



19 March 2007

**REGUS GROUP PLC  
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006**

Regus, the world's largest provider of outsourced workplace solutions, announces today its preliminary results for the year ended 31 December 2006.

**FINANCIAL HIGHLIGHTS**

- Revenues up by 46.8% to £680.0m
  - Like for like revenue growth of 9.0%
- Gross profit (centre contribution) up 57.1% to £184.1m
  - Like for like contribution growth of 29.1%
- Operating profit up 73.8% to £82.2m
  - Operating margin of 12.1%
- Profit before tax doubled to £77.5m
- Cash from operations up 70.0% to £132.8m
- Basic EPS up 86.7% to 8.4p
- Declaration of maiden dividend of 0.6p per share for the full year

*Like for Like is defined as the financial performance from centres owned and operated at 1 January 2005. They therefore have a twelve month comparative*

**STRATEGIC AND OPERATIONAL HIGHLIGHTS**

- Average available workstations increased by 36.4% to 107,257 with year end workstations of 120,108
- Average occupancy in the year increased to 81.8% with year end occupancy at 84.0%
- Average Revenue Per Available Workstation (REVPAW) increased 7.6% to £6,340
- REVPAW for the mature business increased 8.5% to £6,485
- During the year, we opened 218 business centres through acquisition and organic growth bringing our total network to 790 centres at 31 December 2006. The acquisition of Regus UK accounted for 91 of these centres.
- The acquisition of Managed Office Solutions has further strengthened our capabilities in the corporate outsourcing market

**Commenting on today's announcement Mark Dixon, Chief Executive of Regus Group plc, said:**

"This has been another outstanding 12 months for the Group with record results for the third year in succession. We have delivered strong, disciplined growth and improved performance in all of our key business metrics including revenues, profit and earnings per share.

We have started 2007 with record levels of enquiries and a strong forward order book. With a healthy investment pipeline, an experienced management team and a robust infrastructure, I am confident that the Group will continue to deliver attractive rates of growth and cash generation in the year ahead."

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This announcement contains certain forward looking statements with respect to the operations of Regus. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

## **Chairman's statement**

This year's results are a testament to Regus' strong business model. Operating profit has increased by 73.8% while at the same time we have grown the scale of our business measured in actual available workstations by 45.4% year on year. This profitable growth and our strong cash conversion has enabled the Group to fund its expansion plans with minimal external funding. Net cash was £23.4 million at 31 December 2006 (2005: £36.0 million).

In an industry where size and scale are critical in order to provide customers with the greatest range of product, service and price offerings and achieve operating efficiencies, our network at 31 December 2006 consisted of 790 centres in 64 countries, operating under the respected Regus and HQ brands.

### **Financial performance**

Group revenue has increased by 46.8% to £680.0 million and gross profit by 57.1% to £184.1 million. Excluding the impact of new centre growth the "like for like" improvement was 9.0% and 29.1% respectively. This overall result was driven by average occupancy increasing to 81.8% from 78.0% in 2005 and REVPAW increasing 7.6% from £5,890 to £6,340. Earnings (profit after tax) grew by 83.7% to £82.3 million and basic earnings per share increased by 3.9p to 8.4p.

On 13 March 2006, we signed a new £100 million five-year revolving credit and letter of credit facility and in April added £50 million of term debt. The latter was used to finance the acquisition of the UK business. The new facilities have been negotiated on significantly more favourable terms, reflecting the strong financial progress the business has made over the last two years.

### **Sustaining growth**

We continue to implement our controlled and disciplined expansion strategy. To supplement our strong organic growth, during the financial year we acquired 28 businesses for a net consideration of £88.5 million. These businesses have all been successfully integrated into the Regus network.

In the year to 31 December 2006 our workstation capacity increased in line with our expansion plans by 45.4% to 120,108 workstations (December 2005: 82,586 workstations) with the acquisition of Regus UK accounting for around 25,000 workstations.

### **Dividend**

Given the robust performance and positive outlook we are pleased to announce that Regus will be paying a dividend. Subject to the approval of shareholders at the 2007 AGM, the final dividend of 0.6p will be paid on 1 June 2007 to shareholders on the register at the close of business on 27 April 2007.

The Group continues to monitor its capital structure and retains flexibility to repurchase its shares in the market place should surplus cash resources be available.

### **Corporate Responsibility**

The Board believes that the integration of Corporate Responsibility throughout the business and the incorporation of broader social and environmental issues into day to day decision making will benefit all our key stakeholders and better enable us to achieve our target levels of performance. This year we will set up a formal Corporate Responsibility Committee to oversee CR strategy. The Committee's aim is to ensure that we take a sustainable approach to business – to do the right thing for our shareholders, our customers, our suppliers, the community and the world around us.

We will be commissioning a series of initiatives to reduce energy consumption. Through our virtual office and video conferencing services we will continue to promote teleworking and therefore support a longer term approach to tackling the impact of climate change on the environment.

**Our stakeholders**

We rely on the goodwill and commitment of our landlords, suppliers, customers and investors as we continue to maintain our record of double-digit sales growth since 2003. The commitment, loyalty and efforts of our team members have played a key role in our success. Our people are integral to differentiating Regus from our competitors and maintaining the Company's position as the international leader in outsourced workplace solutions.

**Outlook**

Our strategy remains one of controlled and disciplined growth with the aim to be number one in all the markets in which we operate. This well proven strategy has resulted in our third year of consistent growth, both organically and through acquisitions, and we expect this to continue.

We will continue to open centres wherever our research indicates there is a profitable opportunity to increase our geographic footprint and better serve our customers. In addition, we will continue to acquire complementary businesses, which meet our strict investment criteria, enabling us to move into new markets and develop a wider customer base.

