Regus Group plc Annual Report and Accounts 2007

workwithoutboundaries

Our mission

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.

Our vision

We aim to be the number one in all markets in which we operate, through our controlled and disciplined expansion strategy.

Our values

The commitment, loyalty and efforts of our team members play a key role in differentiating us from our competitors.

Regus Group key facts

400,000
customers

155,270
workstations globally

918
business centres, 70 countries

83%
average occupancy

4,730
employees worldwide

1 click
away from our customers

Contents

regus.com

For more information visit
www.regus.com

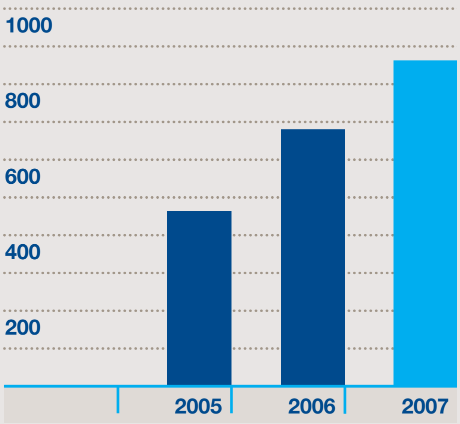
Annual and Interim Reports in electronic format online

To receive shareholder communications electronically in future, including your Annual Report and Interim Report, visit www.regus.com/investor

Financial highlights

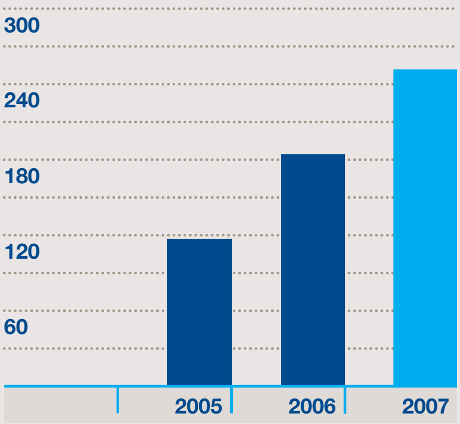
Delivering the promise

Revenue (£m)



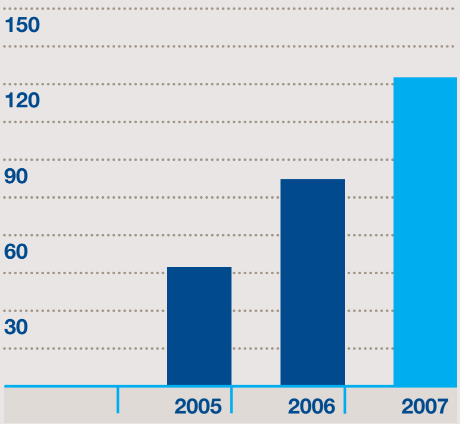
£862.4m
+26.8%

Gross profit (£m)



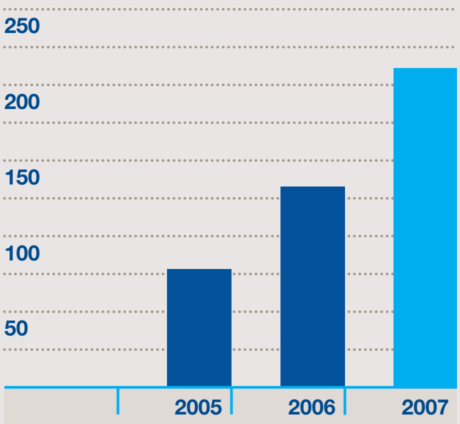
£251.9m
+36.8%

Operating profit (£m)



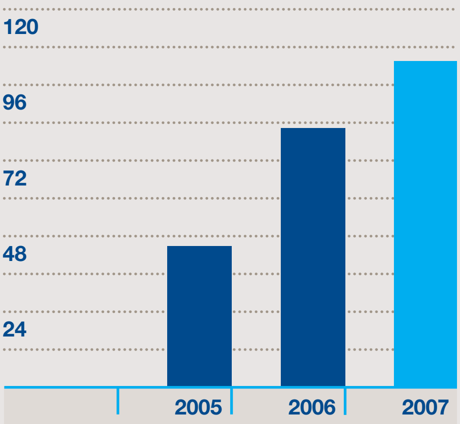
£122.6m
+49.1%

Cash from operations (£m)



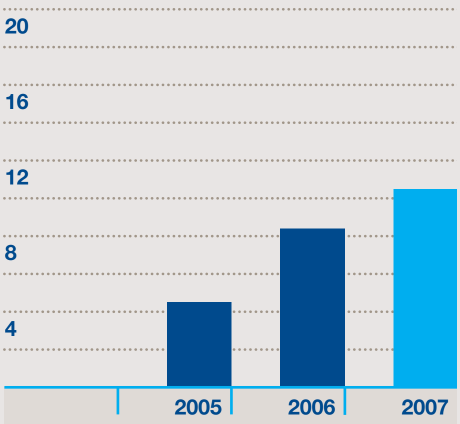
£211.1m
+59.0%

Profit after tax (£m)



£103.6m
+25.9%

Basic earnings per share (p)



10.5p
+25.0%

Chairman's statement

We remain focused on growth

I am pleased to report that Regus has delivered another year of record results this year, surpassing £100 million of post-tax earnings for the first time.

John Matthews

The business model continues to work well with profitability growth from our mature sites and recent expansions driving our ability to both return cash to stakeholders as well as invest in further capacity growth.

In the year to 31 December 2007 we grew our average available workstations by 23.9%. At the same time as increasing capacity we have also returned £20.6 million to shareholders and still increased our net cash balance from £23.4 million to £101.4 million.

Financial performance

Group revenue has increased by 26.8% to £862.4 million and gross profit by 36.8% to £251.9 million. Excluding the impact of new centre growth the "like for like" improvement was 7.0% and 20.9% respectively. This overall result was driven by average occupancy increasing to 82.7% from 81.8% in 2006 and revenue per available workstation ("REVPAW") increasing 2.3% from £6,340 to £6,487. Earnings (profit after tax) grew by 25.9% to £103.6 million and basic earnings per share increased by 25.0% to 10.5p.

Sustaining growth

Our strategic expansion remains a controlled blend of organic growth and carefully targeted acquisitions. During the financial year, we opened 146 centres for a total investment of £68.7 million.

Looking forward we expect to be able to continue this balanced expansion programme.

Dividend

Given this strong performance the Board is recommending a 67% increase in the total dividend per share to 1.0p for the year. Subject to the approval of shareholders at the 2008 AGM, this final dividend will be paid on 30 May 2008 to shareholders on the register at the close of business on 2 May 2008.

Our stakeholders

The Group recognises its economic, social and environmental impacts on society through its operations and interaction with all key stakeholders, including our investors, customers, landlords, suppliers and employees. Accordingly, we continue to be focused on, and committed to, managing our business in a responsible and positive manner to address these impacts. Critical to achieving this will be our people, who continue to play a pivotal role in delivering our goals and ensuring our customers experience continually high standards. I personally want to extend my thanks to all of our staff for their continued commitment and efforts throughout 2007.

Looking forward

While clearly aware of potential adverse market conditions we believe our business model is capable of delivering further profitable growth in 2008.

John Matthews
Chairman

Group overview

We are the world's leading provider of outsourced workplace solutions

Americas

Region

Operations

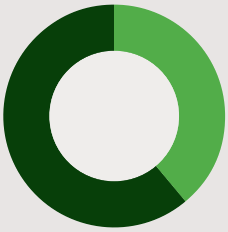
The region has 493 centres across 13 countries in North and South America. During the year we added 71 centres and closed eight centres.

Financial highlights

Revenue	Operating profit
£336.3m	£48.2m
+9.9%	+11.8%

Contribution to Group revenue

39%



Opportunities for growth

- Maximising yield in our existing centres.
- Growing our portfolio in key cities where we have minimal representation.

United Kingdom

Region

Operations

The business in the UK operates in 123 centres. During the year we opened 20 new centres and closed two centres.

Financial highlights

Revenue	Operating profit
£208.1m	£8.3m
+64.4%	+56.6%

Contribution to Group revenue

24%

Opportunities for growth

- Investing in our centres and in targeted marketing.
- Driving enquiry development and conversion.

Expanding our footprint

New countries in 2007

• Bulgaria • Jordan • Kenya • New Zealand • Qatar

find out more at: regus.com

EMEA

Region

Operations

The region has 210 centres across 41 countries. During the year we opened 30 new centres and closed eight centres.

Financial highlights

Revenue
£240.3m
+22.7%

Operating profit
£43.3m
+65.3%

Contribution to Group revenue

28%

Opportunities for growth

- Further improving occupancy and margin in our existing centres.
- Expanding our network into new markets.

Asia Pacific

Region

Operations

Our business in Asia operates in 92 centres across 13 countries. During the year we opened 25 new centres.

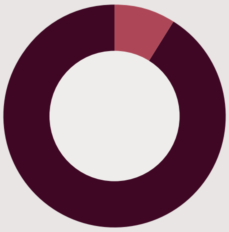
Financial highlights

Revenue
£77.7m
+52.7%

Operating profit
£12.5m
+104.9%

Contribution to Group revenue

9%



Opportunities for growth

- Continue our aggressive growth plan.
- Improving the efficiency of our current portfolio of centres.

Chief Executive's review

A focused business model

Our strategy remains one of measured and sustainable growth.

Mark Dixon

2007 has been another very successful year for the Group, with excellent growth in revenues, profitability, earnings per share and cash generation all resulting in a fourth successive year of record results. I am particularly pleased to have passed for the first time the milestone of achieving £100 million of earnings.

The unique nature of our business will ensure that we continue to drive sustainable growth:

1 **Strategy**
Our consistent long term strategy is that of measured, sustainable growth to maximise benefits for our stakeholders.

2 **Business model**
A scalable business model with considerable potential for further development.

3 **Future prospects**
We believe that we are in a good position to capitalise on our flexible product offering which makes us an ideal choice for many companies in times of uncertainty.

By keeping focused on our consistent, long term strategy – that of measured, sustainable growth – we have been able to demonstrate our ability to deliver continued benefits for all of our stakeholders.

Through the ongoing implementation of our core strategy of controlled, disciplined growth – via both organic expansion in existing and new markets and acquisitions – the Group has delivered substantial workstation growth in all regions during 2007. Average workstations grew 25,681 or 23.9% to 132,938 during 2007. The total number of available workstations at 31 December 2007 was 142,601. If non-consolidated workstations arising from franchise operations, joint ventures and managed offices are also taken into account, the total number of workstations under management increases to 155,270.

We have seen the number of centres we operate increase by 128, including franchises, joint ventures and managed offices. New locations include Kolkata in India, Winnipeg in Canada, Lille in France, Turin in Italy and we opened our first centres in Bulgaria, Qatar, Jordan, Kenya and New Zealand. The largest Regus centre, the Regus Silver Centre in Shanghai with over 1,400 workstations, opened for business in January 2007.

Strategy and objectives

Throughout 2007, we have remained clear on our strategic approach, which at its core seeks to ensure continued profitable growth and cash generation driven by a scalable business model with considerable potential for further development. With a substantial existing footprint of established, performing centres forming a network across 70 countries, we have been able to leverage these assets for long term growth and value creation for shareholders, and also to continue to grow in line with our strategic short and longer term goals.

Central to this strategy is driving continued improvement in

- our brand and products
- our systems and technology
- our processes

and more generally, in our knowledge of existing and future markets. Our people will continue to be the engineers of change in this respect.

Brand and product development
By continuing to develop and refine our product and service portfolio we recognise that our customers' needs are continually evolving, in different ways, around our global network. Our core business continues to be driven by regionally targeted campaigns which focus on local specifics but also leverage global strategies. Examples of such targeted campaigns which have driven our brand and product recognition include 1.2 million mail shots to homes in the UK and 870,000 targeted e-mail communications to prospective office customers across the 41 countries in EMEA.

In addition, during 2007, we launched our Business Lounge concept in both the UK and US, and have continued to invest in our Membership card initiative. We are confident that as our scale increases, the ability for Regus to offer continued, enhanced operational benefits to our customers will also increase. I am delighted to see our card membership levels doubling in 2007.

Systems and technology
We have also continued to invest in our systems and technology.

The roll-out of our internally developed inventory, reservation and billing system across our worldwide network has proceeded well. By 31 December 2007, we had 495 of our centres utilising this technology in their day to day operations. This system will deliver tangible improvements in our customers' day to day experiences with Regus.

The second half of 2007 saw a refresh of our website – part of our objective of developing further the Regus brand. This has already started to show measurable improvements in our customers' website experience, notably in site navigation, as well as driving an increase in enquiry conversion levels globally.

Finally, Regus continues to operate the world's largest video-conferencing network from the perspective of global reach. We have continued to see an increase in demand and usage for this product during 2007, reflecting what we believe to be an increasing recognition by our customers of environmental concerns coupled with a desire for a cost-effective business driver.

1 A leading strategy for growth

Our priorities for 2008

Expanding our network
We will continue to grow our network in key cities where we have minimal representation, expand into new markets and, within the Asia Pacific market, continue to consolidate and develop our position as the largest provider of serviced offices.

Innovative products and services
The re-launched Membership card recognises the mobility demands of our customers and we will continue to extol the clear benefits that this initiative provides to our thousands of customers worldwide.

Investments in systems and technology
The refresh of our website has now encompassed 33 countries, with another 26 in test and due for implementation in early 2008. We anticipate the implementation and use of our internally developed inventory, reservation and billing system within our entire network by the end of 2008.

Processes

During 2007, we have further developed our business processes and procedures throughout our network.

The rollout of our internally developed inventory, reservation and billing system has been a significant enabler of this allowing us to drive consistent structured processes across all our regions of operation. We see benefits in this scalable model not only to our existing centres, but also to all future new centre openings and acquisitions.

We have implemented improvements to our Human Resources (HR) systems in certain of our regions, allowing us to capture more effectively all HR data in one place, with substantial process benefits for employees and for managing our growing workforce. An example of this is the successful implementation of HR.Net, a web-enabled system throughout EMEA, which has allowed us to move away from a large number of local limited functionality manually managed HR applications.

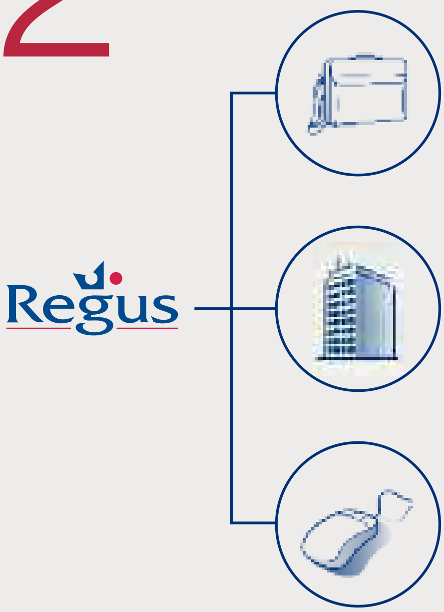
Throughout the year, we have also continued to ensure our growth plans are supported by strong administration frameworks, encompassing local finance, HR, procurement and operations teams where required, whilst at the same time employing subject matter experts in regional centres or head office. A central operations function, based in the UK and established in 2007, has also allowed us to identify areas of operational compliance improvement throughout our network, with the result being stronger controls and tangible revenue benefits.

People

Our results in 2007 would not have been possible had it not been for our 4,730 team members throughout the world and I extend my thanks to each of them for their commitment and enthusiasm. Their continued customer-focused ethos and approach have seen improvements in operational execution and levels of satisfaction throughout our network. We will continue to seek to employ the best candidates, and to encourage their growth and development through vesting appropriate levels of responsibility and challenge for each role.

We recognise our employees' achievements in a variety of ways, be it through internal recognition or in ongoing career development within our regional training centres. During 2007, Regus invested a substantial amount in the training and development of its people, with several significant programmes offered including:

2 A globally diversified business



Mobile and home working leader

- Virtual office, video-conferencing and meeting rooms
- Business lounges, membership cards and day offices

Business centre leader

- 918 centres in 70 countries
- 142,601 workstations

Corporate outsourcing

- Training room
- Managed offices

Regus value proposition

For the customer

- Cheaper opex
- Zero capex
- Flexible
- Immediate, no fuss
- Reliable, outsourced solution
- National, regional, global

For the landlord

- Allows small customers
- Market rent or better
- Incubator
- Amenity
- Regus brand
- Immediate and easy

- structured training for newly hired General Managers ("GMs") and Operational Managers ("OMs"). Throughout our regions, over 485 GMs and OMs completed this three-week induction course during the year.
- sales and operations training for GMs and OMs (all regions);
- online learning programmes accessed and delivered via the web;
- Management Development for Area Directors ("ADs") in the Americas (to be launched globally in 2008); and
- General Human Resources and Supervisory training led by the EMEA HR Team.

The outputs of these courses have been significant, with positive feedback from participants coupled with tangible outputs in increased sales levels shortly thereafter.

Regus has also invested in establishing professional trainers in Asia Pacific, EMEA and the UK to complement the internal training team in the Americas, and we anticipate continuing to strengthen the Global Training teams' resources and global reach during 2008.

Outlook

While clearly the current economic climate remains uncertain we believe we are in a good position to continue growing profitably.

Our global footprint means that we can capitalise on opportunities wherever they exist and in particular in the developing markets. Our revenues in the "BRIC" economies and the "N11" grew 45.7% and 28.6% respectively in 2007 and we expect these significant growth rates to continue.

As the business has grown, inherent risk has been extensively diversified as we have acquired a broader range of customers across geographies, business segments and size categories. Our cost base is also significantly more flexible as we increase the number of flexible leases in our portfolio and we reduce our exposure to longer leases.

The year has started well with enquiries showing no sign of weakness. We believe that we are in a good position to capitalise on our flexible product offering which makes us an ideal choice for many companies in times of uncertainty.

Overall we look forward to generating further profitable growth in 2008.

Mark Dixon
Chief Executive Officer

3 Future prospects

United Kingdom
- Investing in our centres and in targeted marketing
- Driving enquiry development and conversion
- Attractive low risk growth opportunities

EMEA
- Further improving occupancy and margin in our existing centres
- Expanding our network into low risk, low capex emerging markets

Americas
- Maximising yield in our existing centres
- Growing our portfolio in key cities where we have minimal representation
- Continued efficiency improvements

Asia Pacific
- Continue our aggressive growth plan – adding second tier cities
- Improving the efficiency of our current portfolio of centres
- Continued use of participation leases to reduce risk

find out more at: regus.com

Business review

Americas

Group strategy

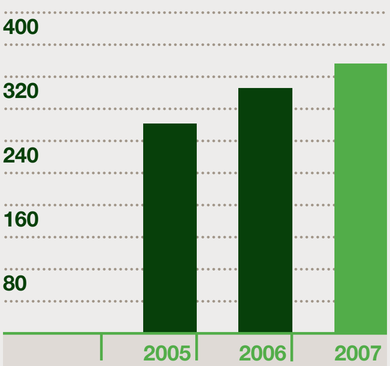
The strategy for the Americas is to maximise yield in our existing centres whilst targeting growth in key cities in the USA, South America and Canada.

