Regus
Work your way

5 March 2013

REGUS plc – ANNUAL FINANCIAL REPORT ANNOUNCEMENT – YEAR ENDED 31 DECEMBER 2012

"Strong results: investing for sustained growth"

Regus, the world's largest provider of flexible workplaces, today announces its annual results for the year ended 31 December 2012.

£m	**2012**	**2011 (Restated)**	**Change**
Group			
Revenue	1,244.1	1,162.6	7.0%
Gross profit	320.7	279.1	15%
Gross margin	*25.8%*	*24.0%*	
Operating profit	90.2	54.5	66%
Operating margin	*7.3%*	*4.7%*	
Adjusted operating Profit**	68.6	50.6	36%
Profit before tax	85.1	49.4	72%
Earnings per share (p)	7.5	4.3	74%
Dividend per share (p)	3.2	2.9	10%
EBITDA	159.4	129.3	23%
Mature*			
Revenues	1,124.1	1,114.3	0.9%
Gross profit	325.7	288.4	13%
Gross margin	*29.0%*	*25.9%*	
Operating profit	170.5	103.6	65%
Operating margin	*15.2%*	*9.3%*	
Adjusted operating profit**	158.5	104.8	51%
*Adjusted operating margin***	*14.1%*	*9.4%*	
Mature EBITDA	223.1	173.1	29%
Notional mature basic EPS (p)	14.0	8.4	67%
Mature free cash flow	144.3	135.1	7%

*Centres opened on or before 31 December 2010 **Before accounting changes as announced on 19 July 2012

Strong financial performance at Group level

- Revenue grew 9.2% at constant currency to £1,244.1m (2011: £1,162.6m)
- Operating profit rose by 66% to £90.2m (2011: £54.5m)
- Total overheads up only 4.1% at constant currency (up 2.5% at actual rates to £230.2m). With an 11% increase in average consolidated workstations to 204,459 average cost per available workstation reduced by 8%
- EPS up to 7.5p, representing a 74% increase from last year (2011: 4.3p)
- Proposed 10% increase in full year dividend to 3.2p (2011: 2.9p)
- £175.3m invested into growth and quality assets during 2012
- Strong year end net cash position of £120m which, together with credit facility of £200m, provides additional scope for growth
- 37% increase in membership to over 1.3m members with access to the network (2011: 983k)
- Increase in period end consolidated workstations of 18% to 229,615

Mature Centre performance continued to improve

- Mature revenue growth of 2.9% at constant currency to £1,124.1m (2011: £1,114.3m)
- Gross margin improves to 29.0% (2011: 25.9%) with progress made in all regions. Underpinned by:
  - Strong occupancy of 85.8% (2011: 85.6%)
  - REVPOW increase to £7,565, an improvement of 2.4% or £183 at constant currency
  - Strong returns from addition of centres opened in 2010 into Mature business
- Adjusted mature operating profit up 51% to £158.5m. Economies of scale and overhead efficiencies driving an increase in adjusted mature margin to 14.1% (2011: 9.4%)
- 67% increase in notional mature EPS to 14.0p (2011: 8.4p)
- Mature centres characterised by strong cash generation – free cash flow up 7% to £144.3m (2011: £135.1m), representing 15.3p per share or 12.8% of revenue

Continued investment in strengthening and growing the network

- 243 new centres and five new countries which expands network to 1,411 and 99 respectively
- New 2011 and 2012 centres performing well; 2011s close to operating profit breakeven in Q4
- Third place partnerships in place with seven organisations across five countries – including Staples, Extra Motorway Services and SBB (Swiss Railways) signed in the period
- Offer for MWB Business Exchange became unconditional post-period end on 21 February 2012
- Expect to open at least 350 centres (including MWB Business Exchange); anticipate ending year with a modest net cash position

Mark Dixon, Chief Executive of Regus plc, said:

"Regus has delivered another strong set of results in 2012; revenue up 9%*, operating profit up 66% to over £90m and EPS increased by 74% to 7.5p.

Our strategy of pursuing targeted revenue and margin growth to achieve mature profitability, strong cash generation and long-term earnings per share growth has again delivered. We continue to see a strong and accelerating momentum towards flexible working and our results today reflect this global shift.

We continue to focus on improving margins in our Mature business and investing in new locations. We remain on track to achieve a global network of at least 2,000 locations by the end of 2014, and our recent acquisition of a majority interest in MWB Business Exchange further supports this goal.

Current trading since the year end has been good and in line with our expectations. As such, we look to the year ahead with confidence."

*at constant currency

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Chairman's statement

We are pleased to report another year of strong results for Regus, building on our performance of the last few years. Group revenues grew 9.2% at constant currency rates to £1,244.1m (2011: £1,162.6m), operating profits, benefiting in part from disciplined cost management, improved by 66% to £90.2m (2011: £54.5m), and earnings per share increased from 4.3p to 7.5p.

On a like-for-like basis, revenues in our Mature business improved by 2.9% at constant currency to £1,124.1m (2011: £1,114.3m), while operating profit increased by 65% to £170.5m (2011: £103.6m) as gross margins increased to 29.0% (2011: 25.9%). Additionally, our Mature Centres continued to be highly cash generative, with free cash flow (after tax, finance costs and maintenance capital expenditure) of £144.3m, representing a mature free cash flow yield of 12.8% or 15.3p per share.

Alongside our focus on Mature Centre performance, we continued with our strategy to expand Regus' global network, in order to serve the growing demand for our products and services. Our strategic expansion includes both targeted organic growth and carefully selected acquisitions. During 2012 we added 243 centres, taking us to a year-end total of 1,411.

Strategy

Regus' strategy is to serve and profit from the structural shift towards flexible work by being the platform of choice from which business operates. The structural shift towards flexible work is taking place on a global scale and across all business sectors. The step-up of investment in our network in response to growing demand for our services will, together with continued innovations in product offerings and customer service, enable us to maintain our market leading position. We continue to build our management capabilities in line with our growth objectives through the development of our people, processes and systems, supplemented by the strategic hiring of experienced professionals. Consistent with management's priorities, execution of our strategy includes continuing to improve the profitability of our mature centres, investing for attractive returns and growing long-term earnings per share.

Growth of our Mature business is achieved primarily through the maturing of our new centres. Our mature centres are highly cash generative and this allows us to continue to expand through organic growth and carefully selected acquisitions, enabling us to better serve our existing customers as well as attract new customers in new markets. Based on Regus' strong financial performance, we are confident these investments will translate into future profits.

Overall, this set of results again reflects our resilient business model and the continued success of our growth strategy. The Group has again proved itself capable of delivering strong and sustainable growth and returns.

Our people

As a growth orientated company, the Board is only too aware of how important a committed and motivated workforce is to us achieving our aspirations. As such, we remain focused on maintaining high levels of employee engagement, training and development. I would like to place on record my thanks to all our team members around the world for their continued hard work and dedication. The strong results we present are a testament to their endeavours.

Board composition and performance

With a view to the future development of the Group as well as a desire to continue to enhance diversity and succession planning for Board roles, we plan to increase the size of the Board over time. The Nomination Committee has implemented an ongoing programme of engagement with highly qualified potential Non-Executive Directors of varied backgrounds and gender to support this process. A formal external evaluation of the performance of the Board was carried out during the year by an independent leadership consultancy with experience in conducting such reviews. The external evaluation results were reviewed by the Board and are being addressed in our efforts to continuously improve the processes and effectiveness of the Board. No reportable matters were noted by the evaluation and we continue to have full confidence in the Board's members and processes.

Dividend

Given the strong performance of the business, the Board is recommending a final dividend of 2.2p. Subject to the approval of shareholders at the 2013 AGM, this will be paid on 31 May 2013 to shareholders on the register at the close of business on 3 May 2013. This represents an increase in the full year dividend of 10% to 3.2p (2011: 2.9p).

Douglas Sutherland
Chairman

5 March 2013

Chief Executive's review

I am delighted to be yet again reporting another set of excellent results, made all the more satisfying given the challenging macro economy. We have increased revenue, improved profit margins and delivered strong cash generation. As demand has continued to grow, we undertook a significant acceleration of new centre expansion, with 243 new centres added. This contributed to a 17% growth in our network, on top of 11% in the prior year. As the structural shift to flexible work accelerates, we see significant additional opportunities to invest in expanding and improving our offer to customers and are confident this will deliver excellent returns for shareholders. This confidence is underpinned by the encouraging performance of our new centres and the strong results from our growing mature estate.

Over the period Group revenues increased by 7.0% to £1,244.1m (2011: £1,162.6m), operating profit increased to £90.2m (2011: £54.5m), EPS increased by 74% to 7.5p and, subject to shareholder approval, we will increase the final dividend by 10% to 2.2p, making a total of 3.2p for the year (2011: 2.9p). Our balance sheet remains strong with net cash of £120.0m and during the year we secured a £200m revolving credit facility, providing us with further funding flexibility.

As previously announced the reported results have benefited from the accounting changes we implemented with effect from 1 January 2012. Accordingly, we set out in the table below the impact of these changes to highlight the strong adjusted performance.

In our Mature Centres business, operating profits rose by 65% to £170.5m, with free cashflow (after tax, finance costs and maintenance capital expenditure) at £144.3m (15.3p per share), on the back of revenues up 2.9% at constant currency rates to £1,124.1m. Customer numbers were up 37%; our network increased by 17%; and we opened in four new countries. In total we invested £175.3m in our New Centres business during 2012 compared with £103.4m last year. Our New Centres continue to perform as expected, as they progress towards financial maturity. This, combined with the performance of our mature centres, demonstrates the underlying strength of our business.

£m	**Reported 2012**	**Accounting Changes**	**Adjusted 2012**	Adjusted 2011	Accounting Changes	Reported 2011
Revenue	**1,244.1**	**–**	**1,244.1**	1,162.6	–	1,162.6
Gross profit (centre contribution)	**320.7**	**(21.6)**	**299.1**	275.2	(3.9)	279.1
Gross margin	**25.8%**		**24.0%**	23.7%		24.0%
Operating profit	**90.2**	**(21.6)**	**68.6**	50.6	(3.9)	54.5
Operating margin	**7.3%**		**5.5%**	4.4%		4.7%
Profit before tax	**85.1**	**(21.6)**	**63.5**	45.5	(3.9)	49.4
Taxation	**(14.2)**	**–**	**(14.2)**	(8.9)	0.1	(9.0)
Profit for the period	**70.9**	**(21.6)**	**49.3**	36.6	(3.8)	40.4
Earnings per share (p)	**7.5**		**5.2**	4.0		4.3
EBITDA	**159.4**	**(8.2)**	**151.2**	124.1	(5.2)	129.3
EBITDA Margin	**12.8%**		**12.2%**	10.7%		11.1%

The market opportunity – a structural shift towards flexible work

Regus' business model is firmly focused on serving and profiting from the structural shift towards flexible work by being the platform of choice from which businesses operate. The way in which people work is changing at an accelerating rate, driven by a wide variety of factors including technological change, globalisation and changing workforce dynamics, with growing recognition from large organisations that these changes can underpin substantial productivity, capital expenditure and cost improvements.

As this trend develops the demand for high quality, short-term, drop-in space and the services which go with them, continues. This plays perfectly to our business model. Our step-up in investment reflects the growth in demand, with customers seeking work locations ranging from traditional business centres, railway stations, motorway service stations, to airports and retail outlets.

Our business

We look at our business as three discrete but interlinked segments, all of which made strong progress over the course of the year.

Mature Centre business (centres open on or before 31 December 2010)

The performance of our Mature Centres business remains fundamental to the Group. In 2012 the business continued to move forward. We remain pleased with the levels of occupancy we are achieving (which averaged 85.8% through the year) and the improvement to REVPOW, which increased to £7,565, an improvement of 2.4% (up £183) at constant currency rates and 0.4% (up £32) at actual rates, a continued sign of robust yield management. This healthy occupancy and increased REVPOW were the principal drivers of the improvement in adjusted mature gross profit margin to 27.9% (2011: 26.0%). The 2010 new centres, which joined the mature estate in 2012, generated strong margins in line with the rest of the mature estate after being open less than two years on average. Moreover, for the year in question the 2010 centres achieved a post-tax return on the gross investment in excess of 27%.

We continue with our active management of the mature network to deliver high occupancy and usage. This, when coupled with lower relative overheads, generates improved operating profit margins.

To achieve this, we focus on the following:

- **Improving portfolio balance and diversification**
  - Widening the reach of our network into new countries
  - Deepening the network within countries
- **Diversifying the customer base**
  - Assisting large Enterprise organisations in transitioning to more flexible work models. Over the year agreements were signed with Telefonica, Aviva and ABN Amro amongst others

- Developing new channels – for example we signed a deal with BMW in the UK whereby MINI fleet drivers will be provided with a Businessworld membership allowing them on-demand access to the Regus network

- **Expanding the product offering**
  - Major improvements to our technology infrastructure to meet customer demands for improved performance, reliability and self-service. Key projects included: upgrading internet performance tenfold; the development and launch of CallStream VoIP platform; and an innovative mobile cloud printing service called DocumentStation
- **Yield management**
  - Providing the right space to the customer to maximise the revenue generated
- **Network optimisation**
  - Ensuring that locations remain viable and taking action where they are not performing
- **Lease management**
  - Ensuring we have sufficient flexibility within our portfolio. Currently over 82% of leases associated with our Mature business are either flexible or variable

New Centres (open on or after 1 January 2011)
We closely manage new locations. Our goal is for them to generate cash and profits in line with the rest of the mature estate as soon as possible.

Specifically:

- Our 2011 centres financial profile is in line with expectations. Totalling 139 new openings, these generated £74.0m of revenue and made a positive centre contribution of £3.8m. In the months following opening a significant amount of sales and marketing effort is required to support occupancy growth. Consequently, after application of overhead, the drag on operating profit of these centres in 2012 was £16.6m, although this figure in H2 2012 was only £3.6m as they were maturing. As in previous years we expect these centres to contribute to operating profit as they enter the mature estate.
- The 243 centres that we added during 2012 generated revenues of £39.0m and made a negative centre contribution of £8.7m, in line with our expectations. These additions contributed to a 17% increase in our overall network. The heavy overhead investment required to open and support these new centres, as well as the negative gross profit as they open, resulted in a drag of £62.5m on the Group's operating profit.

The current economic climate and weakness in the commercial property market continue to present us with excellent opportunities to grow our network on preferred terms and with a lower risk profile. As well as enabling us to respond to the strong demand we are experiencing across almost all markets, growth builds our network effect, filling in portfolio gaps and allowing us to benefit from economies of scale – whilst our network grew by 17% over the period in question, our total Group overhead costs increased by 4.1% at constant currency (2.4% at actual rates).

We remain focused on opportunities, both organic and through acquisition, that are prudent and capable of delivering sustainable returns. Acquisitions must meet the same exacting investment criteria that we apply to organic openings. Our management team has significant experience of integrating acquisitions, making rapid operational and financial improvements and then taking those acquired businesses to the next stage of their development, thereby further enhancing returns.

Third Place
Our move into Third Place is a direct result of strong customer demand and from partner organisations inviting us to develop service offerings within their networks. These spaces, such as motorway service stations and railway stations, are ones from which people are increasingly likely to work when on the move; enabled primarily by mobile technology. We continue to respond proactively to and be led by end-user demand in this exciting new field.

Achievements of note during 2012 include the expansion of our locations on the Dutch rail network with NS Trains; a new deal signed in the third quarter with SBB Railways in Switzerland; the opening of the first business centre locations on the UK motorway service network at three Extra locations; and facilities within four Staples stores in the UK. Since year end we have extended our relationship with Shell to cover 69 locations (ranging from drop-in business lounges to wifi hotspots) across the Berlin Metropolitan area and signed an agreement to add additional locations to the UK motorway network with Welcome Break. It should be noted that the capital expenditure involved in third place locations is significantly lower than for our core Mature and New Centre businesses.

While the potential of our Third Place business is exciting – wherever people may find themselves working, there is an opportunity for Regus to improve that experience – it is important to stress that it remains small and embryonic at this stage and is currently immaterial in the context of our core centre operations.

