

THIS DOCUMENT AND ITS ENCLOSURES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

When considering what action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or independent financial adviser, who, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000. Except where otherwise provided, this document has been prepared on the assumption that the Scheme has become effective in accordance with its current terms.

The Directors, whose names appear on page 8, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you sell or have sold or otherwise transferred (other than ex-rights) all of your shares in Regus or, following the Effective Date, Regus Group, held in certificated form before 5 December 2003 (the expected "ex-rights date"), please forward this document and the accompanying documents to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was effected for onward transmission to the purchaser or transferee.

If you sell or have sold or otherwise transferred your shares in Regus or, following the Effective Date, Regus Group, held in uncertificated form before 5 December 2003, the expected ex-rights date, a claim transaction will automatically be generated by CRESTCo which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

A copy of this document, which comprises a prospectus relating to the Shares offered pursuant to the Rights Issue prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies for registration in accordance with Section 83 of FSMA.

The shares in Regus have been admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. Pursuant to the arrangements to effect the Scheme, it is expected that the listing of the shares in Regus will be cancelled on 1 December 2003.

Application has been made to the UK Listing Authority and the London Stock Exchange for the Shares to be issued pursuant to the Scheme and the Plan to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission of the Shares issued pursuant to the Scheme will become effective, and that dealings in those Shares will commence, on 1 December 2003.

Application has been made to the UK Listing Authority and the London Stock Exchange for the Shares (nil and fully paid) offered pursuant to the Rights Issue to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission of the Shares issued pursuant to the Rights Issue will become

effective, and that dealings in the Shares offered pursuant to the Rights Issue will commence, nil paid, on 5 December 2003.

The Shares offered pursuant to the Rights Issue have not been marketed to, and are not available for purchase by, the public in the United Kingdom or elsewhere in connection with the introduction of the Shares offered pursuant to the Rights Issue to the Official List or to trading on the London Stock Exchange's market for listed securities.

Regus Group plc

(Registered in England and Wales under the Companies Act 1985 with registered number 04868977)

Proposed 1 for 3 Rights Issue of up to 195,873,430 Shares at 28 pence per Share

Underwritten and sponsored by KBC Peel Hunt Ltd

The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 9.30 a.m. on 29 December 2003. The procedure for acceptance and payment is set out in Part III of this document and, for Qualifying non-CREST Shareholders and Qualifying Warrant Holders, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 4 of Part III of this document.

Your attention is drawn to the letter from the Chairman of Regus Group which appears in Part I of this document.

KBC Peel Hunt Ltd is acting as sponsor, financial adviser, broker and underwriter for Regus Group in relation to the Rights Issue and for no one else and will not be responsible to any other person for providing the protections afforded to their clients or for advising any other person in relation to the Rights Issue or any other matter referred to in this document.

The Shares to be offered pursuant to the Rights Issue, the Nil Paid Rights and the Fully Paid Rights have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced or delivered, directly or indirectly, subject to certain limited exemptions, within the United States. The Shares to be issued pursuant to the Rights Issue, the Nil Paid Rights and the Fully Paid Rights have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares to be offered pursuant to the Rights Issue, the Nil Paid Rights and the Fully Paid Rights or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. Except as otherwise provided for herein, this document does not constitute an offer of Shares to be issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights to any shareholder with a registered address in the United States, and Provisional Allotment Letters are not being posted to any person in the United States.

The Shares to be offered pursuant to the Rights Issue, the Nil Paid Rights and the Fully Paid Rights have not been and will not be registered under the relevant laws of any state, province

or territory of the Excluded Territories. Subject to certain exceptions, the Shares to be offered pursuant to the Rights Issue, the Nil Paid Rights nor the Fully Paid Rights may not be directly or indirectly, offered, sold, renounced, taken up or delivered in, into or within the Excluded Territories, and Provisional Allotment Letters are not being posted to any person in the Excluded Territories. Except as otherwise provided for herein, this document does not constitute an offer of Shares to be issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights to any shareholder with a registered address in any Excluded Territory, and Provisional Allotment Letters are not being posted to any person in any Excluded Territory.

This document does not constitute an offer to sell or the solicitation of an offer to buy Shares offered pursuant to the Rights Issue or to take up entitlements to Nil Paid Rights in any jurisdiction in which such offer or solicitation is unlawful. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this document or the Provisional Allotment Letter to a jurisdiction outside the United Kingdom is drawn to the paragraphs 7 and 8 in Part III of this document.

It is expected that Provisional Allotment Letters will be despatched to Qualifying non-CREST Shareholders and Qualifying Warrant Holders other than those with registered addresses in the United States or any of the Excluded Territories on 4 December 2003. Qualifying CREST Shareholders will not (except in the circumstances described in Part III of this document) receive a Provisional Allotment Letter. Qualifying CREST Shareholders other than those, subject to certain exceptions, with registered addresses in the United States or any of the Excluded Territories, are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 5 December 2003. The Nil Paid Rights so credited are expected to be enabled for settlement by CRESTCo as soon as practicable after Admission of the Shares offered pursuant to the Rights Issue to the Official List.

Qualifying Non-CREST Shareholders and Qualifying Warrant Holders should retain this document for reference pending receipt of a Provisional Allotment Letter. Qualifying CREST Shareholders should note that they will receive no further written communication from Regus Group in respect of the Rights Issue. They should accordingly retain this document for, amongst other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue. The attention of Overseas Shareholders is drawn to paragraphs 7 and 8 of Part III of this document.

This document includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or

undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based other than as required by law or regulation.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Underwriter. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information in this document is correct as at any time subsequent to its date.

Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Rights Issue.

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Expected Timetable of Principal Events

Previously announced date for the Court Hearing of the petition to sanction the Scheme	14 November 2003
New proposed date for the Court Hearing of the petition to sanction the Scheme ¹	28 November 2003
New proposed last day of dealing in, and for registration of transfers of, shares in Regus ²	28 November 2003
New proposed Scheme Record Time	6.00 p.m on 28 November 2003
New proposed Effective Date of the Scheme	7.00 a.m on 1 December 2003
Delisting of shares in Regus; Shares to be issued under the Scheme admitted to the Official List; crediting of Shares to CREST accounts and dealings in Shares issued pursuant to the Scheme commence on the London Stock Exchange	8.00 a.m on 1 December 2003
Record Date for the Rights Issue	close of business on 1 December 2003
Despatch of Provisional Allotment Letters	4 December 2003
Dealings in Shares to be issued under the Rights Issue, nil paid, commence on the London Stock Exchange	8.00 a.m. on 5 December 2003
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on 5 December 2003
Recommended latest time for requesting withdrawal of Nil Paid Rights from CREST (i.e. if your Nil Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 17 December 2003
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 22 December 2003

¹ THIS DATE IS INDICATIVE ONLY AND WILL DEPEND UPON THE COURT AGREEING TO ADJOURN THE ORIGINAL DATE OF THE COURT HEARING (14 NOVEMBER 2003) TO 28 NOVEMBER 2003.

² THIS DATE AND ALL THE SUCCEEDING ONES ARE INDICATIVE ONLY AND DEPEND ON, AMONGST OTHER THINGS, THE SCHEME BECOMING EFFECTIVE ON 1 DECEMBER 2003.

Latest time and date for splitting Provisional Allotment Letters 3.00 p.m. on 23 December 2003

Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters 9.30 a.m. on 29 December 2003

Shares offered pursuant to the Rights Issue credited to CREST stock accounts 30 December 2003

Despatch of definitive share certificates for Shares offered pursuant to the Rights Issue in certificated form by 10 January 2004

Proposed new implementation/effective date of the Plan on or about 12 January 2004

General Notes:

(i) The dates set out in the expected timetable of principal events above and the dates mentioned throughout this document and also in the Provisional Allotment Letter may be adjusted by Regus Group with the agreement of the Underwriter, in which event details of the new dates will be notified to the UK Listing Authority and to the London Stock Exchange and, where appropriate, to Shareholders.

(ii) References to times in this document are to London time unless otherwise stated.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

THE COMPANY

Directors

John Waylett Matthews (Chairman)
Mark Leslie James Dixon (Chief Executive)
Rudolf John Gabriel Lobo (Executive Director and acting Finance Director)
Roger Gerard Orf (Senior Independent Non-executive Director)
Anthony Martin Robinson (Independent Non-executive Director)

The business address of each of the Directors is:
3000 Hillswood Drive
Chertsey
Surrey KT16 0RS

Company secretary

Timothy Sean James Regan

Registered and Head office

3000 Hillswood Drive
Chertsey
Surrey KT16 0RS

ADVISERS

Sponsor, Financial Adviser and Underwriter in respect of the Rights Issue

KBC Peel Hunt Ltd
62 Threadneedle St
London EC2R 8HP
United Kingdom

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

Pillsbury Winthrop LLP
725 South Figueroa Street
Suite 2800
Los Angeles
CA 90017

Legal advisers to the Underwriter as to UK law

Addleshaw Goddard
150 Aldersgate Street
London EC1A 4EJ

Auditors and Reporting Accountants

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Receiving Agent

Capita IRG PLC
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TH

Website

www.regus.com

Risk Factors

You should carefully consider the risks described below as well as the other information contained in this document in evaluating the Group and its business. If any of the following risks actually occurs, the Group's business, financial condition or results of future operations could be significantly harmed. In that case, the trading price of the Shares could decline and you may lose all or part of your investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group described below and elsewhere in this document. You should also refer to the other information in this document.

Risks associated with the Chapter 11 process

The filing for bankruptcy protection by Regus is a risk factor with respect to the continued operation of the Group's business and the value of the Group's equity. These uncertainties raise substantial doubt about the Group's ability to continue as a going concern in its present form.

The goal of the Chapter 11 process is the confirmation of the Plan of Reorganisation with respect to the Debtors that enables each Debtor to emerge as a going concern. Although the Plan was confirmed by the Bankruptcy Court on 12 November 2003, Creditors have until 22 November 2003 to appeal against the Bankruptcy Court's decision.

If a Creditor lodges an appeal on or before 22 November 2003, there is a risk that the Rights Issue will not proceed, which will (amongst other things) affect how claims under the Plan are settled - see the heading "Risks Associated with the Rights Issue" later in this section.

If any Creditor is successful in appealing against the Bankruptcy Court's decision to approve the Plan, it is likely that the Debtors will attempt to re-negotiate the Plan with the Creditors. If any such re-negotiation of the Plan fails, it is possible that the Debtors may have to seek bankruptcy protection and pursue reorganisation or liquidation in their respective home jurisdictions. In this event Regus Group Shareholders would be very unlikely to receive any recovery on their investment following the bankruptcy.

Risks associated with the serviced office market

The Group faces competition, and if the Group is unable to compete effectively, it may be unable to maintain or expand its network of centres in the future and it may lose customers

Barriers to entry into the serviced office market at the local level are low. Although barriers to establishing a national or international network are higher, Regus Group cannot assure Regus Group Shareholders that these barriers will remain or will deter new entrants or existing competitors. In addition, there is the potential for local operators to overcome these barriers to establishing wider networks by forming alliances. There is also the potential for property companies, hotel operators or other companies to enter the market, either alone or in collaboration with service providers such as the Group. If the Group is unable to respond adequately to the competitive challenges it faces or establish a sustainable competitive advantage, it may be unable to maintain its network of centres and it may lose market share.

In addition, in more competitive markets there is pressure on the Group's prices, causing an adverse impact on its revenue and profitability.

The concept of serviced offices may not be widely accepted in all markets

The acceptance of the concept of serviced offices is at varying stages of development across the different geographical regions in which the Group operates. Whilst the majority (by revenue) of Regus' customer base is in more mature markets (e.g. the US and Western Europe) the development of the serviced office business in less mature markets may become increasingly important for the Group. Even in the more developed markets, the serviced office market represents only a small percentage of the entire office market and in those less developed countries, where serviced offices are a relatively new concept, replacing the traditional office market may still be difficult. Regus Group cannot assure Regus Group Shareholders that the concept will become increasingly accepted around the world. If the concept is not more widely accepted in areas in which the Group operates its centres, the Group's revenue and profitability could be adversely affected.

Current drivers of the growth of the serviced office market may not develop as expected and could hinder market demand for serviced offices

There can be no assurance that the factors that Regus Group expects to drive the long-term growth of the serviced office market in the future will in fact do so. For example, the trends towards globalisation of trade and increased outsourcing of office and related services may not develop as expected.

Changes in the structure of the property industry could reduce demand for serviced offices

In some markets, the attraction of the Group's products derives in part from the long length of leases for traditional office space. A shortening of normal lease terms or other changes in the property market could make serviced offices less attractive to customers.

Changes in work practices and certain technological advances could be detrimental to the business of the Group

Changes in work practices could occur which would be detrimental to the business of the Group, such as a move to working at home where office infrastructure is not necessary. In addition, technological advances could occur that facilitate this shift to working at home. For example, improvements in the connectivity of homes around the world could allow current employees of the potential customers of the Group to participate in video conferences at home or participate in virtual meetings from home using broadband Internet or other technologies.

Technological advances could require the Group to make substantial investments to maintain its competitive position

The Group provides its customers with access to information technology and telecommunications equipment and infrastructure for use in their businesses. Regus Group cannot assure Regus Group Shareholders that there will not be significant developments in the technology which businesses use that would require the Group to make a further substantial investment in new technology to maintain its competitive position or which would adversely affect the attraction of the products of the Group.

Risks associated with the Group

Continuation of the Group's operations is dependent upon the Plan of Reorganisation in the Chapter 11 Cases

Unless the Plan of Reorganisation is implemented, the Plan will have to be re-negotiated with Creditors. If any such re-negotiation of the Plan fails, the Chapter 11 Case of Regus (and each of the other Debtors) may be converted to a case under Chapter 7 of the Bankruptcy Code which would mean that a trustee would be appointed to liquidate Regus' (and each of the other Debtors') assets and distribute the proceeds of the sale of those assets to creditors in accordance with the provisions of the Bankruptcy Code. Additionally, Regus (and each of the other Debtors) may be required to seek protection and reorganisation or liquidation under UK insolvency laws in these circumstances.

Currently the Group has no committed bank or other facilities which are not cash collateralised

The Group does not currently have any committed bank or other facilities. Notwithstanding the existing Chapter 11 process and the Rights Issue, if revenues were to deteriorate such that funding shortfalls were projected to arise, the Group would need to seek external funding to address this or sell further assets. No assurance can be given as to whether or on what terms external sources of funding would be available. As of 30 June 2003, the Group had cash in hand or in the bank of £49.5 million including £27.9 million of restricted cash.

If the business of the Group was not able to meet such funding shortfalls, the Group may be forced to seek protection under UK insolvency laws.

The Group's UK operation may decide to operate a different strategy to the rest of the Group

On 30 December, 2002, Regus sold 58 per cent. of its UK operations to Rex 2002, a company established by Alchemy Partners, a private venture capital group. While Regus Group expects that the UK and the Group's businesses in the rest of the world will continue to work together as before, there can be no guarantee of this. In this event, cross-border sales may suffer and there may be an inability to utilise previously achieved economies of scale.

The Group's UK operation will no longer provide the same cash inflows for the benefit of the rest of the Group

Regus' UK business has historically been a major contributor to the performance of the Group. However, as a result of the sale of 58 per cent. of Regus' UK business, the Group will no longer receive cash inflows from that business to the extent that it did prior to 30 December, 2002. As such, the Group's non-UK businesses, particularly in the US, Germany, France and the Netherlands, will become more significant contributors to the results of the Group. If positive results are not forthcoming, the Group may be forced to seek protection for Regus under UK insolvency laws.

As demand for the business of the Group's services falls, the profitability of the Group will be disproportionately affected due to the long-term nature of the Group's lease commitments

The Group leases substantially all of its properties. The length of the leases or the period after which the Group can exercise any break option in the leases is nearly always longer, and usually significantly longer, than the duration of the Group's contracts with customers, the majority of which are for the short term leasing of serviced office space between 3 and 18 months. As demand has fallen, the Group has been unable to build or maintain either occupancy, rates or prices. For example, to combat the economic downturn, the Group has entered into longer term contracts with businesses at reduced average prices, which limits the Group's ability to increase prices as conditions improve. When revenues decline, the Group is not immediately able to reduce its lease cost base and is also constrained in doing so over the long term. Some of the Group's leases contain restrictions that prevent the Group from transferring the lease or assigning the premises. Additionally, significant costs could be incurred if the Group disposes of unprofitable centres. Notwithstanding the Rights Issue, these events may lead to a funding shortfall which Regus currently has no committed bank or other facilities to meet.

Working capital cycle exacerbates cash position

The terms upon which the Group earns revenues from customers and pays suppliers (principally landlords) have generally been matched to reduce working capital needs. However, the nature of the Group's business is such that a reduction in revenues, with no immediate decline in cost base, may lead to significant funding shortfalls in the business notwithstanding the Rights Issue. With no committed bank or other facilities in place, the Group would need to seek external funding or sell further assets. Currently, the Group has no committed bank or other facilities that are not cash collateralised.

Traditional office space may become a greater competitive threat in difficult economic conditions

In these difficult economic conditions, landlords are more willing to offer incentives such as rent free periods or shorter leases. This is particularly the case in markets which have substantial excess capacity, for example, the West Coast of the US. In addition, many companies are seeking to reduce their costs by subletting, in many cases at below market rents.

The Group is dependent on its Chief Executive

The Group believes that the future success of the Group depends on the continued service of Mark Dixon, the Chief Executive and the founder of the Group's business. While the Group has an employment agreement with him, this agreement does not prevent him from terminating his employment at any time on 12 months' notice. If the Group loses Mark Dixon without suitable replacement, the business and future operations of the Group may be adversely affected.

The Group's leases contain upward only rent reviews that could adversely impact the Group's cost base

The Group is exposed to movements in property markets. All of the Group's UK leases (substantially all of which are guaranteed by Regus), together with a small number of other leases, contain provisions for upward only rent reviews linked to open market rents that could adversely impact the Group's cost base. These rent reviews have potential increased cost implications in periods of relatively high rents. If open market rents were to decrease, the rent payable by the Group under these leases would stay the same as that for the prior period and would not decrease in line with open market rents. Regus Group cannot assure Regus Group Shareholders that the Group will be able to maintain its margins in these circumstances. Likewise, in the event of a reduction in the prices that the Group charges its customers, whether as a result of a reduction in demand for serviced offices or otherwise, the Group would not be entitled to reduce the rent payable by the Group, even following rent reviews. In addition, the majority of the Group's other leases contain upward only rent reviews which are fixed or are linked to then prevailing market rental rate.

The Group is exposed to foreign exchange, interest rate, economic and, in some instances, political risks as well as other geographical risks related to the 50 countries in which the Group operates, which could cause an adverse impact on the business of the Group

The Group operates business centres in 50 countries around the world and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. The Group is confronted with different legal and regulatory requirements in many jurisdictions. These include, but are not limited to, different tax regimes, laws relating to health and safety and laws relating to the repatriation of funds or nationalisation of assets. The Group's international operations also expose the Group to different local business risks and challenges, such as exchange rate risks in translating non-sterling profits, management and control of an international organisation and other political risks.

Foreign Currency Exchange Rate Risk

As the Group conducts business in 50 countries, a substantial portion of its revenue and costs is derived from countries outside the UK and therefore in currencies other than pounds sterling. In 2002, approximately 39 per cent. of the Group's revenue was denominated in pounds sterling. Since the Group's reporting currency is pounds sterling, movements in currency exchange rates can have an impact on the Group's revenue and operating loss. For example, a one per cent. adverse movement in exchange rates would increase the charge by approximately £0.1 million.

Interest Rate Risk

The current policy of the Group is normally to borrow or invest surplus funds on a floating rate basis. Movements in interest rates can have a significant impact on the Group's revenue and operating loss. For example, a one per cent. increase in interest rates would increase the interest charge by approximately £0.1 million.

The Group may incur significant costs related to the refurbishment of its centres or the reinstatement of the properties it rents

The Group has not undertaken a major refurbishment exercise to date since the majority of its centres have been opened in the last few years. The Group anticipates that it will be required to refurbish those of its business centres that are more than seven, and up to nine, years old, but Regus Group cannot assure Regus Group Shareholders that the costs, timing or disruption of refurbishment will not impact the business of the Group to an extent greater than anticipated.

In addition, the terms of most building leases require the Group to ensure that a property is kept in repair throughout the lease term and that alterations carried out to the premises are reinstated at the end of the lease term. Regus Group cannot assure Regus Group Shareholders that reinstatement costs and, if the Group has failed to comply with its repairing obligations during the lease term, full repairing costs, will not be incurred on termination of such leases, causing an adverse impact on its results of operations and financial condition.

Holders of Shares may have difficulty assessing the business of the Group because the serviced office market is a developing and rapidly evolving sector and there are very few other public companies in this sector

Holders of Shares may have difficulty assessing the business of the Group because the serviced office market is a developing and rapidly evolving sector and there are very few other public companies in this sector. In addition, Regus Group believes that none of these other public companies is comparable to the Group for reasons related to their geographical focus and corporate structure. Performance and trends are therefore more difficult to assess than in many other more established sectors.

There is a systemic risk to the Group from guarantees given by Regus and Regus Business Centre B.V.

Regus and Regus Business Centre B.V. have given 122 and 107 corporate guarantees respectively in relation to the lease commitments of the Group. The total unmitigated and contingent liability for these guarantees is in excess of many hundreds of millions of pounds. Demands pursuant to only a few of these guarantees would be sufficient to force Regus Group and/or Regus and/or B.V. to seek bankruptcy protection or liquidation.

Insofar as the UK operations of the Group are concerned, Regus' corporate guarantee remains in place in relation to all of the lease commitments of the Group in the UK, despite the fact that Regus now holds a 42 per cent. interest in the UK operations following the sale of 58 per cent. of the UK business to Alchemy Partners in December 2002.

Risks associated with the Shares

Regus has voluntarily delisted from Nasdaq and, although the Group continues to publish annual and semi-annual financial statements, only the annual financial statements contain certain financial information reconciled to US GAAP

In view of the relatively small number of ADSs outstanding at the time, and the low levels of trading volumes on the Nasdaq National Market in the United States, Regus decided to delist voluntarily its ADSs from Nasdaq as of 7 November, 2002.

As Regus' shareholding base has migrated away from the United States and to the United Kingdom since the initial public offering in October 2000, the Group decided, in an effort to save costs, to terminate the ADS programme in the United States administered by JP Morgan Chase Bank, as depository. The Group gave notice of termination of the ADS programme on 3 September, 2003, and the ADS programme was terminated on 3 November, 2003. Upon termination of the ADS programme, each holder of an ADS will receive 5 ordinary shares in Regus in respect of each ADS held. Upon implementation of the Scheme, these shares will be exchanged for Shares on the basis of one Share for each ordinary share in Regus. The termination of the ADS programme will result in a greater number of Regus Group Shareholders (following the Scheme becoming effective) but no dilution in respect of the interests of Regus Group Shareholders. The termination of the ADS programme could have an effect on the liquidity of Shares.

In November 2002, Regus announced its decision to revert to a semi-annual reporting format and to discontinue its past practice of publishing quarterly financial statements. In a further effort to save costs, Regus also announced, in August 2002, its decision to prepare and release certain financial information reconciled to US GAAP only in its annual report on Form 20-F in the United States. Both changes in reporting format are in accordance with all applicable UK and US securities laws and the requirements of the London Stock Exchange. Nonetheless, these changes reduce the frequency of updated financial information available to investors in the Group's securities.

The Group is subject to the control of Mark Dixon

The Chief Executive, Mark Dixon, through Maxon Investments, will own beneficially 62.5 per cent. of the Shares immediately upon the Scheme becoming effective. Maxon Investments has however undertaken to the Underwriter and the Company not to take up rights pursuant to the Rights Issue. Even following the Rights Issue, as the majority shareholder of Regus Group, Mark Dixon will be able to exercise control over the Group's operations, including the election of the Board, the declaration of some dividends, the approval or disapproval of major corporate transactions and the determination of other matters to be decided by the holders of Shares. The Group's business goals and those of Mr. Dixon may not always remain aligned. As a result, the market price of Shares could be adversely affected. However, Mr Dixon, in his capacity as a Director, is under a fiduciary duty at law to act in the best interests of Regus Group.

Substantial sales of Shares could cause the price of Shares to decline

There can be no assurance that the Directors and executive officers of Regus Group, Maxon Investments or other Regus Group Shareholders will not elect to sell their Shares. The market price of Shares could decline as a result of any sales of such Shares by the Directors, executive officers of Regus Group or Regus Group Shareholders or the perception that these sales could occur. If these, or any other, sales were to occur, Regus Group may have difficulty in offering or selling securities in the future at a time or at a price it deems appropriate.

Risks associated with the Rights Issue

As is discussed above in this section "Risk Factors", if any Creditor lodges an appeal on or before 22 November 2003 against the Bankruptcy Court's decision to approve/confirm the

Plan, it is possible that the Rights Issue will not proceed according to the Expected Timetable of Events set out earlier in this document and may not (in the worst case) proceed at all.

If for any reason the Rights Issue does not proceed or insufficient funds are raised pursuant to the Rights Issue to settle allowed claims of general unsecured Creditors under the Plan in cash, then (amongst other things) the Debtors will not be able to settle those Creditors' claims under the Plan in cash, but instead will need to settle those claims through the issue of Shares and/or CULS, as originally provided for in the Plan. In that event, the Plan will involve a substantial dilution (up to a maximum of approximately 12 per cent.) of the interests of Regus Group Shareholders.

Part I

Letter from the Chairman of Regus Group

Regus Group plc

3000 Hillswood Drive
Hillswood Business Park
Chertsey
Surrey
KT16 0RS

13 November 2003

To Qualifying Shareholders and Qualifying Warrant Holders

Dear Regus Shareholders and Warrant Holders

Proposed 1 for 3 Rights Issue at 28 pence per Share

1. INTRODUCTION

The Board has today announced that Regus Group is proposing to raise up to approximately £51.8 million, net of expenses, by the issue of up to 195,873,430 Shares at a price of 28 pence per Share.

The issue is being made by way of a fully underwritten Rights Issue to Qualifying Shareholders and Qualifying Warrant Holders (other than certain Overseas Shareholders and certain Overseas Warrant Holders) on the basis of 1 Share for every 3 Shares held at the close of business on the Record Date. The Record Date will be the date upon which the Scheme becomes effective (expected to be 1 December 2003).

The Issue Price of 28 pence per Share represents a 18.5 per cent. discount to the closing middle market price of 34.375 pence per share in Regus on 12 November 2003, the last Business Day before the announcement of the Rights Issue.

Certain Regus Shareholders (including Maxon Investments) have undertaken to the Company and the Underwriter not to take up rights pursuant to the Rights Issue, and the Underwriter has on behalf of the Company placed the Shares the subject of these undertakings (which amount to in aggregate 153,949,164 Shares) with certain institutional investors on a firm conditional basis. Further information in relation to these placing arrangements is given in paragraph 13 of Part VII.

The Company will not be convening an extraordinary general meeting in respect of the Rights Issue and will not make an offer of rights pursuant to the London Gazette.

This letter sets out the reasons for, and provides details of, the Rights Issue, which has been fully underwritten by the Underwriter.

2. THE PLAN AND THE RIGHTS ISSUE

With the consent of the Creditors' Committee, the Bankruptcy Court approved a modification to the Plan on 29 October 2003 to allow the Debtors to settle the claims of general unsecured Creditors in cash on the Plan Effective Date (which date is now expected to be 12 January 2004). Under the Plan as modified, in the event that the Debtors elect to settle the claims of general unsecured Creditors in cash, then the Debtors will be obliged to redeem in full certain loan stock issued to Equity Office Properties at the same time. On 12 November 2003, the Bankruptcy Court approved/confirmed the Plan as modified.

Although it was originally proposed that an application would be made to the Court for the sanctioning of the Scheme on 14 November 2003, it has been decided, in light of the announcement of the Rights Issue on 13 November 2003, that an application would be made to the Court to postpone the Court Hearing to 28 November 2003 to give Regus Shareholders an opportunity to appear at the Court Hearing on 28 November 2003.

The launch of the Rights Issue is conditional upon, inter alia, the Scheme becoming effective by not later than 8.00 am. on 1 December 2003 (or such later time and/or date as the Company and the Underwriter may agree) and the Confirmation Order becoming a Final Order by not later than 5.00 p.m. on 4 December 2003 (or such later time and/or date as the Company and the Underwriter may agree).

The Rights Issue is expected to be launched (subject to the relevant conditions being satisfied) following the date upon which the Scheme becomes effective (which is now expected to be 1 December 2003) and prior to the date upon which the Plan is implemented (which is now expected to be on or about 12 January 2004). As is set out in this document, one of the principal objectives of the Rights Issue is to enable the Group to settle pursuant to the Plan the allowed claims of general unsecured Creditors in cash on the Plan Effective Date and to redeem certain loan stock issued to Equity Office Properties at the same time.

For further details in relation to the Scheme and the Plan and the way in which they will be affected by the Rights Issue, please refer to Part IV of this document.

If the Rights Issue is launched:

- it is expected that Provisional Allotment Letters will be despatched to Qualifying non-CREST Shareholders and Qualifying Warrant Holders on 4 December 2003; and
- it is expected that the stock accounts of Qualifying CREST Shareholders will be credited with entitlements to Nil Paid Rights with effect from 8.00 a.m. on 5 December 2003.

The dates set out in the expected timetable of principal events above and the dates mentioned throughout this document and also in the Provisional Allotment Letter may be adjusted by Regus Group with the agreement of the Underwriter, in which event details of the new dates will be notified to the UK Listing Authority and to the London Stock Exchange.

3. REGUS GROUP

The Group is a leading provider of high quality business services to the global economy. Its international network of adaptable business centres allows its customers to outsource,

completely or in part, their workspace requirements. The Group's business centre offerings include a client driven mix of Workstations, conference rooms and related support services, such as video conferencing, telecommunications, internet connectivity, reception and secretarial services. Customers can use all or part of Regus' business centres for a duration of one hour to over ten years.

The Group's serviced business centres represent an alternative to traditional office space. Located in downtown business districts, suburban office parks and near transportation gateways, the Group can tailor its business centres to a variety of customer requirements. These business services offer advantages of convenience, flexibility and immediate availability. In addition, the Group's business services can prove cheaper than traditional office leasing, depending upon individual circumstances, such as the number of employees in the office and the term of occupancy.

As of 12 November 2003 (being the latest practicable date prior to the publication of this document), the Group operated a network of 392 business centres in 50 countries.

Further information on the Group is given in Part V of this document.

4. REASONS FOR THE RIGHTS ISSUE

There are four principal reasons for effecting the Rights Issue.

Settlement of allowed claims of general unsecured Creditors in cash

The first reason is to enable the Group, upon the implementation of the Plan (which is now expected to take place on or about 12 January 2004), to settle pursuant to the Plan the allowed claims of general unsecured Creditors in cash and also to redeem certain loan stock issued to Equity Office Properties. If the Group can settle the allowed claims of general unsecured Creditors in cash, the Group will not need to issue any Shares and/or CULS to Creditors upon implementation of the Plan.

Strengthen the Company's Balance Sheet

The second reason is to provide additional working capital for the Group and to strengthen the Company's balance sheet. For further information, please see paragraph 17 of Part VII.

Increase in number of Shares in public hands

The third reason is that the percentage of Shares in public hands is expected to increase so as to ensure compliance with the Listing Rules as a result of effecting the Rights Issue and the conditional firm placing arrangements described in this document. For further information, please see paragraph 4 of Part VII.

Encourage institutional investment in the Company

The fourth reason is to encourage institutional investment in the Company. All of the places procured by the Underwriter pursuant to the conditional firm placing arrangements described in this document are institutional investors. For further information in relation to these conditional firm placing arrangements, please see paragraph 13 of Part VII.

