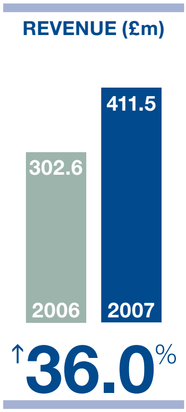
Regus
Work without boundaries

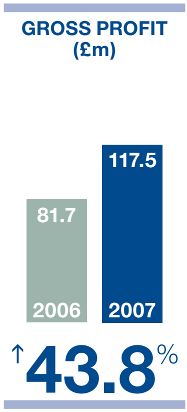
Regus Group plc Interim Report

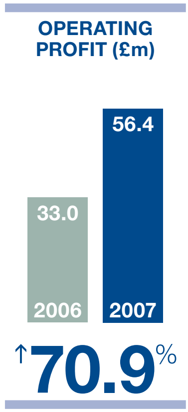
Six months ended June 2007

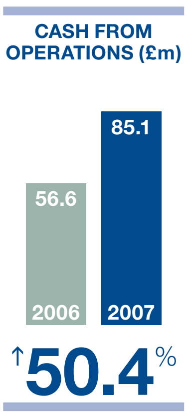
This is the sixth consecutive announcement showing strong and improved financial results.

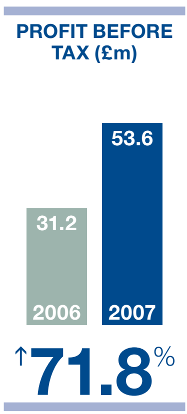
We have delivered strong, disciplined growth and improved performance in all of our key business metrics including revenues, profit and earnings per share.

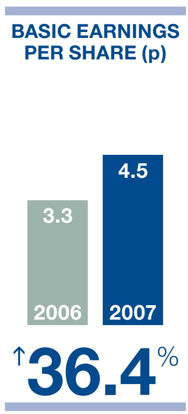












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Operational highlights

We have delivered another outstanding performance across all regions showing good progress in all our key performance drivers. This is the sixth consecutive half of growth, demonstrating our consistency. Looking forward, we are alive to the market conditions but all the key drivers and lead indicators remain positive, which gives us reason to look to the future with confidence. We will continue to seek profitable opportunities to grow our business through improving margins, opening new centres and further acquisitions.

127,858

Average available workstations increased by 32.6% (2006: 96,402)

132,448

Actual workstations increased by 10.3% (December 2006: 120,108)

82.8%

Average occupancy increased by 2.3 points (2006: 80.5%)

£6,436

Average revenue per available workstation (REVPAW) increased by 2.5% (2006: £6,279)

61

New centres opened in the six month period to 30 June 2007

Chairman's statement

The strong first half results for 2007 reflect a consistent focus on our core strategic goals, with ongoing improvements in our like for like business (defined as the financial performance from centres owned and operated at 1 January 2006 – a six month comparative), coupled with continued new centre openings and acquisitive growth. Our business model has delivered significantly improved profits and strong operating cash flows, and there remain continued opportunities for expansion in our product and service offerings globally.

Financial performance
Group revenue increased by 36.0% to £411.5 million and, on a like for like basis, the growth was 5.6%. Operating profit grew by 70.9% to £56.4 million and basic earnings per share increased by 1.2p to 4.5p. Average occupancy increased to 82.8% from 80.5% in June 2006 and REVPAW increased 2.5% from £6,279 to £6,436. Net cash was £46.1 million at 30 June 2007.

Sustaining growth
We continue to implement our disciplined expansion strategy through a mix of acquisitions and organic growth. In the six months to 30 June 2007, our workstation capacity has increased by 10.3% to 132,448 workstations.

Dividend
In March 2007, the Board initiated a progressive annual dividend policy. The first payment under this policy, of 0.6p per share, was paid in June 2007 following shareholder approval in May. In line with this policy of single annual dividends, the Board is not proposing the payment of an interim dividend.

Corporate Responsibility
We continue to develop our commitment to Corporate Responsibility and firmly believe in identifying and addressing the concerns of all our stakeholders on an ongoing basis. We aim to be a socially responsible organisation and, throughout the first half of 2007, have continued to support different projects, be it through developing, for example, our environmental policies and processes, our charitable support or our ongoing commitments to our employees.

Stakeholders
Critical to our ongoing achievement against our goals is the continuing goodwill and commitment we receive from our landlords, suppliers, customers and investors. Our 4,700 team members are integral in driving our success to date and a special thanks goes out to all of them.

Outlook
The key drivers of our business remain positive and with targeted investment in people, infrastructure and marketing, we remain well placed to sustain future growth and improve our strong financial position. We are confident of continued progress into the second half of the year led by our experienced management team.

John Matthews
Chairman
3 September 2007

Chief Executive's review

I am delighted that this is the sixth consecutive announcement showing strong and improved financial results. We have delivered strong, disciplined growth and improved performance in all of our key business metrics including revenues, profit and earnings per share. Our performance continues to demonstrate the benefits of our longer term approach to the development of the business. We continue to improve financial performance through growing our network of business centres and developing new products and services to meet the evolving needs of our clients.

