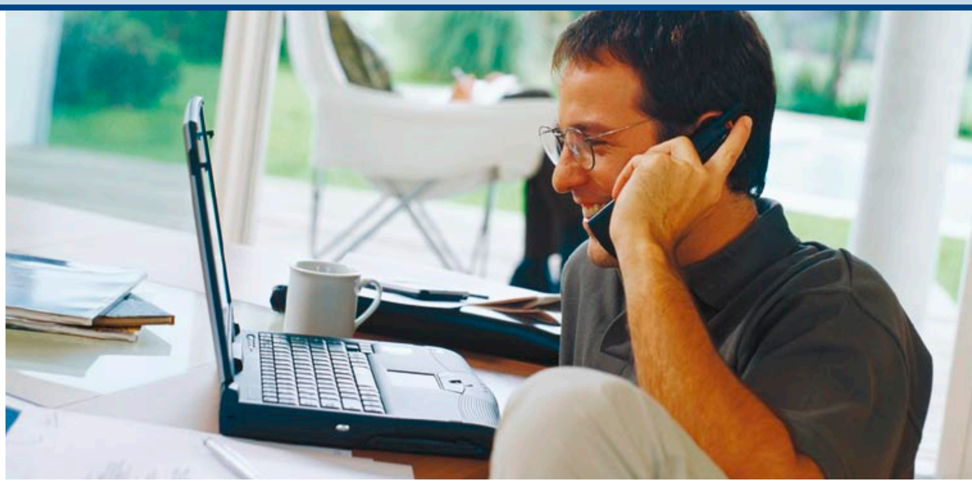
Work without boundaries





Allowing business to work at home, in the office or on the road

Regus Group plc Annual Report 2006

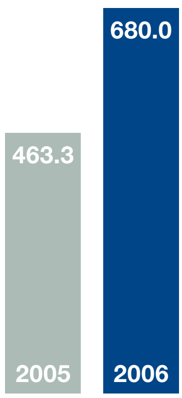
Opening the door to a complete range of outsourced workplace solutions (LIFT FLAP)

Our mission is to develop, deliver and support outsourced workplace solutions that allow individuals and companies to work however, wherever and whenever they need to.

This has been another outstanding 12 months.

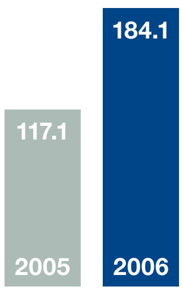
We have delivered strong, disciplined growth and improved performance in all of our key business metrics including revenues, profit and earnings per share.

REVENUE (£m)



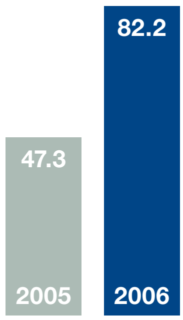
↑46.8%

GROSS PROFIT (£m)



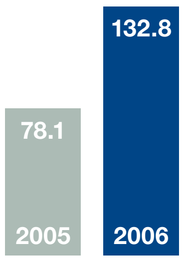
↑57.2%

OPERATING PROFIT (£m)



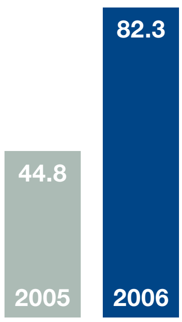
↑73.8%

CASH FROM OPERATIONS (£m)



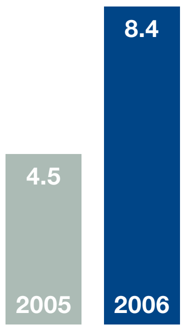
↑70.0%

PROFIT AFTER TAX (£m)



↑83.7%

BASIC EARNINGS PER SHARE (p)



↑86.7%

CONTENTS

Work wherever, whenever and however.

Regus is well placed to help our clients work wherever, whenever and however they choose to. From more flexible ways to have and run an office to supporting the emerging trend of home and mobile working Regus has a full range of workplace solutions and support services.

OUR
CLIENTS

WORKING AT
HOME

PRODUCTS INCLUDE:

Virtual offices
Virtual PA
Part time offices
Meeting rooms
Video-conferencing

WORKING IN THE
OFFICE

PRODUCTS INCLUDE:

Full time offices
Corporate outsourcing
Training rooms
Meeting rooms
Video-conferencing

WORKING ON THE
ROAD

PRODUCTS INCLUDE:

Business lounges
Day offices
Airport locations
Meeting rooms
Video-conferencing

The world's largest provider of outsourced workplace solutions.

16,000,000+	sqft of space under lease
200,000+	customers use us each day
120,108	workstations globally
4,298	Regus team members driving our success
3,700	meeting rooms worldwide
790	centres in 64 countries
572	video-conference suites worldwide
218	business centres added during 2006
84%	year-end occupancy
28	acquisitions during the year
1	global provider of outsourced workplace solutions

Chairman's statement

John Matthews

This year's results are a testament to Regus' strong business model.

Operating profit has increased by 73.8% while at the same time we have grown the scale of our business measured in workstations by 45.4% year on year. This profitable growth and our strong cash conversion has enabled the Group to fund its expansion plans with minimal external funding. Net cash was £23.4 million at 31 December 2006 (2005: £36.0 million).

In an industry where size and scale are critical in order to provide customers with the greatest range of product, service and price offerings and achieve operating efficiencies, our network at 31 December 2006 consisted of 790 centres in 64 countries, operating under the respected Regus and HQ brands.

Financial performance

Group revenue has increased by 46.8% to £680.0 million and gross profit by 57.1% to £184.1 million. Excluding the impact of new centre growth the like for like improvement was 9.0% and 29.1% respectively. This overall result was driven by average occupancy increasing to 81.8% from 78.0% in 2005 and REVPAW increasing 7.6% from £5,890 to £6,340. Earnings (profit after tax) grew by 83.7% to £82.3 million and basic earnings per share (EPS) increased by 3.9p to 8.4p.

On 13 March 2006, we signed a new £100 million five-year revolving credit and letter of credit facility and in April added £50 million of term debt. The latter was used to finance the acquisition of the UK business. The new facilities have been negotiated on significantly more favourable terms, reflecting the strong financial progress the business has made over the last two years.

Our strategy remains one of controlled and disciplined growth with the aim to be number one in all the markets in which we operate.

Sustaining growth

We continue to implement our controlled and disciplined expansion strategy. To supplement our strong organic growth, during the financial year we acquired 28 businesses for a net consideration of £88.5 million. These businesses have all been successfully integrated into the Regus network.

In the year to 31 December 2006 our workstation capacity increased in line with our expansion plans by 45.4% to 120,108 workstations (December 2005: 82,586 workstations) with the acquisition of Regus UK accounting for around 25,000 workstations.

Dividend

Given the robust performance and positive outlook we are pleased to announce that Regus will be paying a dividend. Subject to the approval of shareholders at the 2007 Annual General Meeting (AGM), the final dividend of 0.6p will be paid on 1 June 2007 to shareholders on the register at the close of business on 27 April 2007.

The Group continues to monitor its capital structure and retains flexibility to repurchase its shares in the market place should surplus cash resources be available.

Corporate Responsibility

The Board believes that the integration of Corporate Responsibility throughout the business and the incorporation of broader social and environmental issues into day to day decision making will benefit all our key stakeholders and better enable us to achieve our target levels of performance. This year we will set up a formal Corporate Responsibility Committee to oversee CR strategy. The Committee's aim is to ensure that we take a sustainable approach to business – to do the right thing for our shareholders, our customers, our suppliers, the community and the world around us.

We will be commissioning a series of initiatives to reduce energy consumption. Through our virtual office and video conferencing services we will continue to promote teleworking and therefore support a longer term approach to tackling the impact of climate change on the environment.

Our stakeholders

We rely on the goodwill and commitment of our landlords, suppliers, customers and investors as we continue to maintain our record of double digit sales growth since 2003. The commitment, loyalty and efforts of our team members have played a key role in our success. Our people are integral to differentiating Regus from our competitors and maintaining the Company's position as the international leader in outsourced workplace solutions.

Outlook

Our strategy remains one of controlled and disciplined growth with the aim to be number one in all the markets in which we operate. This well proven strategy has resulted in our third year of consistent growth, both organically and through acquisitions, and we expect this to continue.

We will continue to open centres wherever our research indicates there is a profitable opportunity to increase our geographic footprint and better serve our customers. In addition, we will continue to acquire complementary businesses, which meet our strict investment criteria, enabling us to move into new markets and develop a wider customer base.

John Matthews
Chairman
19 March 2007

Chief Executive's review
Mark Dixon

This has been another outstanding 12 months for the Group with record results for the third year in succession. We have delivered strong, disciplined growth and improved performance in all of our key business metrics including revenues, profit and earnings per share. Our performance in 2006 demonstrates the benefits of our longer term approach to the development of the business. We continue to improve financial performance through growing our network of business centres and developing new products and services to meet the evolving needs of our clients.

Strategy and objectives
Our strategy and objectives are simple – to use our skills and resources to generate profitable growth and cash.

We achieve these objectives through the following activities:

Expanding our network
Our growth in 2006 has been exceptional. During the last financial year we opened 218 centres (inclusive of 91 centres in the UK) which added a further 37,522 workstations to our capacity. Our expansion programme will continue in 2007 with openings planned across all four regions.

In addition we will continue to add complementary businesses, which meet our strict investment criteria. Several of these acquisitions have allowed us to move into new markets such as airport locations and corporate outsourcing and develop a wider customer base (Government and support agencies) as well as facilitating a broader service for our existing clients.

Innovative products and services
One of our core skills is our ability to anticipate the changing demands of our customers. We therefore focus our research on developing new products and services which meet the future needs of our customers.

Some examples of recent developments include:

> Network Access – our membership programme, which provides members with immediate, unlimited access to our global network of business centres.

> Managed Office Solutions – a fully outsourced office solution for larger clients where we manage the day to day running of the office.

> Regus Express – a retail/business centre which caters for the needs of the mobile worker. Currently located at airport locations within the USA, our intention is to implement this concept in other airports and travel hubs in major cities across the world.

Investment in systems and technology
The growth of the business in 2006 has emphasised the need for Regus to have best in class systems to support its unique market position. These systems will not only be used for the benefit of our internal needs but as a platform to bring a broader range of services to our client.

A flexible, secure and scaleable IT infrastructure is critical to our clients needs. Bandwidth on demand, guaranteed quality of service, increased security and higher service level performance are some of the benefits that we are now able to offer to our clients.

The scale of our operations are being brought to bear in the sourcing and management of our IT services, bringing benefits to our customers while providing further differentiation from our competitors.

As an example of this, we are partnering with some of the leading names in IT and telecoms to enable us to develop next generation Converged Network Solutions (CNS). The centralised nature of CNS provides Regus with economies of scale, lower cost of ownership, speed to market and a wider range of services that enable greater revenue opportunities and provides our customers with better control of their cost bases.

Additionally, Regus operates the world's largest video-conferencing network in terms of geographical reach. The need for our customers to maximise their productivity and the increasing environmental concerns around business travel have driven continued growth of this valuable service. Consequently we intend to make further investments in this area to maximise its growing importance to our clients.

Future industry trends

We believe we are well placed to take advantage of the favourable trends in our industry and these will contribute to the continued development of Group. These include:

> **Fragmented market**
> Regus has the only global serviced office network, with no other players having more than 75 centres. Our geographic footprint spans 790 centres across 64 countries and we will continue to seek opportunities to grow our network and acquire complementary businesses, enabling us to move into new markets and develop a wider customer base.

> **Growth in home and mobile working**
> The development of a mobile workforce has gathered pace and employers and employees are increasingly adopting flexible working practices. Our meeting room, video-conferencing and virtual office products offer solutions to these workers and through our Regus Express outlets, we are bringing these solutions even closer to our client base.

> **Continued adoption of outsourcing**
> Companies large and small are realising the benefits of outsourcing their office management in order to concentrate on their core business. Regus helps customers to minimise the complexity of property management through providing clients with a single property and service provider. Outsourcing can help our customers reduce their cost base and provide them with flexibility to respond to their changing business needs.

Operational excellence

Our commitment to operational excellence is one of our key differentiators. Our business centre staff adopt globally defined standards of business processes and procedures. A rolling programme of quality audits are conducted at least annually in each centre and a scoring system helps ensure that centre teams focus on achieving the highest standard of operational excellence across our network. In this way we can ensure clients experience a high quality and consistent level of service irrespective of location.

In addition to developing systems, our back office teams support our client facing staff with the efficient administration of the business. Our finance, human resource, billing and procurement teams operate on a regional basis allowing us to realise consistency of delivery and scale efficiencies.

Developing our brand

Our brands and business concept are recognised and respected globally. A consistent high quality product delivery is available in all of the world's most in demand cities providing business executives the Regus experience on a global basis.

In 2006, we invested in TV and radio advertising in the UK and USA – specifically targeted at building awareness of the Regus brand. Our development of Regus Express and Network Access Card has allowed us to further promote our brand.

In addition to our flagship Regus brand we also operate under our HQ brand primarily in the USA. We continue to monitor options and opportunities for developing our products under various trademarks as part of the Regus Group network.

Developing our team members

The skills, enthusiasm and commitment of our people are key to Regus' success. We recognise the need to recruit high quality individuals and to develop the potential of our staff in order to provide a positive customer experience to our clients.

Our internal training programmes include regular operational updates, online training modules and classroom based training at our Global School of Excellence in Dallas, USA. During 2006 we trained 238 General and Operational Managers in Dallas, various locations across the UK and Mexico City. In addition 254 team members completed a three week induction course. Our staff have taken over 10,000 online training modules equivalent to nearly 3,000 hours of training.

The future

The Group maintained strong growth in 2006, driven by all three parts of our strategy. Our core business centre operations delivered a solid performance, mobile and home working continues to grow at rates in excess of 20% and our corporate outsourcing business is poised for significant growth in the medium to long term. Looking ahead, we will focus on driving margin improvement in our mature business and continue to invest in new markets and products to drive the long term growth of the business.

As such I am confident that the Group will continue to deliver attractive rates of growth and cash generation in the year ahead.

Mark Dixon
Chief Executive Officer
19 March 2007

Regional review

Americas

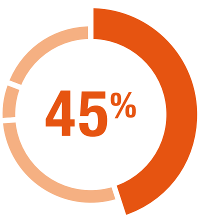
429 CENTRES
52,611 WORKSTATIONS [a]
13 COUNTRIES

REVENUE

£305.9m

(2005: £261.6m)

CONTRIBUTION TO GROUP

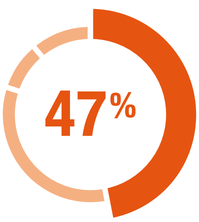


GROSS PROFIT [b]

£86.5m

(2005: £61.5m)

CONTRIBUTION TO GROUP



OCCUPANCY

86%

(2005: 81%)

MARGIN

28%

(2005: 24%)

(a) Average number of workstations.
(b) Centre contribution.

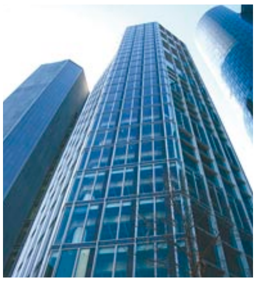
Our business in the Americas comprises Canada, USA and South America. The region has 429 centres across 13 countries. Our main business in the USA operates 353 centres. During the year we added 67 centres which increased the average number of workstations from 47,311 in 2005 to 52,611 in 2006. Acquisitions accounted for 58 of these new centres, with the balance coming from the opening of nine fully owned centres. The region delivered revenues of £305.9 million – up 16.9% on 2005 and achieved an average occupancy of 86% through the year (2005: 81%).

Looking ahead into 2007 we will continue our aim to maximise yield in our existing centres and look to grow our portfolio in key cities where we have minimal representation. The adoption of flexible working and environmental pressures have further increased the demand for our product. We also intend to expand our Regus Express concept (a retail/business centre which caters for the needs of the mobile worker) across other airports in the USA. This expansion will enable us to gain brand awareness and promote and sell our core business.

Top left: Wilmington – Downtown
Top right: Sao Paulo – E Tower

EMEA

188 CENTRES
27,139 WORKSTATIONS [a]
38 COUNTRIES



Our business in EMEA encompasses 188 centres across 38 countries. During the year we opened 15 new centres, which increased the average number of workstations from 25,871 in 2005 to 27,139 in 2006. Acquisitions accounted for two of these new centres, with the balance of 13 coming from organic growth – eight fully owned centres, three joint ventures, one managed centre and one franchise operation. We opened centres in new markets such as Lebanon, Abu Dhabi, Bahrain, Nigeria, Kenya and Algeria. The region delivered revenues of £195.9 million – up 18.4% on 2005 and achieved an average occupancy of 79% through the year (2005: 73%).

Looking ahead into 2007 we will continue to improve occupancy and margin in our existing centres and expand our network into new markets.

REVENUE

£195.9m

(2005: £165.5m)

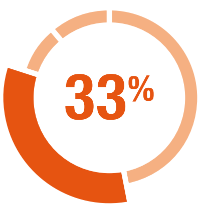
CONTRIBUTION TO GROUP

GROSS PROFIT [b]

£60.0m

(2005: £43.2m)

CONTRIBUTION TO GROUP



OCCUPANCY

79%

(2005: 73%)

MARGIN

31%

(2005: 26%)

(a) Average number of workstations.
(b) Centre contribution.

Top left: Nairobi – Purshottam Square
Top right: Frankfurt – Garden Towers

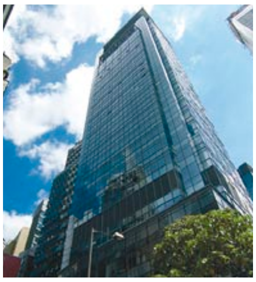
Regional review
continued

Asia Pacific

67 CENTRES
9,009 WORKSTATIONS[a]
12 COUNTRIES

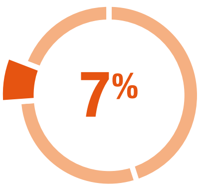
Our business in Asia operates in 67 centres across 12 countries. During the year we opened 30 new centres, which almost doubled the number of workstations from 5,475 in 2005 to 9,009 in 2006. Acquisitions accounted for 14 of these new centres, with the balance of 16 coming from the opening of 15 fully owned centres and one managed centre. The region delivered revenues of £50.9 million – up 51.5% on 2005 and achieved an average occupancy of 72% through the year (2005: 75%). This decrease in occupancy was due to the impact of new centres, which can take six to 12 months to achieve occupancy rates on par with mature centres.

Looking ahead into 2007 we will continue to consolidate our position as the largest provider of serviced offices across all Asia Pacific markets. To achieve this objective we plan to continue our aggressive growth plan while continuing to improve the efficiency of our current portfolio of centres. To facilitate this increase in demand and capitalise on scale efficiencies we will be adding a new customer service centre in the Philippines to handle all incoming enquiries.



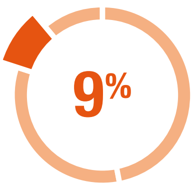
REVENUE
£50.9m
(2005: £33.6m)

CONTRIBUTION TO GROUP



GROSS PROFIT[b]
£16.0m
(2005: £9.8m)

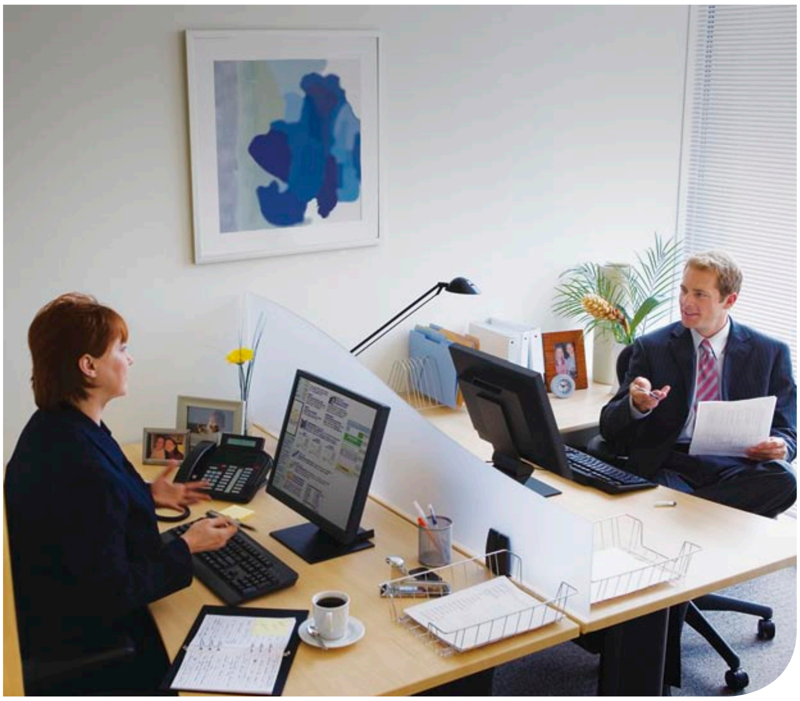
CONTRIBUTION TO GROUP



OCCUPANCY
72%
(2005: 75%)

MARGIN
31%
(2005: 29%)

(a) Average number of workstations.
(b) Centre contribution.



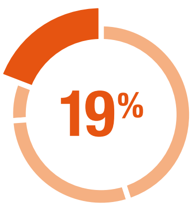
Top left: Hong Kong – Queens Road
Top right: Shanghai – Silver Centre

United Kingdom

106 CENTRES
26,389 WORKSTATIONS [(a)]
1 COUNTRY

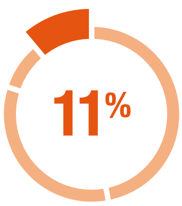
REVENUE
£126.6m
(2005: –)

CONTRIBUTION TO GROUP



GROSS PROFIT [(b)]
£20.9m
(2005: –)

CONTRIBUTION TO GROUP



OCCUPANCY
77%
(2005: –)

MARGIN
17%
(2005: –)

(a) At 31 December 2006.
(b) Centre contribution.

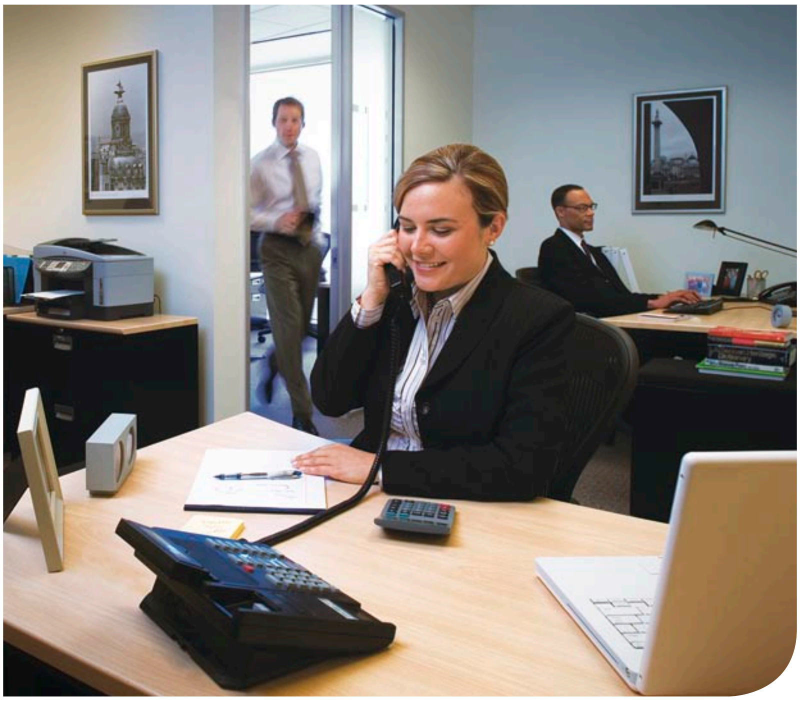
On 19 April 2006, we acquired the remaining 58% interest in Regus UK for a gross consideration (including fees) of £89.4 million (£60.9 million net of cash acquired of £28.5 million). At the date of acquisition our UK business operated 91 centres. During the year, we subsequently acquired the Gainsborough and Longford business centres and Managed Office Solutions – a company specialising in property outsourcing.