5. FINANCIAL BACKGROUND AND CURRENT TRADING AND PROSPECTS

On 29 August 2003, Regus announced its interim results for the six month period ended 30 June 2003. The interim report of the Group for the six month period ended 30 June, 2003 is set out in Part VI. On that date it was announced that:

- the Group continued to make steady progress during the six month period ended 30 June 2003. In late December 2002 Regus successfully recapitalised its business through the sale of a majority interest in its UK operations. This placed Regus on a firm financial footing allowing management to focus its attention elsewhere during the first half of 2003;
- in mid-January 2003, Regus filed for Chapter 11 creditor protection under the Bankruptcy Code in order to reorganise the Group's principal loss-making operations which were in the US. Regus was the first listed British company to take this radical step and was pleased to announce the successful completion of that reorganisation process and its planned exit from Chapter 11. During the period, Regus also reorganised some of its smaller operations elsewhere around the world;
- as a result of the completion of the reorganisation process, the Group as a whole has moved to cash break-even at the operating level on a global basis;
- Regus has also seen other positive signs. Inquiry levels and the contracted forward order book remained strong and new orders for Workstations in the second quarter were up 8 per cent. on the first quarter. During the half-year ended 30 June 2003, major corporate outsourcing deals totalling approximately £30 million were transacted with leading companies such as IBM, Starbucks, Xerox, Kodak and Oracle. Regus' key indicator of revenue per available Workstation at £2,213 was up 5 per cent. on the first half of last year. However, as a result of the reorganisation in the US, overall turnover at £129 million was down slightly (4 per cent.) on the first half of 2002; and
- at 30 June 2003, cash at bank totalled £49.5 million of which £21.6 million was free cash.

On 3 October 2003 Regus announced, in a trading update, that, at constant exchange rates, revenues for September 2003 showed an increase of £0.9 million over August 2003, the largest month to month increase since March 2001. Based on inquiry levels and the contracted order book of the Group, the Board believes the Group can make further progress in the fourth quarter of 2003. Other than as set out above, trading and prospects are in line with the Regus announcement on 29 August 2003.

6. USE OF PROCEEDS ARISING FROM THE RIGHTS ISSUE

Assuming that the Rights Issue is effected in accordance with the Board's expectations, the Group intends to apply approximately £28,000,000³ of the net proceeds of the Rights Issue:

³ This figure is based on the US\$/GPB exchange rate as at the date of this document.

- to the cash settlement pursuant to the Plan of the allowed claims of general unsecured Creditors upon the Plan being implemented (which is now expected to take place on 12 January 2004); and
- at the same time, to redeem certain loan stock issued to Equity Office Properties.

After applying this amount for such purposes, the Board intends to apply the remaining balance of the net proceeds of the Rights Issue for Group working capital purposes and to strengthen the Company's balance sheet.

7. DIVIDENDS

Regus has not paid or declared any dividends on the Shares since the initial public offering in respect of the Shares in October 2000. Notwithstanding the Rights Issue, Regus Group currently expects to retain future earnings, if any, to finance the growth and development of its business. Therefore, Regus Group does not anticipate paying cash or other dividends on Shares in the foreseeable future. Any decision by the Directors to recommend the payment of a dividend in the future will reflect cash flow and desired capital structure as well as future growth opportunities.

8. PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Board proposes to issue Shares in connection with the Rights Issue in order to raise up to approximately £51.8 million net of expenses. The Issue Price of 28 pence per Share represents a 18.5 per cent. discount to the closing middle market price of 34.375 pence per share in Regus on 12 November 2003, the last Business Day before the announcement of the Rights Issue.

The Shares are expected to be offered by way of rights to Qualifying Shareholders and Qualifying Warrant Holders on the following basis:

1 Share at 28 pence per Share for every 3 Shares

held and registered (or in relation to Warrant Holders deemed by virtue of this document to be held and registered) in their name at the Record Date. For the purposes of the entirety of this document, Warrant Holders will be deemed to hold, and be the registered owners of, the number of Shares which they would acquire if they exercised their Warrants in full on the Record Date.

Entitlements to fractions of Shares will be rounded down to the nearest whole number of Shares and will not be allotted to Qualifying Shareholders or Qualifying Warrant Holders but will, if possible, be sold on the market for the benefit of the Company. Accordingly, Shareholders holding (and Warrant Holders deemed by virtue of this document to be holding) fewer than 3 Shares will not be entitled to subscribe for any Shares.

The latest time and date for acceptance and payment in full under the Rights Issue is 9.30 a.m. on 29 December 2003.

The Company has arranged for the Rights Issue to be underwritten in full in order to provide certainty as to the amount of capital to be raised. Certain Regus Shareholders (including Maxon Investments) have undertaken to the Company and the Underwriter not to take up

rights pursuant to the Rights Issue and the Underwriter has on behalf of the Company placed the Shares the subject of these undertakings (which amount to in aggregate 153,949,164 Shares) with certain institutional investors on a firm conditional basis. Further information in relation to these placing arrangements is given in paragraph 13 of Part VII.

The launch of the Rights Issue is conditional upon (amongst other things) the Scheme becoming effective by not later than 8.00 a.m on 1 December 2003 (or such later time and/or date as the Company and the Underwriter may agree) and the Confirmation Order becoming a Final Order by not later than 5.00 p.m on 4 December 2003 (or such later time and/or date as the Company and the Underwriter may agree). Further detail in relation to the conditions to the launch of the Rights Issue are given in Part III. If, subject to (amongst other things) those conditions, the Rights Issue proceeds, Provisional Allotment Letters are expected to be dispatched on 4 December 2003. If and when despatched, the Provisional Allotment Letters will be conditional only upon Admission of the nil paid Shares.

The Company expects Admission of the Shares offered pursuant to the Rights Issue to become effective and dealings in those Shares, nil paid, to commence on 5 December 2003.

The Rights Issue is expected to result in the issue of up to 195,873,430 Shares (representing approximately 25 per cent. of the issued share capital of Regus Group immediately after the implementation of the Scheme as enlarged by the Rights Issue). The Shares to be offered pursuant to the Rights Issue will, when issued and fully paid, rank equally in all respects with the Shares to be issued upon the implementation of the Scheme and/or the Plan (if any).

Please see Part III of this document and, in the case of Qualifying non-CREST Shareholders and Qualifying Warrant Holders only, the Provisional Allotment Letter, for the terms and conditions of the Rights Issue.

9. ACTION TO BE TAKEN IN RELATION TO THE RIGHTS ISSUE

You are not required to take any action at present in relation to the Rights Issue.

If, subject to certain conditions, the Rights Issue proceeds, it is intended that:

- (i) if you are a Qualifying non-CREST Shareholder or a Qualifying Warrant Holder (with a registered address other than in the United States or any of the Excluded Territories), you will be sent a Provisional Allotment Letter giving details of your entitlements to Shares by post on 4 December 2003; and
- (ii) if you are a Qualifying CREST Shareholder (with a registered address other than in the United States or any of the Excluded Territories), your CREST stock account will be credited with entitlements to Nil Paid Rights on 5 December 2003.

If you sell or have sold or otherwise transferred (other than ex-rights) all of your shares in Regus or Shares held in certificated form before 5 December 2003 (the expected ex-rights date), please forward this document and the accompanying documents to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was affected for onward transmission to the purchaser or transferee.

The latest time for acceptance under the Rights Issue is expected to be 9.30 a.m. on 29 December 2003, unless otherwise announced by the Company. The procedure for

acceptance and payment is set out in Part III of this document. Further details will also appear in the Provisional Allotment Letters which are expected to be sent to Qualifying non-CREST Shareholders and Qualifying Warrant Holders (subject to certain exceptions, other than those with registered addresses in the United States or any of the Excluded Territories) in due course.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

10. TAXATION

Your attention is drawn to paragraph 14 of Part VII of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

11. OVERSEAS SHAREHOLDERS

Shareholders resident in any jurisdiction other than the United Kingdom should refer to paragraphs 7 and 8 of Part III of this document.

In particular, Qualifying Shareholders and Qualifying Warrant Holders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation US persons) should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights.

12. OPINION

Your Board, having received financial advice in relation to the Rights Issue from KBC Peel Hunt Ltd, believes that the Rights Issue is in the best interests of Regus Group and its shareholders as a whole. In providing its advice to the Board, KBC Peel Hunt Ltd has placed reliance on the Directors' commercial assessment of the Rights Issue and of Regus Group's capital requirements.

Yours sincerely

John Matthews
Chairman

Part II

Some Questions and Answers on the Rights Issue

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. If you are in any doubt as to what action you should take, please consult your stockbroker, bank manager, solicitor, accountant, fund manager or independent financial adviser who, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000.

This Part II deals with general questions relating to the Rights Issue and more specific questions relating to shares held in certificated form only. If you hold your Shares in uncertificated form (that is, through CREST), you should read Part III of this document for an explanation of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.

GENERAL QUESTIONS AND QUESTIONS FOR HOLDERS WITH SHARE CERTIFICATES

What is a rights issue?

Rights issues are a way for companies to raise money. They do this by giving their existing shareholders a right to buy shares in proportion to their existing shareholdings. This Rights Issue is an offer of 1 Share for every 3 Shares held (or in relation to the Warrant Holders deemed by virtue of this document to be held) at the close of business on the Record Date. So, if you hold (or in relation to Warrant Holders are deemed to hold) Shares on the Record Date, you will be entitled to buy 1 Share for every 3 Shares you hold.

Shares are being offered in the Rights Issue at a discount to the share price of the shares in Regus on the day immediately prior to the announcement of the Rights Issue. Because of this discount, the right to buy the Shares is potentially valuable. In this Rights Issue, the Issue Price represents a 18.5 per cent. discount to the closing middle market price of 34.375 pence per share in Regus on 12 November 2003, the latest practicable date before the date of this document.

If you do not want to buy the Shares to which you are entitled, you can instead sell your rights to those shares. This is referred to as dealing "nil paid".

What do I need to do in relation to the Rights Issue?

You are not required to take any action at present in respect of the Rights Issue. It is intended that if the conditions are satisfied, the Rights Issue will proceed and (assuming you hold Shares in certificated form and do not have a registered address in any of the Excluded Territories or the United States), it is expected that a Provisional Allotment Letter will be despatched to you on 4 December 2003.

What are my options and what should I do with the Provisional Allotment Letter when it arrives?

When the Provisional Allotment Letter arrives, it will show:

in Box 1: how many Shares you held (or in relation to Warrant Holders are deemed by virtue of this document to have held) at the close of business on the Record Date;

in Box 2: how many Shares you are entitled to buy; and

in Box 3: how much you need to pay if you want to take up your rights in full.

If you have a registered address in any of the Excluded Territories or the United States, subject to certain exceptions, you will not be sent a Provisional Allotment Letter.

(a) If you want to take up all your rights

If you want to take up all your rights to subscribe for the Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque for the full amount shown in Box 3, payable to the "Capita IRG - Regus Group Rights Issue" and crossed "A/C payee only", by hand (during normal business hours) or by post to Capita IRG Plc, Corporate Action Department, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH to arrive before 9.30 a.m. on 29 December 2003. You can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Paragraph 3(b) of Part III of this document has full instructions on how to accept and pay for your Shares. Instructions will also be set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will then be sent to you for the Shares you buy.

You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick Box 4 on page 1 of the Provisional Allotment Letter. Your definitive share certificate for Shares is expected to be despatched to you by on or about 10 January 2004.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 9.30 am. on 29 December 2003, we have made arrangements under which the Underwriter will try to find investors by 31 December 2003 to take up your rights and those of others who have not taken up their rights. If the Underwriter does find investors who agree to pay a premium over the Issue Price and the related expenses of procuring those investors (including any commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £3.00 or more. Cheques are expected to be despatched by 10 January 2004 and will be sent to your address appearing on Regus Group's register of members (or to the first named holder if you hold your shares jointly). If the Underwriter cannot find investors who agree to pay a premium over the Issue Price and related expenses, you will not receive any payment.

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on page 4 of the Provisional Allotment Letter, and returning it by post or by hand (between normal business hours) to Capita IRG Plc, Corporate Action Department, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH to be received by 3.00 p.m. on 23 December 2003, the last time and date for splitting Provisional Allotment Letters, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the Shares you wish to accept together with your cheque to Capita IRG Plc to be received by 9.30 a.m. on 29 December 2003, the last time and date for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights (but not sell the rest yourself), you should complete Form X on page 4 of the Provisional Allotment Letter and return it with a cheque together with an accompanying letter indicating the number of Nil Paid Rights you wish to take up, in accordance with the provisions set out in paragraph 2 on page 3 of the Provisional Allotment Letter.

(d) If you want to sell all of your rights

If you want to sell all of your rights you should complete and sign Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in any Excluded Territory or in the United States). The latest time and date for selling all your rights is 9.30 a.m. on 29 December 2003. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 9.30 a.m. on 29 December 2003.

How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter then you should be eligible to participate in the Rights Issue (as long as you do not sell all of your Shares before 5 December 2003 (the expected ex-rights date)).

What if I do not receive a Provisional Allotment Letter?

If you do not receive a Provisional Allotment Letter and you do not hold your Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to participate in the Rights Issue, namely:

- Qualifying CREST Shareholders (please see Part III below);
- Shareholders who bought Shares before 5 December 2003 (the expected ex-rights date), but were not registered as the holders of those Shares at the close of business on the Record Date (which is expected to be 1 December 2003); and
- in certain limited cases, certain Overseas Shareholders and Overseas Warrant Holders.

How many Shares am I entitled to buy?

Box 2 on page 1 of the Provisional Allotment Letter will show the number of Shares you are entitled to buy. You are entitled to 1 Share for every 3 Shares held (or in relation to Warrant Holders deemed to be held) on the Record Date (rounding down any fractions).

If I buy Shares after the Record Date for the Rights Issue (expected to be 1 December 2003) will I be eligible to participate in the Rights Issue?

If you buy Shares after the Record Date but prior to 5 December 2003, the date the Shares are expected to start trading ex-rights (that is, without the right to participate in the Rights Issue), you will be eligible to participate in the Rights Issue. If you buy Shares on or after the ex-rights date, expected to be 5 December 2003, you will not be eligible in respect of those Shares.

If I take up my rights, when will I receive my new share certificate?

If you take up your rights under the Rights Issue, share certificates for the Shares are expected to be posted by or on about 10 January 2003.

Am I entitled to fractions of shares?

Your entitlement is calculated by dividing your holding or deemed holding of Shares by 3. If the result is not a whole number, your entitlement will be rounded down to the nearest whole number, meaning that you will not receive a Share in respect of the fractional entitlement. The Shares representing the aggregated fractional entitlements of all Shareholders will not be allotted to Qualifying Shareholders or Qualifying Warrant Holders but will, if possible, be sold on the market for the benefit of the Company.

Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the UK for tax purposes, you will not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you sell your Shares. However, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights (unless, generally, the proceeds do not exceed £3,000, although in that case the amount of UK tax you may pay when you sell your Shares will be affected).

Further information for Qualifying Shareholders and Qualifying Warrant Holders who are resident in the UK and the Netherlands for tax purposes is contained in paragraph 14 of Part VII of this document. Qualifying Shareholders and Qualifying Warrant Holders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible.

I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called Nil Paid Rights) to those Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period (i.e. between 8.00 am on 5 December 2003 and 9.30

am on 29 December 2003), you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights. See paragraph 3(d) of Part III of this document for more details.

What if I want to sell the Shares I have paid for?

Provided the Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on the back of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 4 of the Provisional Allotment Letter until 9.30 a.m. on 29 December 2003. See paragraph 3(f) of Part III of this document for more details.

After that date, you will be able to sell your Shares in the normal way. The share certificate relating to your Shares is expected to be despatched to you by 10 January 2004. Pending despatch of such share certificate, instruments of transfer will be certified by the Registrars against the register.

What should I do if I live outside the UK?

Your ability to take up rights to Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the UK should refer to paragraphs 7 and 8 of Part III of this document.

Your attention is drawn to the terms and conditions of the Rights Issue in Part III of this document and (in the case of Qualifying non-CREST Shareholders and Qualifying Warrant Holders) those to be contained in the Provisional Allotment Letter.

Part III

Terms and Conditions of the Rights Issue

1. TERMS AND CONDITIONS OF THE RIGHTS ISSUE

Subject to the fulfilment of the conditions set out below, the Shares will be offered for subscription by way of rights to Qualifying Shareholders and Qualifying Warrant Holders on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying non-CREST Shareholders and Qualifying Warrant Holders, the Provisional Allotment Letter):

1 Share at 28 pence per Share for every 3 Shares

held and registered (or in relation to Warrant Holders deemed by virtue of this document to be held and registered) in their name at the close of business on the Record Date (which is expected to be 1 December 2003).

Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to Shares will be rounded down to the nearest whole number and the aggregated fractions will not be allotted to Qualifying Shareholders or Qualifying Warrant Holders but will, if possible, be sold on the market for the benefit of the Company.

The attention of Overseas Shareholders and Overseas Warrant Holders is drawn to paragraphs 7 and 8 of Part III.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the Shares offered pursuant to the Rights Issue to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission of the Shares nil and fully paid offered pursuant to the Rights Issue will become effective on 5 December 2003 and that dealings in those Shares will commence, nil paid, at 8.00 a.m. on that date.

The Rights Issue is conditional upon:

- (i) the Scheme becoming effective by not later than 8.00 a.m on 1 December 2003 (or such later time and/or date as the Company and the Underwriter may agree);
- (ii) the Confirmation Order becoming a Final Order by not later than 5.00 p.m on 4 December 2003 (or such later time and/or date as the Company and the Underwriter may agree);
- (iii) Admission of the Shares offered pursuant to the Rights Issue becoming effective; and
- (iv) the Underwriting Agreement having become otherwise unconditional in all respects and not having terminated in accordance with its terms by not later than 8.00 a.m. on 5 December 2003 (or such later time and/or date as the Company and the Underwriter may agree (being not later than 12 January 2004)).

Subject to these conditions, it is intended that Provisional Allotment Letters in respect of the Shares will be despatched on 4 December 2003 to Qualifying non-CREST Shareholders and Qualifying Warrant Holders (other than such Shareholders or Warrant Holders with registered addresses in the United States or any of the Excluded Territories) at their own risk. Provisional Allotment Letters will constitute temporary documents of title. If and when despatched, the Provisional Allotment Letters will be conditional only upon Admission of the nil paid Shares.

Applications have been made for the Nil Paid Rights, the Fully Paid Rights and the Shares nil and fully paid offered pursuant to the Rights Issue to be admitted to CREST. CRESTCo requires Regus Group to confirm to it that the Shares offered pursuant to the Rights Issue have been admitted to the Official List before CRESTCo will admit any security to CREST. As soon as practicable after Admission of the Shares offered pursuant to the Rights Issue, Regus Group will confirm this to CRESTCo.

It is expected that:

- (a) the Receiving Agent will instruct CRESTCo to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than such Shareholders with registered addresses in the United States or any of the Excluded Territories) with such shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 5 December 2003; and
- (b) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by CRESTCo on 5 December 2003, as soon as practicable after Regus Group has confirmed to CRESTCo that all the conditions for admission of such rights to CREST have been satisfied.

This offer of Shares to UK Qualifying CREST Shareholders (other than, for the avoidance of doubt, such Shareholders with registered addresses in the United States or any of the Excluded Territories), such offer being on the terms and conditions set out in this document, will be deemed to be made at the time the Nil Paid Rights are enabled for settlement as described above.

The offer of Shares offered pursuant to the Rights Issue is not being made by means of this document into the United States or any of the Excluded Territories. Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-to-Many (MTM) instruction to CRESTCo will be deemed to have given the representations and warranties set out in paragraph 8 of this Part III below, unless such requirement is waived by Regus Group.

The Shares will, when issued and fully paid, rank equally in all respects with the existing issued Shares, including the right to receive all dividends or distributions made, paid or declared after the date of this document.

The Underwriter has agreed to underwrite the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Underwriting Agreement is conditional on certain matters being satisfied or not breached prior to Admission of the nil paid Shares offered pursuant to the Rights Issue and may also be terminated by the Underwriter prior to Admission of the nil paid Shares offered pursuant to the Rights Issue upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriter intends to arrange sub-underwriting for all of the Shares. A summary of certain

terms and conditions of the Underwriting Agreement is set out in paragraph 13 of Part VII of this document.

All documents and cheques posted to or by Qualifying Shareholders and Qualifying Warrant Holders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

2. ACTION TO BE TAKEN

The action to be taken in respect of Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying non-CREST Shareholder or Qualifying Warrant Holder, please refer to paragraph 3 and paragraphs 5 to 8 of this Part III.

If you will hold your Shares in CREST, please refer to paragraph 4 and paragraphs 5 to 8 of this Part III and to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

3. ACTION TO BE TAKEN IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS

(a) General

The Provisional Allotment Letter (referred to in this paragraph 3 of Part III of this document as a “**PAL**”) will set out:

- (i) the holding (or, in relation to Warrant Holders, deemed holding) of Shares on which a Qualifying non-CREST Shareholder's or Qualifying Warrant Holder's entitlement to Shares has been based;
- (ii) the aggregate number of Shares which have been provisionally allotted to such Qualifying non- CREST Shareholder or Qualifying Warrant Holder;
- (iii) the procedures to be followed if a Qualifying non-CREST Shareholder or Qualifying Warrant Holder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that PALs are posted on 4 December 2003, and that dealings commence on 5 December 2003, the latest time and date for acceptance and payment in full will be 9.30 a.m. on 29 December 2003.

(b) Procedure for acceptance and payment

(i) Qualifying non-CREST Shareholders and Qualifying Warrant Holders who wish to accept in full

Holders of PALs who wish to take up all of their Nil Paid Rights must return the PAL, together with a cheque or banker's draft, made payable to "Capita IRG plc - Regus Group Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the PAL, by hand (during normal business hours) or by post, to Capita IRG Plc, Corporate Action Department, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to arrive as soon as possible and in any event so as to be received not later than 9.30 a.m. on 29 December 2003. A reply-paid envelope will be enclosed with the PAL for use within the United Kingdom only. It is recommended that you allow sufficient time for delivery.

(ii) Qualifying non-CREST Shareholders and Qualifying Warrant Holders who wish to accept in part

Holders of PALs who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those which they do not want to take up, should first apply for split PALs by completing Form X on page 4 of the PAL, and returning it by post or by hand (during normal business hours) to Capita IRG Plc, Corporate Action Department, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, by 3.00 p.m. on 23 December 2003, the last date and time for splitting Nil Paid Rights, together with a covering letter stating the number of split PALs required and the number of Nil Paid Rights to be comprised in each split PAL. They should then deliver the split PAL representing the Shares they wish to accept together with a cheque or a banker's draft for the appropriate amount, payable to the "Capita IRG Plc - Regus Group Rights Issue" and crossed "A/C payee only" by 9.30 a.m. on 29 December 2003, the last date and time for acceptance. Qualifying non-CREST Shareholders and Qualifying Warrant Holders who wish to take up some of their Nil Paid Rights (but not sell the remainder), should complete Form X on page 4 of the Provisional Allotment Letter and return it with a cheque, together with an accompanying letter indicating the number of Nil Paid Rights you wish to take up, in accordance with the provisions set out in paragraph 2 on page 3 of the Provisional Allotment Letter.

(iii) Company's discretion as to validity of acceptances

If payment is not received in full by 9.30 a.m. on 29 December 2003, the provisional allotment will be deemed to have been declined and will lapse. However, the Company may, with the agreement of the Underwriter, but shall not be obliged, to treat as valid (i) PALs and accompanying remittances for the full amount due which are received through the post not later than 9.30 a.m. on 30 December 2003 (the cover bearing a legible postmark dated not later than 9.30 a.m. on 29 December 2003) and (ii) acceptances in respect of which remittances are received prior to 9.30 a.m. on 29 December 2003 from an authorised person (as defined in Section 31(2) Financial Services and Markets Act 2000) specifying the number of Shares to be acquired and an undertaking by that person to lodge the relevant PAL, duly completed, in due course.

Regus Group may also (in its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance

with the relevant instructions or is not accompanied by a valid power of attorney where required.

(iv) Payments

All payments must be in pounds sterling and cheques or banker's drafts should be made payable to "Capita IRG Plc - Regus Group Rights Issue" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member of either of the Committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Cheques drawn on most major high street banks and building societies in the UK will be satisfactory. Cheques or banker's drafts will be presented for payment upon receipt. Regus Group reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow Regus Group to obtain full value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments will accrue to the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation and if any cheque or other remittance is presented for payment but not honoured by 9.30 a.m. on 29 December 2003 and Regus Group notifies the Underwriter prior to 7.30 a.m. on 30 December 2003, any acceptance in respect of Shares to which such cheque or other remittance relates shall be treated as invalid.

(c) Money Laundering Regulations

If the value of your application exceeds €15,000 (approximately £9,500) (or is one of a series of linked applications, the aggregate value of which exceeds that amount) and either you do not pay by a cheque drawn on an account in your own name and/or the account from which payment is to be made is not held within an institution that is authorised in the UK by the Financial Services Authority under the Financial Services and Markets Act 2000 or by the Building Societies Commission under the Building Societies Act 1986 or that is an EU authorised credit institution, as defined in the First Banking Directive (77/780/EEC) as referred to in the verification of identity requirements of the Money Laundering Regulations 1993, the Money Laundering Regulations will apply. The Receiving Agent is entitled to require, at its absolute discretion, verification of identity from any person lodging a PAL (the applicant) including, without limitation, any person who appears to the Receiving Agent to be acting on behalf of some other person. Submission of a PAL will constitute a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may, after consultation with the Underwriter and having taken into account their representations, retain a PAL lodged by an applicant for Shares and/or the cheque or banker's draft relating to it and/or not enter the Shares to which it relates on the register of members or issue any share certificate in respect of them. If satisfactory evidence of identity has not been provided within a reasonable time, then the acceptance will not be valid but will be without prejudice to the right of Regus Group to take proceedings to recover any loss suffered by it as a result of the failure of the applicant to provide satisfactory evidence. In that case, the application monies (without interest) will be returned to the bank or building society account from which payment was made.

The following guidance is provided in order to reduce the likelihood of difficulties, delays and potential rejection of an application (but does not limit the right of the Receiving Agent to require verification of identity as stated above).

- (i) Applicants are urged, if possible, to make their payment by their own cheque. If this is not practicable and an applicant uses a cheque drawn by a building society or other third party or a banker's draft, the applicant should:
 - (a) write the applicant's name and address on the back of the building society cheque, banker's draft or third party cheque and, in the case of an individual, record his date of birth against his name; and
 - (b) if a building society cheque or banker's draft is used, ask the building society or bank to print on the cheque the full name and account number of the person whose building society or bank account is being debited or to write those details on the back of the cheque and add their stamp.
- (ii) If an application is delivered by hand, the applicant should ensure that he has with him evidence of identity bearing his photograph, for example, a valid full passport.

If you are making an application as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made. Applicants making an application as agent should specify on the PAL if they are a UK or EU regulated person or institution.

(d) Dealings in Nil Paid Rights and Fully Paid Rights

Assuming the Scheme becomes effective and the Rights Issue otherwise becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 5 December 2003. A Transfer of Nil Paid Rights and Fully Paid Rights can be made by renunciation of the PAL in accordance with the instructions printed on it and delivery of the letter to the transferee.

(e) Dealings in Shares offered pursuant to the Rights Issue

After 29 December 2003, the Shares will be in registered form and transferable in the usual way (see paragraph 3(i) of this Part III).

(f) Renunciation and splitting of PALs

Qualifying non-CREST Shareholders and Qualifying Warrant Holders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a PAL may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the PAL (if it is not already marked "Original Duly Renounced") and passing the entire letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a PAL has been renounced, the letter will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of PALs is 9.30 a.m. on 29 December 2003.

If a holder of a PAL wishes to have only some of the Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the PAL split, for which purpose he must complete and sign Form X on page 4 of the PAL. The PAL must then be delivered by post or by hand (during normal business hours) to the Receiving Agent by not later than 3.00 p.m. on 23 December 2003, to be cancelled and exchanged for the split PALs required. The number of split PALs required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split PAL should be stated in an accompanying letter. Form X on page 4 of split PALs will be marked "Original Duly Renounced" before issue.

(g) Registration in names of persons other than Qualifying Shareholders or Qualifying Warrant Holders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) or Qualifying Warrant Holder originally entitled, the renounee or his agent(s) must complete Form Y on page 4 of the PAL (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the PAL) must be completed — see paragraph 3(h) of this Part III) and send the entire letter, when fully paid, by post or by hand (between normal business hours) to the Receiving Agent, by not later than 9.30 a.m. on 29 December 2003.

(h) Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a PAL may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Subject as provided in the next following paragraph or in the PAL, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by a PAL into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the PAL or in the name of a person or persons to whom the PAL has been renounced, is as follows. Form X and the CREST Deposit Form (both on page 4 of the PAL) will need to be completed and the PAL deposited with the CCSS; in addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the PAL may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the PAL into CREST, you must first apply for split PALs. If the rights represented by more than one PAL are to be deposited, the CREST Deposit Form on each PAL must be completed and deposited. The Consolidation Listing Form must not be used.

A holder of the Nil Paid Rights represented by a PAL who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 9.30 a.m. on 29 December 2003. In particular, having regard to processing times in CREST and on the part

of Capita IRG Plc, the latest recommended time for depositing a renounced PAL (with Form X and the CREST Deposit Form on page 4 of the PAL duly completed), with the CCSS (in order to enable the person acquiring the Nil Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 9.30 a.m. on 29 December 2003) is 3.00 p.m. on 22 December 2003.

CREST sponsored members should contact their CREST sponsor.

(i) Issue of Shares in definitive form

Definitive share certificates in respect of the Shares to be held in certificated form are expected to be despatched by post by on or about 10 January 2004 to persons entitled thereto at their registered address unless lodging agent details have been completed on page 4 of the PAL. After despatch of definitive share certificates, PALs will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the Shares will be certified by the Registrar against the register.

4. ACTION TO BE TAKEN IN RELATION TO NIL PAID RIGHTS OR FULLY PAID RIGHTS IN CREST

(a) General

Subject as provided in paragraph 7 of this Part III in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 5 December 2003. The CREST stock account to be credited will be an account under the CREST participant ID and CREST member account ID that apply to the existing Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit to the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Underwriter agrees otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may, with the consent of the Underwriter, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. Regus Group will make an appropriate announcement to the Company Announcements Office of the London Stock Exchange giving details of the revised dates.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

(b) Procedure for acceptance and payment

(i) Many-to-Many instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-To-Many (MTM) instruction to CRESTCo which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the CREST participant ID and CREST member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same CREST participant ID and CREST member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (a) above.

(ii) Contents of Many-to-Many instructions

The MTM instruction must be properly authenticated in accordance with CRESTCo's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the CREST participant ID of the accepting CREST member;
- the CREST member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the CREST participant ID of the Receiving Agent (Capital IRG plc), in its capacity as a CREST receiving agent. This is RA06;
- the CREST member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is REGUS;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;

- the amount payable by means of the CREST settlement bank payment obligation on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date. This must be on or before 29 December 2003; and
- the Nil Paid ISIN Number, which is GB 0033825018;
- the Fully Paid ISIN Number, which is GB 0033825125; and
- the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST.

(iii) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (ii) of this paragraph 4(b) will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 9.30 a.m. on 29 December 2003; or
- (b)
 - (i) the MTM instruction is received by CRESTCo by not later than 9.30 am. on 29 December 2003 (or until such later time and date as Regus Group may determine); and
 - (ii) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 9.30 a.m. on 29 December 2003 (or until such later time and date as Regus Group may determine).

An MTM instruction will be treated as having been received by CRESTCo for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at CRESTCo of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction-by the Network Providers' Communications Host.

