Regus™

THE WORLD IN ONE WORKPLACE

REGUS PLC ANNUAL REPORT AND ACCOUNTS 2013

THE GLOBAL WORKPLACE PROVIDER

Our purpose is to provide businesses with a network of high quality workplaces that help them be more effective and successful

More information is available online at **www.regus.co.uk**

In this report

Strategic report

02 Business overview
03 Performance highlights
04 Market and key growth drivers
06 Our business model
08 A unique network
10 Developing new products and services
12 Strategy and KPIs
14 Chairman's statement
15 Chief Executive Officer's review
19 Chief Financial Officer's review
24 Principal risks
28 Corporate responsibility

Governance

32 Board of Directors
33 Corporate governance
38 Audit Committee report
41 Remuneration report
54 Directors' report
56 Directors' statements
57 Auditors' report

Financial statements

58 Consolidated income statement
59 Consolidated statement of comprehensive income
60 Consolidated statement of changes in equity
61 Consolidated balance sheet
62 Consolidated statement of cash flows
63 Notes to the accounts
104 Parent company accounts
106 Segmental analysis
108 Five year summary
109 Shareholder information

Meeting demand with growth
We continue to grow in response to the fundamental changes affecting how people and organisations work, namely the shift towards a more flexible mode of working, especially among corporations.

See p04 for more detail >

Creating sustainable value
Our purpose is to provide businesses with a network of high quality workplaces that help them be more effective and successful. To achieve this we have developed a proven, robust and high performing business model.

See p06 for more detail >

Continuing to innovate
Today Regus is focused on providing an ever expanding range of high quality products, services and locations from which businesses can work, to help our customers improve their productivity and efficiency.

See p10 for more detail >

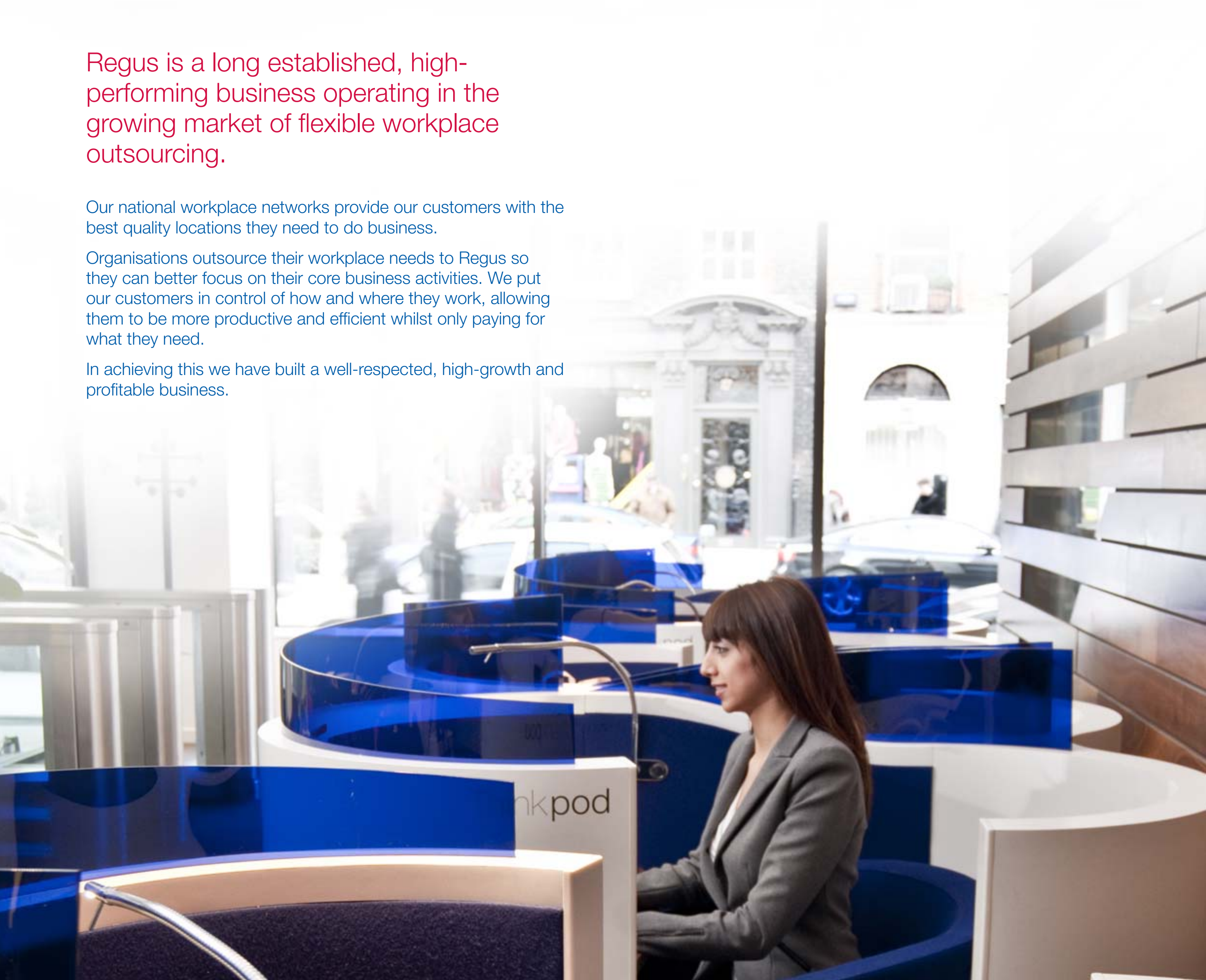
A HIGH-PERFORMANCE GROWTH BUSINESS

Regus is a long established, high-performing business operating in the growing market of flexible workplace outsourcing.

Our national workplace networks provide our customers with the best quality locations they need to do business.

Organisations outsource their workplace needs to Regus so they can better focus on their core business activities. We put our customers in control of how and where they work, allowing them to be more productive and efficient whilst only paying for what they need.

In achieving this we have built a well-respected, high-growth and profitable business.



1,929 locations including 1,831 business centres and 98 third place locations

684 Cities

100 Countries

1.58m Customers

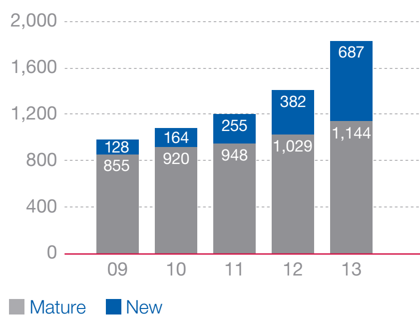
OUR PERFORMANCE AT A GLANCE

Key highlights

- Group revenue increased 23.3% to £1,533.5m
- Record network growth of 30% to 1,831 business centre locations, in addition to 98 third place locations
- Firm control over costs – total overheads (excluding Research & Development) down 3.8% per available workstation
- Mature operating profits up 33% to £205.3m and mature EPS up 34% to 17.0p
- Mature free cash flow per share of 16.6p
- 13% increase in full year dividend to 3.6p

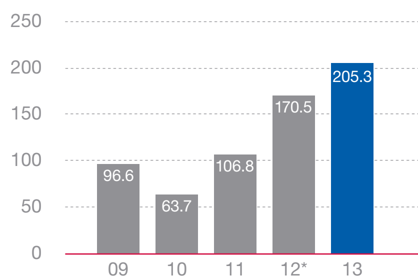
Number of centres split mature and new

1,831



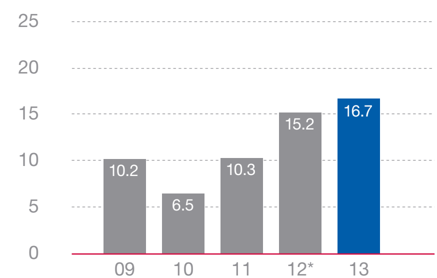
Mature operating profit

£205.3m



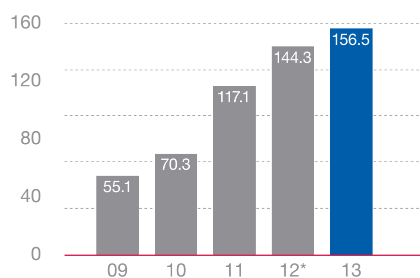
Mature operating margin

16.7%



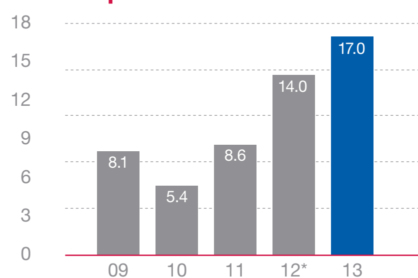
Mature free cash flow

£156.5m



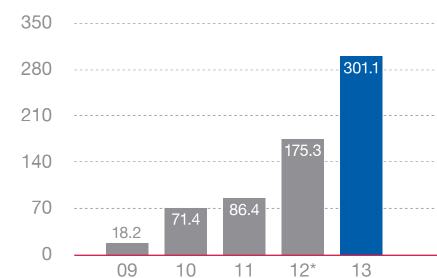
Mature earnings per share

17.0p



Investment in growth

£301.1m



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MARKET AND KEY GROWTH DRIVERS

We continue to grow in response to the fundamental changes affecting how people and organisations work, namely the shift towards a more flexible mode of working, especially among large businesses.

The principle drivers of this growth in flexible workplace outsourcing, and flexible working in general, are technology, which enables us to work anywhere, and the significant cost savings associated with contracting to a specialist support service provider like Regus. As outlined in more detail opposite, other drivers include demographics, sustainability and the growing societal importance of work-life balance.

As a result, flexible working has come to be viewed as a core element of the way organisations operate and conduct business. Our business model has evolved to reflect the changing work needs of businesses and individuals alike. We expect end user demand for our services to grow as technology continues to improve and businesses look for further efficiencies in their cost base. We are ideally placed to help them achieve this.

When a business looks to outsource its workplace requirements, location is typically the primary consideration. It is for this reason that we continue to invest heavily in expanding and strengthening national networks across all the markets in which we operate, taking the products and services we provide to where our customers need us to be. Expansion, in our core business centre network and into third place locations such as airports, retail outlets and community centres, is a key objective for the Group. Financial growth also allows us to realise significant scale benefits through cost reductions and gains in efficiency.