Group key performance indicators	2007	2006
Total contribution	£102.7m	£86.5m
Mature margin	34%	30%
Mature occupancy	87%	87%

Opportunities in 2008

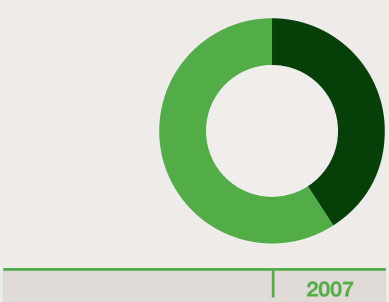
Maximisation of yield in our existing centres and continued efficiency improvements within our administrative support.

Revenue (£m)



Gross profit: £102.7m +18.7%

Contribution to Group 41%



Performance

Our business in the Americas comprises Canada, USA and South America and has 493 centres across 13 countries, with our main business in the USA operating 399 centres. During the year we added 71 centres and closed eight centres, which increased the average number of workstations from 52,611 in 2006 to 61,160 in 2007. Acquisitions accounted for 35 of these new centres, with the balance coming from the opening of 36 fully owned centres. The region delivered revenues of £336.3 million – up 9.9% on 2006 – and achieved an average mature occupancy of 87% through the year (2006: 87%).

Outlook

Looking ahead into 2008 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 trends towards flexible working practices and strengthening environmental awareness both act to further increase the demand for our product.

find out more at: regus.com

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customer mobility

Americas
During 2007, we launched our Business World concept in the US, and have continued to invest in our Membership card initiative. Card membership levels doubled in 2007.

Business review

United Kingdom

Group strategy

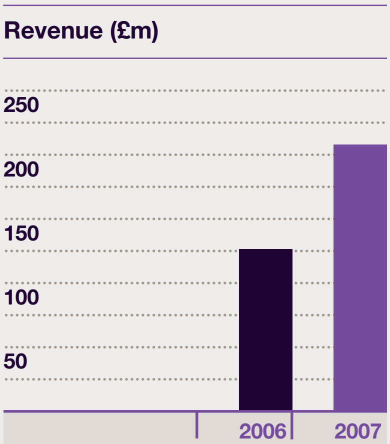
To improve margins and occupancy within existing centres and to target low risk growth opportunities.

Group key performance indicators	2007	2006*
Total contribution	£41.4m	£20.9m
Mature margin	22%	16%
Mature occupancy	84%	77%

* From date of acquisition of remaining 58% interest.

Opportunities in 2008

To continue to drive enquiries and conversion levels combined with targeted marketing.



Performance

Our business in the UK operates in 123 centres. During the year we opened 20 new centres and closed two centres, which increased the average number of workstations from 18,498 in 2006 to 27,905 in 2007. Acquisitions accounted for two of these new centres, with the balance of 18 coming from the opening of six fully owned centres and 12 managed centres. The region delivered revenues of £208.1 million – up 23.6% on the full year 2006 – and achieved an average occupancy in the 2006 acquired centres of 84% through the year (2006: 77% post-acquisition).

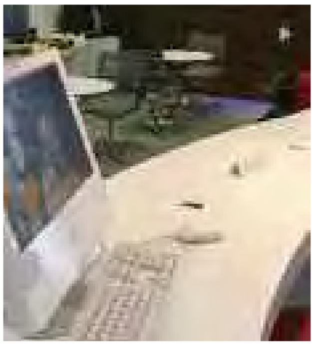
On 19 April 2006, the remaining 58% interest in Regus UK was acquired for a gross consideration (including fees) of £89.4 million. At the date of acquisition our UK business operated 91 centres. In the full year 2006, Regus UK generated revenues of £168.4 million.

Since acquisition, we have seen a significant increase in occupancy – rising from 72% at April 2006 to 84% during 2007. A restructured management team, renewed investment in our centres and in targeted marketing and a drive on enquiry development and conversion has helped to achieve this improved performance.

Outlook

Looking ahead in 2008 we will continue to drive margin improvements through higher enquiries and conversion levels and to pursue attractive low risk growth opportunities.

find out more at: regus.com



workwithoutboundaries
product innovation

United Kingdom
During 2007 we launched our Business Lounge concept in the UK, recognising the mobility demands of our customers.

Business review
EMEA

Group strategy

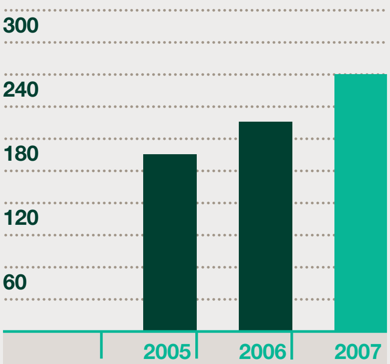
To further improve occupancy and margin in our existing centres and expand our network into low risk, low capex emerging markets.

Group key performance indicators	2007	2006
Total contribution	**£80.3m**	£60.0m
Mature margin	**36%**	32%
Mature occupancy	**87%**	79%

Opportunities in 2008

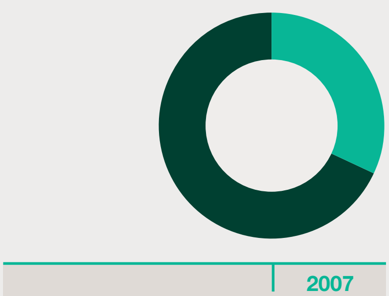
Expansion into new emerging markets outside the existing 41 countries of the region.

Revenue (£m)



Gross profit: £80.3m **+33.8%**

Contribution to Group **32%**



Performance

Our business in Europe, the Middle East and Africa (EMEA) encompasses 210 centres across 41 countries. During the year we opened 30 new centres and closed eight centres, which increased the average number of workstations from 27,139 in 2006 to 29,125 in 2007. Acquisitions accounted for three of these new centres, with the balance of 27 coming from organic growth – 22 fully owned centres, two joint ventures and three managed centres. We opened centres in four new markets – Bulgaria, Qatar, Jordan and Kenya. The region delivered revenues of £240.3 million – up 22.7% on 2006 and achieved an average mature occupancy of 87% through the year (2006: 79%).

Outlook

Looking ahead into 2008 we look to further improve occupancy and margin in our existing centres and expand our network into new markets.

find out more at: regus.com

workwithoutboundaries

emerging markets

EMEA
During 2007, we opened centres in new markets in Bulgaria, Qatar, Jordan and Kenya.

Business review

Asia Pacific

Group strategy

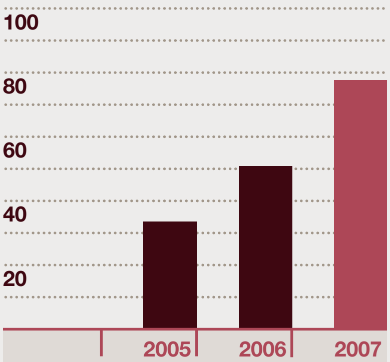
To consolidate and develop our position as the largest provider of serviced offices across all Asia Pacific markets.

Group key performance indicators	2007	2006
Total contribution	£27.5m	£16.0m
Mature margin	40%	36%
Mature occupancy	82%	77%

Opportunities in 2008

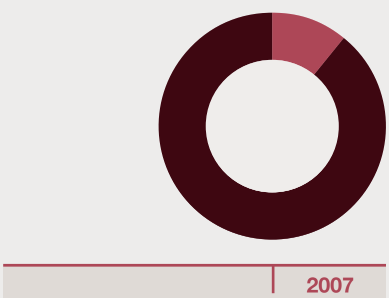
To continue our aggressive growth plan by adding second tier cities and new countries and improving efficiency and occupancy in our existing centres.

Revenue (£m)



Gross profit: £27.5m **+71.9%**

Contribution to Group 11%



Performance

Our business in Asia operates in 92 centres across 13 countries. During the year we opened 25 new centres, which increased the average number of workstations from 9,009 in 2006 to 14,748 in 2007. Acquisitions accounted for three of these new centres, with the balance of 22 coming from the opening of 21 fully owned centres and one managed centre. During the year, we opened one centre in the new market of New Zealand. The region delivered revenues of £77.7 million – up 52.7% on 2006 – and achieved an average mature occupancy of 82% through the year (2006: 77%).

Outlook

Looking ahead into 2008 we will continue to consolidate and develop 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 customer enquiries.

find out more at: regus.com

workwithoutboundaries

global expansion

Asia Pacific

During 2007, we opened 25 new centres including the new market of New Zealand. Our largest centre, the Regus Silver Centre in Shanghai, with over 1,400 workstations, opened for business in January 2007.

Corporate responsibility

Driving competitive advantage

We increasingly view Corporate Responsibility as central to our business strategy and as a critical driver to the sustainable growth of our business.

The global footprint which Regus has established brings with it considerable responsibilities, and we are committed to managing our business in a responsible manner, continually identifying opportunities to make a positive contribution to our local communities.

Corporate Responsibility Committee

In 2007, we established a formal Corporate Responsibility ("CR") Committee to oversee CR strategy, encompassing members from a variety of areas in our business. The Committee's aim is focused on ensuring that we take a sustainable approach to business, considering the economic, social and environmental impacts which matter most to our key stakeholders.

The remit of the Committee is primarily to provide strategic direction and guidance on all aspects of business practice and responsibility and ensure consistent implementation.

The Corporate Responsibility Committee will meet at a minimum quarterly to:

- Assess social, environmental and ethical risks
- Develop CR strategy
- Review our social, ethical and environmental policies and practices
- Identify opportunities to improve the effectiveness and sustainability of the business
- Review, agree, monitor and report on corporate responsibility Key Performance Indicators
- Improve stakeholder awareness

In 2007, we also commissioned an independent, third party report focused on identifying what CR practices could lead to a sustainable competitive advantage. This report was primarily focused on our UK operations, but its core outputs are scalable to our global network. The underlying conclusions of the report identified the following;

People: for employees, career advancement, structured training, work/life balance and a clearer recognition of their efforts would lead to greater employee CR engagement.

Environment and sustainability: a core priority amongst customers and suppliers is a clearly communicated policy, and the implementation of simple tools, systems and processes for reducing the Group's environmental impact.

Business Partners: a desire in both our customers and suppliers for building longer term relationships which support their business and values.

Community: clearer and more defined policies need to be implemented with respect to philanthropic and community initiatives and ensuring that these are communicated.

Accordingly, partly as a result of this research and partly due to our underlying commitment to positive development in CR, we anticipate that our CR Priorities for 2008 will include:

- Establishing and communicating a more formal CR Framework
- Implementing an updated environmental policy and guidelines
- Continuing the development of employee talent planning/appraisal processes and career development initiatives
- Continued customer focus – maintaining high quality services and expanding our offerings
- Identifying more clearly and consistently the core philanthropic and community initiatives Regus is committed to supporting

People

With over 4,700 employees throughout our 70 countries, most of whom are interfacing directly with our customers, our people are critical to our success. Our goals are aligned with those CR practices most likely to drive employee engagement.

Our primary aim remains to maximise and develop the skills of our team members, providing clear opportunities for career advancement and recognition whilst at the same time ensuring an appropriate work/life balance. The global roll out of Management training for our Area Directors in 2008, coupled with more local HR and supervisory training, demonstrates our commitment to a clearly defined training framework, driven by a growing global training team. Over the past 18 months, investment in this training has exceeded £750,000, or approximately £750 for each of the team members who have received this formal training.

A Group-wide Code of Ethics sets out a number of fundamental principles which all our companies and employees are required to follow, and are complemented by local practices which recognise regional specifics. We continue to operate a confidential whistle blowing service to support employees who want to eliminate wrongdoing in the workplace, and monitor the findings of this service both immediately at a local level and quarterly at a senior management level to ensure an adequate response.

Environment and sustainability

The focus of our environmental efforts continues to be to minimise potentially harmful impacts of our business wherever we can. Although our operations already have a limited impact due to the nature of our business, the product offerings we can deliver have potentially significant incremental positive impacts to the environment:

- Video-conferencing; we commenced an assessment of the number of air miles saved during 2007 and estimate that over 10 million air miles were saved during the last five months of 2007
- Regional, National, Global networks; with an increased focus on mitigating pressure on existing transport infrastructures, our network of offices regionally and globally continues to offer significant scope for reducing the environmental impact of longer distance journeys and times
- Offices; we have continued to push for enhanced use of low-wattage light bulbs, a greater array of recycling options and the sourcing of energy and utilities from suppliers focused on energy conservation standards throughout our network

Business Partners

Our customers are our business and developing long term relationships with them is a critical facet of our strategy. We have continued to monitor the levels of customer satisfaction throughout our business via questionnaires and exit interviews and this feedback forms an integral part of our centres' ongoing performance tracking. Our "mystery shopper" initiative continued throughout 2007, and has driven tangible improvements in performance, attitudes and behaviour of customer-facing staff by providing tangible feedback about each sales person's customer handling technique. It has also allowed us to embed greater consistency in the standards in and around each centre.

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

Community

We have continued to be active supporters of local communities and charities, be this through direct fundraising initiatives by our employees, through reduced price space provision or via other means. We are focused on providing longer term benefits through maintaining an ongoing relationship with our charities and communities, which allows the Company, participants and recipients to benefit from clearly experiencing and developing these partnerships.

Direct beneficiaries of Company and employee-led initiatives during the year have included:

- Great Causes and Debra via the 2007 London Triathlon (£15,000 of direct contributions)
- Worldwide Fund for Nature and Make a Wish Foundation, Australia (office and service benefits at reduced or no cost)
- The Rainbow Children's Hospice, UK (all funds from recycling toner cartridges)
- St Michael's School, Uganda (computers for schools)

Financial review

Market leading growth

We have produced another record performance delivering earnings of over £100 million with our net cash also now exceeding £100 million.

Stephen Gleadle

Revenue
£862.4m
+26.8%

Average no. of workstations
132,938
+23.9%

Average mature occupancy
87%
+ 3 points

REVPAW
£6,487
+2.3%

The business model continues to work well.

In addition to seeing profitability improvements from the sites we opened and acquired in 2006 we are continuing to see the profitability of our older more mature sites improve. This has enabled us to both grow the strength of our balance sheet while at the same time continue our expansion programme which then forms the basis for future profitable growth.

Taking the business as a whole, we grew its capacity as measured by the weighted average number of workstations by 23.9% to 132,938. At the same time the average occupancy of these workstations increased from 81.8% to 82.7% and we sold each one on average for 1.4% more. This was despite the effect of adverse exchange rate movements. At constant exchange rates the price increase would have been 5.3%.

These factors have delivered a £40.4 million increase in operating profit rising from £82.2 million in 2006 to £122.6 million in 2007.

Revenue and gross profit (centre contribution)

Revenue for the Group rose 26.8% to £862.4 million (2006: £680.0 million) and gross profit (centre contribution) increased 36.8% to £251.9 million (2006: £184.1 million).

This movement can be analysed in the table below:

(£ million)	Revenue	Gross profit	% of revenue
31 December 2006	680.0	184.1	27.1%
Impact of exchange rates	(24.8)	(7.1)	
31 December 2006 at constant exchange rates	655.2	177.0	27.0%
Growth in mature business	61.1	41.5	
Growth in centres added in 2006	115.7	39.7	
Growth in centres added in 2007	36.6	(4.7)	
Centres closed	(6.2)	(1.6)	
31 December 2007	862.4	251.9	29.2%

Sterling strengthened in value against the US dollar by an average of 8.7% in 2007 when compared to 2006, although this was partially offset by a weakening of sterling against the euro. This reduced our revenue by £24.8 million and contribution by £7.1 million. However, this exchange impact was then more than offset by improvements in the underlying business.

Our mature or "like for like" business increased its revenues by £61.1 million and contribution by £41.5 million driven by improvements in occupancy and price.

Centres that were added in 2006 contributed a further £115.7 million of revenue and £39.7 million of contribution, heavily driven by the impact of the UK acquisition and its continued growth. The Group purchased the remaining 58% interest in Regus UK and acquired full control of the financial and operating policies of the UK business on 19 April 2006.

The overall increase arising from 2006 centres can be analysed:

(£ million)	Revenue	Gross profit
Improvement arising from UK	74.2	23.2
Improvements elsewhere in the Group	41.5	16.5
Overall improvement from 2006 centres	115.7	39.7

New centres added in 2007, both organic and by acquisition, contributed a further £36.6 million of revenue but reduced contribution by £4.7 million due to the normal start-up losses incurred in establishing new centres.

The year on year impact of centre closures was to reduce revenue by £6.2 million and contribution by £1.6 millon.

Taking all this together contribution margins improved from 27.1% to 29.2%.

Administrative expenses

Administrative expenses increased by £27.4 million in 2007 compared to 2006 although remained at a constant 15% of revenues.

This investment reflects the year on year impact of the UK acquisition as well as substantial and continued investment in our infrastructure, in our people and in process efficiencies, with a particular focus on leveraging savings in procurement and centre operations as our network continues to expand. In addition, there has been considerable investment in enhancing our marketing capabilities, incorporating a re-launch of our website, recruitment of a core number of sector experts and a strengthening of our regional teams to ensure a consistent marketing message globally.

Operating profit

Operating profit was £122.6 million (2006: £82.2 million), representing a margin of 14.2% (2006: 12.1%).

Share of profit in joint ventures and associates

In the 12 months ended 31 December 2007, the share of joint venture profits attributable to Regus increased to £0.8 million (2006: £0.1 million loss). This reflected the improving profitability in mature joint ventures in the Americas and EMEA regions as well as improved performance from joint ventures in the Middle East that commenced trading at the end of 2006. These improvements were partially offset by normal losses from new joint ventures commenced in 2007.

During the period 1 January 2006 to 19 April 2006, the UK business was equity accounted as an associate. Following the acquisition of the UK business on 19 April 2006 the business became fully consolidated as a subsidiary.

Financing costs

Financing costs can be analysed as follows:

(£ million)	2007	2006
Interest payable on bank loans	(4.4)	(4.6)
Interest receivable	3.4	1.8
Finance lease interest	(0.2)	(0.5)
Non-cash: Amortisation of deferred financing fees	(0.5)	(0.4)
Non-cash: UK acquisition related	(2.3)	(2.1)
Total net financing costs	(4.0)	(5.8)

The lower interest payable reflects the reduction in the Group's average debt over the year, largely offset by the impact of rising interest rates in the Group's primary markets. The average Libor rate for 2007 was 5.85% compared to 4.79% for 2006.

The substantial increase in interest receivable reflects a continued increase in the Group's average free cash balance to £81.4 million (£49.7 million in 2006) and the average increase in global interest rates year over year. The movement in the cash balance is explained in the cash flow section below.