Operational review

On a regional basis, revenues and centre contribution can be analysed as follows:

	Revenue		Contribution		Margin		Mature occupancy	
	2007 £m	2006 £m	**2007** £m	2006 £m	**2007**	2006	**2007**	2006
Americas	162.0	150.2	48.8	40.6	30%	27%	87%	86%
EMEA	114.5	93.8	38.6	27.6	34%	29%	86%	77%
Asia Pacific	34.9	23.5	12.2	7.1	35%	30%	82%	74%
UK	100.1	34.3	17.9	5.6	18%	16%	83%	72%
Other		0.8		0.8				
	411.5	**302.6**	**117.5**	**81.7**	**29%**	**27%**	**86%**	**82%**

Overall

The Group has continued to pursue its strategy of controlled growth – expanding into new markets and strengthening our position in existing markets – through a combination of opening new centres and acquiring existing businesses. Actual workstations grew 10% in the first six months of 2007 and were 33% higher than the same period in 2006 – we now have 132,448 workstations worldwide. We have seen the number of locations we operate in increase by 61, including franchises, joint ventures and managed offices. New locations include Winnipeg in Canada, Lille in France, Turin in Italy, Kolkutta in India and we opened our first centres in Bulgaria, Qatar, Jordan and Kenya. The largest Regus centre, the Regus Silver Centre in Shanghai, with over 1,400 workstations, opened for business in January.

Americas

Our business in the Americas comprises Canada, USA and South America, encompassing 454 centres across 13 countries. Our main business in the USA operates 376 centres. During the half year, we have continued to experience improvement in our business performance through a measured approach to both organic growth and acquisitions. During the first half, we added 26 centres which increased the average number of workstations from 50,773 in 2006 to 58,594 in 2007. Acquisitions accounted for 12 of these new centres, with the balance coming from the opening of 14 fully owned centres. At actual exchange rates, the region delivered revenues of £162.0 million – up 7.9% on 2006. At constant exchange rates, this would have been 19.1%. Mature occupancy increased 1% to 87%.

Looking ahead, we will continue our aim to maximise yield in our existing centres and, given the uncertain economic climate, to grow our portfolio cautiously in existing and new key cities on a regionally diverse basis.

Chief Executive's review
continued

EMEA
Our business in EMEA encompasses 200 centres across 41 countries. During the half year we opened 14 new centres, which increased the average number of workstations from 26,929 in 2006 to 28,598 in 2007. Acquisitions accounted for three of these new centres, with the balance of 11 coming from organic growth – seven fully owned centres, two joint ventures, one managed centre and one franchise operation. We opened centres in new markets including Bulgaria, Qatar, Kenya and Jordan, with a continued focus on low-risk transactions in potentially volatile markets. The region delivered a strong performance, with revenues of £114.5 million – up 22.1% on 2006 – and achieved an average mature occupancy of 86% (2006: 77%).

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

Asia Pacific
Our business in Asia Pacific operates in 81 centres across 12 countries. During the half year we opened 14 new centres, which increased the number of workstations from 8,194 in 2006 to 13,157 in 2007. Acquisitions accounted for two of these new centres, with the balance of 12 coming from the opening of 10 fully owned centres and two managed centres. With the 14 new locations, we added three new markets – Kolkatta, Hyderabad and Brisbane – to the network. Of particular note in the half year was the opening of the Silver Centre in Shanghai – at 140,000 sq ft our largest centre to date – offering a full business centre and 25,000 sq ft of state of the art conference centre, alongside our standard full suite of services. The region delivered revenues of £34.9 million – up 48.5% on 2006 and achieved an average mature occupancy of 82% (2006: 74%).

Looking ahead, we will continue to consolidate and grow our position as the largest provider of serviced offices across all Asia Pacific markets. To achieve this objective we plan to continue our focused, aggressive growth plan while continuing to improve the efficiency of our current portfolio of centres. Core to these improvements are continued developments in our internal infrastructure to enhance the efficiency of our enquiry handling and sales process.

UK
Our business in the UK encompasses 107 centres, an increase of one during the first half. The number of workstations increased from 26,921 in June 2006 to 27,721 in June 2007, principally reflecting the acquisition of the eight Longford business centres in 2006.

The UK was wholly consolidated from 19 April 2006 when we acquired the remaining 58% interest in Regus UK. Hence the reported revenue in 2006 of £34.3 million is for a period of approximately two and a half months compared to the 2007 revenue of £100.1 million which is for a period of six months.

We continue to feel that there is further strong potential for improvement and development of our business in the UK and looking ahead we will continue to focus on improving the margin of the business and add new centres as opportunities arise.

Strategy
We remain highly focused on our core strategy of measured growth, and in this respect, there is no change to our direction. Our excellent first half has demonstrated that by maximising the profitability of our existing network alongside the growing of our global network, through organic and acquisitive activity, we are well placed for further progress. We remain committed to our drive for continued improvement in our brand and product portfolio, systems, technology and people and it is critical that we maintain this given the increased demands and expectations of our customers throughout the world.

Product and brand development

The evolving nature of the global workplace has resulted in increased demands for improvements in our existing product and service offerings and has provided opportunities for us to broaden our portfolio and differentiate ourselves from our competitors. New products and services will only be launched following extensive testing and customer trials, which ensures that we are providing new – but long term – solutions to what our customers need. Our new Business Lounge concept responds directly to the needs of increasingly mobile commercial users, for high quality, accessible and flexible space which can be used either for business purposes or simply to relax in. Initial roll-out will be in the UK and then the US shortly thereafter.

