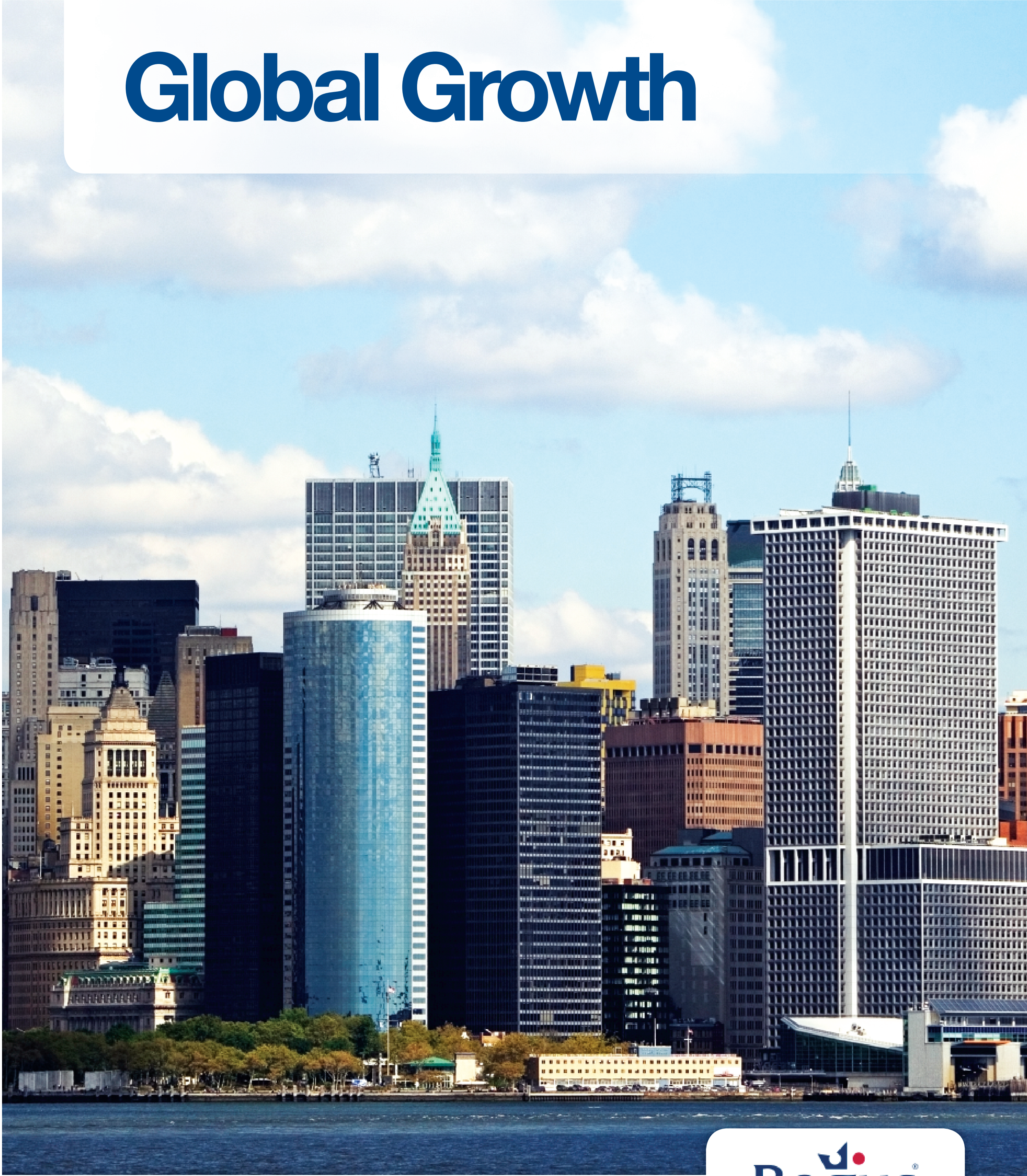
Global Growth



Regus
Work your way

ANNUAL REPORT AND ACCOUNTS 2010

VIEW MORE ONLINE AT WWW.REGUS.COM

Our unrivalled footprint and unique customer proposition is driving growth worldwide...

Regus is the world's only global provider of flexible workspace.

We are 6,000 people running 1,100 business centres in 500 cities across 87 countries. We help our customers work more effectively, to work their way, every day.

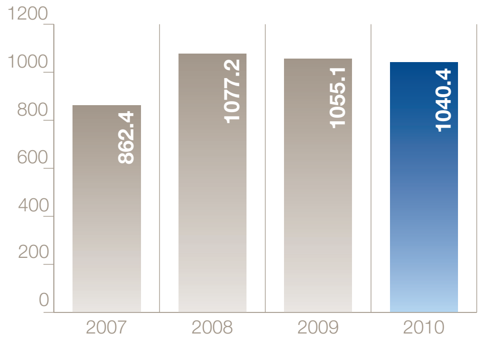
To more than 800,000 people we are the mission critical platform upon which they run some or all of their business every day.

Our products and services allow our customers to concentrate on their core business, and use their talents to best effect. We help them be more flexible, more cost-effective and more agile – and better able to face the unexpected challenges of business in the 21st century.

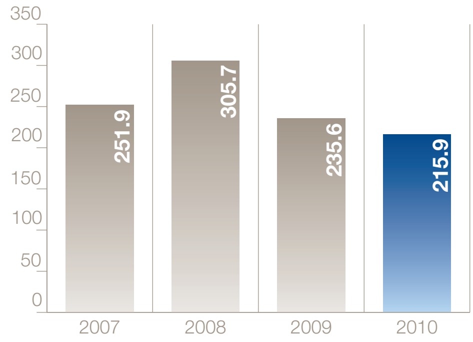
...We work your way.

Financial highlights
A solid year of performance

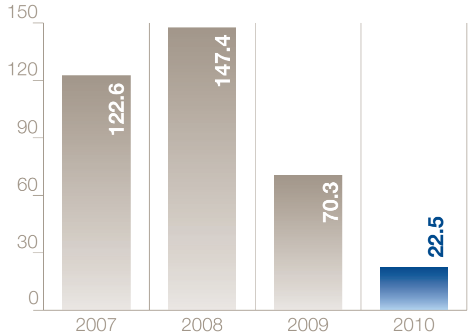
Revenue (£m) £1,040.4m



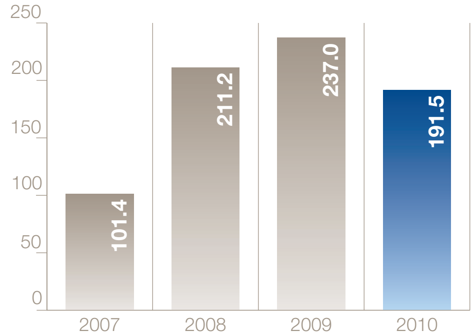
Gross profit (£m)* £215.9m



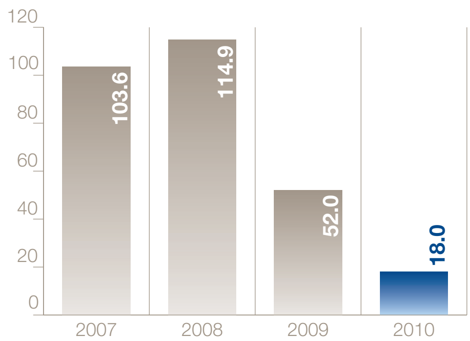
Operating profit (£m)* £22.5m



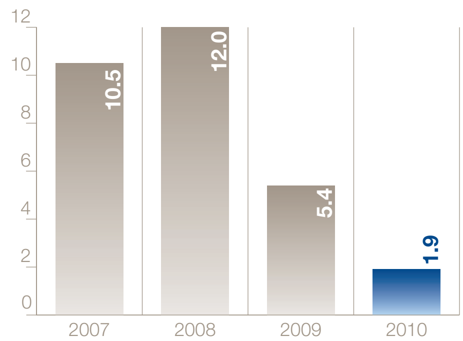
Net cash balance (£m) £191.5m



Profit after tax (£m)* £18.0m



Basic earnings per share (p)* 1.9p



* Excludes exceptional items in 2009 and 2010.

Group Overview

Extending our global network

What we do

We have to constantly evolve to meet our customers' needs.

The world of business is constantly changing and so are we. 20 years ago we were an innovative provider of serviced offices because that was what our customers needed. Yet work today is radically different to the early 1990s. As a result we have to constantly evolve to meet the ever changing needs of our customers.

Yes, we still rent serviced offices. But that's an increasingly small part of what we do now. What we provide is the means – the workspaces – from which our customers can do whatever it is they want to do. We are facilitators, concierges, technical support teams, property managers and business advisers. Our customers want meeting-rooms, workstations, coffee lounges, video-communications facilities and all the latest IT and telecommunications support. We provide bookkeeping and payroll services, transcription services and help our customers purchase a wide range of ancillary business products and services. Sometimes they even want us to tell them what they need.

Above all, we take care of the everyday details of running a business so that our customers, be they the very largest global corporate or an entrepreneur with an idea, can concentrate on what they do best, which is run their business and work their way. Every modern international business, large or small, must be agile, able to make decisions quickly, change direction or shift resources at short notice.

In today's ever more complex, ever more unpredictable, ever more interconnected world, Regus helps them to do just that.

What our customers say

Our unrivalled customer service is driven across everything we do.

Juniper
Founded in 1996, Juniper currently employs more than 7,000 workers in nearly 50 countries. Since its inception, Juniper has been at the forefront of network innovation – providing solutions that solve the most complex networking problems.

"With Regus we are no longer on the real estate roller coaster where we are constantly ramping up and ramping down our portfolio. We can now acquire just what we need, when we need it for as long as we need it without risk or excessive costs."

Coleen Hurley, Director of corporate real estate, Juniper

Yell
Yell is a leading international directories company that offers quality business leads and marketing solution to small and medium sized enterprises in the UK, US, Spain and parts of Latin America.

"With Regus we are far more cost effective, lower risk, flexible and sustainable but will, over time, increase productivity as less time is spent commuting and working in poorly equipped places such as hotels and cafes."

Simon Taylor, Head of Property, Yell

CAPCO Health Group Inc
Toronto-based CAPCO Health Group, Inc. a provider of healthcare services in the North American medical insurance community, has been a Regus client since 2000 and has started to use Regus virtual offices to pursue new business opportunities.

"For as little as a few hundred dollars a month virtual offices allow us to move into additional markets such as Mexico and Central America."

Ernie Gershon, President and COO of CAPCO

The Network Collective
The Network Collective is an independent telecommunications procurement consultancy. It works with major UK and multinational organisations to help them achieve the best possible results through their telecommunications procurement.

"Our team travels a lot and it's important for us to have a high quality base whilst on the road. Regus help us be as productive as we can in a cost effective way."

John Waterhouse, Founder and CEO of The Network Collective

Juniper NETWORKS   Yell.com   capco.ca   NETWORK COLLECTIVE

For more information visit www.regus.com

Our products and services

Serving 800,000 customers every day.

VIDEO COMMUNICATION

Video Communication

The world's largest network of video communication suites in more than 4,000 locations worldwide. Our customers save management time, travel costs and reduce their carbon footprint by using the very latest HD technology.

BUSINESSWORLD

Businessworld

Our unique worldwide membership scheme – instant access to all of our 1,100 business centres. The ultimate in productive mobile working with more than half a million members.

EQUIPPED OFFICES

Equipped Offices

A productive, flexible and cost-efficient work environment bespoke for every single customer company. From start-ups and established local businesses, to satellite offices for the very largest corporates all workspace can be fully personalised to reflect the customer's brand and culture. Mainly full-time, but also available by the hour.

VIRTUAL OFFICES

Virtual Office

A professional business address and local telephone number, with call handling and message management, plus mail collection and forwarding services. Used by all types and sizes of businesses, especially those looking to enter new markets in a low cost, low risk way.

MEETING ROOMS

Meeting Rooms

Conveniently located, customisable meeting rooms, in a dedicated business environment. Cost-efficient and flexible, our customers are able to book by the hour not just by the day.

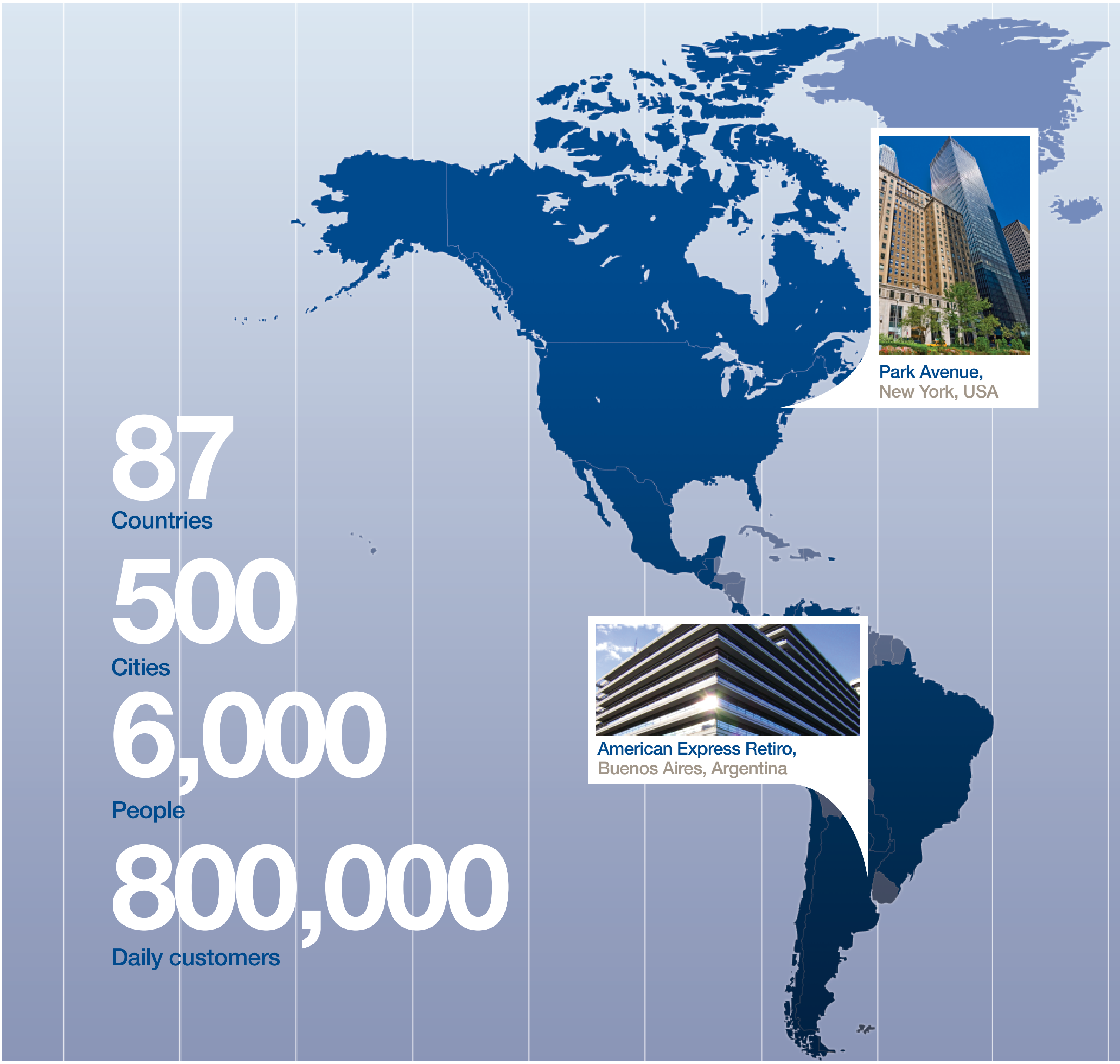
DISASTER RECOVERY

Disaster Recovery

Dedicated office space configured to our customers' exact requirements including telephone and IT connectivity, reserved and kept ready for whenever it is required.

Where we are
Growing our global network

In 2010 we added 125 new centres and Oman, Lithuania and Ghana to our global network. 2011 will see similar levels of growth.



87
Countries

500
Cities

6,000
People

800,000
Daily customers

Park Avenue,
New York, USA

American Express Retiro,
Buenos Aires, Argentina

View our online operational case studies in action

www.regus.com/investor

Chairman's statement
Determined strategic implementation

I am pleased to report a solid performance by the group resulting from the determined implementation of our strategy which has transformed our business model over the last two years.

Douglas Sutherland
Chairman

This, coupled with consistent trading across all our markets, has enabled the Group to weather the unpredictable economic challenges of 2010. I am particularly pleased that our mature margins have started to recover during 2010 and in addition the business has generated more cash year on year, with cash from operations increasing to £109.7 million (2009: £105.1 million). The strength of this cash generation has enabled the business to invest significantly in growth, opening 125 centres, with an estimated cost to our profit and loss of £18.2 million and to our cash flow of £69.7 million. It has also enabled us to increase our dividend by 22% to £23.2 million while maintaining a robust net cash position at £191.5 million. The board remains confident in the significant opportunities for our business as the global trend towards flexible, mobile work accelerates.

Network growth

To capitalise on the significant opportunities created by the trend towards increased flexible working we continue to grow our network to provide these agile workers with a mobile work platform. Our approach is two-fold: to open in new countries (such as Oman, Ghana and Lithuania), thus increasing our global footprint, and deepen existing in-country networks opening in cities (such as Canberra and Brasilia), thereby getting ever closer to new and existing customers.

In the year to 31 December 2010, we added 20,122 workstations an increase of 13% on 2009 for a total investment of £69.7 million. Approximately half of this growth came from acquisitions in markets such as Brazil, China, UK and USA. We will continue to explore such opportunities as we look to strengthen our market position and deliver on our strategy.

Board changes

I would like to thank Ulrich Ogiermann, who resigned from the Board as of 31 December 2010, for his contribution to the business over the years and we wish him well for the future.

Dividend

It remains the intention of the Board to pay dividends at a level which it believes is sustainable throughout economic cycles and is in line with its progressive payment policy. Reflecting the underlying strength of the Group's trading performance, our strong cash generation, robust cash position and future confidence in the group's prospects, the Board is recommending an 8% increase in the full year dividend per share to 2.6p per share. Subject to the approval of shareholders at the 2011 AGM, this final dividend will be paid on Friday 27 May 2011 to shareholders on the register at the close of business on Tuesday 26 April 2011.

Douglas Sutherland
Chairman
21 March 2011

Chief Executive's review

A strong track record of delivery

2009 and 2010 have been momentous years for the world economy and all businesses have had to respond and adapt in order to progress. We have been no different.

Mark Dixon
Chief Executive

2010 was a solid year of performance made possible by the delivery of key strategic initiatives rather than any noticeable pick up in the world economy. That the business remained profitable and in 2010 generated more cash than in 2009 demonstrates our strong and deep foundations.

We are now a much fitter and more nimble business which will be to the benefit of our customers and shareholders. The strategic initiatives of 2010 were focused on orientating the business to recover occupancy and margin in 2011 regardless of the rate of economic recovery. This includes having the right business centres in the right places on the right terms; generating more enquiries and increasing the sales conversion; streamlining processes and structures; continually innovating our product and service mix; and, crucially, investing in our people. Such investments have come at some cost but it is important to highlight these investments are fully self funded and we expect to see a return in 2011.

We continue to experience broad-based demand across all markets and market sectors but especially from large multinationals for our assistance in supporting their move to lower cost flexible working models. This accelerating trend is one of the key drivers of our business and we believe will be so for years to come.

With renewed focus we have delivered the growth we set out to achieve at the beginning of 2010; we opened 125 new centres, which led us into seven new countries. It is our intention to sustain this growth rate into 2011 as we look to extend our global reach and strengthen in country networks giving us an ever greater addressable market.

Strategy

Our vision is clear; to be where people and businesses want to work and to be the platform from which they work, be it mobile or fixed, virtual or physical, large company or small. As a result our strategy is equally simple: to be in as many of those locations as quickly as we can. That we are the only business that can aspire to this demonstrates the scale of the opportunity in a world of more than a billion mobile workers.

Strategic highlights

In 2010 we delivered a number of key strategic initiatives which have transformed the business. These are:

- **Strengthened Management Structure** – To better manage our growing business, within our regions, we have started the process of organising day-to-day management of 30 country/market groupings. With supervisory oversight from our new global management centre in Geneva, decision making is being accelerated and improved. In 2010 key hires and internal promotions were made across all our major geographies including Canada, Brazil, Mexico and Japan amongst others. It is of crucial importance that the business continues to add to this cadre of its management population throughout 2011.
- **Refocused Marketing** – Spend was increased by 27% over the course of 2010 vs. 2009 to £33.3 million. The marketing management team was reorganised to deliver in-country planning and global campaign integration moving us away from a regional approach. Additionally, a number of tasks were brought back in-house, including web and search engine marketing. Together this resulted in a 32% increase in overall global enquiries but more importantly a dynamic approach to generating enquiries in the locations that most need them.
- **Improved Sales** – Significant changes to our sales structure, supporting systems and improved customer targeting, together with comprehensive bespoke training and development, resulted in deal volumes that were 12% higher in 2010 than 2009. Good progress was made with our corporate accounts team, refreshing our entire product offering, providing targeted marketing support and systems, increasing headcount (from 30 to 79) and making four key senior management hires. As a result our sales picked up strongly in H2 and this team now has momentum into 2011.
- **Streamlined Operations** – 2010 saw further significant progress with our eCommerce rollout, specifically TITAN, Peoplesoft and Oracle which are now firmly embedded within the business. A significant number of centre routines and procedures were redesigned, freeing up centre team time to dedicate to customers. The centralisation of our back office service functions to our shared

Strategy and objectives

Our vision is clear; to be where people and businesses want to work and to be the platform from which they work, be it mobile or fixed, virtual or physical, large company or small. As a result our strategy is equally simple: to be in as many of those locations as quickly as we can. That we are the only business that can aspire to this demonstrates the scale of the opportunity in a world of more than a billion mobile workers.

service centres was completed in Q4. It is already delivering both operational and financial efficiencies; for example, centralising our IT support desk has already resulted in annualised savings of £1.5 million. 2011 will see further centralisation including parts of the marketing, price and inventory functions.

- **Delivered Procurement, New Centre cost efficiencies** – Over 2010 we continued our proactive approach to driving cost and realising efficiency gains throughout the business. Centralised procurement programmes were put in place and key hires made, the benefits of which we believe will be felt in 2011 and beyond. Excluding the extra costs that have been incurred increasing the capacity of the business and some specific investments, since the second half of 2008 annualised savings have been made of circa £135 million.

Operational Review

Operationally 2010 has been a busy year for the Group. During Q4 alone we averaged a centre opening a day. Our strategy of controlled and disciplined growth has resulted in an increase in total capacity (including non-consolidated workstations) of 9% to 188,567 workstations in the year and the number of actual workstations by 8.8% to 178,084 workstations as at 31 December 2010. The group opened 125 new centres during the year with the total number now standing at 1,084. Of these, 61 were as a result of organic growth of which 37 were opened on flexible, low risk leases.

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

	Revenue		Contribution		Mature margin (%)*	
£ million	**2010**	2009	**2010**	2009	**2010**	2009
Americas	**436.9**	423.8	**99.1**	92.9	**24%**	23%
EMEA	**281.2**	306.2	**65.8**	83.0	**25%**	28%
Asia Pacific	**141.7**	132.3	**36.4**	40.3	**29%**	30%
UK	**178.9**	191.4	**13.2**	18.5	**8%**	10%
Other	**1.7**	1.4	**1.4**	0.9	**--**	--
	1,040.4	1,055.1	**215.9**	235.6	**22%**	23%

* The mature business is defined as the performance from centres owned and operated at 1 January 2009.