Our aim is to provide our customers with the best possible help and support in deciding how and where they structure themselves to work. Expanding and strengthening our national networks allows us to better serve our customers and attract new customers, and in so doing to create a strong and vibrant business which generates long-term value for all our stakeholders.

Growth drivers

Cost:
Using traditional fixed property can be expensive – all the more so since more flexible working leaves desks empty for much of the week. Flexible workplace outsourcing can be more cost effective than fixed alternatives.

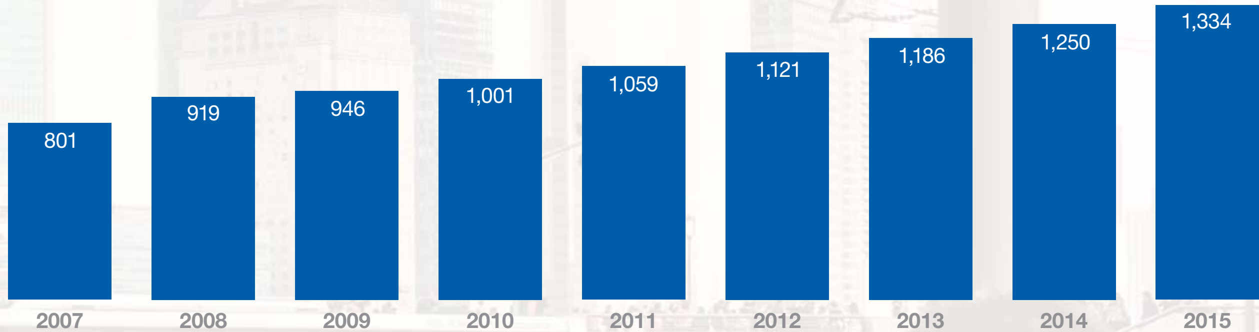
Technology:
Technological advances, from new devices to technologies and services, allow us to work and connect to colleagues, customers and suppliers from anywhere. Technological change will only continue to make us more mobile, connected and accessible.

Demographics:
There are now four generations in the workforce from the over 65's and Baby Boomers to Gen-X and lastly Net-Gens born into an always-on, always-connected world. Each has very different work styles and expectations which flexible working helps them meet.

Sustainability:
Sustainability is a core strategic priority for businesses, governments and individuals, and includes concerns around environmental impact, for example through carbon emissions. Flexible working helps address this is an efficient and simply way by allowing our customers to cut the carbon emissions associated with commuting.

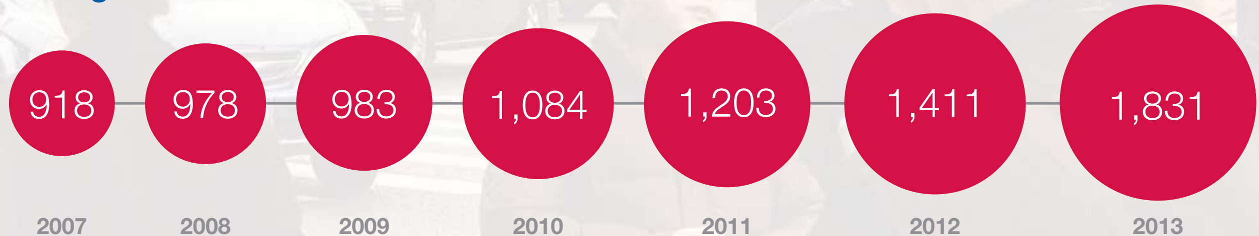
Work-life balance:
A harmonious work-life balance often tops professionals' definition of career success, ahead of both money and recognition. Flexible working is a major contributor to a better work-life balance, and is increasingly used by employers to attract and retain staff.

Number of flexible workers (m)



Source: IDC worldwide mobile worker population forecasts – 2009-2013 & 2011-2015 (June 2010 and Jan 2012)

Growth in size of Regus network



HELPING OUR CUSTOMERS WORK

Our purpose is to provide businesses with a network of high quality workplaces that help them be more effective and successful. To achieve this we have developed a proven, robust and high performing business model.

Over nearly 25 years we have continually invested in improving and developing our business assets, the most important of which is our network of locations. We now operate in 100 countries across almost 2,000 locations (business centres and third place locations), an unrivalled proposition.

As the illustration opposite demonstrates, our business model is aligned with realising our strategy and creating long-term value for both our shareholders and other stakeholders.

Network strength
Regus invests in strengthening and expanding its national networks so as to best serve the needs and demands of its customers, both current and new. Expanding in this way enables Regus to interact with an increasing number and variety of customers across all industry segments and geographical locations.

Regus is in a financially strong position – in particular, the strong cash flow generation from our mature centres allows us to continue to invest in the business, growing the network and investing in Research & Development. This allows us to improve and develop our business to meet changing customer needs.

Good people, systems and processes
Developing our people, processes and systems is core to delivering excellent customer service. Successful delivery of our strategy by our people has driven strong revenue growth. All countries have detailed development plans and in-country management structures support this on the ground. By investing in our people to develop their capabilities, particularly at a country level, and devolving decision making, we are witnessing a marked operational improvement which is reflected in our strong business performance.

Cash generative
An attractive feature of our business model is the strong conversion of profit into cash. This supports continued investment in expanding our core expertise delivered through multiple national business centre networks whilst delivering tangible cash returns to our shareholders through the Group's progressive dividend policy.

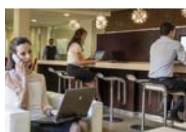
Constantly innovating
To better serve our customers we invest significantly in developing our products and services. We also champion a better understanding of the benefits of workplace outsourcing through substantial marketing investment. The office remains the primary workspace and our business centres continue to be at the core of our network. However, flexible working now embraces an expanding range of convenient places to work between the office and the home. We are developing our network, through both business centre and third place locations, to directly meet this need.

HOW WE CREATE VALUE

2. Customers

- 1.58 million customers – a 17% increase. Corporate customers include:

1. Assets



Network
Global network of 1,831 business centre locations

Innovation
98 third place locations – strong investment in Research & Development

People
Recruitment and ongoing training of high-quality individuals

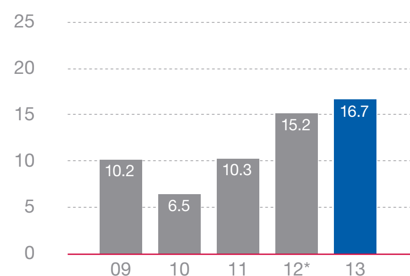
Brand
A well known, well respected global brand

3. Revenue and profit

- Group revenue growth of 23.3%, Mature like-for-like revenue growth of 3.7%

Mature operating margin

16.7%

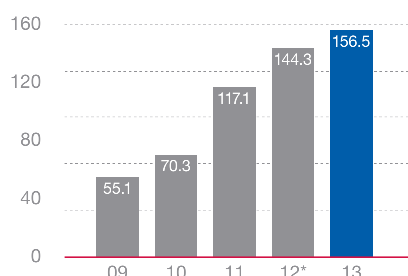


4. Cash flow

- Full year dividend increased 13% to 3.6p (2012: 3.2p).

Mature free cash flow

£156.5m

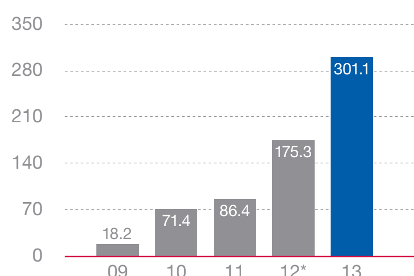


5. Reinvestment in the business

- 448 new business centres
- 76 Third place locations

Investment in growth

£301.1m



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A UNIQUE NETWORK

Companies outsource their workplace needs to Regus so that they can focus on their core activities. The more convenient our locations become, the more attractive our offer is as an alternative to owning or leasing property directly, especially for larger businesses that cover diverse geographies.

We provide this convenience by establishing and then deepening national networks that are linked together into one global network of 1831 business centre and 98 third place locations across 100 countries. The reach of our network is unrivalled and a major differentiator.

For our customers – from global corporates such as Google, Tata and Toshiba to numerous businesses small and large – our network is critical to their success. They use it to work more efficiently and effectively, reduce fixed costs and meet a growing employee demand for more flexible work arrangements. They also use it to explore new and existing markets. Partnering with Regus allows our customers to expand without the financial risk and administrative and managerial costs associated with growth.

New countries and cities

The scope and strength of our network is a key differentiator for Regus – we therefore continuously invest in developing and strengthening it further. In 2013, we opened in our 100th country – Nepal – and extend our reach to 684 cities including new markets such as Beverly Hills, USA, Naples, Italy and Pretoria, South Africa.

Network growth strengthens our relationships with customers, and attracts new business. It also drives up shareholder returns: the more centres we have, the more we benefit from economies of scale and lower unit costs.

Building national networks

Launching in new markets is one key aspect of network growth. But deepening our presence in existing ones is also critical. Thus, in China we increased our network to 66 locations in 2013, in key business districts of up-and-coming cities such as Ningbo and Suzhou, as well as the longstanding business hubs of Shanghai and Beijing. In Germany we more than doubled the size of our business centre network whilst also opening many third place locations.

Extending our reach further

Expanding into new locations is an important part of our strategy: we aim to be everywhere our customers need us to be. Regus now caters to mobile workers: people who work whilst on the move. During 2013 Regus added 76 new third place locations – walk-in urban and suburban workplaces. These new facilities are primarily located around transport infrastructure hubs such as airports, motorway service stations and railway stations but increasingly also in such locations as community centres, libraries and retail outlets.

Key network highlights

1. Network growth

30% increase in the size of Regus network

448

business centres added

2. Third place

Third place now open in five countries

76

locations opened in 2013

3. New countries

Opened in Kathmandu, Nepal in June 2013

100th

country milestone achieved

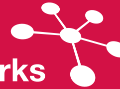
4. Customer growth

Strong end user demand in all markets

1.58m

individuals now supported by Regus

5. Expanding national networks



Our network in Germany more than doubled in 2013

81

business centres now open in 21 cities

6. Growing markets

China is one of our fastest growing national networks

66

locations in 19 cities in China

DEVELOPING NEW PRODUCTS AND SERVICES

Today Regus provides a range of high quality products and services to help our customers improve their productivity and performance.