Improving our management team
As the network grows so our ability to deliver at the local level becomes far more dependent on the strength of our local, in-country management teams. In 2012 we continued to see the benefits of our approach to recruiting ahead of our growth curve. The process is ongoing and we are making significant hires at a country management level to ensure that the improvement in our results continues. At the same time we appointed several highly experienced professionals to occupy strategic roles within the Group.

Operational review
Over the year the Group opened 243 new centres (2011: 139) with the total number as of 31 December 2012 standing at 1,411 (2011: 1,203). This growth resulted in an increase in total workstation capacity (including non-consolidated workstations) of 17.7% to 240,131 and the number of consolidated workstations as at 31 December 2012 by 18.4% to 229,615. Over the period customer numbers increased by 37% to approximately 1.35 million.

To review our business more meaningfully, we will concentrate on our mature business performance development, which represents like-for-like business:

Americas
Our Americas business posted another strong performance. Mature revenues were up 4.1% at constant currency to £480.0m (up 3.6% at actual rates), with average mature occupancy of 88.6% during the period (2011: 87.7%). On an adjusted basis mature gross margins improved to 31.1% (2011: 28.7%). During the year, we added 126 centres, including our first in Halifax, Canada; Vitoria, Brazil; and Pasadena, USA, as well as entering Ecuador. This growth contributed to a 13% increase in the average number of consolidated workstations from 80,064 in 2011 to 90,617 in 2012.

EMEA
The region delivered mature revenues of £275.2m, an increase of 1.6% at constant currency, and achieved an average mature occupancy of 82.4% (2011: 83.8%). Mature gross margin, adjusted to remove the impact of the accounting changes, improved over the period to 27.8% (2011: 26.1%). During the year, we added 33 centres which contributed to a 7% increase in the average number of consolidated workstations from 38,473 in 2011 to 41,531 in 2012. We opened our first centres in Port Elizabeth, South Africa; Stavanger, Norway; and Antananarivo, Madagascar, as well as opening in Zambia.

Asia Pacific
This business delivered mature revenues of £163.4m, up 3.1% on constant currency (up 2.3% at actual rates) and achieved an average mature occupancy of 86.0% (2011: 84.3%). Adjusted mature gross margins improved to 30.6% (2011: 28.5%). During the year we added 79 new centres including Wellington, New Zealand; Sapporo, Japan; and Tianjin, China, as well as opening in Cambodia and Sri Lanka. This contributed to a 25% increase in the average number of consolidated workstations from 27,757 in 2011 to 34,557 in 2012.

UK
Our UK business delivered mature revenues of £204.2m, up 1.7% on 2011. Adjusted mature gross margins improved to 17.9% (2011: 16.1%), and average mature occupancy remained robust at 83.0% (2011 84.1%). Over the period there was a modest reduction of 1.5% in the average number of consolidated workstations to 37,754 (2011: 38,346) following a small net closure of centres.

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

	Revenue		Contribution		Reported Mature* Margin (%)		Adjusted** Mature Margin (%)	
£m	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Americas	480.0	463.3	152.9	132.7	31.9%	28.6%	31.1%	28.7%
EMEA	275.2	288.8	80.1	75.2	29.1%	26.0%	27.8%	26.1%
Asia Pacific	163.4	159.8	53.5	45.1	32.7%	28.2%	30.6%	28.5%
UK	204.2	200.7	37.9	32.1	18.6%	16.0%	17.9%	16.1%
Other	1.3	1.7	1.3	3.3	–	–	–	–
Total	**1,124.1**	**1,114.3**	**325.7**	**288.4**	**29.0%**	**25.9%**	**27.9%**	**26.0%**

* The mature business comprises centres owned and operated on or before 31 December 2010

** The adjusted mature margin is before the impact of accounting changes implemented from 1 January 2012

Outlook
Mature profitability and building long-term earnings per share and shareholder value through targeted growth remain our core focus areas. Accordingly, we will continue to focus on improving margins in our Mature business and investing in new centres which will deliver incremental returns over the medium term.

It remains our intention to achieve a global network of at least 2,000 centres by the end of 2014. We expect to add at least 350 centres, including 64 from the acquisition of MWB Business Exchange, in 2013. This number may increase if we find additional compelling opportunities or, alternatively, decrease if we cannot find enough opportunities that meet our strict financial returns criteria.

Current trading since the year end has been good and in line with our expectations. As such, we look to the year ahead with confidence.

Mark Dixon
Chief Executive Officer

5 March 2013

Chief Financial Officer's review

The Group has delivered strong, profitable growth, in line with expectations, despite prevailing currency headwinds and an uncertain economic environment throughout 2012.

We improved the performance of our Mature Centres business, increasing like-for-like revenues by 2.9% at constant currency rates. At actual rates this was an increase of 0.9%, from £1,114.3m to £1,124.1m. Similarly as the table below shows, margin performance advanced with the mature adjusted gross margin increasing from 26.0% to 27.9% and, with a strong focus on controlling absolute overheads and improving efficiency, adjusted operating margin improved still further from 9.4% to 14.1%. This delivered a 51% growth in mature adjusted operating profit from £104.8m to £158.5m. Average mature occupancy was up to 85.8% from 85.6% in 2011 and REVPOW grew by 2.4% over 2011 at constant currency rates.

Cash conversion remains a strong feature of the Mature Centres business. Over the course of the year £144.3m of free cash flow was generated, equivalent to a free cash flow margin of 12.8%, or 15.3p per share. This has allowed the Group to accelerate investment into attractive growth opportunities in order to meet the growing demand for the products and services that the Group supplies. Overall we invested £175.3m in our New Centres business and during 2012 we added 243 new centres. As expected, the fourth quarter was a particularly active period with 122 centres added to the network. Many of these came via bolt-on acquisitions.

Notwithstanding this significant investment in our business, we ended the year in a strong financial position. Net cash at 31 December 2012 stood at £120.0m (2011: £188.3m). To increase the Group's flexibility for further growth a four-year, £200m revolving credit facility was signed on 6 August 2012.

Reflecting the financial and operational progress the Group has made, we are recommending a 10% increase in the full year dividend from 2.9p to 3.2p.

Segmental presentation

To fully understand the fundamental underlying performance of the business it is necessary to look at our mature and new centres separately. This highlights the changing financial characteristics of the centres over time, with new ones negatively impacting profitability, particularly in their opening year.

Accounting changes

As announced during the year and following a review of our accounting policies on asset capitalisation and depreciation, we implemented two changes (effective from 1 January 2012) to better reflect the underlying economic reality of the business in the financial statements. As expected these changes have materially benefited reported profitability for 2012. We have, where appropriate, highlighted the net impact of these changes on the Group's performance. These changes had no impact on Group cash flow. Given that year-on-year comparisons will again be like-for-like at the level of reported figures, it is not the Board's intention to carry this additional disclosure into 2013.

Mature Centres business (centres open on or before 31 December 2010)

The table below shows the strong development of the mature performance.

Mature Centre performance

£m	**Reported 2012**	**Accounting Changes**	**Adjusted 2012**	Adjusted 2011	Accounting Changes	Reported 2011	Adjusted % increase	Reported % increase
Revenue	**1,124.1**	**–**	**1,124.1**	1,114.3	–	1,114.3	0.9%	0.9%
Gross profit (centre contribution)	**325.7**	**(12.0)**	**313.7**	289.6	1.2	288.4	8%	13%
Gross margin	**29.0%**		**27.9%**	26.0%		25.9%		
Overheads	**(154.9)**	**–**	**(154.9)**	(184.9)	–	(184.9)	16%	16%
Joint ventures	**(0.3)**	**–**	**(0.3)**	0.1	–	0.1		
Operating profit	**170.5**	**(12.0)**	**158.5**	104.8	1.2	103.6	51%	65%
Operating margin	**15.2%**		**14.1%**	9.4%		9.3%		
EBITDA	**223.1**		**223.1**	173.1		173.1	29%	29%
EBITDA margin	**19.8%**		**19.8%**	15.5%		15.5%		

At the end of December 2012 there were 1,029 centres in the mature estate, which represented approximately 73% of our global portfolio. Our focus here has remained resolutely on driving the margin forward at the centre level (gross profit), by providing the right space to the customer to maximise the revenue generated, and delivering additional overhead efficiency to generate growth in operating margins.

Our Mature Centres made good progress against both goals during the year, which is pleasing given the near absence of favourable macro trends. Revenue from these centres was £1,124.1m, an increase of 2.9% at constant currency (up 0.9% at actual exchange rates). This performance reflects average occupancy, at 85.8%, being consistently maintained at the high levels achieved in 2011, as well as growth in REVPOW. Mature REVPOW for the year improved to £7,565, an increase of 2.4% (up £183) at constant currency rates and up 0.4% (up £32) at actual rates. Not only does this like-for-like revenue growth build on the strong performance experienced since the second half of 2011 but we ended the year strongly, with REVPOW increasing 2.6% year-on-year in the fourth quarter on a constant currency basis.

Reported gross profit (centre contribution) increased 13% to £325.7m from £288.4m. Excluding the impact of the accounting changes, there was an underlying improvement of 11% at constant currency (up 8% at actual rates), reflecting the operational leverage benefit of higher revenue and strong discipline over managing centre costs. Accordingly, the adjusted gross margin has increased from 26.0% to 27.9%.

Overheads allocated to the mature estate reduced from £184.9m in the corresponding period to £154.9m which was a very pleasing result. This continues the sequential half yearly decline seen over the last few years as the Group continues to benefit from strong cost discipline across the entire business and the ability to leverage this overhead base over a significantly larger number of centres. Accordingly, overheads as a percentage of revenues have continued to decline from 16.6% of mature revenues in 2011 to 13.8% for 2012.

As a result, our reported mature operating profit increased 65% from £103.6m to £170.5m, improving the operating margin from 9.3% to 15.2%. Excluding the impact of the accounting changes, adjusted operating profits increased 51% from £104.8m to £158.5m. Reported mature EBITDA increased from £173.1m to £223.1m with the margin improving from 15.5% to 19.8%.

The table below sets out a notional EPS calculation for our mature business on both a reported and on an adjusted basis. The increase in notional adjusted mature EPS provides a more representative picture of the development in operating performance of the business, given the accounting changes outlined above.

Notional Mature earnings per share

£m	**Reported 2012**	**Accounting Changes**	**Adjusted 2012**	Adjusted 2011	Accounting Changes	Reported 2011	Adjusted % increase	Reported % increase
Mature operating profit	**170.5**	**(12.0)**	**158.5**	104.8	1.2	103.6	51%	65%
Net interest	**(5.1)**	**0.0**	**(5.1)**	(5.1)	0.0	(5.1)		
Taxation	**(33.1)**	**2.4**	**(30.7)**	(20.0)	(0.3)	(19.7)	54%	68%
Notional mature profit after tax	**132.3**	**(9.6)**	**122.7**	79.7	0.9	78.8		
Notional mature EPS	**14.0**		**13.0**	8.5		8.4	53%	67%

Commensurate with the strong advance in operating profit, notional adjusted mature EPS has improved by 67% with the reported mature EPS reaching 14.0p.

Mature Centres cash flow

Another attractive characteristic of the Mature business is its cash generation and, once again, the conversion of mature profitability into cash has been strong, continuing to make a significant contribution to the funding of our new centre growth.

Mature Centre cash flow

£m	**2012**	2011
EBITDA	**223.1**	173.1
Working capital (estimated)	**6.7**	31.2
Maintenance capital expenditure	**(48.1)**	(46.9)
Other items	**(1.9)**	(1.5)
Finance costs (all allocated to Mature)	**(2.4)**	(0.9)
Taxation*	**(33.1)**	(19.9)
Mature free cash flow	**144.3**	135.1

* Tax at 20% of profit before tax

Maintenance capital expenditure for the year was little changed at £48.1m (2011: £46.9m), representing 4.3% of annual mature revenues, in line with our guidance of 4-5%.

As anticipated, after a working capital outflow in the first half of £7.8m we saw this reverse and finished with a full year inflow. Mature free cash flow generation for 2012 represents a very creditable 15.3p per share.

New Centres (open on or after 1 January 2011)

Responding to strong and growing customer demand, we continue to invest in growing our network. In line with the updated guidance we issued in October 2012, the business opened 243 new centres. At the end of December 2012 we had 382 new centres, comprising 27% of the total number of centres.

We are realising the benefit of the substantial investment made to support our growth strategy. During the first half of the year we opened 76 centres, a significant increase compared to the 48 that were opened in the corresponding period of 2011. During the second half this rate of expansion accelerated with the addition of 167 centres (H2 2011: 91 centres).

The profit and cash flow profile of new centres can vary considerably in the early months influenced by factors such as their location and whether they are acquired or organic openings. Their impact on the reported results also depends on the timing of the opening within the year.

Overall, these new centres have represented a material investment and, with the increase in the pace of openings, represent a material drag on the Group’s income statement. This arises from the significant investment into central overheads and the initial negative gross margin while occupancy builds. The performance of our new centres continues to be in line with management expectations.

We view new centres as our future mature estate. For example, consistent with our maturity classification, on 1 January 2012 the centres opened during 2010 joined the Mature business. In line with our expectations, the 2010 openings continued to mature over the course of 2012 and narrow the performance gap with the longer established Mature 2009 business (centres opened on or before 31 December 2009). In 2012, the 2010 openings achieved a gross margin before depreciation and amortisation (CBITDA) of 30.2%, compared to 33.4% on the 2009 Mature Centres business. Using the measure of CBITDA eliminates the higher level of depreciation incurred by the 2010 openings compared to older centres in the Mature 2009 business and provides a more meaningful comparison of operational performance. At the same time, the 2010 centres achieved a post-tax cash return of over 27% on gross investment during 2012. We over anticipate that, in due course, the new 2011 and 2012 openings will deliver a similarly strong performance.

The table below illustrates the impact on the income statement of these new openings as well as the impact of the accounting changes implemented.

New Centre performance

£m	**Reported 2012**	**Accounting Changes**	**Adjusted 2012**	Adjusted 2011	Accounting Changes	Reported 2011
2011 Openings	**74.0**	**–**	**74.0**	20.1	–	20.1
2012 Openings	**39.0**	**–**	**39.0**	–	–	–
Revenue	**113.0**	**–**	**113.0**	20.1		20.1
2011 Openings	**3.8**	**(1.5)**	**2.3**	(13.6)	(5.2)	(8.4)
2012 Openings	**(8.7)**	**(8.1)**	**(16.8)**	–	–	–
Gross profit (centre contributions)	**(4.9)**	**(9.6)**	**(14.5)**	(13.6)	(5.2)	(8.4)
Overheads	**(74.2)**	**–**	**(74.2)**	(36.1)	–	(36.1)
Operating profit	**(79.1)**	**(9.6)**	**(88.7)**	(49.7)	(5.2)	(44.5)
EBITDA	**(63.1)**	**8.2**	**(71.3)**	(46.1)	(5.3)	(40.8)

The 2011 openings continued to progress to maturity in line with management's expectations. As described above, the initial financial profile of a new centre can be influenced by a number of factors. In the case of our 2011 openings, these were weighted towards the end of the year. As the anticipated build in occupancy occurred, so the expected financial performance materialised. The 2011 openings contributed a positive gross profit by the second quarter of 2012. This momentum continued and generated a gross profit for the year of £3.8m. By the fourth quarter these centres were close to operating profit break even.

Also, as anticipated, the openings in 2012 delivered a negative gross profit of £8.7m and, as is normal, attracted a significant level of overhead costs, resulting in an overall drag of £62.5m on Group operating profit.

We set out below the cash flow impact of the investment in new centres:

Investment in new centres

£m	**2012**	2011
EBITDA	**(63.1)**	(40.8)
Working capital (estimated)	**39.7**	19.6
Growth capital expenditure	**(171.1)**	(91.4)
Taxation	**19.2**	9.2
New investment in growth	**(175.3)**	(103.4)

During 2012 the Group significantly increased its investment into growing the business from £103.4m to £175.3m. New centres continue to have a positive impact on working capital. Every potential new centre location is rigorously evaluated by the investment committee and has to meet stringent financial hurdles before being approved. This is a process we continue to focus on.

Closures

In addition to the normal expiry of lease commitments we constantly review our portfolio of centres against strong performance criteria. Accordingly, during 2012 we closed or relocated 26 centres (2011: 20). These centres contributed an operating loss of £1.2m in 2012, against a loss of £4.6m in the corresponding period.