Systems and technology

Ongoing investment in systems and technology – with an aim to achieve a "best in class", low cost, efficient operating model – is an important part of our forward-looking direction. During the first half, we have seen the commencement of operational use of our own, internally developed, inventory, reservation and billing system throughout our worldwide network. At the same time, we have continued to invest heavily in our e-commerce tools, which we expect to allow us to deliver substantial benefits to our current and future customers, as well as driving reductions in operating costs. We recognise the need for a flexible, adaptable technology platform to give us the operational nimbleness required to continue to grow. In short, we cannot stand still.

People

We recognise that core to our brand and the continued provision of a high quality service are our people. We now have over 4,700 team members who work for the Regus network and, through continuous training and development initiatives for our customer-facing staff, we are well placed to meet customer expectations as well as providing personal and professional growth for our people. The revamping of our training programs for all field employees, through a combination of formal class-based training and multimedia online certification, has already yielded beneficial results to customers, to staff and to Regus. Recent additions to our management team globally have also demonstrated the continued need to recruit high quality individuals who are recognised as best in class functional experts.

The future

We will continue to seek profitable opportunities to grow our business either in our core mature centres by improving margins or by the opening of new centres. New product developments will continue to provide additional value to our customers and opportunities for enhanced profitability for the Group.

Our results for the first half of 2007 reflect the ongoing success of our strategy and I remain confident, given the current order book and continuing high level of enquiries, that the Group will continue to deliver on this through the remainder of the year.

Mark Dixon
Chief Executive
3 September 2007

Financial review

Our strong half year trading results reflect robust like for like growth and the additional contribution from acquisitions and 2006 new centre openings. These results have been achieved whilst also investing in people, facilities, technology and marketing to secure future growth.

Our key operational drivers indicate that we are continuing in the right direction. We have seen improvements in the weighted average number of workstations which have increased by 32.6% to 127,858. At the same time average occupancy has also increased from 80.5% to 82.8%. While average revenue per occupied workstation (REVPOW) has remained flat (£7,780 in 2006 compared to £7,772 in 2007) due to the impact of exchange rates. At constant exchange rates it would have been an increase of 6.8%. Overall, despite the exchange effect, our key indicator REVPAW has increased 2.5% from £6,279 to £6,436.

These factors have delivered a £23.4 million increase in operating profit, rising from £33.0 million in H1, 2006 to £56.4 million in H1, 2007.

Revenue and gross profit (centre contribution)

Revenue for the Group rose 36.0% to £411.5 million (H1, 2006: £302.6 million) and gross profit (centre contribution) increased 43.8% to £117.5 million (H1, 2006: £81.7 million).

This movement can be analysed as follows:

	Revenue £m	Gross profit £m	% of revenue
30 June 2006	**302.6**	**81.7**	**27.0%**
Impact of exchange rates	(18.9)	(5.3)	
30 June 2006 at constant exchange rates	**283.7**	**76.4**	**26.9%**
Growth in mature business	33.4	25.2	
Centres added in 2006	86.5	18.9	
Centres added in 2007	8.1	(3.1)	
Centres closed	(0.2)	0.1	
30 June 2007	**411.5**	**117.5**	**28.6%**

Sterling strengthened in value between the first half of 2006 and the first half of 2007 which reduced our revenue by £18.9 million and contribution by £5.3 million. This was then more than offset by improvements in the underlying business.

Our mature or like for like business increased its revenues by £33.4 million and contribution by £25.2 million driven by improvements in occupancy and price.

Centres added in 2006 contributed a further £86.5 million of revenue and £18.9 million of contribution heavily driven by the impact of the UK acquisition and its continued growth. The Group purchased the remaining 58% interest in Regus UK and acquired full control of the financial and operating policies of the UK business on 19 April 2006.

The overall increase arising from 2006 centres can be analysed:

	Revenue £m	Gross profit £m
Improvement arising from UK	62.7	13.2
Improvements elsewhere in Group	23.8	5.7
Overall improvement from 2006 centres	**86.5**	**18.9**

New centres added in 2007, both organic and by acquisition, contributed a further £8.1 million of revenue but reduced contribution by £3.1 million due to the normal start up losses incurred in establishing new centres.

Taking all this together contribution margins improved from 27.0% to 28.6%.

Administrative expenses

In the second half of 2005 and the first half of 2006, investments were made within administrative expenses to:

> support the growing scale of the business
> secure workstation growth in a controlled and efficient manner
> drive occupancy primarily in new centres.

Consequently administrative expenses as a proportion of revenue peaked in the first half of 2006 at 16.1%. As growth has subsequently taken place, administrative costs have fallen to 14.9% in the first half of 2007.

Operating profit

Operating profit was £56.4 million (H1, 2006: £33.0 million), representing a margin of 13.7% (H1, 2006: 10.9%).

Share of profit in joint ventures and associates

In the six months ended 30 June 2007, the share of joint venture profits attributable to Regus decreased to £nil (H1, 2006: £0.3 million profit) although improved from the second half of 2006 (£0.4 million loss) reflecting the reduction in losses from new joint ventures started in the second half of 2006.