Outsourcing their workplace needs to Regus allows our customers to focus more clearly on their core business activities and be more successful.

The scale of the opportunity is significant. Our network will remain at the core of our business, but we will use it to create a workplace ecosystem around which we provide, facilitate and deliver a wide range of work related activities and services.

We believe our ability to innovate is crucial to the long-term growth and success of our business. In 2013 we increased our investment in Research & Development by 60% to £7.2m (2012: £4.5m).

As the examples opposite describe, we have already made the initial steps in broadening what we do, exploring and testing various offers in different markets, some further in the future than others. We are confident that investing in such development will increase the attractiveness of our offer to a wider range of businesses. This will improve customer satisfaction and provide additional opportunities to enhance long-term shareholder value.

DocStation, our Cloud Printing Platform.

Business Island concept including Business Workbox.

Customer focused innovation

Cloud Printing Platform

Our solution, DocStation, enables customers to send documents to print from anywhere in the world and collect them when they visit their next Regus location.

Business Workbox

A fully self-contained, resourced and private workspace with a footprint of four square metres, ideal for locations with a high footfall such as airports and service stations.

Cloud Voice Platform

Internet enabled IT and telephony services, seamlessly connecting our network to provide an enhanced technology platform for our customers.

Global Single Sign-on

Once registered with Regus' global WiFi service, a customer's device instantly logs back on whenever a Regus location is visited.

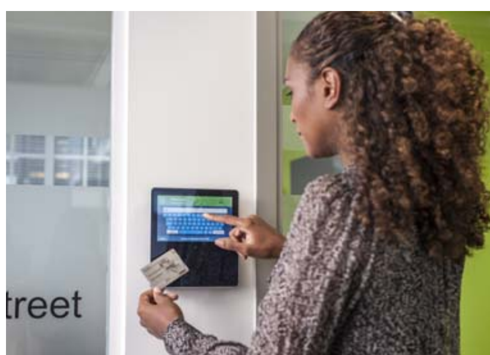
Workplace in your Phone Apps

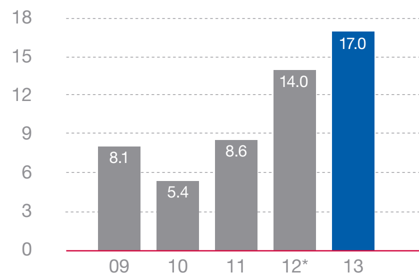
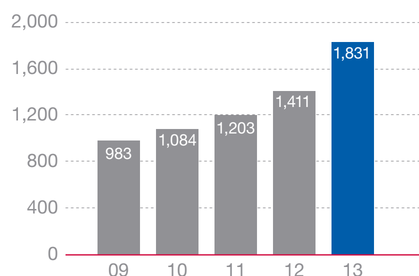
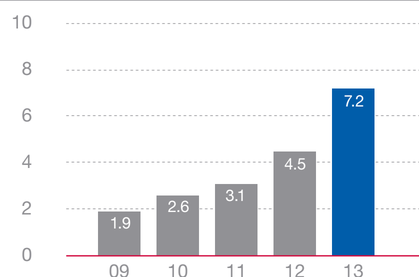
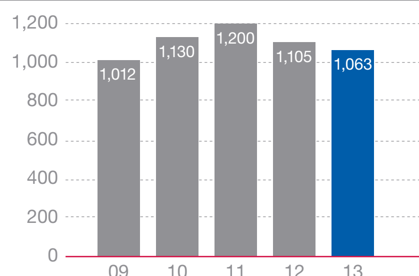
A suite of apps which enable all Regus' products and services to be easily accessed and booked in real time anywhere in the world.

Driver-Less OfficeCar

We have partnered with a concept car development company, Rinspeed, to create a driverless car that can be transformed into a four-person mobile workspace.

OUR STRATEGIC APPROACH

Strategic objectives		Our approach
	Improve profitability	Revenue growth achieved through the addition of new locations, the development of incremental revenue streams and active management of the existing network to drive efficiency: all contribute to improvements in gross profit. Combined with strong overhead cost control this drives operating profit and cash flow.
	Develop national networks	Growth is demand-led as we respond to companies looking to outsource more of their workplace needs. By expanding our networks we expand our addressable audience and provide our existing customers with additional convenience. We continue to be mindful of growing only in locations where the investment opportunity meets our stringent returns criteria. We are also focused on developing more capital efficient ways of expanding the network.
	Lead market innovation	Innovation is core to Regus' strategy and allows us to retain our market-leading position. We invest in Research & Development to ensure we stay on top of (and even help shape) trends, by developing products and services that meet our customer's needs and help them work more efficiently and effectively. New product development provides existing customers with additional reasons to use Regus and also opens up new revenue opportunities.
	Control cost	Cost control is achieved through operational excellence and the significant economies of scale and operational leverage that network growth brings.

Key performance indicators	How we did in 2013	Future ambitions
Mature EPS Mature EPS grew 34% to 17p on a like-for-like basis		Delivering profitable growth is central to creating future shareholder value. Regus is committed to improving the performance of the Mature Centres business to add to its overall performance and thus increase mature EPS.
Network location growth 448 new centres added to the network and 76 third place locations		We aim to add at least 300 new business centre locations in 2014 and will continue to add breadth and convenience to the network through significant third place location growth.
Investment in Research & Development £7.2m invested in Research & Development, up 60%		We anticipate increasing our investment in Research & Development thus providing a key point of differentiation in the market for Regus by continuing to meet our customers' emerging needs.
Total overheads (excluding R&D) per available workstation Overheads (excluding R&D) per available workstation reduced by 3.8%		We will continue to decrease overheads per available workstation through scale benefits and through driving more efficiencies from our in-country management structure.

Mature EPS chart:

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Network location growth chart:

Business Centre locations

Investment in Research & Development chart:

Total overheads chart:

Read about how our principal risks may impact our performance on page 24.

DOUGLAS SUTHERLAND, CHAIRMAN

CHAIRMAN'S STATEMENT

The Group had an active and successful year. We have again demonstrated our ability to deliver a strong financial performance while expanding our global network and deepening our local in-country networks.

For the period, Group revenues grew 23.3% to £1,533.5m (2012: £1,244.1m), while operating profits were marginally ahead at £90.8m (2012: £90.2m), a strong result in light of the increased drag from the accelerated pace of new centre additions.

We continue to position the business for the future, with over £300m invested in growing our high quality network. In total we increased our business centre network by 30% to 1,831 (2012: 1,411) and opened 76 third place locations.

The performance of our Mature business continues to be a strength. On a like-for-like basis, revenues in our Mature business improved by 3.7% to £1,226.3m (2012: £1,182.0m), while operating profit increased by 33% to £205.3m (2012: £154.6m) with the mature operating margin improving to 16.7% (2012: 13.1%). Our mature centres continue to be highly cash generative, with free cash flow (after tax, finance costs and maintenance capital expenditure) of £156.5m, representing a mature free cash flow margin of 12.8% or 16.6p per share.

Our New Centres business has also performed well, progressing in line with our expectations. Management remain focused on ensuring all new centres achieve the required financial returns.

Strategy

Over the last 25 years Regus has evolved to meet the changing work needs of business, providing our customers with superior space and support regardless of when, where or how they work. We believe that now is the right time to expand and lay the foundations for a much larger and more profitable business.

Our growth strategy is based upon increasing the profit generation and cash flows from our mature centres which enables us to invest in our network and thereby generate attractive returns and increased earnings per share over the long term.

While pursuing our strategy, we also strive to be good corporate citizens. We are committed to sustainable business practices and dedicated to promoting and enabling the shift to flexible working in the economy. By doing so, we strengthen our business and help our customers improve their productivity while reducing both costs and carbon emissions through more effective use of space and reducing the need for travel. We are also committed to reducing our own impact on the environment, implementing systems and processes to ensure we use resources in a suitable and responsible way. We also actively back our team members' initiatives to support the local communities in which we operate.

Board update

During the year Florence Pierre joined the Board as a Non-Executive Director, complementing its existing skills and diversity. Following an external evaluation in 2012, an internal Board review was conducted in 2013. The results of this evaluation were used to improve the processes and effectiveness of the Board. No reportable matters were identified and we continue to have full confidence in the Board's members and processes.

Our people

Each of the Non-Executive Directors was able to attend a portion of the Group's annual planning conference in November in which more than 150 senior managers from around the world actively participated. It was clear from observation of the participants' plans that management's focus on the people in these key roles is paying off in terms of our ability to innovate and deliver results as we execute our strategy.

I would like to thank each and every one of our team members for their unrelenting passion and commitment. Building Regus is a challenging and rewarding endeavour which is only achieved through their hard work and dedication.

Dividend

Given the continued strong performance of the business the Board is recommending a final dividend of 2.5p. Subject to the approval of shareholders at the 2013 AGM this will be paid on 30 May 2014 to shareholders on the register at the close of business on 2 May 2014. This represents an increase in the full year dividend of 13% to 3.6p (2012: 3.2p).

Douglas Sutherland
Chairman

4 March 2014

MARK DIXON, CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S REVIEW

It has been another year of significant achievement for Regus. These strong results underline the fundamental strengths of our business and its forward momentum in a growing market.

Following a record year of growth we have firmly established ourselves with an unrivalled global network. At the same time we also strengthened our presence at both a local and national level across the 100 countries in which we now operate. As we embed our business more deeply into local communities, we take seriously our commitment to support them. The endeavours of our team members, with the backing of the business, have helped thousands of individuals around the world and I thank them for their efforts.

Group revenues increased by 23.3% to £1,533.5m (2012: £1,244.1m) reflecting the significant expansion of our network. In total £301.1m was invested in growth (2012: £178.4m), the result of which was a 30% increase in business centre locations to 1,831 (2012: 1,411). At the same time operating profit was marginally up at £90.8m (2012: £90.2m). Given the scale, pace and costs of growth, this is a strong result.

Our Mature business remains the profit and cash engine of the Group. Operating profits rose by 33% to £205.3m, in part due to further improvements to yield management, with free cash flow (after tax, finance costs and maintenance capital expenditure) at £156.5m (16.6p per share), on the back of revenues up 3.7% to £1,226.3m. Mature EPS also increased by 34% to 17.0p (2012: 12.7p).