At the year end our UK business operated 106 centres of which just under half are in the Greater London area. At 31 December 2006, UK capacity stood at 26,389 workstations.

In the full year 2006, Regus UK generated revenues of £168.4 million. Since acquisition, we have seen a significant increase in occupancy – rising from 72% at April 2006 to a year end level of 81%. A restructured management team, renewed investment in our centres, investment in marketing and a drive on enquiries has helped to achieve this improved performance.

During April of this year our new UK CEO, Nick Wood, will be joining us. Nick comes from DSG International where he has held several senior positions, last of which was Divisional Managing Director of the Group's Communication Division. Prior to this, Nick worked in venture capital and business development for a number of companies including 3i plc.

Looking ahead into 2007 we will continue to focus on new sales and marketing channels such as TV and radio. In the first quarter of this year we launched a real time booking system for meeting rooms and have recently launched our UK Training Centre Product specially geared to hosting conferences.



Top left: Glasgow – West George Street
Top right: London – Throgmorton Street

Financial review
Stephen Gleadle

£680.0m
REVENUE (2005: £463.3m)

107,257
WEIGHTED AVERAGE NUMBER OF WORKSTATIONS (2005: 78,657)

82%
AVERAGE OCCUPANCY (2005: 78%)

£7,732
REVPOW [a] (2005: £7,551)

£6,340
REVPAW [b] (2005: £5,890)

(a) Average revenue per occupied workstation.

(b) Average revenue per available workstation.

Our 2006 financial performance has been impressive, reflecting strong like for like growth and the additional contribution from acquisitions and 2006 new centre openings. These results have been achieved whilst also investing in people, infrastructure, technology and marketing to secure future growth.

The three key operational drivers have all been improved. The weighted average number of workstations increased by 36.4% to 107,257. At the same time average occupancy increased from 78% to 82% and average revenue per occupied workstation (REVPOW) increased by 2.4% from £7,551 to £7,732. This results in an increase in REVPAW of 7.6% from £5,890 to £6,340.

Against a relatively fixed cost base these factors have contributed to a £34.9 million increase in operating profit from £47.3 million in 2005 to £82.2 million in 2006.

Revenue and centre contribution (excluding non-recurring items)
Revenue for the Group rose 46.8% to £680.0 million (2005: £463.3 million) and centre contribution increased 57.2% to £184.1 million (2005: £117.1 million).

This year-on-year movement can be analysed as follows:

	Revenue £m	Centre contribution £m (a)	Margin %
2005	**463.3**	**117.1**	**25.3**
Growth in mature business	39.9	34.0	
Subtotal	503.2	151.1	30.0
Centres added in 2005	33.8	12.7	
Centres added in 2006	147.6	20.2	
Centres closed	(4.6)	0.1	
2006	**680.0**	**184.1**	**27.1**

(a) Excludes non-recurring items of £0.1 million in 2005.

The mature business, defined as those centres owned and operated at least 12 months prior to 1 January 2006, increased revenue by £39.9 million principally driven through improvements in occupancy, which increased from 79% to 84%. This resulted in a £34.0 million increase in centre contribution.

Centres added in 2005 contributed a further £33.8 million of revenue and £12.7 million of contribution. This was due to both underlying improvements in the performance of these sites and the impact of including them for a full 12 months.

Expansions in 2006 include the repurchase of the UK business and a number of bolt-on acquisitions and new centres. These contributed a further £147.6 million of revenue and contribution of £20.2 million.

Taking all this together contribution margin improved from 25.3% to 27.1%.

Administration expenses
Administration expenses (excluding non-recurring items incurred in 2005) have increased to 15.0% of revenue for the full year (2005: 14.0%). This increase arises principally from the impact of growth related investments incurred in the second half of 2005 and the first half of 2006 ahead of the full revenue impact of growth.

These results have been achieved whilst investing in people, infrastructure, technology and marketing to secure future growth.

These growth related costs focus on three main areas:

> Marketing costs to drive occupancy primarily in new centres

> Costs to support the growing scale of the business (e.g. country managers, improved systems and processes)

> Costs necessarily incurred to secure workstation growth in a controlled and efficient manner (e.g. business development teams to identify, secure and integrate new business).

As the growth benefits have been delivered, administration expenses as a proportion of revenue have fallen from 16.1% in the first half of 2006 to 14.1% in the second half of 2006.

Non-recurring items

In 2005, the Group incurred £4.9 million of non-recurring costs (net), which primarily relate to the integration of HQ. No similar costs have been incurred in 2006.

Operating profit

Operating profit was £82.2 million (2005: £47.3 million) representing a margin of 12.1% (2005: 10.2%).

Share of operating loss in joint ventures and associate

In the year ended 31 December 2006, the share of joint venture losses attributable to Regus reduced to £0.1 million (2005: £0.2 million loss). The underlying improvement in our mature joint ventures was masked by the impact of newly opened joint ventures, which recognised losses of £0.3 million in the period due to the recognition of start up costs.

During the period 1 January 2006 to 19 April 2006, the UK business was equity accounted as an associate. Our 42% shareholding resulted in a profit after tax for the period to 19 April of £1.2 million (2005 full year: £0.2 million).

Financing costs

Financing costs can be summarised as follows:

	2006 £m	2005 £m
Interest payable on bank loans	(4.6)	(5.6)
Interest receivable	1.8	2.2
Finance lease interest	(0.5)	(0.9)
Non cash – deferred financing fees	(0.4)	(4.3)
Non cash unwinding of discount – UK acquisition related (net)	(2.1)	–
Total	**(5.8)**	**(8.6)**

Interest payable has fallen despite a higher average debt balance in 2006 as a result of refinancing our senior credit facility in March 2006 on more favourable terms. Lower interest receivable reflects a decrease in the average free cash balance from £55 million in 2005 to £50 million in 2006.

Although the Group is now in an overall net cash position, a net cash interest charge should still be anticipated for 2007. This is driven by the costs of commitment fees on the senior credit facility and letter of credit issuance fees as well as the impact of incurring a net charge from the margin between interest rates on our deposits and borrowings.

Underlying finance lease costs have fallen in line with the reduction in finance leases. The amortisation of deferred financing fees relates to the £2.1 million loan arrangement costs incurred on the new £150 million credit facility.

Financial review
continued

8.4p
BASIC EPS (2005: 4.5p)

£132.8m
OPERATING CASH FLOW (2005: £78.1m)

The 2005 charge of £4.3 million included the write off of the remaining deferred financing fees on the US$155 million credit facility repaid in March 2006. The unwinding of discounted fair value adjustments on the Regus UK acquisition resulted in a non cash net financing charge of £2.1 million in 2006.

Taxation
As the business performance has strengthened, it has become necessary to recognise in the balance sheet an asset for a greater proportion of the value of the tax losses that the Group holds. Accordingly in 2006, a credit of £12.9 million (2005: £15.0 million) has been recognised in the income statement, reflecting the increased deferred tax asset in the balance sheet. This has been partially offset by an £8.1 million tax charge (2005: £8.9 million), which resulted in a net tax credit of £4.8 million (2005: £6.1 million) to the income statement. Consequently, despite being profitable, the Group has a net tax credit for the year to 31 December 2006. However, on a cash basis the Group paid £6.6 million (2005: £2.6 million) of tax across a small number of countries. This represents approximately 8.5% of profit before tax.

As at 31 December 2006, the Group had £197.9 million (2005: £270.2 million) of tax losses to carry forward against future corporation tax liabilities, of which £111.0 million (2005: £172.0 million) are in the USA.

Based upon continued profitable growth and no significant changes to the Group's tax position the cash tax rate should be expected to rise through 2007 to 2009 as the tax losses are progressively utilised.

Earnings per share (EPS)
Basic EPS for the year rose to 8.4p (2005: 4.5p). This is based on weighted average number of shares of 984,792,040. This is unchanged on 2005. Diluted EPS rose by 3.8p to 8.3p (2005: 4.5p).

Cash flow
Strong operating cash flow remains a prime feature of the Group. Driven by the improvement in operating profit and an improved working capital performance, operating cash flow increased by £54.7 million to £132.8 million (2005: £78.1 million).

The Group's cash flow statement has been summarised as follows:

	2006 £m	2005 £m
Operating cash flow	**132.8**	**78.1**
Tax and net interest paid	(10.1)	(6.9)
Maintenance capex	(19.6)	(5.9)
Free cash flow	**103.1**	**65.3**
New centre openings	(26.7)	(11.1)
Acquisitions and investments	(88.5)	(16.8)
Financing	23.0	(47.5)
Other	(4.1)	1.9
Change in cash	**6.8**	**(8.2)**
Opening cash	74.1	82.3
Closing cash	80.9	74.1

During 2006 we acquired the remaining 58% interest in Regus UK and 27 bolt on acquisitions for a net consideration of £88.5 million.

In addition to acquisitions, we spent £26.7m on opening 32 new centres.

Goodwill and intangible assets relating to these acquisitions are £103.7 million and £21.9 million respectively. The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services. The intangible amount relates to the brand, customer lists and software.

In addition to these acquisitions, we spent £26.7 million on opening 32 owned centres – 15 in Asia Pacific, nine in the Americas and eight in EMEA. We also opened a further six centres through joint venture, management and franchise agreements.

This growth has been part financed by net borrowings of £23.0 million.

Following the above the Group's net cash position can be analysed as follows:

	2006 £m	2005 £m
Cash balance	80.9	74.1
Term loan	(50.0)	(22.5)
Other loans	(3.6)	(7.4)
Finance leases	(3.9)	(8.2)
Net cash	**23.4**	**36.0**

Of the cash balance, £17.1 million (2005: £19.1 million) is blocked and not available for use by the business. These amounts have mainly been used as collateral against loan and lease obligations of the Group.

Distributable reserves and dividend

During the year the Company created distributable reserves by undertaking a court approved cancellation of our share premium account of £153.5 million, this resulted in a corresponding increase in distributable reserves. As a result, the Group has sufficient distributable reserves to pay dividends to its shareholders.

Given the Group's strong cash generation and its future prospects the Board is proposing, subject to shareholder approval at the 2007 AGM, the payment of a final dividend of 0.6p per share. The total cost of this dividend payment will amount to £5.9 million. This dividend is expected to be paid on 1 June 2007 to shareholders on the register at the close of business on 27 April 2007.

Stephen Gleadle
Chief Financial Officer
19 March 2007

Board of directors

John Matthews [c]
Chairman

John (62) joined Regus in 1995 as a non-executive director and was appointed Chairman in July 2002. He is currently Chairman of Crest Nicholson plc and an independent director of Diploma plc, Rotork plc and SDL plc. A Chartered Accountant, he was previously Managing Director of County Natwest and Deputy Chairman of Beazer plc. John is Chairman of the Nomination Committee.

Mark Dixon
Chief Executive Officer

Mark (47) founded Regus in 1989 and has been Chief Executive for over 17 years, leading the Group's worldwide expansion programme and the development of pioneering workplace solutions. Since 2004, Mark has been located in the USA directly overseeing the integration of the HQ Global Workplaces acquisition. Prior to Regus he established businesses in the retail and wholesale food industry.

Stephen Gleadle
Chief Financial Officer

Stephen (48) joined Regus as Chief Financial Officer in October 2005. Prior to Regus, he was Group Financial Controller of Tarmac plc and Finance Director at both Synstar plc and lastminute.com plc. Stephen is a Chartered Accountant.

Rudy Lobo
Chief Operating Officer

Rudy (51) joined Regus in 1992 and took on the role of Chief Operating Officer in October 2005, having previously been Group Finance Director. In his role, he is responsible for commercial operations, human resources and for directing Regus' IT and e-business strategy. Rudy is also a Director and Trustee of the charity Great Causes Ltd. Previously, Rudy was Head of Finance and Group Company Secretary of Medicom International Ltd, a publisher of medical journals. Rudy is a Certified Accountant.

Roger Orf (a,b,c)
Independent senior non-executive director

Roger (54) was appointed a non-executive director of Regus in 1998 and is Chairman of the Audit Committee. Roger is currently Managing Director of Citigroup Property Investors. He was formerly Head of European Operations for Lone Star, an investment company. Prior to this, Roger made investments for his own account, managed investments on behalf of Apollo Real Estate Advisors and was in charge of Goldman Sachs European real estate department.

Martin Robinson (a,b,c)
Independent non-executive director

Martin (44) was appointed a non-executive director of Regus in August 2002 and is Chairman of the Remuneration Committee. Martin is currently Chairman of Center Parcs (UK) Healthclub Holdings and is also a Director of the Supervisory Board of EuroDisney SCA. He has previously held senior management positions with Scottish and Newcastle plc and Sara Lee Corporation and worked as a Management Consultant for four years with McKinsey & Co Inc.

Stephen East (a,b,c)
Independent non-executive director

Stephen (49) was appointed a non-executive director in 2005. Stephen is currently Finance Director at Woolworths Group plc. Prior to this, he ran his own consultancy business and held senior positions with Redland PLC and MEPC plc. Stephen is a Chartered Accountant and President of the Association of Corporate Treasurers. He is also a non-executive director of Star Energy Group plc.

Notes
(a) Member of the Audit Committee
(b) Member of the Remuneration Committee
(c) Member of the Nomination Committee

Directors' report

The directors present their Annual Report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2006.

Directors

The directors of the Company who held office during the financial year were:

Executive directors
Mark Dixon
Rudy Lobo
Stephen Gleadle

Non-executive directors
John Matthews
Stephen East
Roger Orf
Martin Robinson

Biographical details for the directors are shown on pages 14 and 15.

Details of the directors' interests and shareholdings are given in the Remuneration Report on pages 27 to 33.

The Corporate Responsibility Statement, Corporate Governance Statement, Remuneration Report and Director Statements on pages 18 to 34 all form part of this report.

Principal activity

Regus Group plc is the world's leading provider of global office outsourcing services.

Business review

The directors have met requirements of Section 234ZZB of the Companies Act 1985 with regard to the presentation of a business review as follows:

The Chief Executive's Review and Financial Review on pages 4 to 13 respectively address:

> Review of the Company's business (pages 6 to 9)

> Trends and factors likely to affect the future development, performance and position of the business (page 5)

> Development and performance during the financial year (pages 10 to 12)

> Position of the business at the end of the year (page 13)

> Principal risks and uncertainties (page 24).

The Corporate Responsibility Report on pages 18 to 21 includes the requirements of the business review in respect of:

> Environmental matters

> Employees

> Social and community issues.

The Corporate Governance Statement on pages 22 to 26 includes a description of the principal risks and uncertainties facing the Company.

The Directors Statements on page 34 includes the statutory statement in respect of disclosure to auditors.

Results and dividends

Profit before taxation for the year was £77.5 million (2005: £38.7 million).

The directors are pleased to recommend the payment of a final dividend for 2006 of 0.6p per share. The total dividend of £5.9 million is expected to be paid on 1 June 2007 to shareholders on the register at the close of business on 27 April 2007.

Policy and practice on payment of creditors

The Group does not follow a universal code dealing specifically with payments to suppliers but, where appropriate, our practice is to:

> Agree the terms of payment upfront with the supplier

> Ensure that suppliers are made aware of these terms of payment

> Pay in accordance with contractual and other legal obligations.

At 31 December 2006, the number of creditor days outstanding for the Group was 19 days (2005: 27 days) and the Company, nil days (2005: nil days).

Going concern

The directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts on pages 36 to 70.

Political and charitable donations

It is the Group's policy not to make political donations either in the UK or overseas. The Group made charitable donations of £0.1 million during the year (2005: £nil).

Substantial interests

At 19 March 2007, the Company has been notified of the following interests held in more than 3% of the issued share capital of the Company.

	Number of ordinary shares	% of issued share capital
Maxon Investments BV (a)	366,329,326	37.20
BlackRock Inc	90,758,402	9.22
Prudential plc	68,808,146	6.98
Standard Life Group	59,427,276	6.04
Man Financial Ltd	49,058,108	4.98
Morley Fund Management Ltd	30,194,992	3.07

(a) Mark Dixon owns 100% of Maxon Investments BV.

Auditors
In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming AGM.

Approval
This report was approved by the Board on 19 March 2007.

On behalf of the Board

Tim Regan
Company Secretary
19 March 2007

Corporate responsibility

> **Our people**
We rely on our people to provide the high quality of service our customers expect. In return we work hard to look after our people. Our aim is to maximise and develop their skills, provide opportunities for personal development and achieve high rates of employee satisfaction.

> **Equal opportunities**
We value our international reputation and respect the communities in which we operate. We uphold the principal of equal opportunities and strive to meet high ethical standards.

> **Health, safety and security**
We are committed to providing a healthy and safe environment for our employees, customers, and for all visitors to our premises. We aim for best practice in health and safety throughout all our operations. We support a proactive culture of risk management to ensure accidents and incidents remain as low as is reasonably practicable.

> **Environment and sustainability**
We recognise that our activities have an impact on the world around us. We are committed to protecting the environment through the prevention of pollution and efficient use of resources. We will strive for continual improvement of our environmental performance.

> **Business practice**
Our internal codes of practice require business professionalism, honesty and integrity in all that we do. We seek to comply with all relevant legislation and to maintain good relationships with all our stakeholders.

> **Customers**
Our customers are our business. In order to maintain high levels of satisfaction we are constantly assessing the views of our customers and delivering improvements to our service and product offering.

> **Products and services**
We continually strive to improve the quality of our products and services and their delivery to our customers. We work to minimise, as far as possible, any negative impacts associated with our business activities. We will take account of the views of our stakeholders on all aspects of our product development and service delivery.

> **Business partners and supply chain**
We promote long term development with our business partners and our operations work closely with landlords and suppliers to maintain the integrity and continuity of service expected by our customers.

> **Communities and charities**
We believe in social investment and encourage our operations to become active members of the societies in which they operate, supporting employee involvement wherever possible. We encourage charitable fundraising and support charitable initiatives throughout the world.

The responsible management of our social, environmental and economic impact is integral to our business. Our commitment to Corporate Responsibility (CR) is not simply a response to increased market pressures in this area, but such issues reinforce the way that our business operates.

The Board believes that the integration of CR throughout the business and the incorporation of broader social and environmental issues into day to day decision making will benefit all our key stakeholders and better enable us to achieve our target levels of business performance.

Corporate Responsibility Committee

In 2007, we will set up a formal Corporate Responsibility Committee to oversee CR strategy. The Committee's aim is to ensure that we take a sustainable approach to business – to do the right thing for our shareholders, our customers, our suppliers, the community and the world around us.

Members of the Corporate Responsibility Committee will be drawn from across the business, to ensure that corporate responsibility is at the heart of our daily operations.

Its remit will be to provide strategic direction and guidance on all aspects of business practice and responsibility and ensure consistent implementation across our operations. The Committee's priority is to set out a clear framework of responsibilities that are specific to Regus as well as those that are common to all large businesses.

In 2007 we will produce a Corporate Responsibility report which describes our main impacts, defines our strategy and sets out future priorities. This report will initially be based on our UK operations with a future priority to roll this out to our international operations.

Our stakeholders

We understand the issues that matter to our customers and stakeholders, and know that getting them right builds loyalty and makes our business more sustainable.

The Corporate Responsibility Committee will help ensure that social, environmental and ethical issues are a natural part of the way we do business. The Committee's aim will be to ensure that we take a sustainable approach to business – to do the right thing for our shareholders, our customers, our suppliers, the community and the world around us.

Business integrity

A Group-wide Code of Ethics has been in place since January 2006. This sets out a number of fundamental principles which all our companies and employees are required to follow. In keeping with our decentralised approach, businesses are required to adopt their own codes which respect local cultures and businesses but which also set standards that are still no less exacting than those detailed in the Group-wide code. To a large extent these individual codes simply underpin and endorse existing practices. We operate a confidential whistle blowing service to support employees who want to eliminate wrongdoing in the workplace.

Environment and sustainability

The nature of our business means that we have to recognise that we have an impact on the environment. We are committed to managing the way in which activities affect the environment by:

> Optimising the use of energy

> Ensuring efficient use of materials

> Encouraging re use and recycling

> Incorporating the principle of sustainable development.

We are committed to managing the way in which our activities affect the environment.

Environmental policy
It is our policy to:

> Minimise the extent of the environmental impacts of operations within our influence

> Strive to minimise any emissions or effluents in our business centres, which may cause environmental damage

> Conserve energy through minimising consumption and maximising efficiency

> Promote efficient purchasing which will both minimise waste and allow materials to be recycled where appropriate

> Employ sound waste management practices

> Implement procedures and support information that enables compliance with the law, regulations and code of practice relating to environmental issues

> Monitor environmental performance, make regular reviews of the policy and make improvements where possible.

Environmental impacts
The main environmental impacts of running our businesses are the generation of carbon emissions through the consumption of electricity, gas and transport activities, including business travel and commuting.

Some of our locations operate a recycling and energy waste reduction policy. Where possible we liaise with property owners and our clients to ensure that any recyclable waste from our operation – from waste paper to print and toner cartridges – is collected and recycled. Also, wherever possible, we ensure that lighting, heating and air conditioning meet energy conservation standards, and the non-core items or equipment are timed to switch off automatically.

Carbon emissions are produced as a result of the consumption of electricity, gas and transport usage. Key factors in minimising the generation of carbon emissions include the design, fabric and management of office premises to maximise energy efficiency.

Our people
We rely on our 4,300 employees to provide the high quality of service our customers and visitors expect. In return we work hard to look after our people. Our aim is to maximise and develop the skills of our staff, provide opportunities for personal development and achieve high rates of employee satisfaction.

Talent attraction and retention
Regus has a reputation for attracting and retaining exceptional people – people who are success-orientated, spirited and driven to help others and themselves achieve more.

Our people are at the heart of our business, so it is vital that they are trained to the highest competency. We provide a career path designed to allow individuals to achieve their very best within the Regus Group, whether they choose to stay in their region, or aspire to take advantage of our international locations.

Corporate responsibility
continued

We recognise that the health and welfare of our team members is important.

Training and development
Group policy is to provide opportunities for personal development at all levels in the organisation. We ensure that:

> Employees are provided with adequate and appropriate training to allow them to fulfil their job description

> Appropriate opportunities and resources for the training and development of employees are made to all staff

> Employees are rewarded appropriately for improving their skills and capabilities

> Training and development of employees is recorded and reviewed on at least an annual basis as part of the performance management system.

Work/life balance
We promote a healthy lifestyle and where possible encourage a healthy work/life balance. We recognise that the health and welfare of our team members is important to the effectiveness of the business and the need for employees to maintain a healthy work/life balance is encouraged. In our centres we operate flexible working practices which give us the edge in retaining experienced and well trained staff and allows us to align our team members' hours to the evolving needs of the business and our customer requirements.

Turning SMARTideas into reality
Via SMARTideas© – Regus suggestion scheme, our team members are encouraged to submit ideas that enhance the way we do business. Suggestions can be made on any area of the business. The potential of each idea is assessed, many are developed into projects, and the most innovative ones are rewarded with prizes.

Communication
The Company is committed to enhancing two-way communication through the process of team meetings, which our managers will hold on a regular basis. Through team meetings and information cascaded down from the senior team, employees are encouraged to feed back comments and opinions through their manager on any aspect of the business.

Information about the business
Our team members value communication. Each month our regional CEOs distribute "Focus" – an ezine, which covers regional performance, achievements and priorities. In addition, on a quarterly basis the Group Chief Executive, Mark Dixon emails to each team member a copy of "In Touch" – an ezine which summarises the latest news from around the world. The content – although varied month on month includes inter alia team member recognition of great customer service, VIP visitors to the Regus Group and new location openings.

Pages of information at our people's fingertips
The Regus Group's intranet, SMART, has been designed to ensure that every team member can instantly access a wealth of information, 24/7, that helps them to serve our clients to the best of their ability. With content tailored to a team member's region and function, SMART is an integral tool to our open communications strategy. It is updated, round the clock, by dedicated Helpdesk Team, with each member logging in at least once every working day.