Third Place

Our Third Place business has gained momentum during 2012 and the pipeline of potential opportunities is strong. While we are encouraged with progress made to date, it still remains too early to evaluate the full financial potential, both in terms of investment and returns. As such, we have continued to report the results within our 'New Centre' segment. When the business becomes more meaningful, we will separate out the results. As previously stated, there is no relaxation of our investment criteria in appraising these opportunities.

Overheads

In a year when we have significantly increased our network, we have maintained a strong focus on cost management. Total overhead costs increased just 4.1% at constant currency (2.5% at actual rates) to £230.2m (2011: £224.7m). Our network increased by 17% in the same period and our overhead per available workstation was back below the level in 2010. As a result, total Group overheads as a percentage of revenue have fallen to 18.5% (2011: 19.3%).

This has been achieved whilst increasing investment in areas which differentiate us from other market participants: in the product development team to drive innovation; and in our property team to drive accelerated growth, which in itself drives additional overhead costs as new centres require a higher investment in sales and marketing than Mature Centres. Other costs continue to be rigorously controlled which, along with efficiency and productivity improvement, ensures that we continue to realise the benefits of economies of scale.

The methodology by which we have allocated overheads to the various elements of our business is consistent with that used in presenting the results for 2011. There are four elements to the allocation:

- It is estimated that 90% of property team costs are spent on supporting our growth programme;
- On average, each additional centre costs £130,000. This reflects the cost of management time, sales and marketing set-up costs (which are deducted before the allocation of sales and marketing costs as outlined below), human resources, recruitment and training costs, administrative and finance set-up costs and professional costs associated with acquisitions;
- For the remainder of the sales and marketing costs, the principle is that the allocation is made on the basis of new workstation sales as the nature of the spend is to generate new enquiries and to convert these into new sales; and,
- For all other overhead costs we follow the principle of allocating the costs pro-rata by reference to time-apportioned available workstation numbers.

Group operating profit reconciliation

The tables below reconcile the elements of our business by maturity to the Group consolidated income statement down to operating profit and including EBITDA.

Overall, Group revenues increased 7.0% from £1,162.6m to £1,244.1m (a 9.2% increase at constant currency rates). Reported gross profit increased 15% from £279.1m to £320.7m and, with the operational leverage enjoyed by the business, operating profit advanced 66% from £54.5m to £90.2m.

Group operating profit reconciliation

£m	**Mature centres 2012**	**New centres 2012**	**Closed centres 2012**	**Total 2012**
Revenue	**1,124.1**	**113.0**	**7.0**	**1,244.1**
Cost of sales	**(798.4)**	**(117.9)**	**(7.1)**	**(923.4)**
Centre contribution	**325.7**	**(4.9)**	**0.1**	**320.7**
Overheads	**(154.9)**	**(74.2)**	**(1.1)**	**(230.2)**
Share of profit on JV	**(0.3)**	**–**	**–**	**(0.3)**
Operating profit	**170.5**	**(79.1)**	**(1.2)**	**90.2**
EBITDA	**223.1**	**(63.1)**	**(0.7)**	**159.3**

£m	Mature centres 2011	New centres 2011	Closed centres 2011	Total 2011
Revenue	1,114.3	20.1	28.2	1,162.6
Cost of sales	(825.9)	(28.5)	(29.1)	(883.5)
Centre contribution	288.4	(8.4)	(0.9)	279.1
Overheads	(184.9)	(36.1)	(3.7)	(224.7)
Share of profit on JV	0.1	–	–	0.1
Operating profit	103.6	(44.5)	(4.6)	54.5
EBITDA	173.1	(40.8)	(2.4)	129.3

Net finance costs

Although the Group remains in a strong net cash position despite the significant investment into New Centre growth, a net finance charge of £5.1m was incurred (2011: £5.1m). As expected, the net charge was impacted in the second half by £2.2m of costs related to the new four-year, £200m revolving credit facility and the renewal of our £85m guarantee facility for a further four years. The Group also incurred a notional interest charge of £1.4m (2011: £2.0m) relating to the accounting treatment of a fair value adjustment on an acquisition in 2006.

Tax

The tax charge for the year was 16.7% (2011: 18.2%). As previously highlighted, this is low as a result of the accounting changes outlined above, which had a material positive impact on reported profitability but limited implications for taxation.

The Board continues to believe that 20% remains the long-term underlying effective tax rate for the Group.

Earnings per share

The Group earnings per share increased to 7.5p (2011: 4.3p). 2012 saw a significant increase in the centre network and, as previously highlighted, our new centres create a significant drag on profits, which impacts the statutory earnings per share for the Group.

The weighted average number of shares in issue remained broadly unchanged at 941,921,816 (2011: 941,898,916). No shares were purchased by the Group during the period.

Cash flow and funding

The table below reflects the Group's cash flow.

Group cash flow

£m	2012	2011
Mature cash flow	**144.3**	135.1
New investment in new centres	**(175.3)**	(103.4)
Closed centres cash flow	**(6.4)**	(4.5)
Exceptional items	**–**	(1.9)
Total net cash flow from operations	**(37.4)**	25.3
Dividends	**(28.2)**	(25.0)
Corporate financing activities	**(0.3)**	0.1
Change in cash & cash equivalents	**(65.9)**	0.4
Opening net cash	**188.3**	191.5
Exchange movements	**(2.4)**	(3.6)
Closing net cash	**120.0**	188.3

Underlying cash generation from the Mature business remains strong with a mature free cash flow of £144.3m. Again, the mature cash flow has largely funded the uplift in investment in new centre openings. During 2012, £175.3m was invested in new centres compared to £103.4m in the corresponding period.

Notwithstanding this growth investment, the Group remained in a healthy financial position. At 31 December 2012 the Group had net cash of £120.0m (2011: £188.3m).

To provide additional flexibility, on 6 August 2012 the Group signed a four-year, £200m revolving credit facility with a consortium of six banks.

As our business grows (we have opened 382 centres over the last two years to stand at 1,411 centres at 31 December 2012), the underlying operational cash generation increases further, as does our ability to fund growth from internal cash generation.

We estimate that, all other things being equal, we would be able to fund approximately 250 new centres in 2013 from internally generated funds. Currently, however, we expect to add at least 350 centres during 2013 (including 64 through the acquisition of MWB Business Exchange). If we achieve this level of new centre openings, we would anticipate ending 2013 with a modest, positive net cash position.

We believe that the combination of our strong net cash position, increased operational cash generation and access to the revolving credit facility, provide the Group with the appropriate financial headroom to execute our strategy and remain focused on maintaining a robust capital structure.

The Group is driven by risk-adjusted returns and will only continue to invest if the environment and centre performance meet our stringent returns criteria. Accordingly, we have always indicated that we can shut off growth very quickly in the event that we determine a need to do so.

Risk management

The principal risks and uncertainties affecting the Group remain unchanged. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risks can be found in the corporate governance section in the 2012 Annual Report and Accounts.

We continue to monitor the attempts by the International Accounting Standards Board to find a solution to the perennial debate on lease accounting. Until the second Exposure Draft is published it remains unclear how this debate will conclude. Regardless, it will have no impact on the underlying commercial dynamics of our business. Timing around the publication of the second Exposure Draft remains fluid.

Related parties

Details of related party transactions that have taken place in the period can be found in note 30 to the 2012 Annual Report and Accounts. There have been no changes to the type of related transaction entered into by the Group that had a material effect on the financial statements for the period ended 31 December 2012.

Dividends

Subject to shareholder approval, we will increase the final dividend for 2012 by 10% to 2.2p (2011: 2.0p). This will be paid on Friday 31 May 2013, to shareholders on the register at the close of business on Friday 3 May 2013. This represents an increase in the full year dividend of 10%, taking it from 2.9p for 2011 to 3.2p for 2012.

Dominique Yates
Chief Financial Officer

5 March 2013

Consolidated income statement

Continuing operations	Notes	Year ended 31 Dec 2012 Total £m	Year ended 31 Dec 2011 (Restated*) Total £m
Revenue	3	**1,244.1**	1,162.6
Cost of sales		**(923.4)**	(883.5)
Gross profit (centre contribution)		**320.7**	279.1
Administration expenses		**(230.2)**	(224.7)
Share of (loss)/profit on joint ventures	20	**(0.3)**	0.1
Operating profit	5	**90.2**	54.5
Finance expense	8	**(5.9)**	(6.4)
Finance income	8	**0.8**	1.3
Profit before tax for the year		**85.1**	49.4
Tax charge	9	**(14.2)**	(9.0)
Profit after tax for the year		**70.9**	40.4
Profit attributable to:			
Equity shareholders of the parent		**70.9**	41.7
Non-controlling interests		**–**	(1.3)
Profit for the year		**70.9**	40.4
Earnings per ordinary share (EPS) after exceptional items:			
Basic (p)	10	**7.5**	4.3
Diluted (p)	10	**7.5**	4.3

* Restatement described in note 2

Consolidated statement of comprehensive income

	Notes	**Year ended 31 Dec 2012 £m**	Year ended 31 Dec 2011 £m (Restated*)
Profit for the year		**70.9**	40.4
Other comprehensive income:			
Actuarial loss for the year	25	**(0.1)**	(0.1)
Foreign currency translation differences for foreign operations, net of income tax		**(14.5)**	(4.1)
Other comprehensive income for the year, net of income tax		**(14.6)**	(4.2)
Total comprehensive income for the year		**56.3**	36.2
Total comprehensive income attributable to:			
Equity shareholders of the parent		**56.3**	37.5
Non-controlling interests		**–**	(1.3)
Total comprehensive income for the year		**56.3**	36.2

* Restatement described in note 2

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 2011	**9.5**	**(7.1)**	**52.6**	**10.5**	**15.3**	**404.9**	**485.7**	**0.1**	**485.8**
Impact of change in accounting policy**	–	–	–	–	–	8.2	8.2	–	8.2
Restated balance at 1 January 2011	**9.5**	**(7.1)**	**52.6**	**10.5**	**15.3**	**413.1**	**493.9**	**0.1**	**494.0**
Total comprehensive income for the year:									
Profit for the year (Restated*)	–	–	–	–	–	41.7	41.7	(1.3)	40.4
Other comprehensive income:									
Actuarial loss for the year (note 25)	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Foreign currency translation differences for foreign operations, net of tax	–	–	(4.1)	–	–	–	(4.1)	–	(4.1)
Total other comprehensive income, net	**–**	**–**	**(4.1)**	**–**	**–**	**(0.1)**	**(4.2)**	**–**	**(4.2)**
Total comprehensive income for the year	**–**	**–**	**(4.1)**	**–**	**–**	**41.6**	**37.5**	**(1.3)**	**36.2**
Transactions with owners, recorded directly in equity									
Share-based payments	–	–	–	–	–	0.6	0.6	–	0.6
Ordinary dividend paid	–	–	–	–	–	(25.0)	(25.0)	–	(25.0)
Acquisition of non-controlling interest	–	–	–	–	–	(5.1)	(5.1)	1.2	(3.9)
Settlement of share awards	–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Restated balance at 31 December 2011	**9.5**	**(7.1)**	**48.5**	**10.5**	**15.3**	**424.0**	**500.7**	**–**	**500.7**
Total comprehensive income for the year:									
Profit for the year	–	–	–	–	–	70.9	70.9	–	70.9
Other comprehensive income:									
Actuarial loss for the year (note 25)	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Foreign currency translation differences for foreign operations, net of tax	–	–	(14.5)	–	–	–	(14.5)	–	(14.5)
Total other comprehensive income, net	–	–	(14.5)	–	–	(0.1)	(14.6)	–	(14.6)
Total comprehensive income for the year	–	–	(14.5)	–	–	70.8	56.3	–	56.3
Transactions with owners, recorded directly in equity									
Share-based payments	–	–	–	–	–	0.6	0.6	–	0.6
Ordinary dividend paid	–	–	–	–	–	(28.2)	(28.2)	–	(28.2)
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–
Settlement of share awards	–	0.1	–	–	–	(2.1)	(2.0)	–	(2.0)
Balance at 31 December 2012	**9.5**	**(7.0)**	**34.0**	**10.5**	**15.3**	**465.1**	**527.4**	**–**	**527.4**

* Restatement described in note 2

** Net of foreign exchange impact

(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 2012 Treasury shares represent 8,982,139 (2011: 9,070,906) 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, nil shares were purchased in the open market and 88,767 Treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 5 March 2013, 8,982,139 Treasury shares were held.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
- The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate from historic to fair value at the time of the acquisition of the outstanding 58% interest on 19 April 2006.
- Other reserves include £37.9m arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5m relating to merger reserves and £0.1m to the redemption of preference shares partly offset by £29.2m arising from the Scheme of Arrangement undertaken in 2003.

Consolidated balance sheet

	Notes	**As at 31 Dec 2012 £m**	As at 31 Dec 2011 £m (Restated*)	As at 1 Jan 2011 £m (Restated*)
Non-current assets				
Goodwill	12	**317.0**	285.4	282.4
Other intangible assets	13	**46.9**	45.9	48.4
Property, plant and equipment	14	**437.5**	333.5	279.5
Deferred tax assets	9	**33.9**	32.2	36.6
Other long-term receivables	15	**35.7**	37.9	34.0
Investments in joint ventures	20	**1.7**	2.6	3.9
		872.7	737.5	684.8
Current assets				
Trade and other receivables	16	**290.8**	271.3	248.7
Corporation tax receivable	9	**5.7**	7.4	13.3
Liquid investments		**–**	–	10.4
Cash and cash equivalents	22	**132.3**	197.5	194.2
		428.8	476.2	466.6
Total assets		**1,301.5**	1,213.7	1,151.4
Current liabilities				
Trade and other payables (incl. customer deposits)	17	**(447.7)**	(425.1)	(388.4)
Deferred income		**(151.1)**	(141.6)	(125.8)
Corporation tax payable	9	**(6.8)**	(6.3)	(17.0)
Obligations under finance leases	18	**(0.6)**	(1.5)	(2.3)
Bank and other loans	18	**(4.8)**	(0.9)	(5.5)
Provisions	19	**(1.5)**	(3.0)	(2.8)
		(612.5)	(578.4)	(541.8)
Net current liabilities		**(183.7)**	(102.2)	(75.2)
Total assets less current liabilities		**689.0**	635.3	609.6
Non-current liabilities				
Other payables	17	**(147.4)**	(117.8)	(99.1)
Obligations under finance leases	18	**(0.1)**	(0.8)	(1.9)
Bank and other loans	18	**(6.8)**	(6.0)	(3.4)
Deferred tax liability	9	**(1.3)**	(0.5)	(0.1)
Provisions	19	**(4.6)**	(8.2)	(9.8)
Provision for deficit on joint ventures	20	**(1.2)**	(1.2)	(1.3)
Retirement benefit obligations	25	**(0.2)**	(0.1)	–
		(161.6)	(134.6)	(115.6)
Total liabilities		**(774.1)**	(713.0)	(657.4)
Total assets less liabilities		**527.4**	500.7	494.0
Total equity				
Issued share capital	21	**9.5**	9.5	9.5
Treasury shares		**(7.0)**	(7.1)	(7.1)
Foreign currency translation reserve		**34.0**	48.5	52.6
Revaluation reserve		**10.5**	10.5	10.5
Other reserves		**15.3**	15.3	15.3
Retained earnings		**465.1**	424.0	413.1
Total shareholders' equity		**527.4**	500.7	493.9
Non-controlling interests		**–**	–	0.1
Total equity		**527.4**	500.7	494.0
Total equity and liabilities		**1,301.5**	1,213.7	1,151.4