Underlying finance lease costs have fallen in line with the reduction in finance leases. The amortisation of deferred financing fees relates to loan arrangement costs incurred for the new credit facilities entered into during 2006 to fund the UK acquisition and reflects a full 12 months of amortisation in 2007 compared to a partial period in 2006. The unwinding of discounted fair value adjustments on the Regus UK acquisition resulted in a non-cash net financing charge of £2.3 million in the period to 31 December 2007, an increase compared to 2006 reflecting the timing of the UK acquisition in 2006.

Taxation

The continued improvements in the Group results have meant that there are less unrecognised losses available to be offset in the income statement against rising current tax charges. Consequently, the Group has recognised a £15.8 million tax charge for the period (representing an accounting tax rate of 13% of profit before tax) compared to a credit of £4.8 million in the comparative period.

The current tax charge for the period was £22.3 million (2006: £8.1 million charge) – an increase from 10% to 19% of profit before tax. Deferred tax was a £6.5 million credit in the period (2006: £12.9 million credit) which includes the adverse impact of the reduction in the UK corporation tax rate on the deferred tax asset. On a cash tax basis the Group paid £16.1 million in tax. This represents approximately 13.5% of profit before tax compared to 8.5% in the same period in 2006.

Earnings per share

Earnings per share for the year increased 25.0% from 8.4p to 10.5p. The average number of shares in issue during the year reflected the re-purchase of 12,853,001 Regus shares in June and December 2007 and therefore reduced to 980,961,569 (2006: 984,791,524).

Cash flow

Strong operating cash flow remains a prime feature and continued objective of the Group. The improvement in operating profit and an improved working capital performance resulted in the operating cash flow increasing by £78.3 million to £211.1 million (2006: £132.8 million).

Overall the Group enters 2008 in a strong financial position to capitalise on opportunities as they arise.

The Group's cash flow statement has been summarised below.

(£ million)	2007	2006
Cash generated from operations	211.1	132.8
Tax and net interest paid	(16.9)	(10.1)
Maintenance capex	(29.8)	(19.7)
Free cash flow	**164.4**	**103.0**
New centre openings	(50.9)	(26.7)
UK acquisition	–	(61.4)
Other acquisitions and JV investments	(17.8)	(27.1)
Loan repayment, share buyback and dividend	(37.6)	23.0
Exercises of share options	0.5	–
Change in cash	**58.6**	**10.8**
Opening cash	80.9	74.1
Change in cash	58.6	10.8
Effect of exchange rates on cash held	3.4	(4.0)
Closing cash	**142.9**	**80.9**

The strong cash performance has enabled the Group to invest in growth. Specifically, during the year, 101 new centres were opened at a cost of £50.9 million. A further 43 business centres plus two joint ventures were acquired for a net cash consideration of £17.8 million.

To highlight, during the year, the Group has

- repaid to our investors £20.6 million through both our share buyback and dividend activity
- reduced our debt by £17.0 million

and still ended the year with an increased cash position.

This can be can be analysed as follows:

(£ million)	2007	2006
Cash and cash equivalents	142.9	80.9
Bank and other loans	(40.3)	(54.2)
Finance leases	(1.5)	(3.9)
Un-amortised financing fees	0.3	0.6
Financial assets	**101.4**	**23.4**

Overall the Group enters 2008 in a strong financial position to capitalise on opportunities as they arise.

Stephen Gleadle
Chief Financial Officer

Board of directors

An experienced team

The Board has a blend of experience demonstrating both strength and depth.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1. John Matthews [c]

Chairman

John (63) was appointed Chairman in July 2002 and had previously been an independent director since joining Regus in 1995. He is currently an independent director of Diploma plc, Minerva plc, Rotork plc and SDL plc. A Chartered Accountant, he was, until 2007, Chairman of Crest Nicholson plc, and prior to that had been a Managing Director of County Natwest and Deputy Chairman of Beazer plc. John is Chairman of the Nomination Committee.

2. Mark Dixon

Chief Executive Officer

Mark (48) founded Regus in 1989 and has been Chief Executive for over 18 years, leading the Group's worldwide expansion programme and the development of pioneering workplace solutions. Prior to 2007, Mark was located in the USA overseeing the integration of the HQ Global Workplaces acquisition and has now relocated to Europe to oversee the development of the business in the UK and its full integration back into the Group. Prior to Regus, he established businesses in the retail and wholesale food industry.

3. Stephen Gleadle

Chief Financial Officer

Stephen (49) 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.

4. Rudy Lobo

Chief Operating Officer

Rudy (52) 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's 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.

5. Roger Orf [a,b,c]

Independent senior non-executive director

Roger (55) was appointed a non-executive director of Regus in 1998. Roger is currently Managing Director of Citi 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. Roger was Chairman of the Audit Committee until 10 March 2008.

6. Martin Robinson [a,b,c]

Independent non-executive director

Martin (45) was appointed a non-executive director of Regus in August 2002. Martin is Chairman of Center Parcs UK, Chairman of Alta Velocita, a director of Figaro LLP and a director of the Supervisory Board of EuroDisney SCA. Until 2007, he was Chairman of Health Club Holdings and is a former CEO and Chairman of Center Parcs Europe. 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. Martin is Chairman of the Remuneration Committee.

7. Stephen East [a,b,c]

Independent non-executive director

Stephen (50) 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 Immediate Past President of the Association of Corporate Treasurers. He was also a non-executive director of Star Energy Group plc until 29 February 2008. Stephen became Chairman of the Audit Committee on 10 March 2008.

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

Other statutory information

The directors present their Annual Report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2007.

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 24 and 25.

Details of the directors' interests and shareholdings are given in the Remuneration Report on pages 35 to 41.

The Corporate Responsibility Statement, Corporate Governance Statement, Remuneration Report and Director Statements 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 the 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 6 to 23 respectively address:

- Review of the Company's business (pages 10 to 17)
- Trends and factors likely to affect the future development, performance and position of the business (page 9)
- Development and performance during the financial year (pages 20 to 22)
- Position of the business at the end of the year (page 23)
- Principal risks and uncertainties (page 30)

The Corporate Responsibility Report on pages 18 and 19 includes the requirements of the Business Review in respect of:

- Environmental matters
- Employees
- Social and Community issues

The Corporate Governance Statement includes a description of the principal risks and uncertainties facing the Company on page 30.

The Director Statements on page 34 include the statutory statement in respect of disclosure to auditors.

Results and dividends

Profit before tax for the year was £119.4 million (2006: £77.5 million).

The directors are pleased to recommend the payment of a final dividend for 2007 of 1.0 pence per share (2006: 0.6 pence per share). The total dividend of £9.5 million (2006: £5.9 million) is expected to be paid on 30 May 2008 to shareholders on the register at the close of business on 2 May 2008.

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 2007, the number of creditor days outstanding for the Group was 25 days (2006: 19 days) and the Company, nil days (2006: nil days).

Employees with disabilities

The Group treats applicants for employment with disabilities with full and fair consideration according to their skills and capabilities. Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore opportunities for their retraining or redeployment elsewhere within the Group.

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 44 to 85.

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 (2006: £0.1 million).

Capital structure

The Company's share capital comprises 950,818,822 (2006: 984,791,524) issued and fully paid up ordinary shares of 5p nominal value. As at 14 March 2008 the Group held 33,972,702 ordinary shares as treasury shares (December 2006: Nil). All ordinary shares, excluding treasury shares, have the same rights to vote at general meetings of the Company and to participate in distributions. There are no securities in issue that carry special rights in relation to the control of the Company. The Company's shares are traded on the London Stock Exchange.

Details of the role of the Board and the process for the appointment of directors can be found on pages 28 to 30.

At the Company's Annual General Meeting on 24 May 2007, the shareholders approved a resolution giving authority for the Company to purchase in the market up to 98,479,152 ordinary shares, representing approximately 10% of the ordinary shares in issue at that date.

Details of the Company's employee share schemes can be found in the report of the Remuneration Committee on pages 35 to 41. The outstanding awards and options do not carry any rights in relation to the control of the Company.

Substantial interests

At 14 March 2008, 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 Sarl*	363,613,783	38.24
BlackRock Inc	90,758,402	9.55
Prudential plc	89,362,761	9.40
Standard Life Group	66,921,638	7.04
UBS Global Asset Management	48,603,936	5.11
Legal & General Group plc	29,560,405	3.11

* Mark Dixon indirectly owns 100% of Maxon Investments Sarl.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approval

This report was approved by the Board on 14 March 2008.

On behalf of the Board

Tim Regan
Company Secretary
14 March 2008

Governance framework

The Board is committed to the high standards of corporate governance set out in the Combined Code published in June 2006 ("the Code") for financial periods beginning after 1 November 2006. 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 2007, 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 24 and 25.

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 six scheduled Board meetings during 2007.

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	6	3	4	1
Mark Dixon	6			
Stephen Gleadle	6			
Rudy Lobo	6			
John Matthews	6			1
Stephen East	6	3	4	1
Roger Orf	6	3	4	1
Martin Robinson	6	3	4	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 Annual General Meeting ("AGM") after their appointment.

The Board consider the non-executive directors to be independent. Roger Orf has been a director for over nine years, which would ordinarily render him not to be independent under the Code. However, having taken into account his senior role within Citigroup, his sound commercial judgment and his considerable contribution to the Company and its governance, the Board considers that he remains independent. Roger has never received an award under any employee share scheme operated by the Company and there are no plans to make any such award to him.

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 until 10 March 2008)
Stephen East (Chairman from 10 March 2008)
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 Risk Management attend each meeting.

Summary terms of reference:

- Financial reporting – provide support to the Board by monitoring the integrity of the published financial statements of the Group and any formal announcements relating to the Company's financial performance, and ensuring that they 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 – the Committee advises the Board on the appointment, re-appointment, remuneration and removal of the external auditors. The Committee has the opportunity to meet with the external auditors without senior management being present.
- Employee concerns – the Committee reviews 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 Risk Management to informally discuss matters of interest.

External auditors

KPMG Audit Plc were the Company's auditors for the year ended 31 December 2007. For 2008, the Committee has recommended to the Board that a resolution to re-appoint 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 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 bookkeeping 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 35 to 41.

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 2007, there were no changes to the Board and therefore only one formal meeting of the Nominations Committee was required. 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.

Governance framework continued

- 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.

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 affecting the Company. 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.

Additionally, in the event of a downturn, the Group has a number of options for mitigating losses, for example by closing centres at lease break points.

The Group's strategy also focuses its growth into emerging markets that will reduce the proportion of the Group's revenue generated from the USA and UK over time and provide better protection to the Group from an economic downturn in a single country.

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 from 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 37% of the Group's revenues being attributable to the US dollar and 20% 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 risk is limited. However, the translation into 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 Group, 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 2008 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 14 March 2008, 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 together with regional executives every six months 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 by senior management. 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.

Governance framework continued

- 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. 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, the most recent global conference was held in February 2007. Delegates present 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 2007, 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 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 independent senior 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 announced in August/September and the preliminary final results announced normally 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 engaged the services of Brunswick Group plc as their Investor Relations adviser.

Annual General Meeting (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 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 2007, with the exception of the following:

- Provision D.1.1 – The independent senior 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 conduit with investors, rather than the independent senior non-executive director. The Chairman participates in investor meetings and makes himself available for questions, in person, at the time of major announcements. The Chairman regularly updates the Board and particularly the independent senior non-executive director on the results of his meetings and the opinions of investors. On this basis, Regus considers that the independent senior 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.

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 Generally Accepted Accounting Practice 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 parent company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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 auditor is unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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 year's Annual General Meeting.

This report sets out the Company's policy on directors' remuneration for the forthcoming year as well as information on remuneration paid to directors during the year.

Information relating to the emoluments and pension contributions to 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 four 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 during the year 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 2007 were:

- to ensure that it maintains a competitive package of total compensation, commensurate with comparable packages available with other similar companies operating in similar markets (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-based 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 throughout 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 for each executive director for the year ended 31 December 2007:

	Mark Dixon Chief Executive Officer	Rudy Lobo Chief Operating Officer	Stephen Gleadle Chief Financial Officer
Fixed	32.8%	30.0%	30.2%
Variable	67.2%	70.0%	69.8%

Remuneration report continued

Fixed compensation comprises salary, benefits and pension contributions. Variable compensation comprises the annual bonus paid in relation to the year ended 31 December 2007 and the total fair value of share awards granted in the year.

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

The Committee has recently undertaken a detailed review of the remuneration policy and structure to ensure that it is aligned to the Company's strategy and that the executives are appropriately motivated and retained to execute that strategy.

As a result of this review the following conclusions have been drawn:

- there is a need for a greater emphasis on exceptional pay for exceptional performance. The Committee believes that executives should be focused on delivering exceptional returns to shareholders over both the short and long term and given the opportunity to receive exceptional levels of reward if such performance is delivered; and
- where returns are conservative then total compensation levels will be extremely conservative.

In order to bring into effect the above policy changes the Committee is intending to:

- implement only inflationary salary rises (unless there is a real requirement for otherwise) across the senior executive team;
- change how the annual bonus for the year ending 31 December 2008 is operated (see below); and
- implement a new equity incentive. Further details of this arrangement are currently being discussed with the Company's major shareholders and will be set out in a circular seeking formal shareholder approval of the new share scheme.

The Committee is of the opinion that this new policy is in line with the Company's long term 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 yrs	6 months
Roger Orf	01-10-06	3 yrs	6 months
Martin Robinson	01-10-06	3 yrs	6 months
Stephen East	10-03-08	3 yrs	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 Regus Co-Investment Plan.

Basic salary and benefits

The basic salaries of executive directors are reviewed annually and any increases are effective from 1 January.

As part of the new remuneration policy focusing on exceptional pay for exceptional performance, the pay rise for all senior executives for 2008 will be capped at 2.5% to ensure that there is a greater weighting towards variable remuneration. As such the salaries for the Chief Executive Officer and Chief Operating Officer will be £522,750 and £280,338 respectively.

However, in the case of the Chief Financial Officer, the Committee has increased his salary from £250,000, which was a probationary salary agreed on his joining the Company in late 2005, to £300,000 per annum.

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

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.

The Committee sets bonus targets and levels of eligibility each year.

The maximum bonus potential for the year ending 31 December 2007 was 125% of salary for the executive directors. The following table sets out the performance metrics relating to the bonus:

Condition	Percentage of maximum bonus potential
Financial and personal measures and targets set at the beginning of the year as well as other factors the Committee determined were relevant	80%
Substantially exceeding EBIT targets.	20%

The Committee were of the opinion that all financial and personal measures and targets were achieved by the executive directors and as such, bonuses of 100% of salary were paid for this element. 50% of this bonus payment was paid in cash and 50% deferred to purchase shares ("Investment Shares") in Regus Group plc. These shares are awarded under the Co-Investment Plan with the opportunity to receive an additional award of shares ("Matching Shares") after a three year period subject to certain conditions. Share awards will be granted either in the form of a nil cost option or conditional share award.

Although the cash element of the bonus has been paid, 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 2008. The maximum number of share awards will be granted to the executive directors based on the price of an ordinary share at the time of the grant and the monetary value of Investment Shares will not exceed 50% of salary and 200% of salary for Matching Shares.

In addition, the Company significantly exceeded the EBIT targets set at the start of the year and as such the additional bonus equating to 25% of salary was paid to the executive directors for exceptional performance against budget. This part of the bonus has been paid in cash and will not attract any Matching Shares under the CIP.

For the year ending 31 December 2008 the Committee has decided to change the structure of the bonus plan to emphasise its policy of exceptional pay for exceptional performance. Although the standard maximum bonus potential will remain at 100% of salary, linked to the achievement of stretching short term financial and individual performance targets, the additional element for exceptional out-performance will be based on a self-financing bonus "pool" system rather than a fixed percentage of 25% of salary. The pool will be defined by reference to a percentage of operating profits in excess of external forecasts based on a consensus of analysts' estimates. To ensure compliance with Schedule A of the Combined Code, the Remuneration Committee will cap the amount of the pool distributed to individuals to 200% of salary (equating to a maximum bonus for the year of 300% of salary).

The Committee is mindful of the commercial sensitivity of the performance conditions applying to the bonus and considers that more detailed disclosure is inappropriate in the circumstances.

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 7.0% of basic salary. The Committee considers that the pension benefits of the executive directors are low compared with comparative companies but prefers to offer enhanced variable compensation (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 Company continues to operate the Regus Group plc Co-Investment Plan ("CIP"), which was approved by shareholders at the 2005 AGM. In addition, the Company continues to grant options on an ad hoc basis under the existing Regus Group Share Option Scheme to certain non-participants in the CIP.

As noted earlier, the Committee intends to introduce a new equity incentive which will enforce the concept of exceptional pay for exceptional performance. Details of this new arrangement will be contained in a shareholder circular seeking formal approval for the scheme.

This new share scheme will complement the CIP and balance the market-competitive levels of award under the CIP linked to the deferral of the annual bonus with exceptional levels of reward for superlative performance.

Co-Investment Plan ("CIP")

There are two elements to the CIP:

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

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.

Remuneration report continued

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. The Committee have determined that this ratio will apply to any payout of the annual bonus.

Grants during the year ending 31 December 2007:

	Mark Dixon	Rudy Lobo	Stephen Gleadle
CIP Award Face Value (%age Salary)	200%	200%	200%
Fair Value* of CIP Award	£713,717	£382,715	£349,435
Fair Value of CIP Award as a %age of Salary	151%	151%	151%

* The fair value was calculated by taking the face value of the shares on the date of award and adjusting 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 standalone whole share awards ("LTIP Awards") without reference to annual bonus, up to a maximum of 100% of salary per annum under the CIP. An 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 2007.

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

The performance conditions with the associated percentage of the award vesting for the grant of awards under the LTIP and CIP are set out in the following table:

For LTIP and 2006 CIP awards: EPS (p) for the year ended 31 December 2008.

For March 2007 CIP awards: % increase in EPS for the year ended 31 December 2009 compared to the prior year

Growth in FCF per share over 3 years	11p 15%	12p 20%	13p 25%	14p 30%
10%	6%	13%	19%	25%
15%	13%	25%	38%	50%
20%	19%	38%	56%	75%
25%	25%	50%	75%	100%

In determining whether the growth target has been met, EPS for the year ending 31 December 2009 will be basic and fully diluted as disclosed in the Company's financial statements.

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 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. 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 2007 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 200% 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 2008.

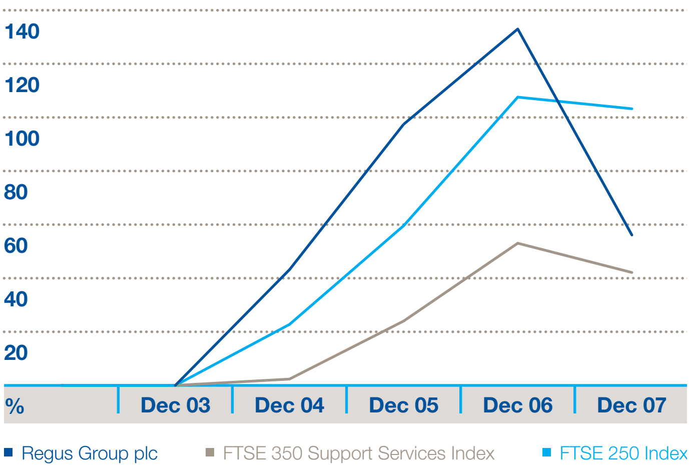
Details of share options granted to executive directors prior to the introduction of the CIP are set out in the audited section of this report.