Americas

Our business in the Americas comprises Canada, USA and the countries of Latin America, some 517 centres across 15 countries. Our main business in the USA operates 411 centres. At actual exchange rates, the region delivered revenues of £436.9 million – up 3.1% on 2009 with average mature occupancy of 80% during the period (2009: 79%). During the year, we added 46 centres which contributed to the increase in the average number of consolidated workstations from 72,277 in 2009 to 74,265 in 2010.

The business made two key acquisitions in November 2010; one in Dallas adding nine centres; and one in Brazil adding 16. The latter acquisition makes us the number one workplace provider in that market.

EMEA

Our business in EMEA encompasses 278 centres across 49 countries. The region delivered revenues of £281.2 million, down 8.2% on 2009, and achieved an average mature occupancy of 77% (2009: 80%). During the year we opened 36 centres, including 16 through acquisition. This contributed to the increase in the average number of consolidated workstations from 34,260 in 2009 to 36,120 in 2010. We opened our first centres in Ghana, Oman, Tanzania and Lithuania (new cities Porto and Basel).

Asia Pacific

Our business in Asia operates in 133 centres across 16 countries. The region delivered revenues of £141.7 million, up 7.1% on 2009, and achieved an average mature occupancy of 80% (2009: 76%). During the year we opened 20 centres, which increased the average number of consolidated workstations from 21,390 in 2009 to 23,437 in 2010.

UK

Conditions during 2010 continued to be extremely challenging with renewed pressure on key performance indicators and particularly price. Set against this backdrop, the region delivered revenues of £178.9 million, down 6.5% on 2009 and achieved an average mature occupancy of 76% (2009: 78%). During the year, we opened 23 centres of which 15 were through acquisition. This increased the average number of consolidated workstations from 33,528 in 2009 to 34,851 in 2010.

In Q2 we embarked on a significant restructure of our UK lease portfolio; working in partnership with our landlords many were renegotiated and re-geared and only three centres were closed. This process concluded in Q3 and will result in annualised savings of up to £15 million per annum. We are confident that in 2011 our UK business will return to operating profit.

Market opportunities – how we help our customers

Our extensive geographic network offers a broad range of opportunities for Regus, as organisations of all sizes begin to seriously address structural inefficiencies in their property portfolio and as pressure from workers increases to make work more flexible, in terms of both time and geographic location.

Businesses around the world, from the very largest to the newest start-up, are increasingly recognising the benefits of being property-light; reducing the number of offices they lease. This then enables their people to work where they need to, rather than where they always have been and for their business to realise the immediate benefits of increased productivity and decreased costs. As such, a move to Regus is very much a commercial and financially driven decision; with the Regus advantage regularly delivering savings of 50-80% vs. a comparable traditional leased office model. We are attractive to any size of business and not just small and medium sized businesses on a short term basis. 60% of our customers use us for more than 30 months; 40% of our customer base is large corporates; and, 20% sole traders and micro businesses.

The scale and density of our ever expanding network, our strong track record of delivery, and our constant ability to innovate both product and service mean we are well placed to help our customers, both current and future, address the challenges of work, wherever they need us. For example:-

Yell – UK based business directory service

Closed 18 under-utilised sales offices and transferred circa.700 sales consultants to Regus through our Businessworld model. This approach is more cost effective, lower risk, flexible, sustainable and is gradually increasing productivity as less time is spent commuting and working in poorly equipped places.

7-11 – Leading US franchised food retailer

Since year end we have signed a deal with 7-11 whereby they will close more than 35 under-utilised regional offices. More than 250 franchise managers will use the Regus network establishing flexible zone offices in Regus centres coupled with 250 days of meeting rooms per month and several hundred Businessworld cards. 7-11 will reduce overhead by eliminating small offices from their property portfolio and franchise managers will have more time to spend with their customers as they leverage more than 400 Regus business centres.

AT&T – Leading telecommunications service provider

Use Regus offices in 18 countries including Canada, China, Vietnam, Denmark and Peru. Coupled with 500+ businessworld cards AT&T rely on Regus to ensure flexibility and speed of response especially when working on major new contracts in new or challenging markets.

Network growth

In an ever more mobile, nomadic world of work, our primary asset, our business centres, will remain the foundation for our growth. Indeed it is our extensive network, virtually impossible to replicate in the medium term, which is so attractive to our customers and prospects and from which we will create significant shareholder value.

A larger network is necessary because:

- Our addressable market grows; locally from the businesses immediately surrounding the new location and globally for multinational businesses that want to do business in that location;
- We can leverage operational efficiencies;
- Additional brand exposure;
- We become an ever more attractive partner to other high profile global brands; and
- The barriers to competitive entry become greater.

As such continued growth is core to our strategy.

It is important to state that our growth strategy is based upon making our past successes repeatable. We focus on projects that we can do again and again, moving us from one level to the next. Growth is always low risk and balanced. It is never growth for its own sake.

The acquisitions we have made and the organic growth which has happened alongside have expanded our served and addressable market. We now have 1,084 centres worldwide

Outlook

Against a tough economic backdrop the business delivered solid financial results in 2010, driven almost entirely by execution of a range of key strategic initiatives; we have seen little benefit from any economic upturn. We have continued to invest in growth, mature margins have held up well and cash flow continued to be strong, reflecting the underlying health of the business.

We remain cautious on the economy, however we have been encouraged by recent positive trends that reflect the continued strategic delivery of the group. In 2011 we are well positioned for a year of solid revenue growth business improvement with strong underlying cash-flow generation.

Arguably the recession of the last two years has been good for our business; it made us take a long hard look at everything we did, improve it and in doing so we have been transformed. That we have emerged from 2010 for the better is a testament to the hard work and dedication of our global team of highly motivated individuals. We have restructured and streamlined our management; we have grown and opened up new markets; we have continued to innovate; we have radically improved our sales and marketing; and we have continued to automate and improve our processes. We are a better business than we were when the recession started and we will realise the benefits of the many improvements made over the years to come.

Finally, I would like to thank our employees, customers, shareholders, suppliers and all other partners for their continuing support. We look forward to an improved 2011 and the opportunity to grow our business and in doing so lead our industry.

Mark Dixon
Chief Executive
21 March 2010

Financial review

Robust cash generation

Despite the challenging trading conditions experienced across all of our markets, the business has generated more cash in 2010 than it did it 2009 with cash from operations increasing to £109.7 million (2009 £105.1 million).

Stephen Gleadle
Chief Financial Officer

This cash inflow has enabled the business to pay an increased dividend to shareholders (£23.2 million), buy back shares (£7.3 million), restructure the UK (£13.7 million to 31 December 2010). As well as invest in capacity growth (£69.7 million).

Our net cash position at 31 December 2010 remained strong at £191.5 million compared to £237.0 million at 31 December 2009.

Revenue and gross profit (centre contribution)

Revenue for the Group decreased 1.4% to £1,040.4 million (2009: £1,055.1 million) and gross profit (centre contribution) decreased 8.4% to £215.9 million (2009: £235.6 million).

This movement can be analysed as follows:

£ million	Revenue	Gross profit	Margin %
FY 2009	**1,055.1**	**235.6**	**22.3%**
Impact of exchange rates	16.3	4.4	
FY 2009 at constant exchange rates	**1,071.4**	**240.0**	**22.4%**
Change in mature business	(60.8)	(24.5)	
Centres added in 2009	13.0	4.8	
Centres added in 2010	25.1	(7.0)	
Centres closed	(8.3)	2.6	
FY 2010 (pre exceptional costs)	**1,040.4**	**215.9**	**20.8%**
Exceptional costs	-	(11.9)	
FY 2010	1,040.4	204.0	

If we had translated our 2009 results at 2010 rates revenue and gross profit would have increased by £16.3 million and £4.4 million respectively. On a constant currency basis revenue fell by 2.9% and gross profit by 10.0%.

Our mature or "like for like" business revenues decreased by £60.8 million and gross profit by £24.5 million driven by reductions in price. This is partially offset by real reductions in costs and the transfer of some other costs into overheads.

However, while the overall profitability has fallen year on year mature margin has recovered during 2010.

£ million	H2 2009*	H1 2010*	H2 2010*
Mature revenue	494.5	489.9	490.3
Mature gross profit	109.4	103.8	109.5
Margin	22.1%	21.2%	22.3%

* The above numbers are at constant currency and have been adjusted for the impact of certain costs being moved into overheads during 2010.

Centres added in 2009 contributed £13.0 million of revenue and £4.8 million of gross profit, reflecting the improving occupancy and ability to reduce the normal start up losses as centres mature.

New centres in 2010 contributed £25.1 million of revenue but reduced gross profit by £7.0 million due to the normal start up losses incurred in establishing new centres.

The year on year impact of centre closures was to reduce revenue by £8.3 million but increase gross profit by £2.6 million.

Taking all this together margins (before exceptional costs) reduced from 22.3% to 20.8%.

Administration expenses

In 2010 administrative expenses (pre exceptional costs) increased by £28.1 million to £193.4 million. This increase can be broadly analysed as follows:

£ million	Administrative costs
FY 2009	**165.3**
Impact of exchange rates	1.8
FY 2009 at constant exchange rates	**167.1**
Transfer of costs from centres	6.4
Incremental costs associated with capacity growth	5.3
2010 investments (sales, marketing and IT)	11.1
Other cost movements	3.5
FY 2010 (pre exceptional costs)	**193.4**
Exceptional costs	3.9
FY 2010	**197.3**

£6.4m of costs were transferred from centres arising from both our programmes to centralise certain functions and processes, previously carried out by centre staff and from the annualised effect of other transfers made in 2009.

As a result of adding workstations overhead costs are also adversely affected as we invest in such costs as extra marketing, regional management, legal and other compliance costs. Year on year the increase in these costs is estimated at £5.3 million.

To drive enquiries and future revenue growth, the Group has invested an extra £9.0 million in sales and marketing. In addition, £2.1 million has been spent to centralise our IT support structure which will start to yield savings in 2011.

Net of the above there has been an underlying increase in overhead of £3.5 million.

Growth costs

As the rate of capacity growth increases the short term costs of this growth also increase. To give shareholders a better appreciation of the impact of this on our 2010 profit and loss these costs have been estimated as follows:

£ million	Growth costs
Start up losses within centre contribution (including £2.7m of depreciation)	(7.0)
Costs of teams that support the acquisition and implementation of centres	(4.7)
Incremental marketing costs to launch centres	(1.9)
Other overhead costs (sales, finance, legal, management)	(4.6)
	(18.2)

In arriving at this number there has been no allowance for general management time and effort expensed across the business supporting growth which is also likely to be substantial.

Using these estimates, before and after profitability can then be summarised as follows:

£ million	Before growth costs	After growth costs
EBITDA*	112.6	97.2
EBIT*	42.0	23.8

* Before exceptional costs.

Taking into account an overall assessment of growth costs within the business and the expectation of further increases in capacity and therefore revenue, it is anticipated that an 'ex growth' overhead rate would be circa 12% of revenues.

Cost reduction initiatives

The cost management actions taken by the Group throughout 2009 have been progressed in 2010, delivering further cost savings in the underlying business. The most significant savings are being driven through centre costs, where we are now seeing the benefit of reduced rent and service charges. Cost savings are also being made as we close underperforming centres and the centralisation of certain functions and processes has contributed operational efficiencies such as improved customer collections.

The trend in the total cost base is shown below. Excluding the extra costs that have been incurred increasing the capacity of the business and some specific investments in 2010, since the second half of 2008 annualised savings have been made of circa £135 million.

Operating profit (before exceptional items)

Arising from the above operating profit was £22.5 million (2009: £67.7 million), representing a margin of 2.2% (2009: 6.4%).

Exceptional items

During the year the Group has undertaken a UK restructuring programme and incurred exceptional charges of £15.8 million. These costs relate to a combination of asset write-downs, dilapidations, legal and professional fees, relocation costs, reorganisation costs and ancillary closure costs net of any onerous lease or other property related provision releases.

Cost trend of base business at constant exchange

£million	H2 2008	H1 2009	H2 2009	H1 2010	H2 2010
Base business	**532.7**	**505.8**	**486.0**	**480.6**	**465.0**
Growth costs	2.5	5.5	8.9	20.2	40.6
2010 investments	–	–	–	5.4	5.7
Total costs	**535.2**	**511.3**	**494.9**	**506.2**	**511.3**

Of the net £15.8 million, £13.7 million has so far been expended in cash.

As a result of the programme annualised rent savings have been achieved of up to £15 million.

Share of profit in joint ventures

The share of joint venture profits attributable to Regus decreased to £1.3 million (2009: £2.0 million). This reflects the acquisition of one of our JV partners in December 2009 which is now fully consolidated.

Financing costs

Financing costs can be summarised as follows:

£ million	FY 2010	FY 2009
Interest payable	(0.5)	(1.6)
Interest receivable	1.8	2.6
Finance lease interest	(0.1)	(0.1)
Non-cash: Amortisation of deferred financing fees	–	(0.5)
Non-cash: UK acquisition related	(1.4)	(1.5)
Total financing costs	**(0.2)**	**(1.1)**

The lower interest payable of £0.5 million reflects costs associated with bank overdrafts in a limited number of countries and commissions on bank guarantees.

The £0.8 million decrease in interest receivable reflects the impact of lower global interest rates (reducing the Group's average yield from 1.2% to 0.9% on a lower average interest bearing cash balance of £204.8 million (2009: £219.2 million).

Finance lease costs have remained unchanged reflecting the continued low level of finance lease liabilities held by the Group. The amortisation of deferred financing fees relates to the facility arrangement costs incurred for the new credit facilities entered into during 2006 and which were voluntarily surrendered in April 2009 resulting in the recognition of an accelerated amortisation charge of £0.5 million in that year. The unwinding of discounted fair value adjustments on the Regus UK acquisition resulted in a non cash net financing charge of £1.4 million in the period to 31 December 2010 (2009 £1.5m).

Taxation

The Group has recognised a £5.9 million tax charge for the period (compared to a tax charge of £19.2 million in the

Financial review continued

comparative period). This includes a deferred tax charge of £0.5 million associated with the UK restructuring.

The tax rate is 23.7%, excluding the exceptional item, compared to 26.9% pre exceptional in the comparative period.

The deferred tax charge of £28.4 million includes the reversal of previously recognised deferred tax assets on losses, which no longer satisfy the Group's recognition policy, giving rise to a decrease in the deferred tax asset from £65.1 million at 31 December 2009 to £37.1 million at 31 December 2010. In addition, the Group has benefited from a credit in relation to the settlement of a number of tax audits in relation to prior years.

On a cash basis, the Group paid £15.5 million in tax. Cash tax represents approximately 65% of profit before tax (excluding the exceptional charge). This arises largely because taxes paid in the year include final payments for earlier periods.

Earnings per share

Earnings per share for the full year before exceptionals have decreased to 1.9p (2009: 5.4p) with the impact of falling underlying operating profits partially offset by cost savings. The average number of shares in issue decreased to 947,462,881 (2009: 948,203,737) which reflects the net impact of the reissue of treasury shares held by the Group in order to settle the exercise of share awards partially offset by the impact of share purchases.

Dividend

A final payment relating to 2009 of 1.6p per share was paid in May 2010 following shareholder approval (H1 2009 1.2p per share).

An increased interim dividend relating to 2010 of 0.85p per share (H1 2009 0.8p) was paid in October 2009.

It is proposed, subject to shareholder approval, to pay an increased final dividend for 2010 of 1.75p (2009: 1.6p). This will be paid on Friday 27 May 2011 to shareholders on the register at the close of business on Tuesday 26 April 2011.

If approved, this will represent an 8% increase in the full year dividend increasing from 2.4p per share for 2009 to 2.6p per share for 2010.

Since 2008, Regus shareholders have been able to elect to receive either Luxembourg-sourced dividends from Regus plc SA ("plc") or UK-sourced dividends from a UK-resident subsidiary of plc (the "IAS arrangements"). The IAS arrangements were put in place to allow shareholders to choose the dividend source which best suits their own tax position.

Following various changes in relevant tax law and practice, however, the tax implications of receiving a dividend from either plc or a UK subsidiary should now be the same for most shareholders. In order to enable the discontinuance of the IAS arrangements, which are no longer considered necessary, Regus has implemented a restructuring. As a result, all shareholders will be paid dividends directly from plc, commencing with the final dividend to be paid to shareholders on or around Friday 27 May 2011. All such dividends should be payable by plc without deduction of Luxembourg withholding tax, regardless of the residence of the recipient.

In general terms, UK resident shareholders receiving dividends from plc in the future should be taxed in the same way as if they had received a dividend from a UK company. Tax outcomes do, however, depend on the specific circumstances of shareholders and any shareholder in doubt about their tax position (including in particular UK resident but non UK domiciled individuals who have elected to be taxed on a remittance basis) should consult their own professional adviser without delay.

Goodwill

Regus has £282.4 million of goodwill in the balance sheet principally arising from the purchase in August 2004 of HQ Global Holdings Inc. and the purchase in April 2006 of the remaining 58% interest in the Regus UK business not already owned.

Following the restructure of the UK business, the carrying value of the goodwill was tested for impairment and this indicated that no impairment was necessary. Although the short term performance of the business has worsened since the 2009 impairment review was carried out, the adverse impact of the resulting reduction in our anticipated future cash flows has been offset by the savings arising from the UK restructuring. It should be noted, however, that the headroom in the UK goodwill calculations still remains low. It is therefore possible that a future, non-cash, impairment may be necessary arising from relatively small changes in assumptions.

Cash flow

The Group's cash flow statement can be summarised as follows:

£ million	FY 2010	FY 2009
Cash from operations	109.7	105.1
Other income	1.8	1.2
Cash in	**111.5**	**106.3**
Maintenance capex	(30.8)	(20.2)
Interest and tax	(15.4)	(24.1)
Free cash flow	**65.3**	**62.0**
Acquisitions	(17.0)	1.0
New centre openings and property purchase	(42.7)	(26.7)
Share buybacks, settlement of share awards and dividends	(31.4)	(20.4)
Exceptional (cost)/receipt	(13.7)	18.3
Other	(3.0)	(1.9)
Cash out	**(107.8)**	**(29.7)**
Change in cash & cash equivalents	**(42.5)**	**32.3**
Opening cash	245.1	219.5
FX	2.0	(6.7)
Closing balance – Cash, cash equivalents and liquid investments	**204.6**	**245.1**

Cash flow from operations has increased £4.6 million from £105.1 million to £109.7 million despite the reduction in operating profit. This arose from a net working capital inflow in 2010 in contrast to an outflow in 2009.

The increase in free cash flow is £3.3 million arising from lower interest and tax payments offset by increased maintenance spend in our centres, in particular in the UK.

This cash inflow has enabled the business to pay an increased dividend (£23.2 million), buy back shares (£7.3 million), restructure the UK (£13.7 million to 31 December 2010) as well as invest in capacity growth (£54.2 million) and finance the purchase of our first property (£5.5 million). In 2010 we have opened or acquired 125 centres.

The net cash balance can be analysed as follows:

£ million	FY 2010	FY 2009
Cash, cash equivalents and liquid investments	204.6	245.1
Bank and other loans	(8.9)	(6.0)
Finance leases	(4.2)	(2.1)
Net financial assets/ net cash	**191.5**	**237.0**

Of the balance of £191.5 million, £93.6 million was held in Group immediately available for use, £65.3 million was held in the regions and £32.6 million is set aside to support letters of credit the business has issued and various other commitments of the Group.

Risk management and leasing

With the recent publication of an Exposure Draft on lease accounting there has been increased focus on the extent of our lease liability. While the contents of any potential new accounting standard remain uncertain it is not possible to estimate how or what impact on our financial statements this might have. However, I can provide some insight into our lease exposures.

Our current annual property related lease rentals are circa £400 million per annum and the minimum contractual lease rentals on a GAAP basis total £1,557 million as disclosed in note 27 of our audited Annual accounts, the NPV of which is circa £1,100 million. Having carried out our own analysis of what we believe to be our actual exposure, taking into account commercial reality and from past experience, we estimate the NPV of our minimum lease rental to be nearer circa £553 million or a little less than one and half years of lease rental.

Principal risks and uncertainties

The principal risks and uncertainties affecting Regus plc remain unchanged from those detailed in the Regus plc 2009 Annual Report and Accounts.

The principal risks and uncertainties described in the 2010 Annual Report and Accounts are:

- Risk of economic downturn in significant markets;
- Exposure to movements in property markets;
- Exposure to movements in exchange rates;
- Risks associated with the Group reorganisation and restructuring; and
- Risk associated with centrally managed applications and systems.

Related parties

Details of related party transactions that have taken place in the period can be found in note 29 to the 2010 Annual Report and Accounts. There have been no changes to the type of related transactions entered into by the Group as described in the Regus plc 2009 Annual Report and Accounts that had a material effect on the financial statements for the period ended 31 December 2010.

Stephen Gleadle
Chief Financial Officer
21 March 2011

Corporate responsibility
Practicing sustainable business

Being a global business carries great responsibility. Even though our footprint is large, we seek to keep sustainability at the core of how we conduct business. Regus aims to bring employment and responsible investment in communities around the world while carefully considering the environment.

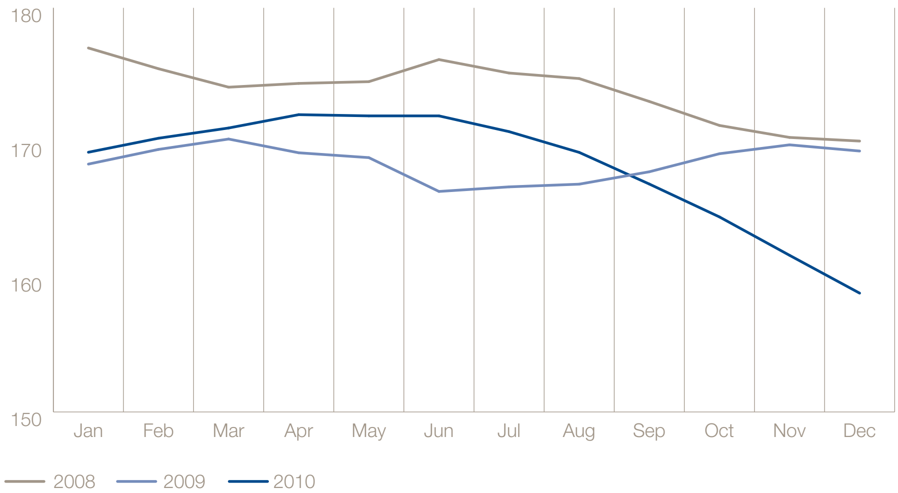
Our representative to the Board for Corporate Responsibility in organisational governance is the Company Secretary. Corporate Responsibility (CR) at Regus is now overseen by the Chief Sustainability Officer and our framework is based on ISO 26000. This comprehensive standard provides guidance on social responsibility and has seven core subjects as its foundation – the environment; human rights; labour practices; consumer issues; fair operating practices; organisational governance and community involvement and development. It supports principles and guidelines of the United Nations (UN) and International Labour Organization (ILO).

In supporting the three dimensions of sustainability – economic, social and environmental, CR at Regus will also have three dimensions – stakeholders, the environment, and community involvement and development.

As a global company our stakeholders are diverse and include individuals, groups and organisations. Core to the nature of our business, key stakeholders for Regus are our employees, customers, shareholders, property agents and landlords, and suppliers. The health, safety and security of our stakeholders is also paramount to our business.