* Restatement described in note 2

Approved by the Board on 5 March 2013

Mark Dixon
Chief Executive Officer

Dominique Yates
Chief Financial Officer

Consolidated statement of cash flows

	Notes	**Year ended 31 Dec 2012 £m**	Year ended 31 Dec 2011 £m (Restated*)
Profit before tax for the year		**85.1**	49.4
Adjustments for:			
Net finance costs	8	**5.1**	5.1
Share of loss/(profit) after tax on joint ventures	20	**0.3**	(0.1)
Depreciation charge	5, 14	**63.6**	68.1
Loss on disposal of property, plant and equipment		**0.1**	1.2
Amortisation of intangible assets	5, 13	**5.5**	6.7
Loss on disposal of intangible assets		**0.1**	–
Decrease in provisions	19	**(5.1)**	(1.4)
Share-based payments		**0.6**	0.6
Other non-cash movements		**(3.8)**	(2.0)
Operating cash flows before movements in working capital		**151.5**	127.6
(Increase)/decrease in trade and other receivables		**(24.9)**	(29.1)
Increase/(decrease) in trade and other payables		**71.3**	79.9
Cash generated from operations (before exceptional items)		**197.9**	178.4
Cash inflow/(outflow) from exceptional items		**–**	(1.9)
Cash generated from operations (after exceptional items)		**197.9**	176.5
Interest paid on finance leases		**(0.1)**	(0.2)
Interest paid on credit facilities		**(3.0)**	(1.9)
Tax paid		**(13.9)**	(10.6)
Net cash inflow from operating activities		**180.9**	163.8
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	26	**(43.3)**	(6.2)
Disposal of subsidiary undertakings (net of cash disposed of)		**–**	(1.8)
Dividends received from joint ventures	20	**0.8**	1.4
Proceeds on sale of property, plant and equipment		**1.5**	–
Purchase of property, plant and equipment	14	**(169.2)**	(124.1)
Purchase of intangible assets	13	**(6.8)**	(3.9)
Interest received	8	**0.7**	1.2
Decrease in liquid investments		**–**	10.4
Net cash outflow from investing activities		**(216.3)**	(123.0)
Financing activities			
Net proceeds from issue of loans		**6.4**	0.2
Repayment of loans		**(1.9)**	(1.3)
Repayment of capital elements of finance leases		**(1.4)**	(2.0)
Acquisitions of non-controlling interests	26	**–**	(3.9)
Settlement of share awards		**(2.0)**	(1.2)
Payment of ordinary dividend	11	**(28.2)**	(25.0)
Net cash outflow from financing activities		**(27.1)**	(33.2)
Net (decrease)/increase in cash and cash equivalents		**(62.5)**	7.6
Cash and cash equivalents at beginning of year		**197.5**	194.2
Effect of exchange rate fluctuations on cash held		**(2.7)**	(4.3)
Cash and cash equivalents at end of year	22	**132.3**	197.5

* Restatement described in note 2

Notes to the accounts

1. Authorisation of financial statements
The Group and Company financial statements for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 5 March 2013 and the balance sheets were signed on the Board's behalf by Mark Dixon and Dominique Yates. 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 European Union ('Adopted IFRSs'). The Company prepares its parent Company annual accounts in accordance with Luxembourg GAAP; extracts from these are presented on page 90 of the Annual Report and Accounts.

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 annual accounts presents information about the Company as a separate entity and not about its Group.

The accounting policies set out below have 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 2012 did not have a material effect on the Group financial statements.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets introduces a rebuttable assumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in business. The adoption of this amendment has no impact on the financial position or performance of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. In the amended standard these dates coincide with the date of transition to IFRS. The adoption of this amendment has no impact on the financial position or performance of the Group.

IFRS 7 Financial instruments Disclosures (Amendment) requires additional quantitative and qualitative disclosures relating to the transfer of assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, and when financial assets are not derecognised in their entirety. The adoption of this amendment has no impact 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 consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

The consolidated 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 consolidated financial statements on pages 43 to 89 of the Annual Report and Accounts.

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 10 to 13 of the Annual Report and Accounts as well as the Group's principal risks and uncertainties as set out on pages 26 and 27.

Further details on the going concern basis of preparation can be found in note 23 to the notes to the accounts on page 71 of the Annual Report and Accounts.

These Group consolidated financial statements are presented in pounds sterling (£), which is Regus plc's functional currency, 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.

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.

IFRSs not yet effective
The following IFRSs have been issued but have not been applied by the Group in these consolidated financial statements as they are effective for years beginning on or after 1 January 2013 or have not yet been endorsed by the European Union. Their adoption is not expected to have a material effect on the consolidated financial statements unless otherwise indicated:

IAS 1 Financial Statement Presentation introduces amendments to improve the presentation of the components of other comprehensive income. This statement is effective for years beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment) requires significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The adoption of this amendment is not expected to have an impact on the financial position or performance of the Group. This statement is effective for years beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (Revised) – As a consequence of the New IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation – The amendments do not change the current offsetting model in IAS 32. The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. This statement is effective for years beginning on or after 1 January 2014.

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) aligns IFRS 1 with the IAS 20 requirements (after its revision in 2008) to prospectively fair value government loans with a below-market rate of interest. The statement has added an exception that allows a first-time adopter to use its previous GAAP carrying amount for such loans on transition to IFRS. The exception applies to recognition and measurement only. Management should use the requirements of IAS 32, 'Financial instruments: Presentation', to determine whether government loans are classified as equity or as a financial liability. This statement is effective for years beginning on or after 1 January 2013.

IFRS 7 Financial Instruments Disclosure – The amendment requires an entity to disclose information about rights of set-off and related arrangements. This statement is effective for years beginning on or after 1 January 2013.

IFRS 9 Financial Instruments – Classification and Measurement addresses the classification and measurement of financial assets and liabilities as defined in IAS 39. This statement will be effective for years beginning on or after 1 January 2015.

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and Separate Financial Statements by changing whether an entity is consolidated by revising the definition of control. It also addresses the issues raised in SIC-12 Consolidation – Special Purposes Entities. The statement also provided a number of clarifications on applying this new definition of control. This statement will be effective for years beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements established principles for the financial reporting by parties to a joint arrangement. Joint control is defined as the contractually agreed sharing on control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. This statement will be effective for years beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associated and unconsolidated structured entities. This statement will be effective for years beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This statement will be effective for years beginning on or after 1 January 2013.

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 Group will adopt the above standards or amendments in the year in which they become effective and/ or endorsed by the European Union, whichever is later.

Change in accounting policy

On 1 January 2012 the Group changed its accounting policy with respect to the treatment of new centre costs. The Group believes that the capitalisation of these costs more accurately reflects the cost of bringing its assets to their usable condition. Certain related costs previously expensed will be capitalised as part of property, plant and equipment.

This change in accounting policy was applied retrospectively. The effects on the consolidated balance sheet were as follows:

£m	Property, plant & equipment	Deferred tax asset	Retained Earnings
Balance as reported at 1 January 2011	270.8	37.1	404.9
Net effect of costs capitalised on 1 January 2011	8.7	(0.5)	8.2
Restated balance at 1 January 2011	**279.5**	**36.6**	**413.1**

£m	Property, plant & equipment	Deferred tax asset	Retained Earnings/ Income Statement
Balance as reported at 31 December 2011	320.9	32.8	412.0
Net effect of costs capitalised on 1 January 2011	8.7	(0.5)	8.2
Net effect during the year	3.9	(0.1)	3.8
Restated balance at 31 December 2011	**333.5**	**32.2**	**424.0**

£m	Property, plant & equipment	Deferred tax asset	Retained Earnings/ Income Statement
Net effect of costs capitalised on 1 January 2012	12.6	(0.6)	12.0
Net effect during the year	6.3	–	6.3
Net impact at 31 December 2012	**18.9**	**(0.6)**	**18.3**

The effects on the consolidated statement of comprehensive income were as follows:

£m	**Year ended 31 Dec 2012**	Year ended 31 Dec 2011
Costs capitalised	**8.2**	5.2
Depreciation of costs capitalised	**(1.9)**	(1.3)
Tax expense	**–**	(0.1)
Net effect during the year	**6.3**	3.8

The effects on the earnings per share were as follows:

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Basic (p)	**0.7**	0.3
Diluted (p)	**0.7**	0.3

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 of non-financial assets
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, 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 2012 and updated at 31 December 2012.

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.

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, asset deal acquisition or jointly controlled entity at the date of acquisition.

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.

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.

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.

The Group conducted a review of the estimated useful life for other intangible assets. During 2012, the expected useful life for certain asset categories were adjusted prospectively to more accurately reflect the period in which the intangible assets are expected to be available for the Group. 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	5 years
Customer lists	2 years
Management agreements	Minimum duration of the contract

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

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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:

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Buildings	**50 years**	20 years
Fixtures and fittings	**10 years**	Over the shorter of the lease term and 10 years
Furniture	**10 years**	10 years
Office equipment and telephones	**5 years**	5 – 10 years
Motor vehicles	**4 years**	4 years
Computer hardware	**3 – 5 years**	3 – 5 years

The useful life of certain plant, property and equipment were revised in 2012 (refer to note 14).

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 major pension plans are of the defined contribution type. For these plans the Group's contribution and other paid and unpaid benefits earned by the employees are charged to the income statement as incurred.

For the defined benefit obligation plans, the employer's portion of past and current services cost is charged to operating profit, with the interest cost net of expected return on assets in the plans reported within other finance costs. Actuarial gains or losses are recognised in full, directly in other comprehensive income such that the balance sheet reflects the plan's deficits as at the balance sheet date.

The defined benefit obligation is calculated annually by external actuaries using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using an appropriate discount rate. In determining this discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in note 25.

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 accounts 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 for all unused tax losses 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.

Net finance expenses

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.

Costs arising on bank guarantees and letters of credit and foreign exchange gains or losses have been classified as other finance costs.

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 consist of 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 foreign operations are translated using the closing rate with all exchange differences arising on consolidation being recognised other comprehensive income, and presented in the foreign currency translation reserve in equity. 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	
	2012	2011	**2012**	2011
US dollar	**1.62**	1.55	**1.59**	1.61
Euro	**1.23**	1.20	**1.23**	1.15
Japanese yen	**140**	120	**128**	128

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 and Switzerland. 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 2011. 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.

	Americas		EMEA		Asia Pacific		United Kingdom		All other operating segments		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Revenues from external customers	**533.9**	477.5	**301.2**	301.7	**195.9**	169.1	**211.8**	212.6	**1.3**	1.7	**1,244.1**	1,162.6
Revenues from internal customers	**0.2**	–	**0.3**	0.7	**–**	–	**1.6**	1.5	**–**	–	**2.1**	2.2
Segment revenues	**534.1**	477.5	**301.5**	302.4	**195.9**	169.1	**213.4**	214.1	**1.3**	1.7	**1,246.2**	1,164.8
Gross profit (centre contribution) (Restated*)	**150.5**	130.3	**76.8**	69.2	**55.5**	44.6	**36.6**	31.7	**1.2**	1.4	**320.6**	277.2
Reportable segment profit (Restated*)	**72.2**	53.2	**26.2**	18.4	**31.7**	22.9	**12.4**	3.7	**(1.9)**	(0.3)	**140.6**	97.9
Share of profit/(loss) of joint ventures	**–**	–	**0.9**	1.0	**–**	–	**(1.2)**	(0.9)	**–**	–	**(0.3)**	0.1
Finance expense	**(0.3)**	(0.2)	**–**	(0.2)	**(0.5)**	(0.7)	**(1.6)**	(2.3)	**–**	–	**(2.4)**	(3.4)
Finance income	**–**	–	**0.1**	0.3	**0.3**	0.4	**0.1**	0.1	**–**	–	**0.5**	0.8
Depreciation and amortisation (Restated*)	**33.2**	32.1	**12.0**	14.8	**10.3**	12.8	**11.3**	13.2	**1.9**	0.7	**68.7**	73.6
Taxation (income)/charge (Restated*)	**(1.1)**	(1.2)	**9.1**	(2.1)	**6.3**	9.3	**(2.6)**	1.6	**2.5**	1.4	**14.2**	9.0
Assets (Restated*)	**683.7**	593.4	**296.2**	287.6	**201.3**	176.4	**316.7**	300.5	**1.7**	1.6	**1,499.6**	1,359.5
Liabilities	**(399.1)**	(323.0)	**(334.5)**	(310.0)	**(178.7)**	(165.7)	**(306.6)**	(285.7)	**(0.6)**	(0.6)	**(1,219.5)**	(1,085.0)
Net assets/(liabilities) (Restated*)	**284.6**	270.4	**(38.3)**	(22.4)	**22.6**	10.7	**10.1**	14.8	**1.1**	1.0	**280.1**	274.5
Non-current asset additions (Restated*)	**99.0**	74.1	**24.0**	22.0	**28.6**	19.7	**11.4**	9.3	**–**	–	**163.0**	125.1

* Restatement described in note 2

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.

								2012
£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	**1,246.2**	**320.6**	**140.6**	**(0.3)**	**(2.4)**	**0.5**	**68.7**	**138.4**
Exclude: Internal revenue	**(2.1)**	**(2.1)**	**–**	**–**	**–**	**–**	**–**	**–**
Corporate overheads	**–**	**2.2**	**(50.0)**	**–**	**(2.2)**	**0.3**	**0.4**	**(51.9)**
Foreign exchange gains and losses	**–**	**–**	**(0.1)**	**–**	**(1.3)**	**–**	**–**	**(1.4)**
Published Group total	**1,244.1**	**320.7**	**90.5**	**(0.3)**	**(5.9)**	**0.8**	**69.1**	**85.1**

£m	Revenue	Gross profit (centre contribution)	Operating profit	Share of JV profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
								2011 (Restated*)
Reportable segment results	1,164.8	277.2	97.9	0.1	(3.4)	0.8	73.6	95.4
Exclude: Internal revenue	(2.2)	(2.2)	–	–	–	–	–	–
Corporate overheads	–	4.1	(43.3)	–	(0.4)	0.5	–	(43.2)
Foreign exchange gains and losses	–	–	(0.2)	–	(2.6)	–	1.2	(2.8)
Published Group total	1,162.6	279.1	54.4	0.1	(6.4)	1.3	74.8	49.4

* Restatement described in note 2

£m	**Assets**	**Liabilities**	**Net assets/ (liabilities)**
			2012
Reportable segment results	**1,499.6**	**(1,219.5)**	**280.1**
Exclude: Segmental inter-company amounts	**(324.6)**	**465.7**	**141.1**
Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments)			
Cash	**73.0**	**–**	**73.0**
Deferred Taxation	**22.0**	**–**	**22.0**
Other	**31.5**	**(20.3)**	**11.2**
Published Group total	**1,301.5**	**(774.1)**	**527.4**

£m	Assets	Liabilities	Net assets/ (liabilities)
			2011 (Restated*)
Reportable segment results	1,359.5	(1,085.0)	274.5
Exclude: Segmental inter-company amounts	(291.4)	382.8	91.4
Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments)			
Cash	113.4	–	113.4
Deferred Taxation*	19.0	–	19.0
Other	13.2	(10.8)	2.4
Published Group total	1,213.7	(713.0)	500.7

* Restatement described in note 2

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.

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

£m	2012 External revenue	2012 Non-current assets[a]	2011 (Restated*) External revenue	2011 (Restated*) Non-current assets[a]
Country of domicile – Luxembourg	**3.0**	**0.6**	**3.4**	**0.6**
United States of America	**400.6**	**373.8**	**365.1**	**320.6**
United Kingdom	**213.0**	**163.6**	**213.0**	**165.2**
All other countries	**627.5**	**300.8**	**581.1**	**218.9**
	1,244.1	**838.8**	**1,162.6**	**705.3**

(a) Excluding deferred tax assets

* Restatement described in note 2

5. Operating profit

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

	Notes	2012 £m	2011 £m (Restated*)
Depreciation on property, plant and equipment			
Owned assets	14	**62.7**	66.2
Finance leases	14	**0.9**	1.9
Amortisation of intangibles	13	**5.5**	6.7
Provision for bad debts		**2.2**	5.1
Loss on disposal of property, plant and equipment		**0.1**	1.2
Loss on disposal of intangibles		**0.1**	–
Exchange losses recognised in the income statement		**0.4**	0.4
Rents payable in respect of operating leases			
Property		**430.6**	414.9
Contingent rents paid		**15.5**	14.9
Equipment		**1.5**	1.5
Amortisation of UK acquisition fair value adjustments	13	**(4.1)**	(4.6)
Staff costs	7	**257.4**	232.7

* Restatement described in note 2

	2012 £m	2011 £m
Fees payable to the Group's auditor for the audit of the Group accounts	**0.3**	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	**1.3**	1.3
Other services pursuant to legislation		
Tax services	**–**	0.1
Other services	**–**	0.1

6. Exceptional items

	2012 £m	2011 £m
Administration expenses:		
2011 Restructuring plan (charge)	**–**	(2.5)
2010 Restructuring plan release/(charge)	**–**	2.5
	–	–

No exceptional items were incurred during the year ended 31 December 2012.