- **Inspiring innovation – new start-up grants**
  To date, Regus has helped launch more than one million new start-ups across the world. Selected new start-ups choosing to launch their business with Regus can apply for a grant designed to help them with the provision of space and services at a reduced cost.
- **Donating facilities and space**
  Where possible, support is given to our chosen charities through the provision of space at no charge, either for administration purposes or fundraising events.
- **European Women of Achievement Awards (EUW)**
  EUW is an independent European organisation, which supports women in all aspects of political, civic and professional life. For the past two years Regus has supported the Women of Achievement Awards by providing rooms and refreshments at no cost.
- **The Beacon Fellowship**
  The Beacon Fellowship Trust (Beacon) is an organisation set up to encourage individual contributions to charitable and social causes and to celebrate and showcase best practice in giving.

  Beacon awards annual prizes to individuals and organisations who have made exceptional contributions to charitable causes. Winners to date include Zac Goldsmith, John Profumo and Jamie Oliver.

  To date, Regus has assisted in setting up the charity and providing free office space.
- **London Triathlon**
  Regus, with partners and clients fielded 14 teams and five individuals for the 2006 London Triathlon with the aim of having fun, firming up bonds and raising funds for two charities – Great Causes and DebRA. They succeeded on all three counts and the event secured £13,400 for Great Causes and £15,000 for DebRA.

  Great Causes raised a further £9,400 which increased their donation to Sightsavers to £22,800. The donation was used to support the Cuttack District Comprehensive Eye Services Project in rural India where eye services are not accessible to most of the people.

  Our goal in 2007 is to enter 400 competitors for the London Triathlon and raise £200,000 for three charities – Great Causes, DebRA and UNICEF.
- **Ashley Giles' and Cure Leukaemia charity**
  As part of Ashley Giles' benefit year and Cure Leukaemia charity, Regus hosted a celebrity golfing experience which raised £2,449.
- **NSPCC**
  Through organising a Christmas raffle, Regus UK employees raised £5,200 for the NSPCC.
- **Variety Club of Great Britain**
  Regus UK donated £21,000 to part fund the purchase of a Sunshine Coach for disabled and disadvantaged children.

Health and safety

Regus is committed to maintaining a secure health and safety working environment and accepts no compromise on health and safety issues. This is not only driven by legal responsibility, but also by the ethical desire to protect employees, customers and visitors.

The Company has developed a Health and Safety Manual that sets out the obligations of team members to ensure a safe working environment for our team members and clients. A breach of the Health and Safety Manual will result in disciplinary action.

Under the health and safety frame work, local management must have suitable procedures in place to ensure compliance with applicable laws and regulations and, wherever possible employ best practice.

The Company is required to ensure that sufficient team members are trained as first aiders and fire wardens. They are volunteers and undergo regular training.

We are proactive in our approach to health and safety by monitoring proposed changes in legislation and implementing policies accordingly.

Customers

Our customers are our business. In order to maintain high levels of customer satisfaction we are constantly assessing the views of our customers through customer service questionnaires and exit interviews. All our centres are monitored and targeted on the levels of customer satisfaction and the levels of satisfaction have remained high over the last few years.

In addition we conduct mystery shopping which has helped increase the likelihood of repeat purchases and recommendations.

Business partners

We promote long term relationships with our business partners and our operations work closely with suppliers to maintain the integrity and continuity of service expected by our customers.

Regus UK have been working on a robust approach to managing ethical and environmental standards in the supply chain. As a result, Regus UK only work with certified suppliers. A reasonable expectation would be to integrate these standards into our global procurement processes over the next two years. Initial concentration will be on major suppliers, areas of high risk and renewed/new contracts.

Communities and charities

Notwithstanding the international nature of the business, Regus around the world continues to operate with a high degree of autonomy. We recognise our responsibility to invest in the communities in which our business operates and to act as a good corporate citizen. The Group supports charities relevant to the countries and to the locations in which its business operate. These charities are wide-ranging and cover health, welfare, education, civic and community projects as well as culture and the arts.

Corporate governance

The Board is committed to the high standards of corporate governance set out in the Combined Code published in July 2003 ("the Code") for financial periods beginning after 1 November 2003. The Board is accountable to the Company's shareholders and this report describes how the Board applied the principles of good governance.

The Board

At 31 December 2006, the Board of directors was made up of seven members comprising the Chairman, three executive directors and three non-executive directors. Biographical details of the directors are set out on pages 14 and 15.

Role of the Board

The primary role of the Board is to provide entrepreneurial leadership and to review the overall strategic development of the Group. The Board approves the corporate plan and the annual budget and reviews performance against targets at every meeting. Through the Audit Committee, the directors ensure the integrity of financial information and the effectiveness of financial controls and the internal control and risk management system. The Board has delegated authority to the Remuneration Committee to set the remuneration policy for directors and senior management. The Nomination Committee recommends the appointment of Board directors and has responsibility for succession planning at Board level. The various Board Committees have authority to make decisions in their areas of expertise.

Frequency of meetings

There were nine scheduled Board meetings during 2006.

The number of meetings of the Board and Committees and individual attendance by the directors are shown below.

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Total meetings	9	3	5	1
Mark Dixon	9	–	–	–
Stephen Gleadle	9	–	–	–
Rudy Lobo	9	–	–	–
John Matthews	9	–	–	1
Stephen East	8	2	5	1
Roger Orf	9	3	5	1
Martin Robinson	8	3	5	1

Matters reserved for the Board

The Board has a formal schedule of matters reserved to it for its decision, to ensure that no one individual has unfettered powers of decision. These include:

> Approval of regulatory announcements including the interim and annual financial statements

> Terms of reference and membership of the Board and its Committees

> Changes to the Group's capital structure

> Changes to the Group's management and control structure

> Capital investment in excess of £1 million

> Material contracts (annual value in excess of £5 million).

Minutes are taken of all Board discussions and decisions and all directors are encouraged to request inclusion of any unresolved concerns that they may have in the Board minutes.

Roles of Board members

There is a clear division of responsibilities between the Chairman and the Chief Executive.

The Chairman

John Matthews is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures effective communication with shareholders and that the Board is aware of the views of major shareholders. He facilitates both the contribution of the non-executive directors and constructive relations between the executive directors and non-executive directors.

The Chairman, together with the Company Secretary, are responsible for ensuring all directors are properly briefed on issues arising at Board meetings and that they have full and timely access to relevant information.

The Chairman is not deemed to be independent because he has been a non-executive director for more than ten years.

The Chief Executive

Mark Dixon is responsible for formulating strategy and for its delivery once agreed by the Board. He creates a framework of strategy, values, organisation and objectives to ensure the successful delivery of key targets, and allocates decision-making and responsibilities accordingly.

Non-executive directors

The non-executive directors each bring their own senior level of experience and objectivity to the Board. The independent counsel brought to the Group by the non-executives enhances the overall decision making of the Board. Non-executives are appointed for an initial three year term, subject to election by shareholders at the first AGM after their appointment.

The Board consider the non-executive directors to be independent. The senior independent director and Chairman of the Audit Committee, Roger Orf has served on the Board for over eight years. His ongoing independence will be reviewed in accordance with the Code later this year.

Company Secretary

The Company Secretary, Tim Regan, is responsible for advising the Board, through the Chairman, on all governance matters and for ensuring that appropriate minutes are taken of all Board meetings and discussions. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Board Committees

The Board has delegated certain of its governance responsibilities to the Audit, Nomination and Remuneration Committees. The Company Secretary acts as secretary to all of the Board Committees and minutes of meetings are circulated to all Board members.

The terms of reference of these committees have been documented and approved by the Board and are available on the Company's website www.regus.com. A brief summary of the members, activities and terms of reference of the Board Committees is provided below.

Audit Committee
Roger Orf (Chairman)
Stephen East
Martin Robinson

The Board has delegated the responsibility for applying an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under law and the Combined Code, and managing the relationship with the Company's external auditors to the Audit Committee. The Committee consists entirely of non-executive directors.

The Audit Committee meets at least three times a year. At the request of the Chairman, the external auditors, the executive directors, the Company Secretary and the Head of Internal Audit attend each meeting.

Summary terms of reference

- **Financial Reporting** – provide support to the Board by monitoring the integrity of and ensuring that the published financial statements of the Group and any formal announcements relating to the Company's financial performance comply fully with the relevant statutes and accounting standards.
- **Internal control and risk systems** – review the effectiveness of the Group's internal controls and risk management systems.
- **Internal audit** – monitor and review the annual internal audit programme ensuring that the internal audit function is adequately resourced and free from management restrictions, review and monitor responses to the findings and recommendations of the internal auditors.
- **External audit** – advise the Board on the appointment, re-appointment, remuneration and removal of the external auditors.
- **Employee concerns** – review the Company's arrangements under which employees may in confidence raise any concerns regarding possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation and appropriate follow up action.

The Committee also meets independently with the Company's auditors and with the Head of Internal Audit to informally discuss matters of interest.

External auditors
KPMG Audit Plc were the Company's auditors for the year ended 31 December 2006. For 2007, the Committee has recommended to the Board that a resolution to reappoint KPMG Audit Plc as the Company's auditors be proposed at the AGM. The Committee will continue to keep under review the independence and objectivity of the external auditors, the effectiveness of the audit process and the rotation of the lead audit partner.

The scope and extent of non-audit work undertaken by the Company's external auditor is monitored by and, above certain thresholds, requires prior approval from the Committee to ensure that the provision of non-audit services does not impair their independence or objectivity. During the year, KPMG performed due diligence work on certain acquisitions. KPMG is prohibited from providing services that would be considered to jeopardise their independence such as book keeping services, valuations and system design.

Remuneration Committee
Martin Robinson (Chairman)
Roger Orf
Stephen East

Details of the Remuneration Committee are set out in the Remuneration Report on pages 27 to 33.

Nomination Committee
John Matthews (Chairman)
Roger Orf
Stephen East
Martin Robinson

The Committee meets as required during the year to consider matters delegated to it. During 2006, there were no changes to the Board and therefore only one formal meeting of the Nominations Committee was required to approve the reappointment of John Matthews, Roger Orf and Martin Robinson for further three year terms. Board effectiveness, performance and leadership were discussed informally by the Board as a whole.

Summary terms of reference

- **Board appointment and composition** – to regularly review the structure, size and composition of the Board and make recommendations on the role and nomination of directors for appointment and reappointment to the Board for the purpose of ensuring a balanced Board in respect of skills, knowledge and experience.
- **Board Committees** – to make recommendations to the Board in relation to the suitability of candidates for membership of the Audit and Remuneration Committees. The appointment and removal of directors are matters reserved for the full Board.
- **Board effectiveness** – to assess the role of Chairman and Chief Executive and make appropriate recommendations to the Board.
- **Board performance** – assist the Chairman with the annual performance evaluation to assess the overall and individual performance and effectiveness of the Board.
- **Leadership** – to remain fully informed about strategic issues and commercial matters affecting the Company and to keep under review the leadership needs of the organisation to enable it to compete effectively.

Corporate governance
continued

Principal risks and uncertainties

There are a number of risks and uncertainties which could have an impact on the Group's long term performance. The Group has a risk management structure in place designed to identify, manage and mitigate business risks. Risk assessment and evaluation is an essential part of the annual planning, budgeting and forecasting cycle.

The directors have identified the following principal risks and uncertainties. These do not constitute all of the risks facing the Group.

Economic downturn in significant markets

The Group has a significant proportion of its centres in the Americas (predominantly the USA) and UK. An economic downturn in these markets could adversely affect the Group's operating revenues thereby reducing operating performance or, in an extreme downturn, resulting in operating losses.

The Group has taken a number of actions to mitigate this risk:

> The Group has entered into performance based leases with landlords where rent costs vary with revenues earned by the centre.

> Building lease contracts include break clauses at periodic intervals to allow the Group to exit leases should they become onerous. In cities with a number of centres this allows the Group to stagger leases such that an orderly reduction in exposure to the location may be facilitated.

> The profile of clients in a centre is continually reviewed to avoid undue reliance on a particular client or clients in a particular industry group.

Exposure to movements in property markets

A number of the Group's lease contracts contain market rent review clauses. This means that the costs of these leases may vary as a result of external movements in the property market. In particular, in the UK lease contracts typically contain 'upward only' rent reviews which means that should open market rents decrease, then Regus could be exposed to paying higher than market rent in these locations.

If the Group is unable to pass on increased rent costs to customers due to local property market conditions then this could result in reduced profitability or operating losses in these markets.

Equally, for Group lease contracts without market rent review clauses, the Group may benefit by paying below market rent in a market with increasing open market rents. This may allow the Group to improve profitability if the movements in open market rents are passed on to clients.

Exposure to movements in exchange rates

The Group has significant overseas operations whose businesses are generally conducted in the currency of the country in which they operate. The principal exposures of the Group are to the US dollar and the euro with approximately 39% of the Group's revenues being attributable to the dollar and 19% to the euro respectively.

Given that transactions generally take place in the functional currency of group companies, the Group's exposure to transactional foreign exchange rate risk is limited. However, the translation to sterling of overseas profits and net assets will be affected by prevailing exchange rates. In the event that either the US dollar or euro were to significantly depreciate or appreciate against sterling, this would have an adverse or beneficial impact to the Group's reported performance and position respectively.

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required by the Companies Act 1985 are set out in note 23 of the Accounts. Wherever possible, the Group attempts to create natural hedges against currency exposures through matching income and expense and assets and liabilities in the same currency. The Group does not hedge profit translation exposure since such hedges only have a temporary effect.

Internal controls

The Board has ultimate responsibility for maintaining a sound system of internal control and for periodically reviewing its effectiveness.

In accordance with the guidance set out in the Turnbull Report "Internal Control: Guidance for Directors on the Combined Code", an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group. The Group's system of internal controls is designed to:

> facilitate the effective and efficient response to risks which might affect the achievement of the Group's objectives

> safeguard assets from inappropriate use or from loss or fraud

> help ensure the quality of internal and external financial reporting

> help ensure compliance with applicable laws and regulations.

No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system of controls helps to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance that potential problems will normally be prevented or will be detected in a timely manner for appropriate action.

Strategy and risk management

The Board conducts regular reviews of the Group's strategic direction. Country and regional strategic objectives, quarterly plans and performance targets for 2007 have been set by the executive directors and are regularly reviewed by the main Board in the context of the Group's overall objectives.

There is an ongoing process for identifying, evaluating and managing the risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives as a part of the budget process and these are endorsed by regional management. Key risks are reported to the Board and the Audit Committee. The appropriateness of controls is considered by the executives, having regard to cost/benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks are regularly considered by the Board and are formally reviewed and approved by the Board annually.

Control environment
High standards of behaviour are demanded from staff at all levels in the Group. The following procedures are in place to support this:

> the induction process is used to educate new team members on the standards required from them in their role, including business ethics and compliance, regulations and internal policies
> all team members are provided with a copy of the 'Team Member Handbook' which contains detailed guidance on employee policies and the standards of behaviour required of staff
> policies and procedures manuals and guidelines are readily accessible through the Group's intranet site
> operational audit and self-certification tools which require individual centre managers to confirm their adherence to Group policies and procedures.

To underpin the effectiveness of controls, it is the Group's policy to recruit and develop appropriately skilled management and staff of high calibre, integrity and with appropriate disciplines.

The Group has also established an externally hosted whistle-blowing channel to all staff to report issues and concerns in confidence.

Control processes
The Company has had procedures in place throughout the year and up to 19 March 2007, the date of approval of this Annual Report, which accord with the Internal Control Guidance for directors on the Combined Code. These include the following:

> The Board normally meets with regional executives every six months together to carry out a wide-ranging review of Group and regional financial performance, business development opportunities, Group infrastructure and general Group management issues.
> The annual budget process is driven from senior management meetings. Budgets are prepared at a detailed level by business centre and roll-up at a country and regional level. The executive directors review regional budgets to ensure consistency with regional strategic objectives, and the final budget is reviewed and approved by the Board. The approved budget forms the basis of business management throughout the year.
> Operational reports and financial reports are prepared and distributed to the Board on a monthly basis. Actual results are reviewed against budget and forecast and explanations are received for all material movements.
> Key policies and control procedures (including finance, operations, and health and safety) are documented in manuals having Group-wide application. These are available to all staff on the Group's intranet system.
> The Board has formal procedures in place for the review and approval of investment and acquisition projects. The Group Investment Committee (comprising the executive directors) review all investments prior to approval by the Board. Additionally the form and content of investment proposals is standardised to facilitate the review process.
> The Group has clearly delegated authority limits with regard to the approval of transactions. Purchase orders must be obtained in advance for all purchases in excess of £1,000.
> Numerous reports are generated from the Group's sales and operating systems on a daily, weekly and monthly basis to provide management at all levels with performance data for their area of responsibility which helps them to focus on operational issues that may require their input.

Information and communications processes
The senior management team are integrally involved in the business and to this extent regularly discuss and address issues and opportunities with regional and functional teams. Formal business review meetings, chaired by Mark Dixon, are held with the regional teams and functional heads on a monthly basis.

Regular staff communications include general information on the business from senior management as well as operational guidance on changes in policies and procedures.

Sales staff and operational management periodically attend sales or management conferences at which information on operational issues is shared. Additionally in 2006 a senior management conference provided a platform for sharing the Group's overall strategy. Delegates presented the key messages to employees who did not attend the event.

Monitoring effectiveness
The following key mechanisms were available to the Board at various times during the year in the conduct of its review of internal controls:

> Review of the Group's monthly management accounts which contain detailed analysis of financial performance for the Group and each of the Group's geographic reporting segments.
> An ongoing process of review, through Board meetings, senior management meetings and divisional reviews as well as other management meetings, for the formal identification of significant operational risks and mitigating control processes.
> Internal audit reviews of key risk areas. The findings and recommendations of each review are reported to management and the Audit Committee.
> Quarterly post-investment reviews are presented to the Audit Committee to allow appraisal of the effectiveness of investment activity.
> A bi-annual internal control self-assessment and management certification exercise covering the effectiveness of financial and operational controls. This is based on a comprehensive internal control questionnaire collated and reviewed by Internal Audit. Results and any necessary mitigating action plans are presented to senior management and the Board.

Other matters

Board performance evaluation
During 2006, a formal annual performance evaluation has been conducted in respect of the Board, its Committees and of each individual director by means of an internally produced written questionnaire. This required performance to be scored on a scale of 1 to 5 against a number of criteria with 1 representing

Corporate governance
continued

a need for urgent improvement in performance, 3 representing adequate performance and 5 representing excellent performance.

The results of these evaluations were consolidated by the Chairman and presented to the Board for formal consideration. All criteria were scored as adequate or better and therefore no formal corrective actions have been initiated. The senior independent non-executive director reviewed the Chairman's performance.

Training and resources
Appropriate training is made available for all new directors to assist them in the discharge of their responsibilities. Training is provided on an ongoing basis to meet particular needs with the emphasis on governance and accounting developments.

During the year the Company Secretary, Tim Regan, provided updates to the Board on relevant governance matters, whilst the Audit Committee regularly considers new accounting developments through presentations from management, internal audit and the external auditors. The Board programme includes presentations from management at which, together with site visits, increases the non-executive directors understanding of the business and sector.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures, corporate governance and regulatory compliance are followed and complied with. Should a director request independent professional advice to carry out his duties, such advice is available to him at the Company's expense.

Directors and officers insurance
The Group's insurance programme is reviewed annually and appropriate insurance cover is obtained to protect the directors and senior management in the event of a claim being brought against any of them in their capacity as directors and officers of the Company.

Dialogue with shareholders
Regus reports formally to shareholders twice a year, with the interim results normally announced in September and the preliminary final results normally announced in March. There are programmes for the Chief Executive and Chief Financial Officer to give presentations of these results to the Company's institutional investors, analysts and media in London and other locations. The Chief Executive and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, governance, plans and objectives. These meetings also serve to develop an ongoing understanding of the views and any concerns of the Company's major shareholders. The non-executive directors are given regular updates as to the views of the institutional shareholders and the Chairman is available to meet with these shareholders on request. The principal communication with private shareholders is through the Annual Report, the Interim Report and the AGM. The Company has appointed Brunswick Group plc as their Investor Relations adviser.

AGM
The AGM is held normally in May in London and is attended, other than in exceptional circumstances, by all members of the Board. In addition to the formal business of the meeting, there is normally a trading update and shareholders are invited to ask questions and are given the opportunity to meet the directors informally afterwards.

Notice of the AGM, together with any related documents are mailed to shareholders at least 20 working days before the meeting and separate resolutions are proposed on each issue. The level of proxy votes cast and the balance for and against each resolution, together with the level of abstentions, if any, are announced to the meeting following voting by a show of hands.

Financial and other information is made available on the Company's website www.regus.com.

Re-election of the Board
All directors submit themselves for re-election by shareholders at least every three years and directors appointed during the period are required to seek re-election at the next AGM.

Non-executive directors are subject to the re-election requirements and serve the Company under letters of appointment, which have an initial three year term.

Compliance statement
The Company has complied with the provisions set out in section 1 of the Combined Code throughout the year ended 31 December 2005, with the exception of the following:

> Provision D.1.1 – The senior independent non-executive director, Roger Orf does not have regular meetings with major external shareholders.

The Board considers it appropriate for the Chairman to be the main non-executive conduit for investors, rather than the senior independent non-executive director. The Chairman makes himself available for questions, in person, at the time of major announcements and may be contacted by investors at any time. The Chairman updates the Board and particularly the senior independent non-executive director on the results of his meetings and the opinions of investors. On this basis, Regus considers that the senior independent non-executive director is able to gain full awareness of the issues and concerns of major shareholders. Notwithstanding this policy, all directors have a standing invitation to participate in meetings with investors.

Remuneration report

The report has been prepared by the Remuneration Committee (the "Committee") of Regus Group plc and approved by the Board of directors of Regus Group plc. The report complies with the UK Directors' Remuneration Report Regulations 2002 and, in compliance with such regulations, a separate resolution approving this report is being put to shareholders at this years AGM.

Information relating to the emoluments and pension contributions of the directors, directors' interests in the Company's shares and under Employee Share Plans has been audited.

Unaudited information

Membership and responsibilities of the Committee

The members of the Committee throughout the year were the Company's independent non-executive directors, Roger Orf, Stephen East and, the Chairman of the Committee, Martin Robinson.

The Committee met five times during the year.

The Committee has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive directors.

The Board has delegated to the Committee responsibility to:

> Make recommendations to the Board in respect of remuneration policy for the executive directors and the Group's other senior management.

> Approve any new service agreement entered into between the Group and any executive director.

> Make recommendations to the Board on the implementation of the Group's performance bonus schemes and share schemes.

The Committee receives advice on executive remuneration from Halliwell Consulting, an external consultancy which has wide experience of executive remuneration in UK listed companies. Halliwell Consulting has no other connection with the Company.

Directors are not permitted, under Regus Group plc's Articles of Association, to vote on their own terms and conditions of remuneration.

The Committee's terms of reference are available on the Company's website, www.regus.com. The members of the Remuneration Committee attend the Company's AGM and are available to answer shareholders' questions about directors' remuneration.

Compliance with the best practice provisions

In accordance with the Board's commitment to maintaining high standards of Corporate Governance, the Committee has complied with all remuneration related aspects of the Code during the year.

Remuneration policy

The principal objective of the Committee's remuneration policy is to provide remuneration packages that will attract, retain and motivate people of the highest calibre and experience needed to shape and execute the Company's strategy and to deliver shareholder value.

The guiding principles which the Committee has regard to and balances, as far as is practicable, in determining policy and objectives for 2006 and future years are:

> to ensure that it maintains a competitive package of total compensation, commensurate with comparable packages available with other similar companies operating in similar markets. For 2006, compensation was benchmarked against a group of 22 UK and US quoted companies with similar corporate attributes to the Company. For the UK quoted companies, these were drawn from the commercial services, support services and real estate management services industrial sectors. US companies were selected from the commercial services and real estate services sector (the Comparator Group);

> to make a significant percentage of potential maximum reward conditional on short and long term performance;

> to ensure that the interests of the executives are closely aligned with those of the Company's shareholders through the provision of share incentives;

> to link reward to the satisfaction of targeted objectives which are the main drivers of shareholder value; and

> to be sensitive in determining executive directors' remuneration to pay and employment conditions around the Group.

