Press Release

8 June 2005

International Financial Reporting Standards (IFRS)

Regus Group Plc (Regus), the global office outsourcing company, announces indicative un-audited financial information prepared on an IFRS basis. These results will be subject to audit over the coming months and may change as a result.

We expect the results for the year ended 31 December 2004 on an IFRS basis to be as follows:

31 December 2004	**Audited UK GAAP £m**	**Un-audited IFRS £m**
Loss from operations	(3.2)	(0.6)
Loss after tax	(5.8)	(4.0)
Loss per share (p)	(0.6)	(0.4)
Net assets	109.0	93.3

The most significant adjustments on the transition to IFRS from UK GAAP relate to accounting for leases over properties and the accounting for goodwill and intangible assets arising on the acquisition of HQ.

Regus Group plc will announce its interim results for the six months ended 30 June 2005 in the week commencing 12 September 2005.

- Ends -

About Regus

Further information on Regus can be found on www.regus.com

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Regus Group plc

Restatement of financial information for 2004 under IFRS

1. Introduction

From 2005 Regus Group plc ("Group") will prepare its consolidated accounts in accordance with IFRS. This press release illustrates the differences that we expect to arise when the financial statements are prepared under IFRS rather than UK GAAP.

The Group's first IFRS results will be its interim results for the six months ending 30 June 2005 and the first Annual Report under IFRS will be for the year ending 31 December 2005. As the Group publishes comparative information in respect of these periods, the date for transition to IFRS is 1 January 2004 being the start of the period for comparative information.

This press release explains how Regus' reported performance and financial position are affected by the transition to IFRS. The information contained within is un-audited, however it is expected to form the basis of comparative information in the Group's interim and full year financial information.

The Appendix sets out in full the Group's revised accounting policies under IFRS.

2. Analysis of impact

The tables below illustrate the impact of IFRS restatement on previously reported results under UK GAAP. Explanatory notes describing the adjustments are set out in section 3.

a. Income statement (un-audited)

	Note	**Year ended 31 Dec 2004 £m**	**Six months ended 30 June 2004 £m**
Group operating loss reported under UK GAAP*		**(3.2)**	**(3.1)**
Lease accounting	*3.1*	1.1	1.1
Share options	*3.2*	(0.2)	-
Amortisation of goodwill	*3.3a*	2.0	-
Amortisation of intangible assets	*3.3b*	(0.3)	-
Loss from operations on an IFRS basis		**(0.6)**	**(2.0)**
Share of result of joint ventures**	-	(0.7)	(0.6)
Share of result of associate**	*3.4*	(3.1)	(3.3)
Net finance costs	-	(2.2)	(1.2)
Tax	*3.5*	2.6	0.9
Loss for the period on an IFRS basis		**(4.0)**	**(6.2)**

** includes profit from sale of subsidiaries*
*** includes associated finance costs and tax*

b. Net assets (un-audited)

	Note	31 Dec 2004 £m	30 June 2004 £m	31 Dec 2003 £m
Net assets/(liabilities) reported under UK GAAP		**109.0**	**(4.1)**	**1.9**
Lease accounting	*3.1*	(6.3)	(6.3)	(7.4)
Goodwill and intangibles	*3.3*	1.7	-	-
Share of net assets of associate	*3.4*	(10.2)	(9.8)	(9.4)
Deferred revenue – franchise fee	*3.6*	(0.8)	(0.8)	(0.8)
Holiday pay	*3.7*	(0.1)	(0.1)	(0.1)
Net assets/(liabilities)/ on an IFRS basis		**93.3**	**(21.1)**	**(15.8)**

3. Notes on restatement

3.1. Lease accounting

The following differences were identified between UK GAAP and IFRS:

a). During the Group's Chapter 11 process a number of lease contracts were renegotiated to a more favourable cost to the Group. Under UK GAAP, rent accruals were released to the profit and loss account when negotiations were completed. In contrast, IFRS requires rent accruals to be spread over the remaining lease term and consequently an adjustment has been made to reinstate these accruals in the transition balance sheet and recognise them over the lease term with a favourable impact to centre profitability.