Our environmental considerations include reviewing our carbon footprint, waste avoidance, water usage as well as procurement and travel policies. In the UK Regus continues to make solid progress in its environmental performance. The strategy outlined in last year's annual report targeted a 20% reduction in carbon footprint in 2010 based on our 2007 baseline (see table opposite). Whilst this target was not met we did achieve a 10.28% reduction and this coupled with our successful Carbon Trust Accreditation in May 2010 clearly demonstrates that we are taking our environmental impact and performance seriously. The emissions metric we are using to measure and track our carbon footprint is that of kg of CO_2 per occupied workstation, which has been accepted by the Carbon Trust as a unique measure for our business.

YTD rolling kg CO_2 pa per occupied workstation (in UK business)



It remains our intention to reduce our carbon footprint by 50% by 2020 using our 2007 baseline.

We recognise that we have not achieved our targets in waste, water and transport reductions as set out in our last annual report but in June 2010 we introduced a behavioural change programme to encourage Greener Working. This campaign includes a variety of behavioural changes coupled with a series of energy and carbon saving practices across the estate. Each centre now has an appointed a Greener Working Champion whose primary role is to reduce energy, and water consumption, encourage recycling and promote greener working amongst customers, clients and suppliers. Dry Mixed recycling was also introduced in 2010 and is being successfully adopted by our staff and customers.

Our community involvement and development will focus on forging sustainable relationships with communities in the areas of education and skills development, particularly as they relate to business creation. Our team members will continue to support a wide variety of charitable organisations, large and small. Of particular note in 2010 our US team raised more than US$50,000 for the Susan G Komen charity, a grassroots breast cancer support network.

The above table shows a:

- 10.28% reduction in the carbon footprint per occupied workstation from 2007 levels;
- 6.23% reduction in the carbon footprint per occupied workstation from 2009 levels.

Board of directors

The board has a blend of experience demonstrating both depth and global perspective

Douglas Sutherland [b,c]
Chairman

Douglas was appointed Non-Executive Director of Regus on 27 August 2008 and was appointed Non-Executive Chairman on 18 May 2010; he also serves as Chairman of the Nomination Committee. Douglas was Chief Financial Officer of Skype during its acquisition by eBay in October 2005 and was also Chief Financial Officer at SecureWave during its acquisition by PatchLink in July 2007. Prior to this, Douglas enjoyed a career with Arthur Andersen, serving as a Partner with management responsibilities for over a decade. Douglas is currently also a Director of HosCo Kliniken S.à.r.l. and HosCo Gruppe S.à.r.l.

Mark Dixon
Chief Executive Officer

Chief Executive and founder, Mark Dixon is one of Europe's best known entrepreneurs. Since founding Regus in Brussels, Belgium in 1989, he has achieved a formidable reputation for leadership and innovation. Prior to Regus he established businesses in the retail and wholesale food industry. Recipient of several awards for enterprise, Mark has revolutionised the way business approaches its property needs with his vision of the future of work.

Stephen Gleadle
Chief Financial Officer

Stephen was appointed Chief Financial Officer of Regus in 2005. Previously he served as Chief Financial Officer for LastMinute.com plc, Europe's leading independent online travel and leisure group. Prior to this, he served as Group Finance Director and Company Secretary at Synstar plc, a pan-European provider of IT infrastructure availability services. Stephen's extensive experience also includes financial management positions at Tarmac plc, NFC plc and Mars Confectionery. He qualified with Price Waterhouse.

Lance Browne [a,b,c]
Senior Independent Non-Executive Director

Lance Browne was appointed a Non-Executive Director of Regus on 27 August 2008 and became Senior Independent Director on 18 May 2010. Lance is Vice Chairman of Standard Chartered Bank (China) Limited, Chairman of China Goldmines plc, Non-Executive Vice Chairman of Earthport plc and Chairman of the IMI China Advisory Board. He was previously China Senior Advisor to the City of London, Non-Executive Director of IMI plc and Director of Business Development at Powergen International (HK).

Alex Sulkowski [a,b,c]
Independent Non-Executive Director

Alex was appointed Non-Executive Director of Regus on 1 June 2010; he also serves as Chairman of the Audit Committee. Alex has over 30 years of experience in international finance structures, private equity, tax advice and real estate. He is currently the Managing Director of Third Millennium Investments SA and serves on the board of Taxand, the largest global network of independent tax advisers. Prior to this Alex enjoyed a career with Arthur Andersen, responsible for the Belgium and Luxembourg tax practices, prior to joining Ernst and Young in 2002 as the Partner responsible for the Luxembourg tax practice and then serving as the Managing Partner of Atoz Tax Advisors from 2004 through 2009.

Elmar Heggen [a,b,c]
Independent Non-Executive Director

Elmar was appointed Non-Executive Director of Regus on 1 June 2010 and became Chairman of the Remuneration Committee on 24 November 2010. Elmar has extensive management experience and is currently Chief Financial Officer and Head of the Corporate Centre at RTL Group, the leading European entertainment network, where he has held various roles since 2000. Elmar is currently responsible for Finance, Legal, Strategy and Business Development, as well as RTL Group's operations in the Netherlands, France (radio), Luxembourg, Spain and UFA Sports. Elmar began his career at the Felix Schoeller Group, becoming Vice President & General Manager of Felix Schoeller Digital Imaging in the UK in 1999.

Notes

(a) Member of the Remuneration Committee

(b) Member of the Nomination Committee

(c) Member of the Audit Committee

Other statutory information

The Directors of Regus plc (société anonyme) (the "Company") present their Annual Report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2010.

Directors

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

Executive Directors

Mark Dixon
Stephen Gleadle

Non-Executive Directors

John Matthews (resigned 18 May 2010)
Martin Robinson (resigned 18 May 2010)
Lance Browne
Ulrich Ogiermann (resigned 31 December 2010)
Douglas Sutherland
Elmar Heggen (appointed 1 June 2010)
Alex Sulkowski (appointed 1 June 2010)

Biographical details for the Directors are shown on page 15.

Details of the Directors' interests and shareholdings are given in the Remuneration Report on pages 25 to 30.

The Corporate Responsibility Statement, Corporate Governance Statement, Remuneration Report and Director Statements on pages 14 to 30 all form part of this report.

Principal activity

The Company is the world's leading provider of global office outsourcing services.

Business review

The Directors have presented a business review as follows:

The Chief Executive's Review and Financial Review on pages 7 to 13 respectively address:

- Review of the Company's business (pages 8 to 9)
- Trends and factors likely to affect the future development, performance and position of the business (page 9)
- Development and performance during the financial year (pages 10 to 12)
- Position of the business at the end of the year (page 13)
- Principal risks and uncertainties (page 13)

The Corporate Responsibility Report on page 14 includes the sections of the Business Review in respect of:

- Environmental matters
- Employees
- Social and community issues.

The Corporate Governance Statement on pages 18 to 23 includes a description of the principal risks and uncertainties facing the Company.

The Directors Statements on page 24 include the statutory statement in respect of disclosure to auditors.

The Directors do not consider any contractual or other relationships with external parties to be essential to the business of the Group.

Results and dividends

Profit before taxation for the year was £7.8 million (2009: £86.9 million).

The Directors are pleased to recommend a final dividend for 2010 of £16.5 million (2009: £15.2 million), being 1.75 pence per share. The total dividend for the year will be made up of the interim dividend of 0.85 pence per share paid in October 2010 (2009: 0.8 pence per share paid by Regus Group Limited) and an additional 1.75 pence per share (2009: 1.6 pence per share) which is expected to be paid on 27 May 2011 to shareholders on the register at the close of business on 26 April 2011.

Policy and practice on payment of creditors

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

- Agree the terms of payment upfront with the supplier
- Ensure that suppliers are made aware of these terms of payment
- Pay in accordance with contractual and other legal obligations.

At 31 December 2010, the number of creditor days outstanding for the Group was 25 days (2009: 21 days) and the Company 54 days (2009: 48 days).

Going Concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts on pages 32 to 74.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 8 to 9 as well as the Group's principal risks and uncertainties as set out on pages 20 and 21. Based on the performance of the Group, its financial position and cash flows, the Board is satisfied that the Group Is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Further details on the going concern basis of preparation can be found in note 23 to the notes to the accounts on page 57.

Employees

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

Political and charitable donations
It is the Group's policy not to make political donations either in the UK or overseas. The Group made charitable donations of £0.05 million during the year (2009: £0.1 million).

Capital structure
The Company's share capital comprises 950,969,822 issued and fully paid up ordinary shares of 1p nominal value in Regus plc (2009: 950,969,822). All ordinary shares have the same rights to vote at general meetings of the Company and to participate in distributions. There are no securities in issue that carry special rights in relation to the control of the Company. The Company's shares are traded on the London Stock Exchange.

Details of the role of the Board of Directors (the "Board") and the process for the appointment of directors can be found on pages 18 to 20.

At the Company's Annual General Meeting held on 18 May 2010 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 95,096,982 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 16 April 2010.

Details of the Company's employee share schemes can be found in the report of the Remuneration Committee on pages 25 to 30. The outstanding awards and options do not carry any rights in relation to the control of the Company.

Substantial interests
At 21 March 2011, the Company has been notified of the following interests held in the issued share capital of the Company.

	Number of ordinary shares	% of issued share capital
Estorn Limited*	322,028,792	33.86%
Prudential plc	132,865,719	14.04%
Standard Life Group	46,538,104	4.93%
BlackRock Inc	46,064,455	4.85%
Ameriprise Financial Inc	46,441,761	4.92%
Tree Top Convertible SICAV**	45,167,670	4.75%

* Mark Dixon indirectly owns 100% of Estorn Limited

** The interest held by Tree Top Convertible SICAV relates to a financial instrument convertible into ordinary shares of the company.

Auditors
In accordance with the Articles of Association of the ccompany, a resolution for the re-appointment of KPMG Audit S.à.r.l. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approval
This report was approved by the board on 21 March 2011.

On behalf of the Board

Tim Regan
Company Secretary
21 March 2011

Corporate governance

The Board is committed to the high standards of corporate governance set out in the Combined Code published in June 2008 ("the Code") for financial periods beginning after 29 June 2008. The Board is accountable to the Company's shareholders and this report describes how the Board applied the principles of good governance. In its prospectus dated 8 September 2008 the Company stated its intention to voluntarily comply with the Combined Code so far as it is practical for a Luxembourg company to do so.

The Board

At 31 December 2010, the Board of Directors was made up of six members comprising the Chairman, two Executive Directors and three Non-Executive Directors. Biographical details of the Directors are set out on page 15.

Role of the Board

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

Frequency of meetings

There were eleven board meetings during 2010.

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

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Total meetings	11	5	7	5
Mark Dixon	11			
Stephen Gleadle	9			
John Matthews	3			2
Martin Robinson	3	3	2	2
Lance Browne	9	5	6	4
Ulrich Ogiermann	8	5	6	4
Douglas Sutherland	11	5	7	5
Elmar Heggen	5	2	4	2
Alex Sulkowski	6	2	4	2

Matters reserved for the Board

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

- Approval of regulatory announcements including the interim and annual financial statements
- Terms of reference and membership of the Board and its Committees
- Changes to the Group's capital structure
- Changes to the Group's management and control structure
- Capital investment in excess of £5 million
- Material contracts (annual value in excess of £5 million)

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

Roles of Board members

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

The Chairman

Douglas Sutherland is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures effective communication with shareholders and that the Board is aware of the views of major shareholders. He facilitates both the contribution of the Non-Executive Directors and constructive relations between the Executive Directors and Non-Executive Directors.

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

The Chairman is deemed to be independent.

John Matthews retired from the Board with effect from 18 May 2010 and was replaced as Chairman by Douglas Sutherland, who joined the Board in August 2008.

The Chief Executive

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

Non-Executive Directors

The Non-Executive Directors each bring their own senior level of experience and objectivity to the Board. The independent counsel brought to the group by the Non-Executives enhances the overall decision making of the Board. Non-Executives are appointed for an initial three year term, subject to election by shareholders at each Annual General Meeting ("AGM") after their appointment.

On 18 May 2010 Martin Robinson, Senior Independent Non-Executive director and Chairman of the Remuneration committee, retired from the Board. On 31 December 2010 Ulrich Ogiermann, Independent Non-Executive Director and Chairman of the Remuneration Committee, retired from the Board. On 1 June 2010 Elmar Heggen and Alex Sulkowski were each respectively appointed as an Independent Non-Executive Director.

Company Secretary

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

Board Committees

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

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

Audit Committee

Alex Sulkowski (Chairman) (appointed 1 June 2010)
Douglas Sutherland (Chairman) (resigned 18 May 2010)
Elmar Heggen (appointed 1 June 2010)
Martin Robinson (resigned 18 May 2010)
Ulrich Ogiermann (resigned 31 December 2010)
Lance Browne

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

The Audit Committee meets at least three times a year. At the request of the Chairman, the external auditors, the Executive Directors, the Company Secretary and the Head of Risk Management attend each meeting.

Summary terms of reference:

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

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

External auditors:

KPMG Audit S.à.r.l. were the Company's auditors for the year ended 31 December 2010. For 2011, the Audit Committee has recommended to the Board that a resolution to re-appoint KPMG Audit S.à.r.l. as the Company's auditors be proposed at the AGM. The Audit Committee will continue to keep under review the independence and objectivity of the external auditors, the effectiveness of the audit process and the rotation of the lead audit partner.

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

Remuneration Committee

Elmar Heggen (Chairman) (appointed 1 June 2010 as a member of the Committee and 31 December 2010 as Chairman)
Martin Robinson (Chairman) (resigned 18 May 2010)
Lance Browne
Alex Sulkowski (appointed 1 June 2010)
Ulrich Ogiermann (Chairman) (appointed as Chairman 18 May 2010 and resigned from Committee 31 December 2010)
Douglas Sutherland (resigned 18 May 2010)

Details of the Remuneration Committee are set out in the Remuneration Report on pages 25 to 30.

Nomination Committee

Douglas Sutherland (Chairman) (appointed 18 May 2010)
John Matthews (Chairman) (resigned 18 May 2010)
Martin Robinson (resigned 18 May 2010)
Lance Browne
Ulrich Ogiermann (resigned 31 December 2010)
Alex Sulkowski (appointed 1 June 2010)
Elmar Heggen (appointed 1 June 2010)

The Committee meets as required during the year to consider matters delegated to it under its terms of reference. Board effectiveness, performance and leadership were discussed informally by the Board as a whole.

Summary terms of reference:

- Board appointment and composition – to regularly review the structure, size and composition of the Board and make recommendations on the role and nomination of Directors for appointment and reappointment to the Board for the purpose of ensuring a balanced Board in respect of skills, knowledge and experience.
- Board Committees – to make recommendations to the Board in relation to the suitability of candidates for membership of the Audit and Remuneration Committees. The appointment and removal of Directors are matters reserved for the full Board.
- Board effectiveness – to assess the role of Chairman and Chief Executive and make appropriate recommendations to the Board.

- Board performance – assist the Chairman with the annual performance evaluation to assess the overall and individual performance and effectiveness of the Board.
- Leadership – to remain fully informed about strategic issues and commercial matters affecting the Company and to keep under review the leadership needs of the organisation to enable it to compete effectively.

Principal risks and uncertainties

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

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

Economic downturn in significant markets

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

Generally, the terms on which the Group earns revenues from customers and pays its suppliers (principally landlords) are matched to reduce working capital needs. However, a reduction in revenues, with no immediate decline in the cost base, could result in significant funding shortfalls in the business. Any funding shortfall may require the Group to seek external funding or sell assets in the longer term.

In addition, competition may increase as a result of landlords offering surplus space at discounted prices and companies seeking to reduce their costs by sub-letting space. These factors could result in reduced revenue for the Group as the prices it is able to charge customers would be reduced.

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

- The Group has entered into performance based leases with landlords where rent costs vary with revenues earned by the centre.
- Building lease contracts include break clauses at periodic intervals to allow the Group to exit leases should they become onerous. In cities with a number of centres this allows the Group to stagger leases such that an orderly reduction in exposure to the location may be facilitated.
- The profile of clients in a centre is continually reviewed to avoid undue reliance on a particular client or clients in a particular industry group.

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

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

Exposure to movements in property markets

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

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

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

The length of the Group's leases (or the period after which the Group can exercise any break option in the leases) is usually significantly longer than the duration of the Group's contracts with its customers. If demand falls, the Group may be unable to increase or maintain occupancy or price levels and if revenue declines the Group may be unable to reduce the lease cost base. Additional costs could be incurred if the Group disposes of unprofitable centres.

Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Regus completes a review of the carrying value of its assets annually to assess whether those carrying values can be supported by the net present value of future cash-flows derived from such assets. This review examines the continued appropriateness of the assumptions in respect of which the carrying values of certain of the Group's assets are based. This includes an assessment of discount rates and long-term growth rates, and timing and quantum of future capital expenditure. Due to the Group's substantial carrying value of goodwill under IFRS, the revision of any of these assumptions to reflect current or anticipated changes in operations or the financial condition of the Group could lead to an impairment in the carrying value of certain assets in the Group. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect the Company's reported distributable reserves and therefore its ability to make distributions to its shareholders or repurchase its shares.

The Group's geographic expansion may increase exposure to unpredictable economic, political and legal risks.

Political, economic and legal systems in emerging markets historically are less predictable than in countries with more developed institutional structures. As the Group increasingly enters into emerging markets, the value of the Group's investments may be adversely affected by political, economic and legal developments which are beyond the Group's control.

Exposure to movements in exchange rates

The Group has significant overseas operations whose businesses are generally conducted in the currency of the country in which they operate. The principal exposures of the Group are to the US dollar and the euro with approximately 38% of the Group's revenues being attributable to the US dollar and 18% to the euro respectively.

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

The financial risk management objectives and policies of the Group, together with an analysis of the exposure to such risks are set out in note 23 of the Accounts. Wherever possible, the Group attempts to create natural hedges against currency exposures through matching income and expense and assets and liabilities in the same currency.

Given the continued volatility in exchange rates in January 2009 the Board approved a policy which allows the Group to hedge, subject to strict limits, the rates at which overseas earnings are translated. This will enable the Group to have more certainty over the sterling value of these earnings.

Group Structure

As a Jersey-incorporated company having its place of central administration (head office) in Luxembourg and being tax resident in Luxembourg, Regus plc is required to comply with both Jersey law and Luxembourg law, where applicable. In addition, Regus plc's ordinary shares are listed on the Official List of the UKLA and admitted to trading on the main market of the London Stock Exchange. It is possible that conflicts may arise between the obligations of Regus plc under the laws of each of these jurisdictions or between the applicable laws and the Listing Rules. If an irreconcilable conflict were to occur then Regus plc may not be able to maintain its status as a company tax resident in Luxembourg.

The Group manages the risk that a significant tax liability could arise by taking appropriate advice, both in carrying out the Group reorganisation and on an ongoing basis. In addition, the Group believes that under current laws and regulations the risk of irreconcilable conflicts between current laws and regulations impacting Regus plc is also low.

Centrally managed applications and systems

The Group has moved to a centrally managed applications and systems environment with the resultant effect that all systems and applications are housed in a central data centre. Should the data centre be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results. This risk is managed through a detailed service arrangement with our external data centre provider which incorporates appropriate back-up procedures and controls.

Internal controls

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

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

- facilitate an effective and efficient response to risks which might affect the achievement of the Group's objectives;
- safeguard assets from inappropriate use or from loss or fraud;
- help ensure the quality of internal and external financial reporting; and
- help ensure compliance with applicable laws and regulations.

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

Strategy and risk management

The Board conducts regular reviews of the Group's strategic direction. Country and regional strategic objectives, quarterly plans and performance targets for 2011 have been set by the Executive Directors and are regularly reviewed by the main Board in the context of the Group's overall objectives.

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

Control environment

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

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

Corporate governance continued

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

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

Control processes

The Company has had procedures in place throughout the year and up to 21 March 2011, the date of approval of this Annual Report, which accord with the Internal Control Guidance for Directors on the Combined Code. These include the following:

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

Information and communications processes

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

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

Sales staff and operational management periodically attend regional sales or management conferences at which information on operational issues is shared. Delegates present the key messages to employees who did not attend the event.

Monitoring effectiveness

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

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

Other matters

Board Performance Evaluation

A formal evaluation of the performance of the Board was carried out by the Chairman. The aim is to ensure continuous improvement in the functioning of the Board.

Arising from the review carried out in 2010, the Board has agreed to ongoing development in the following areas:

- Strategy planning at Board level; and
- Submission of information to the Board.

Training and resources

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

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

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

Directors and Officers Insurance

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

Dialogue with shareholders

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

The Company has engaged the services of Brunswick Group plc as their Investor Relations adviser.

AGM

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

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

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

Re-election of the Board

From 1 January 2011, all Directors submit themselves for re-election by shareholders annually and Directors appointed during the period are required to seek re-election at the next AGM.

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

Compliance statement

The Company has complied with the provisions set out in section 1 of the Combined Code throughout the year ended 31 December 2010, with the exception of the following:

- Provision D.1.1 – The Senior Independent Non-Executive Director Lance Browne does not have regular meetings with major external shareholders.

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

Director statements

Statement of Directors responsibilities in respect of the annual report and financial statements

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and their profit or loss for the period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent company financial statements, state whether applicable Luxembourg accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the companies' transactions and which disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that its financial statements comply with applicable law and regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The legislation in Jersey and Luxembourg governing the preparation and dissemination of financial statements may differ from legislation by jurisdiction.

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

These annual accounts have been approved by the Directors of Regus plc. The Directors confirm that the annual accounts have been prepared in accordance with applicable law and regulations and that they include a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We, the Directors of the Company, confirm that to the best of our knowledge:

- the financial statements prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- The Directors' Report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Remuneration report

The report has been prepared by the Remuneration Committee (the "Committee") of Regus plc (société anonyme) (the "Company") and approved by the Company's Board of Directors (the "Board"). The report complies with the UK Directors' Remuneration Report Regulations 2002 and, in compliance with such regulations, a separate resolution approving this report will be put to shareholders at this year's Annual General Meeting.

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

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

Unaudited Information

Membership and responsibilities of the Committee

The Committee is made up of Non-Executive Directors and chaired by Elmar Heggen, the Company's Senior Independent Non-Executive Director. During the year the members of the Committee were:

- Elmar Heggen (appointed 1 June 2010)
- Lance Browne
- Alex Sulkowski (appointed 1 June 2010)
- Ulrich Ogiermann (resigned 31 December 2010)
- Douglas Sutherland (resigned 18 May 2010)
- Martin Robinson (resigned 18 May 2010)

The Committee met seven times during the year.

The Committee has responsibility for determining, in consultation with the Chairman and/or Chief Executive as appropriate, the total remuneration package of each executive director and senior manager, including bonuses, incentive payments and share options or other share awards.

The Board has delegated to the Committee responsibility to:

- determine and agree with the Board the remuneration policy for the Executive Directors and other senior management positions within the Regus Group (the "Group"); and
- approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes.

The Committee received advice on executive remuneration from Deloitte.

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

Compliance with the best practice provisions

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

Remuneration policy

The principal objectives of the Committee's remuneration policy are:

- to focus on rewarding exceptional pay for exceptional performance: executives should be focused on delivering exceptional returns to shareholders over both the short and long term and be given the opportunity to receive exceptional levels of reward if such performance is delivered. Conversely if returns are conservative compensation levels should be extremely conservative.
- to provide remuneration packages that will attract, retain and motivate people of the highest calibre and experience needed to shape and execute the Company's strategy and to deliver exceptional shareholder value.