John Matthews  
Chairman  
19 March 2007

## Chief Executive's Review

### Overview

This has been another outstanding 12 months for the Group with record results for the third year in succession. We have delivered strong, disciplined growth and improved performance in all of our key business metrics including revenues, profit and earnings per share. Our performance in 2006 demonstrates the benefits of our longer term approach to the development of the business. We continue to improve financial performance through growing our network of business centres and developing new products and services to meet the evolving needs of our clients.

### Operational Review

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

(£ million)	Revenue		Contribution		Margin		Occupancy	
	2006	2005	2006	2005 *	2006	2005	2006	2005
Americas	305.9	261.6	86.5	61.5	28%	24%	86%	81%
EMEA	195.9	165.5	60.0	43.2	31%	26%	79%	73%
Asia Pacific	50.9	33.6	16.0	9.8	31%	29%	72%	75%
UK	126.6	-	20.9	-	17%	-	77%	-
Other	0.7	2.6	0.7	2.6	100%	100%	-	-
	<b>680.0</b>	<b>463.3</b>	<b>184.1</b>	<b>117.1</b>	<b>27%</b>	<b>25%</b>	<b>82%</b>	<b>78%</b>

\* excludes non recurring items of £0.1million in 2005

#### AMERICAS

Our business in the Americas comprises Canada, USA and South America. The region has 429 centres across 13 countries. Our main business in the USA operates 353 centres. During the year we added 67 centres which increased the average number of workstations from 47,311 in 2005 to 52,611 in 2006. Acquisitions accounted for 58 of these new centres, with the balance coming from the opening of 9 fully owned centres. The region delivered revenues of £305.9 million - up 16.9% on 2005 and achieved an average occupancy of 86% through the year (2005: 81%).

Looking ahead into 2007 we will continue our aim to maximise yield in our existing centres and look to grow our portfolio in key cities where we have minimal representation. The adoption of flexible working and environmental pressures have further increased the demand for our product. We also intend to expand our Regus Express concept (a retail/business centre which caters for the needs of the mobile worker) across other airports in the USA. This expansion will enable us to gain brand awareness and promote and sell our core business.

#### EMEA

Our business in EMEA encompasses 188 centres across 38 countries. During the year we opened 15 new centres, which increased the average number of workstations from 25,871 in 2005 to 27,139 in 2006. Acquisitions accounted for 2 of these new centres, with the balance of 13 coming from organic growth – 8 fully owned centres, 3 joint ventures, 1 managed centre and 1 franchise operation. We opened centres in new markets such as Lebanon, Abu Dhabi, Bahrain, Nigeria, Kenya and Algeria. The region delivered revenues of £195.9 million - up 18.4% on 2005 and achieved an average occupancy of 79% through the year (2005: 73%).

Looking ahead into 2007 we will continue to further improve occupancy and margin in our existing centres and expand our network into new markets.

## **ASIA**

Our business in Asia operates in 67 centres across 12 countries. During the year we opened 30 new centres, which almost doubled the number of workstations from 5,475 in 2005 to 9,009 in 2006. Acquisitions accounted for 14 of these new centres, with the balance of 16 coming from the opening of 15 fully owned centres and 1 managed centre. The region delivered revenues of £50.9 million - up 51.5% on 2005 and achieved an average occupancy of 72% through the year (2005: 75%). This decrease in occupancy was due to the impact of new centres, which can take 6 to 12 months to achieve occupancy rates on par with mature centres.

Looking ahead into 2007 we will continue to consolidate our position as the largest provider of serviced offices across all Asia Pacific markets. To achieve this objective we plan to continue our aggressive growth plan while continuing to improve the efficiency of our current portfolio of centres. To facilitate this increase in demand and capitalise on scale efficiencies we will be adding a new customer service centre in the Philippines to handle all incoming enquiries.

## **UK**

On 19 April 2006, we acquired the remaining 58% interest in Regus UK for a gross consideration (including fees) of £89.4 million (£60.9 million net of cash acquired of £28.5 million). At the date of acquisition our UK business operated 91 centres. During the year, we subsequently acquired the Gainsborough and Longford business centres and Managed Office Solutions – a company specialising in property outsourcing.

At the year end our UK business operated 106 centres of which just under half are in the Greater London area. At 31 December 2006, UK capacity stood at 26,389 workstations.

In the full year 2006, Regus UK generated revenues of £168.4 million. Since acquisition, we have seen a significant increase in occupancy – rising from 72% at April 2006 to a year end level of 81%. A restructured management team, renewed investment in our centres, investment in marketing and a drive on enquiries has helped to achieve this improved performance.

During April of this year our new UK CEO, Nick Wood, will be joining us. Nick comes from DSG international where he has held several senior positions, last of which was Divisional Managing Director of the Group's Communication Division. Prior to this, Nick worked in venture capital and business development for a number of companies including 3i plc.

Looking ahead into 2007 we will continue to focus on new sales and marketing channels such as TV and radio. In the first quarter of this year we launched a real time booking system for meeting rooms and have recently launched our UK Training Centre Product specially geared to hosting conferences.

## **Strategy and objectives**

Our strategy and objectives are simple – to use our skills and resources to generate profitable growth and cash.

We achieve these objectives through the following activities:

- Expanding our network
- Innovative products and services
- Investment in systems and technology
- Operational excellence
- Developing our brand
- Developing our team members

### **Expanding our Network**

Our growth in 2006 has been exceptional. During the last financial year we opened 218 centres (inclusive of 91 centres in the UK) which added a further 37,522 workstations to our capacity. Our expansion programme will continue in 2007 with openings planned across all four regions.

In addition we will continue to add complementary businesses, which meet our strict investment criteria. Several of these acquisitions have allowed us to move into new markets such as airport locations and corporate outsourcing and develop a wider customer base (Government and support agencies) as well as facilitating a broader service for our existing clients.