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 2007, the executive directors did not hold any external positions for which they receive fees.

Total Shareholder Return (TSR)

TSR of the Company against the FTSE 350 Support Services Index



The above graph 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 considers 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.

Audited information

Directors' emoluments

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

			2007		
	Salary £'000	**Fees £'000**	**Benefits £'000**	**Bonus £'000**	**Total £'000**
Chairman					
John Matthews		**190.0**			**190.0**
Executive					
Mark Dixon	**510.0**	**–**	**101.5**	**382.5**	**994.0**
Rudy Lobo	**273.5**	**–**	**13.4**	**205.1**	**492.0**
Stephen Gleadle	**250.0**	**–**	**15.4**	**187.5**	**452.9**
Non-executive					
Roger Orf		**41.0**			**41.0**
Martin Robinson		**41.0**			**41.0**
Stephen East		**35.0**			**35.0**
	1,033.5	**307.0**	**130.3**	**775.1**	**2,245.9**

			2006		
	Salary £'000	Fees £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman					
John Matthews		190.0			190.0
Executive					
Mark Dixon*	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		32.5			32.5
	955.8	299.5	142.2	477.9	1,875.4

* In 2006, Mark Dixon's salary was set in sterling but was paid in US dollars. The actual salary received was $833,601.

Mark Dixon was the highest paid director in both 2007 and 2006. Benefits include car and fuel allowance, medical insurance and life assurance. Mark Dixon also received a housing allowance (2007: £100,000; 2006: £98,993).

Pension contributions

	2007 £'000	2006 £'000
Mark Dixon	**39.6**	33.0
Rudy Lobo	**19.1**	17.7
Stephen Gleadle	**17.5**	16.2
	76.2	66.9

Remuneration report continued

Directors' share interests

The following directors held beneficial interests in the share capital of the Company at 31 December 2007 and 14 March 2008.

			Ordinary Shares of 5p
	14 March 2008	31 December 2007	31 December 2006
Executive			
Mark Dixon[(a)]	363,613,783	363,613,783	366,329,326
Rudy Lobo	4,697,098	4,697,098	4,697,098
Stephen Gleadle	121,500	121,500	121,500
Non-executive			
John Matthews	910,687	894,869	650,212
Roger Orf	754,954	747,750	734,237
Martin Robinson	128,477	121,568	58,603
Stephen East	35,060	28,914	17,385

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

Directors' share options

As at 14 March 2008, the beneficial interest of the directors in options granted under the Regus Group Share Option Plan are shown below.

Director	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
Rudy 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. All the options vested and became exercisable in September 2007.

Directors' interests under the Long Term Incentive Plan ("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 2007 and 31 December 2007
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 38.

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:

			CIP
	At 1 January 2007	Shares awarded	At 31 December 2007
Investment shares			
Mark Dixon	193,473	179,396	372,869
Rudy Lobo	101,981	96,197	198,178
Stephen Gleadle	–	87,832	87,832
Matching shares			
Mark Dixon	773,892	717,584	1,491,476
Rudy Lobo	407,924	384,788	792,712
Stephen Gleadle	–	351,328	351,328

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 38.

The performance period for the CIP Matching Share Awards made in 2007 is 1 January 2007 to 31 December 2009. The mid-market price of the Company's ordinary shares at 31 December 2007 was 82.75p and the range during the year was 70.5p to 153.75p.

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 20 May 2008.

Audit requirement

Within the Remuneration Report, the sections on director's remuneration, shareholdings and pension benefits on pages 39 to 41 inclusive, are audited. All other sections of the Remuneration Report are unaudited.

On behalf of the Board

Martin Robinson
Chairman, Remuneration Committee
14 March 2008

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 2007 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 2006 FRC 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 judgments 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 2007 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 2007;
- 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
14 March 2008

Consolidated income statement

	notes	Year ended 31 Dec 2007 £m	Year ended 31 Dec 2006 £m
Revenue	3	**862.4**	680.0
Cost of sales		**(610.5)**	(495.9)
Gross profit (centre contribution)		**251.9**	184.1
Administration expenses		**(129.3)**	(101.9)
Operating profit	5	**122.6**	82.2
Share of post-tax profit/(loss) of joint ventures	20	**0.8**	(0.1)
Share of post-tax profit of associate	20	**–**	1.2
Profit before financing costs		**123.4**	83.3
Finance expense	8	**(8.1)**	(8.0)
Finance income	8	**4.1**	2.2
Profit before tax for the year		**119.4**	77.5
Tax (charge)/credit	9	**(15.8)**	4.8
Profit after tax for the year		**103.6**	82.3
Attributable to:			
Equity shareholders of the parent		**103.1**	82.3
Minority interests		**0.5**	–
		103.6	82.3
Earnings per ordinary share (EPS):			
Basic (p)	10	**10.5**	8.4
Diluted (p)	10	**10.4**	8.3

Consolidated balance sheet

	notes	As at 31 Dec 2007 £m	As at 31 Dec 2006 £m Restated*
Non-current assets			
Goodwill	12	**223.0**	212.1
Other intangible assets	13	**46.9**	51.0
Property, plant and equipment	14	**184.7**	127.2
Deferred tax assets	9	**46.8**	36.1
Other long term receivables	15	**24.1**	20.7
Investments in joint ventures	20	**1.6**	0.9
		527.1	448.0
Current assets			
Trade and other receivables	16	**186.4**	148.2
Corporation tax receivable		**5.1**	2.9
Cash and cash equivalents		**142.9**	80.9
		334.4	232.0
Total assets		**861.5**	680.0
Current liabilities			
Trade and other payables	17	**(168.9)**	(124.6)
Customer deposits		**(130.4)**	(103.4)
Deferred income		**(96.0)**	(73.5)
Corporation tax payable		**(33.2)**	(25.5)
Obligations under finance leases	18	**(0.8)**	(2.5)
Bank and other loans	18	**(15.5)**	(8.2)
Provisions	19	**(3.4)**	(3.1)
		(448.2)	(340.8)
Net current liabilities		***(113.8)***	*(108.8)*
Total assets less current liabilities		***413.3***	339.2
Non-current liabilities			
Other payables	17	**(62.4)**	(51.8)
Obligations under finance leases	18	**(0.7)**	(1.4)
Bank and other loans	18	**(24.5)**	(45.4)
Deferred tax liability	9	**(6.4)**	(1.7)
Provisions	19	**(7.4)**	(11.7)
Provision for deficit on joint ventures	20	**(2.1)**	(2.7)
		(103.5)	(114.7)
Total liabilities		**(551.7)**	(455.5)
Total assets less liabilities		***309.8***	*224.5*
Total equity			
Issued share capital	21	**49.2**	49.2
Treasury shares		**(13.4)**	–
Foreign currency translation reserve		**(20.1)**	(17.5)
Revaluation reserve		**10.0**	10.0
Other reserves		**(22.6)**	(22.6)
Retained earnings		**306.2**	205.4
Total shareholders' equity		**309.3**	224.5
Minority interests		**0.5**	–
Total equity		**309.8**	224.5
Total equity and liabilities		**861.5**	680.0

* See note 2 for details of the restatement.

Approved by the Board on 14 March 2008.

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Consolidated cash flow statement

	notes	Year ended 31 Dec 2007 £m	Year ended 31 Dec 2006 £m
Profit before tax for the year		**119.4**	77.5
Adjustments for:			
Net finance costs		**4.0**	5.8
Net share of profit on joint ventures and associate		**(0.8)**	(1.1)
Depreciation charge		**39.2**	31.8
Loss on disposal of property, plant and equipment		**0.2**	0.4
Amortisation of intangible assets		**6.4**	6.0
Decrease in provisions		**(4.2)**	(0.6)
Other non-cash movements – share based payments		**4.5**	1.8
Operating cash flows before movements in working capital		**168.7**	121.6
Increase in trade and other receivables		**(28.2)**	(31.3)
Increase in trade and other payables		**70.6**	42.5
Cash generated from operations		**211.1**	132.8
Interest paid on finance leases		**(0.2)**	(0.5)
Interest paid on credit facilities		**(4.0)**	(5.2)
Tax paid		**(16.1)**	(6.6)
Net cash inflow from operating activities		**190.8**	120.5
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	25	**(17.8)**	(88.5)
Purchase of interest in joint ventures		**(0.3)**	–
Sale of property, plant and equipment		**0.3**	0.3
Purchase of property, plant and equipment		**(79.2)**	(46.3)
Purchase of intangible assets		**(1.5)**	(0.4)
Interest received		**3.4**	2.2
Net cash outflow from investing activities		**(95.1)**	(132.7)
Financing activities			
Net proceeds from issue of loans		**–**	62.7
Repayment of loans		**(14.5)**	(33.5)
Repayment of capital elements of finance leases		**(2.5)**	(5.0)
Facility arrangement fees		**–**	(1.2)
Purchase of treasury shares		**(14.7)**	–
Payment of ordinary dividend		**(5.9)**	–
Exercise of share options		**0.5**	–
Net cash (outflow)/inflow from financing activities		**(37.1)**	23.0
Net increase in cash and cash equivalents		**58.6**	10.8
Cash and cash equivalents at beginning of year		**80.9**	74.1
Effect of exchange rate fluctuations on cash held		**3.4**	(4.0)
Cash and cash equivalents at end of year	22	**142.9**	80.9

Consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Treasury shares £m	Foreign currency translation reserve £m	Revaluation reserve £m	Other £m	Retained earnings £m	Minority interests £m	Total equity £m
	Attributable to equity holders of the parent (a)								
Balance at 1 January 2006	**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[b]	–	(153.5)	–	–	–	–	153.5	–	–
Balance at 31 December 2006	**49.2**	**–**	**–**	**(17.5)**	**10.0**	**(22.6)**	**205.4**	**–**	**224.5**
Profit attributable to equity holders	–	–	–	–	–	–	103.1	–	103.1
Profit attributable to minority interest	–	–	–	–	–	–	–	0.5	0.5
Currency translation differences	–	–	–	(2.6)	–	–	–	–	(2.6)
Deferred tax effect of share options	–	–	–	–	–	–	(0.1)	–	(0.1)
Total recognised income and expense for the year				(2.6)	–	–	103.0	0.5	100.9
Share based payments	–	–	–	–	–	–	4.5	–	4.5
Ordinary dividend paid	–	–	–	–	–	–	(5.9)	–	(5.9)
Exercise of share options	–	–	1.3	–	–	–	(0.8)	–	0.5
Purchase of treasury shares	–	–	(14.7)	–	–	–	–	–	(14.7)
Balance at 31 December 2007	**49.2**	**–**	**(13.4)**	**(20.1)**	**10.0**	**(22.6)**	**306.2**	**0.5**	**309.8**

(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.

– Treasury shares represent 11,947,702 ordinary shares of the Group that were acquired for the purposes of the Group's employee share option plans and the share buyback programme. During the year 12,853,001 shares were purchased. 905,299 shares were utilised to satisfy the exercise of share options by employees. At 14 March 2008, 33,972,702 treasury shares were held following the purchase of a further 22,025,000 shares subsequent to the balance sheet date for a total consideration of £16.6 million. As a result of the purchase of treasury shares, the distributable reserves of the Group were reduced by £13.4 million.

– 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 from historic cost to fair value at the time of the 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) 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 Annual General Meeting 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 2007 were authorised for issue by the Board of directors on 14 March 2008 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 82 to 85.

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 the associate 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 the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2007 did not have a material effect on the Group financial statements.

IFRS 7 "Financial Instruments: Disclosure" was applicable for accounting periods commencing on or after 1 January 2007. The principal impact of the adoption of IFRS 7 on the Group's financial statements relates to certain disclosures regarding financial assets and financial liabilities and the Group's risk management strategy.

IAS 1 Amendment "Presentation of Financial Statements: Capital Disclosures" was also applicable for accounting periods commencing on or after 1 January 2007. The principal impact of the adoption of the amendment to IAS 1 on the Group's financial statements relates to certain disclosures regarding capital management.

Certain amounts included in the financial statements for the period ending 31 December 2006 relating to business combinations completed in that period were included in those financial statements on a provisional basis. These provisional amounts were finalised during the 12 month period following the acquisition. Adjustments to the acquisition accounting have been reflected as if they had been recognised at the acquisition date. As a result the following changes have been made:

- The carrying value of goodwill was reduced by £0.4 million as a result of the finalisation of the acquisition accounting in relation to deferred tax assets resulting in an increase in deferred tax assets of £0.7 million and an increase in deferred consideration of £0.3 million.
- The carrying value of goodwill was increased by £0.4 million as a result of the finalisation of the fair value adjustments in relation to property, plant and equipment. This reduced the carrying value of property, plant and equipment by £0.4 million.

Judgments 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 8 "Operating Segments" will be applicable for accounting periods commencing on or after 1 January 2009. The Standard requires the disclosure of segmental information on the basis of the components of an entity that management monitors in making operating decisions. Therefore the adoption of IFRS 8 will have no impact on the reported income or equity of the Group. The impact on the Group's financial statements on the initial application of this Standard is not expected to be significant.
- IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" will be applicable for accounting periods commencing on or after 1 March 2007. The Interpretation addresses how share based payments should be treated within a group and therefore the adoption of IFRIC 11 will have no impact on the reported income or equity of the Group.

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 disposal group at which point the assets and liabilities are carried at the lower of fair value less costs to sell and carrying 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 disposal group at which point the investment is carried at the lower of fair value less costs to sell and carrying value.

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 disposal group at which point the investment is carried at the lower of fair value less costs to sell and carrying value. When the Group's share of losses exceeds its interest in a joint venture, 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 a joint venture.

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 assets (including intangible assets), liabilities and contingent liabilities 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 jointly controlled entities 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.

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 2007.

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 fair value less costs to sell 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 identified and measured reliably 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*

* Customer lists recognised on the acquisition of the remaining 58% interest in the UK business are amortised over four 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.

Notes to the accounts continued

2. Accounting policies continued

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 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 the 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.

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

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle its obligation.

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.

Finance charges

Interest charges and income are accounted for in the income statement on an accruals basis. Financing transaction costs that relate to financial liabilities are charged to interest expense using the effective interest rate method and are recognised within the carrying value of the related financial liability on the balance sheet. Fees paid for the arrangement of undrawn credit facilities are recognised as a prepayment and recognised through the finance expense over the term of the facility. In the event of a facility being drawn the relevant unamortised portion of the fee is recognised within the carrying value of the financial liability and charged to interest expense using the effective interest rate method.

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

Interest bearing borrowings and other financial liabilities

Financial liabilities, including interest bearing borrowings, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities 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.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expire.

Financial liabilities are classified as financial liabilities at fair value through profit or loss where the liability is either held for trading or is designated as held at fair value through profit or loss on initial recognition. They are stated at fair value with any resultant gain or loss recognised in the income statement.

Financial assets

Financial assets are classified as either at fair value through profit or loss, held to maturity investments, available for sale financial assets or loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined on initial recognition.

Trade and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when recognition would be immaterial.

Derivative financial instruments

The Group's policy on the use of derivative financial instruments can be found in note 23. Derivative financial instruments are measured initially at fair value and changes in the fair value are recognised through profit or loss unless the derivative financial instrument has been designated as a cash flow hedge whereby the effective portion of changes in the fair value are deferred in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

Foreign currency translation rates

	At 31 December		Annual average	
	2007	2006	**2007**	2006
US dollar	**2.00**	1.96	**2.01**	1.85
Euro	**1.36**	1.48	**1.46**	1.47
Japanese yen	**224**	233	**236**	215

Notes to the accounts continued

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
	2007 £m	2007 £m	2007 £m	2007 £m	2007 £m	2007 £m
Revenue	336.3	240.3	77.7	208.1	–	862.4
Gross profit (centre contribution)	102.7	80.3	27.5	41.4	–	251.9
Management fees – income/(charges)	(15.5)	(13.2)	(3.9)	(8.7)	41.3	–
Operating profit	48.2	43.3	12.5	8.3	10.3	122.6
Share of profit/(loss) of joint ventures	0.8	0.3	–	(0.3)	–	0.8
Finance expense					(8.1)	(8.1)
Finance income					4.1	4.1
Profit before tax					119.4	119.4
Tax charge					(15.8)	(15.8)
Profit after tax	–	–	–	–	103.6	103.6
EBITDA (see note 4)	82.8	63.8	20.9	31.2	(30.5)	168.2
Depreciation	16.1	7.0	4.3	11.6	0.2	39.2
Amortisation	3.0	0.3	0.2	2.6	0.3	6.4
Increase in provision for bad debts	1.4	1.1	0.2	0.4	–	3.1
Share based payment	–	–	–	–	4.5	4.5
Non recurring items (see note 6)	0.9	1.9	–	(0.2)	(2.5)	0.1
Assets	282.7	101.9	62.4	215.9	198.6	861.5
Liabilities	(138.6)	(136.0)	(44.6)	(133.0)	(99.5)	(551.7)
Net assets/(liabilities)	144.1	(34.1)	17.8	82.9	99.1	309.8
Capital expenditure incurred	28.4	18.5	15.9	16.9	1.0	80.7

	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 payment	–	–	–	–	1.8	1.8
Assets	241.9	70.4	39.8	201.2	126.7	680.0
Liabilities	(106.8)	(108.3)	(25.7)	(122.5)	(92.2)	(455.5)
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

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

	Americas	EMEA	Asia Pacific	United Kingdom	Other	**Total**
Year ended 31 Dec 2007	£m	£m	£m	£m	£m	**£m**
Operating profit (excluding management charges)	63.7	56.5	16.4	17.0	(31.0)	**122.6**
EBIT	63.7	56.5	16.4	17.0	(31.0)	**122.6**
Depreciation and amortisation	19.1	7.3	4.5	14.2	0.5	**45.6**
EBITDA	82.8	63.8	20.9	31.2	(30.5)	**168.2**

	Americas	EMEA	Asia Pacific	United Kingdom	Other	Total
Year ended 31 Dec 2006	£m	£m	£m	£m	£m	£m
Operating profit (excluding management charges)	49.1	34.9	8.9	7.0	(17.7)	82.2
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

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

Notes to the accounts continued

5. Operating profit

Operating profit has been arrived at after charging:

	2007 £m	2006 £m
Depreciation on property, plant and equipment		
Owned assets	**38.9**	31.0
Finance leases	**0.3**	0.8
Provision for bad debts	**3.1**	1.9
Amortisation of intangibles	**6.4**	6.0
Loss on disposal of fixed assets	**0.2**	0.4
Exchange differences recognised in the income statement – (gain)/loss	**(1.1)**	1.0
Rents payable in respect of operating leases		
Property	**270.6**	224.5
Equipment	**3.1**	2.3
Contingent rents paid	**2.6**	5.6
Staff costs (see note 7)	**154.6**	122.5
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**	0.8
Other services	**0.1**	0.2
Due diligence on acquisitions (included within cost of acquisitions)	**0.1**	0.2

6. Non-recurring items

Included in the results for the year to 31 December 2007 were non-recurring items amounting to a credit of £0.1 million (2006: nil).