Costs remain firmly under control, notwithstanding the significant investment required to support growth. Improved efficiency and scale continued to deliver benefits, with overheads (excluding Research & Development) on a per-available-workstation basis down by 3.8%.

We have been able to deliver this performance in large part due to the fundamental improvements to our country management structure. These results clearly reflect the quality of our team and their skill in making the right, often tough, decisions to drive performance in what remained a challenging macro environment.

We continue to respond to the fundamental changes affecting how we all work, namely the shift from a fixed to a flexible mode of working. Our fortunes are inextricably linked to progress and developments in this high-growth market.

Among the core drivers of growth for Regus are the significant cost savings associated with moving to more flexible workplace arrangement and outsourcing this to specialist providers such as Regus, as well as continued technological advances, which allow us to work from anywhere. Other drivers include demographic changes, sustainability and the growing societal importance of work-life balance. As a result, flexible working has come to be viewed as a core element of the way organisations operate and conduct business.

Group income statement

£m	2013	2012	Change
Revenue	**1,533.5**	1,244.1	23.3%
Gross profit (centre contribution)	**373.8**	320.7	17%
Gross margin	**24.4%**	25.8%	
Operating profit	**90.8**	90.2	1%
Operating margin	**5.9%**	7.3%	
Profit before tax	**81.5**	85.1	(4%)
Taxation	**(14.6)**	(14.2)	
Profit for the period	**66.9**	70.9	(6%)
EBITDA	**188.3**	159.3	18%
EBITDA margin	**12.3%**	12.8%	

Our business model has continually evolved to reflect the changing work needs of business and individuals.

Our over-arching aim has always been to provide our customers with the best possible help and support in deciding where and how they work. In doing so we have created a strong and vibrant business which generates significant long-term shareholder returns.

I will now review the performance of our business.

Performance against our strategic objectives

Improve profitability

The performance of our core Mature Centres business (centres opened on or before 31 December 2011) underpins all growth activity within the Group. We remain pleased with the levels of occupancy, averaging 83.8% through the year, and the improvement of REVPOW to £7,750, an increase of 4.3% (up £321), a sign of robust yield management. This healthy occupancy and increased REVPOW drove incremental revenue growth which, with operational gearing, is then reflected in the improvement in mature gross profit margin to 29.3% (2012: 27.8%).

The 2011 new centres, which joined the mature estate in 2013, significantly closed the gap with the existing mature estate and are now performing at a similar gross profit before depreciation and amortisation margin.

Our New Centres business (centres opened on or after 1 January 2012) has equally performed well and in line with expectations. Our primary objective is to ensure that all new centres perform in line with the rest of the mature estate as soon as possible.

- The financial maturity profile of our 2012 centres is in line with expectations. These generated £139.4m of revenue and made a positive centre contribution of £6.9m. This translated into a gross profit margin before depreciation and amortisation of 15.1%.
- The 448 centres that we added during 2013 generated revenues of £159.4m and made a centre contribution of £7.3m, in line with our expectations. Within this the acquisition of MWB has contributed strongly at the gross profit level.
- The heavy overhead investment required to open and support these new centres resulted in a drag of £114.0m on the Group's operating profit (2012: £62.6m).

Develop national networks

This has been a record period of growth for Regus. We have opened more than 500 locations – 448 business centres and 76 third place. In doing so we expanded our reach and enhanced our long-term earnings potential.

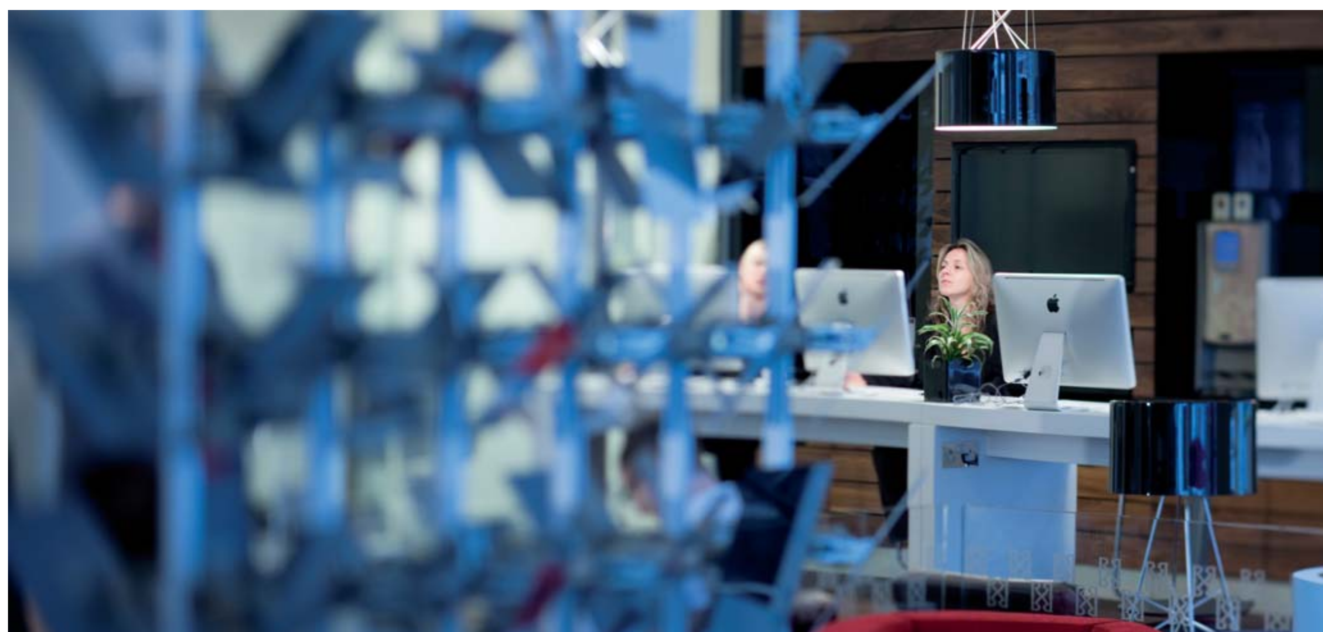
It is a testament to the fundamental strength of our business model, the robustness of our systems and processes and the skill and determination of our teams around the world that we have been able to execute this part of our strategy whilst also maintaining our day-to-day operational performance at such a consistently high level.

When a business looks to outsource its workplace requirements, location is typically the primary consideration. It is for this reason that we are investing in local and national networks, taking the products and services we provide closer to where business needs us to be. Growth, therefore, both in our core business centre network and into third place locations such as airports, retail outlets and community centres, is a key objective for the Group.

This year we expect to add at least 300 new business centres, and many new third place locations. We continue to find plenty of opportunities, both organic and through acquisition, to grow our network on terms that meet our stringent investment criteria and which are capable of delivering long-term sustainable returns. The integration of MWB into our UK business, achieving all identified synergies, provides a clear demonstration of our ability to deliver value through incremental acquisitions.

As we grew we also continued to improve the composition of our business with 84% of leases now either flexible or variable (2012: 82%).

Our growing network is attractive to the increasing numbers of businesses looking to outsource their workplace needs and adopt more flexible working practices in general. As a consequence, end user demand for Regus products and services remains strong. Over the course of 2013 customer numbers increased by more than 200,000 to 1.58m.



Attracting more large corporate customers to our business remains a key priority. We believe our network scale and reach is an important and crucial differentiator as these organisations seek to rationalise their small-office networks, move towards more flexible work arrangements and reduce fixed costs. Notable new wins and contract extensions amongst many include: Twitter, whom we helped open in 12 new countries over the year; Toshiba, supporting 1,000 of their Retail Point-of-Sales team across 14 countries; and, Electronic Arts, supporting them in markets such as China and Russia as well as opening in new ones across Europe and Asia. We also extended our relationships with Apple, Accenture, EDF Energy and RBS amongst others.

Industry leading innovation

The quality and breadth of Regus locations and associated products and services are core to our differentiation and, are why customers choose to work with us. We recognise that innovation is at the core of maintaining our market-leading position – we invest in Research & Development to ensure we stay ahead of the curve and continue to develop the locations, products and services that attract customers to Regus. Over the period we invested £7.2m in Research & Development (2012: £4.5m). This ensures we are best placed to anticipate and respond to the needs of our customers. It also helps us define the workplace sector, thereby enhancing our leadership position.

During 2013 we continued development in a number of important areas, not least with regards to the IT and telephony services we provide to customers. One of the core attractions of Regus to mobile workers is the way that we can improve their productivity while they are on the move; our cloud printing solution DocStation has proved popular and continues to be rolled out globally. We also concluded market testing of the WorkBox concept. This is a self-contained, fully resourced private workspace with a footprint of four square metres, ideal for locations with high transient footfall such as airports and service stations. We intend to begin deployment in 2014.

Third place continues to make encouraging progress and is a fundamental part of our growth strategy. Over the last year we extended our relationship with Shell and signed agreements to add additional locations to the UK motorway network. Since year-end we signed our first deal outside Europe with the Singapore Government for the placing of facilities in public libraries. We have also signed agreements to open drop-in business lounges at Heathrow and Gatwick airports. Given the scale of the market opportunity we are encouraged by both end user adoption and interest from potential new partners. This is driving rapid growth; however, in the context of our significant business centre operation it remains small at this stage.

Cost control

One of the fundamental strengths of our business is its ability to grow and leverage the benefits of additional scale. Despite significant investment in growth, total overheads (excluding investment in Research & Development) as a percentage of revenue reduced marginally to 18.0%. Against an increase in the network of 30%, total overheads (excluding investment in Research & Development and MWB related transaction and restructuring costs) increased by 19.0%. In addition to the scale benefits mentioned earlier two other factors are driving this improvement, namely the delayering and strengthening of management and automation of our back-office processes. The standardisation of repeatable tasks in our back office allows us to concentrate activities within our single service centre in Manila and harmonise service levels, bringing significant productivity gains and freeing up centre teams for higher-value-add tasks.

A high performing team

No commentary on our business performance would be complete without reference to our dedicated workforce, without whose efforts we could not have achieved the progress we have made so far. Our ability to deliver at the local level becomes ever more dependent on the strength of our local, in-country management teams. In many respects this performance is a direct result of the management and structural improvements we have made at both a Group and a country level and the devolution of day-to-day operational decision making. This process continues and we are making significant hires within all country management teams as we expand.