During the year ended 31 December 2011 the Group completed the restructuring of specific entities within the Group at a net cost of £2.5m. This balance consists of expenditure arising on the following categories: asset write-down, reorganisation costs and other costs. There is no provision recognised at year end.

7. Staff costs

	2012 £m	2011 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**216.2**	194.1
Social security	**37.5**	35.2
Pension costs	**3.1**	2.8
Share-based payments	**0.6**	0.6
	257.4	232.7

	2012 Average full time equivalents	2011 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	**4,478**	3,984
Sales & marketing staff	**943**	871
Finance staff	**827**	774
Other staff	**890**	823
	7,138	6,452
Americas	**2,701**	2,483
EMEA	**1,668**	1,610
Asia Pacific	**991**	960
United Kingdom	**881**	976
Corporate functions	**897**	423
	7,138	6,452

Details of Directors' emoluments and interests are given on pages 32 to 41 in the Remuneration Report of the Annual Report and Accounts.

8. Net finance expense

	2012 £m	2011 £m
Interest payable and similar charges on bank loans	**(0.9)**	(1.2)
Interest payable and similar charges of finance leases	**(0.1)**	(0.2)
Total interest expense	**(1.0)**	(1.4)
Other finance costs	**(3.5)**	(3.0)
Unwinding of discount rates	**(1.4)**	(2.0)
Total finance expense	**(5.9)**	(6.4)
Total interest income	**0.7**	1.2
Unwinding of discount rates	**0.1**	0.1
Total finance income	**0.8**	1.3
Net finance expense	**(5.1)**	(5.1)

9. Taxation

(a) Analysis of charge in the year

	2012 £m	2011 £m (Restated*)
Current taxation		
Corporate income tax	**(19.9)**	(13.5)
Previously unrecognised tax losses and temporary differences	**4.4**	1.5
(Under)/over provision in respect of prior years	**(0.2)**	7.4
Total current taxation	**(15.7)**	(4.6)
Deferred taxation		
Origination and reversal of temporary differences	**(6.7)**	(7.3)
Previously unrecognised tax losses and temporary differences	**9.0**	4.4
(Under)/over provision in respect of prior years	**(0.8)**	(1.5)
Total deferred taxation	**1.5**	(4.4)
Tax charge on profit	**(14.2)**	(9.0)

* Restatement described in note 2

(b) Reconciliation of taxation charge

	2012		2011 (Restated*)	
	£m	%	£m	%
Profit before tax	**85.1**		49.4	
Tax on profit at 28.8% (2011: 28.8%)	**(24.5)**	**(28.8)**	(14.2)	(28.8)
Tax effects of:				
Expenses not deductible for tax purposes	**(8.6)**	**(10.1)**	(6.4)	(12.9)
Items not chargeable for tax purposes	**19.6**	**23.0**	20.4	41.3
Recognition of previously unrecognised deferred tax assets	**13.4**	**15.7**	5.9	11.9
Movements in temporary differences in the year not recognised in deferred tax	**(15.6)**	**(18.3)**	(13.1)	(26.5)
Other movements in temporary differences	**0.3**	**0.4**	(7.2)	(14.5)
Adjustment to tax charge in respect of previous years	**(1.0)**	**(1.2)**	5.9	11.9
Differences in tax rates on overseas earnings	**2.2**	**2.6**	(0.3)	(0.6)
	(14.2)	**(16.7)**	(9.0)	(18.2)

* Restatement described in note 2

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

In 2011 the Group benefited 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:

	2012 £m	2011 £m
2012	**–**	2.3
2013	**1.0**	1.3
2014	**1.3**	3.7
2015	**0.8**	0.5
2016	**3.2**	3.7
2017	**10.6**	4.2
2018	**3.9**	3.6
2019	**1.6**	–
2020 and later	**83.6**	100.1
	106.0	119.4
Available indefinitely	**152.2**	139.4
Tax losses available to carry forward	**258.2**	258.8
Amount of tax losses recognised in the deferred tax asset*	**120.6**	100.4
Total tax losses available to carry forward	**378.8**	359.2

* Restatement described in note 2

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

	2012 £m	2011* £m
Intangibles	**41.8**	44.9
Accelerated capital allowances	**10.1**	11.8
Tax losses	**73.6**	78.9
Rent	**5.5**	0.2
Short-term timing differences	**9.0**	7.5
	140.0	143.3

* Restatement described in note 2

Estimates relating to deferred tax assets, including assumptions about future profitability, are re-evaluated at the end of each reporting period.

(d) Corporation tax

	2012 £m	2011 £m
Corporation tax payable	**(6.8)**	(6.3)
Corporation tax receivable	**5.7**	7.4

(e) Deferred taxation
The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m (Restated*)	Tax losses £m (Restated*)	Rent £m (Restated*)	Short term temporary differences £m (Restated*)	Total £m (Restated*)
Deferred tax asset						
At 1 January 2011	(21.1)	28.1	15.0	18.8	(3.7)	37.1
Change in accounting policy*	–	(2.9)	1.5	0.1	0.8	(0.5)
At 1 January 2011 (restated*)	(21.1)	25.2	16.5	18.9	(2.9)	36.6
Current year movement	(13.1)	(0.5)	(4.2)	3.8	11.0	(3.0)
Prior year movement	(0.3)	0.4	15.9	0.4	(18.1)	(1.7)
Direct reserves movement	–	–	–	–	–	–
Transfers	0.1	–	0.1	0.3	0.2	0.7
Exchange movement	0.6	(0.6)	(0.3)	(0.4)	0.3	(0.4)
At 1 January 2012 (restated*)	(33.8)	24.5	28.0	23.0	(9.5)	32.2
Current year movement	(4.4)	(1.6)	7.8	0.1	0.5	2.4
Prior year movement	–	(0.8)	(0.2)	0.2	–	(0.8)
Direct reserves movement	–	–	–	–	–	–
Transfers	0.1	0.6	–	(0.1)	0.1	0.7
Exchange movement	2.4	(0.9)	0.2	(1.3)	(1.0)	(0.6)
At 31 December 2012	**(35.7)**	**21.8**	**35.8**	**21.9**	**(9.9)**	**33.9**
Deferred tax liability						
At 1 January 2011	(0.2)	–	–	0.2	(0.1)	(0.1)
Current year movement	–	–	–	0.1	–	0.1
Prior year movement	–	–	0.1	–	0.1	0.2
Acquisitions	–	–	–	–	–	–
Transfers	(0.1)	–	(0.1)	(0.3)	(0.2)	(0.7)
Exchange movement	–	–	–	–	–	–
At 1 January 2012	(0.3)	–	–	–	(0.2)	(0.5)
Current year movement	(0.1)	0.1	–	–	(0.1)	(0.1)
Prior year movement	–	–	–	–	–	–
Transfers	(0.1)	(0.6)	–	0.1	(0.1)	(0.7)
Exchange movement	–	–	–	–	–	–
At 31 December 2012	**(0.5)**	**(0.5)**	**–**	**0.1**	**(0.4)**	**(1.3)**

* Restatement described in note 2

The movement in deferred taxes included above are after the offset of deferred tax assets and deferred tax liabilities where there is a legally enforceable right to set off and they relate to income taxes levied by the same taxation authority.

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 £172.3m (2011: £182.1m (restated)). The only tax that would arise on these reserves would be non-creditable withholding tax.

10. Earnings per ordinary share (basic and diluted)

	2012	2011 (Restated*)
Profit attributable to equity shareholders of the parent (£m)	**70.9**	40.4
Weighted average number of shares outstanding during the year	**941,921,816**	941,898,916
Average market price of one share during the year	**100.12p**	94.79p
Weighted average number of shares under option during the year	**10,778,358**	3,674,249
Exercise price for shares under option during the year	**68.56p**	58.23p

* Restatement described in note 2

	Profit		Earnings per share	
	2012 £m	2011 £m (Restated*)	**2012 pence**	2011 pence (Restated*)
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	**70.9**	40.4	**7.5**	4.3
Diluted earnings per share			**7.5**	4.3
Weighted average number of shares for basic EPS (number)			**941,921,816**	941,898,916
Weighted average number of shares under option during the year			**10,778,358**	3,674,249
Weighted average number of shares that would have been issued at average market price			**(8,037,963)**	(2,286,139)
Weighted average number of awards under the CIP and LTIP			**1,207,103**	2,465,389
Weighted average number of shares for diluted EPS (number)			**945,869,314**	945,752,415

* Restatement described in note 2

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

	2012	2011
Dividends per ordinary share proposed	**2.2p**	2.0p
Interim dividends per ordinary share declared and paid during the year	**1.0p**	0.9p

Dividends of £28.2m were paid during the year (2011: £25.0m). The Company has proposed to shareholders that a final dividend of 2.2p per share will be paid (2011: 2.0p). Subject to shareholder approval it is expected that the dividend will be paid on 31 May 2013.

12. Goodwill

	£m
Cost	
At 1 January 2011	282.4
Recognised on acquisition of subsidiaries	4.6
Exchange differences	(1.6)
At 1 January 2012	**285.4**
Recognised on acquisition of subsidiaries	39.3
Exchange differences	(7.7)
At 31 December 2012	**317.0**
Net book value	
At 1 January 2012	285.4
At 31 December 2012	**317.0**

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:

	2012 **£m**	2011 £m
Carrying amount of goodwill included within the Americas business segment	**185.3**	171.3
Carrying amount of goodwill included within the EMEA business segment	**10.3**	5.9
Carrying amount of goodwill included within the Asia Pacific business segment	**25.1**	11.9
Carrying amount of goodwill included within the UK business segment	**96.3**	96.3
	317.0	285.4

The carrying value of goodwill and indefinite life 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 20 countries (20 cash generating units). The goodwill and indefinite life intangibles allocated to the USA and the UK cash generating units are set out below:

	Goodwill £m	Intangible assets £m	**2012** **£m**	2011 £m
USA	158.8	–	**158.8**	149.5
UK	96.3	11.2	**107.5**	107.5
Other cash generating units	61.9	–	**61.9**	39.6
	317.0	11.2	**328.2**	296.6

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. Management believe that the projected cash flows 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 cash flows, 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 the budget for 2013 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 2013 that reflect an average annual growth rate of 3% (2011: 3% to 5.6%).
- These forecasts exclude the impact of both organic and acquisitive growth expected to take place in future periods. 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 2017 have been extrapolated using a 2% 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 applies a country specific pre-tax discount rate to the pre-tax cash flows for each CGU. The country specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. Based on a very conservative set of assumptions, the Group WACC is then adjusted for each CGU to reflect the assessed market risk specific to that country. The Group WACC increased marginally to 14% in 2012 (2011: 13%). The market risk adjustment has been set between 16% and 20% (2011: 13% to 19%).

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 make 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 prolonged or to deteriorate greater 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 CGUs are sufficiently large to enable the Directors to conclude that a reasonably possible change in the key assumptions would not result in an impairment charge in any of the CGUs. Foreseeable events are unlikely to result in a change in the projections of such a significant nature as to result in the CGUs carrying amount exceeding their recoverable amount.

The key assumptions used in the US model are prudent in 2013 and forecast the centre contribution to drop to 25% from 28%. Revenue and costs grow at 3% per annum from 2012 maintaining a terminal 2017 centre gross margin of 25%. Thereafter a 2% 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 19% (2011: 18%).

The UK model assumes an ongoing recovery reverting to mid-cycle revenue and occupancy being achieved in 2017 prior to the application of the long-run growth rate and discount rates used. This model forecasts a 2013 centre contribution of 22%, with an average centre contribution of 21% over the next five years. Thereafter a 2% 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 15% (2011: 13%).

Management has considered the following sensitivities:

Market growth and WIPOW – Management has considered the impact of a variance in market growth and WIPOW. The value in use calculation shows that if the long-term growth rate was reduced to nil, the recoverable amount of the US and UK CGUs would still be greater than their carrying value.

Discount rate – Management has considered the impact of an increase in the discount rate applied to the calculation. The value-in-use calculation shows that for the recoverable amount of the CGU to be less than its carrying value, the pre-tax discount rate would have to be increased to 28% (2011: 25%) for the US CGU and 28% (2011: 17%) for the UK CGU.

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

13. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2011	53.8	22.1	16.3	92.2
Additions at cost	–	0.1	3.8	3.9
Acquisition of subsidiaries	–	0.4	–	0.4
Disposals	–	–	–	–
Exchange rate movements	–	–	(0.2)	(0.2)
At 1 January 2012	**53.8**	**22.6**	**19.9**	**96.3**
Additions at cost	–	0.2	6.6	6.8
Acquisition of subsidiaries	–	1.1	–	1.1
Disposals	–	–	–	–
Exchange rate movements	(1.7)	(0.5)	(0.5)	(2.7)
At 31 December 2012	**52.1**	**23.4**	**26.0**	**101.5**
Amortisation				
At 1 January 2011	13.8	17.0	13.0	43.8
Charge for the year	2.0	2.6	2.1	6.7
Disposals	–	–	–	–
Exchange rate movements	–	–	(0.1)	(0.1)
At 1 January 2012	**15.8**	**19.6**	**15.0**	**50.4**
Charge for year	2.1	1.3	2.1	5.5
Disposals	–	–	–	–
Exchange rate movements	(0.6)	(0.3)	(0.4)	(1.3)
At 31 December 2012	**17.3**	**20.6**	**16.7**	**54.6**
Net book value				
At 1 January 2011	40.0	5.1	3.3	48.4
At 31 December 2011	38.0	3.0	4.9	45.9
At 31 December 2012	**34.8**	**2.8**	**9.3**	**46.9**

Included with the brand value is £11.2m 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-indefinite life brands is 12 years.

14. Property, plant and equipment

	Land and buildings £m	Furniture, fittings and motor vehicles £m (Restated*)	Computer hardware £m	Total £m (Restated*)
Cost				
At 1 January 2011	5.6	672.7	42.5	720.8
Change in accounting policy	–	11.9	–	11.9
At 1 January 2011 (Restated*)	5.6	684.6	42.5	732.7
Additions	–	112.6	6.3	118.9
Acquisition of subsidiaries	–	2.5	–	2.5
Disposals	–	(8.1)	(1.4)	(9.5)
Exchange rate movements	–	(9.4)	(0.4)	(9.8)
Change in accounting policy	–	5.2	–	5.2
At 1 January 2012 (Restated*)	**5.6**	**787.4**	**47.0**	**840.0**
Additions	2.5	155.2	11.5	169.2
Acquisition of subsidiaries	–	12.0	0.4	12.4
Disposals	–	(17.0)	(0.2)	(17.2)
Exchange rate movements	–	(28.0)	(4.2)	(32.2)
At 31 December 2012	**8.1**	**909.6**	**54.5**	**972.2**
Accumulated depreciation				
At 1 January 2011	–	416.1	33.9	450.0
Change in accounting policy	–	3.2	–	3.2
At 1 January 2011 (Restated*)	–	419.3	33.9	453.2
Charge for the year	0.3	61.0	5.5	66.8
Disposals	–	(6.8)	(1.4)	(8.2)
Exchange rate movements	–	(5.9)	(0.7)	(6.6)
Change in accounting policy	–	1.3	–	1.3
At 1 January 2012 (Restated*)	**0.3**	**468.9**	**37.3**	**506.5**
Charge for the year	0.3	57.4	5.9	63.6
Disposals	–	(15.3)	(0.2)	(15.5)
Exchange rate movements	–	(17.6)	(2.3)	(19.9)
Balance at 31 December 2012	**0.6**	**493.4**	**40.7**	**534.7**

* Restatement described in note 2

	Land and buildings £m	Furniture, fittings and motor vehicles £m (Restated*)	Computer hardware £m	Total £m (Restated*)
Net book value				
At 1 January 2011 (Restated*)	5.6	265.3	8.6	279.5
At 31 December 2011 (Restated*)	5.3	318.5	9.7	333.5
At 31 December 2012	**7.5**	**416.2**	**13.8**	**437.5**

* Restatement described in note 2

Additions include £nil in respect of assets acquired under finance leases (2011: £nil).