b). Under UK GAAP, minimum lease payments (net of lease incentives) are spread on a straight-line basis over the shorter of the period to the first contractual break point or the first market rent review date. IFRS requires that, minimum lease payments be assessed over the period to the first contractual break point only. As a result of this change, certain operating lease incentives are spread over a longer period and additional rental periods are brought into the assessment of minimum lease payments. Consequently an adjustment has been made to increase the rent accrual in the transition balance sheet.

c). Under UK GAAP the group made an accrual for rental costs which are dependent on centre performance (eg turnover of profitability) based on the best estimate of the outturn liability by spreading the expected cost over the lease term. Under IFRS accruals are only made for contingent rents in the period in which they arise. Consequently, an adjustment has been made to release accruals in the transition balance sheet relating to rentals that were anticipated but were not contractually due at that date.

The total impact of the adjustments described above is to instate an accrual of £7.4m in the transition balance sheet and to reduce the charge for rent costs in 2004 by £1.1m.

3.2. Share options

In accordance with IFRS 2 and the transitional exemption permitted by IFRS 1, the Group has recognised a charge reflecting the fair value of outstanding share options granted to employees since 7 November 2002. The fair value has been calculated using a Black – Scholes valuation model and is charged to profit and loss over the vesting period of the options.

The impact of this change has been a charge of £0.2m to operating profit for the year to 31 December 2004. The total charge over the three year vesting period is calculated to be a charge of £1.5m to operating profit.

3.3. Goodwill and intangible assets

There are two adjustments arising in relation to the acquisition of HQ Global Workplaces Inc ("HQ"), which effect the carrying value and amortisation of goodwill and intangible assets.

a). IFRS 3 prohibits the amortisation of goodwill but requires an impairment test to be carried out on an annual basis. Consequently the UK GAAP amortisation charge of £2.0m has been reversed.

b). IFRS requires certain intangible assets to be recognised separately when it is capable of being separated from the business or arises from contractual or other legal rights. Accordingly, an intangible asset of £1.9m representing the value of the customer list acquired with HQ has been separately recognised. This is being amortised over a period of two years resulting in a 2004 charge of £0.3m.

3.4. UK associate

The Group will continue to apply the equity method of accounting for its UK associate.

Changes to Group accounting policies, in particular lease accounting, when applied to the UK associate result have the effect of increasing the reported loss of the UK associate and reducing net assets. The impact on the group is to increase the share of the net loss in 2004 by £0.8m and to reduce the carrying value of the UK associate in the transition balance sheet by £9.4m.

3.5. Tax

Tax on an IFRS basis is restated to exclude tax attributable to the UK associate. The respective tax is now included within 'Share of result of associate'. On an IFRS basis the tax credit for the year ended 31 December 2004 was £2.6m compared with £2.9m on a UK GAAP basis.

Due to the uncertainty of recovering tax losses the Group has not recognised the related deferred tax assets on either a UK GAAP or IFRS basis. None of the IFRS conversion adjustments result in a change in the position with regard to the recoverability of these losses and consequently there is no adjustment to the tax credit for the year.

3.6. Deferred revenue – franchise fees

Under UK GAAP, franchise fees are recognised as income in the period received. IFRS requires franchise fees charged for the use of continuing rights granted by the agreement, or for other services provided during the period of the agreement to be recognised as revenue as the services are provided or the rights used.
The income recognised prior to 1 January 2004, which under IFRS is spread over the period of the franchise contract, amounted to £0.8m and is unchanged at 31 December 2004.

3.7. Holiday pay

UK GAAP does not require the recognition of a holiday accrual for unpaid holiday carried over a period end. An accrual is only recognised where a liability to pay employees for holiday earned exists at the balance sheet date.

Under IFRS, full provision is made for paid leave accrued by employees and therefore an accrual of £0.1m has been established in the opening balance sheet. There has been no movement in this accrual subsequent to the transition balance sheet.

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Appendix – Accounting policies to be adopted in 2005 reported financial information

Basis of preparation

The Group has adopted IFRS from 1 January 2004 ("the date of transition") based on the standards expected to be in issue at 31 December 2005.