(iv) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4(b) of Part III represents, warrants and undertakes to Regus Group that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 9.30 a.m. on 29 December 2003 (or until such later time and date as Regus Group may determine) and remains capable of settlement at all times after that until 2.00 p.m. on 29 December 2003 (or until such later time and date as Regus Group may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 9.30 am. on 29 December 2003 and at all times thereafter until 2.00 p.m. on 29 December 2003 (or until such later time and date as Regus Group may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the

cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

(v) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 9.30 a.m. on 29 December 2003. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) CREST member's undertaking to pay

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in paragraph 4(b) of this Part III, (a) undertakes to pay to Regus Group, or procure the payment to Regus Group of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as Regus Group may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of an RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent, the RTGS settlement bank (as defined in the CREST manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to Regus Group the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or Shares, to which he will become entitled, be issued to him on the terms set out in this document and subject to the memorandum and articles of association of Regus Group.

(vii) Company's discretion as to rejection and validity of acceptances

The Company may:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in paragraph 4(b) of this Part III. Where an acceptance is made as described in this paragraph 4(b) of Part III which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 29 December 2003 (or by such later time and date as Regus Group may determine), Regus Group shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 4(b) of this Part III, that there has been a breach of the representations, warranties and undertakings set out or referred to in paragraph 4(b) of this Part III;
- (b) with the agreement of the Underwriter, treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in paragraph 4(b) of this Part III;

- (c) with the agreement of the Underwriter, accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as Regus Group may determine;
- (d) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either Regus Group or the Receiving Agent has received actual notice from CRESTCo of any of the matters specified in Regulation 35 (5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (e) with the agreement of the Underwriter, accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

(c) Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Underwriter, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of Regus Group to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

(d) Dealings in Nil Paid Rights and Fully Paid Rights

Assuming the Scheme becomes effective and the Rights Issue otherwise becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 5 December 2003. A transfer (in whole or in part) of Nil Paid Rights and Fully Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights and Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 29 December 2003 (or until such later time and date as Regus Group may determine).

(e) Dealings in Shares offered pursuant to the Rights Issue

After 29 December 2003 (or until such later time and date as Regus Group may determine), the Shares will be registered in the name(s) of the persons) entitled to them in Regus Group's register of members and will be transferable in the usual way (see paragraph 4(g) of this Part III).

(f) Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by CRESTCo of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4.30 p.m. on 17 December 2003, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 9.30 a.m. on 29 December 2003 (or until such later time and date as Regus Group may determine). You are recommended to refer to the CREST Manual for details of such procedures.

(g) Issue of Shares in definitive form in CREST

Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct CRESTCo to credit the appropriate stock accounts of those persons (under the same CREST participant ID and CREST member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to Shares with effect from the next Business Day (expected to be 30 December 2003).

(h) Right to allot/issue in certificated form

Despite any other provision of this document, Regus Group reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or on any part of CREST) or on the part of the facilities and/or systems operated by Capita IRG plc in connection with CREST.

5. PROCEDURE IN RESPECT OF SHARES NOT TAKEN UP

If an entitlement to Shares offered pursuant to the Rights Issue is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse.

The Underwriter will endeavour to procure, for all (or as many as possible) of those Shares not taken up (other than the Shares the subject of the undertakings as is discussed in paragraph 13 of Part VII) subscribers from whom an amount can be obtained per Share which is at least equal to the aggregate of the Issue Price (at which price the Shares shall be subscribed) and the expenses of procuring the relevant subscribers (including any commissions and amounts in respect of value added tax), such subscribers to be found by not later than close of business on 31 December 2003.

Shares for which subscribers are procured on this basis will be allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Issue Price and the expenses of procuring such subscribers including any commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments save that no payment will be made of amounts of less than £3.00, which amounts will be aggregated and paid to the Company for its own benefit.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any commissions and amounts in respect of value added tax) shall be paid (subject as provided in this paragraph 5):

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter; and
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST.

Notwithstanding the above, the Underwriter may cease to endeavour to procure any such subscribers if in the opinion of the Underwriter it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant Shares will be subscribed for by the Underwriter or sub-underwriters procured by the Underwriter at the Issue Price on the terms of the Underwriting Agreement.

Any transactions undertaken pursuant to this paragraph 5 of Part III shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of Regus Group, the Underwriter or any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above.

6. TAXATION

Information on taxation in the UK and the Netherlands with regard to the Rights Issue is set out in paragraph 14 of Part VII of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

7. OVERSEAS SHAREHOLDERS (AND OVERSEAS WARRANT HOLDERS)

(a) General

The offer of Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than the UK (including without limitation US persons) may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

Provisional Allotment Letters will not be sent to and Nil Paid Rights will not be credited to CREST accounts of Overseas Shareholders or Overseas Warrant Holders with registered addresses in the United States or any of the Excluded Territories except where the Company is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter will be sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by their agent or nominee in any such territory, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST except under an express written agreement between him and Regus Group. Any person who does forward this document or a Provisional Allotment Letter into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Any person (including, without limitation, nominees and trustees and any US person) wishing to take up his rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents; observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 of this Part III are intended as a general guide only and any Qualifying Shareholder or Qualifying Warrant Holder who is in doubt as to his position should consult his professional adviser without delay.

The Company may, in consultation with the Underwriter, treat as invalid any acceptance or purported acceptance of the offer of Shares which appears to Regus Group or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction, or if in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in any Excluded Territory or the United States or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or if it believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provision of this document or the Provisional Allotment Letter, Regus Group reserves the right to permit any Qualifying Shareholder or Qualifying Warrant Holder to take up his rights if Regus Group in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Those Regus Group Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 3 and 4 of this Part III above.

(b) Selling restrictions relating to the United States

The Shares issued pursuant to the Rights Issue, Nil Paid Rights and Fully Paid Rights have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares issued pursuant to the Rights Issue, Nil Paid Rights and Fully Paid Rights may not be offered, sold, taken up, exercised, resold, renounced, exercised or delivered, subject to certain limited exceptions, within the United States.

This document does not constitute an offer, or an invitation to apply for, or an offer or invitation to purchase or subscribe for, any Shares to be issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights in the United States: subject to certain limited exceptions, Provisional Allotment Letters are not being sent to, and Nil Paid Rights are not being credited to the CREST account of, any Shareholder or Warrant Holder with a registered address in the United States.

Envelopes containing Provisional Allotment Letters should not be postmarked in the United States or otherwise dispatched from the United States, and all persons subscribing for Shares and wishing to hold such shares in registered form must provide an address for registration of the Shares issued upon exercise thereof outside the United States.

Any person who acquires Shares to be issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the Shares to be

issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights, that it is not, and that at the time of subscribing for the Shares to be issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights it will not be, in the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter which: (i) appears to the Company or its agents to have been executed in or despatched from the United States; (ii) provides an address outside the UK for delivery of definitive share certificates for Shares; (iii) does not include the relevant warranty set out in the Provisional Allotment Letter headed "Overseas Shareholders and Warrant Holders" to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address (and is not otherwise located) in the United States; or (iv) where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements; and the Company shall not be bound to allot or issue any Shares, Nil Paid Rights or Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, the Company reserves the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of Nil Paid Rights.

Terms used in this section have the meaning ascribed to them in Regulation S under the Securities Act.

Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The provisions set out in paragraph 5 of this Part III will apply to the rights of Qualifying Shareholders or Qualifying Warrant Holders with registered addresses in the United States that are not taken up.

(c) Excluded Territories

Due to restrictions under relevant securities laws, subject to certain exceptions no Provisional Allotment Letter in relation to the Shares will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, Qualifying Shareholders or Qualifying Warrant Holders with registered addresses in, and the Nil Paid Rights, Fully Paid Rights and Shares may not be transferred or sold to or renounced or delivered in any Excluded Territory. No offer of Shares to be issued pursuant to the Rights Issue, Nil Paid Rights or Fully Paid Rights is being made by virtue of this document or the Provisional Allotment Letters into any of the Excluded Territories.

The provisions set out in paragraph 5 of this Part III will apply to the rights of Qualifying Shareholders or Qualifying Warrant Holders with registered addresses in any of the Excluded Territories that are not taken up.

(d) Overseas territories other than the Excluded Territories

Provisional Allotment Letters will be posted to Qualifying non-CREST Shareholders and Qualifying Warrant Holders other than those Qualifying non-CREST Shareholders or Qualifying Warrant Holders who have registered addresses in the United States or any of the Excluded Territories and Nil Paid Rights will be credited to the CREST stock accounts of

Qualifying CREST Shareholders and Qualifying Warrant Holders other than those Qualifying CREST Shareholders or Qualifying Warrant Holders who have registered addresses in the United States or any of the Excluded Territories. Such Qualifying Shareholders and Qualifying Warrant Holders may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders and Qualifying Warrant Holders only, the Provisional Allotment Letter. In cases where Overseas Shareholders or Qualifying Warrant Holders do not take up or are unable to take up the Nil Paid Rights provisionally allotted to them, the provisions of paragraph 5 of this Part III will apply.

Qualifying Shareholders and Qualifying Warrant Holders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation US persons) should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights.

If you are in any doubt as to your eligibility to accept the offer of Shares or to deal with Nil Paid or Fully Paid Rights, you should contact your professional adviser immediately.

8. REPRESENTATIONS AND WARRANTIES RELATING TO OVERSEAS TERRITORIES

Qualifying non-CREST Shareholders and Qualifying Warrant Holders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant Shares, from within the United States or any of the Excluded Territories, (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it, (c) such person is not acting on a non-discretionary basis for a person located within any Excluded Territory, the United States or any territory referred to in (b) above at the time the instruction to accept or renounce was given, and (d) such person is not acquiring Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Shares into the United States or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement, (b) provides an address in the United States or any Excluded Territory for delivery of definitive share certificates for Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates), or (c) purports to exclude the warranty required by this paragraph.

Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in paragraph 4 of this Part III represents and warrants

to the Company that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) he is not within the United States or any of the Excluded Territories, (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for Shares, (c) he is not accepting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given, and (d) he is not acquiring Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

9. TIMES AND DATES

The Company shall in its discretion and after consultation with its financial and legal advisers (and with the agreement of the Underwriter) be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority and the Company Announcements Office of the London Stock Exchange and, if appropriate, Regus Group Shareholders.

10. GOVERNING LAW

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England and Wales.

11. JURISDICTION

The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document and the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders and Qualifying Warrant Holders only, the Provisional Allotment Letter, Qualifying Shareholders and Qualifying Warrant Holders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

Part IV

Plan Of Reorganisation And The Scheme

1. Introduction

On 29 August, 2003 Regus announced that:

- (a) following the successful restructuring of its US operations, Regus had developed the Plan of Reorganisation in the United States which, subject to obtaining the necessary approvals of the Bankruptcy Court, the Creditors and the Regus Shareholders, would result in Regus and each of the other Debtors exiting Chapter 11 in the United States;
- (b) the Plan of Reorganisation had been recommended by the Creditors' Committee and Regus had initiated the process that was intended to lead to the Bankruptcy Court approving the Plan of Reorganisation;
- (c) upon implementation of the Plan of Reorganisation, Creditors in respect of the bulk of claims made against Regus and the other Debtors under Chapter 11 would have the option of exchanging their claims for either (i) Shares, (ii) CULS, or (iii) a combination of Shares and CULS; and
- (d) alongside the emergence of Regus and the other Debtors from Chapter 11 in the United States, Regus intended to implement a change to its corporate structure by putting in place a new holding company of the Group, Regus Group, by way of a Court-sanctioned scheme of arrangement under section 425 of the Companies Act.

On 3 October, 2003 Regus posted to all holders of shares in Regus:

- (a) a copy of the Scheme Circular;
- (b) a copy of the Disclosure Statement (together with attachments, one of which was the Plan of Reorganisation (in its original version));
- (c) proxy forms in respect of the Court Meeting and the Scheme EGM; and
- (d) ballot forms in relation to the Plan.

The Listing Particulars were also published on 3 October, 2003.

Subsequently, on 13 November 2003 Regus announced that:

- (a) on 12 November 2003 the Bankruptcy Court approved/confirmed the Plan as modified. Pursuant to the Plan as modified, Regus and the other Debtors have the option of settling the allowed claims of general unsecured Creditors under the Plan in cash (see "Settlement of Creditors' allowed claims under the Plan – modified proposal" below) within 60 days of the Confirmation Date rather than by way of the issue of either (i) Shares, (ii) CULS, or (iii) a

combination of Shares and CULS, in the case of general unsecured Creditors (see "Settlement of Creditors' allowed claims under the Plan – original proposal" below);

- (b) subject to (amongst other things) the Scheme becoming effective and the Confirmation Order becoming a Final Order, Regus Group would launch a rights issue with a view to raising up to approximately £51.8 million, net of expenses, which, it is intended, will be used by the Group (i) in settling in full the allowed claims of general unsecured Creditors under the Plan and in redeeming certain loan stock issued to Equity Office Properties, and (ii) in providing additional working capital for the Group;
- (c) the Rights Issue was to be launched fully underwritten;
- (d) all resolutions put to Regus Shareholders at the Court Meeting and the Scheme EGM on 27 October 2003 (at which meetings the Shareholders considered and voted on the Scheme and various matters relating to the implementation of the Scheme and the Plan) had been approved, and accordingly, subject to the Court's sanctioning of the Scheme, the Scheme would become effective; and
- (e) although it was originally proposed that application would be made to the Court for the sanctioning of the Scheme on 14 November 2003, it had been decided, in light of the announcement of the Rights Issue, that application would be made to the Court to postpone the Court Hearing to 28 November, 2003 to give Regus Shareholders an opportunity to appear at the Court Hearing on 28 November 2003 and to make representations to the Court if they wished to do so.

2. The Plan of Reorganisation

Background: the Chapter 11 process and the current state of affairs

On 14 January 2003 each of RBCC (principally as a debtor tenant) and Regus and B.V. (principally as guarantors in respect of leases entered into by RBCC in the United States) filed voluntary petitions for bankruptcy relief under Chapter 11 in the Bankruptcy Court under the Chapter 11 Cases.

The Debtors filed for bankruptcy because the Chapter 11 process offered the best available means to facilitate the implementation of necessary changes to the Debtors' businesses to bring costs and operations in line with the current business environment. In addition, the protections available under the Chapter 11 process offered the Debtors access to capital through debtor-in-possession financing (see below) that otherwise would not have been available.

The Debtors are currently operating their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure in the US and applicable court orders. In general, as debtors-in-possession, the Debtors are authorised under Chapter 11 to continue to operate as ongoing businesses, but may not engage in transactions outside the ordinary course of business without the

prior approval of the Bankruptcy Court. On 10 June 2003 the Bankruptcy Court signed an order approving a debtor-in-possession loan facility pursuant to which Regus Management Limited, a subsidiary of Regus that is not a party to the Chapter 11 Cases, may loan up to US\$18,000,000 to the Debtors during the course of the bankruptcy proceedings. In return for making a loan to the Debtors, Regus Management Limited was granted a first-priority security interest in certain collateral and was also granted a priority administrative claim for any amounts loaned to the Debtors.

In order to exit Chapter 11 successfully, the Debtors needed to obtain approval/confirmation by the Bankruptcy Court of the Plan of Reorganisation. That approval was given by the Bankruptcy Court on 12 November 2003. However, under the Bankruptcy Code, Creditors have 10 days within which to appeal against the decision of the Bankruptcy Court approving the Plan. Unless any Creditor is successful in appealing against the order of the Bankruptcy Court approving the Plan (in which event it is likely that the Plan will have to be re-negotiated), the Plan of Reorganisation will:

- resolve, amongst other things, each of the Debtors' obligations that are the subject of the Plan and that arose prior to the filing of the Chapter 11 Cases;
- set out the revised capital structure of any newly reorganised entity; and
- provide for its corporate governance subsequent to exit from Chapter 11.

Under section 362 of the Bankruptcy Code, the filing of the voluntary petitions for relief under Chapter 11 by the Debtors on 14 January 2003 had the effect of automatically staying most actions against the Debtors, including most actions to collect pre-petition indebtedness or to exercise control over the property of the Debtors' estates. In the absence of an order of the Bankruptcy Court, substantially all pre-petition liabilities of the Debtors are subject to settlement under the Plan of Reorganisation.

Under section 365 of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property and leases of equipment, subject to the approval of the Bankruptcy Court and certain other conditions. In general, rejection of unexpired leases or executory contracts will be treated as a pre-petition breach of the relevant leases or contracts in question. Subject to certain exceptions, any such rejection will relieve the Debtors of performing their future obligations under those leases or contracts but will entitle the lessor or contract counterparties to a pre-petition general unsecured claim for damages caused by any such deemed breach. Generally, the assumption of executory contracts or unexpired leases will require the Debtors to cure most existing defaults under such executory contracts or unexpired leases. In the case of a lease of non-residential real property, the Debtors generally have an obligation to remain current with respect to rent and other charges due under the leases unless and until such leases are rejected. The Bankruptcy Code further provides a limitation on certain of the damages relating to any such rejection of a lease for non-residential real property and upon certain damages relating to any rejected guarantee of such lease by another debtor (in general terms, damages are limited to the rent reserved by the

lease, without acceleration, for the greater of one year or 15 per cent., not to exceed three years, of the remaining term of the lease).

In connection with the conduct of their businesses, the Debtors are lessees or sub-lessees under approximately 85 unexpired non-residential property leases of office space (the "Property Leases"). The premises that are the subject matter of nearly all of the Property Leases consist of office space that is utilised by the Debtors in providing executive suite business offices to their customers. Given the nature of the Debtors' businesses, unexpired leases of non-residential real property constitute the largest operating expense of the Debtors on an ongoing basis. On 20 February, 2003 the Bankruptcy Court permitted the Debtors to enter into a lease renegotiation programme pursuant to which the Debtors were given the flexibility to either reject the Property Leases or to negotiate significant reductions of the ongoing rent, the amount of space leased, and other obligations under the Property Leases without further court approval. The essential purpose of this programme was to reach a settlement with as many landlords as possible in an expeditious manner regarding the amount of space leased, the applicable rental rate and certain other of the landlords' claims against the Debtors' estates, including claims arising under the Bankruptcy Code. The claims of the various lessors will, subject to the necessary approvals being obtained, be settled under the Plan of Reorganisation.

Among the several leases that have been rejected during the course of the Chapter 11 Cases, four landlords have filed claims against RBCC and the respective guarantor under those leases (either Regus or B.V.) that are regarded by the Debtors as being in excess of the limitations prescribed by the Bankruptcy Code (as described above). Regus, B.V. and RBCC have objected to these claims on the basis that the claims exceed the limitations on damages prescribed under the Bankruptcy Code (the so-called "allowed claims" of the Creditors under the Bankruptcy Code). The Debtors are also attempting to negotiate a consensual resolution of these claims with these as well as other creditors where the Debtors have objected to their claims. If successful, by limiting the excessive claims to the levels prescribed by the Bankruptcy Code, the Debtors will prevent the four landlords in question from having too many votes under the Plan of Reorganisation and from recovering more from the Debtors than they should be entitled to recover under the Bankruptcy Code.

The Debtors' emergence from Chapter 11: the Plan of Reorganisation and the Disclosure Statement

On 28 August 2003, Regus filed its Disclosure Statement relating to its Plan of Reorganisation with the Bankruptcy Court. The Bankruptcy Court held a hearing on 25 September 2003 to consider approving the form of the proposed Disclosure Statement. The Bankruptcy Court determined that the proposed Disclosure Statement contained adequate information relating to the proposed Plan, and accordingly the Bankruptcy Court permitted Regus to solicit the votes of its Creditors and the Regus Shareholders and interest holders in the other Debtors, on the proposed Plan of Reorganisation.

The Creditors' Committee in the Chapter 11 Cases recommended that Creditors vote to accept the Plan. All Creditors, Regus Shareholders and interest holders in the other Debtors were required to submit their votes, either accepting or rejecting the Plan, by 5 November 2003. The results of the voting process reflected that the

requisite majority of Creditors and Regus Shareholders had voted in favour of the Plan.

On 29 October 2003, with the consent of the Creditors' Committee, the Bankruptcy Court approved a modification to the Plan to give Regus and the other Debtors the option of settling the allowed claims of general unsecured Creditors under the Plan in cash (see "Settlement of Creditors' allowed claims under the Plan – modified proposal" below) within 60 days of the Confirmation Date rather than by way of the issue of either (i) Shares, (ii) CULS, or (iii) a combination of Shares and CULS in the case of general unsecured Creditors (see "Settlement of Creditors', allowed claims under the Plan - modified proposal" below). Under the Plan as modified, in the event that the Debtors elect to settle the claims of general unsecured Creditors in cash, then the Debtors will be obliged to redeem in full certain loan stock issued to Equity Office Properties at the same time as they settle those claims in cash.

On 12 November 2003 the Bankruptcy Court approved the Plan, as modified. However, under the Bankruptcy Code, Creditors have 10 days within which to appeal against the decision of the Bankruptcy Court approving the Plan.

If a successful appeal is made by a Creditor against the decision of the Bankruptcy Court approving the Plan, it will probably lead to a re-negotiation of the Plan. If any such re-negotiation of the Plan fails, the Chapter 11 Case of RBCC (which is a subsidiary of Regus) may be converted into a Chapter 7 bankruptcy in which a trustee is appointed to investigate and liquidate RBCC's assets for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code. Further, in this event, the Chapter 11 Cases of Regus and B.V. (which is also a subsidiary of Regus) may also be converted into Chapter 7 cases and liquidated by a trustee in the US with distributions made to Creditors in the order of priority established under the Bankruptcy Code. It is also possible that Regus and B.V. may have to seek bankruptcy protection and pursue reorganisation or liquidation in their respective home jurisdictions (U.K. and the Netherlands respectively). In this event, Regus Group Shareholders would be very unlikely to receive any recovery on their investment following the bankruptcy.

A copy of the Plan of Reorganisation together with a copy of the Disclosure Statement with respect to the Plan was posted to all Creditors and Regus Shareholders on 3 October 2003 together with a copy of the Scheme Circular.

Full details of the Plan of Reorganisation and the exit of Regus from Chapter 11 in the United States (including details of the consideration that Creditors will or may elect to receive in respect of their claims) are set out in the Plan of Reorganisation and the Disclosure Statement. It should be noted, however, that the Plan has been modified, as detailed above.

Settlement of Creditors' allowed claims under the Plan – original proposal

Under the original version of the Plan (posted to all Creditors and Regus Shareholders on 3 October 2003), it was proposed that allowed claims of Creditors under the Plan would be settled as set out below. Even though the Plan has subsequently been modified by the Bankruptcy Court to give the Debtors the option to settle allowed claims of general unsecured Creditors under the Plan in cash (see

“Settlement of Creditors’ allowed claims under the Plan – modified proposal” below), and the Debtors intend to settle those claims in cash with the funds received by the Group pursuant to the Rights Issue, the original version of the Plan will be relevant in the event that the Rights Issue does not proceed or insufficient funds are raised pursuant to the Rights Issue to settle claims of general unsecured Creditors under the Plan in cash.

For certain preferred Creditors of RBCC, Regus and B.V. (as determined by and in accordance with the Bankruptcy Code), the terms of the Plan included the payment of approximately US\$6 million immediately in cash (this amount relates to administrative expenses) and the payment of approximately US\$1.2 million (relating to tax payments) over a period of six years.

In respect of the bulk of the Chapter 11 allowed claims against the Debtors which are predominantly made up of general unsecured claims and which amount to approximately US\$47.5 million (made up of approximately US\$21.5 million in respect of Regus, US\$17 million in respect of RBCC, and US\$9 million in respect of B.V.), Creditors were given the option of exchanging their claims for:

- Shares;
- CULS; or
- a combination of Shares and CULS.

Full details of the original terms of the Plan of Reorganisation are set out in the Plan of Reorganisation and Disclosure Statement which were posted to Creditors and Regus Shareholders on 3 October 2003.

In addition, Regus entered into certain arrangements on 21 October 2003 to restructure the leases of its joint venture in the US with Equity Office Properties. Under the terms of this arrangement, Regus issued certain 7 per cent. unsecured loan stock to Equity Office Properties, with repayment to be made over the next five years. The terms applicable to this loan stock are broadly similar to the terms which were proposed to apply to the CULS, save that the loan stock issued to Equity Office Properties is not convertible into Shares and the interest rate in respect of the loan stock is different (7 per cent. in the case of the unsecured loan stock to be issued to Equity Office Properties as opposed to 7.5 per cent. or 5 per cent. (depending on the circumstances) in the case of the CULS). For further information in relation to the arrangements made on 21 October 2003, please refer to paragraph 9 of Part V.

Settlement of Creditors’ allowed claims under the Plan – modified proposal

On 29 October 2003 the Bankruptcy Court approved a modification to the Plan to give Regus and the other Debtors the option of settling allowed claims of general unsecured Creditors under the Plan in cash within 60 days of the Confirmation Date. Under the Plan as modified, in the event that the Debtors elect to settle the claims of general unsecured Creditors under the Plan in cash, then the Debtors will be obliged to redeem in full certain loan stock issued to Equity Office Properties at the same time as they settle those claims in cash. On 12 November 2003 the Bankruptcy Court approved/confirmed the Plan as so modified. It is intended that the Debtors will now

settle allowed claims of general unsecured Creditors in cash on the Plan Effective Date and also redeem certain notes issued to Equity Office Properties on the Plan Effective Date with funds that the Group intends to raise pursuant to the Rights Issue. Under the modified terms of the Plan, it is intended that:

- general unsecured Creditors of Regus and B.V. will receive, in full and final settlement of their claims under the Plan, a cash amount equal to (i) the amount of their allowed claims against Regus and/or B.V., plus (ii) interest at 5 per cent. per annum in respect of their allowed claims from 14 January, 2003 (being the date on which the Debtors filed voluntary petitions for bankruptcy relief under Chapter 11) and the date falling 60 days after the Confirmation Date;
- general unsecured Creditors of RBCC will receive, in full and final settlement of their claims under the Plan, a cash amount equal to 20 per cent. of their allowed claims against RBCC; and
- the Debtors shall redeem certain notes issued to Equity Office Properties in cash.

Apart from the modifications referred to above, the Plan will be implemented as originally proposed on the Plan Effective Date.

Effect of the Plan of Reorganisation - as modified

In respect of the Plan as modified, it is intended that the claims of all general unsecured Creditors under the Plan will be settled in cash. Therefore, no Shares or CULS will be issued under the Plan. Accordingly, no dilution of the interests of Regus Group Shareholders in Regus Group will take place directly as a result of the implementation of the Plan.

In the event that the Rights Issue does not proceed or insufficient funds are raised pursuant to the Rights Issue to allow the Group to settle claims of general unsecured Creditors under the Plan in cash, Regus, B.V. and RBCC will settle the claims of general unsecured Creditors in Shares and/or CULS as set out in the original version of the Plan.

Timing of implementation of the Plan

The Plan of Reorganisation was approved by the Bankruptcy Court on 12 November, 2003. Under US law, the last day to appeal the Confirmation Order of the Bankruptcy Court before it becomes a final order is expected to be 22 November 2003. Under the Plan of Reorganisation, it was originally proposed that the Plan would be implemented (subject to certain conditions being met) on the first Business Day following the satisfaction or waiver of the following conditions:

- the Confirmation Order having been entered, not reversed, stayed, modified or amended and having become a final order;
- the documents, actions and agreements necessary in order to implement the Plan of Reorganisation having been effected or executed;

- the Debtors and Regus Group having received all authorisations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents necessary in the determination of the Debtors and of Regus Group, to implement the Plan of Reorganisation subject to the reasonable satisfaction of the Creditors' Committee;
- each of the Debtors having obtained the financing for the reorganisation of the Debtors in an amount up to (i) \$18 million (net of associated fees and expenses) with respect to RBCC, including amounts provided to RBCC through the debtor-in-possession financing (the "RML DIP Loan") provided by Regus Management Limited to the Debtors pursuant to the final order of the Bankruptcy Court dated 10 June 2003 approving the RML DIP Loan in an aggregate amount of not more than \$18 million, (ii) up to \$1 million (net of associated fees and expenses) with respect to Regus, and (iii) up to \$1 million (net of associated fees and expenses) with respect to B.V.;
- subject to the reasonable satisfaction of the Creditors' Committee, Regus having entered into employment arrangements, or having assumed existing employment arrangements with Mark Dixon and, as reasonably identified by Regus and the Creditors' Committee, certain other members of senior management;
- Maxon Investments and Mark Dixon having executed the agreement necessary to be bound by certain restrictions on the sales of Shares; and
- to the extent that the Scheme of Arrangement had been approved (i) Regus Group having been created and having signed an undertaking providing that Regus Group is bound by the terms of the Plan of Reorganisation, (ii) the Shares and the CULS having been issued and (iii) Regus Group having executed the documents necessary pursuant to the guarantee of the obligations under the CULS; or, to the extent that the Scheme of Arrangement had not been approved, shares in Regus have been distributed in lieu of the Shares

provided further, that such Business Day would not occur later than 30 days (or such later date as the Creditors' Committee may agree) following the date on which the Clerk of the Bankruptcy Court entered the Confirmation Order on the docket of the Bankruptcy Court. In effect, this means that the Plan was originally intended to be implemented if possible no later than 12 December 2003.

However, on 29 October 2003 the Bankruptcy Court approved a modification to the Plan under which the Debtors were given the option to settle claims of general unsecured Creditors under the Plan in cash within 60 days of the Confirmation Date. Under the Plan as modified, in the event that the Debtors elect to settle the claims of general unsecured Creditors in cash, then the Debtors will be obliged to redeem in full certain loan stock issued to Equity Office Properties at the same time as its settles those claims in cash. The Company expects that the implementation of the Plan will now take place on the Plan Effective Date.

Plan Conditions

The implementation of the Plan is not conditional on the Scheme going ahead or the Rights Issue being launched. If the Scheme does not go ahead and the Rights Issue is not launched but the Plan is implemented, then newly issued shares in Regus and/or CULS (convertible into shares in Regus) will be issued to those Creditors that would otherwise have been entitled to receive Shares (and/or CULS convertible into Shares) under the Plan if the Scheme had gone ahead. If the Scheme goes ahead and the Confirmation Order does not become a Final Order by 4 December 2003 (or such later date as the Company and the Underwriter may agree), then it is possible that the Rights Issue will not proceed. In the event of the Plan being implemented but the Scheme not going ahead and the Rights Issue not being launched, new listing particulars in respect of all such newly issued shares in Regus will be published by Regus.

3. The Scheme

Reasons for the Scheme

Alongside the proposed exit of Regus and the other Debtors from Chapter 11, it is proposed that Regus Group will be introduced as the new holding company of the Group by way of the Scheme. The new structure will:

- facilitate the Group in raising new, unsecured finance in the future (because Regus Group will commence trading with a cleaner balance sheet than that of Regus);
- provide the Group with flexibility to effect mergers and acquisitions in the future if it believes them to be in the interests of Regus Group Shareholders (through the use of Shares as acquisition currency);
- provide the Group with opportunities to exploit its customer base further through the introduction of new business streams underneath Regus Group; and
- establish a holding company which does not have a deficit in its accumulated profit and loss account (Regus Group will commence trading with a zero balance on its profit and loss account meaning that it may have enhanced capacity to pay dividends going forward out of future new business).

Reduction of capital

In connection with the establishment of Regus Group as the new holding company of the Group, Regus is also seeking to effect a capital reduction to create reserves which would be used to reduce the deficit in Regus' accumulated profit and loss account by approximately £309 million (leaving a reduced deficit of approximately £3 million). Reducing the deficit in this way will improve Regus' prospects of being able to pay dividends in the future to Regus Group from profits generated by Regus' business which in turn will enhance the Group's prospects of paying dividends to holders of Shares in the future. Subsequent to the Scheme becoming effective,

Regus Group may take further steps to cancel or further reduce the deficit that will remain.