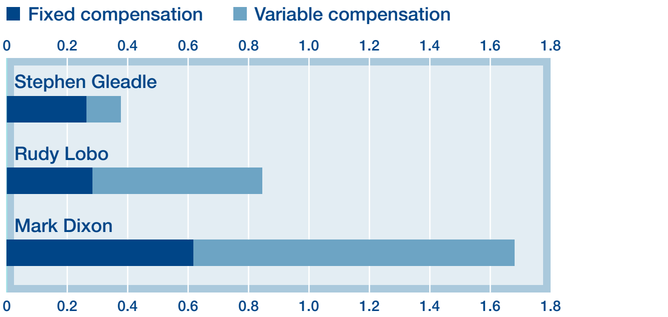
In order to achieve the above policy, the Committee sets the fixed elements of the executives' compensation package at a conservative level, taking into account the median level of salaries in the Comparator Group. This is balanced with the opportunity for overall compensation packages to be in the upper quartile of the Comparator Group dependent upon the degree to which the associated stringent performance conditions attached to the short and long term incentive schemes have been satisfied.

The table below illustrates the balance between fixed and performance related (variable) compensation and the total expected value of the remuneration package for each executive director for the year ended 31 December 2006:

	Mark Dixon Chief Executive Officer %	Rudy Lobo Chief Operating Office %	Stephen Gleadle Chief Financial Officer %
Fixed	37	34	69
Variable	63	66	31

Remuneration report
continued

Balance between fixed and performance based compensation (£m)



Fixed compensation comprises salary, benefits and pension contributions. Variable compensation comprises the annual bonus paid in relation to the year ended 31 December 2006 and the fair value of the Regus Group plc Co-Investment Plan (the "CIP") Awards granted in March 2006.

The main elements of these packages and the performance conditions are described below.

The Committee will continue to review the policy on an annual basis to ensure that it is in line with the Company's objectives and shareholders' interests.

Non-executive directors are remunerated with fees, set at levels that are sufficient to attract and retain their services and are in line with market rates. The non-executive directors do not receive any pension or other benefits, other than appropriate expenses, nor do they participate in any bonus or share option schemes.

Martin Robinson, Stephen East and Roger Orf have chosen until further notice to use the whole of their directors' fees (net of tax) to purchase Regus shares in the open market on a quarterly basis. In addition, John Matthews has chosen to use part of his fees to purchase Regus shares in the open market.

Service contracts
Details of contracts currently in place for directors are as follows:

	Date of contract	Term	Notice period and maximum provision for compensation
Executive			
Mark Dixon	28/02/05	–	12 months
Rudy Lobo	04/03/05	–	12 months
Stephen Gleadle	19/10/05	–	12 months
Non-executive			
John Matthews	01/10/06	3 years	6 months
Roger Orf	01/10/06	3 years	6 months
Martin Robinson	01/10/06	3 years	6 months
Stephen East	11/03/05	3 years	6 months

Remuneration packages
The remuneration for executive directors during the year comprised a basic salary, a benefit package, an annual performance based short term incentive award paid partly in cash and partly in shares and participation in the Company's share incentive arrangement, the CIP.

Basic salary and benefits
When determining the salaries of the executive directors, the Committee takes into consideration:

> the levels of base salary for similar positions prevailing in the employment market generally for executive directors of companies of comparable status and market value, in particular the median salary levels of the those companies within the Comparator Group;

> the performance of the individual executive director;

> the performance of the Company;

> the individual executive director's experience and responsibilities; and

> pay and conditions throughout the Company.

Basic salaries are reviewed annually and any increases are effective from 1 January.

The salaries of the Chief Executive, Chief Operating Officer and Chief Financial Officer will be £509,215, £273,500 and £250,000 respectively effective from 1 January 2007. This equates to an increase of 8% for each executive director based on their salaries as at 31 December 2006. It is the opinion of the Committee that such rises were necessary to reflect the performance of the individuals and to ensure that their respective salaries remain at a competitive level.

Benefits comprise a company car or allowance, fuel, private medical insurance and a living allowance for the Chief Executive.

Annual bonus scheme
Overview
The Committee believes firmly in the financial effectiveness of short term incentives. Accordingly, every employee in the Group participates in some form of incentive scheme.

As for 2005, maximum individual bonuses payable to executive directors and senior management were capped at 100% of basic annual salary of which a maximum 50% could be taken as cash and 50% deferred to purchase shares ("Investment Shares") in Regus Group plc. These shares are awarded under the CIP with the opportunity to receive an additional award of shares ("Matching Shares") after a three year period subject to certain conditions.

For the year ended 31 December 2006, the executive directors satisfied the stretching EBIT targets in full. As such the total bonus payable will be 100% of salary. In reporting the calculation of awards, the Committee is mindful of the commercial sensitivity of the structure of the Group's bonus arrangements and considers that more detailed disclosure is inappropriate in the circumstances. As stated above 50% of the total bonus payable will be paid in cash and 50% will be used to purchase Investment Shares. However at the time of the drafting of this report the award of Investment Shares and associated Matching Shares has not been made due to the Company being in a close period. The Committee will provide full details of the award and relevant performance conditions in its Remuneration Report for the year ending 31 December 2007. The maximum number of awards granted to the executive directors will be based on the price of an ordinary share at the time of the grant and the monetary value will not exceed 50% of the total bonus paid.

Bonus targets are reviewed and agreed by the Committee at the beginning of each financial year. The performance measures for the bonus are reviewed annually by the Committee to ensure that they are appropriate to the current market conditions and position of the Company and to confirm that they remain challenging. The structure of the bonus targets for the year ending 31 December 2007 will be similar to those operated for 2006.

The maximum bonus potential available for the executive directors for the year ending 31 December 2007 will be increased to 125% of basic annual salary. The rationale for this increase is to ensure that:

> short term available remuneration is competitive against the Comparator Group given the policy of setting executive salaries at or below the median; and

> a greater element of the executive's remuneration is performance-related.

Although the bonus targets for 2007 are similar to those operating in 2006, the Committee has increased the level of performance which must be achieved against for full bonus-payout. As such, the Committee will continue to ordinarily cap the bonus at 100% of base salary and will only pay any part of the additional bonus (which in any event will not attract any Matching Shares) of up to 25% in the event of a substantial over-performance against the 2007 EBIT budget.

Bonuses are non-pensionable.

Non-executive directors do not receive a bonus.

Pension benefits

The executive directors participate in the Company's Money Purchase (Personal Pension) Scheme. The Company matches contributions up to a maximum of 7% of basic salary. The Committee considers that the pension benefits of the executive directors are low compared with comparative companies but prefers to offer an enhanced variable short term bonus to compensate (rather than a fixed additional pension contribution).

The Group does not operate a defined benefit pension scheme and has no plans to introduce such a scheme.

Long term incentives

Overview

The Committee continues to believe that the interests of shareholders and executives are aligned through the long term incentive policy, the CIP, which was approved by shareholders at the 2005 AGM. The Committee will not grant any further awards under the Company's existing arrangements to executives who participate in the CIP, although it does intend to grant options in the future on an ad hoc basis under the Regus Group Share Option Scheme to certain non-participants in the CIP.

The Committee views the CIP, introduced in 2005, as the most appropriate vehicle for long term incentivisation for the executive directors and other senior executives. Details of the awards made to executive directors during the year are set out below.

There are two elements to the CIP:

The first element operates in conjunction with the annual bonus whereby 50% of any gross bonus payment will be paid in cash, with the other 50% taken as a deferred award of shares to be released at the end of a three year period.

Matching Shares will be awarded linked to the number of Investment Shares awarded and will vest depending on the Company's growth in free cash flow per share (FCF), EPS targets and relative total shareholder return (TSR) measured against the FTSE 350 Support Services Index. Matching Shares are awarded at no cost to participants.

The maximum number of Matching Shares which can be awarded to a participant in the CIP is 200% of salary. As such the maximum number of Matching Shares which can be awarded based on Investment Shares awarded is 4:1. However, this level of award is subject to full payout of the annual bonus. In order to ensure that the executive directors and senior executives are motivated to consistently perform on an annual basis, the maximum matching ratio will only apply to participants who receive a bonus payout of 50% of salary or more. For bonus payout of less than 50% of salary the matching participants will only be eligible to receive two Matching Shares to one Investment Share.

Grants during the year ending 31 December 2006

	Mark Dixon	Rudy Lobo
CIP Award face value (%age of salary)	200%	200%
Fair value of CIP Award (a)	£618,350	£326,012
Fair value of CIP Award as a %age of salary	131%	129%

(a) The fair value was calculated by taking the face value of the shares on the date of award and discounting this value by the probability of the performance condition being satisfied at this date (in accordance with the principles of IFRS 2).

The second element is that the Committee may also make stand alone whole share awards ("LTIP Awards") without reference to annual bonus, up to a maximum of 100% of salary per annum under the CIP. Under the LTIP Award is a conditional right over a whole number of shares with the release being dependent on the extent to which (if at all) the challenging performance conditions set by the Committee at the time the LTIP Award is made are satisfied.

No LTIP Award was made in 2006.

Remuneration report
continued

It is unlikely that future stand-alone LTIP Awards will be made to existing executive directors unless there are exceptional circumstances.

The performance conditions for the grant of awards under the CIP in 2006 and LTIP in 2005 are set out in the following table:

	Adjusted EPS (p) for the year ending 31 December 2008			
	11p	12p	13p	14p
Growth in FCF per share				
10%	6%	13%	19%	25%
15%	13%	25%	38%	50%
20%	19%	38%	56%	75%
25%	25%	50%	75%	100%

In addition, no awards will be released unless the Company's TSR is at least at the median when compared against that of the companies comprising the FTSE 350 Support Services Sector at the date of grant.

The adjusted EPS target is derived from basic EPS adjusted to take into account factors such as:

> in a growth company such as Regus, costs are necessarily incurred in one year to drive profits in future years. As such it is important to ensure management is not incentivised to cut back on these investments to meet EPS targets in any one year. Accordingly those costs, incurred in the vesting year, which it considers necessary to drive future growth will be excluded from the EPS calculation. These would include, inter alia, the costs of the business development departments, excess marketing expenditures and current year losses from investing in new locations.

> any one-off or exceptional costs will be excluded; and

> it is expected that in the period between 2006 and 2008 the cash tax rate will rise as cumulative tax losses are utilised thereby increasing progressively the challenge of achieving a 14p EPS target. This will then be further complicated by the need to recognise deferred tax assets as the business strengthens reducing the accounting rate of tax in one year and increasing it in the next. To provide greater clarity and incentive to management EPS will be calculated based upon a maximum cash tax rate of 30%.

The Committee will retain the discretion to take into account other factors in its determination of adjustment EPS. However, when exercising its discretion the Committee will ensure that the adjustments are made to reflect the underlying real earnings of the Company and not for the benefit of the executive directors.

The Committee is of the opinion that the adjusted EPS and free cash flow performance targets are a transparent and accurate measure of the Company's performance at this time and are the key corporate metrics for driving long term shareholder value. In addition, the TSR condition will ensure that executives are encouraged to focus on ensuring that the Company's return to shareholders is competitive compared to comparable companies.

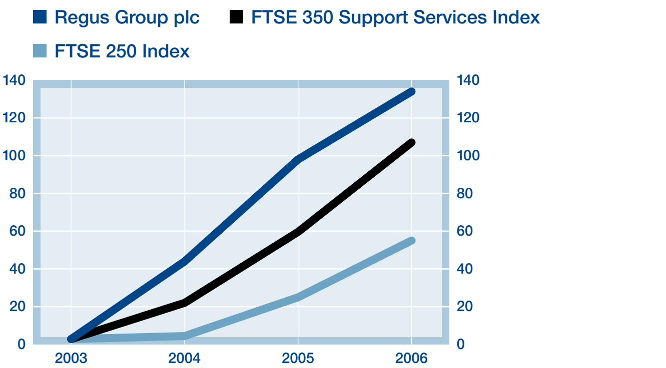
As mentioned above, awards under the CIP in respect of the bonus paid for the year ended 31 December 2006 will be made subsequent to the publication of this report. However the maximum number of awards granted to the executive directors will be based on the price of an ordinary share at the time of grant and the monetary value will not exceed 50% of basic salary. Full details of the levels of award and performance conditions will be disclosed in the Committee's Remuneration Report for the year ending 31 December 2007.

Details of share options granted to executive directors prior to the introduction of the CIP are set out in the audited section of this report.

External appointments
Executive directors are permitted to accept appointments on external boards or committees so long as these are not deemed to interfere with the business of the Group. Any fees received in respect of these appointments are retained directly by the relevant executive director. At 31 December 2006, the executive directors did not hold any external positions for which they receive fees.

TSR
The graph below shows the Company's performance, measured by TSR for the Group compared with the performance of the FTSE 250 Index and the FTSE 350 Support Services Index. The Committee consider the FTSE 250 Index relevant since it is an index of companies of similar size to Regus Group plc. As detailed earlier in the report the Company considers its TSR performance for share awards under the CIP in comparison to that of the FTSE 350 Support Services Index.

TSR of the Company against the FTSE 250 and the FTSE 350 Support Services Index (%)



Audited information

Directors' emoluments

The aggregate emoluments, excluding pensions of the directors were as follows:

2006	Salary £'000	Fees £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman					
John Matthews	–	190.0	–	–	190.0
Executive					
Mark Dixon (a)	471.8	–	113.8	235.9	821.5
Rudy Lobo	253.0	–	12.7	126.5	392.2
Stephen Gleadle	231.0	–	15.7	115.5	362.2
Non-executive					
Roger Orf	–	38.5	–	–	38.5
Martin Robinson	–	38.5	–	–	38.5
Stephen East (b)	–	32.5	–	–	32.5
	955.8	299.5	142.2	477.9	1,875.4

2005	Salary £'000	Fees £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman					
John Matthews	–	190.0	–	–	190.0
Executive					
Mark Dixon	415.0	–	126.8	207.5	749.3
Rudy Lobo	218.8	–	12.9	109.4	341.1
Stephen Gleadle (b)	35.0	–	2.2	157.5	194.7
Non-executive					
Roger Orf	–	36.0	–	–	36.0
Martin Robinson	–	36.0	–	–	36.0
Stephen East (b)	–	24.2	–	–	24.2
	668.8	286.2	141.9	474.4	1,571.3

(a) Mark Dixon's salary is set in sterling but paid in US dollars. For 2006, the actual salary received was $833,601.

(b) Stephen Gleadle was appointed on 31 October 2005. Stephen East was appointed on 11 March 2005.

Mark Dixon was the highest paid director in both 2006 and 2005. Benefits include car and fuel allowance, medical insurance and life assurance. Mark Dixon also received a housing allowace (2006: £98,993, 2005: £108,330).

Remuneration report
continued

Pension contributions

	2006 £'000	2005 £'000
Mark Dixon	33.0	29.1
Rudy Lobo	17.7	15.3
Stephen Gleadle	16.2	2.4
	66.9	46.8

Directors' share interests

The following directors held beneficial interests in the share capital of the Company at 31 December 2005 and 19 March 2006.

	Ordinary shares of 5p	
	At 31 December 2006 and 19 March 2007	31 December 2005
Executive		
Mark Dixon (a)	366,329,326	366,329,326
Rudy Lobo	4,697,098	4,697,098
Stephen Gleadle	121,500	–
Non-executive		
John Matthews	650,212	577,678
Roger Orf	734,237	712,617
Martin Robinson	58,603	37,617
Stephen East	17,385	–

(a) The interests of Mark Dixon are held indirectly through Maxon Investments BV, an entity in which Mark Dixon holds 100% of the share capital.

Directors' share options

As at 19 March 2007, the beneficial interest of the directors in options granted under the Regus Group Share Option Plan are shown below.

	Grant date	Interest in options and awards over ordinary shares	Exercise price p	Date from which exercisable	Expiry date of grant or award
Mark Dixon	08/09/04	1,708,108	64.75	08/09/07	08/09/14
Ruby Lobo	08/09/04	778,378	64.75	08/09/07	08/09/14

All options were granted at the then prevailing market price. There have been no movements in the year.

Directors' interests under the LTIP

Details of awards over ordinary shares in the Company granted to the directors under the LTIP, all for nil consideration, are as follows:

	LTIP
	At 1 January 2006 and 31 December 2006
Mark Dixon	337,398
Rudy Lobo	186,992
Stephen Gleadle	325,203

No LTIP Awards vested or were granted during the year. The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to in the LTIP section on page 30.

The performance period for the LTIP Awards is 3 November 2005 to 31 December 2008.

Directors' interests under the CIP
Details of awards over ordinary shares in the Company granted to the directors under the CIP, all for nil consideration, are as follows:

	At 1 January 2006	Investment Shares awarded	Matching Shares awarded	CIP At 31 December 2006
Mark Dixon	–	193,473	773,892	967,365
Rudy Lobo	–	101,981	407,924	509,905
Stephen Gleadle	–	–	–	–

No CIP Awards vested during the year. The entitlement to Matching Shares under the CIP is subject to achieving the performance conditions referred to in the CIP section on page 30.

The performance period for the CIP Matching Share Awards is 1 January 2006 to 31 December 2008. The mid market price of the Company's ordinary shares at 31 December 2006 was 124.5p and the range during the year was 93.5p to 125.75p.

None of the directors had a beneficial interest in any contract of any significance in relation to the business of the Company or its subsidiaries at any time during the financial year.

Annual resolution
Shareholders will be given the opportunity to approve the Remuneration Report at the AGM on 24 May 2007.

Audit requirement
Within the Remuneration Report, the sections on director's remuneration, shareholdings and pension benefits on pages 31 to 33 inclusive, are audited. All other sections of the Remuneration Report are unaudited.

On behalf of the Board

Martin Robinson
Chairman, Remuneration Committee
19 March 2007

Director statements

Statement of directors' responsibilities in respect of the Annual Report and financial statements

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law.

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company 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;

> For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;

> For the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and

> Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, a Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

Statutory statement as to disclosure to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors' report
to the members of Regus Group plc

We have audited the Group and parent company financial statements (the "financial statements") of Regus Group plc for the year ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 an auditor's report 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

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 34.

Our responsibility is to audit the financial statements and the part of the directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review, the Financial Review and the Corporate Responsibility Report that is cross referenced from the business review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Financial Reporting Council Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 and the part of the directors' Remuneration Report to be audited 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 and the part of the directors' Remuneration Report to be audited.

Opinion

In our opinion:

> the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

> the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December;

> the parent company financial statements and the part of the directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

> the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants and Registered Auditor
8 Salisbury Square, London EC4Y 8BB
19 March 2007

Consolidated income statement

	notes	Year ended 31 Dec 2006 £m	Year ended 31 Dec 2005 £m
Revenue	3	**680.0**	463.3
Cost of sales before non-recurring costs		**(495.9)**	(346.2)
Non-recurring cost of sales	6	**–**	0.1
Cost of sales		**(495.9)**	(346.1)
Gross profit (centre contribution)		**184.1**	117.2
Administration expenses before non-recurring expenses		**(101.9)**	(64.9)
Non-recurring administration expenses	6	**–**	(5.0)
Administration expenses		**(101.9)**	(69.9)
Operating profit	5	**82.2**	47.3
Share of post-tax loss of joint ventures	20	**(0.1)**	(0.2)
Share of post-tax profit of associate	20	**1.2**	0.2
Profit before financing costs		**83.3**	47.3
Finance expense	8	**(8.0)**	(10.8)
Finance income	8	**2.2**	2.2
Profit before tax for the year		**77.5**	38.7
Tax credit	9	**4.8**	6.1
Profit after tax for the year		**82.3**	44.8
Attributable to:			
Equity shareholders of the parent		**82.3**	44.5
Minority interests		**–**	0.3
		82.3	44.8
Earnings per ordinary share (EPS):			
Basic (p)	10	**8.4**	4.5
Diluted (p)	10	**8.3**	4.5

Consolidated balance sheet

	notes	As at 31 Dec 2006 £m	As at 31 Dec 2005 *Restated* (a) £m
Non-current assets			
Goodwill	12	**212.1**	122.1
Other intangible assets	13	**51.0**	38.9
Property, plant and equipment	14	**127.6**	76.6
Deferred tax assets	9	**35.4**	21.9
Other long term receivables	15	**20.7**	11.8
Investments in joint ventures	20	**0.9**	0.7
		447.7	272.0
Current assets			
Trade and other receivables	16	**148.2**	85.3
Corporation tax receivable		**2.9**	2.5
Cash and cash equivalents		**80.9**	74.1
		232.0	161.9
Total assets		**679.7**	433.9
Current liabilities			
Trade and other payables	17	**(124.3)**	(73.8)
Customer deposits		**(103.4)**	(61.7)
Deferred income		**(73.5)**	(45.6)
Corporation tax payable		**(25.5)**	(12.3)
Obligations under finance leases	18	**(2.5)**	(4.8)
Bank and other loans	18	**(8.2)**	(24.5)
Provisions for liabilities and charges	19	**(3.1)**	(7.2)
		(340.5)	(229.9)
Net current liabilities		**(108.5)**	(68.0)
Total assets less current liabilities		**339.2**	204.0
Non-current liabilities			
Trade and other payables	17	**(51.8)**	(27.9)
Obligations under finance leases	18	**(1.4)**	(3.4)
Bank and other loans	18	**(45.4)**	(5.4)
Deferred tax liabilities	9	**(1.7)**	–
Provisions for liabilities and charges	19	**(11.7)**	(7.9)
Provision for deficit on joint ventures	20	**(2.7)**	(2.8)
Provision for deficit on associate	20	**–**	(3.8)
		(114.7)	(51.2)
Total liabilities		**(455.2)**	(281.1)
Total assets less liabilities		**224.5**	152.8
Total equity			
Issued share capital	21	**49.2**	49.2
Share premium account		**–**	153.5
Foreign currency translation reserve		**(17.5)**	5.0
Revaluation reserve		**10.0**	–
Other reserves		**(22.6)**	(22.6)
Retained earnings		**205.4**	(32.3)
Total equity		**224.5**	152.8
Total equity and liabilities		**679.7**	433.9

(a) See note 2 for details of the restatement.

Approved by the Board on 19 March 2007.