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

	2012 £m	2011 £m
Cost	**22.7**	24.4
Accumulated depreciation	**(18.3)**	(18.4)
Net book value	**4.4**	6.0

14. Property, plant and equipment (continued)

Change in estimate

The Group conducted a review of the estimated useful life for property, plant and equipment. On 1 January 2012, the expected useful life for certain asset categories was adjusted to more accurately reflect the period over which the assets are expected to be available for use by the Group. The effect of these changes on the depreciation expense, recognised in costs of sales, in current period and expected in future years is as follows:

£m	**2012**	2013	2014	2015	2016	After
Impact on the income statement	**15.3**	9.8	4.4	(0.4)	(4.9)	(24.2)

15. Other long-term receivables

	2012 £m	2011 £m
Deposits held by landlords against rent obligations	**30.9**	34.3
Amounts owed by joint ventures	**2.8**	1.9
Prepayments and accrued income	**2.0**	1.7
	35.7	37.9

16. Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**115.4**	105.7
Amounts owed by joint ventures	**2.9**	4.0
Other receivables	**27.0**	28.4
Deposits held by landlords against rent obligations	**20.7**	15.4
Prepayments and accrued income	**92.7**	91.2
VAT recoverable	**32.1**	26.6
	290.8	271.3

17. Trade and other payables

	2012 £m	2011 £m
Trade payables	**46.1**	61.6
Other tax and social security	**42.7**	31.9
Customer deposits	**198.6**	184.3
Deferred landlord contributions	**19.8**	16.4
Amounts owed to joint ventures	**0.6**	0.7
Rent accruals	**43.2**	43.1
Other accruals	**75.4**	69.6
Other payables	**21.3**	17.5
Total current	**447.7**	425.1

	2012 £m	2011 £m
Deferred landlord contributions	**76.0**	58.8
Rent accruals	**67.9**	56.5
Other payables	**3.5**	2.5
Total non-current	**147.4**	117.8

18. Borrowings

The Group's total loan and borrowing position at 31 December 2012 and at 31 December 2011 had the following maturity profiles:

Bank and other loans

	2012 £m	2011 £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	**2.1**	3.4
In more than two years but not more than five years	**4.7**	2.6
In more than five years	**–**	–
Total non-current	**6.8**	6.0
Total current	**4.8**	0.9
Total bank and other loans	**11.6**	6.9

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

	2012 £m	2011 £m
Amounts payable		
Within one year or on demand	**0.6**	1.5
In more than one year but not more than two years	**0.1**	0.9
In more than two years but not more than five years	**–**	–
	0.7	2.4
Less: finance charges allocated to future periods	**–**	(0.1)
Present value of future minimum lease payments	**0.7**	2.3
Total current	**0.6**	1.5
Total non-current	**0.1**	0.8
	0.7	2.3

19. Provisions

				2012				2011
	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	**8.5**	**0.9**	**1.8**	**11.2**	10.7	0.7	1.2	12.6
Provided in the period	**0.9**	**–**	**0.3**	**1.2**	0.4	0.3	0.7	1.4
Utilised in the period	**(1.8)**	**(0.6)**	**(1.1)**	**(3.5)**	(2.0)	(0.1)	(0.1)	(2.2)
Provisions released	**(2.2)**	**(0.2)**	**(0.2)**	**(2.6)**	(0.5)	–	–	(0.5)
Exchange differences	**(0.1)**	**(0.1)**	**–**	**(0.2)**	(0.1)	–	–	(0.1)
At 31 December	**5.3**	**–**	**0.8**	**6.1**	8.5	0.9	1.8	11.2
Analysed between:								
Current	**0.9**	**–**	**0.6**	**1.5**	1.4	0.9	0.7	3.0
Non-current	**4.4**	**–**	**0.2**	**4.6**	7.1	–	1.1	8.2
At 31 December	**5.3**	**–**	**0.8**	**6.1**	8.5	0.9	1.8	11.2

Onerous leases and closures
Provisions for onerous leases and closures 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 2022.

Restructuring
The restructuring provision was fully utilised during the financial year (2011: £0.9m).

Other
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

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2011	3.9	(1.3)	2.6
Dividends paid	(1.4)	–	(1.4)
Share of profit/(loss)	0.1	–	0.1
Exchange rate movements	–	0.1	0.1
At 1 January 2012	2.6	(1.2)	1.4
Dividends paid	(0.8)	–	(0.8)
Share of profit/(loss)	(0.3)	–	(0.3)
Other	0.2	–	0.2
Exchange rate movements	–	–	–
At 31 December 2012	**1.7**	**(1.2)**	**0.5**

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

	2012 £m	2011 £m
Income statement		
Revenue	**25.4**	20.0
Expenses	**(24.6)**	(17.5)
Profit before tax for the year	**0.8**	2.5
Tax charge	**(0.4)**	(0.3)
Profit after tax for the year	**0.4**	2.2
Net (liabilities)/assets		
Fixed assets	**7.2**	7.3
Current assets	**15.2**	16.0
Current liabilities	**(17.9)**	(17.7)
Non-current liabilities	**(7.1)**	(5.0)
Net (liabilities)/assets	**(2.6)**	0.6

21. Share capital
Ordinary equity share capital

	2012		2011	
	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
As at 1 January 2012, 8,982,139 (2011: 9,070,906) shares were held as Treasury shares. During the year ended 31 December 2012, Regus plc repurchased nil (2011: nil) of its own shares in the open market and utilised 88,767 (2011: nil) 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 do not carry such rights until reissued.

22. Analysis of financial assets

	At 1 Jan 2012 £m	Cash flow £m	Non-cash changes £m	Exchange movements £m	**At 31 Dec 2012 £m**
Cash and cash equivalents	**197.5**	(62.5)	–	(2.7)	**132.3**
Gross cash	**197.5**	(62.5)	–	(2.7)	**132.3**
Debt due within one year	**(0.9)**	(3.9)	–	–	**(4.8)**
Debt due after one year	**(6.0)**	(0.9)	–	0.1	**(6.8)**
Finance leases due within one year	**(1.5)**	0.8	–	0.1	**(0.6)**
Finance leases due after one year	**(0.8)**	0.6	–	0.1	**(0.1)**
	(9.2)	(3.4)	–	0.3	**(12.3)**
Net financial assets	**188.3**	(65.9)	–	(2.4)	**120.0**

Cash and cash equivalent balances held by the Group that are not available for use amounted to £64.7m at 31 December 2012 (2011: £25.5m). Of this balance, £19.9m (2011: £19.8m) is pledged as security against outstanding bank guarantees and a further £44.8m (2011: £5.7m) is pledged against various other commitments of the Group, including £40.0m cash held in escrow against the eventual acquisition of the MWB Business Exchange Plc.

Non-cash changes comprise the amortisation of the 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.

Going concern
The Business Review on pages 2 to 20 of the Annual 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 15 to 19 within the Business Review reviews the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2012 the Group made a significant investment in growth and the Group's net cash position declined by £68.3m to £120.0m as at 31 December 2012. In addition to the Group's strong cash flow generated from its mature centres, the Group established a new four year £200m revolving credit facility with a group of relationship banks.

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.

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.

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

	2012 £m	2011 £m
Americas	**26.2**	21.9
EMEA	**42.2**	41.7
Asia Pacific	**21.7**	17.5
UK	**25.3**	24.6
	115.4	105.7

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 2012 £m	**Provision 2012 £m**
Not overdue	**82.0**	**–**
Past due 1 – 30 days	**22.9**	**–**
Past due 31 – 60 days	**5.3**	**(0.1)**
More than 60 days	**11.0**	**(5.7)**
	121.2	**(5.8)**

At the year end 31 December 2012, the Group maintained a provision of £5.8m against potential bad debts (2011: £11.8m) arising from trade receivables. The Group had provided £2.2m (2011: £5.1m) in the year and utilised £8.2m (2011: £5.0m). Customer deposits of £198.6m (2011: £184.3m) are held by the Group, mitigating the risk of default.

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.

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

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 £67.6m (2011: £172.0m) which the Directors consider adequate to meet the Group's day to day requirements.

In August 2012, the Group signed a new £200m four year unsecured revolving credit facility with a consortium of six relationship banks. In addition, the Group renegotiated the £100m Bank Guarantee and Letter of Credit facility provided by one bank to align the conditions and the maturity with the £200m facility. Both facilities are subject to financial covenants relating to operating cash flow, net debt to EBITDA, and EBITDA plus rent to interest plus rent. The Group is in compliance with all covenant requirements.

Although the Group has net current liabilities of £183.7m (2011: £102.2m), 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 which will be recognised in future periods through the income statement. Although the Group holds customer deposits of £198.6m (2011: £184.3m) 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 liabilities, excluding deferred income, were £32.6m at 31 December 2012 (2011 net current assets: £39.5m). 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

The Group is exposed to market risk primarily related to foreign currency exchange rates, interest rates, and the market value of our investments in financial assets. These exposures are actively managed by the Regus treasury in accordance with a written policy approved by the Board of Directors and subject to internal controls. We do not use financial derivatives for trading or speculative reasons.

Interest rate risk

The Group manages its exposure to interest rate risk through the relative proportions of fixed rate debt and floating rate debt, as well as investment in financial assets. Our surplus cash balances are invested short term, and at the end of 2012 no cash was invested for a period exceeding three months. The Board of Directors believes that the Group has no material exposure to interest rate fluctuations as the Group does not have any significant interest bearing loans or long-term financial investments.

Foreign currency risk

The Group presents its consolidated financial statements in GBP. As a consequence the Group is exposed to foreign currency exchange rate movements. The majority of day-to-day transactions of overseas subsidiaries are carried out in local currency and the underlying foreign exchange exposure is small. Transactional exposures do arise in some countries where it is local market practice for a proportion of the payables or receivables to be in other than the functional currency of the affiliate. Intercompany charging, funding and cash management activity may also lead to foreign exchange exposures. It is the policy of the Group to seek to minimise such transactional exposures through careful management of non-local currency assets and liabilities, thereby minimising the potential volatility in the income statement. Net investments in Regus affiliates with a functional currency other than GBP are of a long-term nature and the Group does not normally hedge such foreign currency translation exposures.

From time to time the Group uses short-term derivative financial instruments to manage its transactional foreign exchange exposures where these exposures cannot be eliminated through balancing the underlying risks.

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 in the income statement.

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 24 to 30 of the Annual Report and Accounts. 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 32 to 41 of the Annual Report and Accounts. 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 2012 Regus plc purchased 1,765,783 (2011: 1,212,797) of its own shares in the open market and utilised these to satisfy employee share awards. Regus plc did not re-purchase any of its own shares in the open market to hold as Treasury shares. As at 5 March 2013, 8,982,139 shares were held as Treasury shares.

The Company declared an interim dividend of 1.0p per share (2011: 0.9p) during the year ended 31 December 2012 and proposed a final dividend of 2.2p per share (2011: 2.0p per share), a 10% increase on the 2011 dividend.

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 as well as the strategy of accelerated organic growth.

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 2012

	Effective interest rate %[a]	**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	**0.4**	**132.3**	**132.3**	**132.3**	**–**	**–**	**–**
Trade and other receivables	**–**	**231.8**	**237.5**	**204.0**	**15.4**	**18.1**	**–**
Financial assets[b]	**–**	**364.1**	**369.8**	**336.3**	**15.4**	**18.1**	**–**
Finance lease liabilities	**3.3**	**(0.7)**	**(0.7)**	**(0.6)**	**(0.1)**	**–**	**–**
Bank loans	**8.6**	**(7.0)**	**(7.4)**	**(0.4)**	**(2.2)**	**(4.8)**	**–**
Other loans	**6.8**	**(4.6)**	**(4.6)**	**(4.6)**	**–**	**–**	**–**
Customer deposits	**–**	**(198.6)**	**(198.6)**	**(198.6)**	**–**	**–**	**–**
Trade and other payables	**–**	**(187.8)**	**(187.8)**	**(184.3)**	**(3.5)**	**–**	**–**
Foreign currency swaps	**–**	**–**	**(16.4)**	**(16.4)**	**–**	**–**	**–**
Financial liabilities	**–**	**(398.7)**	**(415.5)**	**(404.9)**	**(5.8)**	**(4.8)**	**–**

As at 31 December 2011

	Effective interest rate %[a]	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	0.6	197.5	197.5	197.5	–	–	–
Trade and other receivables	–	216.4	228.1	191.9	17.3	18.9	–
Financial assets[b]	–	413.9	425.6	389.4	17.3	18.9	–
Finance lease liabilities	3.1	(2.3)	(2.3)	(1.5)	(0.7)	(0.1)	–
Bank loans	8.1	(6.3)	(6.6)	(0.3)	(3.5)	(2.8)	–
Other loans	5.5	(0.7)	(0.7)	(0.7)	–	–	–
Customer deposits	–	(184.4)	(184.4)	(184.4)	–	–	–
Trade and other payables	–	(188.8)	(188.8)	(186.3)	(2.5)	–	–
Foreign currency swaps	–	–	(2.2)	(2.2)	–	–	–
Financial liabilities	–	(382.5)	(385.0)	(375.4)	(6.7)	(2.9)	–

(a) All financial instruments are classified as variable rate instruments

(b) Financial assets are all held at amortised cost

Sensitivity analysis
At 31 December 2012 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately £1.3m (2011: £1.7m) 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 £2.8m for the year ended 31 December 2012 (2011: £1.2m). It is estimated that a five percentage point weakening in the value of the euro against sterling would have decreased the Group's profit before tax by approximately £0.7m for the year ended 31 December 2012 (2011: £0.5m).

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 £9.4m for the year ended 31 December 2012 (2011: £7.3m). It is estimated that a five percentage point weakening in the value of the euro against pounds sterling would have decreased the Group's total equity by approximately £0.1m for the year ended 31 December 2012 (2011: £0.4m).

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

	2012		2011	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Cash and cash equivalents	**132.3**	**132.3**	197.5	197.5
Trade and other receivables	**231.8**	**231.8**	216.4	216.4
Finance lease liabilities	**(0.7)**	**(0.7)**	(2.3)	(2.0)
Bank loans	**(7.0)**	**(7.0)**	(6.3)	(6.3)
Other loans	**(4.6)**	**(4.6)**	(0.7)	(0.7)
Customer deposits	**(198.6)**	**(198.6)**	(184.4)	(184.4)
Trade and other payables	**(187.8)**	**(187.8)**	(188.8)	(188.8)
	(34.6)	**(34.6)**	31.4	31.7
Unrecognised gain		**–**		0.3

Summary of methods and assumptions:
Cash and cash equivalents, trade and other receivables/payables and customer deposits
For cash and cash equivalents, receivables/payables with a remaining life of less than one year and customer deposits, the book value approximates the fair value because of their short-term nature.

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 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 following table summarises the notional amount of the open contracts as at 31 December 2012:

	2012 CHF m	**2012 EUR m**	2011 CHF m	2011 EUR m
Foreign exchange contracts	**–**	**20.1**	2.9	0.2

Committed bank facilities

	Principal £m	Available £m
At 31 December 2012	**290.0**	**200.5**
At 31 December 2011	100.0	13.3

In August 2012, the Group signed a new £200m four year unsecured revolving credit facility with a consortium of six relationship banks. In addition, the Group renegotiated the £100m Bank Guarantee and Letter of Credit facility provided by one bank to align the conditions and the maturity with the £200m facility. Both facilities are subject to financial covenants relating to operating cash flow, net debt to EBITDA, and EBITDA plus rent to interest plus rent. The Group is in compliance with all covenant requirements.

24. Share-based payment
There are three share-based payment plans, details of which are outlined below:

Plan 1: Regus Group Share Option Plan
During 2004 the Group established the Regus Group Share Option Plan that entitles Executive Directors and certain employees to purchase shares in Regus plc (previously Regus Group plc). In accordance with this programme, holders of vested options are entitled to purchase shares at the market price of the shares at the day before the date of grant.

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.