As a service-based business the strength and capabilities of our increasingly geographically diverse team are critical to achieving our objectives. We recognise the importance of people development and the Regus Online Learning Academy together with a wide range of additional initiatives gives our team members the opportunity to learn and enhance the skills that will ensure they are capable of achieving their career ambitions. We are committed to a fair approach and equal opportunities in all areas of our business.

Culturally we employ more than 100 nationalities and, with regard to gender, we aim to achieve broadly equal outcomes for women and men. For the Group as a whole our workforce is 70% female: 30% male; at a Group operational level the breakdown is broadly equal, and at a senior management level 30% of positions are held by women. We successfully recruit, train, promote and retain skilled and motivated team members with very diverse backgrounds. This is a core strength and critical to the successful development of our business.

Operational Review

Over the year the Group added 448 new centres (2012: 243) with the total number as of 31 December 2013 standing at 1,831 (2012: 1,411). This growth resulted in an increase in total workstation capacity (including non-consolidated workstations) of 26.9% to 304,774 and the number of consolidated workstations as at 31 December 2013 by 27.5% to 292,655.

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

Mature Centres performance

£m	Revenue		Contribution		Mature margin (%)	
	2013	2012	**2013**	2012	**2013**	2012
Americas	**534.0**	509.6	**168.9**	153.4	**31.6**	30.1
EMEA	**298.3**	283.5	**82.5**	78.3	**27.7**	27.6
Asia Pacific	**181.6**	184.7	**58.7**	57.7	**32.3**	31.2
UK	**210.7**	202.9	**50.3**	37.6	**23.9**	18.5
Other	**1.7**	1.3	**(1.4)**	1.3	**–**	–
Total	**1,226.3**	1,182.0	**359.0**	328.3	**29.3**	27.8

Americas

This business posted another good performance. Mature revenues were up 4.2% at constant currency to £534.0m (up 4.8% at actual rates), with average mature occupancy of 85.5% during the period (2012: 87.2%). Mature gross margins improved to 31.6% (2012: 30.1%). During the year, we added 196 centres. This increased our network to 875 business centre locations and took us into 83 new cities and markets including: Beverly Hills, California; St Pauls, Minnesota; and Langley, Canada. This growth contributed to a 27% increase in the average number of consolidated workstations from 90,617 in 2012 to 114,984 in 2013.

EMEA

This geographically diverse business also delivered a strong performance in spite of challenges in some markets. Mature revenues were up 2.2% at constant currency to £298.3m (up 5.2% at actual rates), and achieved an average mature occupancy of 81.4% (2012: 80.9%). Mature gross margin remained stable at 27.7% (2012: 27.6%). During the year, we added 126 centres, increasing our network to 450 business centre locations, and opening in 23 new cities including: Pretoria, South Africa; Naples, Italy; and Dortmund, Germany. This contributed to a 13% increase in the average number of consolidated workstations from 41,531 in 2012 to 46,973 in 2013.

Asia Pacific

Our APAC business continued its robust performance delivering mature revenues of £181.6m, up 3.2% on constant currency (down 1.7% at actual rates) and achieved an average mature occupancy of 83.5% (2012: 83.3%). Mature gross margins improved to 32.3% (2012: 31.2%). During the year we added 58 new centre openings, increasing the network to 290 business centre locations, and opening in ten new cities, including: Ningbo, China; Penang, Malaysia; and Kathmandu, Nepal, our 100th country. This contributed to a 37% increase in the average number of consolidated workstations from 34,557 in 2012 to 47,188 in 2013.

UK

Our UK business made further strong progress delivering mature revenues of £210.7m, up 3.8% on 2012. Mature gross margins improved to 23.9% (2012: 18.5%) and average mature occupancy remained healthy at 82.8% (2012: 83.1%). Including the acquisition of MWB, 68 new business centre locations were added increasing the network to 216. This resulted in a 34% increase in the average number of consolidated workstations from 37,754 in 2012 to 50,630 in 2013. It is important to note that the integration of MWB went as planned and we remain on track to achieve the identified synergy savings.

Outlook

Our business is in a strong position. We are well positioned to continue to grow our networks, customer base and earnings in 2014.

Strengthening and expanding our network is core to ensuring we continue to generate incremental returns over the medium term. At this early point in the year it is difficult to predict precisely how many locations we will add, but we expect to grow by at least 300 new business centres during 2014 as well as add more third place locations.

Growth, when coupled with increased investment in innovation, will create additional demand for Regus' products and services, especially from large corporates as they seek help in transitioning from fixed to flexible working. The overriding focus, therefore, remains on finding opportunities that meet our strict financial returns criteria and are consistent with our strategic objectives.

Current trading is good, although the strengthening of sterling in recent months will affect the translation of our results. Notwithstanding this, we remain confident in our business model and our prospects for the year ahead.

Mark Dixon
Chief Executive Officer

4 March 2014

CHIEF FINANCIAL OFFICER'S REVIEW

The business has made strong progress during 2013 with significant investment in the network and further improvements in mature profit and cash generation.

We have added 448 new centres, slightly ahead of revised guidance in October, and delivered full year results in line with management expectations. It is also important to highlight that this was achieved as sterling strengthened significantly in the final quarter. It is testament to the strength of our core mature business that, while we grew the network by 30%, and incurred £7.4m of transaction and restructuring costs related to the acquisition of MWB Business Exchange and carried significant incremental overhead in MWB in the first half of the year, we nevertheless marginally increased Group statutory operating profit to £90.8m (2012: £90.2m).

To fully appreciate the underlying performance of the Group it is important to look at the Mature and New businesses separately. We have consistently highlighted mature profitability as being more representative of the performance of the business – mature, like-for-like operating profit increased 33% to £205.3m (2012: £154.6m).

A record investment of £301.1m in growing our business moved us from a net cash position of £120m at 31 December 2012 to a net debt position of £57.2m at 31 December 2013. This was a more favourable closing position than we originally anticipated due mainly to timing differences, particularly in relation to growth capital expenditure payments. We continue to monitor the appropriate level of financial capacity to grow our business and support our strategy whilst ensuring we maintain a prudent capital structure.

In recognition of the Group's continued financial and operational progress, the Board declared a 14% increase in the final dividend from 2.2p to 2.5p. This represents a 13% increase in the total dividend to 3.6p (2012: 3.2p).

Mature Centre business performance

£m	2013	2012	Increase
Revenue	**1,226.3**	1,182.0	3.7%
Gross profit (centre contribution)	**359.0**	328.3	9%
Gross margin	**29.3%**	27.8%	
Overheads (inc. R&D)	**(153.8)**	(173.4)	11%
Joint ventures	**0.1**	(0.3)	
Operating profit	**205.3**	154.6	33%
Operating margin	**16.7%**	13.1%	
EBITDA	**272.1**	216.8	26%
EBITDA margin	**22.2%**	18.3%	

Improving performance of our Mature Centres business (centres opened on or before 31 December 2011)

At the end of December 2013, we had 1,144 centres in the Mature business. Reflecting the recent scale of our new opening programme, the mature network represented approximately 62% of our global portfolio at the end of 2013. We remain clearly focused on enhancing the profit performance of our Mature Centres business at centre level (gross profit), whilst delivering further overhead efficiencies to generate a higher operating margin.

We are pleased with the performance of our Mature Centres business. Revenue grew 3.7% on a like-for-like basis to £1,226.3m and mature REVPOW improved to £7,750, an increase of 4.3% (£321). This is a strong performance and continues the trend of incremental yield improvement experienced since the second half of 2011. Average mature occupancy for 2013 remained strong at 83.8% (2012: 84.5%).

Gross profit (centre contribution) increased to £359.0m from £328.3m, an improvement of 9%. Accordingly the gross margin increased from 27.8% to 29.3% reflecting the operational leverage benefit of higher revenue (in part from the further maturation of the 2011 centre additions) and our strong discipline over managing centre costs.

Overheads allocated to the Mature Centres business reduced from £173.4m in the corresponding period to £153.8m as the Group continues to benefit from economies of scale, reducing overhead costs per available workstation. Correspondingly, overheads as a percentage of mature revenue declined from 14.7% in 2012 to 12.5% for 2013 as we make further progress towards our target of 12%.

As a result, our mature operating profit increased 33% from £154.6m to £205.3m, improving the operating margin from 13.1% to 16.7%. Mature EBITDA increased from £216.8m to £272.1m with the EBITDA margin improving from 18.3% to 22.2%.

The following table sets out the EPS calculation for our Mature business. In management's view, this provides a more representative picture of the underlying operating performance of the business.

Mature EPS calculation

£m	2013	2012	Increase
Mature operating profit	**205.3**	154.6	33%
Net finance charge	**(5.2)**	(4.5)	(16%)
Tax	**(40.0)**	(30.0)	
Mature profit after tax	**160.1**	120.1	33%
Mature EPS (p)	**17.0**	12.7	34%

Commensurate with the strong advance in operating profit, mature EPS improved by 34% to 17.0p.

Cash generation remains an attractive characteristic of the Mature business. Once more, the conversion of mature profitability into cash has been strong, thereby continuing to contribute to the funding of our new centre growth.

Mature free cash flow

£m	2013	2012
EBITDA	**272.1**	216.8
Working capital	**(21.3)**	20.5
Maintenance capital expenditure	**(53.2)**	(58.0)
Other items	**3.1**	3.0
Finance costs	**(5.2)**	(4.5)
Tax	**(39.0)**	(28.3)
Mature free cash flow	**156.5**	149.5
Mature free cash flow per share (p)	**16.6**	15.9
Free cash flow margin (%)	**12.8%**	12.6%

The Mature business experienced a £21.3m working capital outflow in 2013 which represents 1.6% of Group gross working capital balances and is mainly due to timing differences. Maintenance capital expenditure for the year was £53.2m (2012: £58.0m), representing 4.3% of mature revenues (2012: 4.9%); in line with our guidance of 4-5%.

The resulting 4.5% increase in mature free cash flow to £156.5m represents 16.6p per share or a free cash flow margin of 12.8%.

Total overheads (SG&A and R&D) allocation methodology

We constantly monitor the appropriateness of the assumptions underlying our cost allocation methodology. As the business continues to benefit from economies of scale, we reviewed the original estimation of the cost of getting a new centre to the point of opening and considered it appropriate to reduce our estimation to approximately £110,000 compared with the previous cost of £130,000.