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Consolidated cash flow statement

	notes	Year ended 31 Dec 2006 £m	Year ended 31 Dec 2005 £m
Profit before tax for the year		**77.5**	38.7
Adjustments for:			
Net finance costs		**5.8**	8.6
Net share of profit on joint ventures and associate		**(1.1)**	–
Depreciation charge		**31.8**	25.6
Loss on disposal of fixed assets		**0.4**	0.3
Amortisation of intangible assets		**6.0**	3.8
Decrease in provisions		**(0.6)**	(5.7)
Operating cash flows before movements in working capital		**119.8**	71.3
Increase in trade and other receivables		**(31.3)**	(17.8)
Increase in trade and other payables		**42.5**	23.8
Other non-cash movements – share based payments		**1.8**	0.8
Cash generated from operations		**132.8**	78.1
Interest paid on finance leases		**(0.5)**	(1.0)
Interest paid on credit facilities		**(5.2)**	(5.5)
Tax paid		**(6.6)**	(2.6)
Net cash inflow from operating activities		**120.5**	69.0
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	25	**(88.5)**	(16.7)
Purchase of interest in joint ventures		**–**	(0.1)
Sale of tangible fixed assets		**0.3**	0.2
Purchase of tangible fixed assets		**(46.3)**	(17.0)
Purchase of intangible assets		**(0.4)**	(0.5)
Interest received		**2.2**	2.2
Net cash outflow from investing activities		**(132.7)**	(31.9)
Financing activities			
Net proceeds from issue of loans		**62.7**	–
Repayment of loans		**(33.5)**	(39.4)
Repayment of capital elements of finance leases		**(5.0)**	(8.1)
Facility arrangement fees		**(1.2)**	–
Net cash inflow/(outflow) from financing activities		**23.0**	(47.5)
Net increase/(decrease) in cash and cash equivalents		**10.8**	(10.4)
Cash and cash equivalents at beginning of year		**74.1**	82.3
Effect of exchange rate fluctuations on cash held		**(4.0)**	2.2
Cash and cash equivalents at end of year	22	**80.9**	74.1

Consolidated statement of changes in equity

	Attributable to equity holders of the parent (a)							
	Share capital £m	Share premium account £m	Foreign currency translation reserve £m	Revaluation reserve £m	Other £m	Retained earnings £m	Minority interests £m	Total equity £m
Balance at 1 January 2005	**49.3**	**153.5**	**(8.3)**	**–**	**(22.7)**	**(77.5)**	**(0.6)**	**93.7**
Profit attributable to equity holders	–	–	–	–	–	44.5	–	44.5
Profit attributable to minority interest	–	–	–	–	–	–	0.3	0.3
Currency translation differences	–	–	13.3	–	–	–	(0.1)	13.2
Liquidation of subsidiary	–	–	–	–	–	–	0.6	0.6
Acquisitions (b)	–	–	–	–	–	–	(0.2)	(0.2)
Total recognised income and expense for the year	–	–	13.3	–	–	44.5	0.6	58.4
Share based payments	–	–	–	–	–	0.8	–	0.8
Redemption of preference shares	(0.1)	–	–	–	0.1	(0.1)	–	(0.1)
Balance at 31 December 2005	**49.2**	**153.5**	**5.0**	**–**	**(22.6)**	**(32.3)**	**–**	**152.8**
Profit attributable to equity holders	–	–	–	–	–	82.3	–	82.3
Currency translation differences	–	–	(22.5)	–	–	–	–	(22.5)
Acquisitions (see note 25)	–	–	–	10.0	–	–	–	10.0
Deferred tax effect of share options	–	–	–	–	–	0.1	–	0.1
Total recognised income and expense for the year	–	–	(22.5)	10.0	–	82.4	–	69.9
Share based payments	–	–	–	–	–	1.8	–	1.8
Scheme of Arrangement (c)	–	(153.5)	–	–	–	153.5	–	–
Balance at 31 December 2006	**49.2**	**–**	**(17.5)**	**10.0**	**(22.6)**	**205.4**	**–**	**224.5**

(a) Total reserves attributable to equity holders of the parent:
> Share capital and share premium account represents the net proceeds (both the nominal value and any premium paid) on the issue of the Company's equity share capital.
> The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
> The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate to fair value at the time of the acquisition of the outstanding 58% interest (see note 25).
> Other reserves include £29.2 million arising from the Scheme of Arrangement undertaken in 2003, partly offset by £6.5 million relating to merger reserves and £0.1 million to the redemption of preference shares.

(b) During the year ended 31 December 2005 the Group acquired the minority interest of subsidiaries in South Africa and Italy.

(c) On 28 June 2006 the Group executed a court order granting the cancellation of the share premium account under a Scheme of Arrangement. The effect of this was to increase by the same amount the distributable reserves for the Group. The cancellation was undertaken in the books of Regus Group plc where the share premium was held. Details of the Scheme of Arrangement were contained within the notice of the AGM dated 3 April 2006.

Notes to the accounts

1 Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2006 were authorised for issue by the Board of directors on 19 March 2007 and the balance sheets were signed on the Board's behalf by Mark Dixon and Stephen Gleadle. Regus Group plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 69 to 70.

2 Accounting policies

Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements. Amendments to adopted IFRSs issued by International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2006 did not have a material effect on the Group financial statements.

In addition, in order to provide more detailed disclosures the Group has made certain presentational changes to the financial statements for 2006 and has restated the comparative information for 2005 so that the accounts are presented on a comparative basis.

The following changes have been made:

> £0.7 million relating to the share of net assets of joint ventures has been reclassified from provision for deficits in joint ventures to assets;

> £11.8 million relating to long term assets, principally landlord deposits, have been reclassified from current assets.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

The financial statements are prepared on a historical cost basis, with the exception of certain financial assets and liabilities that are measured at fair value.

The Group and Company financial statements are presented in pounds sterling and all values are in million pounds, rounded to one decimal place, except where indicated otherwise.

Adopted IFRSs not yet applied

The following adopted IFRSs were available for early application but have not been applied by the Group in these financial statements:

IFRS 7 "Financial Instruments: Disclosure" applicable for accounting periods commencing on or after 1 January 2007. The impact on the Group's financial statements on the initial application of this Standard is not expected to be significant.

IAS 1 Amendment "Presentation of Financial Statements: Capital Disclosures" applicable for accounting periods commencing on or after 1 January 2007. The impact of this Amendment on the Group's financial statements is not expected to be significant.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences. The results are consolidated until the date control ceases or the subsidiary qualifies as a discontinued operation or disposal group at which point the assets and liabilities are carried at fair value.

The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or the associate qualifies as a discontinued operation or disposal group at which point the investment is carried at fair value. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint ventures include jointly controlled entities that are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases or the jointly controlled entity qualifies as a discontinued operation or disposal group at which point the investment is carried at fair value.

On 19 April 2006 the Group acquired the remaining 58% of the shares of the UK business that were not already owned by the Group. As a result the Group fully consolidated the UK business from that date. The acquisition was accounted for through the purchase method and as a consequence the entire assets and liabilities of the UK business were revalued to fair value. The effect of these adjustments on the 42% of the UK business already owned was reflected in the revaluation reserve.

Goodwill

All business combinations are accounted for using the purchase method. Goodwill represents the difference between the cost of acquisition over the share of the fair value of identifiable net assets (including intangible assets) of a subsidiary, associate or jointly controlled entity at the date of acquisition. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill arising on the acquisition of interests in associates or joint ventures is reflected in the carrying value of the investment.

Business combinations that took place prior to the Group's transition date to IFRS on 1 January 2004 have not been restated under the requirements of IFRS.

2 Accounting policies continued

Positive goodwill is stated at cost less any provision for impairment in value. An impairment test is carried out annually and, in addition, whenever indicators exist that the carrying amount may not be recoverable. Positive goodwill is allocated to cash-generating units for the purpose of impairment testing.

Impairment

The carrying amounts of the Group's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 31 October 2006.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of relevant assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Intangible assets

Intangible assets acquired separately from the business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be measured on initial recognition.

Intangible assets are amortised on a straight-line basis over the estimated useful life of the assets as follows:

Brand – Regus brand	Indefinite life
Brand – other acquired brands	20 years
Computer software	3-5 years
Customer lists	1-2 years

Amortisation of intangible assets is expensed through administration expenses in the income statement.

Leases

Plant and equipment leases for which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases, including all of the Group's property leases are categorised as operating leases.

Finance leases

Plant and equipment acquired by way of a finance lease is capitalised at the commencement of the lease at the lower of its fair value and the present value of the minimum lease payments at inception. Future payments under finance leases are included in creditors, net of any future finance charges. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance charges are recognised in the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Minimum lease payments under operating leases are recognised in the income statement on a straight-line basis over the lease term. Lease incentives and rent free periods are included in the calculation of minimum lease payments. The commencement of the lease term is the date from which the Group is entitled to use the leased asset. The lease term is the non-cancellable period of the lease, together with any further periods for which the Group has the option to continue to lease the asset and when at the inception of the lease it is reasonably certain that the Group will exercise that option.

Contingent rentals include rent increases based on future inflation indices or non-guaranteed rental payments based on centre turnover or profitability and are excluded from the calculation of minimum lease payments. Contingent rentals are recognised in the income statement as they are incurred.

Non-recurring items

Non-recurring items are those significant items, which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to non-recurring items are restructuring, integration costs and onerous commitments.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Fixtures and fittings	Over the shorter of the lease term and 10 years
Furniture	10 years
Office equipment and telephones	5-10 years
Motor vehicles	4 years
Computer hardware	3-5 years

Revenue

Revenue from the provision of services to customers is measured at the fair value of consideration received or receivable (excluding sales taxes).

Workstations

Workstation revenue is recognised when the provision of the service is rendered. Amounts invoiced in advance are deferred and recognised as revenue upon provision of the service.

Customer service income

Service income (including the rental of meeting rooms) is recognised as services are rendered. In circumstances where Regus acts as an agent for the sale and purchase of goods to customers, only the commission fee earned is recognised as revenue.

Management and franchise fees

Fees received for the provision of initial and subsequent services are recognised as revenue as the services are rendered. Fees charged for the use of continuing rights granted by the agreement, or for other services

Notes to the accounts
continued

2 Accounting policies continued

provided during the period of the agreement, are recognised as revenue as the services are provided or the rights used.

These categories represent all material sources of revenue earned from the provision of global workplace solutions.

Employee benefits

The Group's contributions to defined contribution plans and other paid and unpaid benefits earned by employees are charged to the income statement as incurred.

Share based payments

The share option programme entitles certain employees and directors to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using Black Scholes valuation model or the Monte Carlo method, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights (CIP) are also granted by the Company to certain employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in equity. The fair value is initially recognised at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on the Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date and any change in fair value recognised in profit or loss spread equally over the vesting period.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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 provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced and where the appropriate communication to those affected has been undertaken at the balance sheet date.

Provision is made for onerous contracts to the extent that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be delivered, discounted using an appropriate weighted average cost of capital.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the balance sheet date and the gains or losses on translation are taken to the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The results and cash flows of overseas operations are translated using the average rate for the period. Assets and liabilities, including goodwill and fair value adjustments, of overseas operations are translated using the closing rate with all exchange differences arising on consolidation being recognised in the foreign currency translation reserve. Exchange differences are released to the income statement on disposal.

Under the transition requirements of IFRS, cumulative translation differences for all foreign operations have been set to zero at 1 January 2004.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Finance charges

Interest charges and income are accounted for in the income statement on an accruals basis. Deferred finance fees are charged to the income statement through the interest expense using the effective rate method.

Where assets or liabilities on the Group balance sheet are carried at a discounted amount, the increase in the amount due to unwinding the discount is recognised as a finance expense or finance income as appropriate.

2 Accounting policies continued

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Foreign currency translation rates

	At 31 December		Annual average	
	2006	2005	**2006**	2005
US dollar	**1.96**	1.73	**1.85**	1.81
Euro	**1.48**	1.46	**1.47**	1.46
Japanese yen	**233**	203	**215**	200

3 Segmental analysis – statutory basis

Segment information is presented in respect of the Group's geographical segments. The Group's primary activity and only business segment is the provision of global workplace solutions. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There is no inter-segment trading. Management fees are in consideration of subsidiaries use of intellectual property and Group services including, but not limited to, business development services, purchasing, information technology, sales and marketing, finance and treasury, human resources and legal services. Unallocated items comprise mainly interest bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost (calculated on an accruals basis) incurred during the period to acquire segment assets that are expected to be used for more than one year. The business is run on a worldwide basis, but managed through four principal geographical segments: Americas; Europe, Middle East and Africa (EMEA); Asia Pacific and the United Kingdom. The United Kingdom segment was added following the acquisition on 19 April 2006 of the remaining 58% of the share capital of the UK business (see note 25). The United Kingdom segment does not include the Group's non-trading head office and holding companies that are based in the UK. These are shown as unallocated. The results of business centres in each of these regions form the basis for reporting geographical results.

	Americas	EMEA	Asia Pacific	United Kingdom	Unallocated	Total
	2006 £m	**2006 £m**	**2006 £m**	**2006 £m**	**2006 £m**	**2006 £m**
Revenue	**305.9**	**195.9**	**50.9**	**126.6**	**0.7**	**680.0**
Gross profit (centre contribution)	**86.5**	**60.0**	**16.0**	**20.9**	**0.7**	**184.1**
Management fees – income/(charges)	**(6.0)**	**(8.7)**	**(2.8)**	**(1.7)**	**19.2**	**–**
Operating profit	**43.1**	**26.2**	**6.1**	**5.3**	**1.5**	**82.2**
Share of profit/(loss) of joint ventures	**0.2**	**(0.2)**	**–**	**(0.1)**	**–**	**(0.1)**
Share of profit of UK associate	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Finance expense					**(8.0)**	**(8.0)**
Finance income					**2.2**	**2.2**
Profit before tax					**77.5**	**77.5**
Tax credit					**4.8**	**4.8**
Profit after tax	**–**	**–**	**–**	**–**	**82.3**	**82.3**
EBITDA (see note 4)	**69.6**	**40.7**	**11.6**	**15.5**	**(17.4)**	**120.0**
Depreciation	**16.8**	**5.5**	**2.5**	**6.9**	**0.1**	**31.8**
Amortisation	**3.7**	**0.3**	**0.2**	**1.6**	**0.2**	**6.0**
Provision for bad debts	**1.2**	**0.6**	**–**	**0.1**	**–**	**1.9**
Share based payments	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Assets	**241.9**	**70.4**	**39.8**	**200.9**	**126.7**	**679.7**
Liabilities	**(106.8)**	**(108.3)**	**(25.7)**	**(122.2)**	**(92.2)**	**(455.2)**
Net assets/(liabilities)	**135.1**	**(37.9)**	**14.1**	**78.7**	**34.5**	**224.5**
Capital expenditure incurred	**21.9**	**10.0**	**7.5**	**7.8**	**0.4**	**47.6**

Notes to the accounts
continued

3 Segmental analysis – statutory basis continued

	Americas 2005 £m	EMEA 2005 £m	Asia Pacific 2005 £m	United Kingdom 2005 £m	Unallocated 2005 £m	Total 2005 £m
Revenue	261.6	165.5	33.6	–	2.6	463.3
Gross profit (centre contribution)	61.5	43.2	9.8	–	2.7	117.2
Management fees – income/(charges)	(0.1)	(8.3)	(2.1)	–	10.5	–
Operating profit/(loss)	32.5	15.7	3.0	–	(3.9)	47.3
Share of profit/(loss) of joint ventures	(0.3)	0.1	–	–	–	(0.2)
Share of profit of UK associate	–	–	–	–	0.2	0.2
Finance expense					(10.8)	(10.8)
Finance income					2.2	2.2
Profit before tax					38.7	38.7
Tax credit					6.1	6.1
Profit after tax					44.8	44.8
EBITDA (see note 4)	54.8	29.3	6.9	–	(9.4)	81.6
Depreciation	18.4	5.3	1.8	–	0.1	25.6
Amortisation	3.8	–	–	–	–	3.8
Provision for bad debts	1.6	0.9	–	–	–	2.5
Share based payments	–	–	–	–	0.8	0.8
Assets	262.9	61.6	26.0	–	83.4	433.9
Liabilities	(92.1)	(110.3)	(22.0)	–	(56.7)	(281.1)
Net assets/(liabilities)	170.8	(48.7)	4.0	–	26.7	152.8
Capital expenditure incurred	8.2	5.3	5.8	–	0.1	19.4

Assets and liabilities within the unallocated category comprise financing and tax items which are used across the Group and cannot be allocated to segments on a meaningful basis.

Unallocated revenue represents management fees earned from the UK business prior to the acquisition of the remaining 58% interest and therefore it is not considered meaningful to include this within the United Kingdom segment.

4 Reconciliation of operating profit to adjusted EBIT and EBITDA

Year ended 31 December 2006	Americas £m	EMEA £m	Asia Pacific £m	United Kingdom £m	Other £m	Total £m
Operating profit (excluding management charges)	**49.1**	**34.9**	**8.9**	**7.0**	**(17.7)**	**82.2**
Non-recurring items	**–**	**–**	**–**	**–**	**–**	**–**
Adjusted EBIT	**49.1**	**34.9**	**8.9**	**7.0**	**(17.7)**	**82.2**
Depreciation and amortisation	**20.5**	**5.8**	**2.7**	**8.5**	**0.3**	**37.8**
EBITDA	**69.6**	**40.7**	**11.6**	**15.5**	**(17.4)**	**120.0**

4 Reconciliation of operating profit to adjusted EBIT and EBITDA continued

Year ended 31 December 2005	Americas £m	EMEA £m	Asia Pacific £m	United Kingdom £m	Other £m	Total £m
Operating profit (excluding management charges)	32.6	24.0	5.1	–	(14.4)	47.3
Non-recurring items	–	–	–	–	4.9	4.9
Adjusted EBIT	32.6	24.0	5.1	–	(9.5)	52.2
Depreciation and amortisation	22.2	5.3	1.8	–	0.1	29.4
EBITDA	54.8	29.3	6.9	–	(9.4)	81.6

Notes:
> Adjusted EBIT and EBITDA excludes the results of the joint ventures and UK associate.

5 Operating profit

Operating profit has been arrived at after charging:

	2006 £m	2005 £m
Depreciation on property, plant and equipment		
Owned assets	**31.0**	20.6
Finance leases	**0.8**	5.0
Provision for bad debts	**1.9**	2.5
Amortisation of intangibles	**6.0**	3.8
Loss on disposal of fixed assets	**0.4**	0.3
Exchange differences recognised in the income statement	**1.0**	(0.9)
Rents payable in respect of operating leases		
Property	**224.5**	165.5
Equipment	**2.3**	2.9
Contingent rents paid	**5.6**	2.6
Staff costs (see note 7)	**122.5**	88.6
Fees payable to the Group's auditor for the audit of the Group accounts	**0.2**	0.2
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**0.8**	0.5
Other services	**0.2**	–
Due diligence on acquisitions (included within cost of acquisitions)	**0.2**	0.1

6 Non-recurring items

Included in the results for the year to 31 December 2006 were non-recurring items amounting to £nil (2005: £4.9 million).

	2006 £m	2005 £m
Cost of sales:		
Onerous leases, related closure and restructuring costs	**–**	0.1
	–	0.1
Administration expenses:		
Costs relating to the integration of HQ	**–**	(4.7)
Release of surplus provisions relating to Chapter 11 and Scheme of Arrangement	**–**	1.5
Indemnity claim with landlord	**–**	(1.8)
	–	(5.0)
Non-recurring items	**–**	(4.9)

The above items have been reported as non-recurring items and are disclosed separately as they are relevant to the understanding of the Group's financial performance.

Notes to the accounts
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7 Staff costs and numbers

	2006 £m	2005 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**103.8**	75.5
Social security	**16.3**	11.9
Pension costs	**0.6**	0.4
Share based payments	**1.8**	0.8
	122.5	88.6

	2006 Average full time equivalents	2005 Average full time equivalents
The average number of persons employed by the Group (including executive directors), analysed by category and geography, was as follows:		
Centre staff	**2,888**	2,043
Sales staff	**244**	209
Finance staff	**233**	170
Other staff	**367**	183
	3,732	2,605
Americas	**1,702**	1,443
EMEA	**1,080**	909
United Kingdom	**468**	–
Asia Pacific	**421**	208
Corporate functions	**61**	45
	3,732	2,605

Details of directors' emoluments and interests are given in the Remuneration Report on pages 27 to 33.

8 Net finance expense

	2006 £m	2005 £m
Interest payable and similar charges on bank loans	**(4.6)**	(5.6)
Interest payable and similar charges on finance leases	**(0.5)**	(0.9)
Total interest expense	**(5.1)**	(6.5)
Deferred financing fees	**(0.4)**	(4.3)
Unwinding of discount rates	**(2.5)**	–
Total finance expense	**(8.0)**	(10.8)
Total interest income	**1.8**	2.2
Unwinding of discount rates	**0.4**	–
Total finance income	**2.2**	2.2
Net finance expense	**(5.8)**	(8.6)

Deferred financing fees relate to loan arrangement costs on the £150 million senior credit facilities signed in March and April 2006.

9 Taxation

(a) Analysis of credit in the year

	2006 £m	2005 *Restated* £m
Current taxation		
Corporate income tax	**(24.8)**	(16.4)
Benefit from previously unrecognised tax losses and temporary differences	**16.7**	8.8
Under provision in respect of prior years	**–**	(1.3)
Total current taxation	**(8.1)**	(8.9)
Deferred taxation		
Origination and reversal of temporary differences	**(3.0)**	–
Benefit from previously unrecognised tax losses and temporary differences	**16.2**	12.8
(Under)/over provision in respect of prior years	**(0.3)**	2.2
Total deferred taxation	**12.9**	15.0
Tax credit on profit on ordinary activities	**4.8**	6.1

(b) Reconciliation of taxation credit

	2006		2005	
	£m	%	£m	%
Profit before tax	**77.5**		38.7	
Tax on profit at 30% (2005: 30%)	**(23.2)**	**(30.0)**	(11.6)	(30.0)
Tax effects of:				
Expenses not deductible for tax purposes	**(1.8)**	**(2.3)**	(2.7)	(6.9)
Items not chargeable for tax purposes	**3.2**	**4.1**	1.5	3.9
Recognition of previously unrecognised deferred tax assets	**32.9**	**42.5**	21.6	55.8
Movements in temporary differences in the year not recognised in deferred tax	**(2.4)**	**(3.1)**	(1.8)	(4.7)
Differences in tax rates on overseas earnings	**(3.6)**	**(4.6)**	(1.8)	(4.7)
Adjustment to tax charge in respect of previous years	**(0.3)**	**(0.4)**	0.9	2.3
	4.8	**6.2**	6.1	15.7

The applicable tax rate is determined based on the tax rate in the UK which is the effective tax rate applicable in the country of domicile of the parent company of the Group and is unchanged from 2005.

(c) Factors that may effect the future tax charge

Unrecognised tax losses to carry forward against certain future overseas corporation tax liabilities have the following expiration dates:

	2006 £m	2005 £m
2006	**–**	1.2
2007	**1.8**	2.1
2008	**1.1**	4.6
2009	**1.7**	3.7
2010	**2.1**	2.2
2011	**1.4**	1.0
2012	**3.3**	2.9
2013 and later	**56.6**	146.1
	68.0	163.8
Available indefinitely	**44.0**	64.9
Unrecognised tax losses available to carry forward	**112.0**	228.7
Amount of tax losses recognised in the deferred tax asset	**85.9**	41.5
Total tax losses available to carry forward	**197.9**	270.2

The following deferred tax assets have not been recognised due to uncertainties over recoverability.

	2006 £m	2005 £m
Accelerated capital allowances	**5.5**	3.3
Tax losses	**37.1**	76.5
Short term timing differences	**4.8**	10.9
	47.4	90.7

Notes to the accounts
continued

9 Taxation continued
(d) Corporation tax

	2006 £m	2005 £m
Corporation tax payable	**(25.5)**	(12.3)
Corporation tax receivable	**2.9**	2.5

(e) Deferred taxation
The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Short term temporary differences £m	2006 Total £m	2005 Total £m
Deferred tax asset						
At 1 January	(17.3)	15.0	15.7	8.5	21.9	6.2
Current year movement	(1.5)	(0.7)	18.1	(2.1)	13.8	12.8
Prior year movement	(0.1)	1.9	(2.3)	0.4	(0.1)	2.2
Deferred tax recognised directly in reserves on shares options	–	–	–	0.1	0.1	–
Acquisitions	(5.8)	(1.7)	–	7.7	0.2	0.2
Transfers	(0.6)	–	–	0.5	(0.1)	0.3
Exchange movement	2.2	(1.6)	(0.1)	(0.9)	(0.4)	0.2
At 31 December 2006	**(23.1)**	**12.9**	**31.4**	**14.2**	**35.4**	
At 31 December 2005	(17.3)	15.0	15.7	8.5		21.9
Deferred tax liability						
At 1 January	–	–	–	–	–	–
Current year movement	–	(0.3)	–	(0.3)	(0.6)	–
Prior year movement	–	–	–	(0.2)	(0.2)	–
Acquisitions	–	–	–	(0.9)	(0.9)	–
At 31 December 2006	**–**	**(0.3)**	**–**	**(1.4)**	**(1.7)**	**–**

Deferred tax assets recognised on short term temporary differences consist predominantly of rental income recognised for tax purposes in different periods and also provisions deductible when paid and share based payment.

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £26.7 million (2005: £17.0 million). It is considered that no significant tax liability would arise should these reserves be remitted due to available overseas tax credits.