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

Financing costs

Financing costs can be summarised as follows:

	June 2007 £m	June 2006 £m
Interest payable on bank loans and overdrafts	(2.3)	(2.4)
Interest receivable	1.1	0.6
Finance lease interest	(0.1)	(0.3)
Amortisation of deferred financing fees	(0.3)	(0.1)
UK acquisition related – non cash item	(1.2)	(0.6)
Total financing costs	**(2.8)**	**(2.8)**

Financial review
continued

The broadly unchanged interest payable reflects the reduction in the Group's average debt over the half year, partially offset by the impact of rising interest rates in the Group's primary markets. The average Libor rate for the first half of 2006 was 4.6% compared to 5.5% for 2007.

The substantial increase in interest receivable reflects a continued increase in average free cash balances of £22.3 million to £69.3 million (£47.0 million in H1, 2006) and the positive impact from rising global interest rates. The movement in the cash balance has been explained in the cash flow section below.

Underlying finance lease costs have fallen in line with the reduction in finance leases. The amortisation of deferred financing fees relates to loan arrangement costs incurred for the new credit facilities entered into during 2006 to fund the UK acquisition and reflect a full six months of amortisation in 2007 compared to a partial period in 2006. The unwinding of discounted fair value adjustments on the Regus UK acquisition resulted in a non cash net financing charge of £1.2 million in the period to 30 June 2007, an increase compared to 2006 reflecting the timing of the UK acquisition in 2006.

Taxation

The continued improvements in the Group results have meant that there are fewer unrecognised losses available to be offset in the income statement against rising current tax charges. Consequently, the Group has recognised a £9.1 million tax charge for the period (representing an accounting tax rate of 17% of profit before tax) compared to a credit of £1.1 million in the comparative period. The current tax charge for the period was £8.8 million (2006: £3.7 million charge), an increase from 12% to 16% of profit before tax. Deferred tax became a £0.3 million charge in the period (2006: £4.8 million credit) which includes the adverse impact of the reduction in the UK corporation tax rate on the deferred tax asset. On a cash tax basis the Group paid £6.1 million in tax. Cash tax represents approximately 11.4% of profit before tax compared to 10.6% in the same period in 2006.

Earnings per share

Earnings per share for the half year increased 36.4% from 3.3p to 4.5p. The average number of shares in issue during the first half reflected the re-purchase of Regus shares in mid-June 2007 for the purposes of employee share plans and reduced slightly to 984,382,474 (H1, 2006: 984,792,040).

Cash flow

Strong operating cash flow remains a prime feature and continued objective of the Group. Driven by the improvement in operating profit and an improved working capital performance, operating cash flow increased by £28.5 million to £85.1 million (H1, 2006: £56.6 million). The Group's cash flow statement has been summarised below.

	June 2007 £m	June 2006 £m
Cash generated from operations	**85.1**	**56.6**
Tax and net interest paid	(7.3)	(4.9)
Maintenance capex	(11.1)	(9.7)
Free cash flow	**66.7**	**42.0**
New centre openings	(21.5)	(5.8)
UK acquisition	–	(61.4)
Other acquisitions and joint venture investments	(5.0)	(14.6)
Loan repayment, share buy back and dividend	(31.6)	42.5
Change in cash	**8.6**	**2.7**

	June 2007 £m	June 2006 £m
Opening cash	**80.9**	**74.1**
Change in cash	8.6	2.7
Effect of exchange rates on cash held	(0.6)	(1.0)
Closing cash	**88.9**	**75.8**

The strong cash performance has enabled the Group to invest in growth. Specifically, during the first six months, 38 new centres were opened at a cost of £21.5 million. A further 22 business centres plus two joint ventures were acquired for a net cash consideration of £5.0 million.

To highlight, during the half year, the Group has

> repaid to our investors £16.4 million through both our share-buyback and dividend activity
> reduced our debt by £15.2 million
> invested £26.5 million in growing our business through adding new centres

and still ended the half year with an increased cash position. This can be can be analysed as follows:

	June 2007 £m	June 2006 £m
Cash and cash equivalents	88.9	75.8
Debt	(41.7)	(71.4)
Finance leases	(1.7)	(6.4)
Unamortised financing fees	0.6	1.7
Financial assets/(net debt)	46.1	(0.3)

Stephen Gleadle
Chief Financial Officer
3 September 2007

Consolidated income statement

	notes	**Six months ended 30 June 2007 (unaudited) £m**	Six months ended 30 June 2006 (unaudited) *Restated* (a) £m	Full year ended 31 Dec 2006 (audited) £m
Revenue	2	**411.5**	302.6	680.0
Cost of sales		**(294.0)**	(220.9)	(495.9)
Gross profit (centre contribution)		**117.5**	81.7	184.1
Administrative expenses		**(61.1)**	(48.7)	(101.9)
Operating profit	3	**56.4**	33.0	82.2
Share of post-tax profit/(loss) of joint ventures		**–**	0.3	(0.1)
Share of post-tax profit of associate		**–**	1.2	1.2
Profit before financing costs		**56.4**	34.5	83.3
Financial expense		**(4.2)**	(3.5)	(8.0)
Financial income		**1.4**	0.7	2.2
Profit before tax for the period		**53.6**	31.7	77.5
Tax (charge)/credit	4	**(9.1)**	1.1	4.8
Profit after tax for the period		**44.5**	32.8	82.3
Attributable to:				
Equity shareholders of the parent		**44.5**	32.8	82.3
		44.5	32.8	82.3
Earnings per ordinary share (EPS):				
Basic (p)	5	**4.5**	3.3	8.4
Diluted (p)	5	**4.5**	3.3	8.3

(a) See note 1 for details of the restatement.