	2007 £m	2006 £m
Cost of sales:		
Reversal of provision for onerous leases	**1.0**	–
	1.0	–
Administration expenses:		
Severance pay	**(0.4)**	–
Provision for disputed supplier agreement	**(2.3)**	–
Reversal of provision for an indemnity claim with landlord	**1.8**	–
	(0.9)	–
	0.1	–

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.

7. Staff costs and numbers

	2007 £m	2006 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**128.6**	103.8
Social security	**20.2**	16.3
Pension costs	**1.3**	0.6
Share based payments	**4.5**	1.8
	154.6	122.5

	2007 Average full time equivalents	2006 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	**3,613**	2,888
Sales staff	**333**	244
Finance staff	**299**	233
Other staff	**485**	367
	4,730	3,732
Americas	**2,035**	1,702
EMEA	**1,246**	1,080
United Kingdom	**775**	468
Asia Pacific	**595**	421
Corporate functions	**79**	61
	4,730	3,732

Details of directors' emoluments and interests are given in the Remuneration Report on pages 35 to 41.

8. Net finance expense

	2007 £m	2006 £m
Interest payable and similar charges on bank loans	**(4.4)**	(4.6)
Interest payable and similar charges of finance leases	**(0.2)**	(0.5)
Total interest expense	**(4.6)**	(5.1)
Deferred financing fees	**(0.5)**	(0.4)
Unwinding of discount rates	**(3.0)**	(2.5)
Total finance expense	**(8.1)**	(8.0)
Total interest income	**3.4**	1.8
Unwinding of discount rates	**0.7**	0.4
Total finance income	**4.1**	2.2
Net finance expense	**(4.0)**	(5.8)

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

Notes to the accounts continued

9. Taxation

(a) Analysis of (charge)/credit in the year

	2007 £m	2006 £m
Current taxation		
Corporate income tax	**(23.0)**	(24.8)
Benefit from previously unrecognised tax losses and temporary differences	**0.8**	16.7
Under provision in respect of prior years	**(0.1)**	–
Total current taxation	**(22.3)**	(8.1)
Deferred taxation		
Origination and reversal of temporary differences	**(22.7)**	(3.0)
Previously unrecognised tax losses and temporary differences	**27.6**	16.2
Over/(under) provision in respect of prior years	**1.9**	(0.3)
Impact of rate changes	**(0.3)**	–
Total deferred taxation	**6.5**	12.9
Tax (charge)/credit on profit	**(15.8)**	4.8

(b) Reconciliation of taxation (charge)/credit

	2007		2006	
	£m	%	£m	%
Profit before tax	**119.4**		77.5	
Tax on profit at 30% (2006: 30%)	**(35.8)**	**(30.0)**	(23.2)	(30.0)
Tax effects of:				
Expenses not deductible for tax purposes	**(7.7)**	**(6.4)**	(1.8)	(2.3)
Items not chargeable for tax purposes	**4.5**	**3.7**	3.2	4.1
Recognition of previously unrecognised deferred tax assets	**28.4**	**23.8**	32.9	42.5
Movements in temporary differences in the year not recognised in deferred tax	**(3.3)**	**(2.7)**	(2.4)	(3.1)
Adjustment to tax charge in respect of previous years	**1.8**	**1.5**	(3.6)	(4.6)
Differences in tax rates on overseas earnings	**(3.7)**	**(3.1)**	(0.3)	(0.4)
	(15.8)	**(13.2)**	4.8	6.2

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 2006.

(c) Factors that may affect the future tax charge

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

	2007 £m	2006 £m
2007	**–**	1.8
2008	**0.6**	1.1
2009	**0.9**	1.7
2010	**0.1**	2.1
2011	**1.3**	1.4
2012	**4.0**	3.3
2013	**0.4**	0.7
2014 and later	**22.2**	55.9
	29.5	68.0
Available indefinitely	**55.3**	44.0
Tax losses available to carry forward	**84.8**	112.0
Amount of tax losses recognised in the deferred tax asset	**76.8**	85.9
Total tax losses available to carry forward	**161.6**	197.9

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

	2007 £m	2006 £m
Accelerated capital allowances	**0.6**	5.5
Tax losses	**28.1**	37.1
Short term temporary differences	**8.6**	4.8
	37.3	47.4

(d) Corporation tax

	2007 £m	2006 £m
Corporation tax payable	**(33.2)**	(25.5)
Corporation tax receivable	**5.1**	2.9

(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	2007 Total £m	2006 Total £m
Deferred tax asset						
At 1 January	(23.1)	12.9	32.1	14.2	**36.1**	21.9
Current year movement	(2.5)	4.5	(5.4)	8.0	**4.6**	13.8
Prior year movement	–	(1.4)	–	4.4	**3.0**	(0.1)
Deferred tax on share options recognised directly in reserves	–	–	–	(0.1)	**(0.1)**	0.1
Acquisitions	(0.1)	–	0.6	0.1	**0.6**	0.9
Transfers	5.2	0.8	1.0	(4.4)	**2.6**	(0.1)
Exchange movement	0.5	–	(0.2)	(0.3)	**–**	(0.4)
At 31 December 2007	**(20.0)**	**16.8**	**28.1**	**21.9**	**46.8**	
At 31 December 2006	(23.1)	12.9	32.1	14.2		36.1
Deferred tax liability						
At 1 January	–	(0.3)	–	(1.4)	**(1.7)**	–
Current year movement	1.0	(0.2)	(0.2)	(0.6)	**–**	(0.6)
Prior year movement	–	1.0	1.2	(3.3)	**(1.1)**	(0.2)
Acquisitions	–	–	–	(1.0)	**(1.0)**	(0.9)
Transfers	(5.4)	(0.8)	(1.0)	4.6	**(2.6)**	–
At 31 December 2007	**(4.4)**	**(0.3)**	**–**	**(1.7)**	**(6.4)**	
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, provisions deductible when paid and share based payment.

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £39.0 million (2006: £26.7 million). It is considered that no significant tax liability would arise should these reserves be remitted due to available overseas tax credits.

The deferred tax recognised has been adjusted to reflect the reduction in the United Kingdom corporation tax rate from 30% to 28% from 1 April 2008.

Notes to the accounts continued

10. Earnings per ordinary share (basic and diluted)

	2007	2006
Profit attributable to equity shareholders of the parent	**£103.1m**	£82.3m
Weighted average number of shares outstanding during the year	**980,961,569**	984,791,524
Average market price of one share during the year	**125.6p**	108.7p
Weighted average number of shares under option during the year	**6,995,284**	7,261,924
Exercise price for shares under option during the year	**60.47p**	60.37p

	Profit		Earnings per share	
	2007 £m	2006 £m	**2007 pence**	2006 pence
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	**103.1**	82.3	**10.5**	8.4
Diluted earnings per share			**10.4**	8.3
Weighted average number of shares for basic EPS (number)			**980,961,569**	984,791,524
Weighted average number of shares under option during the year			**6,995,284**	7,261,924
Weighted average number of shares that would have been issued at average market price			**(3,367,657)**	(4,033,140)
Weighted average number of awards under the CIP			**2,997,134**	1,620,207
Weighted average number of shares for diluted EPS (number)			**987,586,330**	989,640,515

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 2007 CIP are an indicative number based on the year end share price.

11. Dividends

	2007	2006
Dividends per ordinary share	**1.0p**	0.6p

Dividends of £5.9 million were paid during the year (2006: nil). The Company has proposed to shareholders that a final dividend of 1.0p per share will be paid (2006: 0.6p). Subject to shareholder approval the total dividend of £9.5 million is expected to be paid on 30 May 2008.

12. Goodwill

	£m
Cost	
At 1 January 2006	122.1
Recognised on acquisition of subsidiaries	104.0
Exchange differences	(14.0)
At 31 December 2006	**212.1**
At 1 January 2007	212.1
Recognised on acquisition of subsidiaries	12.0
Exchange differences	(1.1)
At 31 December 2007	**223.0**
Net book value	
At 1 January 2007	212.1
At 31 December 2007	**223.0**

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:

	2007 £m	2006 £m
Carrying amount of goodwill included within the Americas business segment	**123.6**	115.4
Carrying amount of goodwill included within the EMEA business segment	**3.1**	1.8
Carrying amount of goodwill included within the Asia Pacific business segment	**7.7**	7.3
Carrying amount of goodwill included within the UK business segment	**88.6**	87.6
	223.0	212.1

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	**2007 £m**	2006 £m
USA	112.9	–	**112.9**	109.2
UK	88.6	11.2	**99.8**	98.8

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 2008 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 which does not exceed the long term average growth rate for a similar business.
- a terminal value is included in the assessment reflecting the Group's expectation that it will continue to operate in these markets.
- a country specific pre-tax discount rate has been applied to future cash flows for each cash-generating unit, based on an underlying post-tax discount rate of 12%, grossed up by the applicable tax rate in each country. The pre-tax rate reflects current market assessments and the risks specific to such businesses 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.

Foreseeable 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.

Notes to the accounts continued

13. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
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**
At 1 January 2007	44.8	13.1	6.1	64.0
Additions at cost	–	–	1.5	1.5
Acquisition of subsidiaries	–	1.0	–	1.0
Disposals	–	–	(0.1)	(0.1)
Reclassification	–	–	0.3	0.3
Exchange rate movements	(0.7)	(0.1)	0.1	(0.7)
At 31 December 2007	**44.1**	**14.0**	**7.9**	**66.0**
Amortisation				
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**
At 1 January 2007	4.1	4.2	4.7	13.0
Charge for year	1.6	3.5	1.3	6.4
Disposals	–	–	(0.1)	(0.1)
Exchange rate movements	(0.2)	–	–	(0.2)
At 31 December 2007	**5.5**	**7.7**	**5.9**	**19.1**
Net book value				
At 31 December 2007	**38.6**	**6.3**	**2.0**	**46.9**
At 31 December 2006	40.7	8.9	1.4	51.0

Included with the brand value is £11.2 million relating to 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 2007 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 2006	252.8	17.1	269.9
Additions	46.2	1.4	47.6
Acquisition of subsidiaries	43.2	0.7	43.9
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	**292.3**	**17.1**	**309.4**
At 1 January 2007	292.3	17.1	309.4
Additions	82.9	6.1	89.0
Acquisition of subsidiaries	5.7	–	5.7
Disposals	(5.3)	(0.7)	(6.0)
Reclassifications	–	(0.3)	(0.3)
Exchange rate movements	9.8	0.7	10.5
At 31 December 2007	**385.4**	**22.9**	**408.3**
Accumulated depreciation			
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**
At 1 January 2007	169.8	12.4	182.2
Charge for the year	36.0	3.2	39.2
Disposals	(4.7)	(0.8)	(5.5)
Exchange rate movements	7.1	0.6	7.7
At 31 December 2007	**208.2**	**15.4**	**223.6**
Net book value			
At 31 December 2007	**177.2**	**7.5**	**184.7**
At 31 December 2006	122.5	4.7	127.2

Additions include £0.1 million in respect of assets acquired under finance leases (2006: £1.4 million). Additions also include £9.7 million (2006: nil) of fixed assets contributed by landlords.

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

	2007 £m	2006 £m
Cost	**12.1**	42.6
Accumulated depreciation	**(8.9)**	(37.8)
Net book value	**3.2**	4.8

15. Other long term receivables

	2007 £m	2006 £m
Other receivables	**11.5**	10.3
Amounts owed by joint ventures	**7.2**	6.9
Prepayments and accrued income	**5.4**	3.5
	24.1	20.7

Notes to the accounts continued

16. Trade and other receivables

	2007 £m	2006 £m
Trade receivables	**86.4**	71.2
Amounts owed by joint ventures	**1.7**	2.3
Other receivables	**30.8**	21.9
Prepayments and accrued income	**56.0**	43.6
VAT recoverable	**11.5**	9.2
	186.4	148.2

17. Trade and other payables

	2007 £m	2006 £m
Trade payables	**37.2**	23.0
Other tax and social security	**19.8**	16.7
Deferred landlord contributions	**15.1**	12.4
Amounts owed to joint ventures	**0.1**	0.3
Rent accruals	**18.6**	11.2
Other accruals	**66.3**	52.0
Other creditors	**11.8**	9.0
Total current	**168.9**	124.6

	2007 £m	2006 £m
Accruals and deferred income	**12.2**	0.6
Rent accruals	**49.3**	50.0
Other creditors	**0.9**	1.2
Total non-current	**62.4**	51.8

18. Borrowings

The Group's total loan and borrowing position at 31 December 2007 and at 31 December 2006 had the following maturity profiles:

Bank and other loans

	2007 £m	2006 £m
Repayments falling due as follows:		
Amounts falling due after more than one year:		
In more than one year but not more than two years	**12.1**	15.1
In more than two years but not more than five years	**12.4**	30.3
In more than five years	**–**	–
Total non-current	**24.5**	45.4
Total current	**15.5**	8.2
Total bank and other loans	**40.0**	53.6

Obligations under finance leases

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

	2007 £m	2006 £m
Amounts payable		
Within one year or on demand	**0.9**	2.7
In more than one year but not more than two years	**0.6**	0.9
In more than two years but not more than five years	**0.2**	0.7
In more than five years	**–**	–
	1.7	4.3
Less: finance charges allocated to future periods	**(0.2)**	(0.4)
Present value of future minimum lease payments	**1.5**	3.9
Total current	**0.8**	2.5
Total non-current	**0.7**	1.4
	1.5	3.9

19. Provisions

	2007			2006		
	Onerous leases and closures £m	**Other £m**	**Total £m**	Onerous leases and closures £m	Other £m	Total £m
At 1 January	**9.6**	**5.2**	**14.8**	13.3	1.8	15.1
Provided in the period	**2.0**	**2.9**	**4.9**	1.2	3.4	4.6
Utilised in the period	**(2.0)**	**–**	**(2.0)**	(1.2)	–	(1.2)
Acquired with subsidiary undertakings	**–**	**–**	**–**	0.4	–	0.4
Provisions released	**(2.9)**	**(4.2)**	**(7.1)**	(4.0)	–	(4.0)
Exchange differences	**0.2**	**–**	**0.2**	(0.1)	–	(0.1)
At 31 December	**6.9**	**3.9**	**10.8**	9.6	5.2	14.8
Analysed between:						
Current	**0.5**	**2.9**	**3.4**	1.3	1.8	3.1
Non-current	**6.4**	**1.0**	**7.4**	8.3	3.4	11.7
	6.9	**3.9**	**10.8**	9.6	5.2	14.8

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 the 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 for which due to their nature the maximum period over which they are expected to be utilised is uncertain. As at 31 December 2007, the Group was in a legal dispute with a supplier and had provided £2.3 million as the best estimate of the present obligation under the dispute.

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 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)**
At 1 January 2007	–	(2.7)	0.9	(1.8)
Additions	–	0.1	0.2	0.3
Share of profit	–	0.3	0.5	0.8
Exchange rate movements	–	0.2	–	0.2
At 31 December 2007	**–**	**(2.1)**	**1.6**	**(0.5)**

Notes to the accounts continued

20. Investments in joint ventures and associate continued

Entity	Country	Ownership 2007 %	Ownership 2006 %
Joint ventures			
Regus Equity Business Centers L.L.C.	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**	50
Regus Algerie Sarl	Algeria	**60**	25
Regus Lebanon Sarl	Lebanon	**30**	30
Regus Abu Dhabi Business Centres LLC	UAE	**49**	49
Regus Herengracht BV	Netherlands	**50**	–
Regus Al Jaidah Business Centres LLC	Qatar	**25**	–
Regus Jordan PSC	Jordan	**50**	–

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:

	2007 £m	2006 £m
UK associate		
Income Statement		
Revenue	**–**	48.5
Expenses	**–**	(44.9)
Profit before tax	**–**	3.6
Tax	**–**	(0.7)
Profit after tax	**–**	2.9

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

	2007 £m	2006 £m
Joint ventures		
Income Statement		
Revenue	**29.4**	22.3
Expenses	**(27.8)**	(22.5)
Profit/(loss) before tax	**1.6**	(0.2)
Tax	**–**	(0.2)
Profit/(loss) after tax	**1.6**	(0.4)
Net liabilities		
Fixed assets	**9.7**	9.3
Current assets	**14.3**	10.3
Current liabilities	**(19.6)**	(20.1)
Non-current liabilities	**(9.0)**	(7.0)
Net liabilities	**(4.6)**	(7.5)

21. Share capital

Ordinary equity share capital

	2007 Number ('000)	2007 Nominal value £m	2006 Number ('000)	2006 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	**984,791,524**	**49.2**	984,791,524	49.2

In the year ended 31 December 2007, the company re-purchased 12,853,001 of its own shares in the open market and held these shares as treasury shares. During the year 905,299 were utilised for the purposes of employee share option exercises. At 31 December 2007, 11,947,702 shares were held as treasury shares. As at 14 March 2008, the Company had re-purchased a further 22,025,000 of its own shares.

The holders of ordinary shares are entitled to receive dividends declared by the Company and approved by shareholders and are entitled to one vote per share at meetings of the Company. Treasury shares do not carry such rights until reissued.

22. Analysis of financial resources

	At 1 Jan 2007 £m	Cash flow £m	Non-cash changes £m	Exchange movements £m	**At 31 Dec 2007 £m**
Cash and cash equivalents	80.9	58.6	–	3.4	**142.9**
Debt due after one year	(45.4)	10.2	10.9	(0.2)	**(24.5)**
Debt due within one year	(8.2)	4.3	(11.3)	(0.3)	**(15.5)**
Finance leases due after one year	(1.4)	0.8	(0.1)	–	**(0.7)**
Finance leases due within one year	(2.5)	1.7	–	–	**(0.8)**
	(57.5)	17.0	(0.5)	(0.5)	**(41.5)**
Net financial assets	23.4	75.6	(0.5)	2.9	**101.4**

Cash and cash equivalents balances held by the Group that are not available for use amounted to £14.4 million at 31 December 2007 (2006: £17.1 million). This cash serves as collateral against certain obligations of the Group.

Cash not available for use at 31 December 2007 includes cash held on deposit of which £2.1 million (December 2006: £5.5 million) relates to collateral against bank loans; £10.2 million (December 2006: £9.6 million) relates to deposits which are held by banks and landlords as security against lease commitments by Regus operating companies and £2.1 million (December 2006: £2.0 million) held by the ESOP Trust. These amounts are blocked and not available for use by the business.