4. Principal features of the Scheme

Structure

Under the Scheme:

- all of the issued ordinary shares in Regus will be cancelled and the share premium reflected in the consolidated balance sheet of Regus for the year ended 31 December, 2002 will be reduced by such sum as will leave the amount of £100 standing to the credit of the share premium account when the Scheme takes effect;
- Regus will apply the £100 credited to its share premium account in paying up in full, at par, 2,000 bonus ordinary shares of 5 pence each which will be allotted and issued, credited as fully paid, to Regus Group, so that Regus Group will own the entire issued share capital of Regus;
- Regus will apply the reserve arising from the cancellation of the shares in Regus, and the remainder of the reserve arising from the reduction of Regus' share premium account in reducing the deficit in Regus' accumulated profit and loss account by approximately £309 million; and
- Regus Shareholders who are on the register of Regus on the Scheme Record Time will receive Shares in consideration for the cancellation of their existing shares in Regus on the following basis:

for each existing share in Regus cancelled	one Share
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Accordingly, on the Scheme becoming effective, Regus Group will become the holding company of the Group, Regus will become a wholly owned subsidiary of Regus Group and the entire issued share capital of Regus Group will be owned by the former Regus Shareholders who were on the register of Regus at the Scheme Record Time in the same proportions as they held shares in Regus at the Scheme Record Time.

The Shares will be equivalent to the shares held by Regus Shareholders in Regus immediately prior to the Scheme becoming effective in all material respects, including dividend, voting and other rights. Rights attaching to the Shares are summarised in paragraph 9 of Part VII.

Transitional Matters

Further shares in Regus may be allotted and issued both before and after the Effective Date. In order to ensure that no person other than Regus Group will be left with any ordinary shares in Regus after dealings in such shares have ceased on the London Stock Exchange, it is proposed that the Regus Articles will be amended (at the Scheme EGM) in such a way so as to ensure that:

- any shares in Regus which are issued prior to the Scheme Record Time will be subject to the terms of the Scheme and will be bound by the Scheme accordingly; and
- any shares in Regus which are allotted and issued to any person other than Regus Group after the time at which the Scheme becomes effective will be automatically exchanged for Shares on the basis of one Share for each existing ordinary share held, or, following a variation in the share capital of either company or in such other circumstances as the Board considers fair and reasonable, on such adjusted terms as Regus Group may determine.

5. Conditions to implementation of the Scheme

The implementation of the Scheme is conditional on the following having occurred:

- (a) the approval of the Scheme by a majority in number, representing three-fourths in nominal value, of those Regus Shareholders present and voting, either in person or by proxy, at the Court Meeting;
- (b) the approval of the resolutions at the Scheme EGM in connection with the Scheme by a majority of not less than 75 per cent. of the votes cast in the case of those resolutions to be proposed as special resolutions, or 50 per cent. of the votes cast in the case of the resolution to be proposed as an ordinary resolution;
- (c) the sanction of the Scheme (with or without modification) by the Court at the Court Hearing;
- (d) the registration by the Registrar of Companies of an office copy of the Order of the Court sanctioning the Scheme under section 425 of the Companies Act and the minute confirming the reduction of capital of Regus comprised in the Scheme; and
- (e) the Admission of the Shares issued by Regus Group pursuant to the Scheme.

As at the date of this document, the conditions referred to in paragraphs (a) and (b) above have been satisfied. Subject to the satisfaction of the other conditions referred to above, it is expected that the Scheme will become effective on 1 December, 2003 (this date is based upon the assumption that the Court agrees on 14 November 2003 that the Court agrees to postpone the hearing to sanction the Scheme to 28 November 2003).

The Scheme is not conditional upon the Plan of Reorganisation being approved/confirmed by the Bankruptcy Court, the Plan being implemented or the Rights Issue being launched.

If the Scheme has not become effective by 28 February, 2004 (or such later date as Regus and Regus Group may agree and the Court may allow), it will lapse, in which event there will not be a new holding company of Regus, the Regus Shareholders will remain shareholders of Regus, the shares in Regus will continue to be listed on the Official List and will continue to trade on the London Stock Exchange's main market

for listed securities, the Rights Issue will not be launched and Creditors entitled to receive Shares and/or CULS under the Plan of Reorganisation will instead receive shares and/or CULS in Regus.

7. Listing, delisting, dealings, share certificates and settlement

Assuming the Court postpones the Court hearing to sanction the Scheme to 28 November 2003, the last day of dealings in shares in Regus is expected to be 28 November, 2003. The last time for registration of transfers of shares in Regus is expected to be 6.00 p.m. on 28 November, 2003. It is expected that Admission of the Shares issued pursuant to the Scheme will become effective and that dealings in the Shares will commence at 8.00 a.m. on 1 December, 2003, the Effective Date. The listing of the shares in Regus is also expected to be cancelled on that date. These dates may be deferred if there is any delay in obtaining the Court's sanction of the Scheme or a successful appeal is made by any Creditor to the Bankruptcy Court's decision to approve the Plan. In the event of a delay, the application for the shares in Regus to be delisted will be deferred, so that the listing will not be cancelled until immediately before the Scheme becomes effective.

Part V

Information On The Group

1. Introduction

The Group is a leading provider of high quality business services to the global economy. Its international network of adaptable business centres allows its customers to outsource, completely or in part, their workspace requirements. The Group's business centre offerings include a client driven mix of Workstations, conference rooms and related support services, such as video conferencing, telecommunications, Internet connectivity, reception and secretarial services. Customers can use all or part of Regus' business centres for a duration of one hour to over ten years.

The Group's serviced business centres represent an alternative to traditional office space. Located in downtown business districts, suburban office parks and near transportation gateways, the Group can tailor its business centres to a variety of customer requirements. These business services offer advantages of convenience, flexibility and immediate availability. In addition, the Group's business services can prove cheaper than traditional office leasing, depending upon individual circumstances, such as the number of employees in the office and the term of occupancy.

As of 12 November, 2003 (being the latest practicable date prior to the publication of this document), the Group operated a network of 392 business centres in 50 countries.

The following table shows the 50 countries in which Regus branded business centres are operated by region and the number of centres in each country as of 12 November, 2003 (being the latest practicable date prior to the publication of this document).

UK and Ireland			Rest of World
	Greece (2)	Turkey (1)	
Ireland (2)	Hungary (3)	Ukraine (1)	Australia (4)
UK (91)	Italy (9)		Azerbaijan (1)
	Latvia (1)		China (5)
	Luxembourg (1)	Americas	Egypt (1)
Rest of Europe	The Netherlands (23)		Israel (2)
	Norway (4)	Argentina (1)	Japan (4)
Austria (4)	Poland (3)	Brazil (5)	Malaysia (2)
Belgium (10)	Portugal (3)	Chile (2)	Morocco (1)
Czech Republic (3)	Romania (1)	Mexico (7)	Philippines (2)
Denmark (6)	Russia (2)	Panama (1)	Saudi Arabia (1)
Finland (2)	Slovak Republic (1)	Peru (1)	Singapore (2)
France (21)	Spain (9)	US (91)	South Africa (6)
Germany (27)	Sweden (8)	Canada (5)	Thailand (1)
	Switzerland (5)		Tunisia (2)
			Vietnam (2)
			United Arab Emirates (1)

The Group's customers increasingly demand technologically sophisticated, flexible and rapidly exploited business services, such as those offered by the Group. The desire of the

Group's customers to capture the benefits offered by business models based upon outsourcing office and related services, globalisation of trade, advances in technology and changes in work practices drives this demand for the Group's business services. The Group's business services assist its customers to compete effectively in an economic climate increasingly characterised by the speed, flexibility and technology of the Internet.

2. History

The Group's business was founded in 1989 by Mark Dixon, the Chief Executive, shortly before the Group opened its first business centre in Brussels. The Group merged its operations with a slightly larger organisation owned by Reinhold City A.B., in 1990. In 1992 an investment vehicle owned by Mark Dixon, Maxon Investments, bought out the majority shareholder. By the end of 1992, the Group operated 11 centres in eight countries through operating companies owned by B.V. The following table shows the expansion of the Group over recent years and contains summary financial information. You should read the whole of these listing particulars and not just rely on the summary information below.

	Year ended 31 December								6 month period ended 30 June
	1995	1996	1997	1998	1999	2000	2001	2002 ⁽⁶⁾	2003 ⁽⁶⁾
Centres ⁽¹⁾	35	58	97	155	245	335	411 ⁽²⁾	407 ⁽³⁾	407
Workstations ⁽⁴⁾	2,884	5,152	9,157	16,293	29,777	50,333	76,540	87,494	89,285
Countries	16	22	23	30	45	48	50	50	50
Employees ⁽⁵⁾	207	316	542	923	1,492	2,101	2,656	2,286	2148
Revenues (in £ millions) ⁽⁷⁾	19.4	32.9	58.8	111.6	200.6	421.1	512.6	435.6	162.2

(1) *At period end. Includes closed centres through the periods up to closure.*

(2) *Includes 16 centres in joint venture.*

(3) *Includes 18 centres in joint venture.*

(4) *Represents weighted average available Workstations for the period. The number of Workstations is not available for 1993 and 1994 because the Group closed a number of business centres in those years and therefore it is not possible to accurately assess the impact of the closures on the number of Workstations.*

(5) *Average total employees for the period.*

(6) *The numbers of Centres, Workstations, Countries and Employees in respect of the year 2002 and the 6 month period ended 30 June 2003 include all information in relation to the UK operation, notwithstanding that the Group has a 42 per cent. interest in this operation.*

(7) *The Revenue numbers in respect of the years 1995 to 2002 have been extracted, without material adjustment, from the annual reports of Regus in respect of those years. The Revenue number in respect of 2003 was extracted from the interim report of Regus for the 6 month period ended 30 June 2003 (by adding together the Group*

Turnover in respect of that 6 month period (£129,417,000) to Regus` 42 per cent. of turnover from the UK operations (£32,763,000)).

In July 1998, the Group reorganised its operations by inserting a UK holding company, Regus Business Centres plc, between Regus Business Centre B.V. and Maxon Investments. On 18 July, 2000, Regus Business Centres plc changed its name to "Regus plc".

Maxon Investments owned all of Regus Business Centres plc until August 1998 when a consortium comprising an affiliate of Bankers Trust, now part of Deutsche Bank, and two affiliates of Apollo, acquired 17.5 per cent. of Regus` share capital for cash consideration of US\$100 million, of which US\$83 million was paid to the Group by way of subscription for new shares and the balance of US\$17 million was paid to Maxon Investments in consideration for the sale of existing shares. In October and November 1999, a further 2.9 per cent. of Regus` issued share capital was allotted to two affiliates of Deutsche Bank and two affiliates of Apollo, for a total consideration to Regus of £20 million, as part of a wider arrangement to which Maxon Investments was a party. The wider arrangement consisted of Maxon Investments granting to those affiliates of Deutsche Bank and of Apollo, options over a further 0.8 per cent. of Regus` then issued share capital (subject to proportionate adjustment to reflect any reorganisation of Regus) for an aggregate strike price of £1 in consideration of the waiver of certain rights held by those parties.

In October 2000, Regus completed an initial public offering of 128,829,075 shares raising £250 million for Regus and £81 million for certain selling shareholders. At that time, Regus listed ordinary shares on the London Stock Exchange and ADSs on Nasdaq.

On 23 April, 2001, Regus acquired Stratis Business Centres, Inc. in the US. Under the terms of the agreement Regus paid a total purchase price of \$10 million. Of this, \$5 million was paid to the shareholders of Stratis Business Centres, Inc. in cash. The balance of the purchase price was paid in shares of Regus, some of which are restricted.

On 25 April, 2001 Regus acquired Satellite/Skyport Conference Centres, an operator of business centres in Belgium and the Netherlands, for NLG8 million (approximately £2.3 million).

On 27 December, 2001 Regus entered into a subscription agreement pursuant to which it issued £40 million of non-convertible bonds. Following a shareholder meeting held on 13 February, 2002, these were subsequently exchanged for £40 million of 5 per cent. convertible debentures and warrants to purchase 5 million ordinary shares. All of the convertible debentures have been repaid at par; warrants to purchase 2.5 million ordinary shares remain outstanding (see paragraph 11, Part VII).

On 7 November, 2002, Regus voluntarily delisted its ADSs from the Nasdaq National Market in view of the relatively small number of ADSs outstanding at the time and the low levels of trading volumes on the Nasdaq National Market.

On 20 December, 2002, Regus entered into an agreement for the sale of 58 per cent. of the UK business to Rex 2002 Limited, beneficially owned by Alchemy Partners, who subscribed £16.3 million for new shares in the UK business. At the same time Regus repaid £10.5 million loan from the UK business, leaving the Group with net cash from the transaction of £15.1 million. In addition, deferred consideration is receivable by Regus in two tranches: the first tranche of up to £10 million is dependent on the EBITDA (Earnings Before Interest,

Depreciation and Amortisation) for the year ending 31 December, 2002 and net liabilities and net cash at 31 December, 2002 of the UK business meeting certain parameters; and a second tranche equivalent to 70 per cent. of the amount by which EBITDA for the year ending 31 December, 2003 exceeds £29 million. £10 million has been received in connection with the first tranche of deferred consideration.

On 7 January, 2003 Indigo Capital LLC announced that it is interested in exploring a wide range of strategic, commercial and financing alternatives with the Regus Board, one of which may include a recommended take-over. As a result of this announcement an offer period began in relation to Regus for the purposes of the City Code on Takeovers and Mergers. The offer period in relation to Regus has now ended - see paragraph 6 of Part VII.

On 14 January, 2003, certain members of the Group (the Debtors) filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The affected companies are Regus, RBCC and B.V. Stratis Business Centres, Inc. also filed for bankruptcy relief on 14 January, 2003 but since then has withdrawn its petition.

On 28 August, 2003 Regus (and the other Debtors) filed a recommended Plan of Reorganisation. The requisite majority of Creditors, Regus Shareholders and other holders of interests in the Debtors voted to approve the Plan, and the Plan was subsequently approved by the Bankruptcy Court on 12 November 2003. Under the Bankruptcy Code, Creditors have until 22 November, 2003 to appeal against the Bankruptcy Court's decision approving the Plan. If no successful appeal is made, the Plan will be implemented on the basis set out in paragraph 2 of Part IV.

On 3 September, 2003, in an effort to save costs and because Regus' shareholding base has migrated away from the United States to the United Kingdom since the initial public offering in October, 2000, Regus gave notice to terminate its ADS programme administered by JP Morgan Chase Bank, as depository, in the United States. The ADS programme was terminated on 3 November, 2003, and on that date each holder of ADSs received 5 shares in Regus for each ADS held upon surrender to the depository of each ADS held.

3. The Regus Solution

The Group provides high quality business services to the global economy. The Group's business centres include Workstations, conference rooms and certain related support services, such as video conferencing, telecommunications, Internet connectivity, reception and secretarial services in prime locations. The Group's business centres vary in size and may occupy whole buildings, a number of floors or parts of a building.

Compared to the traditional office letting market, the Group offers its customers the following benefits.

Flexibility: Customers can use Workstations or conference rooms in a Group business centre for any duration from one hour to a number of years. Subject to availability, customers can expand or contract workspace to suit their business needs. Space within business centres can be offered as separate offices or in various segregated open plan formats.

Speed: Upon signing a short and simple service agreement and paying a deposit, customers are able to move in and start working immediately. The deposit is generally equal to two months of the Group's fees. The alternative process for customers wishing to lease or

purchase traditional office space typically involves searching for a suitable site, negotiating the lease, conducting due diligence, securing financing, recruiting office staff, purchasing office equipment and setting up information technology systems.

Convenience: The monthly price of one of the Group's Workstations includes rent, property tax, heating, air conditioning, cleaning, cabling, repair and all utilities, except for telephone costs. The Group's single monthly invoice compares with the equivalent process for maintaining a traditional office environment, which typically requires management time to identify many service providers, negotiate individual service contracts and manage usage and payment of each service provider.

Product and service range: The Group's products range from telephone answering and mail handling to the long term outsourcing of business services that the customer no longer wishes to manage directly. The Group can accommodate the outsourcing of workspace, office fit-out and administration, information technology infrastructure, communications facilities and support staff. In the future, the Group intend to expand this range to accommodate further elements of business infrastructure that Regus Group believes its customers wish to outsource.

Consistent quality: The Group's Workstations are equipped to a consistently high "business class" quality in all locations throughout the world and the vast majority include individual telephone systems offering voice mail, data ports and messaging facilities.

Prime locations: The Group has established business centres in high quality buildings in prime locations such as city centres, business parks or near important transportation hubs. Through opening its business centres around the world, the Group has developed and refined its process for identifying desirable locations and acquiring leases on these properties on competitive commercial terms.

Global network: As at 12 November, 2003, the Group operated 392 business centres in 50 countries on six continents.

Technology: The Group provides IT infrastructure for quick and secure data storage and communication in many business centres. The Group's IT infrastructure includes CAT 5 cabling, firewall protection and air-conditioned server storage. In addition, the Group has installed RegusNet, a high speed internet connection, in many of the business centres.

Support services: The Group's customer service staff provide business support services, such as secretarial, photocopying and fax support. The Group's business centres also provide customers with catering, conference rooms and, in many business centres, video-conferencing facilities.

4. Products and Services

The Group's business centres are the core of its offering of high quality global business services. The Group designs its business centres around a flexible arrangement of Workstations, conference rooms and reception areas. The Group staffs all of its business centres with employees trained to provide its customers with a high level of service. The Group's global network of business centres offers high standards of office design, fixtures, fittings, technology and staff. The flexibility of the Group's business centres has allowed it to

develop a suite of products and services that meet the requirements of all sizes of corporate customers.

The Group markets and sells these products and services together as complete solutions and separately as components of a customer's existing office infrastructure, depending on customer requirements.

The products and services that the Group offers in its business centres include the following:

Workstations

The Group's principal business service, currently accounting for a substantial proportion of its revenues, involves agreeing to use one or many of its Workstations. Each Workstation is in a fully equipped office with telecommunications systems, data transmission services, reception areas and supported, as needed, by trained receptionists and secretaries. A customer can use a flexible number of workstations that vary in size from a private office for a single individual to a large open plan office with multiple workstations. All of the Group's workstations are furnished to uniformly high standards. Customers can use Workstations for any duration from one hour to five years and beyond.

Conference Rooms

The Group's conference rooms vary in size from small interview rooms to large conference rooms accommodating up to 100 people. While the Group generally provides its customers with conference rooms along with Workstations, conference rooms are also separately available at short notice for periods of one hour to one day or longer to its customers who do not also require Workstations.

Link

The Group offers a professional and confidential telephone answering and mail handling service that allows small and medium sized business customers to operate a virtual office with a business address at one of the Group's business centres. The Group has invested heavily in telecommunications technologies so that its operators can answer each call with personalised greetings for each of its customers. If desired, calls can be transferred to forwarding numbers or callers can be provided with messages from customers.

Video Conferencing

Most of the Group's business centres maintain high quality video conferencing facilities, bookable by the hour. These facilities are available to those customers who use Workstations at Regus' business centres and to those customers who only require video conference capability.

Touchdown

The Group offers a membership program which, upon completion of simple registration procedures, provides customers with preferential, instant, easy access to an international network of business centres. Membership allows a customer enhanced flexibility to use Regus' products and services at short notice anywhere in the Group's global network to suit customers' business needs.

Netspace

The Group provides Netspace to companies that want to outsource the management of their own office space. With Netspace, the Group provides all or a substantial amount of the office services and manages the office without disturbing the customer's existing office lease arrangements.

Related Services

The Group also offers, in most business centres, access to a global wide area network which provides software and data transmission services as part of the standard services available to its customers. In addition, the Group provides customers using its Workstations, conference rooms, Link and video conferencing products with related services and facilities. These services, for which the Group charges separately, include telephones, fax, photocopying, secretarial services, catering, storage and parking.

Franchises

The Group launches some new business centres through franchise arrangements. The Group approves the location, design and decoration of the franchised business centre and requires all potential franchise operators to provide the Group with non-refundable deposits. The Group extends to the franchise operator the same quality control and staff training procedures set forth in the Group's operating manual that apply to all its business centres. The Group monitors all of its franchises through a variety of mechanisms, such as review of the franchises, records and unannounced site visits. If the franchise operator breaches the franchise license agreement or does not cure violations of the Group's operating manual, the franchise operator will, in general, lose the franchise, all of the franchise operator's debts to the Group will become immediately payable and the Group will have the option to assume the operation of that business centre.

5. Sales and Marketing

The Group's sales and marketing strategy, which involves a constant appraisal and improvement of product mix, investment in local advertising and a continuing focus on service quality, has been crucial to developing the Group brand.

The Group markets and sells its products and services around the world. As of 31 October, 2003, the Group had approximately 225 employees engaged in sales and marketing across the globe. The Group's sales and marketing team aims to attract new customers, to develop and expand relationships with existing customers and to build a major business services brand. A team of telesales representatives and analysts supports the direct sales functions. As an indirect sales channel, the Group has established relationships with real estate brokers and other agents to refer business to it.

The Group has consistently invested in marketing activity. The Group uses a wide range of approaches, depending upon the market and specific sales objectives, in order to provide sales leads. The Group's marketing campaign includes commercial radio and television, brochures, newspaper and magazine advertising and direct marketing mailings. The Group measures the efficiency of marketing activity on a cost per enquiry and cost per sale basis.

6. Customers

The Group sells its products and services to a broad base of customers in many different industries around the world.

At 31 October, 2003, the Group (including the UK) had approximately 55,000 customers occupying its Workstations, spread across 50 countries. For the six month period ended 30 June, 2003 no single customer of the Group accounted for more than 2 per cent. of the total revenue. Many of the Group's customers are drawn from a wide range of industry sectors including consulting, energy, financial services, information technology, media, pharmaceuticals and telecommunications.

7. Properties

The Group considers the location of its business centres to be of paramount importance and it has generally restricted the placement of its business centres to city centres, important transportation hubs (such as major airports), and business parks. The Group actively manages its relationships with major property owners worldwide. Once the Group has decided to lease a property, its team of designers, contractors and suppliers work to build out the Workstations and conference rooms to the consistently high quality expected from the Group's business centres.

8. Leasing

The Group leases substantially all of its property portfolio. Across the portfolio, there are variations in lease terms and lease termination provisions, due to differences in leasing practices in the different jurisdictions of the Group's operations. Accordingly, the Group's ability to mitigate its obligations in the event of a downturn in the performance of its business centres, by terminating or renegotiating its leases, differs with the geographic variations.

Lease rental costs vary significantly by geographical region and lease type. Other lease terms, such as ability to assign or sublet leases and rent review procedures, also vary by geography.

A majority of the Group's leases are on conventional rental terms and as such provide for regular payments of agreed rent and for periodic reviews of rent levels. Rent reviews are normally on terms in accordance with local market practice. For example, UK leases commonly provide for regular upward only rent adjustment to the prevailing market rate, if higher than the agreed rent, while other jurisdictions may have regular fixed rent increases or rent increases linked to market indices. Upward only rent reviews mean that in a declining market, rents can never be lowered.

In order to mitigate its exposure on long term lease commitments as well as aligning its interests with those of the building owner, some members of the Group have entered into some profit and risk sharing lease arrangements called "turnover leases". In a typical turnover lease, rent will only be paid when and to the extent that the centre is cumulatively profitable after deducting operating costs and a management fee. To the extent that there are sufficient cumulative profits, Regus will pay the rent and also any accumulated rent unpaid since the start of the lease. Once, and if, the Group has paid all the rent due, any remaining surplus profit is paid out to Regus and the building owner annually on a pre-agreed basis, which is normally 50/50.

As a variant of this, some members of the Group have also entered into "part-turnover leases", whereby a portion of the rent which is the guaranteed rent, is paid every quarter to the landlord whether or not there is any profit. In these leases, usually a smaller element of the rent paid to the landlord is dependent upon profit than under a turnover lease.

Where members of the Group enter into formal joint ventures with property owners, the economic result in respect of each property within the arrangement is very similar to a turnover lease. The Group receives a management fee for each centre which is deducted from the customer revenue which the Group collects. The rent is paid by the joint venture vehicle to the property owner out of the remaining funds. Finally, after all expenses, any profits in the joint vehicle are distributed usually on a 50/50 basis. These joint ventures help the Group to mitigate the risk it faces in leasing properties for its business centres.

The Group has undertaken renegotiations of the rental costs under its leases wherever commercially possible. This strategy has had some success, particularly in the Netherlands, Germany and parts of the Nordic region and through intensive negotiations in the Chapter 11 proceedings in the US, where total rental costs have been reduced by approximately US\$63.5 million per annum. Save as referred to in paragraph 2 of Part IV (in relation to the four US landlords that have filed claims against RBCC and the respective guarantor under leases they have with the Group disputing the limitation of their claims), all outstanding claims under leases in the US will form part of the Plan of Reorganisation.

9. Joint Ventures

The Group has established joint ventures in order to broaden the market for its business services, to ensure a supply of appropriate properties for its business centres and to manage the risk of its operations.

RBCC and Equity Business Centers Corp, a Delaware corporation ("EOP"), one of the Equity Office Properties entities, are parties to a U.S. joint venture arrangement created through the formation of Regus Equity Business Centers, L.L.C., a Delaware limited liability company (the "EOP JV"). The EOP JV was originally formed pursuant to a limited liability company agreement dated 4 May, 1999, which was amended and restated on 21 October, 2003 (the "Amended EOP Joint Venture Agreement"). Equity Office Properties and the EOP JV are landlord and tenant respectively, under ten un-expired leases of commercial office property in various locations throughout the United States (the "Surviving JV Leases"). The Amended EOP JV Agreement provides that RBCC is required to fund operating deficits of EOP JV.⁴

Pursuant to an order of the Bankruptcy Court issued on 27 August, 2003, on 21 October, 2003, the Group and Equity Office Properties entered into a Master Agreement to settle various matters between the Group and Equity Office Properties (the "EOP Settlement"). As contemplated by the Master Agreement, concurrent with the execution of the Amended EOP JV Agreement, EOP JV and RBCC amended the Management Services Agreement, EOP and EOP JV terminated the Master Agreement to Lease, EOP JV and Equity Office Properties

⁴ It further provides that the EOP JV use cash flow in excess of operating expenses and an operating reserve, (1) to pay the Carried Rent Deficiency Notes (which will have been paid as full), (2) to pay outstanding management fees, (3) to repay Regus for any operating cash flow advances, (4) to fund cash collateral accounts for each surviving JV Lease, (5) to return to RBCC and EOP each their capital contributions and a 10% return on their capital contributions, and (6) thereafter 50/50 to RBCC and EOP.

amended and or terminated part or all of the JV Leases, RBCC and Equity Office Properties amended and or terminated the Direct Leases, EOP JV executed certain loan stock evidencing the obligation of EOP JV to pay past due rent on the JV Leases in instalments (the "Carried Rent Deficiency Notes"), RBCC and Regus executed certain loan stock evidencing their obligation to pay 50% of the rent on terminated leased space under the JV Leases in instalments (the "Termination Notes"), and RBCC and Regus executed new guaranties or affirmed existing guaranties of the foregoing lease obligations, as applicable, and Regus executed a guaranty of the continuing obligations of RBCC under the Amended EOP JV Agreement (the "EOP Guaranties"). The terms defined in this paragraph 9 shall not apply to the remainder of the document.

10. UK Operations

On 20 December, 2002, the Group entered into an agreement for the sale of 58 per cent. of its UK business to Rex 2002 Limited, a company which is beneficially owned by Alchemy Partners. The Group holds 42 per cent. and Alchemy Partners holds 58 per cent. of a new holding company under which the UK operations are conducted (Regus Holdings (UK) Limited). Further details of the arrangements with Alchemy Partners are set out in paragraph 15 of Part VII of this document.

11. Capital Expenditures

Capital expenditures of the Group decreased to £20.3 million in 2002 from £128.5 million in 2001. Capital expenditures of the Group amounted to £86.6 million in 2000. The earlier increases in capital expenditures were primarily due to the purchase of office furniture, fixtures and fittings and telephone and other office equipment, related to fit-outs of centres opened in each period. Capital expenditure is depreciated over periods between 2 to 10 years. The reduction in capital expenditures in 2002 was primarily due to a reduction in new centre openings, plus an increased focus on cash management.

All start-up costs and maintenance expenditure are charged to the profit and loss account as incurred. Every seven to nine years, however, a major refurbishment is expected and such expenditure would be included as capital expenditure. However, the recent opening of most centres means that with one exception funded by the freehold owner of the entire building, no centres to date have required such a refurbishment.

The Group has suspended the new centre opening programme while it consolidates its position in difficult economic circumstances.

12. Competition

The serviced office market is new and fragmented. Many participants are local entrepreneurs operating a small number of business centres. In the UK, for example, the Business Centre Association Limited comprises over 160 members who operate business centres. Some market participants, however, have emerged to compete on a broader geographic basis.

Principal Competitors

Regus Group believes that its principal competitors fall into the following categories:

Traditional Office Space

As most businesses have historically relied on the internal provision of office infrastructure, traditional office space remains the first choice for many of the Group's potential customers. Nevertheless, Regus Group believes that the benefits of serviced offices will continue to persuade potential customers to outsource their workspace requirements and rely on the Group's expertise in providing high quality business centres.

In these difficult economic circumstances, traditional office space is a major competitive threat as landlords are more willing to offer incentives to lessees such as rent free periods or shorter leases. In addition, many companies have found themselves with surplus office space which they are seeking to sublet, at rates which are often below their own rent.

Serviced Office Competitors

Two companies have established a large international presence in a single region. Servcorp operates business centres in 16 cities, principally in Australia and the rest of the Asia Pacific region. Servcorp believes it is the market leader in Australia, Japan, Singapore, Thailand, Malaysia and New Zealand. Servcorp has also recently entered into a joint marketing agreement with HQ. Ihr Buro operates business centres mainly in Europe. Both Servcorp and Ihr Buro can provide strong competition for customers in the markets in which they operate.

In addition to regional competitors, several businesses operate in the serviced office market on a national level. Significant national competitors include Marylebone Warwick Balfour, Citibase and FirstBase plc in the UK and WWBCN (Worldwide Business Centre Newark), HQ and Your Office in the US. Some of these companies do not operate national networks on the same scale as the Group and target products to different segments of the market than those targeted by the Group. However, HQ can provide strong competition for customers in the US market.

HQ filed for bankruptcy reorganisation under Chapter 11 of the Bankruptcy Code on 13 March, 2002. HQ filed a proposed plan of reorganisation and disclosure statement under the Bankruptcy Code in the United States. On 10 September, 2003 the hearing to consider confirmation of the proposed plan of reorganisation took place. The plan was subsequently approved, as modified, and became effective on 8 October, 2003.

Within many countries where the Group operates, a large number of small, entrepreneurial businesses operate serviced offices. These local businesses tend to target smaller and less established companies and typically offer business centres with less services than the Group. As a result, the Group does not generally regard these providers as a competitive threat for the near term. However, the Group anticipates that as the market consolidates or as alliances emerge in the longer term, some of these local businesses may represent more serious competition.

Market Entry by Property Owners

The Group's experience has been that property owners are attracted to the higher yields that serviced offices can provide, but recognise their lack of operational infrastructure to manage a business providing serviced offices. As a consequence, Regus Group believes that property owners will continue to enter the serviced office market through joint ventures and other

partnerships but not as independent competitors. Nonetheless, the Group anticipates that in the future some property owners may enter the serviced office market on a standalone basis and could provide the Group with new competition.