The guiding principles which the Committee has regard to and balances, as far as practicable, in determining policy and objectives for 2010 and future years are:

- to maintain a competitive package of total compensation, commensurate with comparable packages available with similar companies operating in similar markets;
- to make a significant percentage of potential maximum reward conditional on short and long-term performance;
- to ensure that the interests of the executives are closely aligned with those of the Company's shareholders through the provision of share-based incentives;
- to link reward to the satisfaction of targeted objectives which are the main drivers of shareholder value; and
- to be sensitive in determining Executive Directors' remuneration to pay and employment conditions throughout the Group.

In 2011, the Committee intends to review the long-term incentive arrangements for executive directors.

The table below illustrates the balance between fixed and performance-related (variable) compensation for each Executive Director for the year ended 31 December 2010:

	Mark Dixon Chief Executive Officer	Stephen Gleadle Chief Financial Officer
Fixed	45.0	46.8
Variable	55.0	53.2

Fixed compensation comprises salary, benefits and pension contributions. Variable compensation only comprises the total fair value of share awards granted in the year and the annual cash bonus payable in relation to the year ended 31 December 2010.

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

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

Service contracts

Details of contracts currently in place for Directors are as follows:

	Effective date of contract	Term	Notice period and maximum provision for compensation
Executive			
Mark Dixon	14.10.08	–	12 months
Stephen Gleadle	18.08.08	–	12 months
Non-Executive			
Elmar Heggen	01.06.10	3 yrs	6 months
Lance Browne	27.08.08	3 yrs	6 months
Alex Sulkowski	01.06.10	3 yrs	6 months
Douglas Sutherland	27.08.08	3 yrs	6 months

Remuneration packages

The remuneration for Executive Directors during the year comprised a basic salary, a benefit package, participation in the annual bonus scheme and participation in the Company's share incentive arrangement, the Regus plc Co-Investment Plan ("CIP").

For 2011, the remuneration framework for Executive Directors will remain unchanged with the exception that no awards will be made under the Co-Investment Plan. The Committee intends to review the Company's long-term incentive arrangements for Executive Directors in 2011.

Basic salary and benefits

The Committee is intending to review the salaries for the Chief Executive Officer and Chief Financial Officer during 2011. At the moment, they are unchanged from 2009, being £522,750 and £300,000 respectively.

Benefits comprise a company car or allowance, fuel, private medical insurance and a disturbance allowance.

Annual bonus scheme

The Committee believes firmly in the financial effectiveness of short-term incentives. Accordingly, incentive schemes are widely used across the business.

The Committee sets bonus targets and eligibility each year.

The maximum bonus potential, for the Executive Directors, for the year ending 31st December 2010 was 200% of salary, consisting of a standard bonus (100% of salary) and a discretionary bonus (100% of salary) for exceptional performance.

The Committee has determined that the financial measures and targets required for the discretionary bonus were not achieved and therefore no bonus will be paid in respect of this element. The Committee has determined that there was a partial achievement against the criteria for the standard bonus and, as such, the Chief Executive Officer and Chief Financial Officer will each receive a cash bonus equal to 37.5% of salary (19% of the maximum bonus potential). The Committee believes that this level of payout provides a fair reward for the Company's performance during the year. However, no awards will be made to the Executive Directors under the Co-investment Plan in 2011.

For the year ending 31 December 2011, the Committee has decided that the standard bonus will remain at a maximum of 100% of salary linked to the achievement of stretching short term financial and individual performance targets, while the maximum discretional element for exceptional out-performance will remain capped at 100%. The discretionary bonus will be based on a self-financing bonus "pool" system defined by reference to a percentage of operating profits in excess of external forecasts based on a consensus of analysts' estimates. It is the intention that the discretionary element of the bonus (if any) will be deferred for a period of up to three years and paid in the form of ordinary shares in the Company. Any such shares will be acquired by purchase in the market and transferred to participants on the vesting date, subject to any tax and social security deductions.

Bonuses are non-pensionable.

Non-Executive Directors do not receive a bonus.

Pension benefits

The Executive Directors participate in the Company's Money Purchase (Personal Pension) Scheme. The Company matches contributions up to a maximum of 7.0% of basic salary. The Committee considers that the pension benefits of the Executive Directors are low compared with comparative companies but prefers to offer enhanced variable compensation (rather than a fixed additional pension contribution).

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

Long Term Incentives

Overview

The Company operates three long-term incentive plans; the CIP, the Regus plc Share Option Scheme and the Regus plc 2008 Value Creation Plan (the "VCP").

Co-investment plan ("CIP")

The Committee is keen to encourage Executive Directors and senior executives to build significant shareholdings in relation to their remuneration.

As such, as a condition of participation in the CIP, it is expected that members will over time build up a shareholding equivalent to two times their salary using shares acquired from the scheme.

There are two elements to the CIP:

The first element operates in conjunction with the annual bonus whereby a gross bonus of up to 50% of salary will be taken as a deferred amount of shares ("Investment Shares") to be released at the end of a defined period of not less than three years, with the balance paid in cash.

Awards of Matching Shares are linked to the number of Investment Shares awarded and will vest depending on the Company's future performance (see below). Matching Shares are awarded at no cost to the participants.

The maximum number of Matching Shares which can be awarded to a participant in any calendar year under the CIP is 200% of salary. As such the maximum number of Matching Shares which can be awarded based on Investment Shares awarded is in the ratio of 4:1.

The second element of the CIP provides for the Committee to make stand-alone long-term incentive awards ("LTIPs") without reference to annual bonus up to a maximum of 100% of salary per calendar year. An LTIP is a conditional right over a specified number of shares with the release being dependent on the extent to which (if at all) the challenging performance conditions set by the Committee at the time of the LTIP award are satisfied.

Grants during the Year Ending 31 December 2010:

	Mark Dixon	Stephen Gleadle
LTIP Award Face Value (%age salary)	100%	100%
Fair Value* of LTIP Award	£492,580	£282,685
Fair Value of LTIP Award as a %age of salary	94%	94%

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

During 2011, the Committee intends to review the Company's policy on long-term incentive awards to Executive Directors.

No awards will be made to the Executive Directors under the CIP in 2011.

Share Option Scheme

The options granted to Executive Directors prior to the introduction of the CIP are set out below. The Company continues to grant options on an ad hoc basis to certain non-participants of the CIP.

Regus plc 2008 Value Creation Plan (the "VCP")

The VCP was introduced in 2008 as a one-off award with the objective of delivering exceptional rewards to participants provided absolute returns to shareholders are exceptional.

The VCP operates over a five year period from May 2008 to March 2013. Participants in the VCP are granted entitlements ("VCP Entitlements") to receive a maximum number of shares which shall be earned by the conversion of the VCP Entitlements into an option or series of options (the "VCP Options") which may be granted on certain dates (the "Measurement Dates") based on the Company's share price performance. The exercise price for VCP Options will be the closing share price on the date of the Company's 2008 AGM.

VCP entitlements granted in 2008:

	Mark Dixon	Stephen Gleadle
Number of shares subject to VCP entitlement*	3.5m	3.0m

*VCP Entitlements hold no value.

The share price of the Company will be calculated at each measurement date and compared against a matrix of extremely stretching fixed share price targets to determine the number of shares subject to the VCP Entitlement which a VCP Option will be granted over. If a lower share price target is achieved a VCP Option shall be granted over a lesser number of shares with the ability for the balance to be received at a subsequent measurement date subject to relevant share price targets being achieved.

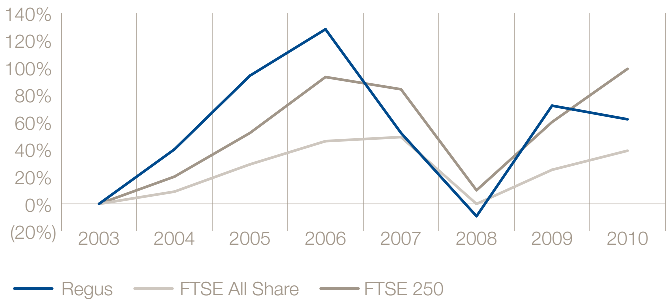
The share price targets for the VCP Entitlements granted in 2008 are as set out in the following table:

	Measurement date			
	31/03/2010	31/03/2011	31/03/2012	31/03/2013
	{Shares awarded less shares already earned}			
Share price less than £2.60	–	–	–	–
Share price is more than £2.60 but less than £3.50	2.5m	1.8m	1.2m	0.6m
Share price is more than £3.50 but less than £4.50	3.5m	2.5m	1.8m	1.2m
Share price is £4.50 or more		3.5m	2.5m	1.8m

The number of ordinary shares above are based on the entitlements of the Chief Executive Officer. For the Chief Financial Officer the number of ordinary shares will be lower but based on the same ratios.

In respect of the first and second measurement dates (31 March 2010 and 31 March 2011, respectively), the Company's share price was below the target and no VCP Entitlements vested.

Total Shareholder Return (TSR)



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

External appointments

As at 31 December 2010 the Executive Directors did not hold any external positions for which they received fees. Executive Directors are permitted to accept appointments on external boards or committees so long as these are not deemed to interfere with the business of the Group. Any fees received in respect of these appointments would be retained directly by the relevant Executive Director.

Remuneration report continued

Directors' emoluments

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

	Salary £'000	Fees £'000	Benefits £'000	Compensation for loss of office £'000	Bonus £'000	Total £'000
2010						
Chairman						
Douglas Sutherland [b]		**101.3**				**101.3**
Executive						
Mark Dixon	**522.8**	**–**	**3.4**		**196.0**	**722.2**
Stephen Gleadle	**300.0**	**–**	**26.7**		**112.5**	**439.2**
Non Executive						
Lance Brown		**51.2**				**51.2**
Elmar Heggen		**23.8**				**23.8**
Alex Sulkowski		**26.8**				**26.8**
John Matthews		**97.7**				**97.7**
Martin Robinson		**27.6**				**27.6**
Ulrich Ogiermann		**43.7**				**43.7**
	822.8	**372.1**	**30.1**		**308.5**	**1,533.5**

	Salary £'000	Fees £'000	Benefits £'000	Compensation for loss of office £'000	Bonus £'000	Total £'000
2009						
Chairman						
John Matthews		137.9		73.1		211.0
Executive						
Mark Dixon	522.8	–	68.2		–	591.0
Stephen Gleadle	300.0	–	26.4		–	326.4
Non Executive						
Martin Robinson		2.3		57.2		59.5
Lance Browne		47.5				47.5
Ulrich Ogiermann		40.0				40.0
Douglas Sutherland		46.0				46.0
	822.8	273.7	94.6	130.3	–	1,321.4

Mark Dixon was the highest paid Director in both 2010 and 2009. Benefits include car and fuel allowance, medical insurance and life assurance and, for Stephen Gleadle, a disturbance allowance up to 30 September 2010.

Pension contributions

£'000	2010	2009
Mark Dixon	**36.6**	36.6
Stephen Gleadle	**21.0**	21.0
	57.6	57.6

Directors' share interests

The following Directors held beneficial interests in the share capital of the Company at 31 December 2009, 31 December 2010 and 21 March 2011:

	21 March 2011 Ordinary Shares of 1p	31 December 2010 Ordinary Shares of 1p	31 December 2009 Ordinary Shares of 1p
Executive			
Mark Dixon[(a)]	322,028,792	322,028,792	320,141,288
Stephen Gleadle	326,387	326,387	121,500
Non-Executive			
John Matthews	N/A	N/A	1,031,082
Martin Robinson	N/A	N/A	215,978
Lance Browne	0	0	0
Ulrich Ogiermann	N/A	71,134	17,146
Douglas Sutherland	350,000	350,000	350,000
Elmar Heggen	0	0	0
Alex Sulkowski	0	0	0

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

Directors' share options

As at 31 December 2010, the beneficial interests of the Directors in options granted under the Regus plc Share Option Plan are shown below.

Director	Interest in options over Ordinary Shares at 1 January 2010	Options exercised	Balance as at 31 December 2010
Mark Dixon	1,708,108	1,708,108	0

Directors' interests under the Long Term Incentive Plan ("LTIP")

Details of awards over ordinary shares in the Company granted to the Directors under the LTIP, as nil cost options, are as follows:

					LTIP
	At 1 January 2010	Awards granted March 2010	Awards lapsed	Awards exercised*	At 31 December 2010
Mark Dixon	0	520,149	0	0	520,149
Stephen Gleadle	260,162	298,507	0	260,162	298,507

* exercised 23 March 2010 – market price 109.75 p.

Directors' interests under the CIP

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

						CIP
	At 1 January 2010	Awards released March 2010	Awards lapsed 2010	Awards exercised 2010*	Awards made 2010	At 31 December 2010
Investment Shares						
Mark Dixon	895,211	179,396	0	179,396	0	715,815
Stephen Gleadle	472,118	87,832	0	87,832	0	384,286
Matching shares						
Mark Dixon	2,863,260	0	717,584	0	0	2,863,260
Stephen Gleadle	1,537,144	0	351,328	0	0	1,537,144

* exercised 23 March 2010 – market price 109.75 p.

During the year the CIP Investment Shares awarded in March 2007 were released. All of the Matching Shares awarded in March 2007 (normal vesting date March 2010) failed to meet the related performance conditions and therefore lapsed.

The market price of the Company's ordinary shares at 31 December 2010 was 86.3p and the range during the year was 66.05p to 120p.

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

Annual resolution

Shareholders will be given the opportunity to approve the Remuneration Report at the AGM on 17 May 2011.

Audit requirement

Under Luxembourg law and regulations there is no requirement for the sections on Directors' remuneration, shareholdings and pension benefits on pages 28 to 30 inclusive to be audited; therefore all sections of the Remuneration Report are un-audited.

On behalf of the Board

Elmar Heggen
Chairman,
Remuneration Committee
21 March 2011

Auditors report

To the Shareholders of
Regus plc S.A.
26, Boulevard Royal
L-2449 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Regus plc (société anonyme), which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Regus plc (société anonyme) as of 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

KPMG Audit S.à r.l.
Cabinet de révision agréé
Thierry Ravasio
Luxembourg, 21 March 2011

Consolidated income statement

Continuing operations	notes	Year ended 31 Dec 2010 Before exceptional items Total £m	Exceptional items note 6 Total £m	Total £m	Year ended 31 Dec 2009 Before exceptional items Total £m	Exceptional items note 6 Total £m	Total £m
Revenue	3	**1,040.4**	**–**	**1,040.4**	1,055.1	–	1,055.1
Cost of sales	6	**(824.5)**	**(11.9)**	**(836.4)**	(819.5)	–	(819.5)
Gross profit (centre contribution)		**215.9**	**(11.9)**	**204.0**	235.6	–	235.6
Administration expenses	6	**(193.4)**	**(3.9)**	**(197.3)**	(165.3)	(2.6)	(167.9)
Net income from legal settlement	6	**–**	**–**	**–**	–	18.3	18.3
Operating profit	5	**22.5**	**(15.8)**	**6.7**	70.3	15.7	86.0
Share of post-tax profit of joint ventures	20	**1.3**	**–**	**1.3**	2.0	–	2.0
Profit before financing costs		**23.8**	**(15.8)**	**8.0**	72.3	15.7	88.0
Finance expense	8	**(2.0)**	**–**	**(2.0)**	(4.4)	–	(4.4)
Finance income	8	**1.8**	**–**	**1.8**	3.3	–	3.3
Profit before tax for the year		**23.6**	**(15.8)**	**7.8**	71.2	15.7	86.9
Tax charge	9	**(5.6)**	**(0.3)**	**(5.9)**	(19.2)	–	(19.2)
Profit after tax for the year		**18.0**	**(16.1)**	**1.9**	52.0	15.7	67.7
Attributable to:							
Equity shareholders of the parent		**17.6**	**(16.1)**	**1.5**	51.3	15.7	67.0
Non-controlling interests		**0.4**	**–**	**0.4**	0.7	–	0.7
Profit for the year		**18.0**	**(16.1)**	**1.9**	52.0	15.7	67.7

Earnings per ordinary share (EPS) after exceptional items:	notes	2010	2009
Basic (p)	10	**0.2**	7.1
Diluted (p)	10	**0.2**	7.0

Consolidated statement of comprehensive income

	notes	Year ended 31 Dec 2010 £m	Year ended 31 Dec 2009 £m
Profit for the year		**1.9**	67.7
Other comprehensive income:			
Foreign currency translation differences for foreign operations		**15.5**	(29.9)
Other comprehensive income for the year, net of income tax		**15.5**	(29.9)
Total comprehensive income for the year		**17.4**	37.8
Total comprehensive income attributable to:			
Equity shareholders of the parent		**17.0**	37.1
Non-controlling interests		**0.4**	0.7
		17.4	37.8

Consolidated statement of changes in equity

	Attributable to equity holders of the parent[a]								
	Share capital £m	Treasury shares £m	Foreign currency translation reserve £m	Revaluation reserve £m	Other £m	Retained earnings £m	Total equity attributable to equity holders £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2009	**9.5**	**(1.4)**	**67.0**	**10.0**	**15.3**	**379.6**	**480.0**	**0.3**	**480.3**
Profit for the year	–	–	–	–	–	67.0	67.0	0.7	67.7
Other comprehensive income	–	–	(29.9)	–	–	–	(29.9)	–	(29.9)
Total comprehensive income for the year:	**–**	**–**	**(29.9)**	**–**	**–**	**67.0**	**37.1**	**0.7**	**37.8**
Transactions with owners, recorded directly in equity:									
Share-based payments	–	–	–	–	–	0.7	0.7	–	0.7
Ordinary dividend paid	–	–	–	–	–	(19.0)	(19.0)	–	(19.0)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(1.0)	(1.0)
Revaluation of acquisition	–	–	–	0.5	–	–	0.5	–	0.5
Deferred tax effect of share options	–	–	–	–	–	0.6	0.6	–	0.6
Settlement of share awards	–	1.0	–	–	–	(1.4)	(0.4)	–	(0.4)
Balance at 31 December 2009	9.5	(0.4)	37.1	10.5	15.3	427.5	499.5	–	499.5
Profit for the year	–	–	–	–	–	1.5	1.5	0.4	1.9
Other comprehensive income	–	–	15.5	–	–	–	15.5	–	15.5
Total comprehensive income for the year	**–**	**–**	**15.5**	**–**	**–**	**1.5**	**17.0**	**0.4**	**17.4**
Transactions with owners, recorded directly in equity:									
Revaluation of acquisition	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	1.2	1.2	–	1.2
Ordinary dividend paid	–	–	–	–	–	(23.2)	(23.2)	–	(23.2)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(0.3)	(0.3)
Purchase of treasury shares in Regus plc	–	(7.3)	–	–	–	–	(7.3)	–	(7.3)
Deferred tax effect of share options	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Settlement of share awards	–	0.6	–	–	–	(1.3)	(0.7)	–	(0.7)
Balance at 31 December 2010	**9.5**	**(7.1)**	**52.6**	**10.5**	**15.3**	**404.9**	**485.7**	**0.1**	**485.8**

(a) Total reserves attributable to equity holders of the parent:

- Share capital represents the net proceeds (the nominal value) on the issue of the Company's equity share capital .
- At 31 December 2010 Treasury shares represent 9,070,906 (2009: 1,576,498) ordinary shares of the Group that were acquired for the purposes of the Group's employee share option plans and the share buy back programme. During the period, 9,385,000 shares were purchased in the open market and 1,890,592 of treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 21 March 2011, 9,070,906 treasury shares were held. As a result of the settlement of share awards, the distributable reserves of the Group were reduced by £1.3 million.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
- Other reserves include £37.9 million arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5 million relating to merger reserves and £0.1 million to the redemption of preference shares partly offset by £29.2 million arising from the Scheme of Arrangement undertaken in 2003.

Consolidated balance sheet

	notes	As at 31 Dec 2010 £m	As at 31 Dec 2009 £m
Non-current assets			
Goodwill	12	**282.4**	259.1
Other intangible assets	13	**48.4**	48.3
Property, plant and equipment	14	**270.8**	240.9
Deferred tax assets	9	**37.1**	65.1
Other long term receivables	15	**34.0**	33.0
Investments in joint ventures	20	**3.9**	4.4
		676.6	650.8
Current assets			
Trade and other receivables	16	**248.7**	202.8
Corporation tax receivable	9	**13.3**	10.1
Liquid investments	22	**10.4**	40.0
Cash and cash equivalents	22	**194.2**	205.1
		466.6	458.0
Total assets		**1,143.2**	1,108.8
Current liabilities			
Trade and other payables	17	**(225.2)**	(176.7)
Customer deposits		**(163.2)**	(149.3)
Deferred income		**(125.8)**	(114.7)
Corporation tax payable		**(17.0)**	(52.5)
Obligations under finance leases	18	**(2.3)**	(1.4)
Bank and other loans	18	**(5.5)**	(6.0)
Provisions	19	**(2.8)**	(3.9)
		(541.8)	(504.5)
Net current liabilities		**(75.2)**	(46.5)
Total assets less current liabilities		**601.4**	604.3
Non-current liabilities			
Other payables	17	**(99.1)**	(94.1)
Obligations under finance leases	18	**(1.9)**	(0.7)
Bank and other loans	18	**(3.4)**	–
Deferred tax liability	9	**(0.1)**	(0.7)
Provisions	19	**(9.8)**	(8.2)
Provision for deficit on joint ventures	20	**(1.3)**	(1.1)
		(115.6)	(104.8)
Total liabilities		**(657.4)**	(609.3)
Total assets less liabilities		**485.8**	499.5
Total equity			
Issued share capital	21	**9.5**	9.5
Treasury shares		**(7.1)**	(0.4)
Foreign currency translation reserve		**52.6**	37.1
Revaluation reserve		**10.5**	10.5
Other reserves		**15.3**	15.3
Retained earnings		**404.9**	427.5
Total shareholders' equity		**485.7**	499.5
Non-controlling interests		**0.1**	–
Total equity		**485.8**	499.5
Total equity and liabilities		**1,143.2**	1,108.8

Approved by the Board on 21 March 2011.

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Consolidated cash flow statement

	notes	Year ended 31 Dec 2010 £m	Year ended 31 Dec 2009 £m
Profit before tax for the year		**7.8**	86.9
Adjustments for:			
Net finance costs		**0.2**	1.1
Net share of profit after tax on joint ventures		**(1.3)**	(2.0)
Depreciation charge		**67.2**	66.4
Loss on disposal of property, plant and equipment		**1.6**	0.7
Amortisation of intangible assets		**6.2**	6.7
Increase in provisions		**0.4**	2.3
Other non-cash movements – share-based payments		**1.2**	0.7
Exceptional costs/(net income)		**15.8**	(18.3)
Operating cash flows before movements in working capital		**99.1**	144.5
(Increase)/decrease in trade and other receivables		**(30.1)**	18.6
Increase/(decrease) in trade and other payables		**40.7**	(58.0)
Cash generated from operations (before exceptional items)		**109.7**	105.1
Cash (outflow)/inflow from exceptional item		**(13.7)**	18.3
Cash generated from operations (after exceptional items)		**96.0**	123.4
Interest paid on finance leases		**(0.1)**	(0.1)
Interest paid on credit facilities		**(1.6)**	(1.5)
Tax paid		**(15.5)**	(24.3)
Net cash inflow from operating activities		**78.8**	97.5
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	25	**(17.0)**	1.0
Dividends received from joint ventures		**1.6**	1.0
Sale of property, plant and equipment		**0.3**	0.2
Purchase of property, plant and equipment		**(73.5)**	(46.9)
Purchase of intangible assets		**(2.4)**	(1.6)
Interest received		**1.8**	1.8
Decrease/(increase) in liquid investments		**29.6**	(40.0)
Net cash outflow from investing activities		**(59.6)**	(84.5)
Financing activities			
Net proceeds from issue of loans		**2.9**	1.5
Repayment of loans		**(1.4)**	(0.4)
Repayment of capital elements of finance leases		**(2.1)**	(1.4)
Purchase of treasury shares		**(7.3)**	–
Settlement of share awards		**(0.7)**	(0.4)
Payment of ordinary dividend		**(23.2)**	(19.0)
Payment of dividend to non-controlling interest		**(0.3)**	(1.0)
Net cash outflow from financing activities		**(32.1)**	(20.7)
Net decrease in cash and cash equivalents		**(12.9)**	(7.7)
Cash and cash equivalents at beginning of year		**205.1**	219.5
Effect of exchange rate fluctuations on cash held		**2.0**	(6.7)
Cash and cash equivalents at end of year	22	**194.2**	205.1

Notes to the accounts

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 21 March 2011 and the balance sheets were signed on the Board's behalf by Mark Dixon and Stephen Gleadle. Regus plc S.A. is a public limited company incorporated in Jersey and registered and domiciled in Luxembourg. The Company's ordinary shares are traded on the London Stock Exchange.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company prepares its parent company financial statements in accordance with Luxembourg GAAP; extracts from these are presented on page 76.