Non-cash changes comprise the issue of loan notes in relation to business acquisitions, the amortisation of debt issue costs, new finance leases entered into and movements in debt maturity.

Notes to the accounts continued

23. Financial instruments and financial risk management

The objectives, policies and strategies applied by the Group with respect to financial instruments and the management of capital are determined at Group level. The Group's Board maintains overall responsibility for the risk management strategy of the Group and the Chief Financial Officer is responsible for policy on a day to day basis. The Chief Financial Officer and Group Treasurer review the Group's risk management strategy and policies on an ongoing basis. The Board has delegated to the Group Audit Committee the responsibility for applying an effective system of internal control and compliance with the Group's risk management policies. The Audit Committee is supported by the Head of Risk Management in performing this role.

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

Credit risk could occur where a customer or counterparty defaults under the contractual terms of a financial instrument and arises principally in relation to customer contracts and the Group's cash deposits.

A diversified customer base and requirement for customer deposits and payments in advance on workstation contracts which contribute the majority of the Group's revenue minimises the Group's exposure to customer credit risk. No single customer contributes a material percentage of the Group's revenue. The Group's policy is to provide against trade receivables when specific debts are judged to be irrecoverable or where formal recovery procedures have commenced. A provision is created where debts are more than three months overdue which reflects the Group's historical experience of the likelihood of recoverability of these trade receivables. These provisions are reviewed on an ongoing basis to assess changes in the likelihood of recoverability.

Cash assets 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.

The maximum exposure to credit risk for trade receivables at the reporting date, analysed by geographic region is summarised below.

	2007 £m	2006 £m
Americas	**19.9**	18.8
EMEA	**33.0**	25.5
UK	**22.0**	19.7
Asia Pacific	**11.5**	7.2
	86.4	71.2

All of the Group's trade receivables relate to customers purchasing workplace solutions and no individual customer has a material balance owing as a trade receivable.

The ageing of trade receivables at 31 December was

	Gross 2007 £m	**Provision 2007 £m**	Gross 2006 £m	Provision 2006 £m
Not overdue	**71.9**	**(0.1)**	59.4	(0.1)
Past due 0–30 days	**10.2**	**–**	8.5	–
Past due 31–60 days	**3.4**	**–**	2.8	–
More than 60 days	**4.6**	**(3.6)**	3.8	(3.2)
	90.1	**(3.7)**	74.5	(3.3)

During the year ended 31 December 2007, the Group provided for an additional £3.1 million against potential bad debts (2006: £1.9 million) and utilised £2.8 million directly against the balance of trade receivables (2006: £2.2 million).

The Group believes no provision is generally required for trade receivables that are not overdue as the Group collects the majority of its revenue in advance of the provision of office services and requires deposits from its customers.

Liquidity risk

The Group manages liquidity risk by reviewing its global cash position on a weekly basis and expects to have sufficient liquidity to meet its financial obligations as they fall due. In addition to free cash (excluding blocked cash) of £128.5 million (2006: £63.8 million) the Group has a senior committed facility of £136 million.

Market risk

Interest rate risk

The Group's debt is held at variable interest rates because further early repayment of the debt is probable. Surplus cash balances are invested to achieve maximum interest returns on a day to day basis. Whenever possible, and subject to the operational requirements of the Group, cash is repatriated to the parent company and managed by the Group Treasury department.

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.

The Group's investments in subsidiaries are generally not hedged as these currency positions are considered to be long term in nature.

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 2007 there were no derivative financial instruments outstanding (2006: None)

No transactions of a speculative nature are undertaken.

Other market risks

The Group does not hold any available-for-sale equity securities and is therefore not subject to risks of changes in equity prices.

Capital management

The Group's parent company is listed on the UK stock exchange and the Board's policy is to maintain a strong capital base. The Chief Financial Officer monitors the diversity of the Group's major shareholders and further details on the Group's communication with key investors can be found in the Corporate Governance Report on pages 28 to 34. In 2006, the Board approved the commencement of a progressive dividend policy to enhance the total return to shareholders.

The Group's Chief Executive Officer, Mark Dixon, is indirectly the major shareholder of the Company and all members of the Board hold shares in the Company. Details of the Directors' shareholdings can be found in the report of the Remuneration Committee on pages 35 to 41. In addition, the Group operates various share option plans for key management and other senior employees.

At the 2007 Annual General Meeting shareholders approved a resolution for the Group to re-purchase up to 10% of its issued share capital in the market. In June 2007, the Group commenced a share buyback programme to meet both the need to issue shares under the Group's share option programme and, more generally, as a means of returning cash to shareholders. In the year ended 31 December 2007, 12,853,001 shares were repurchased in the market and 905,299 were used to satisfy obligations under the share option programme. No shares were repurchased in 2006.

The Group purchased a further 22,025,000 of its own shares between 31 December 2007 and 14 March 2008.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group commenced a share buyback programme during the year ended 31 December 2007 and declared a final dividend for 2007 of 1.0p per share, 66.7% higher than 2006 (0.6p per share). There were no other changes in the Group's approach to capital management during the year.

The Group's objective when managing capital (equity and borrowings) is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Board balances the higher returns possible with higher levels of borrowings with the stability and security afforded by a sound capital position. The Group's return on capital employed for the year ended 31 December 2007, defined as operating profit divided by total shareholders' equity, was 39.6% (2006: 36.6%). This compares to a weighted average interest rate on the principal Group secured financing of 7.4% (2006: 7.0%).

Notes to the accounts continued

23. Financial instruments and financial risk management continued

Effective interest rates and maturity analysis

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

As at 31 December 2007

	Effective interest rate %	Total carrying value £m	Contractual cash flow £m	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Cash and cash equivalents	4.0	142.9	142.9	142.9	–	–	–
Trade and other receivables	–	149.5	155.0	133.9	9.1	12.0	–
Finance lease liabilities	16.3	(1.5)	(1.5)	(0.8)	(0.5)	(0.2)	–
Secured bank loans	7.4	(35.7)	(36.0)	(12.0)	(12.0)	(12.0)	–
Other loans	9.0	(4.3)	(4.3)	(3.6)	(0.3)	(0.4)	–
Customer deposits	–	(130.4)	(130.4)	(130.4)	–	–	–
Trade and other payables	–	(134.1)	(134.1)	(133.2)	(0.9)	–	–
Net financial liabilities		**(13.6)**	**(8.4)**	**(3.2)**	**(4.6)**	**(0.6)**	**–**

As at 31 December 2006

	Effective interest rate %	Total carrying value £m	Contractual cash flow £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	80.9	–	–	–
Trade and other receivables	–	121.6	126.7	107.8	10.0	8.9	–
Finance lease liabilities	12.2	(3.9)	(3.9)	(2.5)	(0.7)	(0.7)	–
Secured bank loans	7.0	(49.5)	(50.0)	(5.0)	(15.0)	(30.0)	–
Other loans	8.5	(4.1)	(4.1)	(3.4)	(0.3)	(0.4)	–
Customer deposits	–	(103.4)	(103.4)	(103.4)	–	–	–
Trade and other payables	–	(99.2)	(99.2)	(98.0)	(1.2)	–	–
Net financial liabilities		**(57.6)**	**(53.0)**	**(23.6)**	**(7.2)**	**(22.2)**	**–**

Sensitivity analysis

At 31 December 2007 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately £0.4 million (2006: £0.3 million).

It is estimated that a five percentage point weakening in the value of the US dollar against Pounds Sterling would have decreased the Group's profit before tax by approximately £3.1 million for the year ended 31 December 2007 (2006: £3.0 million). It is estimated that a five percentage point weakening in the value of the euro against Pounds Sterling would have decreased the Group's profit before tax by approximately £1.0 million for the year ended 31 December 2007 (2006: £0.8 million).

It is estimated that a five percentage point weakening in the value of the US dollar against Pounds Sterling would have decreased the Group's total equity by approximately £8.8 million for the year ended 31 December 2007 (2006: £8.1 million). It is estimated that a five percentage point weakening in the value of the euro against Pounds Sterling would have increased the Group's total equity by approximately £nil for the year ended 31 December 2007 (2006: £0.2 million).

Fair value disclosures

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

	2007		2006	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Cash and cash equivalents	**142.9**	**142.9**	80.9	80.9
Trade and other receivables	**149.5**	**149.5**	121.6	121.6
Finance lease liabilities	**(1.5)**	**(1.2)**	(3.9)	(3.3)
Secured bank loans	**(35.7)**	**(35.7)**	(49.5)	(49.5)
Other loans	**(4.3)**	**(4.3)**	(4.1)	(4.1)
Trade, other payables and customer deposits	**(264.5)**	**(264.5)**	(202.6)	(202.6)
	(13.6)	**(13.3)**	(57.6)	(57.0)
Unrecognised gain		**0.3**		0.6

Summary of methods and assumptions

Trade and other receivables/payables and customer deposits

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 an appropriate discount rate which reflects current market assessments and the risks specific to such liabilities.

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.

Committed borrowing facilities

	Principal £m	Available £m
At 31 December 2007	**137.2**	**74.7**
At 31 December 2006	151.7	87.2

Principal committed facilities include £136.0 million (2006: £150.0 million) of senior credit facilities, which the Group entered into in 2006, of which £74.7 million (2006: £87.2 million) is available.

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.

	2007		2006	
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**7,261,924**	**60.37**	7,261,924	60.37
Granted during the year	**2,855,764**	**135.22**	–	–
Lapsed during the year	**(587,102)**	**138.48**	–	–
Exercised during the year	**(905,299)**	**58.44**	–	–
Outstanding at 31 December	**8,625,287**	**80.03**	7,261,924	60.37
Exercisable at 31 December	**6,356,625**	**60.64**	–	–

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2007	Exercisable from	Expiry date
23/07/2004	4,106,981	57.00	–	(736,842)	3,370,139	23/07/2007	23/07/2014
08/09/2004	3,884,170	64.75	(729,227)	(168,457)	2,986,486	08/09/2007	08/09/2014
21/03/2007	2,148,258	131.50	(314,065)	–	1,834,193	21/03/2010	21/03/2017
20/04/2007	707,506	146.50	(273,037)	–	434,469	20/04/2010	20/04/2017
Total	**10,846,915**		**(1,316,329)**	**(905,299)**	**8,625,287**		

The weighted average share price at the date of exercise for share options exercised during the period was 132.59p.

Notes to the accounts continued

24. Share based payment continued

Performance conditions for share options

The options awarded in 2004 included certain performance criteria that needed to be met in order for the share options to vest. The share options vested based on the basic earnings per share (adjusted for non-recurring items and goodwill and intangible amortisation) that exceeded the targets linked to the Retail Price Index. The basic earnings per share for performance purposes was 1p. 100% of the options awarded in July and September 2004 vested during 2007.

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

The options awarded in March and April 2007 have the same performance conditions as the CIP Awards granted in the same year as described further below.

The share options awarded in 2004 were valued using the Black Scholes model. The share options awarded in 2007 are valued using a Monte Carlo model. The inputs to the model are as follows:

				Grant date
	20/04/2007	**21/03/2007**	23/07/2004	08/09/2004
Share price on grant date	**146.5p**	**131.5p**	57.00p	64.75p
Exercise price	**146.5p**	**131.5p**	57.00p	64.75p
Expected volatility	**35.08%**	**35.27%**	59.11%	59.06%
Number of simulations	**200,000**	**200,000**	–	–
Option life	**3 years**	**3 years**	3 years	3 years
Expected life	**5 years**	**5 years**	3 years	3 years
Expected dividend yield	**0.40%**	**0.44%**	nil	nil
Fair value of option at time of grant	**55.4p**	**53.8p**	25.0p	28.0p
Risk free interest rate	**5.36%**	**5.16%**	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)

	2007	2006
	Number of awards	Number of awards
At 1 January	**7,568,472**	3,723,235
LTIP awards granted during the year	**–**	140,184
CIP awards granted during the year	**4,073,967**	3,860,980
Lapsed during the year	**(263,215)**	(155,927)
Outstanding at 31 December	**11,379,224**	7,568,472

Plan	Date of grant	Numbers granted	At 31 Dec 2006	Lapsed in year	At 31 Dec 2007	Release date
LTIP	03/11/2005	3,723,235	3,567,308	(120,630)	3,446,678	03/11/2008
LTIP	28/09/2006	140,184	140,184	–	140,184	28/09/2009
		3,863,419	3,707,492	(120,630)	3,586,862	
CIP: Investment shares	21/03/2006	772,196	772,196	–	772,196	21/03/2009
CIP: Matching shares	21/03/2006	3,088,784	3,088,784	–	3,088,784	21/03/2009
CIP: Investment shares	21/03/2007	833,823	–	(28,517)	805,306	21/03/2010
CIP: Matching shares	21/03/2007	3,240,144	–	(114,068)	3,126,076	21/03/2010
		7,934,947	3,860,980	(142,585)	7,792,362	

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. During the year ended 31 December 2007, 7,504,655 of the conditional share awards were converted into nil cost share options. This change had no impact on the fair value of the awards but introduced an expiry date applicable to those awards converted into options.

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

The inputs to the model are as follows:

	21/03/2007	28/09/2006	21/03/2006	03/11/2005
	CIP (b)	LTIP (a)	CIP(b)	LTIP (a)
Share price on grant date	**131.50p**	107.00p	107.25p	92.25p
Exercise price	**nil**	nil	nil	nil
Number of simulations	**200,000**	60,000	60,000	60,000
Number of companies	**35**	29	29	29
Expected Option/award life	**3 years**	3 years	3 years	3 years
Expected dividend	**0.44%**	nil	nil	nil
Fair value of award at time of grant	**1.03p**	79.0p	79.94p	65.00p
Risk free interest rate	**5.34%**	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. The LTIP nil cost options have a vesting date of 3 November 2008 and 28 September 2009 and expiry date of 3 November 2015 and 28 September 2016 respectively.

(b) The CIP awards have a release date of 21 March 2009 and 21 March 2010. There is no expiry date and therefore remaining contractual life on the basis that the awards release immediately. The CIP nil cost options have a vesting date of 21 March 2009 and 21 March 2010 and an expiry date of 21 March 2016 and 21 March 2017.

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

For November 2005 and March 2006 awards: EPS* (p) for the 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%

% denotes the % of LTIP Award which will be released at the end of the performance period.

* Adjusted EPS.

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 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 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.

Notes to the accounts continued

24. Share based payment continued

The performance conditions for the grant of awards and options under the matching share element of the CIP made in March 2007 is set out below:

% increase in published EPS for the year ended 31 December 2009 compared to the published EPS for the 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%

% denotes the % of CIP Awards or Options 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 the grant.

As mentioned above, awards under the CIP in respect of the bonus paid for the year ended 31 December 2007 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 200% 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 2008.

25. Acquisitions

Details of all acquisitions made during 2007 are set out below. All of the acquired operations are providers of outsourced workplace solutions. Where no equity was acquired the Group acquired all the operating assets and liabilities of the related business excluding cash.

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.

Name	Region	Purchase consideration including costs £m	Percentage of equity and voting rights acquired	Date of acquisition
Equity acquisitions:				
Insignia, Calgary	Americas	2.4	100	01/11/2007
Business and net asset acquisitions:				
Interactive	Americas	6.7	n/a	13/08/2007
		9.1		

In addition to the above, a further £8.3 million of purchase consideration (including costs) was paid for two equity acquisitions and 18 business and net asset acquisitions.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets	–	1.0	1.0
Property, plant and equipment	5.4	0.3	5.7
Other non-current assets	0.4	3.4	3.8
Cash	0.8	–	0.8
Other current assets	2.0	0.4	2.4
Current liabilities	(3.3)	(2.0)	(5.3)
Non-current liabilities	(1.0)	(0.2)	(1.2)
	4.3	2.9	7.2
Total consideration			
Cash			15.9
Deferred consideration			0.6
Directly attributable costs			0.9
			17.4
Goodwill			10.2

The above fair value adjustments include the value of acquired customer lists, the fair value of leasehold interests and related deferred tax impacts.

There was no contingent consideration arising on the above acquisitions that has not been recognised on the Group balance sheet.

If the above acquisitions had occurred on 1 January 2007, the revenue and net retained loss arising from these acquisitions would have been £26.7 million and £0.1 million respectively. In the year these acquisitions contributed revenue of £15.0 million and a net retained loss of £0.4 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 2006 and 2005 acquisitions
Additional consideration of £1.8 million was paid in 2007 due to improved financial performance of acquisitions under contractual earn-out provisions and additional acquisition costs. This resulted in an increase in goodwill of £1.8 million.

Details of all acquisitions completed in the year ended 31 December 2006 are set out below
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	7.4	–	**17.6**
Consideration:				
Cash	88.0	28.2	–	**116.2**
Deferred consideration	–	2.1	0.3	**2.4**
Directly attributable costs	1.4	1.6	–	**3.0**
	89.4	31.9	0.3	**121.6**
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 continued

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]	(110.3)	23.6	(86.7)
Non-current liabilities[c]	(1.2)	(26.2)	(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.

Details of all other acquisitions made during 2006 are set out in the following table. All of the acquired operations are providers of outsourced 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	Percentage of equity and voting rights acquired	Date of acquisition
Equity acquisitions:				
Plaza	Asia	5.0	100	1 Jan 2006
Pinnacle	Americas	1.2	100	4 Jan 2006
Managed Office Solutions Ltd	UK	1.8	100	30 Jun 2006
Unico Business Service Inc.	Asia	2.0	100	1 Dec 2006
Longford Business Centres Ltd	UK	3.5	100	8 Dec 2006
Business and net asset acquisitions:				
Sierra Executive Offices, Nevada	Americas	0.4	n/a	1 Mar 2006
PRO Executive Suites, Florida	Americas	1.4	n/a	28 Apr 2006
El Golf / Global Business Solutions	Americas	0.3	n/a	4 May 2006
CIMA Spain	EMEA	0.3	n/a	1 Jun 2006
Gainsborough Business Centres	UK	4.4	n/a	12 Jun 2006
Office Concierge	Americas	0.7	n/a	21 Jun 2006
Serviced Office Specialists	Asia	0.4	n/a	1 July 2006
Westgate, Perth	Asia	0.4	n/a	1 July 2006
Stratis New Jersey	Americas	1.6	n/a	6 July 2006
CEO Executive Suites	Americas	0.8	n/a	13 July 2006
HQ Milwaukee	Americas	0.9	n/a	19 July 2006
Laptop Lane	Americas	2.1	n/a	31 July 2006
Business Quarters	Americas	1.9	n/a	7 Aug 2006
Stratis Greensboro	Americas	0.1	n/a	14 Aug 2006
Toledo Executive Business Centres	Americas	0.2	n/a	31 Aug 2006
Sierra Executive Offices, Colorado Springs	Americas	–	n/a	1 Sept 2006
MR Centre	Asia	0.4	n/a	1 Sept 2006
HQ Colombia	Americas	1.0	n/a	1 Sept 2006
Charlestown Business Centre	Americas	0.1	n/a	25 Oct 2006
Plaza Indonesia	Asia	0.4	n/a	1 Nov 2006
Regus Guatamala	Americas	0.5	n/a	1 Dec 2006
HQ Costa Rica	Americas	0.1	n/a	1 Dec 2006
		31.9		

(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	(0.6)	**6.3**
Other non-current assets	–	1.3	**1.3**
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	1.6	**7.4**

Notes to the accounts continued

25. Acquisitions continued

	Fair value £m
Total consideration	
Cash	**28.2**
Deferred consideration	**2.1**
Directly attributable costs	**1.6**
	31.9
Goodwill	**24.5**

In addition contingent consideration up to a maximum of £0.3 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 £0.2 million respectively. In the year these acquisitions contributed revenue of £21.1 million and a net retained profit 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.