Accordingly, we therefore applied this new cost to additions from 1 January 2013. This estimate adjustment and the treatment of the actual overhead costs of MWB in the first half of the year aside, the methodology by which we have allocated overheads by maturity is consistent with that used in previous years and continues to reflect the activity drivers in each part of the business.

There are four elements to the allocation methodology:

- It is estimated that 90% of property team costs are spent on supporting our growth programme;
- As revised, each new centre costs approximately £110,000 to get to the stage of opening (£130,000 per centre for 2012 and earlier periods). This reflects the cost of management time, sales and marketing set-up costs (these costs are deducted before the allocation of sales and marketing costs as outlined below), human resources recruitment and training costs, and administrative and finance set-up costs;
- 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 convert these into new sales; and,
- For all other overhead costs we follow the principle of allocating the costs pro-rata by reference to available workstation numbers.

As we noted with our interim results, the acquisition in February of MWB resulted in significant transaction and restructuring costs and it also came with a significant overhead base (to support its 64 centres). This acquisition therefore generated an initial cost profile fundamentally different to that more normally associated with our new centre opening and acquisition programme.

Therefore we felt it inappropriate to apply the overhead cost allocation methodology to MWB in the first half of 2013 and instead reflected the actual reported overhead cost base of the business, including all transaction and restructuring-related expenses, in new centre overheads.

In the second half of the year, we applied the normal allocation methodology as the business was fully absorbed into the UK business and supported by a single overhead cost base. Consequently these reported results for 2013 show the performance of the MWB centres within the new 2013 centre additions on an actual cost basis for the first half and as part of the normal cost allocation exercise for the second half. We believe this blended approach provides shareholders with the best representation of the underlying performance of both the New Centre and Mature Centre businesses.

Building the returns from our New Centres business (centres opened on or after 1 January 2012)

In total there were 687 new centres at the end of 2013. Overall, these represented a material investment and, with the notable increase in the pace of openings, provide a significant drag on the Group's income statement. This arises from the substantial investment in central overheads to support this growth and the initial negative gross margin while occupancy builds. More importantly, the performance of our new centres continues to be in line with management's expectations. However, it is important to remember that the way new centres develop financially is influenced by factors such as, but not limited to, geography, the timing of opening, and by deal type.

The table below illustrates the material impact on the income statement of these new additions.

New Centre performance

£m	2013	2012
2012 openings	**139.4**	39.0
2013 openings	**159.4**	–
Revenues	**298.8**	39.0
2012 openings	**6.9**	(8.7)
2013 openings	**7.3**	–
Gross profit (centre contribution)	**14.2**	(8.7)
Overheads	**(120.8)**	(53.9)
MWB transaction and restructuring related costs	**(7.4)**	–
Operating profit	**(114.0)**	(62.6)
EBITDA	**(83.7)**	(56.8)

The 2012 openings are progressing to maturity in line with management's expectations. With the large number of openings in 2012 towards the end of the year, these centres weighed on profitability in the first half of 2013. As expected, however, they continued to fill rapidly and reversed the £1.6m negative contribution in the first half to a positive contribution for the year overall of £6.9m, achieving a gross profit margin before depreciation and amortisation of 15.1% for the year.

Inclusion of MWB in the results for the 2013 new centre additions, following its acquisition at the end of February, resulted in a positive gross profit contribution from this year group in 2013. Overall, these new centre additions remain on track to deliver the anticipated performance.

The allocation of central overheads to support the new 2012 and 2013 centres, together with the actual costs relating to the MWB centres for the six months to 30 June 2013, increased significantly to £128.2m (2012: £53.9m) as the overall number of new centres increased to 687 (2012: 243) and the pace of openings accelerated.

Consequently the negative contribution to Group operating profit in 2013 from the new centres increased to £114.0m (2012: £62.6m)

Developing the network through our New Centres business

We significantly expanded the network during 2013, adding a record 448 centres. This level of activity is slightly ahead of the 420-440 new additions guidance we provided in our Q3 Interim Management Statement. Growth on such a scale means it is challenging to gauge precisely when centres will open or an acquisition will complete. As we did in 2012, we had an active fourth quarter in 2013 when, in total, we added 156 centres, more than the total number of centres opened in the whole of 2011. At the end of December 2013 we had 687 net new centres, comprising 38% of the total number of centres. On 1 January 2014, 239 of the centres added in 2012 graduated into our Mature Centre business.

We continue to have a good pipeline of new openings. Customer demand for more convenient and flexible workplaces continues to be strong and, whilst attractive investment opportunities delivering above our hurdle rate of internal return are available, we will continue to grow our network. We expect to add at least 300 business centre locations this year. This will take us through our previously stated target of at least 2,000 centres by 2014, which served its purpose in demonstrating the scale of the Group's growth aspirations over the last three years.

We will complement this centre growth with a significant number of additional third place locations, further increasing the convenience of our network in a capital efficient manner. Our third place business continues to develop and while we are encouraged with progress made to date, it still remains too early to provide any meaningful representation of performance.

Every potential investment is rigorously evaluated by the Investment Committee and has to meet stringent financial hurdles before being approved. This is a process to which we apply maximum focus, given how critical the original investment decision is to our ultimate success. The integration of MWB into our UK business achieved all identified synergy benefits, providing a clear demonstration of our ability to deliver value through acquisitions.

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

£m	2013	2012
EBITDA	**(83.7)**	(56.8)
Working capital (estimated)	**85.4**	25.9
Growth capital expenditure	**(320.6)**	(161.3)
Finance costs	**(4.1)**	(0.6)
Tax	**21.9**	14.4
Net investment in new centres	**(301.1)**	(178.4)

During 2013 the amount invested in growth increased materially to £301.1m (2012: £178.4m) adding 448 centres which represented a 30% increase in the network. The new centres continue to have a significant positive impact on working capital.

Closures

During 2013 we closed, relocated or resized 28 centres (2012: 26). These centres contributed a modest operating loss of £0.5m, against a loss of £1.8m in the corresponding period.

Overheads

Increased R&D (including Third Place overheads) investment

We consistently invest in areas which improve our competitive advantage and help differentiate us from other market participants within a highly fragmented but competitive landscape. Expenditure on Research & Development for 2013 increased 60% to £7.2m (2012: £4.5m).

Maintained discipline on Selling General and Administrative expenses (SG&A)

2013 has been another period of significant expansion for Regus and we have continued to invest to support our growing business. We have done this whilst maintaining a resolute focus on cost discipline. Total Group SG&A costs (excluding Research & Development) as a percentage of revenues declined modestly to 18.0% compared with 18.1% in 2012. As well as investing to support the resource hungry new centre growth, 2013 also included £7.4m of transaction and restructuring costs related to the acquisition of MWB as well as a level of associated overheads during the

integration phase well above the incremental overhead now required to support the combined UK business. Notwithstanding this, total SG&A (excluding Research & Development) costs per available workstation reduced by 3.8% reflecting further underlying improvement in overhead efficiency. Furthermore, investment in people, as well as increased automation, have improved efficiency and is reflected in the increase in number of workstations supported per full time equivalent overhead employee to 97.6 (2012: 76.9)

Net finance costs

As anticipated, the significant investment in New Centre growth moved the Group into a net debt position. As a consequence the net finance charge increased to £9.3m (2012: £5.1m). Within this year's charge is £3.8m of fees relating to the loan and guarantee facilities, of which approximately £0.5m resulted from the extension and amendment in September of our loan facility by £120m to £320m.

Utilisation of this facility has resulted in additional interest payments of £1.6m.

The Group also incurred a notional, non-cash, interest charge of £2.1m (2012: £1.4m) relating to the accounting treatment of fair value adjustments on various acquisitions. The fair value adjustment relating to the acquisition of MWB during 2013 added approximately £0.9m to the notional charge for 2013.

Tax

The tax charge for the year was 17.9% (2012: 16.7%). This tax rate is consistent with our anticipated long-term effective tax rate of 20% as it continued to benefit in 2013 from the accounting changes implemented in 2012.

Earnings per share

Group earnings per share, after costs associated with the acquisition and integration of MWB, were 7.1p (2012: 7.5p), primarily reflecting the higher interest costs associated with growing the business.

The weighted average number of shares in issue for the year was 943,775,413 (2012: 941,921,816), as shares were issued to satisfy the exercise of a number of share grants by employees during the year.

Cash flow and funding

The table below reflects the Group's cash flow:

£m	2013	2012
Mature free cash flow	**156.5**	149.4
New investment in new centres	**(301.1)**	(178.4)
Closed centres cash flow	**–**	(6.4)
Total net cash flow from operations	**(144.6)**	(35.4)
Dividends	**(31.1)**	(28.2)
Corporate financing activities	**0.3**	(2.3)
Change in net cash	**(175.4)**	(65.9)
Opening net cash	**120.0**	188.3
Exchange movements	**(1.8)**	(2.4)
Closing net (debt)/cash	**(57.2)**	120.0

Underlying cash generation from the Mature business remains strong. Mature free cash flow increased 4.6% to £156.5m, representing mature free cash flow per share of 16.6p.

As planned, we materially increased our investment in growing the business. During 2013, we invested £301.1m in

Group operating performance reconciliation

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

£m	Mature centres 2013	New centres 2013	Closed centres 2013	Total 2013
Revenue	**1,226.3**	**298.8**	**8.4**	**1,533.5**
Cost of sales	**(867.3)**	**(284.6)**	**(7.8)**	**(1,159.7)**
Gross profit (centre contribution)	**359.0**	**14.2**	**0.6**	**373.8**
Overheads	**(153.8)**	**(120.8)**	**(1.1)**	**(275.7)**
MWB transaction and restructuring related costs	**–**	**(7.4)**	**–**	**(7.4)**
Share of profit of joint ventures	**0.1**	**–**	**–**	**0.1**
Operating profit	**205.3**	**(114.0)**	**(0.5)**	**90.8**
EBITDA	**272.1**	**(83.7)**	**(0.1)**	**188.3**

£m	Mature centres 2012	New centres 2012	Closed centres 2012	Total 2012
Revenue	1,182.0	39.0	23.1	1,244.1
Cost of sales	(853.7)	(47.7)	(22.0)	(923.4)
Gross profit (centre contribution)	328.3	(8.7)	1.1	320.7
Overheads	(173.4)	(53.9)	(2.9)	(230.2)
Share of profit of joint ventures	(0.3)	–	–	(0.3)
Operating profit	154.6	(62.6)	(1.8)	90.2
EBITDA	216.8	(56.8)	(0.7)	159.3

Overall, Group revenues increased 23.0% and reported gross profit increased 17% to £373.8m.