Consolidated balance sheet

	notes	As at 30 June 2007 (unaudited) £m	As at 30 June 2006 (unaudited) *Restated* (a) £m	As at 31 Dec 2006 (audited) £m
Non-current assets				
Goodwill		**214.6**	207.9	212.1
Other intangible assets		**47.8**	53.7	51.0
Property, plant and equipment		**143.8**	116.8	127.6
Deferred tax assets		**36.2**	26.4	35.4
Other long term receivables		**21.6**	20.0	20.7
Investments in joint ventures		**1.1**	0.7	0.9
		465.1	425.5	447.7
Current assets				
Trade and other receivables		**160.2**	131.6	148.2
Corporation tax receivable		**2.9**	2.6	2.9
Cash and cash equivalents		**88.9**	75.8	80.9
		252.0	210.0	232.0
Total assets		**717.1**	635.5	679.7
Current liabilities				
Trade and other payables		**(118.2)**	(110.2)	(124.3)
Customer deposits		**(114.2)**	(97.2)	(103.4)
Deferred income		**(82.5)**	(63.7)	(73.5)
Corporation tax payable		**(28.1)**	(25.1)	(25.5)
Obligations under finance leases		**(0.7)**	(4.4)	(2.5)
Bank and other loans		**(5.6)**	(2.5)	(8.2)
Provisions for liabilities and charges	7	**(3.7)**	(4.6)	(3.1)
		(353.0)	(307.7)	(340.5)
Net current liabilities		**(101.0)**	(97.7)	(108.5)
Total assets less current liabilities		**364.1**	327.8	339.2
Non-current liabilities				
Other payables		**(63.7)**	(55.6)	(51.8)
Obligations under finance leases		**(1.0)**	(2.0)	(1.4)
Bank and other loans		**(35.5)**	(68.9)	(45.4)
Deferred tax liability		**(1.3)**	–	(1.7)
Provisions for liabilities and charges	7	**(7.8)**	(10.5)	(11.7)
Provision for deficit on joint ventures		**(2.7)**	(2.4)	(2.7)
		(112.0)	(139.4)	(114.7)
Total liabilities		**(465.0)**	(447.1)	(455.2)
Total assets less liabilities		**252.1**	188.4	224.5
Total equity				
Issued share capital		49.2	49.2	49.2
Treasury shares		**(10.5)**	–	–
Foreign currency translation reserve		**(21.8)**	(2.9)	(17.5)
Revaluation reserve		**10.0**	10.0	10.0
Other reserves		**(22.6)**	(22.6)	(22.6)
Retained earnings		**247.8**	154.7	205.4
Total equity		**252.1**	188.4	224.5
Total equity and liabilities		**717.1**	635.5	679.7

(a) See note 1 for details of the restatement.

Approved by the Board on 3 September 2007.

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Consolidated cash flow statement

	notes	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Full year ended 31 Dec 2006 (audited) £m
Profit before tax for the period		**53.6**	31.7	77.5
Adjustments for:				
Net finance costs		**2.8**	2.8	5.8
Net share of profit on joint ventures and associate		**–**	(1.5)	(1.1)
Depreciation charge		**17.8**	14.7	31.8
(Profit)/loss on disposal of fixed assets		**–**	(0.1)	0.4
Amortisation of intangible assets		**3.2**	2.0	6.0
Decrease in provisions		**(3.3)**	(2.4)	(0.6)
Operating cash flows before movements in working capital		**74.1**	47.2	119.8
Increase in trade and other receivables		**(18.0)**	(0.3)	(31.3)
Increase in trade and other payables		**26.8**	9.0	42.5
Other non-cash movements – share based payments		**2.2**	0.7	1.8
Cash generated from operations		**85.1**	56.6	132.8
Interest paid on finance leases		**(0.1)**	(0.3)	(0.5)
Interest paid on credit facilities		**(2.2)**	(2.0)	(5.2)
Tax paid		**(6.1)**	(3.3)	(6.6)
Net cash inflow from operating activities		**76.7**	51.0	120.5
Investing activities				
Purchase of subsidiary undertakings (net of cash acquired)	10	**(5.0)**	(75.9)	(88.5)
Purchase of interest in joint ventures		**(0.1)**	(0.1)	–
Sale of tangible fixed assets		**0.1**	–	0.3
Purchase of tangible fixed assets		**(32.3)**	(15.5)	(46.3)
Purchase of intangible assets		**(0.3)**	–	(0.4)
Interest received		**1.1**	0.7	2.2
Net cash outflow from investing activities		**(36.5)**	(90.8)	(132.7)
Financing activities				
Net proceeds from issue of loans		**1.3**	68.7	62.7
Repayment of loans		**(14.4)**	(22.1)	(33.5)
Repayment of capital elements of finance leases		**(2.1)**	(2.9)	(5.0)
Facility arrangement fees		**–**	(1.2)	(1.2)
Purchase of treasury shares		**(10.5)**	–	–
Payment of ordinary dividend		**(5.9)**	–	–
Cash (outflow)/inflow from financing activities		**(31.6)**	42.5	23.0
Net increase in cash and cash equivalents		**8.6**	2.7	10.8
Cash and cash equivalents at beginning of period		**80.9**	74.1	74.1
Effect of exchange rate fluctuations on cash held		**(0.6)**	(1.0)	(4.0)
Cash and cash equivalents at end of period		**88.9**	75.8	80.9

