

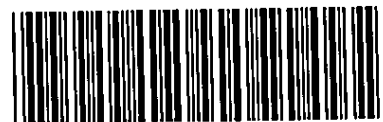
Regus Holdings (UK) Limited

**Directors' report and financial
statements**

Year ended 31 December 2006

Registered number 04560622

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities and business review

The company is a holding company and the activities of its subsidiary undertakings during the year consisted of the provision of serviced offices and related services. Details of the subsidiary undertakings are given on page 11

Proposed dividend and transfer from reserves

The directors do not recommend the payment of a dividend (2005 £nil). The retained loss for the year of £18,000 (2005 loss £284,000) has been transferred to reserves

Directors and directors' interests

The directors who held office during the year were as follows

MK Bolland (resigned 20 April 2006)
PM Bridges (resigned 20 April 2006)
MLJ Dixon (resigned 18 September 2007)
DS Ford (resigned 20 April 2006)
RJG Lobo (appointed 20 April 2006, resigned 18 September 2007)
NAL Wood (appointed 16 April 2007)
BN McDonnell (resigned 20 April 2007)
X Walters (appointed 20 April 2007)

The interests of MLJ Dixon and RJG Lobo in the ordinary shares of Regus Group plc are disclosed in the directors' report of that company

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of any group company

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

Political contributions and charitable donations

The company made no political or charitable contributions in either 2006 or 2005

Directors' report *(continued)*

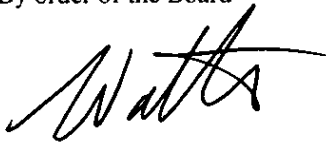
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board



X Walters
Secretary

3000 Hillswood Drive
Chertsey
Surrey
KT16 0RS

27 September 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company for that period.

In preparing these 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the Companies Act 1986.

By order of the Board



X Walters
Secretary

3000 Hillswood Drive
Chertsey
Surrey
KT16 0RS

27 September 2007

Report of the independent auditors to the members of Regus Holdings (UK) Limited

We have audited the financial statements of Regus Holdings (UK) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movement in shareholders funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

KPMG

KPMG
Chartered Accountants &
Registered Auditors
17/25 College Square East
Belfast BT1 6DH

27 September 2007

Profit and loss account
for year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	<i>1</i>	-	-
Earnings before interest, tax, depreciation and amortisation		(18)	(58)
Depreciation		-	-
Operating loss	<i>3</i>	(18)	(58)
Loss on ordinary activities before taxation		(18)	(58)
Tax on loss on ordinary activities	<i>4</i>	-	(226)
Loss for the financial year	<i>11</i>	(18)	(284)

All amounts are derived from continuing activities

There is no difference between the profits and losses for the current or previous year and their historical cost equivalents

The notes on pages 8 to 12 form part of these financial statements

Balance sheet
at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Investments	6	3	3
Current assets			
Debtors	7	16,118	16,147
Creditors: amount falling due within one year	8	16,118 (229)	16,147 (240)
Net current liabilities		15,889	15,907
Total assets less current liabilities		15,892	15,910
Net assets		15,892	15,910
Capital and reserves			
Called up share capital	9	4	4
Share premium account	10	16,299	16,299
Profit and loss account	11	(411)	(393)
Shareholders' funds		15,892	15,910

These financial statements were approved by the board of directors on 27 September 2007 and were signed on its behalf by

NAL Wood
Director



Statement of total recognised gains and losses
for the year ended 31 December 2006

	2006 £000	2005 £000
Loss for the financial year	(18)	(284)
Total recognised gains and losses relating to the financial year	(18)	(284)
Total gains and losses recognised since last annual report	(18)	(284)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2006

	2006 £000	2005 £000
Loss for the financial year	(18)	(284)
Shareholders' funds at beginning of the year	15,910	16,194
Shareholders' funds at end of the year	15,892	15,910

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 financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Companies Act 1985 under the historical cost accounting rules and comply with UK Generally Accepted Accounting Practice

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared on the going concern basis.

Related party transactions

As the company is a wholly owned subsidiary of Regus Group 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 group.

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 Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

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

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.