Reconciliation of outstanding share options

		2012		2011
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**20,731,906**	**96.22**	7,814,746	80.19
Granted during the year	**11,269,000**	**84.95**	13,867,539	106.00
Lapsed during the year	**(4,789,407)**	**107.74**	(950,379)	107.09
Exercised during the year	**–**	**–**	–	–
Outstanding at 31 December	**27,211,499**	**89.53**	20,731,906	96.22
Exercisable at 31 December	**3,170,139**	**57.00**	3,170,139	57.00

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2012	Exercisable from	Expiry date
23/07/2004	4,106,981	57.00	–	(936,842)	3,170,139	23/07/2007	23/07/2014
18/05/2010	3,986,000	100.50	(385,000)	–	3,601,000	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(54,751)	–	563,210	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	–	–	160,646	01/09/2013	01/09/2020
01/04/2011 (Grant 1)	2,100,000	114.90	(654,402)	–	1,445,598	01/04/2014	01/04/2021
01/04/2011 (Grant 2)	300,000	114.90	(300,000)	–	–	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(3,992,633)	–	5,874,906	30/06/2014	30/06/2021
31/08/2011	300,000	67.00	–	–	300,000	31/08/2014	31/08/2021
02/09/2011	1,000,000	74.35	–	–	1,000,000	01/09/2014	02/09/2021
06/10/2011	300,000	64.10	–	–	300,000	01/10/2014	01/10/2021
30/06/2012	11,269,000	84.95	(473,000)	–	10,796,000	13/06/2015	13/06/2022
Total	34,008,127	91.69	(5,859,786)	(936,842)	27,211,499		

230,000 options awarded during the year under the Regus Share Option Plan (France) are included in the above table (2011: 404,015), 261,560 lapsed during the year (2011: 353,186) and none were exercised during the year (2011: 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 2004 vested during 2007.

The options awarded in April, June and September 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. The remaining 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 performance targets for the options awarded in April 2011 (Grant 1), based on pre-growth profit for the year ending 31 December 2011, were partially met. Those options that are eligible to vest will vest as follows:

	Proportion to Vest
April 2014	1/3
April 2015	1/3
April 2016	1/3

The Group and regional performance targets for the options awarded in June 2011, based on pre-growth profit for the year ending 31 December 2011, were partially met. Those options that are eligible to vest will vest as follows:

	Proportion to Vest
April 2014	1/3
April 2015	1/3
April 2016	1/3

The options awarded in April (Grant 2), August and October 2011 are conditional on the ongoing employment of the related employees for a specified period of time. Once this condition is satisfied those options that are eligible to vest will vest as follows:

	Proportion to Vest
April 2014	1/3
April 2015	1/3
April 2016	1/3

The options awarded in September 2011 are subject to a performance target based on the consensus operating profit for the year ending 31 December 2012, such that the number of shares vesting will be subject to the satisfaction of a pre-determined operating profit target
in 2012.

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

	Proportion to Vest
April 2014	1/3
April 2015	1/3
April 2016	1/3

The options awarded in June 2012 are subject to Group performance targets based on pre-growth profit for the year ending 31 December 2012, such that the number of shares vesting will be determined as follows:

Vesting Scale	Pre-growth profit
Good	£105m
Better	£120m
Best	£135m

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

	Proportion to Vest
April 2014	1/3
April 2015	1/3
April 2016	1/3

Measurement of fair values
The fair value of the rights granted through the employee share purchase plan was measured based on Monte Carlo simulation or the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

	June 2012	October 2011	September 2011	August 2011	June 2011	April 2011 (Grant 2)	April 2011 (Grant 1)
Share price on grant date	**88.55p**	68.30p	72.50p	75.90p	110.70p	110.70p	116.30p
Exercise price	**84.95p**	64.10p	74.35p	67.00p	109.50p	114.90p	114.90p
Expected volatility	**47.87% – 52.74%**	46.55% – 53.26%	46.08% – 52.59%	46.13% – 52.61%	44.99% – 51.55%	45.41% – 52.18%	45.54% – 51.23%
Number of simulations	**30,000**	30,000	30,000	30,000	30,000	30,000	30,000
Number of companies	**–**	–	–	–	–	–	–
Option life	**3 – 5 years**	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years
Expected dividend	**3.27%**	3.88%	3.66%	3.49%	2.35%	2.35%	2.24%
Fair value of option at time of grant	**29.88p – 31.12p**	23.04p – 22.43p	22.89p – 22.71p	27.32p – 27.01p	39.41p – 40.96p	38.27p – 39.80p	42.19p – 44.80p
Risk free interest rate	**0.65% – 1.11%**	1.15% – 1.67%	1.16% – 1.75%	1.29% – 1.91%	1.81% – 2.57%	1.70% – 2.48%	2.33% – 3.04%

	September 2010		June 2010		March 2010	
	EPS	TSR	EPS	TSR	EPS	TSR
Share price on grant date	70.60p	70.60p	73.20p	73.20p	94.00p	94.00p
Exercise price	69.10p	69.10p	75.00p	75.00p	100.50p	100.50p
Expected volatility	45.61% – 50.28%	45.61% – 50.28%	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	30,000	30,000
Number of companies	FTSE All Share Index	FTSE All Share Index	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	3 – 5 years	3 – 5 years
Expected dividend	3.40%	3.40%	3.28%	3.28%	2.55%	2.55%
Fair value of option at time of grant	22.80p – 23.60p	21.51p – 21.51p	35.20p – 42.70p	12.40p – 17.40p	45.49p – 61.77p	19.50p – 26.30p
Risk free interest rate	1.51% – 2.17%	1.51% – 2.17%	2.76% – 3.05%	2.76% – 3.05%	3.07% – 3.38%	3.07% – 3.38%

Plan 2: Regus plc Co-Investment Plan (CIP) and Long Term Incentive Plan (LTIP)
The CIP operates in conjunction with the annual bonus whereby a gross bonus of up to 50% of basic annual 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. 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 LTIP provides for the Remuneration Committee to make stand-alone long-term incentive awards without reference to the annual bonus up to a maximum of 100% of salary per calendar year.

Reconciliation of outstanding share options

	2012	2011
	Number of awards	Number of awards
At 1 January	**16,597,482**	21,114,781
CIP awards granted during the year	**–**	–
LTIP awards granted during the year	**–**	–
Lapsed during the year	**–**	(3,304,502)
Exercised during the year	**(1,854,550)**	(1,212,797)
Outstanding at 31 December	**14,742,932**	16,597,482
Exercisable at 31 December	**4,447,433**	654,497

The weighted average share price at the date of exercise for share awards and options exercised during the year ended 31 December 2012 was 114.66p (2011: 77.67p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2012	Release date
LTIP	03/11/2005	3,723,235	(1,092,819)	(2,551,331)	79,085	03/11/2008
LTIP*	23/03/2010	2,900,472	(515,415)	–	2,385,057	23/03/2013
		6,623,707	(1,608,234)	(2,551,331)	2,464,142	

* Of the awards of investments 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.

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2012	Release date
CIP: Investment shares	18/03/2008	1,557,391	(86,956)	(1,300,560)	169,875	18/03/2011
CIP: Matching shares	18/03/2008	5,922,916	(1,182,796)	–	4,740,120	* See below
CIP: Investment shares	23/03/2009	2,212,734	(172,835)	(1,678,020)	361,879	23/03/2012
CIP: Matching shares	23/03/2009	8,614,284	(1,607,368)	–	7,006,916	* See below
		18,307,325	(3,049,955)	(2,978,580)	12,278,790	

* 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.

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on Monte Carlo simulation.

The inputs to the model are as follows:

	23/03/2010	23/03/2009	18/03/2008	03/11/2005
	LTIP[(a)]	CIP[(b)]	CIP[(b)]	LTIP[(c)]
Share price on grant date	**108.10p**	65.50p	80.50p	92.25p
Exercise price	**Nil**	Nil	Nil	Nil
Number of simulations	**250,000**	200,000	200,000	60,000
Number of companies	**32**	32	36	29
Award life	**3 years**	3 years	3 years	3 years
Expected dividend	**2.22%**	2.72%	1.19%	Nil
Fair value of award at time of grant	**47.00p**	47.97p	61.21p	65.00p
Risk free interest rate	**1.86%**	1.92%	3.86%	4.47%

(a) The LTIP awards have a release date of 23 March 2013. There is no expiry date and therefore remaining contractual life is 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.

(b) 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 was updated in the year ended 31 December 2010

(c) The LTIP Awards of 3 November 2005 had a release date of 3 November 2008. There was no expiry date and therefore remaining contractual life is on the basis that the awards release immediately. The LTIP nil cost options had a vesting date of 3 November 2008 and an expiry date of 3 November 2015.

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:

- 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 are as follows:
The Remuneration Committee agreed to the following modifications to the awards made in 2008 and 2009 and that the following performance conditions would apply to these awards effective from 22 March 2010.

The total number of awards made in 2008 and 2009 to each participant was divided into three separate equal amounts and was subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount vests in March 2013, the second vests in March 2014 and the third vests in 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 is subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts is 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 are 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[(a)]
Nil	100%
25%	Above 100% but below 101%
Increments of 0.75%	For each complete 1% above 100%
100%	200% or above

(a) over three, four or five year performance period.

Plan 3: Regus plc Value Creation Plan
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 is the closing share price on the date of the Company's 2008 AGM.

Reconciliation of outstanding share options

	2012	2011
	Number of entitlements	Number of entitlements
At 1 January	**12,857,142**	21,000,000
VCP entitlements awarded during the year	**–**	–
Lapsed during the year	**(3,599,999)**	(8,142,858)
Outstanding at 31 December	**9,257,143**	12,857,142

Plan	Date of award	Numbers awarded	Lapsed	Exercised	At 31 Dec 2012	Measurement date
VCP Tier 1 awards	20/05/2008	3,500,000	(1,700,000)	–	1,800,000	–
VCP Tier 2 awards	20/05/2008	6,000,000	(4,457,143)	–	1,542,857	–
VCP Tier 3 awards	20/05/2008	10,000,000	(4,857,143)	–	5,142,857	–
VCP Tier 4 awards	20/05/2008	3,000,000	(2,228,571)	–	771,429	–
		22,500,000	(13,242,857)	–	9,257,143	31/03/2010 – 31/03/2013

The exercise price for VCP Options is the closing share price on the date of the Company's 2008 AGM. No awards were exercisable at the year end (2011: nil).

Measurement of fair values
The fair value of the rights granted through the employee share purchase plan was measured based on Monte Carlo.

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 yrs – 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 performance conditions 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

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%

25. Retirement Benefit Obligations

The Group accounts for the Swiss pension plans as defined benefit plans under IAS 19. The Group has recognised £0.5m (2011: £0.4m) of pension costs in the income statement, together with a loss of £0.1m (2011: £0.1m) in other comprehensive income.

Reconciliation of balance sheet movements
The reconciliation of assets and liabilities recognised in the balance sheet are as follows:

£m	**31.12.2012**	31.12.2011
Fair value of plan assets	**2.7**	2.4
Present value of obligations	**(2.9)**	(2.5)
Net funded obligations	**(0.2)**	(0.1)

As required by IAS 19 liabilities for benefit obligations are determined using the projected unit credit actuarial valuation method. This is an accrued benefits valuation method that discounts the best estimate of future cash flows and makes allowance for projected earnings.

The Group does not operate any unfunded defined benefit pension plans.

Changes in present value of defined benefit obligations and fair value of plan assets
Changes in the present value of the defined benefit obligation were as follows:

£m	**31.12.2012**	31.12.2011
At 1 January	**(2.5)**	(1.1)
Current service costs	**(0.5)**	(0.4)
Plan participants' contributions	**(0.3)**	(0.3)
Benefit payments	**0.3**	(0.8)
Interest cost	**–**	–
Net insurance premiums and expenses	**0.2**	0.2
Actuarial (gain)/loss for the year	**(0.1)**	(0.1)
Exchange rate differences	**–**	–
At 31 December	**(2.9)**	**(2.5)**

Changes in the fair value of plan assets were as follows:

£m	**31.12.2012**	31.12.2011
At 1 January	**2.4**	1.1
Employer contributions	**0.3**	0.4
Plan participants' contributions	**0.5**	0.3
Benefit payments	**(0.3)**	0.8
Expected return on plan assets	**–**	–
Actuarial gain/(loss) for the year	**–**	–
Net insurance premiums and expenses	**(0.2)**	(0.2)
Exchange rate differences	**–**	–
At 31 December	**2.7**	2.4

Income and expenses

The amounts that have been recognised in the income statement and other comprehensive income for the year ended 31 December 2012 are as follows:

£m	31.12.2012	31.12.2011
Analysis of amounts (charged)/credited to the income statement:		
Service cost component (net of plan participants' contributions)	**(0.5)**	(0.4)
Interest cost component	**–**	–
Expected return on plan assets	**–**	–
Total (charge)/credit to operating profit	**(0.5)**	(0.4)
Analysis of amounts recognised in other comprehensive income:		
At 1 January	**(0.1)**	–
Net actuarial gains/(losses) recognised for the year	**(0.1)**	(0.1)
At 31 December	**(0.2)**	(0.1)

Current service costs have been included in administrative expenses. Interest costs and expected return on plan assets have been included in finance expenses.

The actual return on plan assets was £33,000 (2011: £36,000).

Major assumptions

The major assumptions, adopted by the Group, when valuing the defined benefit obligations under IAS 19 are as follows:

	31.12.12	01.01.12
Discount rate	**1.75%**	2.25%
Inflation rate	**1.00%**	1.00%
Expected return on plan assets	**1.75%**	2.25%
Future salary increase	**1.00%**	1.00%
Future pension increase	**0.00%**	0.00%
Average remaining years of service life	**10.5**	10.9

Life expectancy is reflected in the defined benefit obligations by using up-to-date mortality tables. The mortality and invalidity assumptions, adopted by the Group, are based on the LPP 2010 tables as follows:

Mortality tables		Life expectancy at age 65	Life expectancy at age 65
		2012	2011
LPP 2010	Male	**19.56**	19.56
	Female	**21.89**	21.89

Analysis of scheme assets

The major categories of plan assets as a percentage of total plan assets are as follows:

	31.12.12	01.01.12
Money market	**1.3%**	4.3%
Fixed income	**82.7%**	75.3%
Equity	**0.6%**	0.6%
Real Estate	**11.8%**	12.4%
Other	**3.6%**	7.4%
Total	**100%**	100%

Sensitivities

An increase of 0.25% in the discount rate would decrease the defined benefit obligation by 4.2%. A decrease of 0.25% in the discount rate would increase the defined benefit obligation by 4.5%.

26. Acquisitions

During the year ended 31 December 2012 the Group made a number of immaterial acquisitions for a total consideration of £49.6m.

	Book value £m	Provisional Fair value adjustments £m	Provisional Fair value £m
Net assets acquired			
Intangible assets (note 13)*	–	1.1	1.1
Property, plant and equipment (note 14)	5.1	7.3	12.4
Other assets	3.8	–	3.8
Current liabilities	(4.1)	–	(4.1)
Non-current liabilities	(2.9)	–	(2.9)
	1.9	8.4	10.3
Goodwill arising on acquisitions			39.3
Total consideration			49.6
Deferred consideration			6.3
			43.3
Cash flow on acquisition			
Cash paid			43.3
Net cash outflow			43.3

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

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 products and services. £20.0m of the above goodwill is expected to be deductible for tax purposes.

There was no material contingent consideration arising on the above acquisitions.

The acquisition costs associated with these transactions were £0.9m, recorded within administration expenses within the consolidated income statement.

During the year ended 31 December 2011 the Group made a number of immaterial acquisitions for a total consideration of £6.5m.

	Book value £m	Final Fair value adjustments £m	Fair value £m
Net assets acquired			
Intangible assets (note 13)*	–	0.4	0.4
Property, plant and equipment (note 14)	1.3	1.2	2.5
Current liabilities	(0.7)	–	(0.7)
Non current liabilities	(0.3)	–	(0.3)
	0.3	1.6	1.9
Goodwill arising on acquisitions			4.6
Total consideration			6.5
Deferred consideration			0.3
			6.2
Cash flow on acquisition			
Cash paid			6.2
Net cash outflow			6.2

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

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. £1.6m of the above goodwill is expected to be deductible for tax purposes.

There was no contingent consideration arising on the above acquisitions.

The acquisition costs associated with these transactions were £0.3m, recorded within administration expenses within the consolidated income statement.