13. Directors and Senior Management of Regus Group

The following directors of Regus immediately prior to the Scheme becoming effective will become Directors of Regus Group:

Details of Directors

John Matthews, aged 58, Chairman. He was appointed a non-executive director of Regus in 1995 and was appointed chairman of Regus on 1 July 2002. He is also the chairman of Crest Nicholson plc, a property and construction company, deputy chairman of Perry Group plc, a retail motor dealer and repair specialist, and a director of Rotork plc, which sells valve actuators, SDL plc, a software and computer services company, as well as several private companies. A chartered accountant, he has held senior positions in investment banking and in industry, having been managing director of County NatWest Ltd. and chief executive of Indosuez Capital Ltd., both of which are financial services organisations. He was also deputy chairman and deputy chief executive of Beazer plc, a company involved in aggregates and construction. He is Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees of Regus Group.

Mark Dixon, aged 43, Chief Executive. He founded the business in 1989 and has been primarily responsible for the development of the business over the last thirteen years. He is recognised as a major contributor to the growth of the serviced office industry and as a successful entrepreneur.

Rudolf Lobo, aged 47, executive Director. He joined the Group eleven years ago and was previously group finance director of Regus. He is current acting Finance Director is responsible for commercial operations and also for the Group's IT and e-business strategy. Previously, Mr. Lobo was the group company secretary of Medicom International Ltd, a publisher of medical journals, and a director of several of its subsidiaries.

Roger Orf, aged 50, senior independent non-executive Director. He was appointed as a non-executive director of Regus in August 1998. He is Head of European Operations for Lone Star, a property investment company. Previously, Mr. Orf made investments for his own account and managed investments on behalf of Appollo Real Estate Advisors. Prior to 1995 he was in charge of Goldman Sachs' European real estate department. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees of Regus Group.

Martin Robinson, aged 40, Independent non-executive Director. He was appointed as a non-executive director of Regus in August 2002. He is currently the chairman of Center Parcs UK and CEO of CenterParcs Europe. Prior to joining CenterParcs in 1997, he was commercial director of S&N retail and spent four years with management consultancy firm McKinsey & Co. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of Regus Group.

On 3 October, 2003 it was announced that Stephen Stamp, the Group Finance Director of Regus, had resigned. Rudolf Lobo has been appointed to carry out the role of Group Finance

Director of Regus on an interim basis, and will continue to carry out that role (on an interim basis) in respect of Regus Group upon the Scheme becoming effective.

The following senior management of Regus immediately prior to the Scheme becoming effective will become senior managers of Regus Group:

Details of Senior Management of Regus Group

John Mylnski, aged 45, Chief Operating Officer. He joined Regus in 2001 and is responsible for managing the operations of all centres world-wide. Prior to joining Regus, he was chief executive officer of tacticity.com.

Robert Gaudreau, aged 42, Group Sales and Marketing Director. He has more than 15 years of experience in the serviced office industry and is responsible for setting global sales strategy, managing the direct sales force and managing global marketing strategy. Prior to taking up his current role, he was responsible for the growth and development of the Group's operations in North America.

14. Corporate Governance

The Board is committed to maintaining high standards of corporate governance in line with the Combined Code and in line with the conduct of the board of Regus prior to the Scheme becoming effective.

Throughout the year ended 31 December, 2002, Regus complied with the provisions set out in the Combined Code, with the exception of provision D2 - Internal Control. Adverse trading conditions required Regus to undertake extensive cost-cutting measures and this inevitably had an impact on the integrity of the system of internal control in 2002 and the first half of 2003. From the second half of 2003 the internal audit function of the Group was redeployed on quality assurance and best practice functions in line with its remit. The Group expects now to be in full compliance with the provisions of the Combined Code going forward.

15. Board composition

The posts of Chairman and Chief Executive are held by different Directors and the Board is balanced by a strong independent non-executive element where three out of five members of the Board are non-executive. The majority of the non-executive Directors, who will bring independent views to bear at meetings of the Board, are independent of management and have no relationships interfering with their independent judgement. Accordingly, no individual or group of individuals dominates the Board's decision-making. In accordance with the requirements of the Combined Code, Roger Orf has been nominated as the senior non-executive Director. Each Director has received appropriate training.

The Board comprises two executive Directors and three independent non-executive Directors, including a non-executive Chairman. The Chairman of the Audit Committee, currently Roger Orf, acted as an independent Director of Regus since 1998. The Board will schedule at least 8 meetings each year, but will arrange to meet at other times, as appropriate. It has a formal schedule of matters specifically reserved for its decision and approval. The Board will be supplied with appropriate and timely information to enable it to discharge its duties and requests for additional information or variations to regular reporting as it requires. A procedure exists for Directors to seek independent professional advice at

Regus Group's expense in the furtherance of their duties, if necessary. In addition, appropriate training will be made available for all new Directors to assist them in the discharge of their responsibilities. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. While all Directors are expected to bring an independent judgement to bear on strategy, performance, resources (including key appointments) and standards of conduct, the independent non-executive Directors were selected and appointed for this purpose. All Directors will submit themselves for re-election at least once every three years and Directors appointed during the period will be required to seek re-election at the next Annual General Meeting. The independent non-executive Directors understand that the Board will not automatically recommend their re-election.

16. Board Committees

The Board has a number of standing committees, all of which have written terms of reference setting out their authority and duties:

Audit Committee – the members of this committee are Roger Orf (Chairman), John Matthews and Martin Robinson (all are independent non-executive Directors). The Audit Committee will meet as required, but not less than two times a year. Its responsibilities, in addition to those referred to under the heading Internal Control (below), include a critical review of the annual and interim financial statements (including the Board's statement on internal control in the annual report) prior to their submission to the Board for approval, when a report from the committee will also be given. The committee will also review the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the auditors. Although other Directors, including the Group Finance Director, will attend Audit Committee meetings, the committee may meet for private discussions with the internal and external auditors.

Nomination Committee – the members of this committee are John Matthews (Chairman), Roger Orf and Martin Robinson (all are independent non-executive Directors). The committee will meet as required but not less than once a year. Its responsibilities include reviewing the Board structure, size and composition, nominating candidates to the Board to fill Board vacancies when they arise and recommending Directors who are retiring by rotation to be put forward for re-election.

Remuneration Committee – the members of this committee are Martin Robinson (Chairman), Roger Orf and John Matthews (all are independent non-executive Directors). Other Directors may be invited to attend some meetings of the committee in an advisory capacity as the committee considers appropriate. The committee will consider all material elements of remuneration policy, remuneration and incentives of executive Directors and senior management with reference to independent remuneration research and professional advice in accordance with the Combined Code on Corporate Governance, and will make recommendations to the Board on the framework for executive remuneration and its cost. The Board is then responsible for implementing the recommendations and agreeing the remuneration package of individual Directors. Directors are not permitted, under Regus Group's Articles of Association, to vote on their own terms and conditions of remuneration. The committee will not make recommendations on the remuneration of non-executive Directors, which is a matter solely for the full Board. The members of the Remuneration Committee will attend Regus Group's Annual General Meeting and are available to answer Regus Group Shareholders' questions about Directors' remuneration.

Remuneration policy centres on ensuring that remuneration packages are sufficiently competitive to attract, retain and motivate the right calibre of executive Directors and senior management. Incentive payments are conditional upon demanding performance criteria so as to align incentive awards paid to Directors directly with the interest of Regus Group Shareholders. The Remuneration Committee uses the services of external consultants to help it agree appropriate packages reflecting the remuneration policy.

17. Internal Control

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its effectiveness on a timely basis. The internal control processes have been designed to identify, evaluate and manage the key risks that the Group encounters in pursuing its objectives. Internal control processes encompass all controls, including financial, operational and compliance controls and risk management. Such a system is, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and cannot provide absolute assurance against material misstatement.

The Board will conduct regular reviews of the Group's strategic direction. Country and regional strategic objectives, quarterly plans and performance targets for 2003 and beyond have been set by the executive Directors and will be regularly reviewed by the Board in the context of the Group's overall objectives.

The control framework and key procedures currently in place are:

- the executive Directors ("the Group Executive") will meet monthly together with certain other senior executives to consider the Group's financial performance, business development and management issues. Directors of key operating companies meet regularly;
- major business risks and their financial implications are appraised by the executives responsible as part of the budget process and these are endorsed by regional management. Key risks will be 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;
- country and regional budgets, containing financial and operating targets, capital expenditure proposals and performance indicators, are reviewed by the Group Executive and must support regional business strategies;
- monthly reports on Group and regional performances are provided to the Group Executive. Quarterly summaries and forecasts will be presented to the Board and discussed at Board meetings. Performance against budgets and objectives is reviewed with regional management, as are forecasts and material sensitivities. The Board will regularly receive reports from key executives and functional heads on matters such as forecasts, business development, strategic planning, legal matters and corporate affairs;
- a policy governs appraisal and approval of investment expenditure and asset disposals. Post-investment reviews are undertaken;
- other key policies and control procedures (including finance, operations and health and safety) are available to all staff on web-based systems.

The Group's internal audit function reports to management on its world-wide operations. Its program of work and its findings, including any material control issues and resultant actions, are reviewed by the Audit Committee. Most of the available resources within the internal audit department in the second half of 2002 were deployed in helping with the relocation of the UK accounting function in mid year. However, internal audit has resumed its activities and is reviewing the groups overseas operations.

To underpin the effectiveness of controls, it is Regus' policy to recruit and develop appropriately skilled management and staff of high calibre and integrity. High standards of business ethics and compliance with laws, regulations and internal policies are demanded from staff at all levels.

2003 has been a difficult year for the Group. Adverse trading conditions required the Group to undertake extensive cost cutting measures. Nevertheless, the following key mechanisms were available to the board of Regus at various times during the year in the conduct of its review of internal controls:

- an ongoing process, through board meetings, senior management meetings and divisional reviews, as well as other management meetings, for the formal identification of the Company's significant operational risks and mitigating control processes;
- a Treasury Risk Committee comprising the Group Finance Director, Company Secretary, Group Tax Manager and Group Treasurer of Regus, which meets to consider the specific risks associated with treasury transactions, including the approval of all transactions in financial derivatives;
- an embedded system of reporting the effectiveness of key financial, operational and compliance controls. This is a comprehensive self-assessment system built up from centre-level using Regus' intranet. Results and action plans are then reviewed by senior management and summarised for the main board of Regus; and
- a multi-disciplinary Group risk forum, chaired by Rudolf Lobo of Regus, reports to the board of Regus on an annual basis. The forum's mandate is to consider all aspects of risk identification and management and its reports represented a key feature of the process by which the board of Regus assesses the overall effectiveness of Regus' system of internal control.

18. Communications with Shareholders

The Group has a policy of maintaining an active dialogue with institutional shareholders through individual meetings with senior management. The Group corresponds regularly on a range of subjects with individual shareholders who have an opportunity to question the Board, as well as the chairmen of the Audit and Remuneration Committees, at the Annual General Meeting.

19. Principal Shareholder

Mark Dixon, through Maxon Investments and Paramount Nominees Limited, will be entitled to control the exercise of 62.4 per cent. of the rights to vote at general meetings of Regus Group immediately upon the Scheme becoming effective (but before the Plan of Reorganisation and

the Rights Issue are implemented and assuming that no new shares in Regus or Regus Group are issued under the Warrants or Regus Share Plans).

Immediately following Admission of Shares issued pursuant to the Scheme, there will be no ongoing contractual or other arrangements between Mark Dixon and Maxon Investments and Regus Group or its management (save (i) the service agreement of Mark Dixon described under paragraph 12 of Part VII, (ii) the loan agreement pursuant to which Maxon Investments has lent Rudolf Lobo US\$500,000 at a rate of interest on the amount outstanding at the standard variable mortgage rate of the UK's Nationwide Building Society plus a margin of 0.75%, such amount being repayable on 6 April 2004, (iii) the options held by Rudolf Lobo and Robert Gaudreau over 18,140,000 shares in Regus as described in paragraph 10 of Part VII and (iv) the deed of undertaking through which Regus has agreed to indemnify Maxon Investments against guarantees given in relation to four leases and one financial lease).

Maxon Investments has confirmed to Regus Group in a letter of confirmation that:

- neither it nor any of its associates will act in a manner which it knows would prevent Regus Group and the Group from carrying on its business independently of Maxon Investments (and its associates); and
- transactions and relationships between Regus Group and Maxon Investments or any of its associates will be conducted at arm's length and on a normal commercial basis.

Mark Dixon, the holder of 100 per cent. of the issued share capital of Maxon, has also given a letter of confirmation to Regus Group that:

- neither he nor any of his associates nor Maxon Investments will act in a manner which he knows would prevent Regus Group and the Group from carrying on its business independently of him and Maxon Investments (and their associates); and
- transactions and relationships between Regus Group and Mark Dixon and/or any of his associates and/or Maxon Investments will be conducted at arm's length and on a normal commercial basis.

In addition, provisions of the Regus Group Articles and the relevant provisions of the Listing Rules regulate Maxon Investments and Mark Dixon's relationship with Regus Group. By virtue of these factors, the Directors believe that the Group is capable of carrying on its business independently of Maxon Investments and Mark Dixon (and their associates) and that all transactions and relationships between the Group and Maxon Investments and Mark Dixon (and their associates) are, and will be, at arm's length and on a normal commercial basis. These arrangements are the same as the arrangements that were in place to protect Regus' independence at the time of the listing of the shares in Regus on the Official List in October 2000, save that at that time, no separate letter of confirmation was provided to Regus by Mark Dixon.

Immediately following Admission of Shares issued pursuant to the Scheme, Maxon Investments and its associates will not hold any interests outside the Group which conflict with its interests in Regus Group or the Group. This has also been confirmed in the letters of confirmation which have been provided to Regus Group by each of Maxon Investments and Mark Dixon.

For further information in relation to Mark Dixon's expected holding in the Company immediately following the Right Issue, see Part VII.

Part VI

Unaudited Interim Financial Statements

The following is the full text of the unaudited interim results for the period ended 30 June, 2003.

“INTERIM RESULTS TO 30 JUNE 2003

Chertsey, UK, 29 August 2003, Regus plc, the global serviced office provider (LSE: RGU), announces its results for the six months ended 30 June 2003.

The Regus Group continued to make steady progress during the period. In late December 2002, Regus successfully recapitalised its business through the sale of a majority interest in its UK operations. This placed Regus on a firm financial footing allowing management to focus its attention elsewhere during the first half of 2003.

In mid-January, Regus filed for Chapter 11 creditor protection under the US Bankruptcy Code in order to reorganise the Group's principal loss-making operations which were in the US. Regus was the first listed British company to take this radical step. Today, it is pleased to announce the successful completion of that reorganisation process and its planned exit from Chapter 11. During the period, Regus also reorganised some of its smaller operations elsewhere around the world.

As a result, the Regus Group as a whole has now moved to cash break-even at the operating level on a global basis.

Regus is also seeing other positive signs. Inquiry levels and the contracted forward order book remain strong and new orders for Workstations in the second quarter were up 8% on the first quarter. During the half-year, major corporate outsourcing deals totalling approximately £30 million were transacted with leading companies such as IBM, Starbucks, Xerox, Kodak and Oracle. Our key indicator Revenue per Available Workstation (REVPWA) at £2,213 was up 5% on the first half of last year. However, as a result of the reorganisation in the US, overall turnover at £129 million was down slightly (4%) on the first half of 2002.

At 30 June 2003, cash at bank totalled £49.5 million of which £21.6 million was free cash. In July, we received £10 million in connection with the deferred consideration from the sale of a majority stake in Regus UK. Cash generation nevertheless remains the Board's main priority.

Regus Chairman John Matthews commented:

“We are continuing to make steady progress. With major reorganisation now behind us, Regus is well placed to benefit from any sustained upturn in its key markets around the globe”.

REVIEW OF FIRST HALF 2003

The following table sets forth the Group's revenue, centre contribution before exceptional items and Workstations (i.e. weighted average number of available Workstations) by geographic region.

(in £millions, except Workstations)

	6 MONTHS ENDED 30 JUNE 2003			6 MONTHS ENDED 30 JUNE 2002		
	Revenue	Centre Contribution	Workstations	Revenue	Centre Contribution	Workstations (re-based)*
UK*	2.0	2.0	-	85.6	15.4	22,841
Rest of Europe+	72.4	5.2	30,839	70.9	5.4	34,076
Americas	40.1	(10.9)	21,935	48.2	(8.4)	23,994
Rest of World	14.9	1.7	5,688	15.3	0.6	5,968
	<u>129.4</u>	<u>(2.0)</u>	<u>58,462</u>	<u>220.0</u>	<u>13.0</u>	<u>86,879</u>

*A 58% controlling interest in Regus UK was sold on 31st December, 2002. Revenue in 2003 relates to management fees.

+Ireland, which in the first half of 2002 had revenue of £2.2 million, centre contribution of £0.8 million and 3,809 Workstations, is now included in the Rest of Europe.

Workstations

During the 6 months to 30 June, 2003, the Group entered a period of significant reconstruction, with the main focus to reduce capacity in loss making centres. The Chapter 11 proceedings in the US have allowed us already to remove over 1,800 loss making Workstations from our inventory since the turn of the year.

In Europe, we also reduced our inventory of Workstations during the first half of 2003. This has resulted in a significant reduction in costs.

Revenue

The fall in the Group's revenue between the first half of 2002 and the first half of 2003 was £90.6 million. This was primarily due to the sale of a majority stake in the UK business in December. There was also a 17% fall in revenue in the Americas region, though when compared to the second half of 2002 the fall is just 8%, which can almost entirely be explained by an adverse currency movement against the US dollar and related currencies. This was especially noted in Brazil where GBP revenue fell by 27% between the two periods despite a 7% increase in the local currency.

Elsewhere in the Group, there was good news across most of Europe where, with the exception of Germany and Portugal, we have seen a steady increase in turnover throughout

the period. Russia, in particular, has seen a 5 fold increase in turnover from £0.5 million in the first six months of 2002 to £2.7 million in the same period of 2003.

Centre contribution

With tough economic conditions prevailing throughout all the major economies, we continue to see pressure on our margins. Despite this, we have been able to hold margins relatively steady throughout the last 18 months. The headline fall in contribution can almost entirely be explained by the sale of the UK plus adverse currency movements.

Until the Chapter 11 process is legally completed, we continue to accrue costs at the current rates, which are cumulatively £7 million in excess of those in our Chapter 11 proposals. We therefore expect to see an improving contribution performance in the Americas region.

Our Asian and African businesses have continued to perform well doubling their contribution to 12% of turnover in the first half of 2003, an increase from less than 5% of turnover in the same period last year.

Administrative expenses

Administrative expenses decreased 40% to £18.4 million (2002: £29.4 million) due to a continued focus on cost cutting and reducing overhead. Overall, administrative expenses as a percentage of revenues increased slightly to 14.2% compared to 13.4% in the first half of 2002, before exceptional items. This was almost entirely due to the sale of a majority stake in the UK business, which has a relatively low overhead to sales ratio (2002: 7%). Sales and marketing costs decreased 41% to £9.6 million (2002: £16.4 million) and held as a percentage of revenue at 7% (2002: 7%). Regional and central overheads decreased 33% to £8.8 million (2002: £13.1 million) but increased slightly as a percentage of revenue to 7% (2002: 6%).

Liquidity and capital resources

Cash at bank and in hand at 30 June 2003 was £49.5 million of which £21.6 million was free cash. Total bank indebtedness at 30 June 2003 was £12.5 million. The Group also had outstanding finance lease obligations of £20.8 million, of which £11.3 million is due within one year.

Cash outflow from operating activities in the six months ended 30 June 2003 was £13.7 million. The operating cash outflow before management of working capital was £7.9 million. The net working capital inflow in the six months was £5.8 million. Net cash outflow before management of liquid resources and financing was £7.2 million after paying tax of £0.7 million, interest (net) of £0.9 million, capital expenditure of £1.0 million and £9.1 million received for the sale of subsidiaries and investments.

On the basis that current trading conditions continue to prevail and our revenues remain at current levels, we believe we will be able to fund the ongoing business from existing cash resources and cash flows from operations.

Basis of preparation

The financial information set out below does not constitute the Company's statutory accounts. The financial information for 2002 is derived from the statutory accounts for the year, which

have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

Notwithstanding that the Group has recorded a net cash outflow of £7.2 million before management of liquid resources and financing for the six months ended 30 June 2003 and that the Group has net current liabilities, the financial statements have been prepared on a going concern basis. The directors have reviewed the Group's cash resources and projections in the context of the current and expected future levels of trading having regard to the planned actions described above. They have concluded that the Group will be able to meet its financial obligations as they fall due for at least the next twelve months.

Regus plc
Consolidated profit and loss account
For the 6 months ended 30 June 2003 and 30 June 2002

	Note	6 months ended 30 June '03 (unaudited) £'000	6 months ended 30 June '02 (unaudited) £'000
Turnover (including share of joint ventures & associates)	1	165,281	224,981
Less: Share of turnover of joint ventures	1	(3,101)	(4,940)
Less: Share of turnover of associate	1	(32,763)	-
Group Turnover		129,417	220,041
Cost of sales (centre costs) before exceptional items		(131,370)	(206,993)
Exceptional cost of sales	2(a)	2,348	3,097
Cost of sales (centre costs) after exceptional items		(129,022)	(203,896)
Gross profit (centre contribution)		395	16,145
Administration expenses before exceptional items		(18,393)	(29,439)
Exceptional administration expenses	2(a)	(6,484)	(2,820)
Administration expenses		(24,877)	(32,259)
Group operating loss		(24,482)	(16,114)
Share of operating loss in joint ventures & associates	1	(3,475)	(2,791)
Total operating loss: Group and share of joint ventures and associates		(27,957)	(18,905)
Profit/(loss) on sale of group undertakings	2(b)	8,712	(277)
Profit of Sale of own shares		1,043	-
Loss before interest and taxation		(18,202)	(19,182)
Net interest (payable)/receivable			
- Group		(1,112)	(3,140)
- Joint ventures and associates		24	(77)
Loss on ordinary activities before tax		(19,290)	(22,399)
Tax on loss on ordinary activities		(1,141)	(3,913)
Loss on ordinary activities after tax		(20,431)	(26,312)
Minority interests (equity)		418	681
Retained loss for the period		(20,013)	(25,631)
Loss per ordinary share:	3		
Basic & diluted (p)		(3.5)	(4.5)
Basic & diluted before exceptional items (p)		(4.5)	(4.5)
All results arose from continuing operations			

Regus plc
Consolidated balance sheets
As at 30 June 2003 and 31 December 2002

	Note	As at 30 June 2003 (unaudited) £'000	As at 31 Dec 2002 (audited) £'000
Fixed assets			
Tangible assets		82,568	93,772
Investments			
Investments in own shares		1,285	3,805
Investments in associates		11,857	12,458
Other investments		29	29
Total investments	4	13,171	16,292
		95,739	110,064
Current assets			
Stock		217	293
Debtors: amounts falling due within one year		61,347	59,025
Cash at bank and in hand		49,498	58,610
		111,062	117,928
Creditors: amounts falling due within one year		(170,775)	(177,963)
Net current liabilities		(59,713)	(60,035)
Total assets less current liabilities		36,026	50,029
Creditors: amounts falling due after more than one year		(18,133)	(19,796)
Provision for deficit on joint ventures			
Share of gross assets		7,047	8,630
Share of gross liabilities		(11,407)	(10,253)
		(4,360)	(1,623)
Provisions for liabilities and charges due after more than one year	5	(61,759)	(57,242)
Net liabilities		(48,226)	(28,632)
Capital and reserves			
Called up share capital		29,110	29,110
Share premium account		279,765	279,765
Other reserves		6,533	6,508
Profit and loss account		(362,986)	(343,775)
Equity shareholders' deficit		(47,578)	(28,392)
Equity minority interests		(648)	(240)
		(48,226)	(28,632)

Regus plc
Consolidated cash flow statement
For the six months ended 30 June 2003 and 30 June 2002

	6 months ended 30 June 03 (unaudited) £'000	6 months ended 30 June 02 (unaudited) £'000
Cash outflow from continuing operating activities		
Net cash outflow	6a (13,693)	(15,680)
Returns on investments and servicing of finance		
Interest received	210	1,216
Interest paid	(205)	(939)
Interest paid on finance leases	(907)	(1,405)
	(902)	(1,128)
Taxation		
Tax paid	(718)	(2,411)
	(718)	(2,411)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,058)	(8,972)
Sale of tangible fixed assets	1,044	306
Sale of own shares	3,563	-
	2,549	(8,666)
Acquisitions and disposals		
Cash disposed with subsidiary	(1,137)	(44)
Sale of subsidiary undertakings	6,695	-
Investments in joint ventures	-	(745)
	5,558	(789)
Cash outflow before management of liquid resources and financing	(7,206)	(28,674)
Management of liquid resources	6b (2,737)	54,674
Financing	6b (2,361)	(22,993)
(Decrease)/increase in cash in the period	6(c)(d) (12,304)	3,007

Regus plc
Statement of total recognised gains and losses
For the six months ended 30 June 2003 and 30 June 2002

	6 months ended 30 June 03 (unaudited) £'000	6 months ended 30 June 02 (unaudited) £'000
Retained loss for the financial period	(20,013)	(25,631)
Currency translation differences	827	8,321
Total recognised gains and losses for the period	<u>(19,186)</u>	<u>(17,310)</u>

Reconciliation of movements in consolidated shareholders' deficit

	30 June 2003 (unaudited) £'000	31 Dec 2002 (audited) £'000
Retained loss for the financial period	(20,013)	(123,399)
Net proceeds of ordinary shares issued	-	4
Currency translation differences	827	4,108
Reclassification of fair value of warrants to non-distributable reserves	-	2,450
Decrease in shareholders' deficit	<u>(19,186)</u>	<u>(116,837)</u>
Shareholders' deficit/funds at 1 January	(28,392)	88,445
Shareholders' deficit at period end	<u>(47,578)</u>	<u>(28,392)</u>

Notes

1. Segmental reporting

Turnover:

	6 months ended 30 June 2003 (unaudited) £'000	6 months ended 30 June 2002 (unaudited) £'000
UK*	34,764	89,595
Rest of Europe*	72,420	68,698
Americas	43,240	51,407
Rest of World	14,857	15,281
	<u>165,281</u>	<u>224,981</u>
Total Group	129,417	220,041
Total joint ventures and associates	35,864	4,940

Operating loss:

	6 months ended 30 June 2003 (unaudited) £'000	6 months ended 30 June 2002 (unaudited) £'000
UK*	(669)	9,927
Rest of Europe*	2,927	(4,976)
Americas	(26,587)	(17,683)
Rest of World	(92)	(1,054)
Other office costs	(3,536)	(5,119)
	<u>(27,957)</u>	<u>(18,905)</u>
Total Group	(24,482)	(16,114)
Total joint ventures and associates	(3,475)	(2,791)

*Following the sale of 58% of the UK business to Alchemy Partners, we have restated the 2002 segmental analysis by including Ireland under Rest of Europe rather than with the UK, where it was previously shown.

2. (a) Exceptional costs/(credits)

	6 months ended 30 June	
	2003 (unaudited) £'000	2002 (unaudited) £'000
Cost of sales		
Onerous leases, related closure & restructuring costs	1,210	(3,097)
Adjustment to tangible asset impairment provision	(3,558)	-
Administration expenses		
Onerous leases, related closure & restructuring costs	6,484	2,820
	4,136	(277)

2. (b) (Profit)/loss on sale of group undertakings

	6 months ended 30 June	
	2003 (unaudited) £'000	2002 (unaudited) £'000
Liquidation of German subsidiary	(2,017)	-
UK deferred consideration	(6,695)	-
Romania sold to Franchisee	-	277
	(8,712)	277

3. Loss per share

Loss per share after exceptional items is based on losses for the six months ended 30 June 2003 and 2002 of £(20,013,000) and £(25,631,000) respectively. Loss per share before exceptional items and profit on business disposals based on losses for the six months ended 30 June 2003 and 2002 of £(25,632,000) and £(25,631,000) respectively. Losses per share are calculated using the following weighted average numbers of shares:

	6 months ended 30 June 2003 000's	6 months ended 30 June 2002 000's
Ordinary shares – basic and diluted	564,929	564,037

4. Investments

	Group Investment in own shares £'000	Group Interest in associates £'000	Group Interest in joint ventures £'000	Group Other investments £'000	Group Total £'000
At 1 January 2002	3,805	-	1,094	33	4,932
Exchange differences	-	-	(6)	(4)	(10)
Additions	-	12,458	746	-	13,204
Disposals	-	-	2,181	-	2,181
Share of retained losses	-	-	(5,638)	-	(5,638)
At 31 December 2002	3,805	12,458	(1,623)	29	14,669
Exchange differences	-	-	112	-	112
Disposals	(2,520)	-	-	-	(2,520)
Share of retained losses	-	(601)	(2,849)	-	(3,450)
At 30 June 2003	<u>1,285</u>	<u>11,857</u>	<u>(4,360)</u>	<u>29</u>	<u>8,811</u>

	6 months ended 30 June	
	2003 (unaudited) £'000	2002 (audited) £'000
42% share of Regus UK		
Turnover	<u>32,763</u>	-
Profit before tax	<u>(601)</u>	-
Taxation	-	-
Profit after tax	<u>(601)</u>	-
Fixed assets	<u>23,225</u>	-
Current assets	<u>32,253</u>	-
Liabilities due within one year	<u>(43,525)</u>	-
Liabilities due after one year	<u>(96)</u>	-
Net assets	<u>11,857</u>	-

5. Provisions

	Group Deferred tax £'000	Group Onerous lease obligations £'000	Group Total £'000
At 1 January 2002	856	27,446	28,302
Provided in year	-	50,785	50,785
Utilised in year	(1,506)	(19,250)	(20,756)
Provisions released on disposal of business	-	(563)	(563)
Exchange differences	1	(527)	(526)
At 31 December 2002	(649)	57,891	57,242
Provided in period	892	6,028	6,920
Utilised in period	-	(3,407)	(3,407)
Exchange differences	-	1,004	1,004
At 30 June 2003	243	61,516	61,759
Amounts falling due within one year	243	44,719	44,962
Amounts falling due after one year	-	16,797	16,797

6. (a) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	6 months ended 30 June 03 (unaudited) £'000	6 months ended 30 June 02 (unaudited) £'000
Continuing operations		
Operating loss	(24,482)	(16,114)
Depreciation charge	12,320	29,190
Goodwill amortisation	-	121
Loss on disposal of fixed assets	5,180	273
Impairment of fixed assets	(3,558)	-
Increase/(decrease) in provisions	2,620	(10,173)
Decrease/(increase) in stocks	71	(23)
Increase in debtors	(208)	(7,295)
Decrease in creditors	(5,636)	(11,659)
Net cash outflow from continuing operations	(13,693)	(15,680)

The cash outflow for 2003 includes £1.2 million (2002: £11.0 million) relating to the exceptional items charged during the previous year.