### **Innovative products and services**

One of our core skills is our ability to anticipate the changing demands of our customers. We therefore focus our research on developing new products and services, which meet the future needs of our customers.

Some examples of recent developments include:

- Network Access - our membership programme, which provides members with immediate, unlimited access to our global network of business centres.
- Managed Office Solutions - a fully outsourced office solution for larger clients where we manage the day-to-day running of the office.
- Regus Express - a retail/business centre which caters for the needs of the mobile worker. Currently located at airport locations within the USA, our intention is to implement this concept in other airports and travel hubs in major cities across the world.

### **Investment in systems and technology**

The growth of the business in 2006 has emphasised the need for Regus to have best in class systems to support its unique market position. These systems will not only be used for the benefit of our internal needs but as a platform to bring a broader range of services to our client.

A flexible, secure and scaleable IT infrastructure is critical to our clients needs. Bandwidth on demand, guaranteed quality of service, increased security and higher service level performance are some of the benefits that we are now able to offer to our clients.

The scale of our operations are being brought to bear in the sourcing and management of our IT services, bringing benefits to our customers while providing further differentiation from our competitors.

As an example of this, we are partnering with some of the leading names in IT and Telecoms to enable us to develop next generation Converged Network Solutions (CNS). The centralised nature of CNS provides Regus with economies of scale, lower cost of ownership, speed to market and a wider range of services that enable greater revenue opportunities and provides our customers with better control of their cost bases.

Additionally, Regus operates the world's largest video-conferencing network in terms of geographical reach. The need for our customers to maximise their productivity and the increasing environmental concerns around business travel have driven continued growth of this valuable service. Consequently we intend to make further investments in this area to maximise its growing importance to our clients.

#### **Operational excellence**

Our commitment to operational excellence is one of our key differentiators. Our business centre staff adopt globally defined standards of business processes and procedures. A rolling programme of quality audits are conducted at least annually in each centre and a scoring system helps ensure that centre teams focus on achieving the highest standard of operational excellence across our network. In this way we can ensure clients experience a high quality and consistent level of service irrespective of location.

In addition to developing systems, our back office teams support our client facing staff with the efficient administration of the business. Our finance, human resource, billing and procurement teams operate on a regional basis allowing us to realise consistency of delivery and scale efficiencies.

#### **Developing our brands**

Our brands and business concept are recognised and respected globally. A consistent high quality product delivery is available in all of the world's most in demand cities providing business executives the Regus experience on a global basis.

In 2006, we invested in TV and Radio advertising in the UK and USA - specifically targeted at building awareness of the Regus brand. Our development of Regus Express and Network Access Card has allowed us to further promote our brand.

In addition to our flagship Regus brand we also operate under our HQ brand primarily in the USA. We continue to monitor options and opportunities for developing our products under various trademarks as part of the Regus Group network.

#### **Developing our team members**

The skills, enthusiasm and commitment of our people are key to Regus's success. We recognise the need to recruit high quality individuals and to develop the potential of our staff in order to provide a positive customer experience to our clients.

Our internal training programmes include regular operational updates, online training modules and classroom based training at our Global School of Excellence in Dallas, USA. During 2006 we trained 238 General and Operational Managers in Dallas, various locations across the UK and Mexico City. In addition 254 team members completed a 3 week induction course. Our staff have taken over 10,000 online training modules equivalent to nearly 3,000 hours of training.

## **Future industry trends**

We believe we are well placed to take advantage of the favourable trends in our industry and these will contribute to the continued development of the Group. These include:

### ***Fragmented market***

Regus has the only global serviced office network, with no other players having more than 75 centres. Our geographic footprint spans 790 centres across 64 countries and we will continue to seek opportunities to grow our network and acquire complementary businesses, enabling us to move into new markets and develop a wider customer base.

### ***Growth in home and mobile working***

The development of a mobile workforce has gathered pace and employers and employees are increasingly adopting flexible working practices. Our meeting room, video conferencing and virtual office products offer solutions to these workers and through our Regus Express outlets, we are bringing these solutions even closer to our client base.

### ***Continued adoption of outsourcing***

Companies large and small are realising the benefits of outsourcing their office management in order to concentrate on their core business. Regus helps customers to minimise the complexity of property management through providing clients with a single property and service provider. Outsourcing can help our customers reduce their cost base and provide them with flexibility to respond to their changing business needs.

## **The Future**

The Group maintained strong growth in 2006, driven by all three parts of our strategy. Our core business centre operations delivered a solid performance, mobile and home working continues to grow at rates in excess of 20% and our corporate outsourcing business is poised for significant growth in the medium to long term. Looking ahead, we will focus on driving margin improvement in our mature business and continue to invest in new markets and products to drive the long term growth of the business.

As such I am confident that the Group will continue to deliver attractive rates of growth and cash generation in the year ahead.

Mark Dixon  
Chief Executive Officer  
19 March 2007



## Financial Review

### Introduction

Our 2006 financial performance has been impressive, reflecting strong like for like growth and the additional contribution from acquisitions and 2006 new centre openings. These results have been achieved whilst also investing in people, infrastructure, technology and marketing to secure future growth.

The three key operational drivers have all been improved. The weighted average number of workstations increased by 36.4% to 107,257. At the same time average occupancy increased from 78% to 82% and average revenue per occupied workstation (REVPOW) increased by 2.4% from £7,551 to £7,732. This results in an increase in REVPWA of 7.6% from £5,890 to £6,340.

Against a relatively fixed cost base these factors have contributed to a £34.9 million increase in operating profit from £47.3 million in 2005 to £82.2 million in 2006.