2. Accounting policies

Basis of preparation

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements. Amendments to adopted IFRSs issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2010 did not have a material effect on the Group financial statements.

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended); the revised business combinations standard introduces significant changes in the accounting for business combinations. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.
- IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 Revised and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.
- IFRS 2 Share Based Payment – Group Cash-Settled Share Based Payment Transactions; the standard has been amended to clarify the accounting for Group cash-settled share based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- Improvements to IFRSs in April 2009; the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective from 1 January 2010, did not have any impact on the financial position or performance of the Group.
- IFRIC 17 Distribution of Non-cash Assets to Owners; this interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group

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

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

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts on pages 32 to 75.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 8 to 9 as well as the Group's principal risks and uncertainties as set out on pages 20 and 21.

Further details on the going concern basis of preparation can be found in note 23 to the notes to the accounts on page 58.

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

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or the associate qualifies as a disposal Group at which point the investment is carried at the lower of fair value less costs to sell and carrying value.

2. Accounting policies continued

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

When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

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

On 14 October 2008, Regus plc acquired the entire share capital of Regus Group plc in exchange for the issue of new shares of Regus plc on the basis of one share in Regus plc for one share held previously in Regus Group plc. At the date of the transaction, Regus plc had nominal assets and liabilities and therefore the transaction was accounted for as a reverse acquisition of Regus plc by Regus Group plc. Consequently no fair value acquisition adjustments were required and the aggregate of the Group reserves have been attributed to Regus plc.

Goodwill

All business combinations are accounted for using the purchase method. Goodwill represents the difference between the cost of acquisition over the share of the fair value of identifiable assets (including intangible assets), liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

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

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

Adopted IFRSs not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 32 'Financial Instruments: Presentation: Classification of Rights issues (mandatory for years commencing on or after 1 February 2010).
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (mandatory for years commencing on or after 1 July 2010).
- Amendments to IFRIC 14 IAS 19 'The limit on a defined benefit – assets, minimum funding requirements and their interaction (mandatory for years commencing on or after 1 January 2011).
- Revised IAS 24 'Related Party Disclosure' (mandatory for years commencing on or after 1 January 2011).
- Improvements to IFRSs (issued May 2010) (mandatory for years commencing on or after 1 July 2010 or 1 January 2011).

The Group did not adopt any standards, interpretations and amendments to standards which were available for optional early adoption and relevant to the Group.

The adoption of any of the above standards or amendments to standards is not expected to have a material impact on the Group's financial statements.

The Group will be adopting the above standards or amendments at the year ended 31 December 2011.

Basis of consolidation

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

Impairment

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

For goodwill, and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 31 October 2010 and updated in February 2011.

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

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

Calculation of recoverable amount

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

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

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

Brand – Regus brand	Indefinite life
Brand – Other acquired brands	20 years
Computer software	3 – 5 years
Customer lists	1 – 2 years
Management agreements	Minimum duration of the contract

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

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

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

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

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

Onerous lease provisions are an estimate of the net amounts payable under the terms of the lease to the first break point, discounted at an appropriate weighted average cost of capital.

Exceptional Items
Exceptional items are those items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Such items are included within the income statement caption to which they relate, and are separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated income statement.

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

Buildings	20 years
Fixtures and fittings	Over the shorter of the lease term and 10 years
Furniture	10 years
Office equipment and telephones	5 – 10 years
Motor vehicles	4 years
Computer hardware	3 – 5 years

Revenue
Revenue from the provision of services to customers is measured at the fair value of consideration received or receivable (excluding sales taxes). Where rent free periods are granted to customers, rental income is spread on a straight line basis over the length of the customer contract.

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

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

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

Membership card income
Revenue from the sale of membership cards is deferred and recognised over the period that the benefits of the membership card are expected to be provided.

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

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

2. Accounting policies continued

Share based payments

The share option programme entitles certain employees and directors to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes valuation model or the Monte Carlo method, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

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

The Group also operates a Value Creation Plan which awards entitlements to certain employees and directors of the Group. These entitlements are convertible into options over ordinary shares subject to the Group's share price reaching certain targets.

The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in equity. The fair value is initially recognised at the date of the award of the entitlements and spread over the period during which the entitlements are convertible into ordinary shares.

The fair value of the entitlements is based on the Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted.

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

Provisions

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

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

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

Finance charges

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

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

Interest bearing borrowings and other financial liabilities

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

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

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

Financial assets

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

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

Liquid investments compose held to maturity bonds and deposits.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the balance sheet date and the gains or losses on translation are taken to the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The results and cash flows of overseas operations are translated using the average rate for the period. Assets and liabilities, including goodwill and fair value adjustments, of overseas operations are translated using the closing rate with all exchange differences arising on consolidation being recognised in the foreign currency translation reserve. Exchange differences are released to the income statement on disposal. Under the transition requirements of IFRS, cumulative translation differences for all foreign operations have been set to zero at 1 January 2004.

Cash and cash equivalents

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

Derivative financial instruments

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

Foreign currency translation rates

	At 31 December		Annual average	
	2010	2009	**2010**	2009
US dollar	**1.55**	1.61	**1.54**	1.57
Euro	**1.16**	1.12	**1.17**	1.12
Japanese yen	**126**	149	**135**	147

3. Segmental analysis – statutory basis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including those that relate to transactions with other operating segments. An operating segment's results are reviewed regularly by the chief operating decision maker (the Board of Directors of the Group) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The business is run on a worldwide basis but managed through four principal geographical segments; Americas; Europe, Middle East and Africa (EMEA); Asia Pacific; and the United Kingdom. The United Kingdom segment does not include the Group's non-trading holding and corporate management companies that are based in the UK and the EMEA segment does not include the Group's non-trading head office and holding companies that are based in Luxembourg. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision maker. All reportable segments are involved in the provision of global workplace solutions.

The Group's reportable segments operate in different markets and are managed separately because of the different economic characteristics that exist in each of those markets. Each reportable segment has its own discrete senior management team responsible for the performance of the segment.

The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for Regus plc for the year ended 31 December 2009. The performance of each segment is assessed on the basis of the segment operating profit which excludes certain non-recurring items (including provisions for onerous contracts and asset write-downs), exceptional gains and losses, internal management charges and foreign exchange gains and losses arising on transactions with other operating segments.

3. Segmental analysis – statutory basis continued

	Americas		EMEA		Asia Pacific		United Kingdom		All other operating segments		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Revenues from external customers	**436.9**	423.8	**281.2**	306.2	**141.7**	132.3	**178.9**	191.4	**1.7**	1.4	**1040.4**	1,055.1
Revenues from internal customers	**–**	–	**1.1**	1.1	**–**	–	**0.9**	0.9	**–**	–	**2.0**	2.0
Segment revenues	**436.9**	423.8	**282.3**	307.3	**141.7**	132.3	**179.8**	192.3	**1.7**	1.4	**1,042.4**	1,057.1
Gross profit (centre contribution)	**99.1**	92.9	**65.8**	84.1	**36.4**	40.3	**13.2**	19.4	**1.4**	1.0	**215.9**	237.7
Reportable segment profit	**32.5**	35.0	**17.3**	38.7	**18.7**	25.3	**(12.2)**	(2.9)	**0.8**	0.4	**57.1**	96.5
Share of profit of joint ventures	**–**	0.9	**1.3**	1.0	**–**	–	**–**	0.1	**–**	–	**1.3**	2.0
Finance expense	**–**	(0.1)	**(0.2)**	(0.1)	**(0.5)**	(0.8)	**(1.5)**	(2.0)	**–**	–	**(2.2)**	(3.0)
Finance income	**–**	0.1	**0.4**	0.4	**0.1**	0.3	**–**	0.7	**–**	–	**0.5**	1.5
Depreciation and amortisation	**32.6**	32.5	**14.7**	14.6	**11.1**	10.0	**14.0**	15.6	**–**	–	**72.4**	72.7
Taxation charge/(income)	**26.1**	7.0	**3.4**	5.7	**3.9**	5.9	**(28.6)**	–	**1.1**	0.6	**5.9**	19.2
Assets	**524.7**	469.5	**247.9**	258.8	**162.5**	129.4	**306.4**	292.2	**1.3**	1.4	**1,242.8**	1,151.3
Liabilities	**(251.5)**	(202.8)	**(256.6)**	(230.6)	**(143.4)**	(113.4)	**(276.6)**	(231.4)	**(0.6)**	(1.1)	**(928.7)**	(779.3)
Net assets/(liabilities)	**273.2**	266.7	**(8.7)**	28.2	**19.1**	16.0	**29.8**	60.8	**0.7**	0.3	**314.1**	372.0
Non-current asset additions	**27.8**	21.5	**12.9**	11.4	**13.7**	5.0	**20.1**	8.9	**–**	–	**74.5**	46.8

Revenue in the other segmental category is generated from services related to the provision of workplace solutions including fees earned from franchise agreements and commissions earned from the sale of outsourced workplace solution products. Revenue from internal customers is determined by reference to current market prices.

								2010
£m	**Revenue**	**Gross profit (centre contribution)**	**Operating profit**	**Share of JV profit**	**Finance expense**	**Finance income**	**Depreciation and amortisation**	**Profit before tax**
Reportable segment results	**1,042.4**	**215.9**	**57.1**	**1.3**	**(2.2)**	**0.5**	**72.4**	**56.7**
Exclude: Internal revenue	**(2.0)**	**(2.0)**	**–**	**–**	**–**	**–**	**–**	**–**
Corporate overheads	**–**	**0.3**	**(34.5)**	**–**	**0.2**	**1.3**	**1.0**	**(33.0)**
Central costs	**–**	**1.7**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange gains and losses	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Exceptional items:								
2010 Restructuring Plan	**–**	**(11.9)**	**(15.8)**	**–**	**–**	**–**	**–**	**(15.8)**
Published Group total	**1,040.4**	**204.0**	**6.7**	**1.3**	**(2.0)**	**1.8**	**73.4**	**7.8**

£m	Revenue	Gross profit (centre contribution)	Operating profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
							2009
Reportable segment results	1,057.1	237.7	96.5	(3.0)	1.5	72.7	97.0
Exclude: Internal revenue	(2.0)	(2.0)	–	–	–	–	–
Corporate overheads	–	(0.1)	(25.2)	(1.4)	1.8	0.4	(24.8)
Central costs	–	–	(1.8)	–	–	–	(1.8)
Foreign exchange gains and losses	–	–	0.8	–	–	–	0.8
Exceptional items:							
2009 Restructuring Plan	–	–	(2.6)	–	–	–	(2.6)
Exceptional net income from legal settlement	–	–	18.3	–	–	–	18.3
Published Group total	1,055.1	235.6	86.0	(4.4)	3.3	73.1	86.9

The 2010 exceptional charge of £15.8 million and the 2009 exceptional charge of £2.6 million are split between the reportable segments and central costs. As set out in Note 6, they constitute respectively part of a re-organisation plan and a formal restructuring plan and therefore, in the Group's view are differentiated from other on-going charges within the operations of the business.

£m	**Assets**	**Liabilities**	**Net assets/ (liabilities)**
			2010
Reportable segment results	**1,242.8**	**(928.7)**	**314.1**
Exclude: Segmental inter-company amounts	**(265.5)**	**309.7**	**44.2**
Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments)			
Cash	**109.9**	**–**	**109.9**
Deferred Taxation	**27.3**	**–**	**27.3**
Other	**28.7**	**(38.4)**	**(9.7)**
Published Group total	**1,143.2**	**(657.4)**	**485.8**

£m	Assets	Liabilities	Net assets/ (liabilities)
			2009
Reportable segment results	1,151.3	(779.3)	372.0
Exclude: Segmental inter-company amounts	(255.2)	218.6	(36.6)
Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments)			
Cash	120.6	–	120.6
Deferred Taxation	45.8	–	45.8
Other	46.3	(48.6)	(2.3)
Published Group total	1,108.8	(609.3)	499.5

4. Segmental analysis – entity-wide disclosures

The Group's primary activity and only business segment is the provision of global workplace solutions and therefore all revenue is attributed to a single Group of similar products and services. It is not meaningful to separate this Group into further categories of products. Revenue is recognised where the service is provided.

The Group has a diversified customer base and no single customer contributes a material percentage of the Group's revenue.

4. Segmental analysis – entity-wide disclosures continued

The Group's revenue from external customers and non-current assets analysed by foreign country is as follows:

	2010		2009	
£m	External revenue	Non-current assets	External revenue	Non-current assets
Country of domicile – Luxembourg	**4.0**	**0.4**	4.5	0.7
United States of America	**350.7**	**285.2**	353.6	276.6
United Kingdom	**180.4**	**168.5**	191.4	145.3
All other countries	**505.3**	**185.4**	505.6	163.1
	1,040.4	**639.5**	1,055.1	585.7

5. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2010 £m	2009 £m
Depreciation on property, plant and equipment		
Owned assets	**65.8**	65.2
Finance leases	**1.4**	1.2
Amortisation of intangibles	**6.2**	6.7
Provision for bad debts	**4.1**	14.1
Loss on disposal of fixed assets (excludes £0.4 million charged in exceptional)	**1.6**	0.7
Exchange differences recognised in the income statement – loss/(gain)	**0.5**	(2.8)
Movement in fair value of derivative financial instruments	**0.5**	(2.2)
Rents payable in respect of operating leases		
Property	**393.2**	380.6
Equipment	**1.8**	2.1
Contingent rents paid	**10.0**	14.4
Amortisation of UK acquisition fair value adjustments	**(4.4)**	(3.3)
Staff costs (see note 7)	**201.5**	189.8

	2010 £m	2009 £m
Fees payable to the Group's auditor for the audit of the Group accounts	**0.2**	0.2
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1.4**	1.2
Other services pursuant to legislation		
Tax services	**0.1**	0.1
Other services	**0.4**	0.1

6. Exceptional items

	2010 £m	2009 £m
Revenue:		
Exceptional net income from legal settlement	**–**	18.3
Administration expenses:		
2010 Restructuring Plan charges:	**(15.8)**	–
2009 Restructuring Plan charges:	**–**	(2.6)
	(15.8)	15.7

During the year ended 31 December 2010 the Group undertook a UK restructuring programme at a net cost of £15.8 million. This balance consists of expenditure on the following categories: asset write down, reorganisation costs, space reduction costs, centre closure costs and other costs. An onerous lease and other property related provisions, which were identified during the restructure as being no longer required, were released.

During the year ended 31 December 2009 the Group received a net amount of £18.3 million in relation to the settlement of a dispute with a supplier. The amount represents the cash received in settlement of the dispute less the directly attributable costs associated with the successful outcome of the negotiations.

In December 2009 the Group initiated a new restructuring plan to develop and accelerate the actions which had commenced in 2009 focused on the simplification and rationalisation of the sales and back office processes and to address the parts of the Regus network not generating a sufficient level of profitability. In the year ended 31 December 2009, charges of £2.6 million were recognised in relation to the delivery of Phase 1 and Phase 2 of the restructuring plan.

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

7. Staff costs and numbers

	2010 £m	2009 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**168.6**	158.3
Social security	**30.3**	29.1
Pension costs	**1.4**	1.7
Share based payments	**1.2**	0.7
	201.5	189.8

	2010 Average full time equivalents	2009 Average full time equivalents
The average number of persons employed by the Group (including executive directors), analysed by category and geography, was as follows:		
Centre staff	**3,577**	3,656
Sales staff	**780**	668
Finance staff	**668**	514
Other staff	**662**	549
	5,687	5,387
Americas	**2,246**	2,207
EMEA	**1,466**	1,396
United Kingdom	**896**	865
Asia Pacific	**832**	782
Corporate functions	**247**	137
	5,687	5,387

Details of directors' emoluments and interests are given on pages 28 to 30 of the Remuneration Report.

8. Net finance expense

	2010 £m	2009 £m
Interest payable and similar charges on bank loans	**(0.5)**	(1.6)
Interest payable and similar charges of finance leases	**(0.1)**	(0.1)
Total interest expense	**(0.6)**	(1.7)
Deferred financing fees	**–**	(0.5)
Unwinding of discount rates	**(1.4)**	(2.2)
Total finance expense	**(2.0)**	(4.4)
Total interest income	**1.8**	2.6
Unwinding of discount rates	**–**	0.7
Total finance income	**1.8**	3.3
Net finance expense	**(0.2)**	(1.1)

Deferred financing fees relate to facility fees on the £150 million senior credit facilities signed in March and April 2006 and voluntarily surrendered in part on November 2008 and in April 2009.

9 Taxation

(a) Analysis of charge in the year

	2010 £m	2009 £m
Current taxation		
Corporate income tax	**(10.3)**	(12.7)
Previously unrecognised tax losses and temporary differences	**0.9**	0.7
Over/(Under) provision in respect of prior years	**31.9**	(0.5)
Total current taxation	**22.5**	(12.5)
Deferred taxation		
Origination and reversal of temporary differences	**(28.9)**	(10.2)
Previously unrecognised tax losses and temporary differences	**–**	1.9
Over provision in respect of prior years	**0.5**	1.6
Total deferred taxation	**(28.4)**	(6.7)
Tax charge on profit	**(5.9)**	(19.2)

(b) Reconciliation of taxation charge

	2010		2009	
	£m	%	£m	%
Profit before tax	**7.8**		86.9	
Tax on profit at 28.6% (2009: 28.6%)	**(2.2)**	**(28.6)**	(24.9)	(28.6)
Tax effects of:				
Exceptional items not deductible for tax purposes	**(4.2)**	**(53.8)**	–	–
Expenses not deductible for tax purposes	**(9.0)**	**(115.4)**	(4.5)	(5.2)
Items not chargeable for tax purposes	**14.2**	**182.1**	16.2	18.7
Recognition of previously unrecognised deferred tax assets	**0.9**	**11.5**	2.6	3.0
Movements in temporary differences in the year not recognised in deferred tax	**(45.3)**	**(580.8)**	(19.0)	(21.9)
Other movements in temporary differences	**6.6**	**84.6**	7.9	9.1
Adjustment to tax charge in respect of previous years	**32.4**	**415.4**	1.1	1.3
Differences in tax rates on overseas earnings	**0.7**	**9.0**	1.4	1.6
	(5.9)	**(75.6)**	(19.2)	(22.0)

The applicable tax rate is determined based on the tax rate in Luxembourg which was the effective tax rate applicable in the country of domicile of the parent company of the Group for the financial year.

The Group has benefitted from a credit in relation to the settlement of a number of tax audits in respect of previous years.

(c) Factors that may affect the future tax charge

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

	2010 £m	2009 £m
2009	–	0.1
2010	–	1.9
2011	**0.9**	2.0
2012	**4.1**	4.9
2013	**1.6**	1.1
2014	**3.6**	3.7
2015	**3.8**	–
2016	**1.2**	–
2017	**3.1**	–
2018 and later	**95.4**	49.3
	113.7	63.0
Available indefinitely	**120.5**	82.1
Tax losses available to carry forward	**234.2**	145.1
Amount of tax losses recognised in the deferred tax asset	**52.7**	24.4
Total tax losses available to carry forward	**286.9**	169.5

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

	2010 £m	2009 £m
Intangibles	**328.9**	324.8
Accelerated capital allowances	**5.5**	0.6
Tax losses	**77.1**	43.1
Rent	**0.8**	0.1
Short term timing differences	**7.5**	0.8
	419.8	369.4

(d) Corporation tax

	2010 £m	2009 £m
Corporation tax payable	**(17.0)**	(52.5)
Corporation tax receivable	**13.3**	10.1

9 Taxation continued

(e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Short term temporary differences £m	Total £m
Deferred tax asset						
At 1 January 2009	(6.1)	25.0	19.7	22.2	18.2	79.0
Current year movement	(5.2)	2.2	(1.0)	(0.3)	(5.0)	(9.3)
Prior year movement	(0.5)	3.6	(3.3)	–	1.9	1.7
Direct reserves movement	–	–	–	–	0.8	0.8
Acquisitions	(0.4)	–	–	–	–	(0.4)
Transfers	(4.6)	0.1	0.2	–	0.9	(3.4)
Exchange movement	3.3	(2.1)	(1.7)	(1.7)	(1.1)	(3.3)
At 1 January 2010	(13.5)	28.8	13.9	20.2	15.7	65.1
Current year movement	(6.5)	(3.0)	1.7	(1.1)	(20.0)	(28.9)
Prior year movement	0.1	1.6	(1.1)	(0.8)	0.6	0.4
Direct reserves movement	–	–	–	–	(0.8)	(0.8)
Acquisitions	–	–	–	–	–	–
Transfers	0.1	(0.7)	0.3	(0.2)	–	(0.5)
Exchange movement	(1.3)	1.4	0.2	0.7	0.8	1.8
At 31 December 2010	**(21.1)**	**28.1**	**15.0**	**18.8**	**(3.7)**	**37.1**
Deferred tax liability						
At 1 January 2009	(4.3)	(1.3)	0.1	–	0.1	(5.4)
Current year movement	–	0.2	0.5	–	0.1	0.8
Prior year movement	–	–	–	–	(0.1)	(0.1)
Acquisitions	–	–	–	–	–	–
Transfers	4.2	0.1	(0.2)	–	(0.1)	4.0
Exchange movement	–	–	–	–	–	–
At 1 January 2010	(0.1)	(1.0)	0.4	–	–	(0.7)
Current year movement	–	0.2	–	–	(0.2)	–
Prior year movement	–	0.1	(0.1)	–	0.1	0.1
Acquisitions	–	–	–	–	–	–
Transfers	(0.1)	0.7	(0.3)	0.2	–	0.5
Exchange movement	–	–	–	–	–	–
At 31 December 2010	**(0.2)**	**–**	**–**	**0.2**	**(0.1)**	**(0.1)**

Deferred tax assets recognised on short-term temporary differences consist predominantly of provisions deductible when paid and share based payments. Deferred tax assets have been recognised in excess of deferred tax liabilities on the basis that there are forecast taxable profits in the entities concerned.

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £64.3 million (2009: £46.6 million). The only tax that would arise on these reserves would be non-creditable withholding tax.