26. Capital commitments

	2007 £m	2006 £m
Contracts placed for future capital expenditure not provided in the financial statements	**6.9**	5.4

These commitments are principally in respect of fit out obligations on new centres opening in 2008. In addition our share of the capital commitments of joint ventures amounted to £nil at 31 December 2007 (2006: £0.1 million).

27. Non-cancellable operating lease commitments

At 31 December 2007 the Group was committed to make the following payments in respect of operating leases:

			2007			2006
	Property £m	**Motor vehicles, plant and equipment £m**	**Total £m**	Property £m	Motor vehicles, plant and equipment £m	Total £m
Lease obligations falling due:						
Within one year	**286.3**	**2.3**	**288.6**	250.8	1.8	252.6
Between two and five years	**820.5**	**3.0**	**823.5**	748.4	6.1	754.5
After five years	**399.6**	**0.5**	**400.1**	395.5	0.1	395.6
	1,506.4	**5.8**	**1,512.2**	1,394.7	8.0	1,402.7

28. Contingent liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £25.3 million (December 2006: £27.8 million). A number of lawsuits are pending against the Group, the outcome of which in aggregate is not expected to have a material effect on the Group.

29. Related parties

Joint ventures
During the year ended 31 December 2007 the Group received management fees of £2.4 million (2006: £1.8 million) from its joint venture entities. At 31 December 2007 £8.8 million (2006: £8.9 million) was due to the Group from joint ventures of which £nil of this debt has been provided for at 31 December 2007 (2006: £nil).

UK associate

During the year ended 31 December 2007 the Group had no interests in companies that were accounted for as associates.

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. In addition Regus rented office space incurring costs of £0.1 million in the period prior to acquisition. Prior to the acquisition Regus incurred interest of £0.1 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.

During the year ended 31 December 2007 the Group acquired goods and services from a company indirectly controlled by a director of the Company amounting to £5,600 (2006: £nil). The goods and services were acquired in arms length transactions.

During the year ended 31 December 2007 Maxon Investments Sarl, a company controlled by Mark Dixon, sold 2,715,443 shares during the Company's share buyback programme.

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:

	2007 £m	2006 £m
Short term employee benefits	**4.7**	3.2
Termination payments	**0.4**	–
Share based payments	**3.4**	1.5
	8.5	4.7

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 £4.0 million (2006: £3.0 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 2007, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
Regus Business Centre SA[a]	Argentina	(i)	100
Regus Clarence Street Pty Ltd[a]	Australia	(i)	100
Regus Business Centre Melbourne Pty Ltd[a]	Australia	(i)	100
Regus Macquarie House Pty Ltd[a]	Australia	(i)	100
Regus Bridge Street Pty Ltd[a]	Australia	(i)	100
Regus Riverside Pty Ltd[a]	Australia	(i)	100
Regus North Sydney Pty Ltd[a]	Australia	(i)	100
Regus 303 Collins Street Pty Limited[a]	Australia	(i)	100
Regus 267 St Georges Terrace Pty Limited[a]	Australia	(i)	100
Regus Council House Pty Ltd[a]	Australia	(i)	100
Regus Bondi Junction Pty Ltd[a]	Australia	(i)	100
Regus Queens Road Pty Ltd[a]	Australia	(i)	100
Regus Como Pty Ltd[a]	Australia	(i)	100
Regus Centres Pty Ltd	Australia	(i)	100
Regus Business Centre GmbH[a]	Austria	(i)	100
Regus Business Centre WLL	Bahrain	(i)	100
Regus Business Centre NV[a]	Belgium	(i)	100
Skyport Bruxelles NV	Belgium	(i)	100
Regus Belgium NV	Belgium	(i)	100
Regus Stephanie Square BVBA	Belgium	(i)	100
Regus Astrid Plaza BVBA	Belgium	(i)	100
Regus Schuman BVBA	Belgium	(i)	100
Regus Rubens BVBA	Belgium	(i)	100
Regus Pegasus BVBA	Belgium	(i)	100
Regus Parc Atrium BVBA	Belgium	(i)	100
Regus Braine L'Alleud BVBA	Belgium	(i)	100
Regus Leopold Square de Meeus BVBA	Belgium	(i)	100
Regus do Brasil Ltda[a]	Brazil	(iii)	100
Regus H Holdings Inc	British Virgin Islands	(ii)	100
Regus Bulgaria EOOD[a]	Bulgaria	(i)	100
Oceanic Business Centre Inc[a]	Canada	(i)	100
Guardian Financial Corp Inc[a]	Canada	(i)	100
Pacific Business Centre Inc[a]	Canada	(i)	100
Richmond Executive Centre Inc[a]	Canada	(i)	100
Willingdon Business Centre Inc[a]	Canada	(i)	100
Regus Canadian Holding Corporation[a]	Canada	(ii)	100
RGN – Toronto Limited Partnership[a]	Canada	(i)	100

Notes to the accounts continued

30. Principal group companies continued

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
0798853 B.C. Ltd[a]	Canada	(ii)	100
RGN – Calgary Limited Partnership[a]	Canada	(i)	100
Regus Business Centre Ltd[a]	Canada	(ii)	100
Regus Business Centre Canada LP	Canada	(i)	60
Insignia Partnership	Canada	(ii)	100
Insignia Office Centres (Vancouver) Inc	Canada	(i)	100
1176513 Alberta Ltd	Canada	(ii)	100
1176515 Alberta Ltd	Canada	(ii)	100
Regus Business Centre de Chile SA	Chile	(i)	100
Regus Business Centre de Chile II SA	Chile	(i)	100
Regus Business Centre de Chile III SA	Chile	(i)	100
Regus Business Centre de Chile IV SA	Chile	(i)	100
Regus Business Centre Chile Ltda[a]	Chile	(ii)	100
Regus Business Services (Shanghai) Limited[a]	China	(i)	100
Regus Centres Services Co Ltd	China	(i)	80
Regus Business Centre (Shanghai) Ltd	China	(i)	100
Regus Business Services (Beijing) Ltd	China	(i)	100
Regus Business Services (Dalian) Ltd	China	(i)	100
Regus Business Services (Shenzhen) Ltd	China	(i)	100
Regus Strategic Consulting (Shanghai) Ltd	China	(i)	100
Regus Executive Serviced Office (Shanghai)	China	(i)	100
Regus Business Consultancy (Beijing) Ltd	China	(i)	100
Regus Business & Conference Centre (Shanghai) Ltd	China	(i)	100
Regus Business Consulting Guangzhou Ltd	China	(i)	100
Regus Executive Serviced Office (Beijing)	China	(i)	100
Regus Executive Service (Chengdu) Ltd	China	(i)	100
Beijing Huanya Business & Conference Centre Ltd	China	(i)	100
Union Plaza Consulting Co. Ltd	China	(i)	100
Allied Pacific Investment Limited	China	(i)	100
Huanya Shang Wu Fu Wu Limited	China	(i)	100
Regus Columbia Ltda[a]	Columbia	(i)	100
Regus Costa Rica S.R.L.[a]	Costa Rica	(i)	100

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
Regus Business Centre sro[a]	Czech Republic	(i)	100
Regus Empiria sro[a]	Czech Republic	(i)	100
Regus Burzovni Palac sro[a]	Czech Republic	(i)	100
Regus BRNO Spielberk sro[a]	Czech Republic	(i)	100
Regus Sydhavn Aps	Denmark	(i)	100
Regus Denmark Holding AS	Denmark	(ii)	100
Regus Kobenhavn Aps	Denmark	(i)	100
Regus Tuborg Aps	Denmark	(i)	100
Regus Business Centre Trading FZCO[a]	Dubai	(i)	100
Regus Business Centre LLC (Egypt)	Egypt	(i)	100
Regus Ltd[a]	England	(ii)	100
Regus Management Ltd[a]	England	(iii)	100
Regus Centres Ltd[a]	England	(ii)	100
Regus Investments Ltd	England	(ii)	100
Regus Business Centres (Holding)	England	(ii)	100
Regus Business Centres (Trading) Ltd	England	(ii)	100
Regus H Holdings	England	(ii)	100
Regus H (UK)	England	(ii)	100
Regus G Ltd	England	(i)	100
Regus Management (UK) Ltd	England	(iii)	100
Regus PLP (UK) Limited	England	(i)	100
Regus Surrey (Mayfair) Ltd	England	(i)	100
Regus Centres UK Ltd	England	(ii)	100
Longford Business Centres Ltd	England	(i)	100
Regus Holdings UK Ltd	England	(ii)	100
Regus (UK) Ltd	England	(i)	100
Regus Business Centres (UK) Ltd	England	(i)	100
Regus City Limited	England	(i)	100
Regus Business Services Ltd	England	(i)	100
MOS Ltd	England	(i)	100
Regus (GB) Ltd	England	(i)	100
Regus South Ltd	England	(i)	100
Regus Caledonia Ltd	England	(i)	100
Nuclei Limited[a]	England	(i)	49
Regus Finland Oy[a]	Finland	(i)	100
Regus Paris SAS[a]	France	(i)	100
Regus Roissy SAS[a]	France	(i)	100
Regus Opera SAS[a]	France	(i)	100
Regus Holdings France SAS[a]	France	(ii)	100
Regus Centre D'Affaires SAS[a]	France	(i)	100
Regus Business Centre SAS[a]	France	(iii)	100
Regus Vendome SAS	France	(i)	100
Regus Grand Arch SAS	France	(i)	100
Regus Sophie Antipolis SAS	France	(i)	100
Regus Montpellier SAS	France	(i)	100
Regus Provence SAS	France	(i)	100

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
Regus Germany Holding GmbH & Co. KG[(a)]	Germany	(ii)	100
Regus GmbH & Co KG	Germany	(i)	100
RBC Deutschland GmbH	Germany	(i)	100
Regus Netspace Germany GmbH & Co KG	Germany	(i)	100
Regus Germany Holding GP GmbH	Germany	(ii)	100
Regus Munchen Laim GmbH	Germany	(i)	100
Regus Hamburg Spitalerhof GmbH	Germany	(i)	100
Regus DusseldorfAirport GmbH	Germany	(i)	100
Regus Management GmbH	Germany	(ii)	100
Regus Hamburg Valentinskamo GmbH & Co KG	Germany	(i)	100
Regus Munchen Artemis GP GmbH & Co KG	Germany	(i)	100
Regus Hamburg Chilehaus GP GmbH & Co. KG	Germany	(i)	100
Regus Hellas SA[(a)]	Greece	(i)	100
Regus Guatemala S.R.L.[(a)]	Guatemala	(i)	100
Regus Guatemala II S.R.L[(a)]	Guatemala	(i)	100
Regus Business Centre Ltd[(a)]	Hong Kong	(i)	100
Regus Business Services (Hong Kong) Ltd[(a)]	Hong Kong	(i)	100
Regus Hong Kong Ltd[(a)]	Hong Kong	(i)	100
Regus Services (Hong Kong) Ltd[(a)]	Hong Kong	(i)	100
Regus Kalman Kft[(a)]	Hungary	(i)	100
Regus EMKE Kft[(a)]	Hungary	(i)	100
Regus Kft	Hungary	(i)	100
Regus Business Centre Pvt Ltd[(a)]	India	(i)	100
Regus Office Centre Services Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre Bangalore Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre Gurgaon Pvt Ltd[(a)]	India	(i)	100
Murphy Road BC Pvt Ltd[(a)]	India	(i)	100
Kasturba Road Business Centre Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre (Chennai) Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre (Pune) Pvt Ltd[(a)]	India	(i)	100
Regus Centre (Saket) Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre (Gurgaon) Pvt Ltd[(a)]	India	(i)	100
Regus Suburb Centre Pvt Ltd[(a)]	India	(i)	100
East India Business Centre Pvt Ltd[(a)]	India	(i)	100
Regus Centre Services (Bangalore) Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre Hyderabad Pvt Ltd[(a)]	India	(i)	100

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
Regus Midtown Business Centre Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre (Delhi) Pvt Ltd[(a)]	India	(i)	100
Regus Business Centre (Nagpur) Pvt Ltd[(a)]	India	(i)	100
Regus Office Centre Services (Chennai) Pvt Ltd[(a)]	India	(i)	100
Regus Mumbai Metropoliton BC Pvt Ltd[(a)]	India	(i)	100
Regus Gurgaon Metro BC Pvt Ltd[(a)]	India	(i)	100
PT Regus Centres (Indonesia)[(a)]	Indonesia	(i)	100
PT Regus Satrio (Indonesia)[(a)]	Indonesia	(i)	100
Regus Ireland Ltd[(a)]	Ireland	(i)	100
Regus Franchise International Ltd	Ireland	(i)	100
Europa Business Centre Ltd	Ireland	(i)	100
Regus Business Centres Ltd[(a)]	Israel	(i)	100
Regus Business Centre Srl	Italy	(i)	100
Regus Business Centres Italia Srl	Italy	(i)	100
Regus Japan KK[(a)]	Japan	(i)	100
Regus Business Centre Nagoya KK[(a)]	Japan	(i)	100
Regus Europe Ltd	Jersey	(ii)	100
Regus Luxembourg SA	Luxembourg	(i)	100
Regus Centres Sdn Bhd[(a)]	Malaysia	(i)	100
Regus Malaysia Sdn[(a)]	Malaysia	(i)	100
Regus Sentral Sdn Bhd[(a)]	Malaysia	(i)	100
Regus India Holdings Limited[(a)]	Mauritius	(ii)	100
Vantas Cd De Mexico, S de RL de CV	Mexico	(ii)	100
Regus Business Centre SA de CV	Mexico	(i)	100
Regus Services SA de CV	Mexico	(i)	100
Centro Coporativo de Mexico, Sa de CV	Mexico	(i)	100
Centro do Negocios Cuidad de Mexico Sa de CV	Mexico	(i)	100
Centro do Negocios Polanco, SA de CV	Mexico	(i)	100
Regus Maroc SARL	Morocco	(i)	100
Regus Netherlands BV[(a)]	Netherlands	(ii)	100
Regus Business Centres BV	Netherlands	(ii)	100
Satelite Business Centre Schipol BV	Netherlands	(i)	100
Skyport International BV	Netherlands	(i)	100
WTC Zuiplien BV	Netherlands	(i)	100
Skyport Amsterdam BV	Netherlands	(i)	100
Regus Amsterdam BV	Netherlands	(iii)	100
Regus Hojel BV	Netherlands	(i)	100
Regus Weena BV	Netherlands	(i)	100
Regus Atrium BV	Netherlands	(i)	100
Regus Atlas BV	Netherlands	(i)	100
Regus Parkstraat BV	Netherlands	(i)	100
Regus Zen BV	Netherlands	(i)	100

Notes to the accounts continued

30. Principal group companies continued

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
Regus Eindhoven BV	Netherlands	(i)	100
Regus Arnhem BV	Netherlands	(i)	100
Regus Hilversum BV	Netherlands	(i)	100
Regus Brainpark BV	Netherlands	(i)	100
Regus Amersfoort BV	Netherlands	(i)	100
Regus Tetra BV	Netherlands	(i)	100
Regus Zurich Tower BV	Netherlands	(i)	100
Regus Breda BV	Netherlands	(i)	100
Regus Schiphol Rijk BV	Netherlands	(i)	100
Regus Teleport Tower BV	Netherlands	(i)	100
Regus Amstel Business Park BV	Netherlands	(i)	100
Regus Rijswijk BV	Netherlands	(i)	100
Regus Equinox I BV	Netherlands	(i)	100
Regus Equinox II BV	Netherlands	(i)	100
Regus Nijmegen BV	Netherlands	(i)	100
Regus Tilburg BV	Netherlands	(i)	100
Regus Shortland Street Ltd[a]	New Zealand	(i)	100
Regus Business Centre Norge AS[a]	Norway	(ii)	100
Regus Business Centre Ibsen AS	Norway	(i)	100
Regus Business Centre Skogen AS	Norway	(i)	100
Regus Business Centre Nydalen AS	Norway	(i)	100
Regus Bahria Karachi[a]	Pakistan	(i)	100
Regus Business Centre (Panama) SA[a]	Panama	(i)	100
Regus Business Centre (Peru) SA[a]	Peru	(i)	100
Regus Net Cube Inc[a]	Philippines	(i)	100
Regus Business Centre Inc	Philippines	(i)	100
Regus Business Centre Sp. z o.o.[a]	Poland	(i)	100
Regus Plaza Sp. z o.o.[a]	Poland	(i)	100
Regus Wisniowy Sp. z o.o.[a]	Poland	(i)	100
Regus Mokotow Sp. z o.o.[a]	Poland	(i)	100
Regus Metropolitan Sp. z o.o.[a]	Poland	(i)	100
Regus Business Centre Lda[a]	Portugal	(i)	100
Regus International SRL[a]	Romania	(i)	100
LLC Regus Business Centre[a]	Russia	(i)	100
Regus Business Centre Avrora LLC[a]	Russia	(i)	100
Regus Business Centre Capital Plaza LLC[a]	Russia	(i)	100
Regus Moscow City LLC[a]	Russia	(i)	100
St Petersburg (Austrian Business Centre) LLC[a]	Russia	(i)	100
Regus Business Centre Atrium LLC[a]	Russia	(i)	100
Regus Business Centre Citydel LLC[a]	Russia	(i)	100
Regus Singapore Business Centre Pte Ltd[a]	Singapore	(i)	100
Regus Centres Pte Ltd[a]	Singapore	(i)	100
Regus NAC Pte Ltd[a]	Singapore	(i)	100
Regus Business Services Marina Pte Ltd[a]	Singapore	(i)	100
Regus Business Centre Bratislava sro[a]	Slovakia	(i)	100
Regus Southern Africa (PTY)[a]	South Africa	(i)	100
Regus Business Centre (PTY) Ltd	South Africa	(i)	100
Regus Business Centre Sandton Pty Ltd	South Africa	(i)	100
Regus Business Centre Durban Pty Ltd	South Africa	(i)	100
Regus Business Centre Foreshore Pty Ltd	South Africa	(i)	100
Regus Business Centre Midrand Pty Ltd	South Africa	(i)	100
Regus Business Centre Mowbray Pty Ltd	South Africa	(i)	100
Regus Business Centre Woodmead Pty Ltd	South Africa	(i)	100
RMG South Africa Pty Ltd	South Africa	(iii)	100
RBC (Century City) Pty Ltd	South Africa	(i)	100
Regus Korea Ltd[a]	South Korea	(i)	100
Regus Jongro Ltd[a]	South Korea	(i)	100
Regus Samsungdong Limited[a]	South Korea	(i)	100
Regus Business Centre SA[a]	Spain	(i)	100
Regus Miraflores, SL	Spain	(i)	100
Regus Valencia SL	Spain	(i)	100
Business Centre Gothenburg AB[a]	Sweden	(i)	100
Business Centre Sweden AB[a]	Sweden	(i)	100
Regus Garda AB[a]	Sweden	(i)	100
Business Centre Lilla Bommen AB[a]	Sweden	(i)	100
Regus Centre Uppsala AB[a]	Sweden	(i)	100
Regus Solna Strand AB[a]	Sweden	(i)	100
Regus Business Centre SA[a]	Switzerland	(i)	100
Regus Centres Ltd[a]	Thailand	(i)	100
Office Advantage Ltd[a]	Thailand	(i)	100
Regus Tunisie SARL[a]	Tunisia	(i)	100
Regus Is Merkezi Isletmeciligi Ltd[a]	Turkey	(i)	100
Regus Business Centre (Ukraine)[a]	Ukraine	(i)	100
Regus Corporation LLC[a]	United States	(ii)	100
Regus H Holdings Corp LLC	United States	(ii)	100
Stratis Business Centers LLC	United States	(i)	100