Reported operating profit was marginally ahead of the corresponding period at £90.8m (2012: £90.2m) despite the significant initial drag on profitability from growth, the £7.4m of transaction and restructuring costs related to the acquisition of MWB and the heavy initial overhead cost profile that came with it.

new centres compared to £178.4m in the corresponding period, with 448 and 243 centres added in 2013 and 2012 respectively. Although the free cash flow from the Mature Centre business continues to fund a sizeable proportion of this growth, the step up in expansion in 2013, together with the dividend distributions, has resulted in a significant net cash outflow for the business. We ended the year with a net debt position of £57.2m. This was slightly better than expected, mainly due to timing differences, particularly in relation to growth capital expenditure payments.

As our business grows in scale so does our ability to fund future growth from internal cash generation. We believe that, all other things being equal, we are able to support approximately 15% annual business centre growth from internally generated funds. Currently we anticipate adding at least 300 business centres and a significant number of third place locations in 2014. Accordingly, during 2014 we may further utilise our revolving credit facility which was amended and extended by £120m to £320m in September 2013. It has a final maturity date in September 2017 with conditions that are substantially unchanged from last year. The facility is provided by a consortium of nine banks including all six of our original banking partners. We continue to maintain a prudent approach to balance sheet funding while ensuring the Group has the appropriate financial headroom to execute its strategy.

The Group is driven by risk-adjusted returns and will only continue to invest if the macro environment is favourable and investment performance meets our exacting returns criteria. Accordingly, we have always indicated that we can quickly curtail growth in the event that we determine a need to do so.

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. Overall for 2013 the movement in exchange rates during the period was marginally beneficial and increased reported revenue, gross profit and operating profit by £20.2m, £4.9m, and £1.2m respectively over the corresponding period last year, with the weakening of sterling against the US dollar having the greatest impact.

Whilst sterling remained weak for much of the year, it strengthened considerably in the final quarter against many of the currencies we operate in. Set out in the table below are some of the principal exchange rates affecting the Group's overseas profits and net assets.

The average rates for these three major currencies for the nine months to 30 September 2013 were 1.54, 1.17 and 149 respectively. By the end of the year sterling had strengthened against the US dollar by 7.1%, against the euro by 2.6% and 16.8% against the Japanese yen when compared to the nine month averages.

This appreciation of sterling has continued so far into the current financial year and will impact the financial results of our operations when translated into sterling.

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the period ended 31 December 2013. Details of related party transactions that have taken place in the period can be found in note 29 to the 2013 Annual Report and Accounts (page 101).

Dividends

Consistent with Regus' progressive dividend policy and subject to shareholder approval, we will increase the final dividend for 2013 by approximately 14% to 2.5p (2112: 2.2p). This will be paid on Friday 30 May 2014, to shareholders on the register at the close of business on Friday 2 May 2014. This represents an increase in the full year dividend of 13%, taking it from 3.2p for 2012 to 3.6p for 2013.

Dominique Yates
Chief Financial Officer

4 March 2014

Foreign exchange rates

	At 31 December			Annual average		
Per £ sterling	**2013**	2012	%	**2013**	2012	%
US dollar	**1.65**	1.62	2%	**1.57**	1.59	(1%)
Euro	**1.20**	1.23	(2%)	**1.18**	1.23	(4%)
Japanese yen	**174**	140	24%	**153**	128	20%

RISK MANAGEMENT

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that risk management is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board oversees the risk management strategy and the effectiveness of the Group's internal control framework.

Risk Management

The successful delivery of Regus' strategy depends on our ability to identify and manage the risks associated with our business.

Risk management is at the heart of everything we do, particularly as we look to grow across multiple markets around the world. For this reason, we conduct risk assessments throughout the year as part of our business review process and all our investment decisions. These activities include:

- Monthly business reviews of all countries and Group functions
- Individual reviews of every new centre investment and all acquisitions
- Annual planning process for all markets and Group functions
- Annual risk assessment exercise, reviewed every six months, with participation of all senior managers

Risk	Mitigation	Progress in 2013
Strategic		
Lease obligations – The single greatest financial risk to Regus is represented by the financial commitments deriving from the portfolio of leases held across the Group. Whilst Regus has demonstrated consistently that it has a fundamentally profitable business model which works in all geographies, the profitability of centres is impacted by movements in market rents, which, in turn, impact the price at which Regus can sell to its customers. The fact that the outstanding lease terms with our landlords are, on average, significantly longer than the outstanding terms on our contracts with our customers creates a potential mismatch if rentals fall significantly which can impact profitability and cash flows.	This risk is mitigated in a number of ways: 1) 84% of our leases are 'flexible', meaning that they are terminable at our option within six months and are structurally independent. In this way, individual centres are sustained by their own profitability and cash flow. During the recent downturn this flexibility enabled us to negotiate revised lease terms with our landlords to reflect downward movements in market rental rates and return affected centres to profitability. 2) Around a quarter of our leases with landlords are variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs. In a growing number of cases, we take no risk at all since the lease is signed by a partner who also undertakes all of the capital investment and pays us a fixed percentage of revenues as well as a share of centre profit. 3) The sheer number of leases and geographic diversity of our business reduces the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market vary from country to country and region to region.	During 2013, the number of 'flexible' leases as a percentage of the total increased from 82% to 84%. At the end of 2013, we were operating 1,831 centres (up from 1,411 at the end of 2012) in 684 cities.
Economic downturn – An economic downturn could adversely affect the Group's operating revenues thereby reducing operating performance or, in an extreme downturn, result in operating losses.	The Group has taken a number of actions to mitigate this risk: 1) Almost a quarter of our leases are performance-related to a greater or lesser extent and our rental payments, if any, vary with revenues earned by the centre. 2) Lease contracts include break clauses when leases can be terminated at our behest. The Group also looks to stagger leases in locations where we have multiple centres so that we can manage our overall inventory in those locations. 3) We review our customer base to assess exposure to a particular customer or industry group. 4) The increasing geographic spread of the Group's network increases the depth and breadth of our business and provides better protection from an economic downturn in a single market or region.	We increased the number of centres operating on performance related leases by 25%. We also increased the scale of our network by 30% to 1,831 business centre locations. Our monthly business performance reviews provide early warning of any impact on our business performance and allows management to react with speed. More generally, investment in our management team has also led to improved decision-making at a country and area level.
Shifting demand and technology trends – Demand for flexible working which has been aided by advancements in technology.	Regus continually invests in R&D to develop new products and services to increase its competitive advantage, protect current revenues and unlock potential new sources of revenue.	The Group increased spend on R&D by 60% in 2013.

Risk	Mitigation	Progress in 2013
Financial		
Exchange rates – The Group has significant overseas operations whose businesses are generally conducted in the currency in which they operate. The principal exposures of the Group are to the US dollar and the euro with approximately 58% of the Group's revenues being attributable to the US dollar and 16% to the euro. The translation into sterling of overseas profits and net assets will be affected by prevailing exchange rates. Any depreciation or appreciation would have an adverse or beneficial impact on the Group's reported performance and position respectively.	1) Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. 2) Where possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency.	Overall in 2013 the movement in exchange rates during the period was marginally beneficial and increased reported revenue, gross profit and operating profit by £20.2m, £4.9m and £1.2m respectively.
Funding – The Group relies on an element of external funding to support a net debt position of £57.2m at the end of 2013. The loss of these facilities would cause a liquidity issue for the Group.	The Group constantly monitors its cash flow and financial headroom development and maintains a 12-month rolling forecast. The Group also monitors the relevant financial ratios against the covenants in the facility to ensure the risk of breach is being managed. The Group also stresses these forecasts with downside scenario planning to assess risk and determine potential action plans. Part of the annual planning process is a debt strategy and action plan to ensure that the Group will have sufficient funding in place to achieve its strategic objectives.	During 2013, the Group extended and amended its banking facility, which increased from £200m to £320m. The facility is committed until September 2017 and there is significant headroom on each of the covenant ratios.
Operational		
Loss of critical systems – The Group's systems and applications are housed in a central data centre. Should the data centre be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results.	Regus manages this risk through: 1) Business continuity plans which are regularly tested. 2) A detailed service agreement with our external data centre provider which incorporates back-up procedures and controls. 3) We have appropriate business interruption insurance.	During 2013, we undertook regular testing of business continuity procedures to ensure that they were adequate and appropriate.
Ensuring demand is there to support our growth – Regus has undertaken significant growth to develop local and national networks. Adding capacity carries the risk of creating overcapacity. Failure to fill new centres would create a negative impact on the Group's profitability and cash generation.	Regus mitigates this risk as follows: 1) Each investment or acquisition proposal is reviewed and approved by the Investment Committee which is composed of the Chief Executive Officer and the Chief Financial Officer. 2) Part of the monthly business review process is the monitoring of new centre development against their investment case to ensure that the anticipated business progression and returns are being generated. 3) As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the growth objectives for the coming year in the context of a strategic plan. This plan includes the assessment of risks and the ideal mix of deal types to manage the risk.	In aggregate, our new centres continue to perform in line with management expectations and are delivering attractive returns.

Risk	Mitigation	Progress in 2013
Human Resources		
Ability to recruit at the right level – Our ability to increase our management capacity and capabilities through the hiring of experienced professionals not only supports our ability to execute our growth strategy but also enables us to improve succession planning throughout the Group.	Mitigating actions include: 1) Succession planning discussions as an integral part of our business planning and review process. 2) The Human Resources Plan as part of the annual planning process. Performance against this plan is reviewed through the year. 3) Regular external and internal evaluation of the performance of the Board.	The strengthening of our senior management team and country management teams has been an ongoing activity over recent years. This investment in people is delivering a return, reflected in the financial performance of the Group. During 2013, we also increased the size and diversity of our Board with the addition of Florence Pierre in May.
Training and employee engagement – As we are a service based business the performance and future capabilities of our increasingly geographically diverse team are critical to achieving our strategic objectives.	One of the key items in the Human Resources Plan is the Global Induction & Training Plan, which sets out the key objectives for the forthcoming year. Performance against these objectives is reviewed through the year. Our employee survey also provides an insight into employee issues which are then used to improve the Plan.	During 2013 we successfully increased our headcount by 1,508, including 108 senior hires at leadership level. All General Managers, who run our business centres, undertake a week long training programme as part of their comprehensive induction. This is run by the Regus training team and our new General Managers are then supported by a coaching General Manager.