10. Earnings per ordinary share (basic and diluted)

	2010	2009
Profit attributable to equity shareholders of the parent (£m)	**1.5**	67.0
Weighted average number of shares outstanding during the year	**947,462,881**	948,203,737
Average market price of one share during the year	**86.6p**	76.8p
Weighted average number of shares under option during the year	**4,228,848**	6,356,625
Exercise price for shares under option during the year	**58.8p**	60.6p

	Profit		Earnings per share	
	2010 £m	2009 £m	**2010 pence**	2009 pence
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	**1.5**	67.0	**0.2**	7.1
Diluted earnings per share			**0.2**	7.0
Weighted average number of shares for basic EPS (number)			**947,462,881**	948,203,737
Weighted average number of shares under option during the year			**4,228,848**	6,356,625
Weighted average number of shares that would have been issued at average market price			**(2,872,755)**	(5,016,457)
Weighted average number of awards under the CIP and LTIP			**4,513,161**	6,833,211
Weighted average number of shares for diluted EPS (number)			**953,332,135**	956,377,116

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.

11. Dividends

	2010	2009
Dividends per ordinary share proposed	**1.75p**	1.6p
Interim dividends per ordinary share declared and paid during the year	**0.85p**	0.8p

Dividends of £23.2 million were paid during the year (2009: £19.0 million). The Company has proposed to shareholders that a final dividend of 1.75p per share will be paid (2009: 1.6p). Subject to shareholder approval it is expected that the dividend will be paid on 27 May 2011.

12. Goodwill

	£m
Cost	
At 1 January 2009	274.5
Recognised on acquisition of subsidiaries	0.8
Exchange differences	(16.2)
At 1 January 2010	**259.1**
Recognised on acquisition of subsidiaries	15.2
Exchange differences	8.1
At 31 December 2010	**282.4**
Net book value	
At 1 January 2010	259.1
At 31 December 2010	**282.4**

12. Goodwill continued

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

The goodwill attributable to the reportable business segments is as follows:

	2010 £m	2009 £m
Carrying amount of goodwill included within the Americas business segment	**168.8**	153.2
Carrying amount of goodwill included within the EMEA business segment	**6.6**	5.4
Carrying amount of goodwill included within the Asia Pacific business segment	**11.1**	10.2
Carrying amount of goodwill included within the UK business segment	**95.9**	90.3
	282.4	259.1

The carrying value of goodwill and indefinite lived intangibles allocated to two CGUs, the USA and UK, is material relative to the total carrying value comprising 90% of the total. The remaining 10% of the carrying value is allocated to a further 23 countries (23 cash generating units). The goodwill and indefinite lived intangibles allocated to the USA and the UK cash generating units are set out below:

	Goodwill £m	Intangible assets £m	**2010 £m**	2009 £m
USA	148.1	–	**148.1**	140.9
UK	95.9	11.2	**107.1**	101.5
Other cash generating units	38.4	–	**38.4**	27.9
	282.4	11.2	**293.6**	270.3

The indefinite lived intangible asset relates to the brand value arising from the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006 (see note 13).

The recoverable amount of each of the CGUs above has been determined based on their value in use, calculated as the present value of future cash flows attributable to the unit.

The value in use for each CGU has been determined using a model which derives the individual value in use for each unit from the value in use of the Group as a whole. Although the model includes budgets and forecasts prepared by management it also reflects external factors, such as capital market risk pricing as reflected in the market capitalisation of the Group and prevailing tax rates, which have been used to determine the risk adjusted discount rate for the Group. While management believe that the projected cashflows are a reasonable reflection of the likely outcomes over the medium to long term, in the event that trading conditions deteriorate beyond the assumptions used in the projected cashflows, it is also possible that impairment charges could arise in future periods.

The following key assumptions have been used in calculating value in use for each Group of CGUs:

- Future cash flows are based on budget for 2011 approved by the Board. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the value in use. Thereafter forecasts have been prepared by management for a further four years from 2012 that reflect an average annual growth rate of 3-5.4% and an increase in gross margins driven by improving global economic conditions from 2011. This compared to forecasts used in the evaluation in the year ended 31 December 2009 that projected 3-5.5% growth but reflected a higher level of baseline cash flows.
- These forecasts exclude the impact of both organic and acquisitive growth expected to take place in future periods. As a result gross margins and real operating profits at the end of the five year period remain either at or below the levels achieved in the year ended 31 December 2008. Management consider these projections to be a reasonable projection of margins expected at the mid-cycle position reflecting the current uncertain global economic conditions. Cash flows beyond 2015 have been extrapolated using a 2.25% growth rate which management believe is a reasonable long term growth rate for any of the markets in which the relevant CGUs operate. A terminal value is included in the assessment reflecting the Group's expectation that it will continue to operate in these markets and the long term nature of the businesses.

- The Group conducts a market risk assessment of CGUs in each country, with a country specific pre-tax discount rate being applied to the future pre-tax cash flows for each CGU based on the underlying weighted average cost of capital for the Group. This was unchanged from 2009 at 9%. The underlying pre-tax rate therefore reflects current market assessments of the Group as a whole and is adjusted for risks specific to such businesses in each country, giving a risk adjusted range of 12% to 17% (2009: 12% to 17%) for the underlying CGUs. A detailed review has been performed of the 'value in use' models and the appropriate rate at which its cash flows are discounted for impairment test purposes. The market risk adjustments added to the underlying CGU discount rates remain unchanged from 2009.

The trading conditions in which the Group operates are subject to competitive and economic pressures that can have a material effect on the operating performance of the business. Current market conditions remain challenging for the Group and the current global conditions makes forecasting medium term cash flows more difficult than is traditionally the case. The forecast cash flows used to derive the value in use are sensitive to changes in revenues (driven by changes in prices, occupancy or a combination of both), costs and discount rates (including the market assessment of the risks of the Group reflected in the Group's market capitalisation). Actual conditions could result in either better or worse cash flows than included in the value in use calculation. Should current economic conditions prove to be more severe or more prolonged than currently expected this would adversely impact the forecast cash flows and could result in impairments to goodwill and indefinite lived intangible assets in future periods.

The amount by which the value in use exceeds the carrying amount of the US CGU is sufficiently large to enable the Directors to conclude that a reasonably possible change in the key assumptions would not result in an impairment charge for this CGU. The key assumptions used in the US model are that in 2011 the forecast centre contribution rises to 24% from 18%. Revenue and costs grow at 3% per annum from 2011 giving a terminal 2015 centre gross margin of 26%. Thereafter a 2.25% long-term growth rate is assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 12% (2009: 12%).

Foreseeable events are unlikely to result in a change in the projections of such a significant nature so as to result in most cash generating units carrying amount exceeding their recoverable amount. For the UK CGUs, however, a reasonably possible change in the key assumptions used to determine the cash generating unit's recoverable amount could cause the unit's carrying amount to exceed its value in use.

For the UK, the goodwill and the indefinite life intangible brand in this CGU arose on acquisitions completed in 2006 – principally the acquisition of the remaining 58% of the UK business. The value in use exceeded its carrying amount by £37 million (2009: £20 million) and therefore no impairment was necessary at 31 December 2010. During the year the Group re-negotiated a number of lease commitments, this has significantly lowered its cost base and contributed to the margin improvement in the forecast period.

The forecast cash flows assume an interim recovery reverting to mid-cycle revenue and occupancy being achieved in 2015 prior to the application of the long-run growth rate and the discount rate used. Our model incorporates a recovery in pricing but not at the same rate as the decline in pricing experienced in recent years, the terminal value assumed in 2015 is below that experienced in 2008. Whilst occupancy levels are forecast to increase over the period, the level set for the terminal value calculation represents a mid-cycle occupancy. Revenue over the forecast period grows at an average of 5.4% p.a. from 2010. All other variables held constant, a reduction in the growth rate of 0.5% would result in the carrying amount being equal to the value in use. Management maintain that this would be offset by an increase in occupancy so that the carrying amount would be greater than the value in use. A fall of 1.6% in the average gross margins from 2011 in the forecast period would result in the recoverable amount being equal to the carrying amount. Similar to 2009 the model assumes a mid-cycle gross margin in 2015 of 17%. A reduction to 15% would result in the value in use being equal to the carrying amount. The cash flows have been discounted using a pre-tax discount rate of 14% (2009:14%). The discount rate used is based on a risk adjusted Group WACC, reflecting the specific risk profile of the UK business such as the greater degree of competition in the UK market. An increase in the pre-tax discount rate used from 14% to 17.5% would result in its value in use being equal to its carrying amount.

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

13 Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2009	56.9	17.9	12.3	87.1
Additions at cost	–	–	1.6	1.6
Acquisition of subsidiaries	–	1.9	–	1.9
Disposals	–	–	(0.2)	(0.2)
Exchange rate movements	(4.7)	(0.6)	(0.1)	(5.4)
At 1 January 2010	**52.2**	**19.2**	**13.6**	**85.0**
Additions at cost	–	–	2.4	2.4
Acquisition of subsidiaries	–	2.2	–	2.2
Disposals	–	–	–	–
Exchange rate movements	1.6	0.7	0.3	2.6
At 31 December 2010	**53.8**	**22.1**	**16.3**	**92.2**
Amortisation				
At 1 January 2009	10.2	12.2	8.9	31.3
Charge for the year	2.1	2.9	1.7	6.7
Disposals	–	–	(0.2)	(0.2)
Exchange rate movements	**(1.1)**	**(0.5)**	**0.5**	**(1.1)**
At 1 January 2010	**11.2**	**14.6**	**10.9**	**36.7**
Charge for year	2.1	2.2	1.9	6.2
Disposals	–	–	–	–
Exchange rate movements	0.5	0.2	0.2	0.9
At 31 December 2010	**13.8**	**17.0**	**13 .0**	**43.8**
Net book value				
At 31 December 2010	**40.0**	**5.1**	**3.3**	**48.4**
At 31 December 2009	41.0	4.6	2.7	48.3

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

As a result of the Regus brand acquired with the UK business having an indefinite useful life no amortisation is charged but the carrying value is assessed for impairment on an annual basis. The brand was tested at the balance sheet date against the recoverable amount of the UK business segment at the same time as the goodwill arising on the acquisition of the UK business (see note 12). The remaining amortisation life for non-indefinate life brands is 14 years.

14. Property, plant and equipment

	Land and buildings £m	Furniture, fittings and motor vehicles £m	Computers £m	Total £m
Cost				
At 1 January 2009	–	587.8	37.9	625.7
Additions	–	44.3	3.5	47.8
Acquisition of subsidiaries	–	0.6	–	0.6
Disposals	–	(11.2)	(1.5)	(12.7)
Exchange rate movements	–	(44.4)	(2.3)	(46.7)
At 1 January 2010	**–**	**577.1**	**37.6**	**614.7**
Additions	5.6	66.6	5.0	77.2
Acquisition of subsidiaries	–	12.3	0.2	12.5
Disposals	–	(4.5)	(1.7)	(6.2)
Exchange rate movements	–	21.2	1.4	22.6
At 31 December 2010	**5.6**	**672.7**	**42.5**	**720.8**
Accumulated depreciation				
At 1 January 2009	–	322.7	25.0	347.7
Charge for the year	–	59.8	6.6	66.4
Disposals	–	(10.3)	(1.5)	(11.8)
Exchange rate movements	–	(26.7)	(1.8)	(28.5)
At 1 January 2010	–	**345.5**	**28.3**	**373.8**
Charge for the year	–	61.0	6.2	67.2
Disposals	–	(2.5)	(1.7)	(4.2)
Exchange rate movements	–	12.1	1.1	13.2
At 31 December 2010	**–**	**416.1**	**33.9**	**450.0**
Net book value				
At 31 December 2010	**5.6**	**256.6**	**8.6**	**270.8**
At 31 December 2009	–	231.6	9.3	240.9

Additions include £3.8 million in respect of assets acquired under finance leases (2009: £0.9 million). The property purchased during the year is subject to a charge under the terms of the loan agreement.

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

	2010 £m	2009 £m
Cost	**23.9**	15.7
Accumulated depreciation	**(16.5)**	(11.2)
Net book value	**7.4**	4.5

15. Other long term receivables

	2010 £m	2009 £m
Deposits held by landlords against rent obligations	**29.9**	29.0
Amounts owed by joint ventures	**0.8**	0.7
Prepayments and accrued income	**3.3**	3.3
	34.0	33.0

16. Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**102.6**	97.3
Amounts owed by joint ventures	**4.0**	3.2
Other receivables	**18.1**	13.5
Deposits held by landlords against rent obligations	**20.2**	11.4
Prepayments and accrued income	**84.2**	64.1
VAT recoverable	**19.6**	13.3
	248.7	202.8

17. Trade and other payables

	2010 £m	2009 £m
Trade payables	**50.7**	36.0
Other tax and social security	**26.1**	18.8
Deferred landlord contributions	**13.0**	11.6
Amounts owed to joint ventures	**1.6**	1.0
Rent accruals	**37.3**	31.9
Other accruals	**74.7**	63.5
Other payables	**21.8**	13.9
Total current	**225.2**	176.7

	2010 £m	2009 £m
Accruals and deferred income	**45.6**	38.6
Rent accruals	**51.1**	52.6
Other payables	**2.4**	2.9
Total non-current	**99.1**	94.1

18.Borrowings

The Group's total loan and borrowing position at 31 December 2010 and at 31 December 2009 had the following maturity profiles:

Bank and other loans

	2010 £m	2009 £m
Repayments falling due as follows:		
Amounts falling due after more than one year:		
In more than one year but not more than two years	**–**	–
In more than two years but not more than five years	**3.4**	–
In more than five years	**–**	–
Total non-current	**3.4**	–
Total current	**5.5**	6.0
Total bank and other loans	**8.9**	6.0

Obligations under finance leases

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

	2010 £m	2009 £m
Amounts payable		
Within one year or on demand	**2.3**	1.4
In more than one year but not more than two years	**1.4**	0.7
In more than two years but not more than five years	**0.6**	0.1
	4.3	2.2
Less: finance charges allocated to future periods	**(0.1)**	(0.1)
Present value of future minimum lease payments	**4.2**	2.1
Total current	**2.3**	1.4
Total non-current	**1.9**	0.7
	4.2	2.1

19. Provisions for liabilities and charges

	2010				2009			
	Onerous leases and closures £m	**Restructuring £m**	**Other £m**	**Total £m**	Onerous leases and closures £m	Restructuring £m	Other £m	Total £m
At 1 January	**8.8**	**2.1**	**1.2**	**12.1**	9.0	–	1.5	10.5
Provided in the period	**5.5**	**–**	**–**	**5.5**	2.1	2.1	–	4.2
Utilised in the period	**(1.1)**	**(0.4)**	**–**	**(1.5)**	(1.8)	–	–	(1.8)
Provisions released	**(2.5)**	**(0.9)**	**–**	**(3.4)**	–	–	(0.1)	(0.1)
Exchange differences	**–**	**(0.1)**	**–**	**(0.1)**	(0.5)	–	(0.2)	(0.7)
At 31 December	**10.7**	**0.7**	**1.2**	**12.6**	8.8	2.1	1.2	12.1
Analysed between:								
Current	**2.1**	**0.7**	**–**	**2.8**	1.7	2.1	0.1	3.9
Non-current	**8.6**	**–**	**1.2**	**9.8**	7.1	–	1.1	8.2
At 31 December	**10.7**	**0.7**	**1.2**	**12.6**	8.8	2.1	1.2	12.1

Provisions for onerous leases and closure costs relate to the estimated future costs on centre closures and onerous property leases. The maximum period over which the provisions are expected to be utilised expires by 31 December 2018. The onerous lease release relates to the UK restructuring and has been credited to the income statement through exceptional items.

The restructuring provision of £0.7 million is expected to be utilised during the next financial year. Other provisions include the estimated costs of claims against the Group outstanding at the year end, of which, due to their nature, the maximum period over which they are expected to be utilised is uncertain.

20. Investments in joint ventures

	Provision for deficit in joint ventures £m	Investments in joint ventures £m	Total £m
At 1 January 2009	(1.0)	4.0	3.0
Dividends paid	–	(1.0)	(1.0)
Share of profit/(losses)	(0.1)	2.1	2.0
Acquisition of the remaining 50% of Regus Equity Business Centres	–	(0.6)	(0.6)
Exchange rate movements	–	(0.1)	(0.1)
At 1 January 2010	(1.1)	4.4	3.3
Dividends paid	–	(1.6)	(1.6)
Share of profit/(losses)	(0.2)	1.5	1.3
Acquisition	–	–	–
Exchange rate movements	–	(0.4)	(0.4)
At 31 December 2010	**(1.3)**	**3.9**	**2.6**

		Ownership	
Entity	Country	**2010 %**	2009 %
Joint ventures			
Regus Algerie S.à.r.l	Algeria	**60**	60
Park Business Centres Limited	England	**50**	50
Regus Jordan PSC	Jordan	**50**	50
Regus Lebanon S.à.r.l	Lebanon	**30**	30
Skyport International Ing Vastgoed Beleggingen WTC1	Netherlands	**50**	50
Skyport International Ing Vastgoed Beleggingen WTC2	Netherlands	**50**	50
Regus Herengracht	Netherlands	**50**	50
Regus Al Jaidah Business Centres LLC	Qatar	**25**	25
Qatar Westbay	Qatar	**25**	25
Regus Senegal S.à.r.l	Senegal	**50**	50
Regus Istanbul Is Merkezi Isletmeciligi AS	Turkey	**30**	30
Asya Kozyatagi Is Merkezi Isletmeciligi AS	Turkey	**50**	50
Regus Abu Dhabi Business Centres LLC	UAE	**49**	49
Abidjan Business Centre CIVSL	Ivory Coast	**50**	–
Regus Business Centre (Oman) S.à.r.l	Oman	**50**	–

As at 31 December 2009, the Group acquired the remaining 50% membership interest in Regus Equity Business Centers LLC from EOP LLC and the entity was reclassified from a joint venture to a subsidiary undertaking effective from that date.

The results of the joint ventures below are the full results of the joint ventures and do not represent the effective share:

	2010 £m	2009 £m
Income Statement		
Revenue	**23.6**	39.7
Expenses	**(20.2)**	(34.7)
Profit before tax for the year	**3.4**	5.0
Tax charge	**(0.5)**	–
Profit after tax for the year	**2.9**	5.0
Net assets/(liabilities)		
Fixed assets	**7.3**	7.8
Current assets	**14.7**	14.2
Current liabilities	**(16.6)**	(15.2)
Non-current liabilities	**(3.0)**	(2.7)
Net assets/(liabilities)	**2.4**	4.1

21. Share capital

Ordinary equity share capital

	2010		2009	
	Number	Nominal value £m	Number	Nominal value £m
Authorised				
Ordinary 1p shares at 1 January & 31 December	**8,000,000,000**	**80.0**	8,000,000,000	80.0
Issued and fully paid up				
Ordinary 1p shares at 1 January & 31 December	**950,969,822**	**9.5**	950,969,822	9.5

Treasury share transactions involving Regus plc shares between 1 January and 31 December 2009.

At 1 January 2009 5,950,000 shares were held as Treasury shares. During the year ended 31 December 2009, Regus plc re-purchased 627,258 of its own shares in the open market and utilised an additional 4,373,502 of treasury shares held by the Group to satisfy the exercise of share awards by employees.

Treasury share transactions involving Regus plc shares between 1 January 2010 and 31 December 2010.

As at 1 January 2010, 1,576,498 shares were held as treasury shares. During the year ended 31 December 2010, Regus plc re-purchased 9,385,000 of its own shares in the open market and utilised an additional 1,890,592 of treasury shares held by the Group to satisfy the exercise of share awards by employees.

The holders of ordinary shares in Regus Group plc were entitled to receive dividends as were declared by the Company and were entitled to one vote per share at meetings of the Company. Treasury shares did not carry such rights until reissued.

22. Analysis of financial resources

	At 1 Jan 2010 £m	Cash flow £m	Non-cash changes £m	Exchange movements £m	At 31 Dec 2010 £m
Cash and cash equivalents	**205.1**	(12.9)	–	2.0	**194.2**
Liquid investments	**40.0**	(29.6)	–	–	**10.4**
Gross cash	**245.1**	(42.5)	–	2.0	**204.6**
Debt due within one year	**(6.0)**	1.9	(1.0)	(0.4)	**(5.5)**
Debt due after one year	**–**	(3.4)	–	–	**(3.4)**
Finance leases due within one year	**(1.4)**	0.9	(1.4)	(0.4)	**(2.3)**
Finance leases due after one year	**(0.7)**	1.2	(2.2)	(0.2)	**(1.9)**
	(8.1)	0.6	(4.6)	(1.0)	**(13.1)**
Net financial assets	**237.0**	(41.9)	(4.6)	1.0	**191.5**

Cash and cash equivalents balances held by the Group that are not available for use amounted to £32.6 million at 31 December 2010 (December 2009: £64.3 million).

Of this balance, £23.4 million (2009: £47.0 million) is pledged as security against outstanding bank guarantees and a further £9.2 million (2009: £17.3 million) is pledged against various other commitments of the Group. These amounts are blocked and not available for use by the business.

Liquid investments represent corporate bonds and cash placed on deposit by the Group with a maturity over three months. Non-cash changes comprise the amortisation of debt issue costs, new finance leases entered into and movements in debt maturity.

23. Financial instruments and financial risk management

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

Exposure to credit, interest rate and currency risks arise in the normal course of business. The principal financial instruments used by the Group to finance its operations are cash and loans.

Going concern

The Business Review on pages 8 to 9 of the Report and Accounts sets out the Group's strategy and the factors that are likely to affect the future performance and position of the business. The financial review on pages 10 to 13 within the Business Review reviews the trading performance, financial position and cash flows of the Group. A feature of the Group has been its strong cash flows and during the year ended 31 December 2010, despite the difficult trading conditions, the Group has maintained its cash levels at comparable levels to the position at the start of the financial year. Although many countries that the Group operates in continue to experience difficult economic conditions, the directors believe that the Group is taking the necessary actions and expect to strengthen the current market leading position of the Group.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the annual report and accounts.

Following an internal review of the Group's facility arrangements in March 2009, and given the strength of the Group's cash position, the Board approved the early surrender of the £100 million revolving credit facility. This decision does not impact the judgment of the directors that it is appropriate for the Group to adopt the going concern basis in preparing these accounts.

Credit risk

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

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

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

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

	2010 £m	2009 £m
Americas	**18.9**	21.0
EMEA	**42.9**	38.7
Asia Pacific	**16.6**	14.2
UK	**24.2**	23.4
	102.6	97.3

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

The ageing of trade receivables at 31 December was:

	Gross 2010 £m	**Provision 2010 £m**	Gross 2009 £m	Provision 2009 £m
Not overdue	**94.3**	**(0.6)**	86.5	(0.2)
Past due 0 – 30 days	**6.6**	**(0.3)**	8.8	(0.7)
Past due 31 – 60 days	**2.3**	**(0.4)**	3.3	(0.8)
More than 60 days	**11.2**	**(10.5)**	12.8	(12.4)
	114.4	**(11.8)**	111.4	(14.1)

At the year end 31 December 2010, the Group maintained a provision of £11.8 million against potential bad debts (2009: £14.1 million) arising from trade receivables. The Group had provided £4.1 million (2009 £14.1 million) in the year and utilised £7.0 million (2009 £7.1 million).

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

23. Financial instruments and financial risk management continued

Liquidity risk

The Group manages liquidity risk by reviewing its global cash position on a weekly basis and expects to have sufficient liquidity to meet its financial obligations as they fall due. The Group has free cash and liquid investments (excluding blocked cash) of £172.0 million (2009: £180.8 million) which the directors consider adequate to meet the Group's day to day requirements.