10 Earnings per ordinary share (basic and diluted)

	2006	2005
Profit attributable to ordinary equity shareholders of the parent	**£82.3m**	£44.5m
Weighted average number of shares outstanding during the year	**984,792,040**	984,792,040
Average market price of one share during the year	**108.7p**	99.8p
Weighted average number of shares under option during the year	**7,261,924**	7,261,924
Exercise price for shares under option during the year	**60.37p**	60.37p

	Profit		Earnings per share	
	2006 £m	2005 £m	2006 pence	2005 pence
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	**82.3**	44.5	**8.4**	4.5
Diluted earnings per share			**8.3**	4.5

	2006	2005
Weighted average number of shares for basic EPS (number)	**984,792,040**	984,792,040
Weighted average number of shares under option during the year	**7,261,924**	7,261,924
Weighted average number of shares that would have been issued at average market price	**(4,033,140)**	(4,392,809)
Weighted average number of awards under the CIP	**1,620,207**	772,196
Weighted average number of shares for diluted EPS (number)	**989,641,031**	988,433,351

Options are considered dilutive when they would result in the issue of ordinary shares for less than the market price of ordinary shares in the period. The amount of the dilution is taken to be the average market price of shares during the period minus the issue price. The number of awards granted under the 2006 CIP are an indicative number based on the year-end share price.

11 Dividends

The Company has proposed to shareholders that a final dividend of 0.6 pence per share will be paid (2005: nil). Subject to shareholder approval it is expected that the dividend will be paid by 1 June 2007.

12 Goodwill

	£m
Cost	
At 1 January 2005	96.0
Recognised on acquisition of subsidiaries	15.3
Exchange differences	10.8
At 31 December 2005	**122.1**
At 1 January 2006	122.1
Recognised on acquisition of subsidiaries	104.0
Exchange differences	(14.0)
At 31 December 2006	**212.1**
Net book value	
At 1 January 2006	122.1
At 31 December 2006	**212.1**

Cash-generating units, comprising individual business centres, are grouped by country of operation for the purpose of carrying out impairment reviews of non-current assets as this is the lowest level at which goodwill can be assessed. Goodwill acquired through business combinations is held at a country level and is subject to impairment reviews based on the cash flows of these cash-generating units. The goodwill attributable to the reportable business segments is as follows:

	2006 £m	2005 £m
Carrying amount of goodwill included within the Americas business segment	**115.0**	118.8
Carrying amount of goodwill included within the EMEA business segment	**1.8**	2.2
Carrying amount of goodwill included within the Asia Pacific business segment	**7.3**	1.1
Carrying amount of goodwill included within the United Kingdom business segment	**88.0**	–
	212.1	122.1

Specific groups of cash-generating units for which the carrying amount of goodwill and indefinite life intangible assets is significant are as follows:

	Goodwill £m	Intangible assets £m	**2006 £m**	2005 £m
USA	108.8	–	**108.8**	114.7
UK	88.0	11.2	**99.2**	–

The recoverable amount of each of the groups of cash-generating units above has been determined based on their value in use, calculated as the present value of future cash flows attributable to the group.

The following key assumptions have been used in calculating value in use for each group of cash-generating units:

> future cash flows are based on budgets for 2007 approved by the Board. Thereafter a prudent growth rate, not exceeding 3% has been applied to revenues for the first five years with 0% growth thereafter.

> a terminal value is included in the assessment reflecting the Group's expectation that it will continue to operate in these markets.

> a pre-tax discount rate has been applied to future cash flows for each group of cash-generating units, based on an underlying post-tax discount rate of 12%, grossed up by the applicable tax rate in each country.

The calculation of the value in use is sensitive to changes in the expected level of long term profitability and the discount rate applied to the future cash flows. The trading conditions in which the Group operates is subject to competitive and economic pressures that can have a material effect on the operating performance of the business.

Forseeable events are unlikely to result in a change in the projections of a significant nature so as to result in a cash-generating units carrying amount to exceed its recoverable amount. A fall of more than 12% in the future cash flows would be required to result in the carrying amount exceeding the recoverable amount.

There is no goodwill relating to the Group's joint ventures.

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13 Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2005	34.2	2.0	8.1	44.3
Additions at cost	–	–	0.5	0.5
Acquisition of subsidiaries	–	1.1	–	1.1
Disposals	–	–	(0.2)	(0.2)
Exchange rate movements	3.7	0.2	0.5	4.4
At 31 December 2005	**37.9**	**3.3**	**8.9**	**50.1**
At 1 January 2006	37.9	3.3	8.9	50.1
Additions at cost	–	–	0.4	0.4
Acquisition of subsidiaries	11.2	10.1	0.6	21.9
Disposals	–	–	(3.1)	(3.1)
Exchange rate movements	(4.3)	(0.3)	(0.7)	(5.3)
At 31 December 2006	**44.8**	**13.1**	**6.1**	**64.0**
Amortisation				
At 1 January 2005	0.7	0.3	6.1	7.1
Charge for the year	1.9	1.1	0.8	3.8
Exchange rate movements	–	0.1	0.2	0.3
At 31 December 2005	**2.6**	**1.5**	**7.1**	**11.2**
At 1 January 2006	2.6	1.5	7.1	11.2
Charge for the year	1.8	2.9	1.3	6.0
Disposals	–	–	(3.1)	(3.1)
Exchange rate movements	(0.3)	(0.2)	(0.6)	(1.1)
At 31 December 2006	**4.1**	**4.2**	**4.7**	**13.0**
Net book value				
At 31 December 2006	**40.7**	**8.9**	**1.4**	**51.0**
At 31 December 2005	35.3	1.8	1.8	38.9

Included with the brand value is £11.2 million relating the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006. The Regus brand acquired in this transaction is assumed to have an indefinite useful life due to the fact that the value of the brand is intrinsically linked to the continuing operation of the Group.

As a result of the Regus brand acquired with the UK business having an indefinite useful life no amortisation is charged but the carrying value is assessed for impairment on an annual basis. The brand was tested at 31 October 2006 against the recoverable amount of the UK business segment at the same time as the goodwill arising on the acquisition of the UK business (see note 12).

14 Property, plant and equipment

	Furniture, fittings and motor vehicles £m	Computers £m	Total £m
Cost			
At 1 January 2005	234.0	15.4	249.4
Additions	17.7	1.7	19.4
Acquisition of subsidiaries	2.3	–	2.3
Disposals	(15.3)	(0.5)	(15.8)
Exchange rate movements	14.1	0.5	14.6
At 31 December 2005	**252.8**	**17.1**	**269.9**
At 1 January 2006	252.8	17.1	269.9
Additions	46.2	1.4	47.6
Acquisition of subsidiaries	43.6	0.7	44.3
Disposals	(23.6)	(3.9)	(27.5)
Reclassifications	(2.9)	2.9	–
Exchange rate movements	(23.4)	(1.1)	(24.5)
At 31 December 2006	**292.7**	**17.1**	**309.8**
Accumulated depreciation			
At 1 January 2005	159.7	13.6	173.3
Charge for the year	24.1	1.5	25.6
Disposals	(13.8)	(0.2)	(14.0)
Exchange rate movements	7.9	0.5	8.4
At 31 December 2005	**177.9**	**15.4**	**193.3**
At 1 January 2006	177.9	15.4	193.3
Charge for the year	29.9	1.9	31.8
Disposals	(22.8)	(3.9)	(26.7)
Exchange rate movements	(15.2)	(1.0)	(16.2)
At 31 December 2006	**169.8**	**12.4**	**182.2**
Net book value			
At 31 December 2006	**122.9**	**4.7**	**127.6**
At 31 December 2005	74.9	1.7	76.6

Additions include £1.4 million in respect of assets acquired under finance leases (2005: £1.9 million).

The net book value of furniture, fittings and motor vehicles include amounts held under finance leases as follows:

	2006 £m	2005 £m
Cost	**42.6**	51.9
Accumulated depreciation	**(37.8)**	(45.6)
Net book value	**4.8**	6.3

15 Other long term receivables

	2006 £m	2005 *Restated* (a) £m
Other receivables	**10.3**	9.2
Amounts owed by joint ventures	**6.9**	–
Prepayments and accrued income	**3.5**	2.6
	20.7	11.8

(a) See note 2 for details of the restatement.

Notes to the accounts
continued

16 Trade and other receivables

	2006 £m	2005 *Restated* (a) £m
Trade receivables	**71.2**	46.1
Amounts owed by joint ventures and associate	**2.3**	5.5
Other receivables	**21.9**	15.0
Prepayments and accrued income	**43.6**	15.5
VAT recoverable	**9.2**	3.2
	148.2	85.3

(a) See note 2 for details of the restatement.

17 Trade and other payables

	2006 £m	2005 £m
Trade payables	**23.0**	20.0
Other tax and social security	**16.7**	7.1
Deferred landlord contributions	**12.4**	2.0
Amounts owed to joint ventures	**0.3**	–
Rent accruals	**11.2**	6.4
Other accruals	**52.0**	27.5
Other creditors	**8.7**	10.8
Total current	**124.3**	73.8

	2006 £m	2005 £m
Accruals and deferred income	**0.6**	1.7
Rent accruals	**50.0**	25.6
Other creditors	**1.2**	0.6
Total non-current	**51.8**	27.9

18 Borrowings

The Group’s total loan and borrowing position at 31 December 2006 and at 31 December 2005 had the following maturity profiles:

Bank and other loans

	2006 £m	2005 £m
Repayments falling due as follows:		
Amounts falling due after more than one year:		
In more than one year but no more than two years	**15.1**	0.1
In more than two years but not more than five years	**30.3**	0.3
In more than five years	**–**	5.0
Total non-current	**45.4**	5.4
Total current	**8.2**	24.5
Total bank and other loans	**53.6**	29.9

18 Borrowings continued

Obligations under finance leases

The maturity of the Group's finance obligations is as follows:

	2006 £m	2005 £m
Amounts payable		
Within one year or on demand	**2.7**	5.2
In more than one year but not more than two years	**0.9**	2.7
In more than two years but not more than five years	**0.7**	1.1
In more than five years	**–**	0.1
	4.3	9.1
Less: finance charges allocated to future periods	**(0.4)**	(0.9)
Present value of future minimum lease payments	**3.9**	8.2
Total current	**2.5**	4.8
Total non-current	**1.4**	3.4
	3.9	8.2

19 Provisions for liabilities and charges

	2006			2005		
	Onerous leases and closures £m	Other £m	Total £m	Onerous leases and closures £m	Other £m	Total £m
At 1 January	**13.3**	**1.8**	**15.1**	21.9	–	21.9
Provided in the period	**1.2**	**3.4**	**4.6**	0.5	1.8	2.3
Utilised in the period	**(1.2)**	**–**	**(1.2)**	(7.2)	–	(7.2)
Acquired with subsidiary undertakings	**0.4**	**–**	**0.4**	–	–	–
Provisions released	**(4.0)**	**–**	**(4.0)**	(2.0)	–	(2.0)
Exchange differences	**(0.1)**	**–**	**(0.1)**	0.1	–	0.1
At 31 December	**9.6**	**5.2**	**14.8**	13.3	1.8	15.1
Analysed between:						
Current	**1.3**	**1.8**	**3.1**	7.2	–	7.2
Non-current	**8.3**	**3.4**	**11.7**	6.1	1.8	7.9
	9.6	**5.2**	**14.8**	13.3	1.8	15.1

Provisions for onerous leases and closure costs relate to the estimated future costs on centre closures and onerous property leases. The maximum period over which these provisions are expected to be utilised expires by 31 December 2012.

Other provisions include the estimated costs of claims against the Group outstanding at the year-end. Due to their nature the maximum period over which these provisions are expected to be utilised is uncertain.

20 Investments in joint ventures and associate

	Provision for deficit in investment in UK associate £m	Provision for deficit in joint ventures £m	Investments in joint ventures £m	Total £m
At 1 January 2005	(4.0)	(2.3)	0.5	(5.8)
Additions	–	0.1	–	0.1
Share of profit/(losses)	0.2	(0.4)	0.2	–
Exchange rate movements	–	(0.2)	–	(0.2)
At 31 December 2005	**(3.8)**	**(2.8)**	**0.7**	**(5.9)**
At 1 January 2006	(3.8)	(2.8)	0.7	(5.9)
Additions	–	–	0.1	0.1
Share of profit/(losses)	1.2	(0.2)	0.1	1.1
Acquisition of the remaining 58% of the UK business	2.6	–	–	2.6
Exchange rate movements	–	0.3	–	0.3
At 31 December 2006	**–**	**(2.7)**	**0.9**	**(1.8)**

Notes to the accounts
continued

20 Investments in joint ventures and associate continued

Entity	Country	Ownership 2006 %	Ownership 2005 %
Associate			
Regus Holdings (UK) Limited	England	**–**	42
Joint ventures			
Regus Equity Business Centers LLC	USA	**50**	50
Skyport International Ing Vastgoed Beleggingen WTC1	Netherlands	**50**	50
Skyport International Ing Vastgoed Beleggingen WTC2	Netherlands	**50**	50
Regus Istanbul Is Merkezi Isletmeciligi AS	Turkey	**30**	30
Park Business Centres Limited	England	**50**	–
Regus Algerie Sarl	Algeria	**25**	–
Regus Lebanon Sal	Lebanon	**30**	–
Regus Abu Dhabi Business Centres LLC	UAE	**49**	–

The following information is given in respect of Regus Holdings (UK) Limited which became an associate on 31 December 2002 and ceased to be an associate on 19 April 2006 when the remaining 58% of equity not owned by the Group was acquired from Alchemy Partners and the company became a subsidiary of the Group.

The results of the associate and joint ventures below are the full results of the UK associate (prior to the acquisition) and joint ventures and do not represent the effective share:

	2006 £m	2005 £m
UK associate		
Income statement		
Revenue	**48.5**	161.4
Expenses	**(44.9)**	(160.9)
Profit before tax	**3.6**	0.5
Tax	**(0.7)**	–
Profit after tax	**2.9**	0.5
Net liabilities		
Fixed assets	**–**	36.2
Current assets	**–**	72.6
Current liabilities	**–**	(116.0)
Non-current liabilities	**–**	(1.9)
Net liabilities	**–**	(9.1)

The income statement presented represents the period from 1 January 2006 to 19 April 2006.

	2006 £m	2005 £m
Joint ventures		
Income statement		
Revenue	**22.3**	13.0
Expenses	**(22.5)**	(13.5)
Loss before tax	**(0.2)**	(0.5)
Tax	**(0.2)**	–
Loss after tax	**(0.4)**	(0.5)
Net liabilities		
Fixed assets	**9.3**	5.3
Current assets	**10.3**	4.6
Current liabilities	**(20.1)**	(14.0)
Non-current liabilities	**(7.0)**	(0.1)
Net liabilities	**(7.5)**	(4.2)

21 Share capital

Ordinary equity share capital

	2006		2005	
	Number	Nominal value £m	Number	Nominal value £m
Authorised				
Ordinary 5p shares	**1,600,000,000**	**80.0**	1,600,000,000	80.0
Issued and fully paid up				
At 1 January and 31 December	**984,792,040**	**49.2**	984,792,040	49.2

22 Analysis of financial resources

	At 1 Jan 2006 £m	Cash flow £m	Non-cash changes £m	Exchange movements £m	At 31 Dec 2006 £m
Cash and cash equivalents	74.1	10.8	–	(4.0)	**80.9**
Debt due after one year	(5.4)	(45.2)	4.9	0.3	**(45.4)**
Debt due within one year	(24.5)	16.0	(0.2)	0.5	**(8.2)**
Finance leases due after one year	(3.4)	1.9	(0.4)	0.5	**(1.4)**
Finance leases due within one year	(4.8)	3.1	(1.0)	0.2	**(2.5)**
	(38.1)	(24.2)	3.3	1.5	**(57.5)**
Net financial assets	36.0	(13.4)	3.3	(2.5)	**23.4**

Cash and cash equivalents balances held by the Group that are not available for use amounted to £17.1 million in 2006 (2005: £19.1 million). This cash serves as collateral against certain obligations of the Group.

Cash not available for use at 31 December 2006 includes cash held on deposit of which £5.5 million (2005: £3.1 million) relates to collateral against bank loans; £9.6 million (2005: £14.1 million) relates to deposits which are held by banks and landlords as security against lease commitments by Regus operating companies and £2.0 million (2005: £1.9 million) held by the ESOP Trust. These amounts are blocked and not available for use by the business.

Non-cash changes comprise new finance leases, changes due to business acquisitions and movements between categories.

23 Financial instruments

The objectives, policies and strategies applied by the Group with respect to financial instruments are determined at Group level. Exposure to credit, interest rate and currency risks arise in the normal course of business. The principal financial instruments used by the Group to finance its operations are cash and loans.

Credit risk

A diversified customer base and requirement for customer deposits and payments in advance on workstation contracts minimizes the Group's exposure to customer credit risk.

Cash assets, borrowings and derivative financial instruments are only transacted with counterparties of sound credit ratings, and management does not expect any counterparty to fail to meet its obligations.

Interest rate risk

The Group's debt is held at variable interest rates because further early repayment of the debt is probable. Finance leases are generally held at fixed interest rates. Surplus cash balances are invested to achieve maximum interest returns on a day to day basis.

Foreign currency risk

The Group's exposure to currency risk at a transactional level is minimal as the majority of day to day transactions of overseas subsidiaries are carried out in local currency.

The majority of the Group's net assets are in pounds sterling, US dollars and euros. The Group does not hedge the translation effect of exchange rate movements on the income statement.

Derivative financial instruments

Historically the Group has occasionally used derivative financial instruments to hedge its exposure to foreign currency and interest rate fluctuations, although natural hedges limit the exposure to these risks. At 31 December 2006 there were no derivative financial instruments outstanding (2005: none).

No transactions of a speculative nature are undertaken.

Notes to the accounts
continued

23 Financial instruments continued

Effective interest rates and repricing analysis

In respect of income-earning assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice:

As at 31 December 2006

	Effective interest rate %	Total £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	2.9	80.9	80.9	–	–	–
Finance lease liabilities	12.2	(3.9)	(2.5)	(0.7)	(0.7)	–
Secured bank loans	7.0	(50.0)	(5.0)	(15.0)	(30.0)	–
Other loans and debt issue costs	8.5	(3.6)	(3.2)	(0.1)	(0.3)	–
Net financial assets		**23.4**	**70.2**	**(15.8)**	**(31.0)**	**–**

As at 31 December 2005

	Effective interest rate %	Total £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	3.0	74.1	74.1	–	–	–
Loan payable to UK associate	8.6	(5.0)	–	–	–	(5.0)
Finance lease liabilities	8.6	(8.2)	(4.8)	(2.4)	(0.9)	(0.1)
Secured bank loans	9.9	(22.5)	(22.5)	–	–	–
Other loans	9.3	(2.4)	(2.0)	(0.1)	(0.3)	–
Net financial assets		**36.0**	**44.8**	**(2.5)**	**(1.2)**	**(5.1)**

Sensitivity analysis

At 31 December 2006 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately £0.3 million (2005: £0.4 million).

It is estimated that a one percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's profit before tax by approximately £0.4 million for the year ended 31 December 2006 (2005: £0.3 million). It is estimated that a one percentage point weakening in the value of the euro against pounds sterling would have decreased the Group's profit before tax by approximately £0.1 million for the year ended 31 December 2006 (2005: £0.2 million).

Fair value disclosures

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	2006		2005	
	Carrying amount £m	**Fair value £m**	Carrying amount *Restated* (a) £m	Fair value *Restated* (a) £m
Cash and cash equivalents	**80.9**	**80.9**	74.1	74.1
Trade and other receivables	**148.2**	**148.2**	85.3	85.3
Loan payable to UK associate	**–**	**–**	(5.0)	(5.0)
Finance lease liabilities	**(3.9)**	**(3.3)**	(8.2)	(7.0)
Secured bank loans (net of debt issue costs)	**(49.5)**	**(49.5)**	(22.5)	(22.5)
Other loans and overdrafts	**(4.1)**	**(4.1)**	(2.4)	(2.4)
Trade and other payables	**(124.3)**	**(124.3)**	(73.8)	(73.8)
	47.3	**47.9**	61.8	63.0
Unrecognised gain		**0.6**		1.2

(a) See note 2 for details of the restatement.

Summary of methods and assumptions

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Finance lease liabilities

The fair value of finance leases has been calculated by discounting future cash flows at the Group's weighted average cost of capital.

Loans and overdrafts

The fair value of bank loans, overdrafts and other loans approximates to the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

23 Financial instruments continued

Committed borrowing facilities

	Principal £m	Available £m
At 31 December 2006	**151.7**	**87.2**
At 31 December 2005	44.0	15.0

Principal committed facilities include £150.0 million (2005: US $64.0 million) of senior credit facilities, which the Group entered into in 2006, of which £87.0 million (2005: US $25.0 million) is available.

On 13 March 2006, the Group signed a new five year £100 million revolving credit facility agreement. On 19 April 2006 this was amended to include a £50 million four year term loan to help finance the acquisitions of the UK business.

Foreign currency exposure as at 31 December 2006

To mitigate the effect of the currency exposures arising from its net investments overseas, the Group borrows, where appropriate, in the local currencies arising from its net investments. Gains and losses arising on net investments overseas are recognised in the consolidated statement of changes in equity.

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group companies and the Group.

	Net foreign currency monetary assets/(liabilities)				
	Euro £m	Sterling £m	US dollar £m	Others £m	Total £m
31 December 2006					
Functional currency of Group operations					
Euro	**–**	**–**	**0.3**	**2.0**	**2.3**
Sterling	**2.8**	**–**	**11.8**	**7.4**	**22.0**
US dollar	**–**	**–**	**–**	**4.5**	**4.5**
Others	**(1.9)**	**–**	**(5.4)**	**(11.8)**	**(19.1)**
	0.9	**–**	**6.7**	**2.1**	**9.7**
31 December 2005					
Functional currency of Group operations					
Euro	–	–	0.6	0.7	1.3
Sterling	(3.6)	–	3.6	(1.4)	(1.4)
US dollar	(0.3)	(0.2)	–	2.9	2.4
Others	(0.6)	–	(6.7)	3.6	(3.7)
	(4.5)	(0.2)	(2.5)	5.8	(1.4)

24 Share based payment

Regus Group Share Option Plan

During 2004 the Group established the Regus Group Share Option Plan which entitles executive directors and certain employees to share options in Regus Group plc.

The table below presents the options outstanding and their exercise price together with an analysis of the movements in the number of options during the year.

	Date of grant	Numbers granted	Weighted average exercise price per share pence	Lapsed	At 31 Dec 2006	Exercisable from	Expiry date
	23/07/2004	4,106,981	57.00	nil	4,106,981	23/07/2007	23/07/2014
	08/09/2004	3,884,170	64.75	(729,227)	3,154,943	08/09/2007	08/09/2014
Total		**7,991,151**	**60.37**	**(729,227)**	**7,261,924**		

Notes to the accounts
continued

24 Share based payment continued
Performance conditions for share options
The plan includes certain performance criteria that need to be met in order for share options to vest. A proportion of the share options vest as shown below should the basic earnings per share, adjusted for non-recurring items and goodwill and intangible amortisation exceed targets linked to the Retail Price Index (RPI). The basic earnings per share for perfomance purposes was 1p. No options are exercisable at the year-end.

Target over performance period	Portion of share options vested
RPI	20%
RPI + 3%	40%
RPI + 4%	60%
RPI + 5%	80%
RPI + 6%	100%

The share options are valued using the Black Scholes model. The inputs to the model are as follows:

	Grant date	
	July 2004	September 2004
Share price on grant date	57.00p	64.75p
Exercise price	57.00p	64.75p
Expected volatility	59.11%	59.06%
Option life	3 years	3 years
Expected dividend	nil	nil
Fair value of option at time of grant	25.0p	28.0p
Risk free interest rate	5.1%	5.1%

The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

Regus Group plc Co-Investment Plan (CIP) and Long Term Incentive Plan (LTIP)

Plan	Date of grant	At 31 Dec 2005	Number of awards granted in year	Lapsed in year	At 31 Dec 2006	Release date
LTIP	03/11/2005	3,723,235	–	(155,927)	3,567,308	03/11/2008
LTIP	28/09/2006	–	140,184	–	140,184	28/09/2009
		3,723,235	140,184	(155,927)	3,707,492	
CIP: Investment Shares	21/03/2006	–	772,196	–	772,196	21/03/2009
CIP: Matching Shares	21/03/2006	–	3,088,784	–	3,088,784	21/03/2009
		–	3,860,980	–	3,860,980	

The fair value of services received in return for share based payments are measured by reference to the fair value of the equity instruments granted. No awards are exercisable at the year-end.