Consolidated statement of changes in equity (restated)

	Attributable to equity holders of the parent (a)							
	Share capital £m	Treasury shares £m	Share premium account £m	Foreign currency translation reserve £m	Revaluation reserve £m	Other £m	Retained earnings £m	Total equity £m
Balance at 1 January 2006	**49.2**	**–**	**153.5**	**5.0**	**–**	**(22.6)**	**(32.3)**	**152.8**
Profit attributable to equity holders	–	–	–	–	–	–	32.8	32.8
Currency translation differences	–	–	–	(7.9)	–	–	–	(7.9)
Acquisitions	–	–	–	–	10.0	–	–	10.0
Total recognised income and expense for the period	–	–	–	(7.9)	10.0	–	32.8	34.9
Share based payments	–	–	–	–	–	–	0.7	0.7
Scheme of Arrangement (b)	–	–	(153.5)	–	–	–	153.5	–
Balance at 30 June 2006	**49.2**	**–**	**–**	**(2.9)**	**10.0**	**(22.6)**	**154.7**	**188.4**
Balance at 1 January 2007	**49.2**	**–**	**–**	**(17.5)**	**10.0**	**(22.6)**	**205.4**	**224.5**
Profit attributable to equity holders	–	–	–	–	–	–	44.5	44.5
Currency translation differences	–	–	–	(4.3)	–	–	–	(4.3)
Deferred tax effect of share options	–	–	–	–	–	–	1.6	1.6
Total recognised income and expense for the period	–	–	–	(4.3)	–	–	46.1	41.8
Share based payments	–	–	–	–	–	–	2.2	2.2
Ordinary dividend paid	–	–	–	–	–	–	(5.9)	(5.9)
Purchase of treasury shares	–	(10.5)	–	–	–	–	–	(10.5)
Balance at 30 June 2007	**49.2**	**(10.5)**	**–**	**(21.8)**	**10.0**	**(22.6)**	**247.8**	**252.1**

(a) Total reserves attributable to equity holders of the parent:
- > Share capital and share premium represents the net proceeds (both the nominal value and any premium paid) on the issue of the Company's equity share capital.
- > Treasury shares represent 7,300,000 ordinary shares of the Group that were acquired for the purposes of the Group's employee share option plans.
- > The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
- > The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate from historic cost to fair value at the time of the the acquisition of the outstanding 58% interest.
- > Other reserves include £29.2 million arising from the Scheme of Arrangement undertaken in 2003, partly offset by £6.5 million relating to merger reserves and £0.1 million to the redemption of preference shares.

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

Notes to the interim accounts

1 Basis of preparation and accounting policies

Regus Group plc is a public limited company incorporated and domiciled in England and Wales under the Companies Act 1985. The Company's ordinary shares are traded on the London Stock Exchange.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The basis of preparation and accounting policies set out in the Report and Accounts for the year ended 31 December 2006 have been applied in the preparation of these summary financial statements.

The comparative figures for the financial year ended 31 December 2006 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under 237(2) or (3) of the Companies Act 1985. These accounts are available from the Company's website – **www.regus.com**.

The comparative information for the period ended 30 June 2006 and the balance sheet at that date has been restated for the following items:

(i) Certain amounts included in the interim statements for the period ending 30 June 2006 relating to business combinations completed in that period were included in those financial statements on a provisional basis. These provisional amounts were finalised during the 12 month period following the acquisition. Adjustments to the acquisition accounting has been reflected as if they had been recognised at the acquisition date. As a result the following changes have been made:

- £0.5 million has been restated in the income statement in share of post-tax profit of associates to reflect adjustments to the allocation of profit between the pre- and post-acquisition period in the UK business through the finalisation of the UK acquisition balance sheet;
- £3.6 million has been restated in the revaluation reserve reflecting 42% of the fair value adjustments made on the UK acquisition after the June 2006 balance sheet;
- The carrying value of goodwill has reduced by £0.4 million as a result of the finalisation of the acquisition accounting for the UK business, Managed Office Solutions Ltd and the Gainsborough Business Centres;
- £1.4 million has been transferred from tangible to intangible assets to reflect the allocation of the purchase price on software and customer lists;
- Other long term assets and deferred tax assets reduced by £2.9 million arising from the finalisation of the acquisition accounting on the UK business;
- Current assets increased by £1.4 million, current liabilities reduced by £5.1 million and long term liabilities decreased by £0.9 million as a result of the finalisation of the acquisition accounting for the UK business, Managed Office Solutions Ltd and the Gainsborough Business Centres.