In November 2010 the Group signed a three-year unsecured £80 million Bank Guarantee & Letter of Credit facility with Lloyds TSB bank. This will allow the Group to release cash previously set aside to support guarantees. The facility is subject to financial covenants covering operating cash-flows, the ratio of Gross Debt to consolidated tangible net worth and the ratio of EBITDAR to net interest and rental charges.

The Group's undrawn senior committed facility of £100 million was scheduled to expire on 19 March 2011, subject to the Group continuing to comply with the covenants of the facility agreement. The covenants included the ratio of net debt to EBITDA; the ratio of cash flow to net debt service (including net interest expense and scheduled debt repayments) and the ratio of EBITDAR to net interest and rental charges.

In March 2009, the Board approved the early surrender of the £100.0 million revolving credit facility following an internal review of the Group's facility arrangements. Of the facility approximately £50.0 million had been set aside to support bank guarantees provided against obligations of the Group. In order to continue to support these, the Group deposited sufficient funds with the guaranteeing banks which reduced free cash available for use by an equivalent amount. In so doing the directors considered the Group's forecast and sensitised cash flow projections and do not believe that this will have an adverse impact on the Group's liquidity given the strength of the Group's cash position.

Although the Group has net current liabilities of £75.2 million (2009: £46.5 million) the Group does not consider that this gives rise to a liquidity risk. A large proportion of the net current liabilities comprise non-cash liabilities such as deferred income that will be recognised in future periods through the income statement. Although the Group holds customer deposits of £163.2 million (2009;£149.3 million) these are spread across a large number of customers and no deposit held for an individual customer is material. Therefore the Group does not believe the balance represents a liquidity risk.

The net current assets, excluding deferred income, were £50.6 million at 31 December 2010 (2009: £68.2 million). It is considered appropriate to exclude deferred income in assessing the liquidity of the Group as it reflects the future non-refundable contractual revenue of the Group to be recognised as revenue in future periods.

Market risk

Interest rate risk

Surplus cash balances are invested to achieve maximum interest returns on a day to day basis. In order to maximise interest returns, surplus cash is also invested in AAA-rated corporate bonds and deposits with a maturity in excess of three months. At the balance sheet date no corporate bond or deposit had a maturity in excess of three months. Whenever possible, and subject to the operational requirements of the Group, cash is repatriated to the head office and managed by the Group Treasury department.

Foreign currency risk

The Group's exposure to currency risk at a transactional level is minimal as the majority of day to day transactions of overseas subsidiaries are carried out in local currency. Working capital balances are generally held in the functional currency of the overseas subsidiary and therefore the impact of the retranslation of monetary assets and liabilities in the income statement of overseas subsidiaries is not considered to have a material impact on the Group.

The majority of the Group's net assets are in pounds sterling, US dollars and euros. During the year ended 31 December 2010 the Group continued the policy of partially hedging the translation effect of certain profits incurred in foreign currencies (including the US dollar, euro, Japanese yen and certain East European currencies). The policy aimed to reduce the impact on the reported profits of the Group from changes in the value of pounds sterling against the hedged currencies. As at 31 December 2010, all foreign exchange derivative financial instruments had matured and no open positions were held.

Historically the Group has occasionally used derivative financial instruments to manage its exposure to foreign currency fluctuations, although natural hedges limit the exposure to these risks. In the year ended 31 December 2010, the Group used derivative financial instruments to manage the translation risk of certain foreign currencies on the reported profits of the Group.

No transactions of a speculative nature are undertaken.

Other market risks

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

Capital management

The Group's parent company is listed on the UK stock exchange and the Board's policy is to maintain a strong capital base. The Chief Financial Officer monitors the diversity of the Group's major shareholders and further details of the Group's communication with key investors can be found in the corporate governance report on pages 18 to 23. In 2006, the Board approved the commencement of a progressive dividend policy to enhance the total return to shareholders.

The Group's Chief Executive Officer, Mark Dixon, is the major shareholder of the Company and all executive members of the Board hold shares in the Company. Details of the Directors' shareholdings can be found in the report of the Remuneration Committee on pages 25 to 30. In addition the Group operates various share option plans for key management and other senior employees.

At the 2008 Annual General Meeting shareholders approved a resolution for the Group to re-purchase up to 10% of its issued share capital in the market. In June 2007, the Group commenced a share buyback programme to meet both the need to issue shares under the Group's share option programme and, more generally, as a means of returning cash to shareholders.

In the year ended 31 December 2010 Regus plc purchased 1,353,188 (2009: 627,258) of its own shares in the open market and utilised these to satisfy employee share awards. Regus plc re-purchased 9,385,000, of its own shares in the open market and held these shares as treasury shares. As at 21 March 2011, 9,070,906 shares were held as treasury shares.

The Company declared an interim dividend of 0.85p per share (2009: 0.8p) during the year ended 31 December 2010 and proposed a final dividend of 1.75p per share (2009: 1.6p per share) an 8% increase on the 2009 dividend.

There were no other changes to the Group's approach to capital management during the year.

The Group's objective when managing capital (equity and borrowings) is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Group holds minimal debt and is in a strong cash position therefore it is majority equity funded. The Board balances the higher returns possible with higher levels of borrowings with the stability and security afforded by a sound capital position. The Group's return on capital employed for the year ended 31 December 2010, defined as operating profit divided by total shareholders' equity, was 1.4% (2009: 17.2%).

Effective interest rates

In respect of financial assets and financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature. Interest payments are excluded from the table.

The undiscounted cash flow of these instruments is not materially different from the carrying value.

As at 31 December 2010

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.9	194.2	194.2	194.2	–	–	–
Liquid investments – corporate bonds	2.1	10.4	10.4	10.4	–	–	–
Other liquid investments	–	–	–	–	–	–	–
Trade and other receivables	–	190.0	201.8	171.8	15	15	–
Finance lease liabilities	3.9	(4.2)	(4.2)	(2.3)	(1.3)	(0.6)	–
Secured bank loans	2.4	(3.7)	(3.7)	(0.4)	–	(3.3)	–
Other loans	7.3	(5.2)	(5.2)	(5.2)	–	–	–
Customer deposits	–	(163.2)	(163.2)	(163.2)	–	–	–
Trade and other payables	–	(176.3)	(176.3)	(173.8)	(2.5)	–	–

23. Financial instruments and financial risk management continued
As at 31 December 2009

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.9	205.1	205.1	205.1	–	–	–
Liquid investments – corporate bonds	3.7	10.0	10.0	10.0	–	–	–
Other liquid investments	1.5	30.0	30.0	30.0	–	–	–
Trade and other receivables	–	168.2	182.4	153.2	14.6	14.6	–
Finance lease liabilities	3.9	(2.1)	(2.1)	(1.4)	(0.6)	(0.1)	–
Secured bank loans	–	(0.7)	(0.7)	(0.7)	–	–	–
Other loans	12.1	(5.3)	(5.3)	(5.3)	–	–	–
Customer deposits	–	(149.3)	(149.3)	(149.3)	–	–	–
Trade and other payables	–	(138.1)	(138.1)	(135.2)	(2.9)	–	–

Sensitivity analysis
At 31 December 2010 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately £1.4 million (2009: £1.7 million) with a corresponding increase in total equity.

It is estimated that a five percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's profit before tax by approximately £0.3 million for the year ended 31 December 2010 (2009: £0.9 million). It is estimated that a five percentage point weakening in the value of the euro against pounds sterling would have decreased the Group's profit before tax by approximately £0.4 million for the year ended 31 December 2010 (2009: £1.1 million).

It is estimated that a five percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's total equity by approximately £7.9 million for the year ended 31 December 2010(2009: £9.1 million). It is estimated that a five percentage point weakening in the value of the euro against pounds sterling would have increased the Group's total equity by approximately £0.6 million for the year ended 31 December 2010 (2009: £0.7 million).

Fair value disclosures
The fair values together with the carrying amounts show in the balance sheet are as follows:

	2010		2009	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Cash and cash equivalents	**194.2**	**194.2**	205.1	205.1
Liquid investments – corporate bonds	**10.4**	**10.4**	10.0	10.0
Other liquid investments	**–**	**–**	30.0	30.0
Trade and other receivables	**190.3**	**190.3**	168.2	168.2
Finance lease liabilities	**(4.2)**	**(3.9)**	(2.1)	(1.8)
Secured bank loans	**(3.7)**	**(3.7)**	(0.7)	(0.7)
Other loans	**(5.2)**	**(5.2)**	(5.3)	(5.3)
Customer deposits	**(163.2)**	**(163.2)**	(149.3)	(149.3)
Trade and other payables	**(176.3)**	**(176.3)**	(138.1)	(138.1)
	42.3	**42.6**	117.8	118.1
Unrecognised gain		**0.3**		0.3

Summary of methods and assumptions:

Trade and other receivables/payables and customer deposits

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

Finance lease liabilities

The fair value of finance leases has been calculated by discounting future cash flows at an appropriate discount rate which reflects current market assessments and the risks specific to such liabilities.

Loans and overdrafts

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

Derivative financial instruments

The Group held several foreign currency swaps in the year, all of which matured during the year. The aggregate movement of the fair value of these instruments was a loss of £0.5 million (2009: gain £2.2 million). The instruments were not designated as hedges and the gain has been recognised in the income statement. No derivative financial instruments were held at the year end (2009: nil).

Committed borrowing facilities

	Principal £m	Available £m
At 31 December 2010	**–**	**–**
At 31 December 2009	–	–

In November 2010 the Group signed a three-year unsecured £80 million Bank Guarantee & Letter of Credit facility with Lloyds TSB bank. This will allow the Group to release cash previously set aside to support guarantees. The facility is subject to financial covenants covering operating cash flows, the ratio of Gross Debt to consolidated tangible net worth and the ratio of EBITDAR to net interest and rental charges.

In March 2009, the Board approved the early surrender of the £100.0 million revolving credit facility following an internal review of the Group's facility arrangements. Of the facility approximately £50.0 million had been set aside to support bank guarantees provided against obligations of the Group. In order to continue to support these, the Group deposited sufficient funds with the guaranteeing banks which reduced the cash available for use by an equivalent amount. The directors do not believe that this decision had an adverse impact on the Group's liquidity given the strength of the Group's cash position.

24. Share based payment

Regus Group Share Option Plan

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

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

	2010		2009	
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**10,059,700**	**67.95**	12,394,287	78.75
Granted during the year	**4,603,961**	**97.08**	–	–
Lapsed during the year	**(3,823,075)**	**81.27**	(2,334,587)	125.30
Exercised during the year	**(3,186,486)**	**64.26**	–	–
Outstanding at 31 December	**7,654,100**	**80.42**	10,059,700	67.95
Exercisable at 31 December	**3,170,139**	**57.00**	6,356,625	60.64

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2010	Exercisable from	Expiry date
23/07/2004	4,106,981	57.00	–	(936,842)	3,170,139	23/07/2007	23/07/2014
08/09/2004	3,884,170	64.75	(729,227)	(3,154,943)	–	08/09/2007	08/09/2014
21/03/2007	2,148,258	131.50	(2,148,258)	–	–	21/03/2010	21/03/2017
20/04/2007	707,506	146.50	(707,506)	–	–	20/04/2010	20/04/2017
18/03/2008	4,331,641	80.50	(4,331,641)	–	–	18/03/2011	18/03/2018
18/05/2010	3,986,000	100.50	(120,000)	–	3,866,000	18/05/2015	23/03/2020
28/06/2010	617,961	75.00	–	–	617,961	28/06/2013	28/06/2020
Total	19,782,517	84.29	(8,036,632)	(4,091,785)	7,654,100		

The Regus Group also operates the Regus Group Share Option Plan (France) which is included within the numbers for the Regus Share Option Plan disclosed above. The terms of the Regus Share Option Plan (France) are materially the same as the Regus Group Share Option Plan with the exception that they are only exercisable from the fourth anniversary of the date of grant assuming the performance conditions have been met. 447,773 options awarded under the Regus Group Share Option Plan (France) are included in the above table (2009: 416,146,), 416,146 lapsed during the year (2009: 231,935) and nil were exercised during the year (2009: nil).

Performance conditions for share options

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

The awards of options made in March 2007 and April 2007 failed to meet the related performance conditions and lapsed in prior years. The March 2008 options failed to meet the related performance conditions and lapsed in the year ended 31 December 2010.

The options awarded in March and June 2010 contain the following performance conditions:

50% of the options will be eligible to vest if the Regus Total Shareholder Return ('TSR') % achieved relative to FTSE All Share Total Return index is at least at the median over the performance period. 50% of the options will be eligible to vest subject to the EPS conditions in the table below:

Vesting Scale	EPS target Y/E 2012
25%	15p
50%	16p
75%	17p
100%	18p

Once performance conditions are satisfied those options that are eligible to vest will vest as follows:

	Proportion to vest
March 2013	1/3
March 2014	1/3
March 2015	1/3

The share options awarded in 2004 were valued using the Black-Scholes model. The share options awarded in 2010 were valued using a Monte Carlo for TSR and the Black-Scholes for EPS method. The inputs to the model are as follows:

		June 2010		March 2010
	EPS	TSR	EPS	TSR
Share price on grant date	73.20p	73.20p	94.00p	94.00p
Exercise price	75.00p	75.00p	100.50p	100.50p
Expected volatility	46.18 – 54.32%	46.99 – 56.36%	47.02 – 64.82%	46.74 – 55.98%
Number of simulations	30,000	30,000	30,000	30,000
Number of companies	FTSE All Share Index	FTSE All Share Index	FTSE All Share Index	FTSE All Share Index
Option life	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years
Expected dividend	3.28%	3.28%	2.55%	2.55%
Fair value of option at time of grant	35.20p – 42.70p	12.40p – 17.40p	45.49p – 61.77p	19.50p – 26.30p
Risk free interest rate	2.76 – 3.05%	2.76 – 3.05%	3.07 – 3.38%	3.07 – 3.38%

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

24. Share based payment continued

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

	2010 Number of awards	2009 Number of awards
At 1 January	**19,724,642**	18,346,549
CIP awards granted during the year	**–**	10,827,018
LTIP awards granted during the year	**2,900,472**	–
Lapsed during the year		(4,448,165)
Exercised during the year	**(1,510,333)**	(5,000,760)
Outstanding at 31 December	**21,114,781**	19,724,642
Exercisable at 31 December	**167,852**	872,879

1,510,333 options or conditional share awards were exercised during the year ended 31 December 2010 (2009: 5,000,760). The weighted average share price at the date of exercise for share awards and options exercised during the year ended 31 December 2010 was 96.06p (2009 69.74p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2010	Release date
LTIP	03/11/2005	3,723,235	(1,092,819)	(2,462,564)	167,852	03/11/2008
LTIP	28/09/2006	140,184	(140,184)	–	–	28/09/2009
LTIP	23/03/2010	2,900,472	–	–	2,900,472	23/03/2013
		6,763,891	(1,233,003)	(2,462,564)	3,068,324	

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2010	Release date
CIP: Investment shares	21/03/2006	772,196	–	(772,196)	–	21/03/2009
CIP: Matching shares	21/03/2006	3,088,784	(617,757)	(2,471,027)	–	21/03/2009
CIP: Investment shares	21/03/2007	833,823	(28,517)	(805,306)	–	21/03/2010
CIP: Matching shares	21/03/2007	3,240,144	(3,240,144)	–	–	21/03/2010
CIP: Investment shares	18/03/2008	1,557,391	(86,956)	–	1,470,435	18/03/2011
CIP: Matching shares	18/03/2008	5,922,916	(173,912)	–	5,749,004	* See below
CIP: Investment shares	23/03/2009	2,212,734	–	–	2,212,734	23/03/2012
CIP: Matching shares	23/03/2009	8,614,284	–	–	8,614,284	* See below
		26,242,272	(4,147,286)	(4,048,529)	18,046,457	

* As indicated in the Remuneration Report in the Annual Report for the year ended 31 December 2009, the Remuneration Committee felt it inappropriate to set specific performance conditions for Matching Shares under the CIP which were awarded in March 2008 and March 2009. Further details of the release dates and performance conditions set for 2010 can be found below.

The fair value of services received in return for share based payments is measured by reference to the fair value of the equity instruments granted.

The awards of matching shares made in March 2007 failed to meet the related performance conditions and lapsed in prior years.

Of the awards of investment and matching shares under the LTIP on 23 March 2010, 1,028,539 were conditional share awards and 1,871,933 were nil cost options.

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

The inputs to the model are as follows:

	23/03/2010 LTIP (d)	23/03/2009 CIP (c)	18/03/2008 CIP (c)	21/03/2007 CIP (b)	28/09/2006 LTIP (a)	21/03/2006 CIP (b)	03/11/2005 LTIP (a)
Share price on grant date	**108.10p**	65.50p	80.50p	131.50p	107.00p	107.25p	92.25p
Exercise price	**nil**	nil	nil	nil	nil	nil	nil
Number of simulations	**250,000**	200,000	200,000	200,000	60,000	60,000	60,000
Number of companies	**32**	32	36	35	29	29	29
Award life	**3 years**	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend	**2.22%**	2.72%	1.19%	0.44%	nil	nil	nil
Fair value of award at time of grant	**47.00p**	47.97p	61.21p	103.05p	79.00p	79.94p	65.00p
Risk free interest rate	**1.86%**	1.92%	3.86%	5.34%	4.38%	4.16%	4.47%

(a) The LTIP Awards of 3 November 2005 and 28 September 2006 had a release date of 3 November 2008 and 28 September 2009 respectively. There was no expiry date and therefore remaining contractual life on the basis that the awards release immediately. The LTIP nil cost options had a vesting date of 3 November 2008 and 28 September 2009 and an expiry date of 3 November 2015 and 28 September 2016 respectively. The performance conditions for the LTIP awards made on 3 November 2005 were based on the financial results for the year ended 31 December 2008 and, based on the financial performance of the Group, 80% of the awards and options vested on 20 March 2009. The remainder of the awards and options made on 3 November 2005 and all the awards made on 28 September 2006 lapsed.

(b) The CIP awards have a release date of 21 March 2009 and 21 March 2010. There is no expiry date and therefore remaining contractual life on the basis that the awards release immediately. The CIP nil cost options have a vesting date of 21 March 2009 and 21 March 2010 and an expiry date of 21 March 2016 and 21 March 2017. The performance conditions for the CIP matching awards made on 21 March 2006 were based on the financial results for the year ended 31 December 2008 and, based on the financial performance of the Group, 80% of the awards vested on 20 March 2009. The remainder of the matching awards made on 21 March 2006 lapsed. The proportion of the CIP awards that represented the deferred bonus for the year ended 31 December 2005 were released on 20 March 2009.

(c) The CIP Matching Shares and Share Option Plan awards made in 2008 and 2009 did not have performance conditions set by the Remuneration Committee at the date of the award. A valuation was performed for those awards based on the terms that applied to similar awards made in previous years. The Remuneration Committee set the performance conditions for the awards made in 2008 and 2009 effective from 22 March 2010 and the valuation of these awards has been updated in the year ended 31 December 2010.

(d) The LTIP awards have a release date of 23 March 2013. There is no expiry date and therefore remaining contractual life on the basis that the awards release immediately. The LTIP nil cost options have a vesting date of 23 March 2013 and an expiry of 23 March 2020. The performance conditions are set out below.

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

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

* Adjusted EPS

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

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

24. Share based payment continued

- In a growth company such as Regus, costs are necessarily incurred in one year to drive profits in future years. Thus it is important to ensure management is not incentivised to cut back on these investments to meet EPS targets in any one year. Accordingly those costs, incurred in the vesting year, which it considers necessary to drive future growth will be excluded from the EPS calculation. These would include, inter alia, the costs of the business development departments, excess marketing expenditures and current year losses from investing in new locations.
- Any one-off or non-recurring costs will be excluded.
- It is expected that in the period between 2006 and 2008 the cash tax rate will rise as cumulative tax losses are utilised thereby increasing progressively the challenge of achieving a 14p EPS target. This will then be further complicated by the need to recognise deferred tax assets as the business strengthens reducing the accounting rate of tax in one year and increasing it in the next. To provide greater clarity and incentive to management EPS will be calculated based upon the cash tax rate up to a maximum of 30%.
- The Remuneration Committee is of the opinion that the EPS and free cash flow performance targets are a transparent and accurate measure of the Company's performance at this time and are the key corporate metrics for driving long term shareholder value. In addition, the TSR condition will ensure that executives are encouraged to focus on ensuring that the Company's return to shareholders is competitive compared to comparable companies.

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

% increase in published EPS for the year ended 31 December 2009 compared to the published EPS for the prior year	15%	20%	25%	30%
Growth in free cash flow per share over 3 years				
10%	6%	13%	19%	25%
15%	13%	25%	38%	50%
20%	19%	38%	56%	75%
25%	25%	50%	75%	100%

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

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

The associated Investment Share awards made in March 2007 will be released to participants (subject to any tax liabilities in accordance with the rules of the CIP).

As indicated in the Remuneration Report in the Annual Report for the year ended 31 December 2008, the Remuneration Committee felt it inappropriate to set specific performance conditions for Matching Shares under the CIP and options awards under the Share Option Plan awarded in March 2008 and March 2009 but were committed to carrying out a thorough review of the matter during 2009.

The Remuneration Committee has agreed that the following modifications will be made to the awards made in 2008 and 2009 and that the following performance conditions will apply to these awards effective from 22 March 2010.

The total number of awards made in 2008 and 2009 to each participant will be divided into three separate equal amounts and will be subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount will not vest until March 2013, the second will not vest until March 2014 and the third will not vest until March 2015. These vesting dates relate to the financial years ending 31 December 2012, 31 December 2013 and 31 December 2014 respectively. The vesting of these awards will be subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts will be subject to defined earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each will be subject to relative total shareholder return (TSR) targets over the respective periods. The targets will be as follows:

	EPS targets for the financial years ending		
% of awards eligible for vesting	2012	2013	2014
25%	15p	17p	18p
50%	16p	20p	22p
75%	17p	23p	26p
100%	18p	26p	30p

No shares will vest in each respective year unless the minimum EPS target for that year is achieved.

% of awards eligible for vesting	Regus TSR % achieved relative to FTSE All Share Total Return index*
Nil	100%
25%	Above 100% but below 101%
Increments of 0.75%	For each complete 1% above 100%
100%	200% or above

* over three, four or five year performance period.

Regus plc Value Creation Plan

	2010 Number of entitlements	2009 Number of entitlements
At 1 January	21,000,000	21,000,000
VCP entitlements awarded during the year	–	–
Lapsed during the year	–	–
Outstanding at 31 December	21,000,000	21,000,000

Plan	Date of award	Numbers awarded	Lapsed	Exercised	At 31 Dec 2010	Measurement date
VCP Tier 1 awards	20/05/2008	3,500,000	–	–	3,500,000	–
VCP Tier 2 awards	20/05/2008	6,000,000	–	–	6,000,000	–
VCP Tier 3 awards	20/05/2008	10,000,000	–	–	10,000,000	–
VCP Tier 4 awards	20/05/2008	3,000,000	(1,500,000)	–	1,500,000	–
		22,500,000	(1,500,000)	–	21,000,000	31/03/2010 – 31/03/2013

24. Share based payment continued

The fair value of services received in return for share based payments are measured by reference to the fair value of the equity instruments granted. No awards were exercisable at the year-end (2009: nil).

The VCP awards are valued using the Monte Carlo method.