#### Revenue and Centre Contribution (excluding non recurring items)

Revenue for the Group rose 46.8% to £680.0 million (2005: £463.3 million) and centre contribution increased 57.2% to £184.1 million (2005: £117.1 million)

This year-on-year movement can be analysed as follows:

(£ million)	Revenue	Centre Contribution*	Margin %
<b>2005</b>	<b>463.3</b>	<b>117.1</b>	<b>25.3%</b>
Growth in mature business	39.9	34.0	
Subtotal	503.2	151.1	30.0%
Centres added in 2005	33.8	12.7	
Centres added in 2006	147.6	20.2	
Centres closed	(4.6)	0.1	
<b>2006</b>	<b>680.0</b>	<b>184.1</b>	<b>27.1%</b>

\* excludes non recurring items of £0.1million in 2005

The mature business, defined as those centres owned and operated at least 12 months prior to 1 January 2006 increased revenue by £39.9 million principally driven through improvements in occupancy, which increased from 79% to 84%. This resulted in a £34.0 million increase in centre contribution.

Centres added in 2005 contributed a further £33.8 million of revenue and £12.7 million of contribution. This was due to both underlying improvements in the performance of these sites and the impact of including them for a full 12 months.

Expansions in 2006 include the repurchase of the UK business and a number of bolt-on acquisitions and new centres. These contributed a further £147.6 million of revenue and contribution of £20.2 million.

Taking all this together, contribution margin (excluding non-recurring items) improved from 25.3% to 27.1%.

### Administration expenses

Administration expenses (excluding non-recurring items incurred in 2005) have increased to 15.0% of revenue for the full year (2005: 14.0%). This increase arises principally from the impact of growth related investments incurred in the second half of 2005 and the first half of 2006 ahead of the full revenue impact of growth.

These growth related costs focus on three main areas:

- Marketing costs to drive occupancy primarily in new centres
- Costs to support the growing scale of the business (e.g. country managers, improved systems and processes)
- Costs necessarily incurred to secure workstation growth in a controlled and efficient manner (e.g. business development teams to identify, secure and integrate new business)

As the growth benefits have been delivered, administration expenses as a proportion of revenue have fallen from 16.1% in the first half of 2006 to 14.1% in the second half of 2006.

### Non-recurring items

In 2005, the Group incurred £4.9 million of non-recurring costs (net), which primarily relate to the integration of HQ. No similar costs have been incurred in 2006.

### Operating profit

Operating profit was £82.2 million (2005: £47.3 million) representing a margin of 12.1% (2005: 10.2%).

### Share of operating loss in joint ventures and associate

In the year ended 31 December 2006, the share of joint venture losses attributable to Regus reduced to £0.1 million (2005: £0.2 million loss). The underlying improvement in our mature joint ventures was masked by the impact of newly opened joint ventures, which recognised losses of £0.3 million in the period due to the recognition of start up costs.

During the period 1 January 2006 to 19 April 2006, the UK business was equity accounted as an associate. Our 42% shareholding resulted in a profit after tax for the period to 19 April of £1.2 million (2005 full year: £0.2 million).

### Financing costs

Financing costs can be summarised as follows:

(£ million)	2006	2005
Interest payable on bank loans and overdrafts	(4.6)	(5.6)
Interest receivable	1.8	2.2
Finance lease interest	(0.5)	(0.9)
Non cash – deferred financing fees	(0.4)	(4.3)
Non cash unwinding of discount – UK acquisition related (net)	(2.1)	-
<b>Total</b>	<b>(5.8)</b>	<b>(8.6)</b>

Interest payable has fallen despite a higher average debt balance in 2006 as a result of refinancing our senior credit facility in March 2006 on more favourable terms. Lower interest receivable reflects a decrease in the average free cash balance from £55.0 million in 2005 to £50.0 million in 2006.

Although the Group is now in an overall net cash position a net cash interest charge should still be anticipated for 2007. This is driven by the costs of commitment fees on the senior credit facility and letter of credit issuance fees as well as the impact of incurring a net charge from the margin between interest rates on our deposits and borrowings.

Underlying finance lease costs have fallen in line with the reduction in finance leases. The amortisation of deferred financing fees relates to the £2.1 million loan arrangement costs incurred on the new £150 million credit facility.

The 2005 charge of £4.3 million included the write off of the remaining deferred financing fees on the US\$155.0 million credit facility repaid in March 2006. The unwinding of discounted fair value adjustments on the Regus UK acquisition resulted in a non cash net financing charge of £2.1 million in 2006.

### **Taxation**

As the business performance has strengthened, it has become necessary to recognise in the balance sheet an asset for a greater proportion of the value of the tax losses that the Group holds. Accordingly in 2006, a credit of £12.9 million (2005: £15.0 million) has been recognised in the income statement, reflecting the increased deferred tax asset in the balance sheet. This has been partially offset by an £8.1 million tax charge (2005: £8.9 million), which resulted in a net tax credit of £4.8 million (2005: £6.1 million) to the income statement. Consequently, despite being profitable, the Group has a net tax credit for the year to 31 December 2006. However, on a cash basis the Group paid £6.6 million (2005: £2.6 million) of tax across a small number of countries. This represents approximately 8.5% of profit before tax.

As at 31 December 2006, the Group had £197.9 million (2005: £270.2 million) of tax losses to carry forward against future corporation tax liabilities, of which £111.0 million (2005: £172.0 million) are in the USA.

Based upon continued profitable growth and no significant changes to the Group's tax position the cash tax rate should be expected to rise through 2007 to 2009 as the tax losses are progressively utilised.

### **Earnings per share**

Basic earnings per share for the year rose to 8.4p (2005: 4.5p). This is based on weighted average number of shares of 984,792,040. This is unchanged on 2005. Diluted earnings per share rose by 3.8p to 8.3p (2005: 4.5p)

## Cash flow

Strong operating cash flow remains a prime feature of the Group. Driven by the improvement in operating and an improved working capital performance, operating cash flow increased by £54.7 million to £132.8 million (2005: £78.1 million).