(ii) In addition, the Group made certain presentational changes to the financial statements for the year ended 31 December 2006 and as a consequence has restated the balance sheet as at 30 June 2006 to ensure the information is presented on a comparative basis for all periods presented. The following changes have been made:

- £0.7 million relating to the share of net assets of joint ventures has been reclassified from provision for deficits in joint ventures to assets;
- £22.0 million relating to long term assets, principally landlord deposits, amounts due from joint ventures and fair value adjustments, have been reclassified from current assets;
- £2.6 million of corporation tax recoverable has been presented separately from corporation tax payable.

2 Segmental analysis – management basis

	Americas 2007	EMEA 2007	Asia Pacific 2007	UK 2007	Other 2007	Total 2007
Mature						
Workstations	50,376	26,283	6,753	–	–	83,412
Occupancy (%)	86.8	86.2	82.3	–	–	86.2
Revenue (£m)	147.0	107.9	23.2	–	–	278.1
Contribution (£m)	48.6	38.4	9.5	–	–	96.5
2006 Expansions						
Workstations	6,533	1,301	4,595	26,398	–	38,827
Occupancy (%)	74.4	79.1	74.2	82.8	–	80.2
Revenue (£m)	12.9	4.1	11.0	97.0	–	125.0
Contribution (£m)	0.7	1.1	3.4	18.8	–	24.0
2007 Expansions						
Workstations	1,685	880	1,809	1,111	–	5,485
Occupancy (%)	63.4	52.2	19.5	67.7	–	48.0
Revenue (£m)	2.1	2.2	0.7	3.1	–	8.1
Contribution (£m)	(0.5)	(1.0)	(0.7)	(0.9)	–	(3.1)
2007 Closures						
Workstations	–	134	–	–	–	134
Occupancy (%)	–	95.0	–	–	–	95.0
Revenue (£m)	–	0.3	–	–	–	0.3
Contribution (£m)	–	0.1	–	–	–	0.1
Totals						
Workstations	58,594	28,598	13,157	27,509	–	127,858
Occupancy (%)	84.7	84.9	70.8	82.2	–	82.8
Revenue (£m)	162.0	114.5	34.9	100.1	–	411.5
Contribution (£m)	48.8	38.6	12.2	17.9	–	117.5
Operating profit (£m)	27.6	27.3	7.4	6.8	(12.7)	56.4
REVPAW (£)	5,531	8,009	5,295	7,277	–	6,436

Notes to the interim accounts
continued

2 Segmental analysis – management basis continued

	Americas 2006	EMEA 2006	Asia Pacific 2006	UK 2006	Other 2006	Total 2006
Mature						
Workstations	49,748	26,578	6,474	–	–	82,800
Occupancy (%)	86.0	76.9	74.4	–	–	82.2
Revenue (£m)	148.6	93.1	20.8	–	0.8	263.3
Contribution (£m)	40.9	27.6	7.3	–	0.8	76.6
2006 Expansions						
Workstations	913	149	1,720	10,506	–	13,288
Occupancy (%)	75.9	50.2	50.9	72.3	–	69.6
Revenue (£m)	1.4	0.4	2.7	34.3	–	38.8
Contribution (£m)	(0.2)	(0.1)	(0.2)	5.6	–	5.1
2006 Expansions						
Workstations	112	–	–	–	–	112
Occupancy (%)	92.4	–	–	–	–	92.4
Revenue (£m)	0.2	–	–	–	–	0.2
Contribution (£m)	(0.1)	–	–	–	–	(0.1)
2006 Closures						
Workstations	–	202	–	–	–	202
Occupancy (%)	–	96.4	–	–	–	96.4
Revenue (£m)	–	0.3	–	–	–	0.3
Contribution (£m)	–	0.1	–	–	–	0.1
Totals						
Workstations	50,773	26,929	8,194	10,506	–	96,402
Occupancy (%)	85.9	76.9	69.5	72.3	–	80.5
Revenue (£m)	150.2	93.8	23.5	34.3	0.8	302.6
Contribution (£m)	40.6	27.6	7.1	5.6	0.8	81.7
Operating profit (£m)	21.0	14.4	3.6	1.8	(7.8)	33.0
REVPAW (£)	5,915	6,963	5,730	6,526	–	6,279

> The mature business is defined as those centres owned and operated at least 12 months prior to 1 January 2006 and therefore have a full six month comparative.

> Expansions include new centres opened and acquired businesses.

> A 2007 closure is defined as a centre closed during the period 1 January 2007 – 30 June 2007 which was previously categorised as either a mature or 2006 expansion in the comparative information. A 2006 closure is defined as a centre closed during the period 1 January 2006 – 31 December 2006.

> Workstation numbers are calculated as the weighted average for the period.