First time application

In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement, which have been adopted as follows:

- The basis of accounting for pre–transition combinations under UK GAAP has not been revisited.
- The reserve for cumulative foreign currency translation differences has been set to zero at the transition date.
- IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not been vested at 1 January 2005.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company (Regus Group plc) and its subsidiary undertakings. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The results of subsidiaries are consolidated, using the purchase method of accounting, from the date on which control of net assets and operations of the acquired company are effectively transferred to the Group. Similarly, the results of subsidiaries divested cease to be consolidated from the date on which control of the net assets and operations are transferred out of the Group.

Goodwill

Goodwill represents the excess of the cost of acquisition over the share of the fair value of identifiable net assets (including intangible assets) of a subsidiary, associate or joint venture at the date of acquisition.

Goodwill is stated at cost less any provision for impairment in value. An impairment test is carried out annually. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Intangible assets

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

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

Brands	10-20 years
Computer software	2 years
Customer lists	1-2 years

Leases

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

Finance leases
Plant and equipment acquired by way of a finance lease is capitalized at the commencement of the lease at the lower of its fair value and the present value of the minimum lease payments. Future payments under finance leases are included in creditors, net of any future finance charges.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance charges are recognized in the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases
Minimum lease payments under operating leases are recognized in the income statement on a straight-line basis over the lease term. Lease incentives and rent free periods are included in the calculation of minimum lease payments.

The commencement of the lease term is the date from which the Group is entitled to use the leased asset. The end of the lease term is the non-cancellable period of the lease to the first break point, together with any further periods for which the Group has the option to continue to lease the asset and when at the inception of the lease it is reasonably certain that the Group will exercise that option.

Contingent rentals include rent increases based on future inflation indices or non-guaranteed rental payments based on centre turnover or profitability and are excluded from the calculation of minimum lease payments. Contingent rentals are recognized in the income statement as they are incurred based on the Group's best estimate of the likely rent payable. Any subsequent changes in estimates are immediately recognized in the income statement.

Property, plant and equipment

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

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

Investments in associates and joint ventures

Investments in associates and joint ventures are equity accounted and carried in the balance sheet at cost plus post–acquisition changes in the Group's share of net assets of the associate, less any impairment in value.

The profit and loss account reflects the Group's share of the results of operations of the joint venture or associate. To the extent that losses of an associate or joint venture exceed the carrying amount of the investment, the investment is reported at nil value and additional losses are only provided if the Group has an obligation to a third party.

Revenue

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

Workstations and meeting rooms
Workstation revenue is recognized in the income statement as it falls due under the customer rental contract or service agreement. Amounts invoiced in advance are deferred and recognized as revenue upon provision of the service.

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

Management fees
Management fees are recognized in accordance with the substance of the relevant agreement.

Franchise fees
Franchise fees received for the provision of initial and subsequent services are recognised as revenue as the services are rendered. Franchise fees charged for the use of continuing rights granted by the agreement, or for other services provided during the period of the agreement, are recognised as revenue as the services are provided or the rights used.

Pensions and employee benefits

The Group's contributions to defined contribution plans and other paid and unpaid benefits earned by employees are charged to the profit and loss account in the period to which the contributions relate.

Share based payments

The Group issues equity settled share based payments to certain employees (including directors). The fair value of these payments is measured at fair value at the date of grant by use of the Black Scholes model and charged to profit and loss on a straight line basis over the vesting period. No cost is recognised for awards that do not ultimately vest.

Deferred Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax balances are not discounted.

Provisions

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

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

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

Foreign currencies

Transactions in foreign currency are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the balance sheet date and the gains or losses on translation are taken to the income statement.

The results and cash flows of overseas operations are translated using the average rate for the period. Assets and liabilities of overseas operations are translated using the closing rate with all exchange differences arising on consolidation being recognised as a separate component of equity.

Financial instruments

Financial instruments are recorded initially at fair value and their subsequent measurement depends on the designation of the instrument.

Cash deposits and trade receivables are classified as loans and receivables and are held at amortised cost. All other financial assets are classified as available for sale and changes in fair value are taken to reserves. All debt is held at amortised cost.

Derivatives are remeasured to their fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. Changes in the fair value of derivatives, which are fair value hedges, are recognised in the income statement. Changes in the fair value of derivatives in cash flow hedges are recognised in equity.

All foreign exchange gains or losses arising on translation of hedges of net investments in foreign entities are recognized in equity.