The LTIP/CIP Awards are valued using the Monte Carlo method.

The inputs to the model are as follows:

	2006		2005
	LTIP (a)	CIP	LTIP (a)
Share price on grant date	**107.00p**	107.25p	92.25p
Exercise price	**nil**	nil	nil
Number of simulations	**60,000**	60,000	60,000
Number of companies	**29**	29	29
Award life	**3 years**	3 years	3 years
Expected dividend	**nil**	nil	nil
Fair value of award at time of grant	**79.0p**	79.94p	65.00p
Risk free interest rate	**4.38%**	4.16%	4.47%

(a) The LTIP Awards have a release date of 3 November 2008 and 28 September 2009. There is no expiry date and therefore remaining contractual life on the basis that the awards release immediately.

24 Share based payment continued

The performance conditions for the grant of awards under the LTIP and CIP are set out in the following table:

For November 2005 awards: EPS (p) for year ended 31 Dec 2008	11p	12p	13p	14p
For September 2006 awards: % increase in EPS for year ended 30 June 2009 compared to EPS of prior year	15%	20%	25%	30%
Growth in free cash flow per share				
10%	6%	13%	19%	25%
15%	13%	25%	38%	50%
20%	19%	38%	56%	75%
25%	25%	50%	75%	100%

Note: % denotes the % of award which will be released at the end of the performance period.

In addition, no awards will be released unless the Company's TSR is at least at the median when compared against that of the companies comprising the FTSE 350 Support Services Sector at the date of grant.

It is recognised by the Remuneration Committee that the additional EPS targets represent a highly challenging goal and consequently in determining whether they have been met the Committee will exercise its discretion. The overall aim is that the relevant EPS targets must have been met on a run rate or underlying basis. As such an adjusted measure of EPS will be calculated designed to assess the underlying performance of the business.

While the Remuneration Committee reserves the right to adjust EPS as it sees fit at the time, by way of example, the following adjustments are currently anticipated:

> In a growth company such as Regus, costs are necessarily incurred in one year to drive profits in future years. As such it is important to ensure management is not incentivised to cut back on these investments to meet EPS targets in any one year. Accordingly those costs, incurred in the vesting year, which it considers necessary to drive future growth will be excluded from the EPS calculation. These would include, inter alia, the costs of the business development departments, excess marketing expenditures and current year losses from investing in new locations.

> Any one-off or non-recurring costs will be excluded.

> It is expected that in the period between 2006 and 2009 the cash tax rate will rise as cumulative tax losses are utilised thereby increasing progressively the challenge of achieving a 14p EPS target. This will then be further complicated by the need to recognise deferred tax assets as the business strengthens reducing the accounting rate of tax in one year and increasing it in the next. To provide greater clarity and incentive to management EPS will be calculated based upon the cash tax rate up to a maximum of 30%.

> The Remuneration Committee is of the opinion that the EPS and free cash flow performance targets are a transparent and accurate measure of the Company's performance at this time and are the key corporate metrics for driving long term shareholder value. In addition, the TSR condition will ensure that executives are encouraged to focus on ensuring that the Company's return to shareholders is competitive compared to comparable companies.

As mentioned above, awards under the CIP in respect of the bonus paid for the year ended 31 December 2006 will be made subsequent to the publication of this report. However, the maximum number of awards granted will be based on the price of an ordinary share at the time of grant and the monetary value will not exceed 50% of basic salary. Full details of the levels of award and performance conditions will be disclosed in the Committee's Remuneration Report for the year ending 31 December 2007.

25 Acquisitions

The principal acquisition in the year was that of the 58% interest in the Regus UK business not already owned. All other acquisitions in the year were individually immaterial and have been grouped together for disclosure purposes. A minor adjustment has been made to the provisional acquisition accounting in 2005. The impact of the Group's acquisitions on the financial statements is summarised in the table. Further details of the acquisitions can be found below the table:

	Regus UK (58%) £m	Other 2006 (100%) £m	Prior years (100%) £m	**Total £m**
Net assets acquired	10.2	7.1	–	**17.3**
Consideration:				
Cash	88.0	28.2	–	**116.2**
Deferred consideration	–	1.8	0.3	**2.1**
Directly attributable costs	1.4	1.6	–	**3.0**
	89.4	31.6	0.3	**121.3**
Goodwill	79.2	24.5	0.3	**104.0**
Net cash outflow arising on acquisition				
Cash consideration and directly attributable costs	89.4	29.8	–	**119.2**
Less: cash and cash equivalents acquired	(28.5)	(2.2)	–	**(30.7)**
	60.9	27.6	–	**88.5**

Notes to the accounts
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25 Acquisitions continued
Acquisition of the remaining interest in the UK business
On 19 April 2006, the acquisition date, the Group purchased the remaining 58% equity share in the UK associate (Regus Holdings (UK) Limited) from Rex 2002 Limited, a company controlled by funds managed by Alchemy Partners, for a cash consideration of £88.0 million. This entity has been fully consolidated into the Group's results since the acquisition date.

The net assets of the UK business on acquisition and the fair values were as follows:

	Book values of acquired business £m	Fair value adjustments £m	Fair value at date of acquisition £m
Intangible assets – brand (a)	–	11.2	11.2
Customer list and software	0.3	7.4	7.7
Property, plant and equipment (b)	35.2	2.4	37.6
Other non-current assets	6.6	3.7	10.3
Cash and cash equivalents	28.5	–	28.5
Other current assets	34.8	1.6	36.4
Current liabilities (c)	(86.3)	(0.4)	(86.7)
Non-current liabilities (c)	(25.2)	(2.2)	(27.4)
Net assets at acquisition date	**(6.1)**	**23.7**	**17.6**
Net assets acquired (58% of net assets at acquisition date)			**10.2**
Consideration			
Cash			88.0
Directly attributable costs			1.4
			89.4
Goodwill			**79.2**

All consideration was paid in cash. There was no deferred consideration.

The fair value adjustments include:

(a) A valuation of the UK brand was conducted at the date of acquisition. "Relief from royalty" approach was used as the valuation method. Under this method the fair value is equal to the amount saved through the avoidance of royalty payments in perpetuity. A 1% royalty rate and 12% weighted average cost of capital was used for the valuation.

(b) The valuation of property, plant and equipment was based on a market valuation approach, unless market values were not available in which case a depreciated replacement cost method was used.

(c) Leasehold interest valuations were based on the difference between contract rent and market rent over the lease term discounted to net present value at a weighted average cost of 12%.

The Group's 42% shareholding in the UK associate has been revalued in the course of accounting for the acquisition. A revaluation of £10.0 million, representing 42% of the fair value adjustments of £23.7 million, has been applied to the Group's existing shareholding in the UK associate with a corresponding revaluation reserve of £10.0 million being created in equity.

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services.

Summary of results of the UK business prior to acquisition (see also note 20)
Set out below are summary profit and loss accounts of the UK business. The pre-acquisition period has been restated under IFRS.

	1 Jan 2006 to 19 April 2006 £m	20 April 2006 to 31 Dec 2006 £m	Total £m
Revenue	48.5	119.9	168.4
Operating expenses	(45.3)	(114.8)	(160.1)
Operating profit	3.2	5.1	8.3
Interest	0.4	(0.4)	–
Profit before tax	3.6	4.7	8.3
Tax	(0.7)	0.1	(0.6)
Profit attributable to shareholders	2.9	4.8	7.7
Share of profit recognised prior to the acquisition (42% of pre-acquisition profit after tax)	1.2		

The UK business contributed £16.6 million to the Group's net operating cash flows and paid £9.5 million for capital expenditure in the post acquisition period ending 31 December 2006.

There were no other recognised gains and losses other than those recognised in the profit and loss account.

25 Acquisitions continued

Details of all other acquisitions made during 2006 are set out in the following table. All of the acquired operations are providers of global workplace solutions. Where no equity was acquired the Group acquired all the operating assets and liabilities of the related business excluding cash.

Name	Region	Purchase consideration including costs £m	Percentage of equity and voting rights aquired	Date of acquisition
Equity acquisitions:				
Plaza [(a)]	Asia Pacific	5.0	100%	01/01/2006
Pinnacle [(b)]	Americas	1.2	100%	04/01/2006
Managed Office Solutions Ltd	United Kingdom	1.8	100%	30/06/2006
Unico Business Service Inc	Asia Pacific	2.0	100%	01/12/2006
Longford Business Centres Ltd	United Kingdom	3.2	100%	08/12/2006
Business and net assets acquistions:				
Sierra Executive Offices, Nevada	Americas	0.4	n/a	01/03/2006
PRO Executive Suites, Florida	Americas	1.4	n/a	28/04/2006
El Golf/Global Business Solutions	Americas	0.3	n/a	04/05/2006
CIMA Spain	EMEA	0.3	n/a	01/06/2006
Gainsborough Business Centres	United Kingdom	4.4	n/a	12/06/2006
Office Concierge	Americas	0.7	n/a	21/06/2006
Serviced Office Specialists	Asia Pacific	0.4	n/a	01/07/2006
Westgate, Perth	Asia Pacific	0.4	n/a	01/07/2006
Stratis New Jersey	Americas	1.6	n/a	06/07/2006
CEO Executive Suites	Americas	0.8	n/a	13/07/2006
HQ Milwaukee	Americas	0.9	n/a	19/07/2006
Laptop Lane	Americas	2.1	n/a	31/07/2006
Business Quarters	Americas	1.9	n/a	07/08/2006
Stratis Greensboro	Americas	0.1	n/a	14/08/2006
Toledo Executive Business Centres	Americas	0.2	n/a	31/08/2006
Sierra Executive Offices, Colorado Springs	Americas	–	n/a	01/09/2006
MR Centre	Asia Pacific	0.4	n/a	01/09/2006
HQ Colombia	Americas	1.0	n/a	01/09/2006
Charlestown Business Centre	Americas	0.1	n/a	25/10/2006
Plaza Indonesia	Asia Pacific	0.4	n/a	01/11/2006
Regus Guatamala	Americas	0.5	n/a	01/12/2006
HQ Costa Rica	Americas	0.1	n/a	01/12/2006
		31.6		

(a) Comprises RES Beijing Huanya Co. Ltd, Union Plaza Consulting Co. Ltd, Allied Pacific Investment Limited and Huanya Shang Wu Fu Wu Limited.
(b) Comprises Oceanic Business Centre, Guardian Financial Corp, Pacific Business Centre Inc, Richmond Business Centre Inc and Willingdon Business Centre Inc.

The acquisitions above have been aggregated as no single acquisition is material. All transactions have been accounted for using the purchase method of accounting.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	0.3	2.7	3.0
Property, plant and equipment	6.9	(0.2)	6.7
Other non-current assets	–	0.6	0.6
Cash	2.2	–	2.2
Other current assets	5.2	–	5.2
Current liabilities	(8.8)	–	(8.8)
Non-current liabilities	–	(1.8)	(1.8)
	5.8	1.3	7.1
Total consideration			
Cash			28.2
Deferred consideration			1.8
Directly attributable costs			1.6
			31.6
Goodwill			24.5

Notes to the accounts
continued

25 Acquisitions continued

In addition contingent consideration up to a maximum of £0.6 million has not been recognised in the balance sheet due to the uncertain nature of the future events on which the payments are contingent upon. The above fair values are provisional.

If the above acquisitions had occurred on 1 January 2006, the revenue and net retained loss arising from these acquisitions would have been £42.9 million and £0.5 million respectively. In the year these acquisitions contributed revenue of £21.1 million and a net retained loss of £0.3 million.

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services.

Adjustments to provisional fair values for 2005 acquisitions

Additional consideration of £0.3 million was paid in January 2007 due to improved financial performance of acquisitions under contractual earn-out provisions. This resulted in an increase in goodwill of £0.3 million.

Acquisitions completed after the balance sheet date

The following acquisitions were completed after 31 December 2006:

> On 8 January 2007, the Group acquired the assets of HQ San Antonio in the USA for consideration of £0.6 million.
> On 1 February 2007, the Group acquired the assets of Elite Business Centres in the USA for consideration of £1.1 million.
> On 28 February 2007, the Group acquired the share capital of Agora Business Center Deutschland GmbH, Agora Business Center Lairn GmbH, and Agora Business Center Spitalerhof GmbH in Germany for consideration of £1.0 million.

Details of all acquisitions made during the year ended 31 December 2005 are set out in the following table:

Name	Region	Purchase consideration including costs £m	Percentage of equity and voting rights aquired	Date of acquisition
Regus Shui On Center (Hong Kong)	Asia Pacific	0.2	100%	01/01/2005
Regus Jongro Ltd (South Korea)	Asia Pacific	–	100%	01/03/2005
Vantas Ciudad de Mexico, S de RL de CV	Americas	3.0	100%	06/05/2005
Buffalo Acquisition Sub, LLC	Americas	0.3	100%	01/09/2005
DelVal Acquisition Sub, LLC	Americas	6.2	100%	01/09/2005
EOS Holdings SAS (formerly HQ France)	EMEA	0.7	100%	30/09/2005
Regus Strategic Consulting (Shanghai) Ltd	Asia Pacific	0.1	100%	30/09/2005
Florida Business Centers Acquisition Sub, LLC	Americas	1.8	100%	01/11/2005
HQ Global Workplaces, Inc. (formerly Sienna)	Americas	0.2	100%	01/12/2005
Insignia Acquisition Sub, LLC and Insignia Office Centres (Vancouver), Inc.	Americas	2.1	100%	01/12/2005
Regus Executive Serviced Office (Shanghai) Ltd	Asia Pacific	0.3	100%	06/12/2005

All of the acquisitions above are providers of fully serviced business centres.

On 28 February 2005, the Group acquired the 35% minority interest holding in Regus Business Centres Italia Spa (now Regus Business Centres Italia Srl) for £0.5 million. On 22 November 2005, the Group acquired the 40% minority interest holding of Regus International Holding BV for £1.3 million.

All acquisitions made in the year have been aggregated as no single acquisition is material. These transactions have been accounted for using the purchase method of accounting.

	Book value £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	2.2	0.1	2.3
Fair value of lease adjustments	–	0.5	0.5
Customer list	–	1.1	1.1
Trade and other receivables	2.9	–	2.9
Trade and other payables	(5.6)	–	(5.6)
Bank loans	(0.4)	–	(0.4)
Deferred tax assets	0.2	–	0.2
Other	0.5	–	0.5
	(0.2)	1.7	1.5
Goodwill			15.3
Total consideration			
Satisfied by:			
Cash			16.7
Directly attributable costs			0.1
			16.8

The above fair values were provisional.

25 Acquisitions continued

	Fair value £m
Net cash outflow arising on acquisition	
Cash consideration and directly attributable costs	16.8
Cash and cash equivalents acquired	(0.1)
	16.7

If the above acquisitions had occurred on 1 January 2005, the revenue and net retained loss arising from these acquisitions would have been £9.6 million and £0.6 million respectively. In the year ending 31 December 2005 these acquisitions contributed revenue of £5.7 million and a net retained loss of £0.2 million.

26 Capital commitments

	2006 £m	2005 £m
Contracts placed for future capital expenditure not provided in the financial statements	**5.4**	5.1

These commitments are principally in respect of fit out obligations on new centres opening in 2007. In addition our share of the capital commitments of joint ventures amounted to £0.1 million at 31 December 2006 (2005: £nil).

27 Non-cancellable operating lease commitments

At 31 December 2006 the Group was committed to make the following payments in respect of operating leases:

	2006			2005		
	Property £m	Motor vehicles, plant and equipment £m	Total £m	Property £m	Motor vehicles, plant and equipment £m	Total £m
Leases which expire:						
Within one year	**250.8**	**1.8**	**252.6**	190.0	5.6	195.6
Between two and five years	**748.4**	**6.1**	**754.5**	514.2	4.6	518.8
After five years	**395.5**	**0.1**	**395.6**	151.9	–	151.9
	1,394.7	**8.0**	**1,402.7**	856.1	10.2	866.3

28 Contingent liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £27.8 million (December 2005: £24.8 million). A number of lawsuits which have not been provided for are pending against the Group, the outcome of which in the aggregate is not expected to have a material effect on the Group.

29 Related parties

Joint ventures

During the year ended 31 December 2006 the Group received management fees of £1.8 million (2005: £1.2 million) from its joint venture entities. At 31 December 2006 £8.9 million (2005: £6.7 million) was due to the Group from joint ventures of which £nil million of this debt has been provided for at 31 December 2006 (2005: £0.3 million).

UK associate

In the period 1 January 2006 and 19 April 2006, prior to the acquisition of the remaining shares in the UK associate, the Group received management fees of £0.7 million (2005 full year: £2.4 million). In addition Regus rented office space incurring costs of £0.1 million in the period prior to acquisition (2005 full year: £0.2 million). Prior to the acquisition Regus incurred interest of £0.1 million (2005 full year: £0.4 million) on a £5.0 million loan from its associate.

Key management personnel

No loans or credit transactions were outstanding with directors or officers of the Company at the end of the year or arose during the year that need to be disclosed in accordance with the requirements of Schedule 6 of the Companies Act 1985.

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29 Related parties continued

Compensation of key management personnel (including directors):
Key management personnel include those personnel (including directors) that have responsibility and authority for planning, directing and controlling the activities of the Group:

	2006 £m	2005 £m
Short term employee benefits	**3.2**	2.5
Share based payments	**1.5**	0.9
	4.7	3.4

Share based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £3.0 million (2005: £1.0 million). These awards are subject to performance conditions and vest three years from the award date.

30 Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2006, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	Principal activity	% of ordinary share and votes held
Regus Business Centre SA (a)	Argentina	Trading	100
Regus Clarence Street Pty Ltd (a)	Australia	Trading	100
Regus Business Centre Melbourne Pty Ltd (a)	Australia	Trading	100
Regus Macquarie House Pty Ltd (a)	Australia	Trading	100
Regus Bridge Street Pty Ltd (a)	Australia	Trading	100
Regus North Sydney Pty Ltd (a)	Australia	Trading	100
Regus 303 Collins Street Pty Limited (a))	Australia	Trading	100
Regus 267 St Georges Terrace Pty Limited (a)	Australia	Trading	100
Regus Council House Pty Ltd (a)	Australia	Trading	100
Regus Centres Pty Ltd	Australia	Trading	100
Regus Business Centre GmbH (a)	Austria	Trading	100
Regus Business Centre WLL	Bahrain	Trading	100
Regus Business Centre NV (a)	Belgium	Trading	100
Skyport Bruxelles NV	Belgium	Trading	100
Regus Belgium NV	Belgium	Trading	100
Regus Stephanie Square BVBA	Belgium	Trading	100
Regus Boulevard Office Park BVBA	Belgium	Trading	100
Regus Astrid Plaza BVBA	Belgium	Trading	100
Regus Schuman BVBA	Belgium	Trading	100
Regus Rubens BVBA	Belgium	Trading	100
Regus Pegasus BVBA	Belgium	Trading	100
Regus Parc Atrium BVBA	Belgium	Trading	100
Regus Braine L'Alleud BVBA	Belgium	Trading	100
Regus do Brasil Ltda (a)	Brazil	Management	100
Regus H Holdings Inc	British Virgin Islands	Holding	100
Bulgaria Immonbul (a))	Bulgaria	Trading	100
Oceanic Business Centre Inc (a))	Canada	Trading	100
Guardian Financial Corp Inc (a)	Canada	Trading	100
Pacific Business Centre Inc (a))	Canada	Trading	100
Richmond Executive Centre Inc (a)	Canada	Trading	100
Willingdon Business Centre Inc (a)	Canada	Trading	100
Regus Canadian Holding Corporation	Canada	Holding	100
Regus Business Centres Canada Limited Partnership	Canada	Trading	59
Insignia Office Centres (Vancouver) Inc	Canada	Trading	100
Regus Business Centre de Chile SA (a)	Chile	Trading	100
Regus Business Centre Chile Ltda	Chile	Trading	100
Regus Business Services (Shanghai) Ltd (a)	China	Trading	100
Regus Business Services Co Ltd	China	Trading	80
Regus Business Centre (Shanghai) Ltd	China	Trading	100
Regus Business Centre (Beijing) Ltd	China	Trading	100
Regus Business Service (Dalian) Ltd	China	Trading	100
Regus Business Service (Shenzhen) Ltd	China	Trading	100
Regus Strategic Consulting (Shanghai) Ltd	China	Trading	100
Regus Executive Serviced Office (Shanghai) Ltd	China	Trading	100

30 Principal Group companies continued

Name of undertaking	Country of incorporation	Principal activity	% of ordinary share and votes held
Regus Business Consultancy (Beijing) Ltd	China	Trading	100
Beijing Huanya Business & Conference Centre Ltd	China	Trading	100
Union Plaza Consulting Co. Ltd	China	Trading	100
Allied Pacific Investment Limited	China	Trading	100
Huanya Shang Wu Fu Wu Limited	China	Trading	100
Regus Columbia Ltda (a)	Columbia	Trading	100
Regus Costa Rica S.R.L. (a)	Costa Rica	Trading	100
Regus Business Centre sro (a)	Czech Republic	Trading	100
Regus Empiria sro (a)	Czech Republic	Trading	100
Regus Holding Denmark A/S	Denmark	Holding	100
Regus Sydhavn Aps	Denmark	Trading	100
Regus Kobenhavn Aps	Denmark	Trading	100
Regus Tuborg Aps	Denmark	Trading	100
Regus Business Centre Trading FZCO (a)	Dubai	Trading	100
Regus Business Centre LLC (Egypt) (a)	Egypt	Trading	100
Regus Ltd (a)	England	Holding	100
Regus Management Ltd (a)	England	Management	100
Regus Centres Ltd (a)	England	Holding	100
Regus Investments Ltd	England	Holding	100
Regus Business Centres (Holding) Ltd	England	Holding	100
Regus Business Centres (Trading) Ltd	England	Holding	100
Regus H Holdings Ltd	England	Holding	100
Regus H (UK)	England	Holding	100
Regus G Ltd	England	Trading	100
MOS Holdings Ltd	England	Trading	100
Regus Management (UK) Ltd	England	Management	100
Regus Centres UK Ltd	England	Holding	100
Longford Business Centres Ltd	England	Trading	100
Regus Holdings UK Ltd	England	Holding	100
Regus (UK) Ltd	England	Trading	100
Regus Business Centres Ltd	England	Trading	100
Regus City Limited	England	Trading	100
Regus Business Services Ltd	England	Trading	100
MOS Ltd	England	Trading	100
Regus GB Ltd	England	Trading	100
Regus South Ltd	England	Trading	100
Regus Caledonia Ltd	England	Trading	100
Regus Finland Oy (a)	Finland	Trading	100
Regus Paris SAS (a)	France	Trading	100
Regus Roissy SAS (a)	France	Trading	100
Regus Opera SAS (a)	France	Trading	100
HQ Global France SARL (a)	France	Holding	100
Regus Centre D'Affaires SAS (a)	France	Trading	100
Regus Business Centre SAS (a)	France	Trading	100
Vendome SAS	France	Trading	100
Grand Arch SAS	France	Trading	100
Antipolis SAS	France	Trading	100
Montpellier SAS	France	Trading	100
Provence SAS	France	Trading	100
Regus GmbH & Co KG (a)	Germany	Trading	100
Regus Business Centre Deutschland GmbH (a)	Germany	Trading	100
Regus Netspace Germany GmbH (a)	Germany	Trading	100
Regus Hellas SA (a)	Greece	Trading	100
Regus Guatamala S.R.L. (a)	Guatamala	Trading	100
Regus Business Centre Ltd (a)	Hong Kong	Trading	100
Regus Business Services (Hong Kong) Ltd (a)	Hong Kong	Trading	100
Regus Hong Kong Ltd (a)	Hong Kong	Trading	100
Regus Kalman Kft (a)	Hungary	Trading	100
Regus EMKE Kft (a)	Hungary	Trading	100
Regus Kft	Hungary	Trading	100