Name of undertaking	Country of incorporation	Principal activity (b)	% of ordinary share and votes held
Regus Southeast Investments LLC	United States	(i)	100
RGN Northwest LLC	United States	(i)	100
Buffalo Acquisitions Sub LLC	United States	(i)	100
DelVal Acquisition sub LLC	United States	(i)	100
RGN – South Florida, LLC	United States	(i)	100
Florida Business Center Acquisition Sub LLC	United States	(i)	100
Regus Group – North Dallas LLC	United States	(i)	100
RGN – New Jersey LLC	United States	(i)	100
RGN – Midwest LLC	United States	(i)	100
Regus DC, LLC	United States	(i)	100
Regus Management Group LLC	United States	(iii)	100
RGN-LL LLC	United States	(i)	100
RGN – NorthEast LLC	United States	(i)	100
RGN – Chicago LLC	United States	(i)	100
RGN – South East LLC	United States	(i)	100
RGN – Memphis LLC	United States	(i)	100
RGN – Winderely LLC	United States	(i)	100
HQ Global Holdings LLC	United States	(ii)	100
HQ Global Workspaces LLC	United States	(i)	100
HQ Subsidiaries LLC	United States	(ii)	100
HQ Network Systems LLC	United States	(i)	100
Regus Business Center LLC	United States	(i)	100
Regus International Services SA	Uruguay	(ii)	100
Regus International Services LLC	Uruguay	(iii)	100
Regus Business Centre Venezuala CA	Venezuala	(i)	100

(a) Shares held directly by Regus Group Plc.

(b) Principal activity – (i) Trading company; (ii) Investment holding company; (iii) Management company

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 judgments 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 judgment 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 fair 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 when it is probable that future taxable profits will be available against which the losses can be used. The Group considers it probable if the entity has made a taxable profit in the previous year and is forecast to continue to make a profit in the foreseeable future.

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 an appropriate weighted average cost of capital.

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 when it is probable that an outflow will occur and can be reliably estimated.

Regus Group plc parent company accounts

Company balance sheet

	notes	As at 31 Dec 2007 (UK GAAP) £m	As at 31 Dec 2006 (UK GAAP) £m Restated*
Investments			
Investments in subsidiaries	1	**374.2**	433.6
Other non-current assets			
Amounts owed by Group undertakings		**145.2**	–
Deferred tax assets	2	**0.6**	–
		145.8	–
Current assets			
Amounts owed by Group undertakings		**73.9**	108.2
Deferred finance fees		**0.8**	1.1
Cash at bank and in hand		**40.0**	10.2
		114.7	119.5
Total assets		**634.7**	553.1
Creditors falling due within one year			
Corporation tax payable		**(0.2)**	–
Trade and other payables		**(1.0)**	(0.8)
Amounts owed to Group undertakings		**(2.9)**	(1.6)
Bank and other loans	3	**(12.0)**	(4.8)
		(16.1)	(7.2)
Total assets less current liabilities		**618.6**	545.9
Creditors falling due in more than one year			
Bank and other loans	3	**(23.9)**	(44.6)
Amounts owed to Group undertakings		**(70.7)**	(50.8)
Total liabilities		**(110.7)**	(102.6)
Net assets		**524.0**	450.5
Capital and reserves			
Issued share capital	4	**49.2**	49.2
Treasury shares		**(13.4)**	–
Other reserves		**0.1**	0.1
Profit and loss account		**488.1**	401.2
Shareholder funds		**524.0**	450.5

* See Accounting Policies for details of the restatement.

Approved by the Board on 14 March 2008.

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Accounting policies

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 FRS8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

In accordance with FRS1 (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 £89.1 million (2006: £64.2 million).

The following accounting policies, unless otherwise stated, have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. The following change to accounting policies has been applied with an effective date from 1 January 2007. Comparative periods have been restated where applicable.

UITF 41 – 'Scope of FRS 20' was applicable for accounting periods beginning on or after 1 May 2006. The UITF concluded that share based payments for which the value of the goods or services received is less than the fair value of the share based payment are within the scope of FRS20. As a consequence, where a parent company awards shares to the employees who provide services to a subsidiary company, the parent company should recognise the fair value of the share based payment as an increase in the cost of investment in the subsidiary with a corresponding movement in equity. The impact of applying UITF 41 resulted in an increase in the opening cost of investment in subsidiaries of £2.8 million and a corresponding increase in opening equity as at 31 December 2006. The impact of the change in accounting policy in the year ended 31 December 2007 was an increase in the cost of investment of subsidiaries and in equity by £4.5 million. The change in accounting policy did not have an impact on the profit and loss account. It is not possible to estimate the impact on future periods.

Investments

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

Share based payment

The Company awards share options and conditional share awards to employees of subsidiary companies. No goods or services are received directly by the Company from the employees in exchange for the share based payment and the services are received wholly by the subsidiary company. The Company accounts for the fair value of the share based payment, measured at the date of grant, as an increase in the carrying value of the investment in the subsidiary recognised over the period during which the employees become unconditionally entitled to the options and awards. No expense is recognised in the profit and loss account of the Company for share based payment. A corresponding increase in equity is recognised for the increase in the carrying value of the subsidiary.

Full details of the share based payment provided by the Company can be found in note 24 to the Regus Group plc accounts and the Group Remuneration Report on pages 35 to 41.

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 FRS19.

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.

Finance charges

Interest charges and income are accounted for in the profit and loss account on an accruals basis. Deferred finance fees that relate to financial liabilities are charged to the profit and loss account through the interest expense using the effective interest rate method and are recognised within the carrying value of the related financial liability on the balance sheet. Fees paid for the arrangement of undrawn credit facilities are recognised as a prepayment and recognised through the finance expense over the term of the facility. In the event of a facility being drawn the relevant unamortised portion of the fee is recognised within the carrying value of the financial liability and charged to the interest expense using the effective interest rate method.

Interest bearing borrowings

Interest bearing borrowings are recognised 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 profit and loss account over the period of the borrowings on an effective interest basis.

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.

Regus Group plc parent company accounts continued

1. Investments

	£m
At 1 January 2006	307.7
Additions	128.6
Provision for impairment	(5.5)
At 31 December 2006 as published	**430.8**
Change in accounting policy for share based payment	2.8
At 31 December 2006 as restated	**433.6**
At 1 January 2007	433.6
Additions	5.5
Provision for impairment	(0.3)
Repurchase of capital and capital distributions	(69.1)
Fair value of share based payment	4.5
At 31 December 2007	**374.2**

The Company's principal subsidiary undertakings at 31 December 2007, their principal activities and countries of incorporation can be found in note 30 of the Group accounts of Regus Group plc.

2. Deferred taxation

	Property, plant and equipment £m	Short term temporary differences £m	**2007 £m**	2006 £m
At 1 January	–	–	**–**	–
Current year movement	0.4	0.2	**0.6**	–
At 31 December	**0.4**	**0.2**	**0.6**	**–**

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

	2007 £m	2006 £m
Tax losses	**1.3**	–

3. Financial instruments

As at 31 December 2007

	Fair value £m	Total £m	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Cash at bank and in hand	40.0	40.0	40.0	–	–	–
Amounts owed from Group undertakings	219.1	219.1	73.9	–	50.1	95.1
Bank and other loans	(35.9)	(35.9)	(12.0)	(11.9)	(12.0)	–
Amounts owed to Group undertakings	(73.6)	(73.6)	(2.9)	–	(70.7)	–
Trade and other payables	(1.0)	(1.0)	(1.0)	–	–	–
Net financial assets	**148.6**	**148.6**	**98.0**	**(11.9)**	**(32.6)**	**95.1**

As at 31 December 2006

	Fair value £m	Total £m	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Cash at bank and in hand	10.2	10.2	10.2	–	–	–
Amounts owed from Group undertakings	108.2	108.2	108.2	–	–	–
Bank and other loans	(49.4)	(49.4)	(4.8)	(14.9)	(29.7)	–
Amounts owed to Group undertakings	(52.4)	(52.4)	(1.6)	–	(50.8)	–
Trade and other payables	(0.8)	(0.8)	(0.8)	–	–	–
Net financial assets	**15.8**	**15.8**	**111.2**	**(14.9)**	**(80.5)**	**–**

The Company is exempt from adopting FRS 29 "Financial Instruments: Disclosures". Under FRS 29 the Company is exempt from the requirement to provide its own financial instruments' disclosures on the grounds that these are included within note 23 of the Group accounts of Regus Group plc.

4. Capital and reserves

	Share capital £m	Treasury shares £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 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 as previously reported	**49.2**	**–**	**–**	**0.1**	**142.4**	**256.0**	**447.7**
Change in accounting policy for share based payment	–	–	–	–	–	2.8	2.8
At 31 December 2006 as restated	**49.2**	**–**	**–**	**0.1**	**142.4**	**258.8**	**450.5**
At 1 January 2007	49.2	–	–	0.1	142.4	258.8	450.5
Purchase of treasury shares[b]	–	(14.7)	–	–	–	–	(14.7)
Ordinary dividend paid	–	–	–	–	(5.9)	–	(5.9)
Exercise of share options	–	1.3	–	–	(0.8)	–	0.5
Share based payment	–	–	–	–	–	4.5	4.5
Retained profit for the year	–	–	–	–	89.1	–	89.1
At 31 December 2007	**49.2**	**(13.4)**	**–**	**0.1**	**224.8**	**263.3**	**524.0**

(a) On 28 June 2006 the Company 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. Details of the Scheme of Arrangement were contained within the notice of the AGM dated 3 April 2006.

(b) Treasury shares represent 11,947,702 ordinary shares of the Group that were acquired for the purposes of the Regus Group's employee share option plans and the share buyback programme. During the year 12,853,001 shares were purchased. 905,299 shares were utilised to satisfy the exercise of share options held by employees of subsidiary companies. At 14 March 2008, 33,972,702 treasury shares were held following the purchase of a further 22,025,000 shares subsequent to the balance sheet date for a total consideration of £16.6 million.

(c) The Company's distributable reserves comprise £211.4 million, represented by £224.8 million relating to the profit and loss reserve less £13.4 million relating to the purchase of treasury shares.

5. Capital commitments and contingent liabilities

At 31 December 2007 the Company had no annual commitments under operating leases (2006: £nil), capital commitments (2006: £nil) or contingent liabilities (2006: £nil).

6. 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 35 to 41.

The Company had no employees during the year (2006: £nil).

7. Audit fees

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Segmental analysis – management basis (unaudited)

	Americas	EMEA	Asia Pacific	United Kingdom	Other	Total
	2007	2007	2007	2007	2007	2007
Mature						
Workstations	50,127	25,968	6,821	–	–	82,916
Occupancy (%)	86.9	87.2	81.9	–	–	86.6
Revenue (£m)	293.7	219.3	47.5	–	–	560.5
Contribution (£m)	100.0	78.5	19.2	–	–	197.7
2006 Expansions						
Workstations	6,653	1,307	4,732	25,914	–	38,606
Occupancy (%)	77.8	84.7	77.5	83.5	–	81.8
Revenue (£m)	28.1	9.4	24.7	196.8	–	259.0
Contribution (£m)	4.0	3.2	8.8	43.2	–	59.2
2007 Expansions						
Workstations	4,092	1,520	3,195	1,548	–	10,355
Occupancy (%)	69.1	54.4	33.1	63.8	–	55.0
Revenue (£m)	13.0	9.2	5.5	8.9	–	36.6
Contribution (£m)	(1.2)	(1.9)	(0.5)	(1.1)	–	(4.7)
Closures						
Workstations	288	330	–	443	–	1,061
Occupancy (%)	76.5	86.2	–	85.8	–	83.4
Revenue (£m)	1.5	2.4	–	2.4	–	6.3
Contribution (£m)	(0.1)	0.5	–	(0.7)	–	(0.3)
Total						
Workstations	61,160	29,125	14,748	27,905	–	132,938
Occupancy (%)	84.7	85.3	69.9	82.4	–	82.7
Revenue (£m)	336.3	240.3	77.7	208.1	–	862.4
Contribution (£m)	102.7	80.3	27.5	41.4	–	251.9
REVPAW (£)	5,497	8,251	5,267	7,460	–	6,487

	Americas	EMEA	Asia Pacific	United Kingdom	Other	Total
	2006	2006	2006	2006	2006	2006
Mature						
Workstations	49,429	25,726	6,501	–	–	81,656
Occupancy (%)	86.9	79.4	76.9	–	–	83.5
Revenue (£m)	292.2	188.9	41.8	–	0.7	523.6
Contribution (£m)	87.8	59.9	15.1	–	0.7	163.5
2006 Expansions						
Workstations	2,608	479	2,508	17,916	–	23,511
Occupancy (%)	76.1	55.1	61.0	77.2	–	75.0
Revenue (£m)	9.6	2.3	9.1	122.6	–	143.6
Contribution (£m)	(1.3)	(0.3)	0.9	20.0	–	19.3
2006 Closures						
Workstations	214	307	–	–	–	521
Occupancy (%)	82.1	69.0	–	–	–	74.0
Revenue (£m)	1.2	1.4	–	–	–	2.6
Contribution (£m)	(0.1)	0.6	–	–	–	0.5
2007 Closures						
Workstations	360	627	–	582	–	1,569
Occupancy (%)	77.6	79.2	–	78.6	–	78.6
Revenue (£m)	2.9	3.3	–	4.0	–	10.2
Contribution (£m)	0.1	(0.2)	–	0.9	–	0.8
Total						
Workstations	52,611	27,139	9,009	18,498	–	107,257
Occupancy (%)	86.0	79.0	72.0	77.0	–	81.8
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

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.

– A 2007 closure is defined as a centre closed during the 12 months period to 31 December 2007. A 2006 closure is defined as a centre closed during the 12-month period to 31 December 2006.

– Workstation numbers are calculated as the weighted average for the year.

– EMEA represents Europe (excluding UK), Middle East and Africa.

Five year summary

	Full year ended 31 Dec 2007 IFRS £m	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
Revenue	**862.4**	680.0	463.3	312.2	256.6
Cost of sales before non-recurring costs	**(610.5)**	(495.9)	(346.2)	(258.2)	(239.7)
Non-recurring cost of sales	**–**	–	0.1	(6.6)	–
Cost of sales	**(610.5)**	(495.9)	(346.1)	(264.8)	(239.7)
Gross profit (centre contribution)	**251.9**	184.1	117.2	47.4	16.9
Administration expenses before non-recurring expenses	**(129.3)**	(101.9)	(64.9)	(44.2)	(38.7)
Non-recurring administration expenses	**–**	–	(5.0)	(2.0)	(6.4)
Administration expenses	**(129.3)**	(101.9)	(69.9)	(46.2)	(45.1)
Operating profit/(loss)	**122.6**	82.2	47.3	1.2	(28.2)
Share of post-tax (profit)/loss of joint ventures	**0.8**	(0.1)	(0.2)	(0.7)	(0.2)
Share of post-tax profit/(loss) of associate	**–**	1.2	0.2	(3.0)	(3.7)
Profit/(loss) before financing costs	**123.4**	83.3	47.3	(2.5)	(32.1)
Profit on sale of subsidiaries	**–**	–	–	–	6.6
Finance expense	**(8.1)**	(8.0)	(10.8)	(3.7)	(4.4)
Finance income	**4.1**	2.2	2.2	1.3	–
Profit/(loss) before tax for the year	**119.4**	77.5	38.7	(4.9)	(29.9)
Tax (charge)/credit	**(15.8)**	4.8	6.1	2.6	2.1
Profit/(loss) after tax for the year	**103.6**	82.3	44.8	(2.3)	(27.8)
Attributable to:					
Equity shareholders of the parent	**103.1**	82.3	44.5	(2.4)	(28.7)
Minority interests	**0.5**	–	0.3	0.1	0.9
	103.6	82.3	44.8	(2.3)	(27.8)
Earnings/(loss) per ordinary share (EPS):					
Basic (p)	**10.5p**	8.4p	4.5p	(0.3p)	(4.7p)
Diluted (p)	**10.4p**	8.3p	4.5p	–	–
Weighted average number of shares outstanding ('000's)	**980,962**	984,792	984,792	859,702	574,805
Balance sheet data (as at 31 December)					
Intangible assets	**269.9**	263.1	161.0	133.2	–
Property, plant and equipment	**184.7**	127.2	76.6	76.1	75.5
Deferred tax assets	**46.8**	36.1	21.9	6.2	–
Trade and other receivables	**217.2**	172.7	100.3	76.0	62.3
Cash and cash equivalents	**142.9**	80.9	74.1	82.3	85.0
Total assets	**861.5**	680.0	433.9	373.8	222.8
Current liabilities	**448.2**	340.8	229.9	182.4	134.2
Non-current liabilities	**96.1**	103.0	43.3	88.8	34.2
Provisions	**7.4**	11.7	7.9	8.9	52.6
Equity minority interests	**0.5**	–	–	(0.6)	(1.1)
Equity shareholders funds'	**309.3**	224.5	152.8	94.3	2.9
Total liabilities and shareholders' funds	**861.5**	680.0	433.9	373.8	222.8

Results are presented under IFRS for 2007, 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
Equiniti Limited
Aspect House
Spencer Road
Lancing
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.

BRIC Economies
Economies of Brazil, Russia, India and China.

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.

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.

"N11" economies
Economies of Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam.

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 business centres newly established by Regus.

REVPAW
Total Revenue per available workstations (Revenue/Available workstations).

REVPOW
Total Revenue per occupied workstation.

WIPOW
Workstation income per occupied workstation.

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

www.regus.com