

Regus Business Centres (UK) Limited

Directors' report and financial statements

For the year ended 31 December 2000

Registered number 2961188



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Regus Business Centres (UK) Limited

Directors' report and financial statements

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Regus Business Centres (UK) Limited

Directors' report

The director presents their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities and business review

The company's principal activity is the provision of serviced offices and related services.

Proposed dividend and transfer from reserves

The directors do not recommend the payment of a dividend. The retained loss for the year of £3,131,000 (1999: £4,369,000) has been transferred from reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

MLJ Dixon
RJG Lobo

SA Stamp was appointed a director on 25 January 2001.

None of the directors had interests in the share capital of the company. MLJ Dixon has interests in the shares of the ultimate parent company which is incorporated outside Great Britain.

MLJ Dixon, RJG Lobo and SA Stamp have interests in the share capital of Regus plc, the company heading the largest and smallest group in which the results of the company are consolidated. Directors' interests and share options are disclosed in the accounts of Regus plc.

Employees

It is the company's policy to communicate with all employees and to encourage them to take a wider interest in the affairs of the company and the Regus Group. This is done in a variety of ways including electronic media, in house journals, bulletins and briefing sessions.

The health and safety of employees is of paramount importance. Safety awareness is actively promoted in the working environment and is reviewed from time to time, in the light of good practice and developing legislation.

The company is committed to the principle of equal opportunity in employment, regardless of a person's race, creed, nationality, sex, age, marital status or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the company's businesses. These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion. Where an employee becomes disabled whilst employed by the company every effort is made to allow that person to continue in employment.

The number of employees and their remuneration are set out in note 5 to the financial statements.

Regus Business Centres (UK) Limited

Directors' report

Political contributions and charitable donations

The company made no political or charitable contributions in either 2000 or 1999.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

RJG Lobo
Secretary

9 August 2001

Northumberland Avenue
London
WC2N 5BW

Regus Business Centres (UK) Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company and of its profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

*St James' Square
Manchester M2 6DS
United Kingdom*

Report of the auditors to the members of Regus Business Centres (UK) Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc

*Chartered Accountants
Registered Auditor*

29 August 2001

Regus Business Centres (UK) Limited

Profit and loss account

for the year ended 31 December 2000

	<i>Note</i>	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Turnover	<i>1</i>	14,856	439
Cost of sales		(16,480)	(1,906)
Gross profit/(loss)		(1,624)	(1,467)
Administrative expenses		(1,458)	(2,892)
Operating loss	<i>2</i>	(3,082)	(4,359)
Interest payable and similar charges	<i>3</i>	(61)	(10)
Interest receivable	<i>4</i>	12	-
Loss on ordinary activities before taxation		(3,131)	(4,369)
Tax on loss on ordinary activities		-	-
Loss on ordinary activities after taxation		(3,131)	(4,369)

All amounts are derived from activities which commenced during the year.

The company has no other recognised gains or losses other than those shown in the profit and loss account above.

Regus Business Centres (UK) Limited

Balance sheet
at 31 December 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6	17,235		1,377	
Investments	7	308		-	
			17,543		1,377
Current assets					
Stock		1		1	
Debtors	8	7,862		278	
Cash in bank and in hand		-		267	
		7,863		546	
Creditors: amount falling due within one year	9	(25,861)		(6,085)	
Net current (liabilities)			(17,998)		(5,539)
Total assets less current liabilities			(455)		(4,162)
Creditors: amounts falling due after more than one year	10		(7,045)		(207)
			(7,500)		(4,369)
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		(7,500)		(4,369)
Shareholders' funds			(7,500)		(4,369)

These financial statements were approved by the board of directors on 9 May 2001 and were signed on its behalf by:



MLJ Dixon
Director

Regus Business Centres (UK) Limited

Reconciliation of movements in shareholders' funds *for the year ended 31 December 2000*

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Loss for the financial year	(3,131)	(4,369)
Net reduction in shareholders' funds	(3,131)	(4,369)
Shareholders' funds at beginning of period	(4,369)	-
Shareholders' funds at the end of the period	(7,500)	(4,369)

Statement of historical cost profits and losses *for the year ended 31 December 2000*

There is no difference in either period between the results shown in the profit and loss account and their historical cost equivalents.

Regus Business Centres (UK) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules in accordance with applicable accounting standards.

The going concern basis has been applied since the parent company has indicated its intention to provide continuing financial support.

Related party transactions

As the company is a wholly owned subsidiary of Regus plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the Regus plc group.