The Group's cash flow statement has been summarised as follows:

<b>(£ million)</b>	<b>2006</b>	<b>2005</b>
<b>Operating cash flow</b>	<b>132.8</b>	<b>78.1</b>
Tax and net interest paid	(10.1)	(6.9)
Maintenance capex	(19.6)	(5.9)
<b>Free cash flow</b>	<b>103.1</b>	<b>65.3</b>
New centre openings	(26.7)	(11.1)
Acquisitions and investments	(88.5)	(16.8)
Financing	23.0	(47.5)
Other	(4.1)	1.9
<b>Change in cash</b>	<b>6.8</b>	<b>(8.2)</b>
Opening cash	74.1	82.3
Closing cash	80.9	74.1

During 2006 we acquired the remaining 58% interest in Regus UK and 27 bolt on acquisitions for a net consideration of £88.5 million.

Goodwill and intangible assets relating to these acquisitions are £103.7 million and £21.9 million respectively. 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. The intangible amount relates to the brand, customer lists and software.

In addition to these acquisitions, we spent £26.7 million on opening 32 owned centres - 15 in Asia, 9 in Americas and 8 in EMEA. We also opened a further 6 centres through joint venture, management and franchise agreements.

This growth has been part financed by net borrowings of £23.0 million.

Following the above the Group's net cash position can be analysed as follows:

<b>(£ million)</b>	<b>2006</b>	<b>2005</b>
Cash balance	80.9	74.1
Term loan	(50.0)	(22.5)
Other loans	(3.6)	(7.4)
Finance leases	(3.9)	(8.2)
<b>Net Cash</b>	<b>23.4</b>	<b>36.0</b>

Of the cash balance, £17.1 million (2005: £19.1 million) is blocked and not available for use by the business. These amounts have mainly been used as collateral against loan and lease obligations of the Group.

**Distributable reserves and Dividend**

During the year the Company created distributable reserves by undertaking a court approved cancellation of our share premium account of £153.5 million, this resulted in a corresponding increase in distributable reserves. As a result, the Group has sufficient distributable reserves to pay dividends to its shareholders.

Given the Group's strong cash generation and its future prospects the Board is proposing, subject to shareholder approval at the 2007 AGM, the payment of a final dividend of 0.6p per share. The total cost of this dividend payment will amount to £5.9 million. This dividend is expected to be paid on 1 June 2007 to shareholders on the register at the close of business on 27 April 2007.

Stephen Gleadle  
Chief Financial Officer  
19 March 2007

## Consolidated Income Statement

	Year ended 31 Dec 2006	Year ended 31 Dec 2005
	£m	£m
<b>Revenue</b>	<b>680.0</b>	463.3
Cost of sales before non-recurring costs	<b>(495.9)</b>	(346.2)
Non-recurring cost of sales	-	0.1
Cost of sales	<b>(495.9)</b>	(346.1)
<b>Gross profit (centre contribution)</b>	<b>184.1</b>	117.2
Administration expenses before non-recurring expenses	<b>(101.9)</b>	(64.9)
Non-recurring administration expenses	-	(5.0)
Administration expenses	<b>(101.9)</b>	(69.9)
<b>Operating profit</b>	<b>82.2</b>	47.3
Share of post-tax loss of joint ventures	<b>(0.1)</b>	(0.2)
Share of post-tax profit of associate	<b>1.2</b>	0.2
<b>Profit before financing costs</b>	<b>83.3</b>	47.3
Finance expense	<b>(8.0)</b>	(10.8)
Finance income	<b>2.2</b>	2.2
<b>Profit before tax for the year</b>	<b>77.5</b>	38.7
Tax - UK	<b>0.8</b>	(1.3)
- Overseas	<b>4.0</b>	7.4
<b>Profit after tax for the year</b>	<b>82.3</b>	44.8
Attributable to:		
Equity shareholders of the parent	<b>82.3</b>	44.5
Minority interest	-	0.3
	<b>82.3</b>	44.8
<b>Earnings per ordinary share (EPS):</b>		
Basic (p)	<b>8.4</b>	4.5
Diluted (p)	<b>8.3</b>	4.5
<b>Dividend per ordinary share proposed for the year (p)</b>	<b>0.6</b>	-

# Consolidated Balance Sheet

	31 Dec 2006 £m	31 Dec 2005 £m (restated)
<b>Non-current assets</b>		
Goodwill	212.1	122.1
Other intangible assets	51.0	38.9
Property, plant and equipment	127.6	76.6
Deferred tax assets	35.4	21.9
Other long term receivables	20.7	11.8
Investments in joint ventures	0.9	0.7
	<b>447.7</b>	272.0
<b>Current assets</b>		
Trade and other receivables	151.1	87.8
Cash and cash equivalents	80.9	74.1
	<b>232.0</b>	161.9
<b>Total assets</b>	<b>679.7</b>	<b>433.9</b>
<b>Current liabilities</b>		
Trade and other payables	(124.3)	(73.8)
Customer deposits	(103.4)	(61.7)
Deferred income	(73.5)	(45.6)
Corporation tax payable	(25.5)	(12.3)
Obligations under finance leases	(2.5)	(4.8)
Bank and other loans	(8.2)	(24.5)
Provisions for liabilities and charges	(3.1)	(7.2)
	<b>(340.5)</b>	(229.9)
<b>Net current liabilities</b>	<b>(108.5)</b>	(68.0)
<b>Total assets less current liabilities</b>	<b>339.2</b>	204.0
<b>Non-current liabilities</b>		
Other payables	(51.8)	(27.9)
Obligations under finance leases	(1.4)	(3.4)
Bank and other loans	(45.4)	(5.4)
Deferred tax liabilities	(1.7)	-
Provisions for liabilities and charges	(11.7)	(7.9)
Provision for deficit on joint ventures	(2.7)	(2.8)
Provision for deficit on associate	-	(3.8)
	<b>(114.7)</b>	(51.2)
<b>Total liabilities</b>	<b>(455.2)</b>	(281.1)
<b>Total assets less liabilities</b>	<b>224.5</b>	152.8
<b>Total equity</b>		
Issued share capital	49.2	49.2
Share premium account	-	153.5
Foreign currency translation reserve	(17.5)	5.0
Revaluation reserve	10.0	-
Other reserves	(22.6)	(22.6)
Retained earnings	205.4	(32.3)
<b>Total equity</b>	<b>224.5</b>	152.8
<b>Total equity and liabilities</b>	<b>679.7</b>	<b>433.9</b>