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

3 Reconciliation of operating profit to adjusted EBIT and EBITDA

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Full year ended 31 Dec 2006 (audited) £m
Operating profit	**56.4**	33.0	82.2
EBIT	**56.4**	33.0	82.2
Depreciation and amortisation	**21.0**	16.7	37.8
EBITDA	**77.4**	49.7	120.0

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

4 Taxation

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Full year ended 31 Dec 2006 (audited) £m
Current taxation			
Corporate income tax	**(7.7)**	(3.6)	(8.1)
Under provision in respect of prior years	**(1.1)**	(0.1)	–
Total current taxation	**(8.8)**	(3.7)	(8.1)
Deferred taxation			
Origination and reversal of temporary differences	**0.6**	4.1	13.2
(Over)/under provision in respect of prior years	**(0.4)**	0.7	(0.3)
Deferred tax impact of UK rate change	**(0.5)**	–	–
Total deferred taxation	**(0.3)**	4.8	12.9
Tax (charge)/credit on profit on ordinary activities	**(9.1)**	1.1	4.8

Notes to the interim accounts
continued

5 Earnings per ordinary share (basic and diluted)

	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)	Full year ended 31 Dec 2006 (audited)
Profit attributable to ordinary equity shareholders of the parent	**£44.5m**	£32.8m	£82.3m
Weighted average number of shares outstanding during the period	**984,382,474**	984,792,040	984,792,040
Average market price of one share during the period	**137.2p**	111.2p	108.7p
Weighted average number of shares under option during the period	**7,261,924**	7,261,924	7,261,924
Exercise price for shares under option during the period	**60.37p**	60.37p	60.37p

	Profit		Earnings per share	
	Six months ended 30 June 2007	Six months ended 30 June 2006 *Restated*	**Six months ended 30 June 2007**	Six months ended 30 June 2006 *Restated*
Basic and diluted profit for the year attributable to shareholders and basic EPS	**£44.5m**	£32.8m	**4.5p**	3.3p
Diluted EPS			**4.5p**	3.3p

Weighted average number of shares for basic EPS	**984,382,474**	984,792,040
Weighted average number of shares under option during the year	**7,261,924**	7,261,924
Weighted average number of shares that would have been issued at average market price	**(3,196,204)**	(3,942,467)
Weighted average number of awards under the CIP	**1,606,019**	772,196
Weighted average number of shares for diluted EPS	**990,054,213**	988,883,693

Options are considered dilutive when they would result in the issue of ordinary shares for less than the market price of ordinary shares in the period. The amount of the dilution is taken to be the average market price of shares during the period minus the issue price.

6 Dividends

On 1 June 2007 the Group paid a final dividend for the year ended 31 December 2006 equivalent to 0.6 pence per share.

7 Provisions for liabilities and charges

	As at 30 June 2007 (unaudited) £m	As at 30 June 2006 (unaudited) £m	As at 31 Dec 2006 (audited) £m
At 1 January	**14.8**	15.1	15.1
Provided in the period	**0.9**	1.8	4.6
Utilised in the period	**(1.3)**	(2.4)	(1.2)
Acquired with subsidiary undertakings	**–**	0.6	0.4
Provisions released	**(2.9)**	–	(4.0)
Exchange differences	**–**	–	(0.1)
	11.5	15.1	14.8
Analysed between:			
Current	**3.7**	4.6	3.1
Non-current	**7.8**	10.5	11.7
	11.5	15.1	14.8

8 Contingent liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £33.7 million (December 2006: £27.8 million). A number of lawsuits are pending against the Group, the outcome of which in the aggregate is not expected to have a material effect on the Group.

9 Analysis of financial resources

	At 1 Jan 2007 £m	Cash flow £m	Non-cash changes £m	Exchange movements £m	**At 30 June 2007 £m**
Cash and cash equivalents	80.9	8.6	–	(0.6)	**88.9**
Debt due after one year	(45.4)	10.2	(0.3)	–	**(35.5)**
Debt due within one year	(8.2)	2.9	(0.2)	(0.1)	**(5.6)**
Finance leases due after one year	(1.4)	0.4	–	–	**(1.0)**
Finance leases due within one year	(2.5)	1.7	–	0.1	**(0.7)**
	(57.5)	15.2	(0.5)	–	**(42.8)**
Net financial assets	**23.4**	**23.8**	**(0.5)**	**(0.6)**	**46.1**

Cash and cash equivalents balances held by the Group that are not available for use amounted to £18.7 million at 30 June 2007 (2006: £16.7 million). This cash serves as collateral against certain obligations of the Group.

Cash not available for use at 30 June 2007 includes cash held on deposit of which £6.4 million (December 2006: £5.5 million) relates to collateral against bank loans; £10.3 million (December 2006: £9.6 million) relates to deposits which are held by banks and landlords as security against lease commitments by Regus operating companies and £2.0 million (December 2006: £2.0 million) held by the ESOP Trust. These amounts are blocked and not available for use by the business.

Non-cash changes comprise the issue of loan notes in relation to business acquisitions and the amortisation of debt issue costs.

Notes to the interim accounts
continued

10 Acquisitions
The following table summarises the acquisitions made during the six month period to June 2007. In certain cases the consideration is subject to adjustment.

Consideration paid net of debt and cash acquired:

	£m
Americas	3.5
EMEA	1.3
Asia Pacific	0.1
Adjustments to consideration on prior year acquisitions	0.1
Cash outflow on the purchase of subsidiary undertakings	5.0
Deferred consideration – loan notes issued	0.4
Total consideration, net of cash acquired	**5.4**

All of the acquisitions above are providers of outsourced workplace solutions.

Acquisitions completed after the balance sheet date:
On 13 August 2007, the Group completed the acquisition of the Interactive Offices brand, operating in the USA and Canada, by completing the transfer of 12 business centres operated across Canada and the USA. A further 11 business centres will also be acquired as part of the acquisition. Total consideration for the acquisition will be £6.8 million before costs.