Turnover

Turnover represents the value of services provided to third parties in the year and is exclusive of VAT and similar taxes.

Centre income is invoiced monthly in advance and is deferred until the month in which the services are provided.

Income for other services supplied to clients using centres is charged and recognised in the month in which the related services are provided.

Cost of sales

Cost of sales consists of costs from the individual business centres, including property lease costs, employee costs, and start-up costs.

Start-up costs

Start-up costs (including formation costs, costs related to finding property and any other centre opening costs) are charged to the profit and loss account as they are incurred.

Pensions

Regus plc operates defined contribution schemes. Contributions are charged to the profit and loss account on an accruals basis.

Refurbishment

The terms of most building leases require Regus to make good dilapidation or other damage occurring during the rental period. Due to the nature of the business, centres are maintained to a high standard. Accruals for dilapidations are only made when it is known that a dilapidation has occurred.

Regus Business Centres (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided on a straight line basis at rates calculated to write off the cost of fixed assets to estimated residual values over their estimated useful lives at the following rates:

Furniture	-	5 years
Fixtures and fittings	-	Shorter of the lease term, the first break point of the building lease or 10 years
Telephone & office equipment	-	5 years
Computers / computer software	-	3 years / 2 years
Motor cars	-	4 years

Fixed asset investments

Fixed asset investments are accounted for at the lower of cost and recoverable amount.

Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks relate to items purchased for resale to customers and to items intended for distribution within the Business such as office supplies and marketing materials. Provision is made for any deterioration in net realisable value as a result of obsolescence or damage.

Deferred taxation

Provision under the liability method is made for deferred taxation at the current rate of corporation tax on all timing differences, to the extent they are expected to crystallise.

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash flow statement

In accordance with FRS1, a cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary undertaking of Regus plc, and its cash flows are included within the consolidated cash flow statement of that company.

Leases

i) Finance leases

Where the company enters into a lease for furniture, fittings, equipment or motor cars which entails taking substantially all the risks and rewards of ownership of an asset the lease is treated as a finance lease. This also includes occasions where the company takes interest bearing extended credit from suppliers and certain loans from landlords.

Regus Business Centres (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Under all such lease arrangements the asset is recorded in the balance sheet as a tangible asset and is depreciated over the estimated useful life in accordance with the policy described above. Future instalments under such leases, net of finance charges, are included in creditors.

Lease payments are apportioned between the finance element, which is charged to the profit and loss account on a sum of the digits basis or a post-tax actuarial basis, and the capital element, which reduces the outstanding obligation for future instalments.

ii) Building leases

Building leases are all accounted for as operating leases because substantially all the risks and rewards of ownership remain with the lessor.

The rental on certain leases is wholly or partly conditional on the profitability of the centre and therefore the risk to the business, in terms of rent, is reduced. Once all outstanding rent has been paid, landlords receive a share of the profits of the centre.

For leases which are wholly or partly conditional on the profitability of the centre, an estimate is made of the likely rent payable based on profitability in respect of the period up to the date of the first market rent review or first break point in the lease, whichever is sooner, and this is spread on a straight line basis over that period. Any subsequent changes in estimates are spread over the remaining period to the date of the first market rent review or first break point in the lease, whichever is sooner. Amounts payable in respect of profit shares are accrued once a sufficient net surplus has been made which would result in a profit share being paid.

Any incentives or rent free periods on conventional leases and the conventional element of leases, which are partly conventional and partly conditional on profitability, are spread on a straight line basis over the period to the date of the first market rent review or first break point in the lease, whichever is sooner, so that the amounts charged to the profit and loss account are the same each year over that period.

2 Operating loss

	2000 £000	1999 £000
<i>Operating loss is stated after charging:</i>		
Loss/(gain) on foreign exchange	8	-
Depreciation of tangible fixed assets	1,257	60
Amounts paid under operating leases:		
Property	7,516	617
Other assets	111	9
Auditors' remuneration : As auditors	1	1

Regus Business Centres (UK) Limited

Notes (continued)

3 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	2	-
Finance charges payable in respect of finance leases and hire purchase contracts	59	10
	<u>61</u>	<u>10</u>

4 Interest receivable

	2000 £000	1999 £000
Bank interest	12	-
	<u>12</u>	<u>-</u>

5 Remuneration of the directors, staff numbers and costs

Directors' remuneration

The directors received no remuneration from the company during the year.

Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	2000 Number	1999 Number
Operations	110	17
	<u>110</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	902	116
Social security costs	81	11
Other pension costs	3	-
	<u>986</u>	<u>127</u>

Regus Business Centres (UK) Limited

Notes (continued)

6 Tangible fixed assets

	Computer Equipment £000	Fixtures and fittings £000	Total £000
Cost			
At beginning of the year	85	1,352	1,437
Additions	111	17,004	17,115
At end of year	196	18,356	18,552
Depreciation			
At beginning of the year	8	52	60
Charge for year	45	1,212	1,257
At end of year	53	1,264	1,317
Net book value at 31 December 2000	143	17,092	17,235
Net book value at 31 December 1999	77	1,300	1,377

Included in the total net book value is £1,527,000 (1999: £267,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £169,000 (1999: £18,000).

7 Fixed asset investments

	Loans to participating interest £000	Shares in participating interest £000	Total £000
Cost and net book value at 31 December 1999	-	-	-
Additions	303	5	308
Cost and net book value at 31 December 2000	303	5	308

This investment represents a 50% holding in the ordinary share capital of Park Business Centres Ltd, a joint venture incorporated in the UK.

Regus Business Centres (UK) Limited

Notes (continued)

8 Debtors

	2000 £000	1999 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	5,520	196
Amounts owed by participating interest	10	-
Other debtors	605	-
Prepayments and accrual income	1,727	82
	<u>7,862</u>	<u>278</u>

9 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans and overdrafts	5,368	-
Trade creditors	1,991	-
Customer deposits	4,594	466
Obligations under finance leases and hire purchase agreements	1,017	88
Amounts owed to parent and fellow subsidiary undertakings	1,313	3,888
Other creditors: taxation and social security	-	83
Accruals and deferred income	11,578	1,560
	<u>25,861</u>	<u>6,085</u>

Regus Business Centres (UK) Limited

Notes (continued)

10 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Obligations under finance leases and hire purchase agreements	472	160
Amounts owed to parent and fellow subsidiary undertakings	6,573	-
Accruals and deferred income	-	47
	<u>7,045</u>	<u>207</u>

Of the obligation under finance leases and hire purchase agreements, £2,061,000 (1999: £nil) falls due in between one and two years time, and £728,000 (1999: £160,000) falls due in between two and five years time.

11 Commitments

Capital commitments contracted at the end of the financial year for which no provision has been made amounted to £3,688,000 (1999 : £7,766,000).

Annual commitments in respect of property, vehicles, plant and equipment under non-cancellable operating leases are as follows:

	Property £000	Vehicle, plant and equipment £000	2000 Total £000	1999 Total £000
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	37	37	18
After five years	15,930	-	15,930	1,614
	<u>15,930</u>	<u>37</u>	<u>15,967</u>	<u>1,632</u>

Regus Business Centres (UK) Limited

Notes (continued)

12 Called up share capital

	2000 £	1999 £
Authorised		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

13 Profit and loss account

	2000 £000	1999 £000
At beginning of year	(4,369)	-
Retained loss for period	(3,131)	(4,369)
	<hr/>	<hr/>
At end of year	(7,500)	(4,369)
	<hr/>	<hr/>

14 Contingent liabilities

The company has entered into a composite cross guarantee arrangement covering the borrowings of certain other group companies.

Regus Business Centres (UK) Limited

Notes (continued)

15 Related party transactions

During the year, the company entered into the following transactions with Park Business Centres Limited, a 50% owned associated undertaking.

	2000 £000	1999 £000
<i>Trading account</i>		
Balance receivable at start of year	54	-
Interest charged to Park Business Centres	12	-
Expenses charged to Park Business Centres	46	59
Reversal of prior period recharge	(59)	-
Share capital subscribed	-	(5)
	<hr/>	<hr/>
Receivable at end of year	53	54
	<hr/>	<hr/>

In addition, the company made a loan during the year to Park Business Centres Limited of £303,000, which remained outstanding at the year end. Interest on the loan is charged at 2% above the National Westminster Bank base rate, and is payable quarterly. The loan is repayable in full on 31 December 2004, or any part can be repaid earlier at the choice of the borrower

16 Ultimate parent company and controlling party

The ultimate parent company is Maxon Investments BV, a company incorporated in the Netherlands.

Mr MLJ Dixon is considered the ultimate controlling party by virtue of his effective controlling interest in the equity shares of the company via Maxon Investments BV.

The largest and smallest group in which the results of the company are consolidated is that headed by Regus plc, a company registered in England and Wales.

The consolidated accounts of this group are available to the public and may be obtained from Regus plc, 3000 Hillswood Drive, Hillswood Business Park, Chertsey KT16 0RS.