Notes to the accounts
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30 Principal Group companies continued

Name of undertaking	Country of incorporation	Principal activity	% of ordinary share and votes held
Regus Business Centre Pvt Ltd [a]	India	Trading	100
Regus Office Centre Services Pvt Ltd [a]	India	Trading	100
Regus Business Centre Bangalore Pvt Ltd [a]	India	Trading	100
Regus Business Centre Gurgaon Pvt Ltd [a]	India	Trading	100
Murphy Road BC Pvt Ltd [a]	India	Trading	100
Kasturba Road BC Pvt Ltd [a]	India	Trading	100
Regus Business Centre (Chennai) Pvt Ltd [a]	India	Trading	100
Regus Business Centre Rectangle Pvt Ltd [a]	India	Trading	100
Regus Business Centre Dynasty Pvt Ltd [a]	India	Trading	100
PT Regus Centres (Indonesia) [a]	Indonesia	Trading	100
Regus Ireland Ltd [a]	Ireland	Trading	100
Regus Franchise International Ltd	Ireland	Trading	100
Europa Business Centre Ltd	Ireland	Trading	100
Regus Business Centres Ltd [a]	Israel	Trading	100
Regus Business Centre Srl	Italy	Trading	100
Regus Business Centres Italia Srl	Italy	Trading	100
Regus Japan KK [a]	Japan	Trading	100
Regus Business Centre Nagoya KK [a]	Japan	Trading	100
Regus Europe Ltd	Jersey	Holding	100
Regus Luxembourg SA	Luxembourg	Trading	100
Regus Centres Sdn Bhd [a]	Malaysia	Trading	100
Regus Malaysia Sdn [a]	Malaysia	Trading	100
Regus India Holdings Limited [a]	Mauritius	Holding	100
Vantas CD de Mexico S de RL de CV	Mexico	Holding	100
Regus Business Centre SA de CV	Mexico	Trading	100
Regus Services SA de CV	Mexico	Trading	100
Centros Corporativos de Mexico SA de CV	Mexico	Trading	100
Centro de Negocios Ciudad de Mexico SA de CV	Mexico	Trading	100
Centro de Negocios Polanco SA de CV	Mexico	Trading	100
Regus Maroc SARL	Morocco	Trading	100
Regus Netherlands BV [a]	Netherlands	Holding	100
Regus Business Centres BV	Netherlands	Holding	100
Regus International Holdings BV	Netherlands	Trading	100
Satellite Business Centre Schiphol BV	Netherlands	Trading	100
Skyport International BV	Netherlands	Trading	100
WTC Zuiplien BV	Netherlands	Trading	100
Skyport Amsterdam BV	Netherlands	Trading	100
Regus Amsterdam BV	Netherlands	Management	100
Regus Hojel BV	Netherlands	Trading	100
Regus Weena BV	Netherlands	Trading	100
Regus Atrium BV	Netherlands	Trading	100
Regus Atlas BV	Netherlands	Trading	100
Regus Parkstraat BV	Netherlands	Trading	100
Regus Zen BV	Netherlands	Trading	100
Regus Eindhoven BV	Netherlands	Trading	100
Regus Arnhem BV	Netherlands	Trading	100
Regus Hilversum BV	Netherlands	Trading	100
Regus Brainpark BV	Netherlands	Trading	100
Regus Amersfoort BV	Netherlands	Trading	100
Regus Tetra BV	Netherlands	Trading	100
Regus Zurich Tower BV	Netherlands	Trading	100
Regus Breda BV	Netherlands	Trading	100
Regus Schiphol Rijk BV	Netherlands	Trading	100
Regus Teleport Tower BV	Netherlands	Trading	100
Regus Amstel Business Park BV	Netherlands	Trading	100
Regus Rijswijk BV	Netherlands	Trading	100
Regus Equinox I BV	Netherlands	Trading	100
Regus Equinox II BV	Netherlands	Trading	100
Regus Business Centre Norge AS [a]	Norway	Trading	100
Regus Business Centre Ibsen AS	Norway	Trading	100
Regus Business Centre Skogen AS	Norway	Trading	100
Regus Business Centre Nydalen AS	Norway	Trading	100

30 Principal Group companies continued

Name of undertaking	Country of incorporation	Principal activity	% of ordinary share and votes held
Regus Business Centre (Panama) SA [a]	Panama	Trading	100
Regus Business Centre (Peru) SA [a]	Peru	Trading	100
Regus Business Centre Inc	Philippines	Trading	100
Regus Business Centre Sp. z o.o. [a]	Poland	Trading	100
Regus Plaza Sp. z o.o. [a]	Poland	Trading	100
Regus Wisniowy Sp. z o.o. [a]	Poland	Trading	100
Regus Mokotow Sp. z o.o. [a]	Poland	Trading	100
Regus Metropolitan Sp. z o.o. [a]	Poland	Trading	100
Regus Business Centre Lda [a]	Portugal	Trading	100
LLC Regus Business Centre [a]	Russia	Trading	100
Regus Business Centre Avrora LLC [a])	Russia	Trading	100
Regus Business Centre Capital Plaza LLC [a]	Russia	Trading	100
Regus Embankment Tower LLC [a]	Russia	Trading	100
Regus Business Centre Atrium LLC [a]	Russia	Trading	100
Regus Singapore Business Centre Pte Ltd [a]	Singapore	Trading	100
Regus Centres Pte Ltd [a]	Singapore	Trading	100
Regus NAC Pte Ltd [a]	Singapore	Trading	100
Regus Business Services Marina Pte Ltd [a]	Singapore	Trading	100
Regus Business Centre Bratislava sro [a]	Slovakia	Trading	100
Regus Southern Africa (Pty) [a]	South Africa	Trading	100
Regus Business Centre (Pty) Ltd	South Africa	Trading	100
Regus International Holdings BV	South Africa	Trading	100
Regus Business Centre Sandton Pty Ltd	South Africa	Trading	100
Regus Business Centre Durban Pty Ltd	South Africa	Trading	100
Regus Business Centre Foreshore Pty Ltd	South Africa	Trading	100
Regus Business Centre Midrand Pty Ltd	South Africa	Trading	100
Regus Business Centre Mowbray Pty Ltd	South Africa	Trading	100
Regus Business Centre Woodmead Pty Ltd	South Africa	Trading	100
RMG South Africa Ltd	South Africa	Management	100
Regus Korea Ltd [a]	South Korea	Trading	100
Regus Jongro Ltd [a]	South Korea	Trading	100
Regus Samsungdong Limited [a]	South Korea	Trading	100
Regus Business Centre SA [a]	Spain	Trading	100
Regus Miraflores SL	Spain	Trading	100
Business Centre Gothenburg AB [a]	Sweden	Trading	100
Business Centre Sweden AB [a]	Sweden	Trading	100
Regus Garda AB [a]	Sweden	Trading	100
Regus Lilla Bommen AB [a]	Sweden	Trading	100
Regus Uppsala AB [a]	Sweden	Trading	100
Regus Solna Strand AB [a]	Sweden	Trading	100
Regus Business Centre (S) SA [a]	Switzerland	Trading	100
Regus Centres (Thailand) Ltd [a]	Thailand	Trading	100
Office Advantage Ltd [a]	Thailand	Trading	100
Regus Tunisie SARL [a]	Tunisia	Trading	100
Regus Is Merkezi Isletmeciligi Ltd [a]	Turkey	Trading	100
Regus Business Centres [a]	Ukraine	Trading	100
Regus Corporation LLC [a]	USA	Holding	100
Regus H Holdings Corp	USA	Holding	100
Stratis Business Centers LLC	USA	Trading	100
Regus Southeast Investments LLC	USA	Trading	100
Insignia Acquisitions Sub LLC	USA	Trading	100
Buffalo Acquisitions Sub LLC	USA	Trading	100
DelVal Acquisition Sub LLC	USA	Trading	100
RGN – South Florida LLC	USA	Trading	100
Florida Business Center Acquisition Sub LLC	USA	Trading	100
Regus Group – North Dallas LLC	USA	Trading	100
RGN – New Jersey LLC	USA	Trading	100
RGN – Midwest LLC	USA	Trading	100
Regus DC LLC	USA	Trading	100
Regus Management Group LLC	USA	Management	100
RGN – LL LLC	USA	Trading	100

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30 Principal Group companies continued

Name of undertaking	Country of incorporation	Principal activity	% of ordinary share and votes held
RGN – Northeast LLC	USA	Trading	100
HQ Global Holdings LLC	USA	Holding	100
HQ Global Workplaces LLC	USA	Trading	100
HQ Subsidiaries LLC	USA	Holding	100
HQ Network Systems Inc	USA	Trading	100
Regus Business Center LLC	USA	Trading	100
Regus International Services SA	Uruguay	Holding	100
Regus International Services LLC	Uruguay	Management	100
Regus Business Centre Venezuela CA	Venezuela	Trading	100
Regus Centre (Vietnam) Ltd [(a)]	Vietnam	Trading	100

(a) Shares held directly by Regus Group plc.

Investments in Group subsidiaries are held at cost all of which are included within the consolidated results. The principal activity of all trading companies is the provision of global workplace solutions.

31 Key judgmental areas adopted in preparing these accounts

The preparation of financial statements in accordance with IFRS requires management to make certain judgements and assumptions that affect reported amounts and related disclosures.

Fair value accounting for business combinations

For each business combination, we assess the fair values of assets and liabilities acquired. Where there is not an active market in the category of the non-current assets typically acquired with a business centre or where the books and records of the acquired company do not provide sufficient information to derive an accurate valuation, management calculate an estimated fair value based on available information and experience. The main categories of acquired non-current assets where management's judgement has an impact on the amounts recorded include tangible fixed assets, customer list intangibles and the fair market value of leasehold assets and liabilities. For significant business combinations management also obtain third party valuations to provide additional guidance over the appropriate valuation to be included in the financial statements.

Valuation of intangibles and goodwill

We evaluate the carrying value of goodwill and intangibles to assess potential impairments on an annual basis, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We evaluate the carrying value of goodwill at the appropriate cash-generating unit level and make that determination based upon future cash flow projections, which assume certain growth projections which may or may not occur. We record an impairment loss for goodwill when the carrying value of the intangible asset is less than its estimated fair value.

Deferred tax assets

We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. Changes in existing laws and rates, and their related interpretations, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates. It is current Group policy to recognise a deferred tax asset if the entity has made a taxable profit in the previous year and is forecast to make a profit in the forthcoming year. Deferred tax assets are generally not recognised for the period in excess of 12 months from the year-end.

Onerous lease provisions

We have identified certain poor performing centres where the lease is considered onerous i.e. the Group does not expect to recover the unavoidable lease costs up to the first break point. The accounts include a provision for our estimate of the net amounts payable under the terms of the lease to the first break point, discounted at the Group weighted average cost of capital, where appropriate.

Dilapidations

Certain of our leases with landlords include a clause obliging the Group to hand the property back in the condition as at the date of signing the lease. The costs to bring the property back to that condition are not known until the Group exit the property so the Group estimates the costs at each balance sheet date. However, given that landlords often regard the nature of changes made to properties as improvements, the Group estimates that it is unlikely that any material dilapidation payments will be necessary. Consequently provision has been made only for those potential dilapidation payments that can be measured with certainty at 31 December 2006.

Regus Group plc
Parent company accounts

Company balance sheet

	notes	As at 31 Dec 2006 (UK GAAP) £m	As at 31 Dec 2005 (UK GAAP) £m
Investments			
Investment in subsidiaries	1	**430.8**	307.7
Current assets			
Debtors		**108.2**	93.0
Deferred finance fees		**1.1**	–
Cash at bank and in hand		**10.2**	9.6
		119.5	102.6
Total assets		**550.3**	410.3
Creditors falling due within one year	2	**(7.2)**	(1.2)
Total assets less current liabilities		**543.1**	409.1
Creditors falling due in more than one year			
Loans		**(44.6)**	–
Amounts owed to Group undertakings		**(50.8)**	(25.6)
Total liabilities		**(102.6)**	(26.8)
Net assets		**447.7**	383.5
Capital and reserves	3		
Share capital		**49.2**	49.2
Share premium account		**–**	153.5
Other reserves		**0.1**	0.1
Profit and loss account		**398.4**	180.7
Shareholder funds		**447.7**	383.5

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

The Company is included in the consolidated accounts of Regus Group plc.

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

In accordance with FRS 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement within these financial statements.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company has not been included as part of these accounts. The Company's profit for the financial year was £64.2 million (2005: £0.7 million)

Investments

Fixed asset investments are stated at cost less provision for impairment.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Regus Group plc
Parent company accounts continued

Accounting policies continued

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness or liabilities of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1 Investments

	£m
At 1 January 2005	304.3
Additions	4.4
Provision for impairment	(1.0)
At 31 December 2005	**307.7**
At 1 January 2006	307.7
Additions	128.6
Provision for impairment	(5.5)
At 31 December 2006	**430.8**

The Company's principal subsidiary undertakings at 31 December 2006, their principal activities and countries of incorporation can be found in note 30 of the Group accounts of Regus Group plc.

2 Creditors falling due within one year

	2006 £m	2005 £m
Amounts due to Group undertakings	**1.6**	1.0
Loans	**4.8**	
Other creditors	**0.8**	0.2
	7.2	1.2

3 Capital and reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss reserve (distributable) £m	Profit and loss reserve (non-distributable) £m	Total £m
At 1 January 2005	49.3	153.5	–	1.0	179.1	382.9
Preference share redemption	(0.1)	–	0.1	(0.1)	–	(0.1)
Retained profit for year	–	–	–	0.7	–	0.7
At 31 December 2005	**49.2**	**153.5**	**0.1**	**1.6**	**179.1**	**383.5**
At 1 January 2006	49.2	153.5	0.1	1.6	179.1	383.5
Conversion of share premium into distributable reserves (a)	–	(153.5)	–	153.5	–	–
Retained profit for year	–	–	–	(12.7)	76.9	64.2
At 31 December 2006	**49.2**	**–**	**0.1**	**142.4**	**256.0**	**447.7**

(a) On 28 June 2006 the Company executed a court order granting the cancellation of the shore premium account under a Scheme of Arrangement. The effect of this was to increase by the same amount the distributable reserves. Details of the Scheme of Arrangement were contained within the notice of the AGM dated 3 April 2006.

4 Capital commitments and contingent liabilities

At 31 December 2006 the Company had no annual commitments under operating leases (2005: £nil), capital commitments (2005: £nil) or contingent liabilities (2005: £nil).

5 Directors and employees

The remuneration of all the directors was borne by Regus Management Limited. Details are available in the Group Remuneration Report on pages 27 to 33.

The Company had no employees during the year (2005: nil).

Segmental reporting – management basis

	Americas 2006	EMEA 2006	Asia Pacific 2006	United Kingdom 2006	Other 2006	Total 2006
Mature						
Workstations	45,911	24,626	4,281	–	–	74,818
Occupancy (%)	87	79	82	–	–	84
Revenue (£m)	276.4	178.2	29.9	–	0.7	485.2
Contribution (£m)	83.1	55.3	11.7	–	0.7	150.8
2005 Expansions						
Workstations	3,878	1,727	2,220	–	–	7,825
Occupancy (%)	85	81	67	–	–	79
Revenue (£m)	18.7	14.0	11.9	–	–	44.6
Contribution (£m)	4.8	4.4	3.4	–	–	12.6
2006 Expansions						
Workstations	2,608	479	2,508	18,498	–	24,093
Occupancy (%)	76	55	61	77	–	75
Revenue (£m)	9.6	2.3	9.1	126.6	–	147.6
Contribution (£m)	(1.3)	(0.3)	0.9	20.9	–	20.2
Closures						
Workstations	214	307	–	–	–	521
Occupancy (%)	82	69	–	–	–	74
Revenue (£m)	1.2	1.4	–	–	–	2.6
Contribution (£m)	(0.1)	0.6	–	–	–	0.5
Total						
Workstations	52,611	27,139	9,009	18,498	–	107,257
Occupancy (%)	86	79	72	77	–	82
Revenue (£m)	305.9	195.9	50.9	126.6	0.7	680.0
Contribution (£m)	86.5	60.0	16.0	20.9	0.7	184.1
REVPAW (£)	5,813	7,219	5,647	6,843	–	6,340

	Americas 2005	EMEA 2005	Asia Pacific 2005	United Kingdom 2005	Other 2005	Total 2005
Mature						
Workstations	45,825	24,291	4,407	–	–	74,523
Occupancy (%)	81	73	79	–	–	79
Revenue (£m)	254.8	159.0	28.9	–	2.6	445.3
Contribution (£m)	60.7	43.3	10.2	–	2.6	116.8
2005 Expansions						
Workstations	1,054	450	935	–	–	2,439
Occupancy (%)	70	61	50	–	–	61
Revenue (£m)	4.4	2.7	3.7	–	–	10.8
Contribution (£m)	0.4	–	(0.5)	–	–	(0.1)
Closures						
Workstations	–	122	133	–	–	255
Occupancy (%)	–	56	87	–	–	72
Revenue (£m)	–	0.3	1.0	–	–	1.3
Contribution (£m)	–	–	0.1	–	–	0.1
2006 closures						
Workstations	432	1,008	–	–	–	1,440
Occupancy (%)	91	63	–	–	–	72
Revenue (£m)	2.4	3.5	–	–	–	5.9
Contribution (£m)	0.4	(0.1)	–	–	–	0.3
Total						
Workstations	**47,311**	**25,871**	**5,475**	**–**	**–**	**78,657**
Occupancy (%)	**81**	**73**	**75**	**–**	**–**	**78**
Revenue (£m)	**261.6**	**165.5**	**33.6**	**–**	**2.6**	**463.3**
Contribution (£m)	**61.5**	**43.2**	**9.8**	**–**	**2.6**	**117.1**
REVPAW (£)	**5,529**	**6,397**	**6,137**	**–**	**–**	**5,890**

Notes:
> The mature business is defined as those centres owned and operated at least 12 months prior to 1 January 2006 and therefore have a full 12 month comparative.
> Expansions include new centres opened and acquired businesses.
> Workstation numbers are calculated as the weighted average for the year.
> The results above exclude non-recurring items, which are analysed in note 6. Contribution after non-recurring items was £184.1 million (2005: £117.2 million).

Five year summary

	Full year ended 31 Dec 2006 IFRS £m	Full year ended 31 Dec 2005 IFRS £m	Full year ended 31 Dec 2004 IFRS £m	Full year ended 31 Dec 2003 UK GAAP £m	Full year ended 31 Dec 2002 UK GAAP £m
Revenue	**680.0**	463.3	312.2	256.6	435.6
Cost of sales before non-recurring costs	**(495.9)**	(346.2)	(258.2)	(239.7)	(413.3)
Non-recurring cost of sales	**–**	0.1	(6.6)	–	(57.0)
Cost of sales	**(495.9)**	(346.1)	(264.8)	(239.7)	(470.3)
Gross profit/(loss) (centre contribution)	**184.1**	117.2	47.4	16.9	(34.7)
Administration expenses before non-recurring expenses	**(101.9)**	(64.9)	(44.2)	(38.7)	(61.1)
Non-recurring administration expenses	**–**	(5.0)	(2.0)	(6.4)	(35.1)
Administration expenses	**(101.9)**	(69.9)	(46.2)	(45.1)	(96.2)
Operating profit/(loss)	**82.2**	47.3	1.2	(28.2)	(130.9)
Share of post-tax loss of joint ventures	**(0.1)**	(0.2)	(0.7)	(0.2)	(5.5)
Share of post-tax profit/(loss) of associate	**1.2**	0.2	(3.0)	(3.7)	–
Profit/(loss) before financing costs	**83.3**	47.3	(2.5)	(32.1)	(136.4)
Profit on sale of subsidiaries	**–**	–	–	6.6	22.7
Finance expense	**(8.0)**	(10.8)	(3.7)	(4.4)	(5.4)
Finance income	**2.2**	2.2	1.3	–	–
Profit/(loss) before tax for the year	**77.5**	38.7	(4.9)	(29.9)	(119.1)
Tax credit/(charge)	**4.8**	6.1	2.6	2.1	(5.5)
Profit/(loss) after tax for the year	**82.3**	44.8	(2.3)	(27.8)	(124.6)
Attributable to:					
Equity shareholders of the parent	**82.3**	44.5	(2.4)	(28.7)	(125.8)
Minority interests	**–**	0.3	0.1	0.9	1.2
	82.3	44.8	(2.3)	(27.8)	(124.6)
Earnings/(loss) per ordinary share (EPS):					
Basic (p)	**8.4p**	4.5p	(0.3p)	(4.7p)	(21.9p)
Diluted (p)	**8.3p**	4.5p	–	–	–
Weighted average number of shares outstanding (thousands)	**984,792**	984,792	859,702	574,805	564,052
Balance sheet data (as at 31 December)					
Intangible assets	**263.1**	161.0	133.2	–	–
Property, plant and equipment	**127.6**	76.6	76.1	75.5	106.3
Deferred tax assets	**35.4**	21.9	6.2	–	–
Trade and other receivables	**172.7**	100.3	76.0	62.3	59.3
Cash and cash equivalents	**80.9**	74.1	82.3	85.0	58.6
Total assets	**679.7**	433.9	373.8	222.8	224.2
Current liabilities	**340.5**	229.9	182.4	134.2	149.3
Non-current liabilities	**103.0**	43.3	88.8	34.2	50.1
Provisions for liabilities and charges	**11.7**	7.9	8.9	52.6	57.2
Equity minority interests	**–**	–	(0.6)	(1.1)	(0.2)
Equity shareholders funds’/(deficit)	**224.5**	152.8	94.3	2.9	(32.2)
Total liabilities and shareholders’ funds	**679.7**	433.9	373.8	222.8	224.2

Results are presented under IFRS for 2006, 2005 and 2004. If the prior years were to be restated then the main adjustments would be in respect of lease accounting.

Corporate directory

Secretary and Registered Office
Tim Regan, Company Secretary
Regus Group plc
3000 Hillswood Drive
Hillswood Business Park
Chertsey
Surrey KT16 0RS

Registered Number
4868977

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Auditor
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Legal advisers to the Company as to English law
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Legal advisers to the Company as to US law
Davis Polk & Wardwell
99 Gresham Street
London EC2V 7NG

Corporate Stockbrokers
Dresdner Kleinwort Wasserstein
20 Fenchurch Street
London EC3P 3DB

Credit Suisse First Boston
One Cabot Square
London E14 4QJ

Reservations
UK telephone: 0870 880 8484
US telephone: 1.877.REGUS.87 or
001 954 331 1647

Websites
www.regus.com
www.hq.com

Glossary

Available workstations
The total number of workstations in the Group (also termed Inventory). During the year, this is expressed as a weighted average. At period ends the absolute number is used.

Centre contribution
Gross profit comprising centre revenues less direct operating expenses but before administrative expenses.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Enquiries
Client enquiries about Regus products or services.

Expansions
A general term which includes new business centres established by Regus and acquired centres in the year.

Forward order book
The future workstation revenue already contracted with clients at a point in time.

Like for like
The financial performance from centres owned and operated for a full 12 months prior to the start of the financial year which therefore have a full year comparative.

Mature business
Operations owned for a full 12 month period prior to the start of the financial year which therefore have a full year comparative.

Occupancy
Occupied workstations divided by available workstation expressed as a percentage.

Occupied workstations
Workstations which are in use by clients. This is expressed as a weighted average for the year.

Organic growth
Growth attributable to the mature portfolio and from new business centres established by Regus.

REVPAW
Total revenue per available workstations (revenue/available workstations).

REVPOW
Total revenue per occupied workstation.

WIPOW
Workstation income per occupied workstation.

The Regus Group Brands

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HQ

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Regus Group plc
3000 Hillswood Drive
Hillswood Business Park
Chertsey
Surrey KT16 0RS
United Kingdom

www.regus.com