6. (b) Financing and management of liquid resources

	6 months ended 30 June 03 (unaudited) £'000	6 months ended 30 June 02 (unaudited) £'000
Management of liquid resources		
New cash deposits	(13,011)	(12,349)
Repayment of cash deposits	10,274	67,023
	<u>(2,737)</u>	<u>54,674</u>
Financing		
New loans	2,420	875
Repayment of loans	(944)	(16,625)
Payment of principal under finance leases	(3,837)	(7,855)
Issue of equity shares	-	612
	<u>(2,361)</u>	<u>(22,993)</u>

6. (c) Reconciliation of net cash flow to movement in net funds

	6 months ended 30 June 03 (unaudited) £'000	6 months ended 30 June 02 (unaudited) £'000
(Decrease)/(increase in cash in the period	(12,304)	3,007
Cash outflow from change in borrowings and finance leases	2,361	23,605
Cash outflow/(inflow) from change in liquid resources	2,737	(54,674)
Change in net funds from cash flows	<u>(7,206)</u>	<u>(28,062)</u>
Business disposals	(710)	-
Other non-cash items:		
New finance leases	465	(2,001)
Un-amortised warrants reserve	-	565
Translation difference	1,265	1,803
Movement in net funds in the period	<u>(6,186)</u>	<u>(27,695)</u>
Net funds at 1 January	22,384	31,029
Net funds at 30 June	<u>16,198</u>	<u>3,334</u>

6. (d) Analysis of changes in net funds

	At 1 Jan 2003		Acquisitions and disposals	Other Non-cash changes	Exchange movement	At 30 June 2003
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at the bank and in hand	29,065	(12,230)	-	-	491	17,326
Overdrafts	(1,253)	(74)	-	-	(35)	(1,362)
	27,812	(12,304)	-	-	456	15,964
Debt due after 1 year	(6,266)	(2,350)	76	2	(60)	(8,598)
Debt due within 1 year	(3,526)	874	15	(2)	71	(2,568)
Finance leases due after 1 year	(13,393)	4,820	-	(793)	(63)	(9,429)
Finance leases due within 1 year	(11,788)	(983)	19	1,258	151	(11,343)
	(34,973)	2,361	110	465	99	(31,938)
Liquid resources	29,545	2,737	(820)	-	710	32,172
	22,384	(7,206)	(710)	465	1,265	16,198

Liquid Resources at 30 June 2003 includes cash held on deposit of which £2.1 million (December 2002: £2.6 million) relates to collateral against bank loans and £25.8 million (December 2002: £26.1 million) relates to deposits which are held by banks as security for the issuance of bank guarantees to support lease commitments by Regus operating companies. These amounts are blocked and are not available for use by the business.

Non-cash changes comprise new finance leases, reclassifications between categories and the balance of the warrants reserve after amortisation based on a constant rate of return on the outstanding balance.

Part VII

Additional Information

1. Introduction

The Directors, whose names appear on page 8 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation of Regus Group

2.1 Regus Group was incorporated and registered in England and Wales on 18 August, 2003 under the Companies Act as a public company limited by shares with registered number 04868977.

2.2 The registered address of Regus Group is 3000 Hillswood Drive, Chertsey, Surrey KT16 0RS.

2.3 Regus Group has not traded since its incorporation.

2.4 KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB have been the only auditors of Regus Group since its incorporation.

3. Share Capital of Regus Group

3.1 On incorporation the authorised share capital of Regus Group was £100,000 divided into 100,000 ordinary shares of £1 each. On 10 September, 2003, the authorised share capital of Regus Group was increased from £100,000 divided into 100,000 ordinary shares of £1 each to £40,000,000 divided into 40,000,000 ordinary shares of £1 each by the creation of 39,900,000 ordinary shares of £1 each. Each share of £1 each was subsequently subdivided into 20 ordinary shares of 5 pence each so that the authorised share capital of Regus Group became £40,000,000 divided into 800,000,000 ordinary shares of 5 pence each.

3.2 On 26 September, 2003 the authorised share capital of Regus Group was increased from £40,000,000 divided into 800,000,000 ordinary shares of 5 pence each to £80,050,000 divided into 1,600,000,000 ordinary shares of 5 pence each and 50,000 redeemable preference shares of £1 each by the creation of 800,000,000 ordinary shares of 5 pence each and 50,000 redeemable preference shares of £1 each (having the rights set out in the new articles of association of Regus Group which were also adopted on that day).

- 3.3 The authorised and issued share capital of Regus Group at the date of this document is, and immediately prior to the Scheme becoming effective will be, as follows:

Class	Authorised		Issued and paid up	
	Number	Nominal Value	Number	Nominal Value
Shares	1,600,000,000	£80,000,000	40	£2
redeemable preference shares ⁵	50,000	£50,000	50,000	£12,500

- 3.4 The proposed authorised, issued and fully paid share capital of Regus Group as it will be immediately following the Effective Date and assuming that all Warrants and options under the Regus Share Plans are not exercised will be as follows:

	Authorised		Issued and paid up	
	Number	Nominal Value	Number	Nominal Value
Shares	1,600,000,000	£80,000,000	585,120,290	£29,256,014.50
redeemable preference shares	50,000	£50,000	50,000	£12,500

- 3.5 The proposed authorised, issued and fully paid share capital of Regus Group as it will be immediately following the Rights Issue and assuming that all Warrants and options under the Regus Share Plans are not exercised will be as follows:

	Authorised		Issued and paid up	
	Number	Nominal Value	Number	Nominal Value
Shares	1,600,000,000	£80,000,000	780,993,720	£39,049,686
redeemable preference	50,000	£50,000	50,000	£12,500

⁵ The redeemable preference shares are partly paid (by way of an undertaking under section 738 of the Companies Act) to the extent of £12,500 only.

shares

- 3.6 As part of the arrangements for the incorporation of Regus Group, 20 ordinary shares of 5 pence each were issued to each of Instant Companies Limited and Swift Incorporations Limited. These ordinary shares were subsequently transferred to Timothy Sean James Regan and Mary Anne Kirkwood, two employees of Regus. In addition, 50,000 £1 redeemable preference shares have been issued to Maxon Investments in consideration for an undertaking under section 738 of the Companies Act. As at the date of this document the redeemable preference shares are partly paid by way of this undertaking to the extent of £12,500 only. The purpose behind the issue of redeemable preference shares was to ensure that Regus Group meets certain company law requirements for its minimum issued share capital prior to the Scheme becoming effective. It is currently the intention that the redeemable preference shares will be redeemed by Regus Group once Regus Group has sufficient distributable reserves to enable it to do so.
- 3.7 By various special resolutions proposed and passed at an extraordinary general meeting of Regus Group on 26 September, 2003, it was resolved, amongst other things, that conditional on the Scheme becoming effective:
- (i) the Directors be and are generally and unconditionally authorised, in accordance with Section 80 of the Companies Act, to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £12,578,905.16 in addition to Shares required to be issued under (i) the Plan (if any), (ii) the Scheme, (iii) the Regus Share Plans and (iv) the Warrants, such authority to expire on the first annual general meeting of Regus Group, save that Regus Group, pursuant to the authority granted by that resolution, may make an offer or agreement to allot relevant securities before such expiry, which would or might be completed wholly or partly after such expiry; and
 - (ii) the Directors are generally empowered (pursuant to section 95 of the Companies Act) to allot equity securities (as defined in section 94(2) of the Companies Act) for cash as if section 89(1) of the Companies Act did not apply to such allotment at any time up to the first annual general meeting of Regus Group in connection with, amongst other circumstances, an offer to Regus Group Shareholders in proportion (as nearly as maybe) to their existing holdings of Shares but subject to such exclusions or other arrangements in relation to fractional entitlements or any legal problems under the laws of any territory, or the requirements of a regulatory body, but so that, pursuant to the power granted by that resolution, Regus Group may enter into a contract to allot equity securities which would or might be completed wholly or partly after the expiry of such power.
- 3.8 Save as disclosed in this paragraph 3 of Part VII, and save in respect of shares in Regus that could be issued under the outstanding Warrants and Regus Share Plans (which would be exchanged for Shares upon the Scheme becoming effective), at the date of this document:

- (i) there has been no issue of Shares, redeemable preference shares or loan capital of Regus Group since its incorporation; and
 - (ii) no Share, redeemable preference share or loan capital of Regus Group is under option or agreed to be put under option.
- 3.9 The issued redeemable preference shares of Regus Group as at the date of this document will not be listed or traded and will carry no rights to vote (other than at any meeting of its class).
- 3.10 Rights attaching to the Shares and redeemable preference shares in Regus Group are summarised in paragraph 9 of this Part VII below.
- 3.11 Section 89 of the Companies Act confers on the holders of Shares preferential rights in respect of equity securities (as defined in section 94(2) of the Companies Act) of Regus Group issued wholly for cash and applies to the balance of the authorised but unissued share capital of Regus Group to the extent not disapplied under the resolution referred to in paragraph 3.7 of this Part VII above (and under certain other special resolutions proposed and passed at an extraordinary general meeting of Regus Group on 26 September, 2003).
- 3.12 Regus operates an employee benefit trust, the Regus Employee Trust. This is a general discretionary trust whose beneficiaries will include employees and their dependants. As at 12 November, 2003 the Regus Employee Trust held 6,120,317 shares in Regus. Upon the Scheme becoming effective, the shares held by the Regus Employee Trust will be exchanged for Shares (on the basis set out in Part III). As the holder of shares in Regus Group on the Record Date, the Regus Employee Trust will be entitled to participate in the Rights Issue alongside (and on the same basis as) other Regus Group Shareholders.
- 3.13 The following table shows the quoted middle market closing price for existing ordinary shares in Regus (which will be exchanged for Shares upon the Scheme becoming effective), as derived from the Official List for the first dealing day of each of the six months before the date of this document and for 12 November, 2003, being the last practicable date prior to the publication of this document):

Date	Price (pence)
2 June, 2003	35.75
1 July, 2003	34.5
1 August, 2003	35.75
1 September, 2003	35.5
1 October, 2003	33.0
3 November, 2003	33.25
12 November, 2003	34.375

4. Shares in public hands

One of Regus Group's ongoing requirements under the Listing Rules is to ensure that a sufficient number of Shares will be in the hands of the public at all times, such that the market may operate properly. For these purposes, 25 per cent. of Shares in the hands of the public will be deemed to be a sufficient amount.

Upon the Scheme becoming effective, the shareholdings of greater than 5 per cent. set out in the table which is set out under paragraph 10.6 of this Part VII will not be regarded as being in public hands.

As such, upon the Scheme becoming effective, Regus Group will not have 25 per cent. of its shares in the hands of the public.

However, under the Rights Issue (which is fully underwritten) up to 195,873,430 Shares will be issued by Regus Group. Pursuant to the undertakings described in paragraph 13 of this Part VII, certain Regus Shareholders (including Maxon Investments) have undertaken to the Company and the Underwriter not to take up rights pursuant to the Rights Issue. The Underwriter has agreed with the Company in the Underwriting Agreement that it will procure placees at the Issue Price for the Shares the subject of these undertakings. As at the date of this document, the Underwriter has placed all of the Shares the subject of these undertakings on a conditional firm basis at the Issue Price with certain institutional investors. Combined with the shares already held in public hands upon the Scheme becoming effective, the issue of Shares under the Rights Issue to these placees is expected to restore the required percentage.

In the event that the Rights Issue does not result in a sufficient number of Shares being held in public hands, other measures will be considered with the aim of achieving compliance with the Listing Rules. If Regus Group does not succeed in achieving compliance with the Listing Rules within a reasonable period of time, the continuing breach of the 25 per cent. rule will lead to a requirement for Regus Group to delist the Shares from the Official List.

5. ADS Programme

In view of the relatively small number of ADSs outstanding at the time, and the low levels of trading volumes on the Nasdaq National Market in the United States, Regus decided to delist voluntarily its ADSs from Nasdaq as of 7 November, 2002.

As Regus' shareholding base has migrated away from the United States and to the United Kingdom since the initial public offering in October 2000, Regus decided, in an effort to save costs, to terminate the ADS programme in the United States administered by JPMorgan Chase Bank, as depository. Regus gave notice of termination of the ADS programme on 3 September, 2003, and the ADS programme terminated on 3 November, 2003.

Upon termination of the ADS programme, each holder of an ADS received 5 shares in Regus in respect of each ADS held. The termination of the ADS programme resulted in a greater number of Regus Shareholders but no dilution in respect of the interests of existing Regus Shareholders. Provided that they are holders of Shares on the Record Date, all such

previous holders of ADSs will be entitled to participate in the Rights Issue alongside all other Regus Group Shareholders.

6. Offer Period

On 7 January, 2003 Indigo Capital LLC announced that it was interested in exploring a wide range of strategic, commercial and financing alternatives with the Regus Board, one of which may include a recommended take-over. As a result of this announcement an offer period began in relation to Regus for the purposes of the City Code on Takeovers and Mergers.

On 13 November 2003, Indigo Capital LLC announced that, after further consideration, it no longer has any intention of making an offer to acquire the issued share capital of Regus or Regus Group. The effect of this announcement is that the offer period in relation to Regus has now ended.

7. Principal group companies

The following table shows the principal group subsidiary undertakings of Regus, being those which are considered by Regus to be likely to have a significant effect on the assessment of Regus' assets and liabilities, financial position or profits and losses of Regus, as at 12 November, 2003

Other than B.V. and Regus Business Centres (Holdings) Ltd, which are investment holding companies, and Regus Management Limited and Regus Services SA de CV, which are management companies employing staff, the principal activity of all other companies referred to in the table set out below, is the provision of fully serviced business centres.

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
Regus Business Centre SA	Leandro N. Alem 1050, 5 th Floor, Buenos Aires	Argentina	100
Regus Centres Pty Ltd	Level 29, 31 Market Street Sydney NSW 2000	Australia	100
Regus Asia Pacific Pty Ltd	c/o Allens Arthur Robinson The Chifley Tower 2 Chifley Tower Sydney Square Sydney NSW 2000	Australia	100
Regus Business Centre GmbH	Mariahilferstrasse 123 1060 Vienna	Austria	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
Regus Belgium NV	Louiselaan 65bus11 1050 Brussels	Belgium	100
Regus Do Brasil Ltda	Avenida das Nacoes Unidas 12551, 17th Floor Sao Paulo	Brazil	100
Regus Business Centre Ltd	Suite 4900 Commerce Court West Toronto, Ontario M5L 1J3	Canada	100
Regus Business Centre Chile Ltda	Alcantara 200 4th Floor Las Condes Santiago	Chile	100
Regus Business Service Co Ltd	Beijing Lufthansa Centre Offices C203 50 Liangmaqiao Road Chaoyang District Beijing 100016	China	95
Regus Business Services (Shanghai) Ltd	Floor 31 Jin Mao Building 88 ShiJi Avenue Pudong New Area Shanghai	China	100
Regus Copenhagen ApS	Larsbojorns-straede 3 1454 Copenhagen K	Denmark	100
Regus Business Centre (Egypt)	Arkadia Building 8th Floor Corniche El Nil PO Box 14 Sabtteyah 11624 Cairo Egypt	Egypt	100
Regus Business Centres (Holdings) Ltd	3000 Hillswood Drive Chertsey Surrey KT16 0RS	England	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
Regus Business Centre Trading Ltd +	3000 Hillswood Drive Chertsey Surrey KT16 0RS	England	100
Regus Management Limited	3000 Hillswood Drive Chertsey Surrey KT16 0RS	England	100
Regus Holdings (UK) Limited	3000 Hillswood Drive Chertsey Surrey KT16 0RS	England	42
Regus Finland Oy	World Trade Centre Aleksanterinkatu 17 00100 Helsinki	Finland	100
Regus Roissy SA	72 Rue du Faubourg Saint Honore 75008 Paris	France	100
Regus Business Centre GmbH	Prinzenpark Prinzenallee 7 40549 Dusseldorf	Germany	100
Regus GmbH & Co KG	Frankfurt am Main	Germany	100
RBC Deutschland GmbH	Prizenpark 3 OG Prizenallee 7 Dusseldorf, 40549	Germany	100
Regus Verwaltungs GmbH	Prizenpark 3 OG Prizenallee 7 Dusseldorf, 40549	Germany	100
Regus Hellas SA	90 Avenue Kifissias, 151, 25 Maroussi, Athens	Greece	100
Regus Business Centre Ltd	18 Floor, One International Finance Centre 1 Harbour View Road	Hong Kong	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
Regus Central Europe Trading and Servicing Ltd	Rakoczi ut 42 1972 Budapest	Hungary	100
Regus Kft	1072 Budapest, Rákóczi út 42	Hungary	100
Europa Business Centre Ltd	The Harcourt Centre Harcourt Street Dublin	Ireland	100
Regus Ireland Ltd	25-28 North World Quay Dublin 1	Ireland	100
Regus Finance	First Floor IFSC House International Financial Services Centre Custom House Quay Dublin 1	Ireland	100
Regus Franchise International Limited	Harcourt Centre Harcourt Road Dublin 2	Ireland	100
Regus Business Centres Ltd	Regus Business Centres Harel House 3 Abba Hillel Street Ramat Gan 52522	Israel	100
Regus Business Centre Srl	Via V Pisani 27 Milan	Italy	100
Regus Milano Centrale Business Centre Italia SpA +++	Via V Pisani 27 20124 Milano	Italy	65
Regus Japan KK	30th Floor Shinjuku Park Tower 3-7-1 Nishi-shinjuki Shinjuku-ku Tokyo	Japan	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
SIA Regus Business Centre	Kr. Valdemara Centre, 6th Floor Riga, LV1010	Latvia	100
Regus Luxembourg SA	Boulevard Royal 26 L-2449 Luxembourg	Luxembourg	100
Regus Centres Sdn Bhd	4/F Wisma Ho Wneg Kee 136-140 Jin Petaling 50000 Kuala Lumpur	Malaysia	100
Regus Business Centre SA de CV	Calle Alfonso Napoles Grande No 50, colonia Pena Blanca Santa Fe	Mexico	100
Regus Services SA de CV	Calle Alfonso Napoles Grande No 50, colonia Pena Blanca Santa Fe	Mexico	100
Regus Maroc SARL	Twin Centre Tower A Angle Boulevard Masira Al Khadra Et Zerktoni Casablanca 21000	Morocco	100
Regus Amsterdam BV	Atrium Tower 11 Strawinskylaan 3051 1077 ZX Amsterdam	Netherlands	100
Regus Business Centre BV	Atrium Tower 11 Strawinskylaan 3051 1077 ZX Amsterdam	Netherlands	100
Regus International Holdings BV ++	Strawinskylaan 3051 1077 ZX Amsterdam	Netherlands	60
Satellite Business Centre Schiphol BV	Postbus 75697 1118 ZS Schipol	Netherlands	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
Skyport Business Services BV	Postbus 75705 1118 ZT luchthaven Schipol	Netherlands	100
Regus Business Centre Oslo AS	C. J. Hambros plass 2c 0164 Oslo	Norway	100
Regus Business Centre Norge AS	C.J. Hambros plass 2c 0164 Oslo	Norway	100
Regus Business Centre Ibsen AS	C.J. Hambros plass 2c 0164 Oslo	Norway	100
Regus Business Centre Skoyen AS	Karenslyst Alle 8B 0278 Oslo	Norway	100
Regus Business Centre Nydalen AS	Nydalesveien 33 Postbox 4814 Nydalen, 0422 Oslo	Norway	100
Regus Business Centre (Panama) S.A.	Calle 53 Comma Marbella Suite 200	Panama	100
Regus Business Centre (Peru) S.A.	Edificio Real Seis 6th Floor Lima	Peru	100
Regus Centres Inc	28th Floor, Tower 2, The Enterprise Center 6766 Ayala Avenue Corner Paseo de roxas Makati City Metro Manila	Philippines	100
Regus Business Centre SP zoo	Sheraton Plaza UI Prusa 2 00-493 Warsaw	Poland	100
Regus Business Centre Lda	Avenida da Liberdade 110 1269-046 Lisboa	Portugal	100
LLC Regus Business Centres Inc	Floor 28, Tower 2 The Enterprise Centre 6766 Ayala Avenue, Corner Paseo De	Phillipines	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
	Roxas Makati City		
Regus Centres Pte Ltd	45 Cantonment Rd, Singapore 089748	Singapore	100
Regus Business Services Marina Pte Ltd	45 Cantonment Rd, Singapore 089748	Singapore	100
Regus Singapore Business Centre Pte Ltd	45 Cantonment Rd, Singapore 089748	Singapore	100
Regus Business Centre Bratislava sro	Cukrova 14 813 39 Bratislava	Slovakia	100
Regus Business Centre SA	Paseo de la Castellana 93 428046 Madrid	Spain	100
Business Centre Gothenburg AB	Kanalvagen IOc 194 61 Upplands Vasby	Sweden	100
Business Centre Stockholm AB	Kanalvagen IOC 9tr 194 61 Upplands Vasby Sweden	Sweden	100
Business Centre Sweden AB	Kanalvagen IOc 194 61 Upplands Vasby	Sweden	100
Regus Business Centre (S) S.A.	14 rue du Rhone 1204 Geneva	Switzerland	100
Regus Business Centre (Tanzania) Ltd	Centre closed	Tanzania	100
Regus Centres (Thailand) Ltd	87 Thai Tower 23rd floor Wireless Road Phatumwan Bangkok 10330	Thailand	100
Regus Tunisie SARL	Les Berges du Lac Carthage Centre 2045 Tunis	Tunisia	100

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
Regus Is Merkezi Isletmeciligi Ltd Sirketi	Ayazaga mahallesi, Meydan sokak Beybi, Giz Plaza No 28 Maslak/Istanbul	Turkey	100
Regus Business Centres (Ukraine)	Shovkovychna Str 42-44 Kiev	Ukraine	100
Regus International Services SAFI	Juncal 1305 Montevideo	Uruguay	100
Regus Business Centre Corp	The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801	USA	100
Regus Crescent Business Centres LLC	The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801	USA	100
Regus Equity Business Centres LLC +++	Corporation Service Company 10013 Centre Road Wilmington DE 19805	USA	50
Regus Business Centre Latin LLC	The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801	USA	100
Stratis Business Centres Inc	The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801	USA	100
Regus Centre (Vietnam) Ltd	63 Ly Thai To Hoan Kiern District Hanoi	Vietnam	100

Investments in Group undertakings are held at cost all of which are included within the consolidated results.

Name of Group entity	Registered Office/Address	Country of incorporation	per cent. of equity and votes held
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Other than Regus Business Centre BV, Regus Business Centres (Holdings) Ltd, Regus Finance, Regus Investments Ltd, Regus Asia Pacific Ltd, Regus Holdings UK Ltd and Regus International Services SAFI which are investment holding companies and Regus Management Limited which is a management company employing head office staff, the principal activity of all other companies within the Group is the provision of fully serviced business centers.

+ Our Azerbaijan business operates as a branch of this company.

++ Our South African business operates as a branch of this company.

+++ These are joint ventures.

8. Regus Group's Memorandum of Association

Regus Group's principal objects are to carry on business as a general commercial company and to carry on any trade or business whatsoever. The objects are set out in full in clause 4 of the Memorandum of Association which is available for inspection at the addresses specified in paragraph 21 of this Part VII below.

9. Regus Group Articles

The new Regus Group Articles, which were adopted on 26 September, 2003 will become effective on the Effective Date and contain provisions, among others, to the effect set out below. The Regus Group Articles will be in exactly the same form as the Regus Articles as at the date of this document save for the incorporation of an extra article (which will be article 5 under the new Regus Group Articles) which will set out the rights attaching to the redeemable preference shares (see paragraph 9.9 of this Part VII below).

9.1 Share rights

Subject to applicable statutes (in this paragraph, the Companies Act) and other shareholders' rights, shares may be issued with such rights and restrictions as Regus Group may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board, or the directors present at a meeting of the directors at which a quorum is present, may decide. Redeemable shares may be issued. Subject to the Regus Group Articles, the Companies Act and other shareholders' rights, unissued shares are at the disposal of the Board.

9.2 Voting rights

Subject to any rights or restrictions attaching to any class of shares, every Regus Group Shareholder present in person at a general meeting has, upon a show of hands, one vote, and every Regus Group Shareholder present in person or by proxy has, upon a poll, one vote for every share held by him. No Regus Group Shareholder is entitled to vote at any general meeting in respect of any share held by him if any call or other sum then payable by him in

respect of that share remains unpaid or if a Regus Group Shareholder has been served with a restriction notice after failure to provide Regus Group with information concerning interests in those shares required to be provided under the Companies Act.

9.3 Dividends and Other Distributions

Subject to the provisions of the Companies Act, Regus Group may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board.

Subject to the Companies Act, the Board may pay interim dividends, and also any fixed rate dividend, whenever Regus Group's financial position, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other moneys payable in respect of shares in Regus Group from a person who (i) holds, or is shown in any register kept by Regus Group under the Companies Acts as having an interest in shares in Regus Group which comprise in total at least 0.25 per cent. in number or nominal value of the shares of Regus Group, or of any class of such shares in issue at the date of either a statutory notice served by Regus Group under the Companies Acts, or at the date of the service of notice from Regus Group to the shareholder or any other person appearing to be interested in those shares (the "Restriction Notice") and (ii) has been served with a Restriction Notice after failure to provide Regus Group with information concerning interests in those shares required to be provided under the Companies Act.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. Dividends may be declared or paid in any currency.

The Board may, if authorised by an ordinary resolution, offer Regus Group Shareholders in respect of any dividend the right to elect to receive shares by way of scrip dividend instead of cash (an ordinary resolution, conditional on the Scheme becoming effective, was passed by Regus Group on 26 September, 2003 giving the Directors this right which may be exercised at any time up to the first annual general meeting of Regus Group).

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment will be forfeited and revert to Regus Group.

Regus Group may stop sending cheques, warrants or similar financial instruments in payment of dividends by post in respect of any shares or may cease to employ any other means of payment, including payment by means of a relevant system, for dividends if either (i) at least two consecutive payments have remained uncashed or are returned undelivered or that means of payment has failed or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable inquiries have failed to establish any new address or account of the registered holder. Regus Group may resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

On a liquidation, the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the Regus Group Shareholders in kind

all or part of the assets of Regus Group (whether they consist of property of the same kind or not).

9.4 Variation of Rights

Subject to the Companies Act, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting), the quorum will be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class.

9.5 Lien and Forfeiture

Regus Group will have a lien (enforceable by sale) on every partly-paid share for all amounts payable to Regus Group in respect of that share. Shares are subject to calls, which the Board may from time to time make, on monies unpaid on shares. The Board may also forfeit shares on which calls or amounts payable under the terms of issue, are not duly paid.

9.6 Form and Transfer of Shares

- The Shares are in registered form.
- Any shares in Regus Group may be held in uncertificated form and title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Regus Group Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares by means of a relevant system.
- Any Regus Group Shareholder may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee and the transferor is deemed to remain the holder until the transferee's name is entered in the register.
- The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share, provided that the exercise of such discretion does not prevent dealings of shares which are admitted to the Official List of the UK Listing Authority or which are listed on any other recognised stock exchange from taking place on an open and proper basis. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:
 - is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
 - is in respect of only one class of share; and
 - if to joint transferees, is in favour of not more than four such transferees.

The Board may decline to register a transfer of an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 1995 as amended from time to time and

any provisions of or under the Companies Acts which supplement or replace such Regulations (the “Uncertificated Securities Regulations”) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may (subject to the requirements of the Uncertificated Securities Regulations) decline to register a transfer of shares in Regus Group by a person with a 0.25 per cent. interest if such a person has been served with a Restriction Notice after failure to provide Regus Group with information concerning interests in those shares required to be provided under the Companies Act unless the transfer is shown to the Board to be pursuant to an arms’ length sale. A sale is an “arm’s length sale” if the board is satisfied that it is a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the holder or with any person appearing to be interested in such shares and includes a sale made by way of or in pursuance of acceptance of a takeover offer and a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom.

9.7 Alteration of Share Capital

Regus Group may by ordinary resolution increase, consolidate, consolidate and then divide, or sub-divide its shares or any of them. Regus Group may, subject to the Companies Act, by special resolution reduce its share capital, share premium account, capital redemption reserve or any other undistributable reserve.

9.8 Purchase of Own Shares

Regus Group may, subject to the Companies Act and other shareholders’ rights, and to any requirements imposed by the UK Listing Authority in respect of securities admitted to listing, purchase its own shares.

9.9 Redeemable Preference Shares

A brief summary of the rights attaching to the redeemable preference shares of Regus Group (created on 26 September, 2003) are set out below:

- the holders of redeemable preference shares will be entitled to receive an amount equal to the amount paid up on each of the redeemable preference shares they hold in the event of any return of capital to Regus Group Shareholders (otherwise than by a purchase or redemption by Regus Group of its own shares), and the holders of redeemable preference shares will not be entitled to any participation in the profits or assets of Regus Group, other than on such return of capital;
- the holders of redeemable preference shares will be entitled to receive notice of and to attend any general meeting of Regus Group, but will have no right to speak or vote in respect of their holding of redeemable preference shares unless any resolution is considered at such meeting (i) to approve the winding-up of Regus Group or any return of capital (otherwise than by a purchase or redemption by Regus Group of its own shares), or (ii) to directly affect the special rights and privileges attaching to the redeemable preference shares;
- one person entitled to vote on the business to be transacted will be a sufficient quorum for any meeting of the holders of redeemable preference shares;

- at any time, on at least 3 months' written notice, all (but not some only) of the redeemable preference shares may be redeemable at the option of Regus Group;
- in the event of a redemption, the amount to be paid on each redeemable preference share will be equal to the amount credited as paid up on it (calculated to the date of redemption); and
- in the event of a redemption, on delivery of the share certificates or indemnity in respect of any missing share certificates, payment will be made at the registered office of Regus Group, or such other place as specified by Regus Group.

9.10 Directors

(A) *Appointment of Directors*

Directors may be appointed by Regus Group by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and is then eligible for election by Regus Group Shareholders but is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

(B) *Age of Directors*

No person is disqualified from being a Director or is required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age, nor is it necessary to give special notice of a resolution appointing or electing such a Director. If the Board convenes any general meeting at which, to the knowledge of the Board, a Director who is 70 or over will be proposed for appointment or re-appointment, it must give notice of his age in the documents convening the meeting.

(C) *Retirement of Directors by Rotation*

At every annual general meeting, a minimum of one third of the Directors will retire by rotation. The Directors to retire will be those who held office at the time of the preceding annual general meetings and who did not retire at any of them. If the number so retiring is less than the minimum number of Directors required to retire, additional Directors up to that number will also retire. The additional Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. Any Director who is 70 or over at the date of the meeting will also retire.

(D) *Remuneration of Directors*

Each of the non-executive Directors will be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the non-executive Directors will not exceed £750,000 per annum or such higher amount as may from time to time be decided by ordinary resolution. Any Director who is appointed to any executive office will be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any duly authorised committee of the Board may decide, either in addition to or in lieu of his remuneration as a Director. In addition, any Director who performs services which in the opinion of the Board or any duly

authorised committee of the Board go beyond the ordinary duties of a Director, may be paid such extra remuneration as the Board or any duly authorised committee of the Board may determine. Each non-executive Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or duly authorised committees of the Board or of Regus Group or any other meeting which as a Director he is entitled to attend, and will be paid all expenses properly and reasonably incurred by him in the conduct of Regus Group's business or in the discharge of his duties as a Director.

(E) *Pensions and Gratuities for Directors*

The Board or any duly authorised committee of the Board may exercise the powers of Regus Group to provide benefits either by the payment of gratuities or pensions or by insurance or in any other manner for any Director or former Director or his relations, connections or dependants, but no benefits (except those provided for by the Regus Group Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive office or place of profit under Regus Group or any of its subsidiaries or their respective predecessors in business without the approval of an ordinary resolution.

(F) *Permitted Interests of Directors*

Subject to the provisions of the Companies Act, and provided he has declared the nature of his interest to the Board as required by the Companies Act, a Director is not disqualified by his office from contracting with Regus Group in any manner, nor is any contract in which he is interested liable to be avoided, and any Director who is so interested is not liable to account to Regus Group or the Regus Group Shareholders for any benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with Regus Group (except that of auditor) in conjunction with his office of Director and may be paid such extra remuneration for so doing as the Board may decide, either in addition to, or in lieu of, any remuneration provided for by the Regus Group Articles. A Director may also be or become a Director or other officer of, or otherwise be interested in, any company promoted by Regus Group or in which Regus Group may be interested, and will not be liable to account to Regus Group or the Regus Group Shareholders for any benefit received by him.