Approved by the Board on 19 March 2007.

Mark Dixon  
Chief Executive Officer

Stephen Gleadle  
Chief Financial Officer

# Consolidated Cash Flow Statement

	Year ended 31 Dec 2006	Year ended 31 Dec 2005
	£m	£m
<b>Profit before tax for the year</b>	<b>77.5</b>	<b>38.7</b>
<i>Adjustments for:</i>		
Net finance costs	5.8	8.6
Net share of profit on joint ventures and associate	(1.1)	-
Depreciation charge	31.8	25.6
Loss on disposal of fixed assets	0.4	0.3
Amortisation of intangible assets	6.0	3.8
Decrease in provisions	(0.6)	(5.7)
<b>Operating cash flows before movements in working capital</b>	<b>119.8</b>	<b>71.3</b>
Increase in trade and other receivables	(31.3)	(17.8)
Increase in trade and other payables	42.5	23.8
Other non-cash movements – share based payments	1.8	0.8
<b>Cash generated from operations</b>	<b>132.8</b>	<b>78.1</b>
Interest paid on finance leases	(0.5)	(1.0)
Interest paid on credit facilities	(5.2)	(5.5)
Tax paid	(6.6)	(2.6)
<b>Net cash inflow from operating activities</b>	<b>120.5</b>	<b>69.0</b>
<b>Investing activities</b>		
Purchase of subsidiary undertakings (net of cash acquired)	(88.5)	(16.7)
Purchase of interest in joint venture	-	(0.1)
Sale of tangible fixed assets	0.3	0.2
Purchase of tangible fixed assets	(46.3)	(17.0)
Purchase of intangible assets	(0.4)	(0.5)
Interest received	2.2	2.2
<b>Net cash outflow from investing activities</b>	<b>(132.7)</b>	<b>(31.9)</b>
<b>Financing activities</b>		
Net proceeds from issue of loans	62.7	-
Repayment of loans	(33.5)	(39.4)
Repayment of capital elements of finance leases	(5.0)	(8.1)
Facility arrangement fees	(1.2)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>23.0</b>	<b>(47.5)</b>
Net increase/(decrease) in cash and cash equivalents	10.8	(10.4)
Cash and cash equivalents at beginning of year	74.1	82.3
Effect of exchange rate fluctuations on cash held	(4.0)	2.2
<b>Cash and cash equivalents at end of year</b>	<b>80.9</b>	<b>74.1</b>



## Consolidated Statement of Changes in Equity

£ million	Attributable to equity holders of the parent (a)							Total equity
	Share capital	Share premium account	Foreign currency translation reserve	Revaluation reserve	Other non-distributable reserves	Retained earnings	Minority interests	
<b>Balance at 1 January 2005</b>	<b>49.3</b>	<b>153.5</b>	<b>(8.3)</b>	-	<b>(22.7)</b>	<b>(77.5)</b>	<b>(0.6)</b>	<b>93.7</b>
Profit attributable to equity holders	-	-	-	-	-	44.5	-	44.5
Profit attributable to minority interest	-	-	-	-	-	-	0.3	0.3
Currency translation differences	-	-	13.3	-	-	-	(0.1)	13.2
Liquidation of subsidiary	-	-	-	-	-	-	0.6	0.6
Acquisitions (b)	-	-	-	-	-	-	(0.2)	(0.2)
<b>Total recognised income and expense for the year</b>	-	-	<b>13.3</b>	-	-	<b>44.5</b>	<b>0.6</b>	<b>58.4</b>
Share based payments	-	-	-	-	-	0.8	-	0.8
Redemption of preference shares	(0.1)	-	-	-	0.1	(0.1)	-	(0.1)
<b>Balance at 31 December 2005</b>	<b>49.2</b>	<b>153.5</b>	<b>5.0</b>	-	<b>(22.6)</b>	<b>(32.3)</b>	-	<b>152.8</b>
Profit attributable to equity holders	-	-	-	-	-	82.3	-	82.3
Currency translation differences	-	-	(22.5)	-	-	-	-	(22.5)
Acquisitions	-	-	-	10.0	-	-	-	10.0
Deferred tax effect of share options	-	-	-	-	-	0.1	-	0.1
<b>Total recognised income and expense for the year</b>	-	-	<b>(22.5)</b>	<b>10.0</b>	-	<b>82.4</b>	-	<b>69.9</b>
Share based payments	-	-	-	-	-	1.8	-	1.8
Scheme of Arrangement (c)	-	(153.5)	-	-	-	153.5	-	-
<b>Balance at 31 December 2006</b>	<b>49.2</b>	<b>-</b>	<b>(17.5)</b>	<b>10.0</b>	<b>(22.6)</b>	<b>205.4</b>	<b>-</b>	<b>224.5</b>

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

- Share capital and share premium represents the net proceeds (both the nominal value and any premium paid) on the issue of the Company's equity share capital.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
- The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate to fair value at the time of the acquisition of the outstanding 58% interest
- Other reserves include £29.2 million arising from the Scheme of Arrangement undertaken in 2003, partly offset by £6.5 million relating to merger reserves and £0.1 million to the redemption of preference shares.