The inputs to the model are as follows:

	21/05/2008 VCP
Share price on award date	107.00p
Exercise price	107.00p
Number of simulations	200,000
Number of companies	36
Award life	1.86 – 4.86 yrs
Expected dividend	0.93%
Total fair value of awards at time of grant	£1.3m
Risk free interest rate	4.71%

The VCP awards have measurement dates of 31 March 2010, 31 March 2011, 31 March 2012 and 31 March 2013. If at the measurement dates, the share price targets have been met the eligible VCP entitlements will be converted into options over ordinary shares. The options are not subject to further performance conditions but are exercisable on the following basis:

	In year ended 31/12/2010	In year ended 31/12/2011	In year ended 31/12/2012	In year ended 31/12/2013
Percentage of entitlements converted to options at the 31/03/2010 measurement date that can be exercised	40%	20%	20%	20%
Percentage of entitlements converted to options at the 31/03/2011 measurement date that can be exercised	–	40%	30%	30%
Percentage of entitlements converted to options at the 31/03/2012 measurement date that can be exercised	–	–	40%	60%
Percentage of entitlements converted to options at the 31/03/2013 measurement date that can be exercised	–	–	–	100%

The performance conditions of the VCP entitlements are as follows:

		Number of shares earned less those earned at any prior measurement date			
		Tier 1 awards	Tier 2 awards	Tier 3 awards	Tier 4 awards
First measurement date 31/03/2010	Share price less than £2.60	–	–	–	–
	Share price is £2.60 or more but less than £3.50	2,500,000	4,285,714	7,142,857	2,142,857
	Share price is £3.50 or more	3,500,000	6,000,000	10,000,000	3,000,000
Second measurement date 31/03/2011	Share price less than £2.60	–	–	–	–
	Share price is £2.60 or more but less than £3.50	1,800,000	3,085,714	5,142,857	1,542,857
	Share price is £3.50 or more but less than £4.50	2,500,000	4,285,714	7,142,857	2,142,857
	Share price is £4.50 or more	3,500,000	6,000,000	10,000,000	3,000,000
Third measurement date 31/03/2012	Share price less than £2.60	–	–	–	–
	Share price is £2.60 or more but less than £3.50	1,200,000	2,057,143	3,428,571	1,028,571
	Share price is £3.50 or more but less than £4.50	1,800,000	3,085,714	5,142,857	1,542,857
	Share price is £4.50 or more	2,500,000	4,285,714	7,142,857	2,142,857
Fourth measurement date 31/03/2013	Share price less than £2.60	–	–	–	–
	Share price is £2.60 or more but less than £3.50	600,000	1,028,571	1,714,286	514,285
	Share price is £3.50 or more but less than £4.50	1,200,000	2,057,143	3,428,571	1,028,571
	Share price is £4.50 or more	1,800,000	3,085,714	5,142,857	1,542,857

Where the share price targets have not been met by 31 March 2013 then the VCP Entitlement will not convert, no ordinary shares will be earned and no VCP Options will be granted under the VCP.

In respect of the first and second measurement dates (31 March 2010 and 31 March 2011, respectively), the Company's share price was below the target and no VCP entitlements vested.

25. Acquisitions

During the year ended 31 December 2010 the Group made the following acquisitions (2009: None).

Name	Region	Purchase consideration including costs £m	Percentage of equity and voting rights acquired	Date of acquisition
100% Equity Share Capital acquisitions:				
Abbey Business Centres Limited & Abbey Offices Limited	UK	3.0	100%	03/12/2010
HQ Do Brazil Administracao de bens e servicos Ltda.	Americas	10.2	100%	30/09/2010
Business Facilities International S.A.	EMEA	1.8	100%	15/01/2010
Asset Acquisition:				
Advanced Business Technology Inc.	Americas	3.2	N/A	11/01/2010

In addition to the above, a further £2.7 million of purchase consideration was paid to complete a further 12 business and net asset acquisitions.

	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets*	0.1	2.3	2.4
Property, plant and equipment (note 14)	10.2	2.3	12.5
Other non-current assets	2.6	–	2.6
Cash	3.9	–	3.9
Other current assets	7.5	(1.4)	6.1
Current liabilities	(18.9)	–	(18.9)
Non current liabilities	(2.9)	–	(2.9)
	2.5	3.2	5.7
Goodwill arising on acquisition			15.2
Total consideration			20.9
Deferred consideration			–
			20.9
Cash flow on acquisition			
Cash acquired			(3.9)
Overdrafts and loans acquired			–
Cash paid			20.9
Net cash outflow			17.0

* Intangible assets comprise the fair value of customer contracts or, in the case of managed centres, the fair value of the management contract acquired.

There was no contingent consideration arising on the above acquisitions.

If the above equity acquisitions had occurred on 1 January 2010, the revenue and net retained loss arising from these acquisitions would have been £40.7 million and £1.4 million respectively. In the year these equity acquisitions contributed revenue of £11.8 million and a net retained loss of £1.8 million.

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services. £1.2 million of the above goodwill is expected to be deductable for tax purposes.

The acquisition costs associated with these transactions were £1.0m (2009: £nil), recorded within administration expenses within the Consolidated Income Statement.

Adjustments to acquisitions and the payment of contingent consideration in relation to acquisitions completed prior to 1 January 2009.

Additional consideration of £nil (2009: £0.3 million) was accrued as a result of the improved financial performance of acquisitions under contractual earn-out provisions. There were no amendments in 2010 to provisional purchase price allocations on acquisitions completed in previous years (2009: £0.5 million).

There were no significant acquisitions completed after 31 December 2010.

26. Capital commitments

	2010 £m	2009 £m
Contracts placed for future capital expenditure not provided in the financial statements	**11.6**	2.5

These commitments are principally in respect of fit out obligations on new centres opening in 2011. In addition our share of the capital commitments of joint ventures amounted to £nil at 31 December 2010 (2009: £nil).

27. Non-cancellable operating lease commitments

At 31 December 2010 the Group was committed to make the following payments in respect of operating leases:

	2010			2009 (restated)		
	Property £m	Motor vehicles, plant and equipment £m	Total £m	Property £m	Motor vehicles, plant and equipment £m	Total £m
Lease obligations falling due:						
Within one year	**375.1**	**7.7**	**382.8**	367.8	2.2	370.0
Between two and five years	**852.7**	**25.1**	**877.8**	822.6	5.9	828.5
After five years	**329.5**	**4.3**	**333.8**	350.5	2.4	352.9
	1,557.3	**37.1**	**1,594.4**	1,540.9	10.5	1,551.4

Non-cancellable operating lease commitments exclude future contingent rental amounts such as the variable amounts payable under performance based leases where the rents vary in line with a centre's performance. Following a detailed review of the Group's lease database during the year, the prior year lease obligation disclosures were deemed to have overstated the minimum non-cancellable lease commitments. The disclosure has been restated accordingly.

28. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £102.2 million (December 2009: £47.0 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.

29. Related parties

Joint ventures

During the year ended 31 December 2010 the Group received management fees of £1.6 million (2009: £3.5 million) from its joint venture entities. At 31 December 2010 £2.9 million (2009: £2.9 million) was due to the Group from joint ventures of which £nil of this debt has been provided for at 31 December 2010 (2009: £nil).

Key management personnel

No loans or credit transactions were outstanding with directors or officers of the Company at the end of the year or arose during the year that need to be disclosed.

During the year ended 31 December 2010 the Group acquired goods and services from a company indirectly controlled by a director of the Company amounting to £30,738 (2009: £30,118). The goods and services were acquired in arm's-length transactions. There was a nil balance outstanding at year end (2009: nil).

Compensation of key management personnel (including directors):

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

	2010 £m	2009 £m
Short term employee benefits	**3.1**	2.8
Share based payments	**1.4**	1.0
	4.5	3.8

Share based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £2.7 million (2009: £4.9 million). These awards are subject to performance conditions and vest three years from the award date.

30. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2010, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary share and votes held
Principal activity – Trading companies		
Regus Business Centres (UK) Limited	England	100
Stonemartin Corporate Centres Limited	England	100
Regus Paris SAS	France	100
Regus GmbH & Co. KG	Germany	100
Regus Business Centres Italia Srl	Italy	100
Regus Japan KK	Japan	100
Regus Management de Mexico, SA de CV	Mexico	100
Regus Amsterdam BV	Netherlands	100
Regus Business Centre SA	Spain	100
Regus Business Centre AG	Switzerland	100
HQ Global Workplaces, LLC	United States	100
Regus Business Center LLC	United States	100
Regus Equity Business Centers LLC	United States	100
Principal activity – Management companies		
Regus Australia Management Pty Limited	Australia	100
Regus do Brasil Ltda	Brazil	100
Regus Management sro	Czech Republic	100
Regus EMEA FSC sro	Czech Republic	100
Regus Management AS	Denmark	100
Regus Management Limited	England	100
Regus Management (UK) Limited	England	100
Regus Business Centre SAS	France	100
Regus Asia Pacific Management Limited	Hong Kong	100
Regus Centre Management Limited	Hong Kong	100
Regus Businessworld Limited	Jersey	100
Regus Amsterdam BV	Netherlands	100
Regus Service Centre Philippines BV	Netherlands	100
RMG South Africa Pty Limited	South Africa	100
Regus Business Ventures (Pty) Limited	South Africa	100
Regus Business World (Pty) Limited	South Africa	100
Regus Management Espana SL	Spain	100
Regus Management Group LLC	United States	100
Regus International Services LLC	Uruguay	100

Name of undertaking	Country of incorporation	% of ordinary share and votes held
Principal activity – Holding companies		
Regus H Holdings Inc	British Virgin Islands	100
RGN General Partner Holdings Corp	Canada	100
RGN Limited Partner Holdings Corp	Canada	100
Insignia Partnership	Canada	100
Regus Management de Chile Ltda	Chile	100
Regus Denmark Holding AS	Denmark	100
Regus Group Limited	England	100
Regus Limited S.à.r.l	England/ Luxembourg	100
Regus Centres Limited	England	100
Regus Investments Limited	England	100
Regus Business Centres (Holding)	England	100
Regus Business Centres (Trading) Limited	England	100
Regus H Holdings	England	100
Regus H (UK)	England	100
Regus Centres UK Limited	England	100
Regus Holdings UK Limited	England	100
Regus Holdings SAS	France	100
Regus Deutschland GmbH	Germany	100
Regus Germany Holding GmbH & Co. KG	Germany	100
Regus Management GmbH	Germany	100
Regus Europe Limited	Jersey	100
Regus No.1 S.à.r.l	Luxembourg	100
Regus No.2 S.à.r.l	Luxembourg	100
Regus Businessworld (Luxembourg) S.à.r.l	Luxembourg	100
Regus Middle East S.à.r.l	Luxembourg	100
Regus India Holdings Limited	Mauritius	100
Regus Pakistan Holdings Limited	Mauritius	100
Regus Mexico S. de RL de CV	Mexico	100
Regus Netherlands BV	Netherlands	100
Regus Business Centres BV	Netherlands	100
Regus Business Centre Norge AS	Norway	100
Regus Holding GmbH	Switzerland	100
Regus Corporation LLC	United States	100
Regus Holdings LLC	United States	100
Regus H Holdings LLC	United States	100
Regus International Services SA	Uruguay	100

31. Key judgmental areas adopted in preparing these accounts

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

Fair Value accounting for business combinations

For each business combination, we assess the fair values of assets and liabilities acquired. Where there is not an active market in the category of the non-current assets typically acquired with a business centre or where the books and records of the acquired company do not provide sufficient information to derive an accurate valuation, management calculate an estimated fair value based on available information and experience.

The main categories of acquired non-current assets where management's judgment has an impact on the amounts recorded include tangible fixed assets, customer list intangibles and the fair market value of leasehold assets and liabilities. For significant business combinations management also obtain third party valuations to provide additional guidance over the appropriate valuation to be included in the financial statements.

Valuation of intangibles and goodwill

We evaluate the fair value of goodwill and intangibles to assess potential impairments on an annual basis, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We evaluate the carrying value of goodwill at the appropriate cash-generating unit level and make that determination based upon future cash flow projections, which assume certain growth projections which may or may not occur. We record an impairment loss for goodwill when the carrying value of the intangible asset is less than its estimated recoverable amount. Further details of the methodology and assumptions applied to the impairment review in the year ended 31 December 2010, including the sensitivity to changes in those assumptions, can be found in note 12.

Tax assets and liabilities

We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. Changes in existing laws and rates, and their related interpretations, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates. It is current Group policy to recognise a deferred tax asset when it is probable that future taxable profits will be available against which the assets can be used. The Group considers it probable if the entity has made a taxable profit in the previous year and is forecast to continue to make a profit in the foreseeable future. Where appropriate the Group assesses the potential risk of future tax liabilities arising from the operation of its business in multiple tax jurisdictions and includes provisions within tax liabilities for those risks that can be estimated reliably. Changes in existing tax laws can affect large international Groups similar to Regus and could result in significant additional tax liabilities over and above those already provided for.

Onerous lease provisions

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

Dilapidations

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

Parent company accounts

Summarised extract of company balance sheet (prepared under Luxembourg GAAP)

	As at 31 Dec 2010 (Luxembourg GAAP) £m	As at 31 Dec 2009 (Luxembourg GAAP) £m
Assets		
C. Fixed assets		
III. Financial assets		
1. Shares in affiliated undertakings	**224.5**	287.4
2. Loans to affiliated undertakings	**578.9**	563.1
D. Current assets		
II. Debtors		
2. Amount owed by affiliated undertakings becoming due and payable within one year	**20.8**	3.9
III. Transferable securities		
2. Own shares or corporate units (9,070,906 shares of £0.01 per share (2009: 1,576,498 shares))	**7.1**	0.4
IV. Cash at bank and in hand	**0.6**	0.1
E. Prepayments and accrued income	**0.7**	0.6
Total assets	**832.6**	855.5
Liabilities		
A. Capital and reserves		
I. Subscribed capital	**9.5**	9.5
II. Share premium account	**53.7**	53.7
IV. Reserves		
1. Legal reserve	**0.9**	0.9
2. Reserve for own shares	**7.1**	0.4
4. Other distributable reserve	**512.9**	519.6
V. Profit or loss brought forward	**259.7**	255.2
Interim dividend of the year	**(3.1)**	(3.3)
VI. Profit or loss for the financial year	**(19.1)**	13.4
B. Provisions for liabilities and charges		
3. Other provisions	**0.3**	0.2
C. Creditors		
4. Trade creditors becoming due and payable within one year	**–**	0.1
6. Amounts owed to affiliated undertakings becoming due and payable within one year	**10.7**	5.8
Total liabilities	**832.6**	855.5

Approved by the Board on 21 March 2011.

Mark Dixon
Chief Executive Officer

Stephen Gleadle
Chief Financial Officer

Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable Luxembourg accounting standards and under the historical cost accounting rules which differ in material respects from IFRS in both the measurement and presentation of certain transactions.

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

The balance sheet has been extracted from the full accounts of Regus plc for the period ended 31 December 2010 which are available from the Company's registered office, Boulevard Royal, Luxembourg and which will be filed with both the Luxembourg Chamber of Commerce and the Jersey Register of Companies.

Segmental analysis

Segmental analysis – management basis (unaudited)

	Americas 2010	EMEA 2010	Asia Pacific 2010	United Kingdom 2010	Other 2010	Total 2010
Mature						
Workstations	70,384	33,149	20,772	32,571	–	156,876
Occupancy (%)	79.7	77.4	79.6	75.8	–	78.4
Revenue (£m)	420.0	266.5	131.6	171.6	1.7	991.4
Contribution (£m)	100.6	66.4	37.9	13.6	1.4	219.9
2009 Expansions						
Workstations	1,185	1,180	734	1,278	–	4,377
Occupancy (%)	67.0	62.0	54.1	50.0	–	58.5
Revenue (£m)	5.3	4.8	5.0	3.9	–	19.0
Contribution (£m)	(0.2)	0.3	2.7	0.1	–	2.9
2010 Expansions						
Workstations	2,013	1,706	1,838	666	–	6,223
Occupancy (%)	62.0	61.5	41.7	51.6	–	54.8
Revenue (£m)	8.7	9.4	4.8	2.2	–	25.1
Contribution (£m)	(0.6)	(2.1)	(3.7)	(0.6)	–	(7.0)
Closures						
Workstations	683	85	93	336	–	1,197
Occupancy (%)	75.3	70.2	50.5	57.0	–	67.9
Revenue (£m)	2.9	0.5	0.3	1.2	–	4.9
Contribution (£m)	(0.7)	1.2	(0.5)	0.1	–	0.1
Total						
Workstations	74,265	36,120	23,437	34,851	–	168,673
Occupancy (%)	79.0	76.1	75.8	74.3	–	76.9
Revenue (£m)	436.9	281.2	141.7	178.9	1.7	1,040.4
Contribution (£m)	99.1	65.8	36.4	13.2	1.4	215.9
Unallocated contribution (£m)						
REVPAW (£)	5,883	7,785	6,046	5,133	–	6,168

Segmental analysis continued

	Americas	EMEA	Asia Pacific	United Kingdom	Other	Total
	2009	2009	2009	2009	2009	2009
Mature						
Workstations	69,088	33,085	20,809	32,370	–	155,352
Occupancy (%)	79.1	79.6	75.8	77.9	–	78.4
Revenue (£m)	409.4	299.1	129.1	187.2	1.4	1,026.2
Contribution (£m)	93.8	85.1	39.2	19.6	1.0	238.7
2009 Expansions						
Workstations	707	657	260	439	–	2,063
Occupancy (%)	46.0	41.3	34.9	31.1	–	39.9
Revenue (£m)	2.1	2.0	1.5	0.6	–	6.2
Contribution (£m)	(1.2)	(0.8)	1.0	(0.8)	–	(1.8)
2009 Closures						
Workstations	1,158	225	25	221	–	1,629
Occupancy (%)	66.9	63.2	91.0	79.1	–	68.4
Revenue (£m)	4.8	2.8	0.2	2.1	–	9.9
Contribution (£m)	(0.8)	(0.2)	–	0.4	–	(0.6)
2010 Closures						
Workstations	1,324	293	296	498	–	2,411
Occupancy (%)	72.7	88.8	93.5	87.2	–	78.4
Revenue (£m)	7.5	2.3	1.5	1.5	–	12.8
Contribution (£m)	1.1	(1.1)	0.1	(0.7)	–	(0.6)
Total						
Workstations	72,277	34,260	21,390	33,528	–	161,455
Occupancy (%)	78.4	78.6	75.1	77.1	–	77.7
Revenue (£m)	423.8	306.2	132.3	191.4	1.4	1,055.1
Contribution (£m)	92.9	83.0	40.3	18.5	1.0	235.7
Unallocated contribution (£m)	–	–	–	–	–	(0.1)
REVPAW (£)	5,864	8,938	6,185	5,706	–	6,535

- The mature business is defined as those centres owned and operated at least 12 months prior to 1 January 2009 and that therefore have a full 12 month comparative.
- Expansions include new centres opened and acquired businesses.
- A 2010 closure is defined as a centre closed during the 12 months ended 31 December 2010 for which there is a 12 month comparative in 2009. A 2009 closure is defined as a centre closed during the 12 months ended 31 December 2009.
- Workstation numbers are calculated as the weighted average for the year.
- EMEA represents Europe (excluding UK), Middle East and Africa.
- Contribution in 2010 is £2.0 million (2009: 2.0 million) less when compared to Note 3 owing to the exclusion of internal revenue.

Five year summary

	Full year ended 31 Dec 2010 £m	Full year ended 31 Dec 2009 £m	Full year ended 31 Dec 2008 £m	Full year ended 31 Dec 2007 £m	Full year ended 31 Dec 2006 £m
Revenue	**1,040.4**	1,055.1	1,077.2	862.4	680.0
Cost of sales before non-recurring costs	**(824.5)**	(819.5)	(771.5)	(610.5)	(495.9)
Exceptional cost of sales	**(11.9)**	–	–	–	–
Cost of sales	**(836.4)**	(819.5)	(771.5)	(610.5)	(495.9)
Gross profit (centre contribution)	**215.9**	235.6	305.7	251.9	184.1
Administration expenses before non-recurring expenses	**(193.4)**	(165.3)	(158.3)	(129.3)	(101.9)
Exceptional administration expenses	**(3.9)**	(2.6)	–	–	–
Administration expenses	**(197.3)**	(167.9)	(158.3)	(129.3)	(101.9)
Operating profit (before exceptional)	**22.5**	67.7	147.4	122.6	82.2
Exceptional income from legal settlement	**–**	18.3	–	–	–
Operating profit (after exceptional)	**6.7**	86.0	147.4	122.6	82.2
Share of post-tax profit/(loss) of joint ventures	**1.3**	2.0	2.3	0.8	(0.1)
Share of post-tax profit of associate	**–**	–	–	–	1.2
Profit/(loss) before financing costs	**8.0**	88.0	149.7	123.4	83.3
Finance expense	**(2.0)**	(4.4)	(6.8)	(8.1)	(8.0)
Finance income	**1.8**	3.3	6.3	4.1	2.2
Profit/(loss) before tax for the year	**7.8**	86.9	149.2	119.4	77.5
Tax (charge)/credit	**(5.9)**	(19.2)	(34.3)	(15.8)	4.8
Profit/(loss) after tax for the year	**1.9**	67.7	114.9	103.6	82.3
Attributable to:					
Equity shareholders of the parent	**1.5**	67.0	113.9	103.1	82.3
Minority interests	**0.4**	0.7	1.0	0.5	–
	1.9	67.7	114.9	103.6	82.3
Earnings/(loss) per ordinary share (EPS):					
Basic (p)	**0.2p**	7.1p	12.0p	10.5p	8.4p
Diluted (p)	**0.2p**	7.0p	11.8p	10.4p	8.3p
Weighted average number of shares outstanding ('000's)	**947,463**	948,204	950,320	980,962	984,792
Balance sheet data (as at 31 December)					
Intangible assets	**330.8**	307.4	330.3	269.9	263.1
Property, plant and equipment	**270.8**	240.9	278.0	184.7	127.2
Deferred tax assets	**37.1**	65.1	79.0	46.8	36.1
Trade and other receivables	**299.9**	250.3	282.4	217.2	172.7
Cash, cash equivalents and liquid investments	**204.6**	245.1	219.5	142.9	80.9
Total assets	**1,143.2**	1,108.8	1,189.2	861.5	680.0
Current liabilities	**541.8**	504.5	592.3	448.2	340.8
Non-current liabilities	**105.8**	96.6	108.1	96.1	103.0
Provisions	**9.8**	8.2	8.5	7.4	11.7
Equity minority interests	**0.1**	–	0.3	0.5	–
Equity shareholders funds'	**485.7**	499.5	480.0	309.3	224.5
Total liabilities and shareholders' funds	**1,143.2**	1,108.8	1,189.2	861.5	680.0

Shareholder information

Corporate directory

Secretary and Registered Office
Tim Regan, Company Secretary
Regus plc (Société Anonyme)

Registered Office:	Registered Head Office:
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001 954 331 1647

Websites
www.regus.com
www.hq.com

Glossary

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

BRIC economies
BRIC economies include Brazil, Russia, India and China.

Centre Contribution
Gross profit comprising centre Revenues less direct operating expenses but before administrative expenses.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EBITDAR
Earnings before interest, tax, depreciation, amortisation and rent.

Enquiries
Client enquiries about Regus products or services.

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

Forward Order Book
The future workstation revenue already contracted with clients at a point in time.

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

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

'N11' economies
'N11' economies include Egypt, Indonesia, South Korea, Mexico, Nigeria, Philippines, Turkey and Vietnam.

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

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

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

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

REVPOW
Total Revenue per occupied workstation.

WIPOW
Workstation income per occupied workstation.

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