(G) *Restrictions on Voting*

Except as mentioned below, no Director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he is to his knowledge materially interested and, if he does so, his vote will not be counted. These prohibitions do not apply to a Director in relation to:

- the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of Regus Group or any of its subsidiaries;
- the giving of any guarantee, indemnity or security to a third party in respect of a debt or obligation of Regus Group or any of its subsidiaries which he has himself guaranteed, indemnified or secured in whole or in part;

- the subscription or purchase by him of shares, debentures or other securities of Regus Group or of any of its subsidiaries pursuant to any offer or invitation in which the Director is, or may be entitled to participate as, a holder of securities;
- the underwriting by him of any shares, debentures or other securities of Regus Group or any of its subsidiaries;
- any contract in which he is interested by virtue of his interest in shares or debentures or other securities of Regus Group or by reason of any other interest in or through Regus Group;
- any contract concerning any other company (not being a company in which the Director owns 1 per cent. or more) in which he is interested directly or indirectly;
- any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to both the Directors and employees of Regus Group or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates;
- any contract for the benefit of employees of Regus Group or any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the relevant employees; and
- any contract for the purchase or maintenance for any Director of insurance against any liability.

Subject to the Companies Act, Regus Group may by ordinary resolution suspend or relax the above provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(H) *Borrowing and Other Powers*

Subject to the Memorandum of Association, the Regus Group Articles, the Companies Act and any directions given by Regus Group by special resolution, the business of Regus Group will be managed by the Board who may exercise all of the powers of Regus Group, whether relating to the management of the business of Regus Group or not. In particular, the Board may exercise all of the powers of Regus Group to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Regus Group or of any third party. The Board must restrict the borrowings of Regus Group and exercise all voting and other rights or powers of control exercisable by Regus Group in relation to Regus Group's subsidiaries so as to secure that the aggregate principal amount from time to time outstanding of all borrowings (see below), exclusive of intra-group borrowings, will not, without the previous sanction of an ordinary resolution of Regus Group, exceed an amount equal to three times the adjusted capital and reserves (see below).

For the purposes of the article relating to borrowing powers:

- “the adjusted capital and reserves” means the aggregate from time to time of:

- (a) the amount paid up on the issued share capital of Regus Group;
- (b) the amount standing to the credit of the reserves of Regus Group including any share premium account, capital redemption reserve and credit balance on profit and loss account;

all as shown by the then latest audited balance sheet but after:

- (c) deducting from the aggregate any debit balance on profit and loss account subsisting at the date of that audited balance sheet except to the extent that a deduction has already been made on that account; and
 - (d) making such adjustments as may be appropriate to reflect any variation in the amount of the paid up share capital, share premium account, capital redemption reserve or other reserve since the date of the audited balance sheet; and
- “borrowings” include not only borrowings but also the following except in so far as otherwise taken into account:
 - (a) the nominal amount of any issued and paid up share capital (other than equity share capital) of any subsidiary undertaking beneficially owned otherwise than by a member of the Group;
 - (b) the nominal amount of any other issued and paid up share capital and the principal amount of any debentures or borrowed moneys which is not for the time being beneficially owned by a member of the Group, the redemption or repayment of which is the subject of a guarantee or indemnity by a member of the Group or which any member of the Group may be required to purchase;
 - (c) the outstanding amount raised by acceptances by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the Group;
 - (d) the principal amount of any debenture (whether secured or unsecured) of a member of the Group beneficially owned otherwise than by a member of the Group;
 - (e) any fixed or minimum premium payable by a member of the Group on final repayment of any borrowing or deemed borrowing; and
 - (f) the minority proportion of moneys borrowed by a member of the Group and owing to a partly-owned subsidiary undertaking;

but do not include:-

- (g) borrowings incurred by any member of the Group for the purpose of repaying within six months of the borrowing the whole or any part of any borrowings of that or any other member of the Group for the time being outstanding, pending their application for that purpose within that period;

- (h) borrowings incurred by any member of the Group for the purpose of financing any contract in respect of which any part of the price receivable under the contract by that or any other member of the Group is guaranteed or insured by the Export Credits Guarantee Department or by any other governmental department or agency fulfilling a similar function, up to an amount equal to that part of the price receivable under the contract which is so guaranteed or insured;
- (i) borrowings of, or amounts secured on assets of, an undertaking which became a subsidiary undertaking of Regus Group after the date as at which the latest audited balance sheet was prepared, to the extent their amount does not exceed their amount immediately after it became such a subsidiary undertaking, or
- (j) the minority proportion of moneys borrowed by a partly-owned subsidiary undertaking and not owing to another member of the Group.

(l) *Removal of Directors by special resolution*

Regus Group may by special resolution remove any Director before the expiration of his period of office.

(J) *Members resident abroad*

Any member whose registered address is not within the United Kingdom can give Regus Group a postal address within the United Kingdom at which notices or documents may be served on or, delivered to, him. Alternatively, if the Board agrees, such member can have notices or documents sent to him by electronic communications to an address provided by such member. Otherwise, a member whose registered address is not within the United Kingdom is not entitled to receive any notice or document from Regus Group.

10. Directors' and other interests in Regus Group

10.1 In the event that the Scheme becomes effective, assuming that no further shares in Regus have been purchased or issued (including under the Warrants and the Regus Share Plans) after 12 November, 2003 (the latest practicable date prior to the publication of this document), then the Directors will have the following beneficial interests in Shares by virtue of the effect of the Scheme on their shares in Regus (under the Scheme, shares in Regus will be exchanged for Shares on the basis of one Share for each share in Regus held prior to the Scheme becoming effective):

Beneficial Ownership

Name of Beneficial Owner	Number	Percentage
<i>Directors:</i>		
Mark Dixon ⁽¹⁾	365,329,286	62.44 per cent.
Rudolf Lobo	127,098	0.02 per cent.

John Matthews	359,724	0.05 per cent.
Roger Orf ⁽²⁾	300,000	0.05 per cent.
Martin Robinson	-	-

⁽¹⁾ Mr Dixon's beneficial ownership of Shares is calculated by attributing to him all Shares that, upon the Scheme becoming effective, will be owned by Maxon Investments, an entity in which Mr Dixon holds a 100 per cent. beneficial ownership interest.

⁽²⁾ Mr Orf's beneficial ownership of Shares is calculated by attributing to him all Shares that, upon the Scheme becoming effective, will be owned by Theatre Acquisitions LLC, an entity in which Mr Orf holds a 100 per cent. beneficial interest.

10.2 Immediately following the Rights Issue, assuming that the Scheme becomes effective, no further shares in Regus have been purchased or issued (including under the Warrants and the Regus Share Plans but other than pursuant to the Rights Issue), after 12 November, 2003 (the latest practicable date prior to the publication of this document) the Directors will, assuming that each does not take up any of his entitlement to subscribe, have the following beneficial interests in Shares:

Beneficial Ownership

Name of Beneficial Owner	Number	Percentage
<i>Directors:</i>		
Mark Dixon ⁽¹⁾	365,329,286	46.78 per cent.
Rudolf Lobo	127,098	0.02 per cent.
John Matthews	359,724	0.05 per cent.
Roger Orf ⁽²⁾	300,000	0.04 per cent.
Martin Robinson	-	-

⁽¹⁾ Mr Dixon's beneficial ownership of Shares is calculated by attributing to him all Shares that will be owned by Maxon Investments, an entity in which Mr Dixon holds a 100 per cent. beneficial ownership interest.

⁽²⁾ Mr Orf's beneficial ownership of Shares is calculated by attributing to him all Shares that will be owned by Theatre Acquisitions LLC, an entity in which Mr Orf holds a 100 per cent. beneficial interest.

10.3 In addition to the Directors' interests in 366,116,108 shares in Regus (which will become interests in Shares upon the Scheme becoming effective) as detailed in paragraph 10.1 of this Part VII above, Rudolf Lobo also has options to acquire shares in Regus as at the date referred to in paragraph 10.1 of this Part VII above as a result of his participation in the Global Plan. As at 12 November, 2003 (the latest practicable date prior to the publication of this document) Rudolf Lobo's interests were as follows:

	Option Type	31 December 2002	Granted during 2003	Lapsed during 2003	12 November 2003	Exercise price (pence)	Date from which exercisable	Expiry date
Rudolf Lobo	A	266,179	-	-	127,098	5.0	01/03	12/09
	A	283,503	-	-	283,503	145.5	01/03	12/09
	B	11,570,000	-	-	11,570,000	0.3	12/03	-
	C	4,003	-	4,003	-	242.0	01/04	04/04

A Awarded under the Team Plan for nil consideration.

B Awarded by Maxon Investments pursuant to an agreement dated 17 September, 1999 recording the terms of an agreement entered into on 11 November, 1992 between Rudolf Lobo and Maxon Investments, as amended on 30 June, 2000. These shares are currently held by HSBC Trustees (Jersey) Limited and will not be capable of exercise before 31 December, 2003 other than in defined circumstances (which include the discretion of Maxon Investments and the Scheme becoming effective). The shares subject to the option are transferable to Rudolf Lobo upon payment to Maxon Investments of an exercise price of £45,000, which is equivalent to the market value of the relevant shares at the time the parties entered into the option arrangements.

C Awarded under the Sharesave Plan, the maximum monthly contribution for which may not exceed the amount permitted by the Income and Corporation Taxes Act 1988.

All grants are subject to performance targets.

10.4 The options referred to in paragraph 10.3 of this Part VII above will become exercisable upon the Scheme becoming effective. If the options are not exercised on the date on which the Scheme becomes effective, they will lapse. If Mr. Lobo exercises his options then his interest in Shares upon the Scheme becoming effective will increase.

10.5 The interests referred to in paragraphs 10.1 and 10.3 of this Part VII above are all of the interests of the Directors as at 12 November, 2003 (the latest practicable date

prior to the publication of this document) which (a) have been notified by each Director to Regus pursuant to section 324 or section 328 of the Companies Act before 12 November, 2003 ; or (b) are required pursuant to section 325 of the Companies Act to be entered into the register of Directors' interests maintained under that section; or (c) are interests of a connected person (within the meaning of section 346 of the Companies Act) of a Director which would, if the connected person were a Director, be required to be disclosed under such sections of the Companies Act, and the existence of which is known to or could with reasonable diligence be ascertained by that Director. Upon the Scheme becoming effective, all interests of Directors in shares in Regus will be exchanged for interests in Shares. Accordingly, the Directors' disclosure under paragraphs 10.1 and 10.3 of this Part VII above will apply equally to those Directors' interests in Regus immediately prior to the Scheme becoming effective, and to those Directors' interests in Regus Group upon the Scheme becoming effective (but prior to any Directors exercising any options which they may be entitled to exercise as a result of the Scheme becoming effective).

- 10.6 Insofar as is known to Regus Group, the following persons will, immediately upon the Scheme becoming effective (assuming that no Warrants and options under the Regus Share Plans are exercised after the date of this document), be directly or indirectly, interested in three per cent. or more of the issued share capital of Regus Group (on the basis of their disclosed existing holdings of shares in Regus as at 12 November, 2003 (being the latest practicable date prior to the publication of this document)).

Shareholder	No. of issued Shares held on the date hereof	per cent. of issued share capital
Paramount Nominees Limited ⁽¹⁾	365,329,286	62.44 per cent.
HSBC Trustee (Jersey) Limited ⁽²⁾	18,140,000	3.1 per cent.
Cantor Fitzgerald Europe ⁽³⁾	114,376,800	19.55 per cent.
GNI Limited	33,163,556	5.67 per cent.

(1) *The beneficiary is Maxon Investments. Mark Dixon owns 100 per cent. interest in Maxon Investments.*

(2) *All these shares were transferred from Maxon Investments to HSBC Trustee (Jersey) Limited in respect of the option over 11,570,000 shares granted to Rudolf Lobo and the option over 11,570,000 shares (of which 5,000,000 have been exercised) granted to Robert Gaudreau. These options are also disclosed in the beneficial ownership of shares of Rudolf Lobo and the beneficial ownership of shares of all Directors and executive officers as a group.*

(3) *It is understood that some of these shares are subject to a contract for difference with Indigo Capital, LLC.*

In each case, save as disclosed above, the Directors are not aware of any person who is or will be immediately following the Scheme becoming effective, directly or indirectly, interested in three per cent. or more of the issued share capital of Regus Group. The Directors are not aware of any person other than Maxon Investments or Mark Dixon who can, will or could, directly or indirectly, jointly or severally, exercise control over Regus Group.

- 10.7 Insofar as is known to Regus Group, the following persons will, immediately after the Rights Issue (assuming that no Warrants and options under the Regus Share Plans are exercised after the date of this document and without regard to the placing arrangements described in paragraph 13 below) and assuming that each does not take up any of the rights offered to it under the Rights Issue, be directly or indirectly, interested in three per cent. or more of the issued share capital of Regus Group (on the basis of their disclosed existing holdings of shares in Regus as at 12 November, 2003 (being the latest practicable date prior to the publication of this document)).

Shareholder	No. of issued Shares held immediately following the Rights Issue	per cent. of issued share capital
Paramount Nominees Limited ⁽¹⁾	365,329,286	46.78 per cent.
HSBC Trustee (Jersey) Limited ⁽²⁾	18,140,000	2.32 per cent.
Cantor Fitzgerald Europe ⁽³⁾	114,376,800	14.65 per cent.
GNI Limited	33,163,556	4.25 per cent.

(1) *The beneficiary is Maxon Investments. Mark Dixon owns 100 per cent. interest in Maxon Investments.*

(2) *All these shares were transferred from Maxon Investments to HSBC Trustee (Jersey) Limited in respect of the option over 11,570,000 shares granted to Rudolf Lobo and the option over 11,570,000 shares (of which 5,000,000 have been exercised) granted to Robert Gaudreau. These options are also disclosed in the beneficial ownership of shares of Rudolf Lobo and the beneficial ownership of shares of all Directors and executive officers as a group.*

(3) *It is understood that some of these shares are subject to a contract for difference with Indigo Capital, LLC.*

In each case, save as disclosed above, the Directors are not aware of any person who is or will be immediately following the Rights Issue becoming effective, directly or indirectly, interested in three per cent. or more of the issued share capital of Regus Group. The Directors are not aware of any person other than Maxon Investments or Mark Dixon who can, will or could, directly or indirectly, jointly or severally, exercise control over Regus Group.

- 10.8 No loans or guarantees have been granted or provided to, or for the benefit of, any of the Directors by any member of the Group.
- 10.9 No Director has or has had an interest in any transactions which are or were unusual in their nature and conditions or significant to the business of the Group, and which were effected by Regus or Regus Group (i) during the period from 1 January, 2003 to the date of this document and during the year ended 31 December, 2002; (ii) during an earlier financial year and remain in any respect outstanding or unperformed.

11. Warrants

On 14 February, 2002 Regus issued 5,000,000 warrants to subscribe for shares in Regus at 5 pence per share. As at 12 November, 2003 (being the latest practicable date prior to the publication of this document), 2,500,000 of the Warrants remain unexercised. All of the outstanding Warrants are registered in the name of Leonardo LP. The price at which the Warrants are exercisable is 5 pence per share. The options can be exercised at any time until (and including) 13 February, 2005. The Warrants were created under a deed poll dated 14 February, 2002.

Under the instrument under which the Warrants were created, Regus is under an obligation, upon the Scheme becoming effective, to secure a written agreement from Regus Group to deliver to the holders of Warrants in exchange for their Warrants, a written instrument substantially in similar form and substance to the Warrants which provides equivalent economic benefits to those available to Warrant Holders under the Warrants. In the event that the Warrants are not exercised prior to the date upon which the Scheme becomes effective, Regus Group will provide the Warrant Holders with new warrants to acquire Shares on the terms and conditions applicable to the Warrants under the Warrant Instrument.

Under the terms of the Warrants Instrument, in the event that the Company makes an offer of rights to subscribe (such as a rights issue) pro-rata to ordinary shareholders, the Warrant Holders are be entitled to acquire the rights which such Warrant Holders could have acquired if they had held the number of shares acquirable upon exercise in full of their Warrants (without taking into account any limitations or restrictions on the exercise of the Warrants). The Company has therefore determined to extend the Rights Issue to the Warrant Holders on the terms contemplated by this document.

12. Directors' Service Agreements and Emoluments

The following Directors have entered into service agreements with the Group, the main terms of which are described below.

- 12.1 Mark Dixon and Rudolf Lobo entered into full-time, rolling service agreements with Regus Management Limited as of 1 July, 2000. These agreements are terminable by either party by giving 12 months' notice, or automatically when the relevant Director reaches the age of 65.
- 12.2 All executive Directors are employed on full-time contracts. Mark Dixon's contract provides for a salary of £395,000 and Rudolf Lobo's contract provides for a salary of £165,000. In addition, each contract provides for a bonus of up to 40 per cent. of basic salary, which is payable provided the budget targets for the relevant financial year are achieved. These Directors are also each entitled to the payment of a sum

equal to 7 per cent. of salary per annum into a personal pension scheme, a company car or equivalent allowance, annual leave of 25 days, private medical insurance for the Director and his immediate family and life insurance. The executive Directors participate in Regus' Money Purchase (Personal Pension) Scheme.

- 12.3 All executive Directors are subject to post-termination restrictions providing for non-competition, non-solicitation of customers and non-solicitation of senior employees for 12 months after the termination of their employment.
- 12.4 Save as set out above, there are no service agreements existing between any of the executive Directors and Regus Group, Regus or any of its subsidiaries.
- 12.5 If the Scheme becomes effective, the executive Directors referred to above, will continue to be employed by Regus Management Limited on the terms as described above and no new service contract will be entered into with Regus Group.
- 12.6 The total aggregate of the remuneration paid and benefits in kind granted to the Directors (at the time when they were directors of Regus, including Stephen Stamp, a former director of Regus) by members of the Group during the year ended 31 December, 2002 was £464,700 in salaries, £0 in bonuses, £49,100 for benefits in kind and £52,200 in pension contributions. Benefits in kind include car allowance, reimbursement of petrol costs and private medical insurance. The aggregate estimated amount payable to the executive Directors (including Stephen Stamp, a former director of Regus) by the members of the Group for the current financial year under arrangements in force at the date of this document is £701,000. This figure includes pension contributions but excludes any bonus which may be payable. The total aggregate bonus which could be paid under arrangements in force at the date of this document will not exceed £250,000. In addition, the executive Directors have entitlements to restricted shares which are accounted for as emoluments.
- 12.7 John Matthews, Roger Orf and Martin Robinson are non-executive Directors and were appointed as directors of Regus pursuant to letters of appointment dated 1 July, 2002, 29 August, 2000 and 7 August, 2002 respectively (as amended by letters dated 28 November, 2002). If the Scheme becomes effective, letters of appointment in the same terms as the letters of appointment issued by Regus (and currently in place) will be issued by Regus Group to the non-executive directors referred to in this paragraph 12.7 of Part VII. As at 12 November, 2003 John Matthews, Roger Orf and Martin Robinson have been appointed as directors of Regus for a period of three years terminable on six months' notice by Regus or the directors. John Matthews' existing letter of appointment provides for an annual fee of £90,000, Roger Orf's £25,000 and Martin Robinson's £25,000. The fees payable by the Group (exclusive of VAT) for the services of these non-executive directors for the year ended 31 December, 2002 were £44,770 and the aggregate estimated fees payable to these non-executive directors by the Group (exclusive of VAT) for the current financial year under arrangements in force at the date of this document are £140,000.
- 12.8 There is no arrangement in place under which any Director has agreed to waive future emoluments. During the financial year immediately preceding the date of this document, the following contractual emoluments were irrevocably waived by the directors of Regus:

Directors	Amount Waived (£)
Mark Dixon	270,000
Stephen Stamp*	35,000
Rudolf Lobo	20,000
John Matthews	29,375
Roger Orf	5,937
Martin Robinson	2,490
George Gray*	40,000

* *Former director of Regus*

13. Underwriting Arrangements

Pursuant to the Underwriting Agreement between the Company and the Underwriter, the Underwriter has agreed to procure subscribers for, failing which itself to subscribe, all of the Shares not taken up under the Rights Issue. In consideration of such services under the Underwriting Agreement, the Underwriter will be paid a commission equal to approximately 2.75% of the aggregate value at the Issue Price of the maximum number of Shares offered pursuant to the Rights Issue. This commission includes any fees payable by the Company to the Underwriter in connection with the conditional firm placing arrangements described in this document. The Underwriter intends to enter into certain sub-underwriting arrangements in respect of all of the Shares offered pursuant to the Rights Issue. Due to the size of the Rights Issue, the sub-underwriting will not be offered to tender. Out of the commissions payable by the Company to the Underwriter, the Underwriter will pay any sub-underwriting commissions.

The Underwriting Agreement, which contains certain warranties and indemnities by the Company in favour of the Underwriter that are usual for an agreement of this type, is conditional upon, inter alia:

- (i) the Scheme becoming effective by not later than 8.00 a.m on 1 December 2003 (or such later time and/or date as the Company and the Underwriter may agree);
- (ii) the Confirmation Order becoming a Final Order by not later than 5.00 p.m on 4 December 2003 (or such later time and/or date as the Company and the Underwriter may agree); and
- (iii) Admission of the Shares offered pursuant to the Rights Issue becoming effective.

The Underwriter may terminate the Underwriting Agreement up to the time of Admission of the Shares offered pursuant to the Rights Issue if:

- (i) there has been a breach by the Company of the provisions of the Underwriting Agreement which is material in the context of the Rights Issue;

- (ii) there is a disruption in commercial settlement activities or an outbreak of war or hostilities that is material in the context of the Rights Issue; or
- (iii) the information in this document was untrue, inaccurate or misleading or omitted any information, which in either case is material in the context of the Rights Issue.

Certain Regus Shareholders (including Maxon Investments) have undertaken to the Company and the Underwriter not to take up rights pursuant to the Rights Issue. The Shares the subject of these undertakings amount to in aggregate 153,949,164 Shares. The Underwriter has agreed with the Company in the Underwriting Agreement that it will procure placees at the Issue Price for the Shares the subject of these undertakings by the end of the Rights Issue offer period. As at the date of this document, the Underwriter has placed on behalf of the Company all of the Shares the subject of these undertakings on a conditional firm basis at the Issue Price with certain institutional investors. These conditional firm placing arrangements are conditional upon the fulfilment (or waiver by the Underwriter) of the conditions to the Underwriting Agreement.

14. Taxation

(a) United Kingdom Tax Considerations

The following discussion describes certain UK taxation consequences of the ownership and disposition of Shares and the rights to acquire Shares by UK holders. The discussion is intended as a general guide only and is based on current UK legislation and UK Inland Revenue practice as at the date of this document. Except where the position of non-UK resident Shareholders is expressly referred to, these comments deal only with the position of Shareholders who are resident in the UK for tax purposes, who are the beneficial owners of their Shares and who hold their Shares as an investment. They do not deal with the position of certain classes of Shareholder who are subject to special rules, such as dealers in securities.

(i) United Kingdom Taxation of Dividends

Under current UK legislation, the Company is not required to withhold any amounts in respect of tax from dividend payments it makes.

UK Resident Shareholders

(a) Individuals

An individual Shareholder who is resident in the UK for UK tax purposes will be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the gross dividend, which is the aggregate of the dividend received and related tax credit. The value of the tax credit will be equal to one-ninth of the dividend received (and therefore 10 per cent. of the gross dividend). The gross dividend will be treated as the top slice of an individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend falls above the threshold for the higher rate of income tax. A UK resident individual Shareholder who is liable to income tax at the higher rate will be subject to tax at the rate applicable to dividends for such Shareholders (currently 32.5 per cent.) on the gross dividend. The tax credit will be set against but will not fully discharge such Shareholder's tax liability on the gross dividend and he will have to

pay additional tax equal to 22.5 per cent. of the gross dividend, to the extent such sum, when treated as the top slice of income, falls above the threshold for the higher rate of income tax.

So, for example a dividend of £80 will carry a tax credit of £8.89, which is one-ninth of £80. To the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax, the additional income tax payable on the dividend by an individual liable to income tax at the higher rate will be a net tax charge of £20 at current rates of tax, being 32.5 per cent. of £88.89 (i.e. the dividend of £80 plus tax credit of £8.89) namely £28.89 less the tax credit of £8.89. There will be no payment of the tax credit or any part of it to an individual whose liability to income tax on the dividend and the related tax credit is less than the tax credit, except where the individual holds the relevant Shares through a personal equity plan or individual savings account and the dividend is received into such account or plan on or before 5 April, 2004.

(b) Companies

A corporate Shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate Shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

(c) Pension Funds and Charities

UK resident Shareholders which are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to reclaim the tax credits in respect of dividends, although charities will be entitled to a payment by the Inland Revenue of a specified proportion of any dividend paid by the Company to the charities on or before 5 April, 2004, that proportion declining on a year by year basis.

Non-UK Resident Shareholders

A Shareholder who is not resident in the UK for tax purposes will not generally be entitled to claim any part of the tax credit. A Shareholder who is not resident in the UK for UK tax purposes should consult his own tax adviser concerning his tax liabilities on dividends received.

(ii) **United Kingdom Taxation on Chargeable Gains**

UK Resident Shareholders

Although it is not free from doubt, it is thought that for the purpose of UK taxation of chargeable gains, the issue of the Shares will be regarded as a reorganisation of the share capital of the Company.

Accordingly, a Shareholder will not be treated as making a disposal of his corresponding holding of Existing Shares to the extent he takes up his rights to Shares. No immediate liability to UK taxation of chargeable gains in respect of the Shares should arise if he takes up his entitlement to Shares in full. Instead the Shares issued pursuant to the Rights Issue will be treated as the same asset as, and as having been acquired at the same time as, the Existing Shares. The subscription money for the Shares issued pursuant to the Rights Issue will be added to the base cost for a Shareholder's existing holding.

In the case of a Shareholder within the charge to corporation tax, indexation allowance will apply to the amount paid for the Shares issued pursuant to the Rights Issue only from,

generally, the date the money for the Shares is paid or is liable to be paid, not from the time the original holding was acquired.

In the case of other Shareholders, indexation allowance will not be given for any month after April 1998. Accordingly, for such a Shareholder, indexation allowance on his original holding of Shares will be given for months up to April 1998, but not after that, and indexation allowance will not be given in respect of amounts paid for the Shares issued pursuant to the Rights Issue. Instead, indexation allowance has been replaced by a taper relief which will reduce the amount of any chargeable gain realised on a subsequent disposal of an individual's shareholding according to how long the Shares have been held since 6 April 1998 or since the Shares were acquired, whichever is the later.

A disposal (or deemed disposal) of Shares or rights to subscribe for Shares, or the allowing or deemed allowance of the rights to lapse (in return for a payment of cash) by a Shareholder resident or (in the case of an individual) ordinarily resident for tax purposes in the UK or who carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment to which the Shares are attributable may, depending on the Shareholder's particular circumstances, and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains.

If the proceeds resulting from the disposal or lapse of rights to acquire Shares are "small" compared with the value of the Shares in respect of which the rights arose, a Shareholder should not normally be treated as making a disposal for the purposes of UK taxation of chargeable gains, no immediate liability to chargeable gains will arise and the proceeds will be deducted from the base cost of his existing holding for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. The Inland Revenue currently regard a receipt as "small" if its amount or value is 5 per cent. or less of the market value (on the date of disposal or lapse) of the Shares in respect of which the entitlement to the receipt arose, or if its amount or value is £3,000 or less, regardless of whether or not it is more than 5 per cent. of the market value (on the date of disposal or lapse) of the Shares in respect of which the rights arose.

Shareholders Temporarily Non-Resident in the UK

A Shareholder who has, on or after 17 March, 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five complete years of assessment and who disposes of Shares during that period may be liable, on his return, to UK taxation on chargeable gains arising during his period of absence, subject to any available exemption or relief.

Non-UK Resident Shareholders

Subject to the provisions set out above in relation to temporary non-residents, Shareholders who are neither resident nor ordinarily resident for tax purposes in the UK will not be liable to UK tax on chargeable gains realised on the disposal of their Shares or rights to subscribe for Shares, or the allowance or deemed allowance of the rights to lapse (in return for a payment of cash) unless the Shareholder carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired the Shares or rights to acquire the Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment.

(iii) Stamp Duty and Stamp Duty Reserve Tax

Subject to the points in the following paragraphs, no stamp duty or stamp duty reserve tax will generally be payable on the issue of PALs or split letters of allotment or on the issue of definitive share certificates in respect of the Shares or the crediting of Nil Paid Rights to accounts in CREST. Where Shares represented by such documents or rights are registered in the name of the original shareholder entitled to such Shares or Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or stamp duty reserve tax will arise.

The purchaser of rights to Shares represented by PALs or split letters of allotment (whether nil paid or fully paid) or Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay stamp duty reserve tax at the rate of 0.5 per cent. of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary that person will normally account to the Inland Revenue for the stamp duty reserve tax and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the Shares represented by PALs or a split letter of allotment or Nil Paid Rights or Fully Paid Rights is liable to pay the stamp duty reserve tax and must account for it to the Inland Revenue. No stamp duty or stamp duty reserve tax will be payable on the registration of PALs or split letters of allotment or Nil Paid Rights, whether by the original holder or his renounee.

Any dealings in Shares after the latest time for registration of renunciation of PALs fully paid will be subject to stamp duty or stamp duty reserve tax in the normal way.

A conveyance or transfer on sale of Shares, other than to a depositary or clearance service (or their nominees or agents) will usually attract ad valorem UK stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, rounded up if necessary to the nearest multiple of £5. An unconditional agreement to transfer Shares other than to a depositary or clearance service (or their nominees or agents) will generally give rise to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer. However, if within six years of the date of the agreement, or, if the agreement was conditional, the date the agreement became unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, then the charge to stamp duty reserve tax will be cancelled or, where the stamp duty reserve tax charge has been paid, the stamp duty reserve tax will, provided that a claim for repayment is made, be repaid.

A charge to stamp duty or stamp duty reserve tax may arise on the issue or transfer of Shares to an issuer of depositary receipts or to persons providing a clearance service (or their nominees or agents). The rate of stamp duty or stamp duty reserve tax will generally be 1.5 per cent. of (a) in the case of an issue of Shares, the issue price of the Shares concerned, or (b) in the case of a transfer of Shares, the value of the consideration or, in some circumstances, the open market value of the Shares concerned, in the case of stamp duty rounded up if necessary to the nearest multiple of £5. Clearance services may opt, under certain conditions, for the normal rates of stamp duty reserve tax to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate applying to the issue or transfer of shares into the clearance service.

Paperless transfers of Shares within CREST are generally liable to stamp duty reserve tax, rather than stamp duty. CREST is obliged to collect stamp duty reserve tax on relevant transactions

settled within the system. Deposits of Shares into CREST generally will not be subject to stamp duty or, unless the transfer into CREST itself is for consideration, to stamp duty reserve tax.

Stamp duty reserve tax will generally be the liability of the purchaser of Shares and stamp duty will normally be paid by the purchaser.

Special rules apply to market intermediaries and to some sale and repurchase and stock borrowing arrangements.

The above comments are intended as a general guide to the current stamp duty and stamp duty reserve tax position. Certain categories of person are not liable to stamp duty and stamp duty reserve tax and others may be liable at a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it. If you are in any doubt as to your tax position or if you require more detailed information than that outlined above you should consult an appropriate professional adviser immediately.

(b) Netherlands Taxation

This taxation summary solely addresses the principal Netherlands tax consequences of the ownership and disposition of Shares and the exercise or disposition of rights to acquire Shares by residents of the Netherlands.

This summary does not discuss every aspect of taxation that may be relevant to a particular holder of Shares and/or rights to Shares under special circumstances or who is subject to special treatment under applicable law. The laws upon which this summary is based are subject to change, possibly with retroactive effect. A change to such laws may invalidate all or part of this summary, which will not be updated to reflect changes in laws. This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this document. It assumes that each transaction with respect to Shares and rights to Shares is at arm's length.