(b) During the year ended 31 December 2005 the Group acquired the minority interest of subsidiaries in South Africa and Italy.

(c) On 28 June 2006 the Group executed a court order granting the cancellation of the share premium account under a Scheme of Arrangement. The effect of this was to increase by the same amount the distributable reserves for the Group. The cancellation was undertaken in the books of Regus Group plc where the share premium was held.

## **Notes to the Preliminary Announcement**

### **Basis of preparation and accounting policies**

Regus Group plc is a public limited company incorporated under the Companies Act 1985 and domiciled in the United Kingdom whose shares are publicly traded on the London Stock Exchange.

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

The accounting policies are set out in full in the Annual Report, and have been applied consistently to all periods presented in these financial statements. The accounting policies have been applied consistently by group entities.

The financial statements were approved by the directors on 19 March 2007.

### **Basis of restatement**

In addition the Group has made certain presentational changes to the financial statements for 2006 and has restated the comparative information for 2005 so that the accounts are presented on a comparable basis. The following changes have been made:

- £0.7 million relating to the share of net assets of joint ventures has been reclassified from provisions for deficits in joint ventures to assets;
- £11.8 million relating to long term assets, principally landlord deposits, have been reclassified from current assets

### **Company Information**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2006 or 2005 but is derived from those accounts. Statutory accounts for 2005 have been delivered to the registrar of companies, and those for 2006 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports, and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

### **Annual Report**

Copies of the annual report, which will be posted to shareholders at least 20 working days before the AGM on 24 May 2007, may be obtained from the registered office at 3000 Hillswood Drive, Chertsey, Surrey, KT16 0RS. The report will also be available on the Company's website at [www.regus.com](http://www.regus.com).

**Note 2: Segmental Analysis – Management Basis**

**Year ended 31 Dec 2006**

	<b>Americas</b>	<b>EMEA</b>	<b>Asia</b>	<b>UK</b>	<b>Other</b>	<b>Total</b>
<b>Mature</b>						
Workstations	45,911	24,626	4,281	-	-	74,818
Occupancy (%)	87	79	82	-	-	84
Revenue (£m)	276.4	178.2	29.9	-	0.7	485.2
Contribution (£m)	83.1	55.3	11.7	-	0.7	150.8
<b>2005 Expansions</b>						
Workstations	3,878	1,727	2,220	-	-	7,825
Occupancy (%)	85	81	67	-	-	79
Revenue (£m)	18.7	14.0	11.9	-	-	44.6
Contribution (£m)	4.8	4.4	3.4	-	-	12.6
<b>2006 Expansions</b>						
Workstations	2,608	479	2,508	18,498	-	24,093
Occupancy (%)	76	55	61	77	-	75
Revenue (£m)	9.6	2.3	9.1	126.6	-	147.6
Contribution (£m)	(1.3)	(0.3)	0.9	20.9	-	20.2
<b>Closures</b>						
Workstations	214	307	-	-	-	521
Occupancy (%)	82	69	-	-	-	74
Revenue (£m)	1.2	1.4	-	-	-	2.6
Contribution (£m)	(0.1)	0.6	-	-	-	0.5
<b>Totals</b>						
Workstations	52,611	27,139	9,009	18,498	-	107,257
Occupancy (%)	86	79	72	77	-	82
Revenue (£m)	305.9	195.9	50.9	126.6	0.7	680.0
Contribution (£m)	86.5	60.0	16.0	20.9	0.7	184.1
REVPAAW (£)	5,813	7,219	5,647	6,843	-	6,340

## Segmental Analysis – Management Basis

Year ended 31 Dec 2005

	Americas	EMEA	Asia	UK	Other	Total
<b>Mature (for comparison with FY06)</b>						
Workstations	45,825	24,291	4,407	-	-	74,523
Occupancy (%)	81	73	79	-	-	79
Revenue (£m)	254.8	159.0	28.9	-	2.6	445.3
Contribution (£m)	60.7	43.3	10.2	-	2.6	116.8
<b>2005 Expansions</b>						
Workstations	1,054	450	935	-	-	2,439
Occupancy (%)	70	61	50	-	-	61
Revenue (£m)	4.4	2.7	3.7	-	-	10.8
Contribution (£m)	0.4	-	(0.5)	-	-	(0.1)
<b>Closures (closed in FY05)</b>						
Workstations	-	122	133	-	-	255
Occupancy (%)	-	56	87	-	-	72
Revenue (£m)	-	0.3	1.0	-	-	1.3
Contribution (£m)	-	-	0.1	-	-	0.1
<b>Closures (closed in FY06)</b>						
Workstations	432	1,008	-	-	-	1,440
Occupancy (%)	91	63	-	-	-	72
Revenue (£m)	2.4	3.5	-	-	-	5.9
Contribution (£m)	0.4	(0.1)	-	-	-	0.3
<b>Total</b>						
Workstations	<b>47,311</b>	<b>25,871</b>	<b>5,475</b>	-	-	<b>78,657</b>
Occupancy (%)	<b>81</b>	<b>73</b>	<b>75</b>	-	-	<b>78</b>
Revenue (£m)	<b>261.6</b>	<b>165.5</b>	<b>33.6</b>	-	<b>2.6</b>	<b>463.3</b>
Contribution (£m)	<b>61.5</b>	<b>43.2</b>	<b>9.8</b>	-	<b>2.6</b>	<b>117.1</b>
<b>REVPWA (£)</b>	<b>5,529</b>	<b>6,397</b>	<b>6,137</b>	-	-	<b>5,890</b>

### Notes:

- The mature business is defined as those centres owned and operated at least 12 months prior to 1 January 2006 and therefore have a full 12 month comparative. In comparing the mature business year on year the performance is measured on a true like for like basis as it excludes closed centres and centres open for less than a year.
- Expansions include new centres opened and acquired businesses.
- Workstation numbers are calculated as the weighted average for the year.
- Contribution for the year ended 31 December 2005 is stated before non-recurring items. There were no non-recurring items in 2006.