Acquisition of non-controlling interests

On 31 May 2011, the Group acquired the remaining 40.95% interest in Regus Business Centres Canada Limited for £3.9m. The carrying amount of Regus Business Centres Canada Limited’s net assets on the date of acquisition was a net liability of £2.9m.

There were no non-controlling interests acquired during the year ended 31 December 2012.

27. Capital commitments

	2012 £m	2011 £m
Contracts placed for future capital expenditure not provided in the financial statements	**22.8**	11.8

These commitments are principally in respect of fit out obligations on new centres opening in 2012. In addition our share of the capital commitments of joint ventures amounted to £nil at 31 December 2012 (2011: £nil).

28. Non-cancellable operating lease commitments

At 31 December 2012 the Group was committed to make the following payments in respect of operating leases:

	2012			2011		
	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	**437.5**	**0.3**	**437.8**	410.3	0.3	410.6
Between two and five years	**1,092.3**	**0.4**	**1,092.7**	993.4	0.1	993.5
After five years	**407.3**	**–**	**407.3**	376.0	–	376.0
	1,937.1	**0.7**	**1,937.8**	1,779.7	0.4	1,780.1

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.

29. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £101.4m (2011: £103.7m). There are no material lawsuits pending against the Group.

30. Related parties

Parent and subsidiaries entities
The financial statements include the results of the Group and the subsidiaries listed in note 31.

Joint ventures
The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

£m	Management fees received from related parties	Amounts owed by related party	Amounts owed to related party
2012			
Joint Ventures	**1.9**	**5.3**	**5.0**
2011			
Joint Ventures	1.5	6.7	6.3

As at 31 December 2012, £nil of the amounts due to the Group have been provided for (2011: £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 are required to be disclosed.

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:

	2012 £m	2011 £m
Short-term employee benefits	**6.3**	5.3
Share-based payments	**0.3**	0.2
	6.6	5.5

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 £1.1m (2011: £1.9m). These awards are subject to performance conditions and vest over three, four and five years from the award date.

Transactions with related parties
During the year ended 31 December 2012 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £30,073 (2011: £7,807). The goods and services were acquired in arm's-length transactions. There was a nil balance outstanding at the year end (2011: nil).

31. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2012, 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 do Brasil Ltda	Brazil	100
HQ Do Brazil Administracao de bens e servicos	Brazil	100
ABC Business Centres Ltd	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	Switzerland	100
HQ Global Workplaces, LLC	United States	100
Regus Business Center LLC	United States	100
Regus Management Singapore Pte Ltd	Singapore	100
Principal activity – Management companies		
Regus Australia Management Pty Limited	Australia	100
Regus Belgium SA	Belgium	100
Regus Colombia Limitada	Colombia	100
Regus Poslovni Centar d.o.o	Croatia	100
Regus Management s.r.o	Czech Republic	100
Regus Management Aps	Denmark	100
Regus Group Services Ltd	England	100
Business Centres Management Estonia OU	Estonia	100
Regus Asia Pacific Management Limited	Hong Kong	100
Regus Management Latvia	Latvia	100
UAB Regus Management Lithuania	Lithuania	100
Regus Management Malaysia Sdn Bhd	Malaysia	100
Regus Malta Management Ltd	Malta	100
Regus Amsterdam BV	Netherlands	100
Regus Management Singapore Pte Ltd	Singapore	100
Regus Management Group (Pty) Ltd	South Africa	100
Regus Management Espana SL	Spain	100
Regus Global Management Centre SA	Switzerland	100
Regus Yonetim ve Danismanlik Ltd Sirketi	Turkey	100
Regus Vietnam Assets Management	Vietnam	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
RGN Services Limited	Canada	100
Regus Management de Chile Ltda	Chile	100
Regus Denmark Holding AS	Denmark	100
Regus Group 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 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
Pathway IP S.àr.l. (formerly Regus No.2 S.à.r.l.)	Luxembourg	100
RBW Global Holding S.àr.l. (formerly Regus Businessworld (Luxembourg) S.à.r.l.)	Luxembourg	100
Regus Middle East S.àr.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

32. Key judgemental 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 amounts 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 judgement 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 2012, 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.

33. Subsequent event
On 20 February 2013, the Group acquired control of MWB Business Exchange Plc from MWB Property Limited. Due to the timing of this transaction, it is not practical to disclose the information associated with the initial accounting for this acquisition.

Parent company accounts

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

	As at 31 Dec 2012 (Luxembourg GAAP) £m	As at 31 Dec 2011 (Luxembourg GAAP) £m
Assets		
C. Fixed assets		
III. Financial assets		
1. Shares in affiliated undertakings	**750.0**	778.2
2. Loans to affiliated undertakings	**–**	0.3
4. Loans to undertakings with which the company is linked by virtue of participating interests	**–**	0.3
D. Current assets		
II. Debtors		
2. Amount owed by affiliated undertakings		
a) becoming due and payable within one year	**1.1**	14.9
III. Transferable securities		
2. Own shares	**7.0**	7.1
(8,982,139 shares of £0.01 per share (2011: 9,070,906 shares))		
IV. Cash at bank and in hand	**–**	0.1
E. Deferred charges	**0.2**	0.2
Total assets	**758.3**	801.1
Liabilities		
A. Capital and reserves		
I. Subscribed capital	**9.5**	9.5
II. Share premium and similar premiums	**53.7**	53.7
IV. Reserves		
1. Legal reserve	**0.9**	0.9
2. Reserve for own shares	**7.0**	7.1
4. Other reserves	**513.0**	512.9
V. Results brought forward	**186.8**	221.0
VI. Results for the financial year	**(9.9)**	(6.8)
VII. Interim dividends	**(9.4)**	(8.5)
	751.6	789.8
C. Provisions		
2. Provisions for taxation	**0.1**	–
3. Other provisions	**–**	0.3
D. Non-subordinated debts		
4. Trade creditors		
a) becoming due and payable within one year	**1.2**	0.3
6. Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	**5.4**	10.7
	6.6	11.0
Total liabilities	**758.3**	801.1

Approved by the Board on 5 March 2013

Mark Dixon
Chief Executive Officer

Dominique Yates
Chief Financial Officer

Accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention which differ in material respects from IFRS in both the measurement and presentation of certain transactions.

The Company is included in the consolidated financial statements of Regus plc.

The balance sheet has been extracted from the full accounts of Regus plc for the period ended 31 December 2012 which are available from the Company's registered office, 26 Boulevard Royal, Luxembourg and which will be filed with both the Luxembourg Chamber of Commerce and the Jersey Register of Companies.

Financial assets

Shares in affiliated undertakings are valued at purchase price including acquisition costs. Where any permanent diminution in value is identified, value adjustments are recorded in the profit and loss account. These value adjustments are not continued if the reasons which caused their initial recording cease to apply.

Segmental analysis

Segmental analysis – management basis (unaudited)

	Americas 2012	EMEA 2012	Asia Pacific 2012	United Kingdom 2012	Other 2012	Total 2012
Mature[1]						
Workstations[4]	**76,312**	**35,987**	**24,909**	**36,016**	**–**	**173,224**
Occupancy (%)	**88.6**	**82.4**	**86.0**	**83.0**	**–**	**85.8**
Revenue (£m)	**480.0**	**275.2**	**163.4**	**204.2**	**1.3**	**1,124.1**
Contribution (£m)	**152.9**	**80.1**	**53.5**	**37.9**	**1.2**	**325.6**
REVPOW	**7,099**	**9,280**	**7,629**	**6,827**	**–**	**7,565**
2011 Expansions[2]						
Workstations[4]	**8,853**	**3,358**	**5,268**	**489**	**–**	**17,968**
Occupancy (%)	**74.1**	**62.7**	**70.3**	**81.5**	**–**	**71.0**
Revenue (£m)	**34.1**	**16.8**	**21.2**	**1.9**	**–**	**74.0**
Contribution (£m)	**0.8**	**(1.4)**	**4.2**	**0.2**	**–**	**3.8**
2012 Expansions[2]						
Workstations[4]	**5,382**	**1,834**	**4,271**	**492**	**–**	**11,979**
Occupancy (%)	**56.3**	**47.9**	**46.2**	**82.8**	**–**	**52.5**
Revenue (£m)	**18.6**	**6.5**	**10.8**	**3.1**	**–**	**39.0**
Contribution (£m)	**(3.9)**	**(2.6)**	**(2.4)**	**0.3**	**–**	**(8.6)**
Closures[3]						
Workstations[4]	**70**	**352**	**109**	**757**	**–**	**1,288**
Occupancy (%)	**97.1**	**83.4**	**87.0**	**66.9**	**–**	**74.8**
Revenue (£m)	**1.2**	**2.7**	**0.5**	**2.6**	**–**	**7.0**
Contribution (£m)	**0.7**	**0.7**	**0.2**	**(1.8)**	**–**	**(0.2)**
Total						
Workstations[4]	**90,617**	**41,531**	**34,557**	**37,754**	**–**	**204,459**
Occupancy (%)	**85.3**	**79.3**	**78.7**	**82.7**	**–**	**82.5**
Revenue (£m)	**533.9**	**301.2**	**195.9**	**211.8**	**1.3**	**1,244.1**
Contribution (£m)	**150.5**	**76.8**	**55.5**	**36.6**	**1.2**	**320.6**
Unallocated contribution (£m)	**–**	**–**	**–**	**–**	**–**	**0.1**
REVPAW (£)	**5,892**	**7,252**	**5,669**	**5,610**	**–**	**6,085**
Period End workstations[5]						
Mature	**76,443**	**40,576**	**25,181**	**40,253**	**–**	**182,453**
2011 Expansions	**8,805**	**4,603**	**5,327**	**451**	**–**	**19,186**
2012 Expansions	**20,939**	**4,807**	**12,416**	**330**	**–**	**38,492**
Total	**106,187**	**49,986**	**42,924**	**41,034**	**–**	**240,131**

Segmental analysis – management basis (unaudited)

	Americas 2011	EMEA 2011	Asia Pacific 2011	United Kingdom 2011	Other 2011	Total 2011
Mature[1]						
Workstations[4]	75,716	35,765	24,896	35,669	–	172,046
Occupancy (%)	87.7	83.8	84.3	84.1	–	85.6
Revenue (£m)	463.3	288.8	159.8	200.7	1.7	1,114.3
Contribution (£m)	132.7	75.2	45.1	32.1	1.4	286.5
REVPOW	6,977	9,636	7,614	6,691	–	7,566
2011 Expansions[2]						
Workstations[4]	2,856	1,606	2,187	349	–	6.998
Occupancy (%)	59.0	44.4	47.5	73.6	–	52.8
Revenue (£m)	7.7	5.3	5.9	1.2	–	20.1
Contribution (£m)	(2.7)	(4.3)	(1.0)	(0.4)	–	(8.4)
2011 Closures[3]						
Workstations[4]	1,054	780	432	400	–	2,666
Occupancy (%)	72.3	73.8	72.7	63.5	–	71.5
Revenue (£m)	1.1	3.3	2.2	0.7	–	7.3
Contribution (£m)	(0.5)	(0.9)	(0.1)	0.2	–	(1.3)
2012 Closures[3]						
Workstations[4]	438	322	242	1,928	–	2,930
Occupancy (%)	94.9	81.6	85.9	83.8	–	84.3
Revenue (£m)	5.4	4.3	1.2	10.0	–	20.9
Contribution (£m)	0.8	(0.8)	0.6	(0.2)	–	0.4
Total						
Workstations[4]	80,064	38,473	27,757	38,346	–	184,640
Occupancy (%)	86.5	81.6	81.6	83.7	–	84.2
Revenue (£m)	477.5	301.7	169.1	212.6	1.7	1,162.6
Contribution (£m)[6]	130.3	69.2	44.6	31.7	1.4	277.2
Unallocated contribution (£m)	–	–	–	–	–	1.9
REVPAW (£)	5,964	7,842	6,092	5,544	–	6,297

Notes:

1 The mature business comprises centres not opened in the current or previous financial year

2 Expansions include new centres opened and acquired businesses

3 A 2012 closure is defined as a centre closed during the 12 months ended 31 December 2012. A 2011 closure is defined as a centre closed during the 12 months ended 31 December 2011

4 Workstation numbers are calculated as the weighted average for the year

5 Workstation available at period end

6 Restatement described in note 2

Five year summary

	Full year ended 31 Dec 2012 £m	Full year ended 31 Dec 2011 £m (Restated*)	Full year ended 31 Dec 2010 £m (Restated*)	Full year ended 31 Dec 2009 £m (Restated*)	Full year ended 31 Dec 2008 £m (Restated*)
Revenue	**1,244.1**	1,162.6	1,040.4	1,055.1	1,077.2
Cost of sales before non-recurring costs	**(923.4)**	(883.5)	(823.1)	(819.8)	(769.6)
Non-recurring cost of sales	**–**	–	(11.9)	–	–
Cost of sales	**(923.4)**	(883.5)	(835.0)	(819.8)	(769.6)
Gross profit (centre contribution)	**320.7**	279.1	217.3	235.3	307.6
Administration expenses before non-recurring expenses	**(230.2)**	(224.7)	(193.3)	(166.1)	(161.7)
Non-recurring administration expenses	**–**	–	(3.9)	(2.6)	–
Administration expenses	**(230.2)**	(224.7)	(197.2)	(168.7)	(161.7)
Operating profit	**90.5**	54.4	24.0	69.2	145.9
Exceptional income from legal settlement	**–**	–	–	18.3	–
Operating profit (after exceptional)	**90.5**	54.4	8.2	84.9	145.9
Share of post-tax (loss)/profit of joint ventures	**(0.3)**	0.1	1.3	2.0	2.3
Share of post-tax profit of associate	**–**	–	–	–	–
Profit before financing costs	**90.2**	54.5	9.5	86.9	148.2
Finance expense	**(5.9)**	(6.4)	(2.1)	(3.6)	(3.4)
Finance income	**0.8**	1.3	1.8	3.3	6.3
Profit before tax for the year	**85.1**	49.4	9.2	86.6	151.1
Tax charge	**(14.2)**	(9.0)	(5.9)	(19.2)	(34.3)
Profit after tax for the year	**70.9**	40.4	3.3	67.4	116.8
Attributable to:					
Equity shareholders of the parent	**70.9**	41.7	2.9	66.7	115.8
Minority interests	**–**	(1.3)	0.4	0.7	1.0
	70.9	40.4	3.3	67.4	116.8
Earnings per ordinary share (EPS):					
Basic (p)	**7.5p**	4.3p	0.3p	7.1p	12.2p
Diluted (p)	**7.5p**	4.3p	0.3p	7.0p	12.0p
Weighted average number of shares outstanding (‘000’s)	**941,922**	941,899	947,463	948,204	950,320
Balance sheet data (as at 31 December)					
Intangible assets	**363.9**	331.3	330.8	307.4	330.3
Property, plant and equipment	**437.5**	333.5	279.5	247.8	285.7
Deferred tax assets	**33.9**	32.2	36.6	65.1	79.0
Trade and other receivables	**333.9**	319.2	299.9	250.3	282.4
Cash, cash equivalents and liquid investments	**132.3**	197.5	204.6	245.1	219.5
Total assets	**1,301.5**	1,213.7	1,151.4	1,115.7	1,196.9
Current liabilities	**612.5**	578.4	541.8	504.5	592.3
Non-current liabilities	**157.0**	126.4	105.8	96.6	108.1
Provisions	**4.6**	8.2	9.8	8.2	8.5
Equity minority interests	**–**	–	0.1	–	0.3
Equity shareholders funds’	**527.4**	500.7	493.9	506.4	487.7
Total liabilities and shareholders’ funds	**1,301.5**	1,213.7	1,151.4	1,115.7	1,196.9

* Restatement described in note 2

Directors' 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 International Financial Reporting Standards ('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 parent 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 annual accounts, state whether applicable Luxembourg accounting standards have been followed, subject to any material departures disclosed and explained in the parent company annual accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that it's 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 a Corporate Governance Statement that complies 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 websites.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statutory statement as to disclosure to auditor
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 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 the Company. 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 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.

By order of the Board

Mark Dixon
Chief Executive Officer

Dominique Yates
Chief Financial Officer

5 March 2013

Forward looking statements

This annual results 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.