This is a general summary and the tax consequences as described here may not apply to you. You should consult your own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Shares and the exercise or disposition of your rights to Shares in light of your particular circumstances.

Taxes on Income and Capital Gains

The summary of certain Netherlands taxes set out in this section only applies to a holder of Shares who is a "Netherlands Individual" or a "Netherlands Corporate Entity."

Netherlands Individuals

For purposes of this section, a person is a "Netherlands Individual" if:

- (1) he is an individual;
- (2) he is resident, or deemed to be resident, in the Netherlands for Netherlands income tax purposes, or has elected to be treated as a resident of the Netherlands for Netherlands income tax purposes;

- (3) he neither is, nor has been, nor is deemed to be, nor has been deemed to be an employee of the Company nor of any entity related to the Company;
- (4) his Shares and/or rights to Shares do not form part of and are not deemed to form part of a substantial interest (*aanmerkelijk belang*) in the Company; and
- (5) any benefits derived from his Shares and/or right to Shares do not constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*).

If a holder of Shares and/or rights to Shares is an individual and meets the second test, but does not meet the third and/or the fourth and/or the fifth of these tests, his Netherlands tax position is not discussed in this offering memorandum.

If an individual holds an interest in the Company, such interest forms part, or is deemed to form part, of a substantial interest in the Company if any one or more of the following circumstances is present:

1. such individual alone or together with his partner (which term when used in this section shall mean partner as defined by the laws of the Netherlands) has, directly or indirectly, the ownership of shares representing 5% or more of the total issued and outstanding capital of the Company (or the issued and outstanding capital of any class of shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, that represent 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or the ownership of profit participating certificates (*winstbewijzen*) that relate to 5% or more of the annual profit or to 5% or more of the liquidation proceeds of the Company; or
2. the partner of such individual or any of the relatives by blood or by marriage in the direct line (including foster-children) of such individual or of his partner has a substantial interest in the Company; or
3. shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Company have been acquired or are deemed to have been acquired by such individual under a non-recognition provision.

For purposes of the above, a person who is only entitled to the benefits from shares or profit participating certificates (for instance, a holder of a right of the usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to benefits is considered a share or a profit participating certificate, as the case may be.

A Netherlands Individual may, *inter alia*, derive benefits from Shares and/or rights to Shares that are taxable as benefits from miscellaneous activities in the following circumstances:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if he makes Shares or rights to Shares available or is deemed to make Shares or rights to Shares available, legally or in fact, directly or indirectly, to certain parties as

described in articles 3.91 and 3.92 of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) under circumstances described there.

Netherlands Corporate Entities

For purposes of this section, a person is a "Netherlands Corporate Entity" if:

- it is a corporate entity (including an association that is taxable as a corporate entity) that is subject to Netherlands corporate income tax;
- it is resident, or deemed to be resident, in the Netherlands for Netherlands corporation tax purposes;
- it is not an entity that, although in principle subject to Netherlands corporation tax, is specifically exempt from that tax;
- the benefits derived from Shares held by it are not exempt under the participation exemption (as laid down in the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*)); and
- it is not an investment institution (*beleggingsinstelling*) as defined in the Netherlands Corporate Income Tax Act 1969.

If a holder of Shares and/or rights to Shares is not an individual and if it does not meet any one or more of these tests, with the exception of the second test, its Netherlands tax position is not discussed in this section.

Netherlands Individuals deriving profits or deemed to be deriving profits from an enterprise and Netherlands Corporate Entities

Any benefits derived or deemed to be derived from Shares and/or rights to Shares (including any capital gains realised on the disposal thereof) by a Netherlands Individual that are attributable to an enterprise from which such a Netherlands Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise (other than as an entrepreneur or a shareholder), are generally subject to Netherlands income tax at progressive rates. Any benefits derived or deemed to be derived from Shares and/or rights to Shares (including any capital gains realised on the disposal thereof) that are held by a Netherlands Corporate Entity are generally subject to Netherlands corporation tax.

If a Netherlands Corporate Entity or a Netherlands Individual who falls within the previous paragraph takes up its or his rights to Shares in full, no immediate liability will arise to Netherlands corporation tax or income tax, as the case may be. The base cost of the Shares acquired pursuant to the Rights Issue will be equal to the sum of (a) the subscription money paid and (b) the fair market value of rights to Shares at the time such rights were awarded. The base cost of the Existing Shares will be reduced by the fair market value of the rights to Shares.

If a Netherlands Corporate Entity or such a Netherlands Individual realises a gain on disposal of all or some of its or his rights to Shares, such gain will in principle at that time be subject to Netherlands corporation tax or income tax, as the case may be. The gain is determined as the

sales proceeds received for the rights to Shares less the fair market value of such rights to Shares at the time they were awarded. In exceptional cases the recognition of the gain on disposal of rights to Shares may be deferred. In such cases the gain will reduce the base cost of the Existing Shares.

Netherlands Individuals not deriving profits and not deemed to be deriving profits from an enterprise

If a holder of Shares and/or rights to Shares is a Netherlands Individual whose situation has not been discussed above, the benefit from his Shares and/or rights to Shares will be taxed as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4% per annum of the average of his "yield basis" (*rendementsgrondslag*) at the beginning and at the end of the year, insofar as that average exceeds the "exempt net asset amount" (*heffingvrij vermogen*). The benefit is taxed at the rate of 30%. The value of the Shares and the value of rights to Shares form part of his yield basis. Actual benefits derived from his Shares or his right to Shares, including any capital gains realised on the disposal thereof, are not as such subject to Netherlands income tax.

Credit for withholding taxes

If a Netherlands Individual or a Netherlands Corporate Entity derives benefits from Shares as meant in article 10 of the Convention between the government of the United Kingdom of Great Britain and Northern Ireland and the government of the Kingdom of the Netherlands for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains (the "UK-Netherlands Double Tax Treaty"), the Netherlands income tax or corporation tax liability in respect of such benefit may be reduced by the amount of tax paid in the UK on such benefits, subject to the restrictions set out in article 22(2)(c) of the UK-Netherlands Double Tax Treaty.

Gift and inheritance taxes

A person who acquires Shares or rights to Shares as a gift, in form or in substance, or who acquires or is deemed to acquire Shares or rights to Shares on the death of an individual, will not be subject to Netherlands gift tax or to Netherlands inheritance tax, as the case may be, unless:

- (i) the donor is or the deceased was resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax, as the case may be; or
- (ii) the Shares or rights to Shares are or were attributable to an enterprise or part of an enterprise that the donor or the deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or
- (iii) the donor made a gift of Shares or rights to Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days after the date of the gift.

Other taxes

No Netherlands registration tax, capital tax, transfer tax, stamp duty or any other similar tax or duty will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of Shares or rights to Shares.

If you are in any doubt as to your tax position or if you require more detailed information than that outlined above, you should consult an appropriate professional adviser immediately.

15 Material Contracts

The contracts referred to below (not being contracts entered into in the ordinary course of business) are, in addition to the Underwriting Agreement described in paragraph 13 of this Part VII above, all of the contracts which have been entered into by the Group within the two years immediately preceding the date of this document that are, or may be, material. There are no other contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Group at any time and which contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group at the date of this document.

On 20 December, 2002, the Group entered into an agreement for the sale of 58 per cent. of its UK business to Rex 2002 Limited, a company which is beneficially owned by Alchemy Partners. Rex 2002 Limited agreed to subscribe £16.3 million for new shares in Regus Holdings (UK) Limited and paid immediate cash consideration of £25.6 million for existing shares in the UK business. Regus simultaneously repaid a £10.5 million loan from the UK business, leaving the Group with net cash from the transaction of £15.1 million. In addition, deferred consideration is receivable by Regus in two tranches in respect of the sale of existing shares in the UK business: the first tranche of up to £10 million (\$16.1 million) is dependent on the EBITDA for the year ended 31 December, 2002 and net liabilities and net cash at 31 December, 2002 of the UK business meeting certain parameters; and a second tranche equivalent to 70 per cent. of the amount by which EBITDA for the year ended 31 December, 2003 exceeds £29 million. So far £10 million has been received in connection with the first tranche of deferred consideration.

A brief summary of all of the principal terms (including those relating to warranties and indemnities) of the material contracts relating to this transaction are as follows:

15.1 Share Purchase and Subscription Agreement

On 20 December, 2002, Rex 2002 Limited entered into a share purchase and subscription agreement pursuant to which it agreed to subscribe for 59,777 new shares in Regus Holdings (UK) Limited and acquire 148,893 existing shares in Regus Holdings (UK) Limited from Regus Management Limited, representing in aggregate a 58 per cent. interest in the share capital of Regus Holdings (UK) Limited. The other parties to the agreement were Regus Holdings (UK) Limited, Regus Management Limited and Regus plc.

Under the agreement Regus Management Limited gave certain warranties to Rex 2002 Limited which are customary in contracts of this nature. Regus Management Limited's liability under the warranties is subject to certain limitations, notably that (i) the warranties (other than in relation to tax which expire on 31 December, 2009) expire on 31 December, 2004, (ii)

Regus Management Limited's maximum liability under the warranties is capped at an amount equal to the total consideration payable by Rex 2002 Limited under the agreement, and (iii) no claims may be brought against Regus Management Limited unless all claims under the warranties exceed £750,000 in aggregate (but in which case Rex 2002 Limited will be entitled to recover all of its damages).

Regus is the guarantor in respect of the obligations of the UK business under a number of leases. Regus retained its full liability under these guarantees despite the fact that under this transaction, Regus effectively disposed of 58 per cent. of the UK business to Rex 2002 Limited. However, at the same time as this transaction was concluded, Rex 2002 Limited provided Regus with a counter-indemnity under which it has agreed to indemnify Regus in respect of 58 per cent. of any liability that Regus may incur under these guarantees (insofar as they relate to the UK business).

Regus agreed to guarantee the obligations of Regus Management Limited under the agreement.

Regus Management Limited also provided Rex 2002 Limited with a tax indemnity which is customary in transactions of this type.

15.2 Shareholders Agreement for Regus Holdings (UK) Limited

This agreement was entered into on 30 December, 2002 by the shareholders of Regus (UK) Holdings Limited (Rex 2002 Limited, Regus Management Limited and B.V.) and by Regus plc.

The agreement provides that the business of Regus Holdings (UK) Limited will be to conduct for itself, or by means of investment in other entities, a serviced commercial offices business in the United Kingdom under the Regus brand.

15.3 Brand Agreement

Under this agreement, the UK business receives an exclusive licence from the remaining Group of the Regus trade marks and a licence to use the distinctive business format and methods developed and implemented by the Group in connection with their world-wide serviced commercial offices business for the purpose of owning and operating serviced commercial offices in the United Kingdom under the Regus brand.

The agreement sets out various conditions and restrictions relating to the use by the UK business of the Regus trade marks and the Regus business format and methods. It also contains non-compete provisions to protect such intellectual property rights.

15.4 Services Agreement

Under this agreement, the remaining Group and the UK business agreed to provide each other with those services which were provided by each to the other as at completion of the share purchase and subscription agreement (i.e. 30 December, 2002). Most of the services are to be provided for a minimum period of 2 years. Some IT services provided by the remaining Group to the UK business are terminable thereafter on six months' notice. All other services are terminable thereafter on three months' notice. There is a procedure which the parties must follow if they wish to change the content of the services provided.

15.5 Dividend Policy

Regus has not paid or declared any dividends on the shares in Regus since the initial public offering in respect of the Shares in October, 2000. Notwithstanding the Rights Issue, Regus Group currently expects to retain future earnings, if any, to finance the growth and development of its business. Therefore, notwithstanding the Rights Issue, Regus Group does not anticipate paying cash or other dividends on Shares in the foreseeable future. Any decision by the Directors to recommend the payment of a dividend in the future will reflect cash flow and desired capital structure as well as future growth opportunities.

Any payment of dividends will be subject to the Companies Act, which requires that all dividends are approved or recommended by the Directors and, in some cases, Regus Group Shareholders. Regus Group may pay dividends on Shares only out of cumulative profits available for distribution determined in accordance with the Companies Act and UK GAAP. At 31 December, 2002, Regus had an accumulated deficit of cumulative profits of £309,414,000. Upon the Scheme becoming effective it is expected that the accumulated deficit of cumulative profits will be reduced to approximately £3 million.

16. Litigation

Save for the Chapter 11 Cases (details of which are set out in more detail in paragraph 2 of Part IV, and the disputes relating to the leases which have been rejected during the course of the Chapter 11 Cases (details of which are set out in paragraph 2 of Part IV “Background: The Chapter 11 process and the current state of affairs”) no member of the Group is, or has been, involved in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Group which may have, or have had within the 12 months prior to the date of this document, a significant effect on the Group's financial position.

17. Working Capital

The Directors are of the opinion that, taking into account the net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements, that is for the next twelve months from the date of this document.

18. Directors and Senior Management

18.1 The following table shows in respect of each of the Directors the names of all companies and partnerships outside the Group of which he has, at any time in the five years prior to the date of this document, been a director or partner, as appropriate (excluding subsidiaries of any such companies). Neither John Mylnski nor Robert Gaudreau, the senior managers of Regus Group, are directors or partners of any companies or partnerships outside the Group and neither of them have been directors or partners of any companies or partnerships outside the Regus group within the past 5 years. Each directorship or partnership is currently held unless stated otherwise.

Director	Company or partnership name	
Mark Dixon	Dixon Property Services SA	Resigned
	Executive Apartments SA	Resigned
	Maxon Investments BV	Resigned

Director	Company or partnership name	
	Executive Business Centres Limited (Dissolved)	Resigned
	Omni Offices Limited (Dissolved)	Resigned
	Park Business Centres Limited	
	Fore Business Centres Limited	
	K-Capital Limited	
Rudolf Lobo	Dixon Property Services SA	Resigned
	Executive Apartments SA	Resigned
	Omni Offices Limited (Dissolved)	Resigned
	Executive Business Centres Limited (Dissolved)	Resigned
John Matthews	Crest Nicholson plc	
	Granville Markets Limited	
	Media Systems Limited	
	Media Systems Group Limited (Dissolved)	Resigned
	Media Systems Software Limited (Dissolved)	Resigned
	Immediate Marketing Limited (Dissolved)	Resigned
	Goodmigrations Limited	
	SDL plc	
	Rotork plc	
	P.Matthews Limited	
	Robert W.Baird Limited	Resigned
	Nationwide Accident Repair Services plc	Resigned
	Forest School Essex* (*Governor, a company limited by guarantee)	
	Regus plc and Regus Business Centre B.V.	
Roger Orf	Pelham Partners Limited	
	Chinley Limited	Resigned
	Roger Orf Limited	
	Wigham Limited	Resigned
	Portfolio Holdings Limited	Resigned
	Pelford Limited	Resigned
	Pelford Nominees Limited	Resigned
	Apreit IV Limited	Resigned
	Apreit IV Nominees Limited	Resigned
	Apreit IV Nominees (Two) Limited (Dissolved)	Resigned
	European Land (Four Surplus Sites) Limited	Resigned

Director	Company or partnership name	
	Pelrock Limited (Dissolved)	Resigned
	Pelrock Nominees Limited (Dissolved)	Resigned
	Apreit Homes Limited	Resigned
	Apreit Homes Nominees Limited	Resigned
	GCP Limited	Resigned
	GCP Nominees Limited	Resigned
	Ingolstaddt (Orf) Corp.	
	AP Portico GP LDC	Resigned
	AP Pelham Partners LLC	Resigned
	Dapper LLC	Resigned
	AP Pelham Partners II LLC	Resigned
	APPGP LLC	Resigned
	AP Pelham Partners III LLC	Resigned
	Pelmore GP LLC	Resigned
	AP Pelham Partners IV LLC	Resigned
	APP (II) GP LLC	Resigned
	APP Pelham Partners V LLC	Resigned
	APP (III) GP LLC	Resigned
	AP Pelham Partners VI LLC	Resigned
	Wigham GP LLC	Resigned
	AP Pelham Partners VIII LLC	Resigned
	Pelford GP LLC	Resigned
	AP Pelham Partners IX LLC	Resigned
	Apreit IV GP LLC	Resigned
	AP Pelham Partners X LLC	Resigned
	AP Pelham Partners XI LLC	Resigned
	AP Pelham Partners XII LLC	Resigned
	Apreit V GP LLC	Resigned
	AP Pelham Partners XIII LLC AP	Resigned
	Pelham Partners XIV LLC AP	Resigned
	Pelham Partners XV LLC AP	Resigned
	Pelham Partners XVI LLC AP	Resigned
	Pelham Partners XVII LLC AP	Resigned
	Pelham Partners Spain LLC AP	Resigned
	Pelham Partners Spain II LLC AP	Resigned
	Pelham Partners Spain 111 LLC AP	Resigned
	Pelham Partners Spain IV LLC AP	Resigned
	Pelham Estonia LLC	Resigned
	AP Pelham Germany LLC	Resigned
	FIH (Orf) Corp (Dissolved)	
	AP Pelham Germany II LLC	Resigned

Director	Company or partnership name	
	Pelham Central European Property Limited	Resigned
	AS Ober-Haus	Resigned
	AP Pelham Netherlands LLC	Resigned
	AP Pelham Poland LLC	Resigned
	AP Pelham Moscow LLC	Resigned
	AP Pelham (Briedgeworks) LLC	
	AP Portland GP LLC	Resigned
	AP Sundance GP LLC	Resigned
	Spruce Enterprise GP LLC	Resigned
	E/Shelter GP LLC	
	Theatre Acquisitions LLC	
	HM Gran Turia Holding BV (member of the Supervisory Council	Resigned
	The Ambassador Theatre Group Limited	
	Dunwych GP L.L.C.	Resigned
	Lone Star Management Europe Limited	
	Manresa Road Limited	Resigned
	Campden Hill (Campus) Limited	Resigned
	Campden Hill (Atkins) Limited	Resigned
	552 Kings Road Limited	Resigned
	Lionsgate Management Limited	Resigned
	Nordown Developments Limited	Resigned
	Pitcroft Properties Limited	Resigned
	Property Holdings (Windsor) Limited	Resigned
	Turnshire Limited	Resigned
	Lionsgate Group Limited	Resigned
	Chaselands Limited	Resigned
	Orchid Lodge (U.K.) Limited	Resigned
	Soundmen Limited	Resigned
	Regus plc	
Martin Robinson	Center Parcs Limited	
	Center Parcs Elveden Limited	
	3D Education and Adventure Limited	
	Center Parcs (Operating Company) Limited	
	Slamba Limited	Resigned
	Ex C.P. plc	Resigned
	Nationwide Accident Repair Services plc	Resigned
	Carp (L) Limited	Resigned
	Carp (S) Limited	Resigned
	Carp (NW) Limited	Resigned

Director	Company or partnership name	
	Carp (H) Limited	Resigned
	Carp (UK) 1 Limited	Resigned
	Carp (UK) 3 Limited	Resigned
	Regus plc	

18.2 The Directors and Senior Management:

- (A) have no unspent convictions relating to indictable offences (except as disclosed in paragraph 18.3 of this Part VII below);
- (B) have had no bankruptcies or individual voluntary arrangements;
- (C) have not been directors with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;
- (D) have not been partners of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;
- (E) have not been partners of any partnership at the time of or within 12 months preceding a receivership of any assets of such partnership;
- (F) have not had any of their assets subject to any receivership; and
- (G) have not received any public criticisms by statutory or regulatory authorities (including designated professional bodies), and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

18.3 In December 1998, Mr Dixon was convicted by a Magistrates Court of causing actual bodily harm. This related to an incident in 1998 when Mr Dixon was involved in a fracas which led to an individual sustaining some minor injuries. Mr Dixon pleaded guilty and was sentenced to 50 hours community service, which was served in full, and ordered to pay £815 in compensation. The Board has considered this matter and has noted that Mr Dixon has no other convictions and that the offence did not involve dishonesty or business impropriety. The Board is therefore of the view that the conviction has no material bearing on Mr Dixon's fitness to be a Director and the Chief Executive of Regus Group.

19. Auditors and financial information

19.1 For the years ended 31 December, 2000, 2001 and 2002, and the six month periods ended 30 June, 2002 and 2003 the annual accounts of Regus plc have been audited. The auditors of Regus plc were KPMG Audit plc, 8 Salisbury Square, London, EC4Y 8BB, registered auditors and chartered accountants.

19.2 The financial information covering Regus contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act. KPMG Audit Plc have reported under section 235 of the Companies Act in respect of the statutory accounts for the three years ended 31 December, 2002.

20. General

- 20.1 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised. The Shares which will be issued pursuant to the Rights Issue are not being marketed or made available to the public in whole or in part other than in connection with the Rights Issue. This offer does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply or constitute a representation that the information contained in this document is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.
- 20.2 Other than as referred to in the last unnumbered paragraph of paragraph 4 of Part I, there has been no significant change in the financial or trading position of Regus and its group since 30 June, 2003, the date to which the last consolidated interim financial statements of Regus were made up. There have been no significant changes in the financial or trading position of Regus Group since its incorporation.
- 20.3 KBC Peel Hunt Ltd has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.
- 20.4 The total costs (exclusive of any amounts in respect of value added tax) payable by Regus and/or Regus Group in connection with the Rights Issue are estimated to amount to approximately £3 million. The total costs payable to financial intermediaries is estimated to amount to approximately £1.5 million.
- 20.5 The Directors are not aware of any arrangement under which future dividends are waived or agreed to be waived.
- 20.6 The Issue Price represents a premium of 23 pence per Share over the nominal value of 5 pence per Share.

21. Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of Regus Group and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (public holidays excepted) from the date of this document up to and including 31 December 2003:

- (A) the Memorandum and Articles of Association of Regus (as currently in force);
- (B) the current Memorandum and Articles of Association of Regus Group;

- (C) the unaudited interim accounts of Regus for the six months ended 30 June, 2003;
- (D) the material contracts referred to in paragraphs 13 and 15 of this Part VII above;
- (E) the written consent referred to in paragraph 20.3 of this Part VII above;
- (F) the service contracts and letters of appointment referred to in paragraph 12 of this Part VII above;
- (G) the audited consolidated financial statements of Regus for the two financial years ended 31 December 2001 and 31 December, 2002; and
- (H) letters from Maxon Investments and Mark Dixon referred to on page 77 of this document and the undertakings referred to in this document from Regus Shareholders not to take up rights pursuant to the Rights Issue.

Definitions and Glossary

“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” dated May 2001 containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities
“Admission”	admission of Shares nil and fully paid to (i) the Official List and (ii) trading on the London Stock Exchange’s market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
“ADSs”	American Depository Shares
“Audit Committee”	the audit committee of Regus Group as constituted from time to time
“Bankruptcy Code”	Title 11 of the United States Code
“Bankruptcy Court”	the United States Bankruptcy Court for the Southern District of New York
“Board”	the board of Directors of Regus Group as constituted from time to time
“Business Day”	any day on which banks are generally open in England and Wales for the transaction of normal banking business other than a Saturday or Sunday or public holiday
“B.V.”	Regus Business Centre B.V.
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST)
“Chapter 11 Cases”	the voluntary petitions for relief under Chapter 11 filed by the Debtors in the Bankruptcy Court under case numbers 03-20026 through 03-20029
“Chapter 11”	Chapter 11 of the Bankruptcy Code
“Chapter 7”	Chapter 7 of the Bankruptcy Code
“Combined Code”	“The Principles of Good Governance and Code of Best Practice” issued by the London Stock Exchange in 1998, as set out in the appendix to the Listing Rules published by the UK Listing Authority

“Company”	Regus Group
“Companies Act”	the Companies Act 1985 (as amended)
“Companies Acts”	every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to Regus Group
“Confirmation Date”	12 November 2003;
“Confirmation Order”	the order of the Bankruptcy Court confirming the Plan of Reorganisation pursuant to section 1129 of the Bankruptcy Code
“Court”	the High Court of Justice in England and Wales
“Court Hearing”	the hearing by the Court of the petition to sanction the Scheme
“Court Meeting”	the meeting of Regus Shareholders held on 27 October, 2003 and convened by order of the Court pursuant to section 425 of the Companies Act at which Regus Shareholders considered and approved the Scheme
“Creditors Committee”	the statutory committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code
“Creditors”	any persons having a claim (as defined in section 101(5) of the Bankruptcy Code) against any of the Debtors which claim will be settled under the Plan of Reorganisation
“CREST Courier and Sorting Service” or “CCSS”	the CREST Courier and Sorting Service established by CRESTCo to facilitate, inter alia, the deposit and withdrawal of securities
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by CRESTCo on 15 July 1996 and as amended since)
“CREST member account ID”	the identification code or number attached to a member

	account in CREST
“CREST member”	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
“CREST participant ID”	the identification code or number used in CREST to identify a particular CREST member or other CREST participant
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the operator (as defined in the Regulations)
“CRESTCo”	CRESTCo Limited
“CULS”	the variable rate redeemable convertible unsecured loan stock to be offered to certain Creditors under the Plan or Reorganisation by Regus, B.V., or RBCC, which will be guaranteed by Regus Group and which will allow for conversion of such debt into Shares
“Debtors”	Regus, RBCC and B.V.
“Directors” or “Board”	the directors of the Company, whose names are set out in paragraph 6 of Part VI of this document
“Disclosure Statement”	the applicable disclosure statement relating to the Plan of Reorganisation which requires approval by the Bankruptcy Court
“Effective Date”	the date on which the Scheme becomes effective (which is expected to be 1 December 2003)
“Equity Office Properties”	(i) EOP Operating Limited Partnership, (ii) EOP-Bayhill 4-7 L.L.C., (iii) One Ninety One Peachtree Associates, (iv) IL-One Lincoln Centre, L.L.C., (v) CA-Gateway Office Limited Partnership, (vi) EOP-Columbia Center, L.L.C., (vii) Three Bellevue Center LLC, (viii) Pasadena Towers, L.L.C. f/k/a EOP-Pasadena Towers, L.L.C.; (ix) EOP-One Market L.L.C., (x) TX-Austin One Congress Plaza Limited Partnership, (xi) San Felipe Plaza, Ltd., (xii) CT-Stamford Atlantic Forum, L.L.C., (xiii) MA-Riverside Project, L.L.C., (xiv) MA-225 Franklin Street, L.L.C., (xv) 10 & 30 South Wacker, L.L.C.,

(xvi) TX-Dallas Lakeside Square Limited Partnership, and
(xvii) Equity Business Centers Corp.

“Exchange Act”	the United States Securities Exchange Act of 1934, as amended
“Excluded Territories”	Australia, Ireland, Canada, France, New Zealand, South Africa and Switzerland
“Final Order”	the Confirmation Order shall become a “Final Order” for the purposes of this document in the event that no timely appeal has been taken or can be maintained against the Confirmation Order
“FSA”	the Financial Services Authority
“Fully Paid Rights”	rights to acquire Shares, fully paid
“Global Plan”	the Regus Global Share Plan
“Group”	Regus and its subsidiary undertakings and following the Scheme becoming effective, Regus Group and its subsidiary undertakings
“Issue Price”	28 pence per Share
“Listing Particulars”	the listing particulars relating to Regus Group which were published on 3 October, 2003
“Listing Rules”	the listing rules made by the UK Listing Authority in accordance with section 74 of the Financial Services and Markets Act 2000 (as amended from time to time)
“London Stock Exchange”	London Stock Exchange PLC
“Maxon Investments”	Maxon Investments B.V.
“Nil Paid Rights”	rights to acquire Shares, nil paid
“Nomination Committee”	the nomination committee of Regus Group as constituted from time to time
“Official List”	the Official List of the UK Listing Authority
“Overseas Shareholders”	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom
“Overseas Warrant Holders”	Qualifying Warrant Holders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions

	outside the United Kingdom
“Ownership Plans”	the Regus All-Employee Share Ownership Plan and the Regus International All-Employee Share Ownership Plan
“pence” or “£” or “sterling” or “GBP”	the lawful currency of the United Kingdom
“Plan Effective Date”	is expected to be on or about 12 January 2004
“Plan of Reorganisation” or “Plan”	the Chapter 11 plan of reorganisation proposed by the Debtors and recommended by the Creditors Committee, together with all supplements, appendices and schedules thereto, either in its present form or as it may be amended, altered or modified from time to time
“Provisional Allotment Letter”	the provisional allotment letter to be issued to Qualifying non-CREST Shareholders and Qualifying Warrant Holders (other than certain Overseas Shareholders and certain Overseas Warrant Holders)
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Shares in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding Shares in certificated form
“Qualifying Shareholders”	Shareholders on the register of members of the Company at the Record Date
“Qualifying Warrant Holders”	persons holding Warrants on the Record Date
“RBCC”	Regus Business Centre Corporation
“Receiving Agent”	Capita IRG plc of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH
“Record Date”	the close of business on the date upon which the Scheme becomes effective (expected to be the close of business on 1 December 2003)
“Registrar of Companies”	the Registrar of Companies of England and Wales
“Registrars”	Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Regus”	Regus plc
“Regus Articles”	the articles of association of Regus
“Regus Group”	Regus Group plc

“Regus Group Articles”	the articles of association of Regus Group
“Regus Group Shareholders”	the holders of Shares as appearing in the register of members of Regus Group from time to time
“Regus Share Plans”	the Sharesave Plan, the Global Share Plan, the Team Plan, the US Stock Purchase Plan and the Ownership Plans
“Regus Shareholders”	the holders of Shares as appearing in the register of members of Regus from time to time
“Regulations”	the Uncertificated Securities Regulations 1995 (SI 1995/372) “Resilience Reserve” an additional Regus Group liability required by the FSA to cover specified adverse economic contingencies
“Rights Issue”	the offer by way of rights to Qualifying Shareholders and Qualifying Warrant Holders to subscribe for Shares, on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders and Qualifying Warrant Holders only, the Provisional Allotment Letter
“Remuneration Committee”	the remuneration committee of Regus Group as constituted from time to time
“Scheme Circular”	the circular sent to Regus Shareholders dated 3 October, 2003 containing, amongst other things, the Scheme, the Notice of EGM and a notice of the Court Meeting
“Scheme EGM”	the extraordinary general meeting of Regus held on 27 October, 2003, at which various matters relating to the implementation of the Scheme and the Plan were considered and approved by Regus Shareholders
“Scheme Record Time”	6.00 p.m. on the last Business Day before the Effective Date
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under section 425 of the Companies Act between Regus and the Regus Shareholders set out in the Scheme Circular with or subject to any modification thereof or any addition thereof or any condition approved or imposed by the Court and agreed by Regus and Regus Group
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholders”	the holders of Shares
“Shares”	ordinary shares of 5p each
“Sharesave Plan”	the Regus International Sharesave Plan (including the UK,

	French and Irish parts of that plan)
“Team Plan”	the Regus Team Member Share Plan
“UK GAAP”	generally accepted accounting principles in the United Kingdom
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
“uncertificated” or “in uncertificated form”	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“Underwriter”	KBC Peel Hunt Ltd
“Underwriting Agreement”	the conditional underwriting agreement relating to the Rights Issue described in paragraph 13 of Part VI of this document
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States, its territories and possessions, any State of the United States and the District of Columbia, and all other areas subject to its jurisdiction
“US GAAP”	generally accepted accounting principles in the United States
“US Stock Purchase Plan”	the Regus US Stock Purchase Plan
“US\$” or “Dollars”	United States Dollars, the lawful currency of the United States
“US person”	a US person as defined in Regulation S under the Securities Act
“Warrants”	warrants to subscribe for Shares at 5 pence per Share issued by Regus pursuant to the Warrant Instrument on 14 February, 2002
“Warrant Holders”	the holders of Warrants
“Warrant Instrument”	the instrument under which the Warrants were created
“Workstation”	a collection of assets necessary to meet a customers needs which typically includes office furniture and access to telephone and data ports, as more fully described in paragraph 4 of Part 2