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. Provisions for dilapidations are only made when the company considers that it is likely that the premises will be vacated by the company and it is known that a dilapidation has occurred.

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, telephone & office equipment	- 5 to 10 years
Other fixtures and fittings	- Shorter of the lease term, the first break point of the building lease or 10 years
Computers	- 3 years

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Pensions

Regus Holdings (UK) Limited operates defined contribution schemes. Contributions are charged to the profit and loss account on an accruals basis.

Leases

1) **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.

Under all such lease arrangements the asset is recorded in the balance sheet as a tangible asset and is depreciated over its 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.

11) **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.

Notes (continued)

2 Loss on ordinary activities before taxation

	2006 £000	2005 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration As auditors	1	-

3 Operating loss

Operating loss is arrived at as follows

	2006 £000	2005 £000
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(18)	(284)
Operating loss	(18)	(284)

4 Tax on loss on ordinary activities

Analysis of (credit)/charge in the year

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	226
Adjustments in respect of prior years	-	-
Total current tax	-	226
Deferred tax	-	-
Tax on (loss) on ordinary activities	-	(226)

Factors affecting the tax charge for the current year

	2006 £000	2005 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(18)	(58)
Current tax at 30% (2005 30%)	(5)	(17)
<i>Effects of</i>		
Group relief received (not paid for)	(261)	-
Other adjustments – UK UK transfer pricing	266	243
Total current tax charge (see above)	-	226

Tax losses carried forward at the end of the year were £nil (2005 £nil)

Notes (continued)

5 Remuneration of directors

MK Bolland and PM Bridges remuneration is detailed below. MLJ Dixon and RJG Lobo are directors of Regus Group plc and their remuneration is disclosed in the accounts of that company. The remaining directors are executives of the immediate parent company, Regus Holdings UK Limited, and are also directors of other subsidiaries of Regus Holdings UK Limited. Details of the remaining directors' remuneration are disclosed in the accounts of Regus (UK) Limited.

	2006 £000	2005 £000
Amounts paid to Rex 2002 Limited in respect of directors' services	18	58
	<u>18</u>	<u>58</u>

6 Fixed asset investments

	2005 £000	2004 £000
<i>Cost</i>		
At beginning of year	3	3
Share of retained profits	-	-
	<u>3</u>	<u>3</u>
At end of year	3	3

The principal subsidiaries in which the company has an interest at the year end of more than 20% are as follows:

	Country of incorporation	Principal activity	Class and Percentage of shares held
Regus UK Limited	England	Serviced offices	Ordinary, 100%
Regus Business Centres (UK) Limited	England	Serviced offices	Ordinary, 100%
Regus City Limited	England	Serviced offices	Ordinary, 100%
Regus Business Services Limited	Northern Ireland	Service Company	Ordinary, 100%

7 Debtors

	2006 £000	2005 £000
Amounts owed by parent and fellow subsidiary undertakings	16,118	16,147
	<u>16,118</u>	<u>16,147</u>

Notes (continued)

8 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Corporation tax	225	225
Accruals and deferred income	4	15
	<u>229</u>	<u>240</u>

9 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
359,777 Ordinary shares of £0.01 each	<u>3,598</u>	<u>3,598</u>
<i>Allotted, called up and fully paid</i>		
359,777 Ordinary shares of £0.01 each	<u>3,598</u>	<u>3,598</u>

10 Share premium account

	2006 £000	2005 £000
At the beginning and end of the year	<u>16,299</u>	<u>16,299</u>

11 Profit and loss account

	2006 £000	2005 £000
At beginning of the year	(393)	(109)
Loss for the financial year	(18)	(284)
	<u>(411)</u>	<u>(393)</u>

12 Ultimate parent company and controlling party

On 20 April 2006, Regus Group plc acquired from Rex 2002 Limited the 58% of Regus Holdings (UK) Limited's shares that it did not already own, for a cash consideration of £86 million. From that date, Regus Holdings (UK) Limited and its subsidiaries became wholly owned subsidiaries of Regus Group plc, a company incorporated in Great Britain and registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by Regus Group plc. The consolidated accounts of this group are available to the public and may be obtained from Regus Group plc, 3000 Hillwood Drive, Hillwood Business Park, Chertsey KT16 0RS.