**Note 3: Reconciliation of operating profit to adjusted EBIT and EBITDA**

Year ended 31 Dec 2006	Americas	EMEA	Asia	UK	Other	Total
	£m	£m	£m	£m	£m	£m
Operating profit (excluding management charges)	49.1	34.9	8.9	7.0	(17.7)	<b>82.2</b>
Non-recurring items	-	-	-	-	-	-
<b>Adjusted EBIT</b>	49.1	34.9	8.9	7.0	(17.7)	<b>82.2</b>
<b>Depreciation and amortisation</b>	20.5	5.8	2.7	8.5	0.3	<b>37.8</b>
<b>EBITDA</b>	69.6	40.7	11.6	15.5	(17.4)	<b>120.0</b>

Year ended 31 Dec 2005	Americas	EMEA	Asia	UK	Other	Total
	£m	£m	£m	£m	£m	£m
Operating profit (excluding management charges)	32.6	24.0	5.1	-	(14.4)	47.3
Non-recurring items	-	-	-	-	4.9	4.9
<b>Adjusted EBIT</b>	32.6	24.0	5.1	-	(9.5)	52.2
<b>Depreciation and amortisation</b>	22.2	5.3	1.8	-	0.1	29.4
<b>EBITDA</b>	54.8	29.3	6.9	-	(9.4)	81.6

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

**Note 4: Analysis of financial resources**

	At 1 Jan 2006	Cash flow	Non-cash changes	Exchange movement	At 31 Dec 2006
	£m	£m	£m	£m	£m
<b>Cash and cash equivalents</b>	<b>74.1</b>	<b>10.8</b>	-	<b>(4.0)</b>	<b>80.9</b>
Debt due after one year	(5.4)	(45.2)	4.9	0.3	<b>(45.4)</b>
Debt due within one year	(24.5)	16.0	(0.2)	0.5	<b>(8.2)</b>
Finance leases due after one year	(3.4)	1.9	(0.4)	0.5	<b>(1.4)</b>
Finance leases due within one year	(4.8)	3.1	(1.0)	0.2	<b>(2.5)</b>
	(38.1)	(24.2)	3.3	1.5	<b>(57.5)</b>
<b>Net financial assets</b>	<b>36.0</b>	<b>(13.4)</b>	<b>3.3</b>	<b>(2.5)</b>	<b>23.4</b>

Cash and cash equivalents balances held by the Group that are not available for use amounted to £17.1 million in 2006 (2005: £19.1 million). This cash serves as collateral against certain obligations of the Group.

Cash not available for use at 31 December 2006 includes cash held on deposit of which £5.5 million (2005: £3.1 million) relates to collateral against bank loans; £9.6 million (2005: £14.1 million) relates to deposits which are held by banks and landlords as security against lease commitments by Regus operating companies and £2.0 million (2005: £1.9 million) held by the ESOP Trust. These amounts are blocked and not available for use by the business.

Non-cash changes comprise new finance leases, changes due to business acquisitions and movements between categories

### Note 5: Acquisition of subsidiaries

The principal acquisition in the year was that of the 58% interest in the Regus UK business not already owned. All other acquisitions in the year were individually immaterial and have been grouped together for disclosure purposes. A minor adjustment has been made to the provisional acquisition accounting in 2005. The impact of the Group's acquisitions on the financial statements is summarised in the table.

£ million	Regus UK (58%)	Other 2006	Prior years (100%)	Total
<b>Net assets acquired</b>	<b>10.2</b>	<b>7.1</b>	-	<b>17.3</b>
Consideration:				
Cash	88.0	28.2	-	<b>116.2</b>
Deferred consideration	-	1.8	0.3	<b>2.1</b>
Directly attributable costs	1.4	1.6	-	<b>3.0</b>
	<b>89.4</b>	<b>31.6</b>	<b>0.3</b>	<b>121.3</b>
<b>Goodwill</b>	<b>79.2</b>	<b>24.5</b>	<b>0.3</b>	<b>104.0</b>
<b>Net cash out flow arising on acquisition</b>				
Cash consideration and directly attributable costs	89.4	29.8	-	<b>119.2</b>
Less: cash and cash equivalents acquired	(28.5)	(2.2)	-	<b>(30.7)</b>
	<b>60.9</b>	<b>27.6</b>	-	<b>88.5</b>

The net assets of the UK business on acquisition and the associated fair values were as follows:

	Book values of acquired business	Fair value adjustments	Fair value at date of acquisition
Intangible assets – brand	-	11.2	<b>11.2</b>
Customer list and software	0.3	7.4	<b>7.7</b>
Property, plant and equipment	35.2	2.4	<b>37.6</b>
Other non current assets	6.6	3.7	<b>10.3</b>
Cash and cash equivalents	28.5	-	<b>28.5</b>
Other current assets	34.8	1.6	<b>36.4</b>
Current liabilities	(110.3)	23.6	<b>(86.7)</b>
Non-current liabilities	(1.2)	(26.2)	<b>(27.4)</b>
<b>Net assets at acquisition date</b>	<b>(6.1)</b>	<b>23.7</b>	<b>17.6</b>
Net assets acquired (58% of net assets at acquisition date)			<b>10.2</b>

END