OUR VISION IS TO BE RECOGNISED AS A COMMITTED SUPPORTER OF LOCAL COMMUNITIES

As a business that works across nearly 2,000 locations, we have a responsibility to the local communities of which we are a part. In 2013, we worked hard to impact positively the communities in which our team members, stakeholders and suppliers reside.

At the same time there is a clear business case for our engagement with local communities and efforts to improve their welfare, because we are a major source of business for the local community and it for us. We help develop local business ecosystems – recruiting and purchasing locally. This helps improve the local business environment, which then attracts other businesses to the area, some of which may decide to use Regus. The deeper our engagement across multiple levels, the greater this symbiotic effect.

Because our community support is spread over a wide geographical area, it's important that we adhere to specific selection criteria, ensuring our support goes to areas in which we can make the largest positive contribution. Therefore, our community engagement work in 2013 focused on supporting local community groups in the vicinity of one of our centres and which correspond with one of the following:

- helping businesses get started and enabling them to reach their full potential
- education and health

Within these areas, our team members offered different types of support in 2013: mentoring, volunteering, helping organisations to raise their profile, equipment support, entrepreneurial development, and arranging business opportunities such as networking events. In addition, we do much to increase awareness of those in need within our communities, and encourage our customers to join our centres in taking an active supporting role.

All activities are co-ordinated, monitored and evaluated by the Corporate Responsibility team. This ensures that all activities are aligned and help us achieve our goals, but also that we learn from our initiatives and that best practice is shared and replicated.

Here is a small selection of some of those activities.

Fundraising

Regus team members across the network raised funds for local community groups, charities and other organisations, ranging from our team in the Philippines collecting donations to support emergency relief measures for typhoon and earthquake victims, to team members in the USA raising funds for the breast cancer charity Susan G. Komen "Race for the Cure".

In Hong Kong, Philippines and Mexico, Regus supported the Make-a-Wish Foundation's Wishing Season, raising funds, volunteering and selling Christmas cards to help create memorable moments for ill children in those countries.

Regus teams around the world have also run marathons and triathlons, skydived, raced up the stairs of skyscrapers, and slept out overnight to raise sponsorship funds.

Networking events

Many Regus centres hosted networking events, bringing together local customers and stakeholders. In addition to encouraging participation in community development activities, these events help local entrepreneurs to develop their own businesses.

Events ranged from networking activities in Nevada, USA to support the Northern Nevada Children's Cancer Foundation, to team members in Newcastle, UK, joining forces with the Wallace and Gromit Children's Charity to host a Big Breakfast event for customers and other local business people. A networking evening for business women in Brno, Czech Republic raised funds for the Modry Hroch Foundation which supports children's hospitals.

These events all help to raise awareness of the social needs within our communities as our involvement in the Melbourne, Australia campaign to end violence against women, and the São Paulo, Brazil campaign raising awareness of breast cancer have shown.

Gifts in kind

Since 2012 Regus has supported the Start Up Loans initiative, a UK government backed venture which helps young entrepreneurs set up a business. Regus offers the entrepreneurs a virtual office for a six-month period. To date almost 1,000 new businesses have been supported.

In a number of centres in the UK and North America, Regus facilitated collections of unwanted business technology, working with Computers for Charities and World Computer Exchange to bring refurbished IT to public education facilities in Africa.

Other gifts in kind from Regus teams ranged from children's toys donated by our teams in Argentina, Romania and Australia to arranging donations of blankets on Mandela Day for a homeless shelter in South Africa.

Volunteering

In Munich, Germany, team members joined with Regus customers to help clean up after severe flooding in some parts of the city. Those who could not join the clean-up donated refreshments, gloves and bin liners. Meanwhile, in South Africa, Regus staff supported the 2013 "Santa Cause" Children's and Orphans Christmas Party, both volunteering at and co-sponsoring the event. Our team in India formed a partnership with Enactus – an organisation which uses entrepreneurial action to strengthen communities.

Regus Philippine Appeal supporting the ABS-CBN Foundation-Sagip Kapumilya.

Prague Run Up Challenge raising funds for the Czech Young Sportsmen Association.

Fundraising to support humanitarian relief efforts in the Philippines following Typhoon Yolanda (Haiyan).

Running in the Paris marathon for 'Get Kids Going'.

Gearing up for a cycling challenge in support of Marie Curie Cancer Care.

Christmas charitable activities

In 2013, the team at a Group operational level donated the Company's contribution to its Christmas party to charity. The monies were then distributed to a variety of organisations, nominated and selected by the team

Regus centres in the UK supported Operation Christmas Child, acting as collection points for shoeboxes filled with small gifts for disadvantaged children around the world. Through their efforts, more than 5,000 disadvantaged children received a Christmas gift.

Our team in Hong Kong also supported the Concordia Welfare and Education Fund which provides education to children in parts of Asia.

Those activities are just a few examples of our community engagement in 2013. In addition to making a positive contribution to local communities, the examples are an illustration of the engagement, dynamism and creativity of Regus team members across the world.

Environmental impact

We continue to improve our environmental performance for our traditional centres and, as stated in our environmental policy, are still committed to a 50% reduction in CO_2 emissions for our UK business by 2020 based on our 2007 base year.

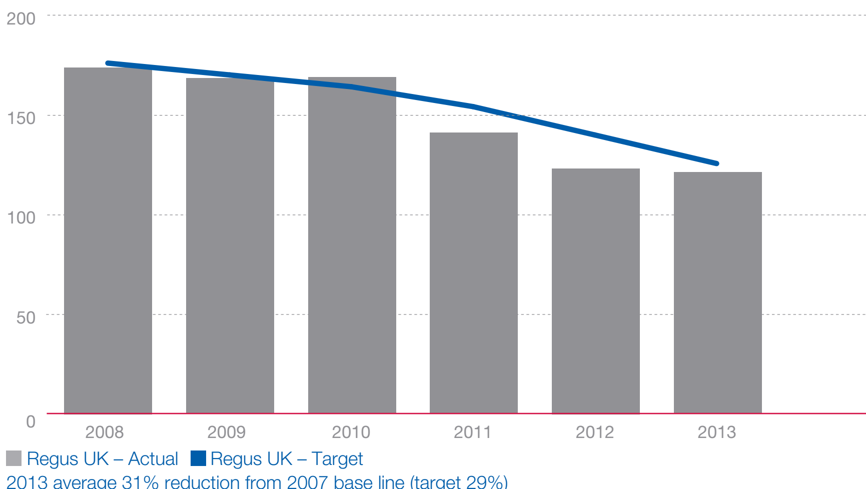
In 2013 we achieved an average 31% reduction (target 29%) from our 2007 base in our Scope 1 and Scope 2 emissions for our UK Regus centres (see Chart below). To meet our 2020 target we will need to achieve a 5% year-on-year reduction from now until then. This may prove challenging due to the acquisition of MWB, whose locations are significantly less efficient than our existing centres. However, our teams are currently working hard putting in place carbon reducing policies and measures to improve their energy efficiency. Once this work has been completed we will review our overall progress and revise our targets accordingly.

Regus are full participants in the UK Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and have successfully completed the registration for Phase 2. We are delighted to report an ongoing reduction in our purchased allowances of nearly 9% from the start of Phase 1 for the existing UK portfolio indicating that our carbon reduction policies are working. However, due to the timing of the MWB acquisition, under the CRC rules Regus automatically became responsible for the whole of MWB's CRC year. We had to subsequently purchase 15,227 additional CRC allowances at a cost of £182,724 to cover all of MWB's emissions. In carbon allowance terms this is nearly half as much again as the existing Regus portfolio.

In the past year, as part of our ongoing maintenance programme, we have undertaken many hundreds of small projects across our portfolio. These improve our energy efficiency and in aggregate help to reduce carbon emissions overall. Typical projects include building controls upgrade, heating and chiller upgrades and lighting improvements.

Finally, we will be refreshing our behavioural change programme in 2014 to further embed Greener Working across our centres. Our Greener Working Champions will be encouraging staff and clients alike to help Regus reduce its global environmental impact. This will include further practical measures to improve the efficiency of energy and water usage in centres and reduce the amount of general waste by making more use of our mixed recycling facilities.

Regus UK yearly average kg CO_2 per occupied workstation



2013 average 31% reduction from 2007 base line (target 29%)

Our progress this year

Reduction of the UK carbon footprint

31%

since 2007

Reduction in total CRC reported carbon emissions

9%

since 2010

Children bring a lot of festive cheer to Regus in the UK.

Giving unwanted business technology a new lease on life.

Creating a magical day for orphans in South Africa.

Taking part in the Big Summer Sleepout in support of “StepbyStep”.

Supporting Operation Christmas Child with the Shoebox Appeal.

AN EXPERIENCED TEAM

The role of the Board is to provide entrepreneurial leadership and to review the overall strategic development of the Group.

Douglas Sutherland (N)
Chairman
Douglas Sutherland was appointed Non-Executive Director of Regus on 27 August 2008 and was appointed Non-Executive Chairman on 18 May 2010. Douglas was Chief Financial Officer of Skype during its acquisition by eBay and was also Chief Financial Officer at SecureWave during its acquisition by PatchLink. Prior to this, Douglas was previously an Arthur Andersen Partner with international management responsibilities. He has served as a director of companies in several jurisdictions and was the founding Chairman of the American Chamber of Commerce in Luxembourg. Douglas is currently also a Director of Median Kliniken S.à r.l. and Median Gruppe S.à r.l.

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

Dominique Yates
Chief Financial Officer
Dominique Yates was appointed Chief Financial Officer on 1 September 2011. Previously he served as Chief Financial Officer at both LM Windpower, the Netherlands-head-quartered renewable energy company, and Symrise AG, the MDAX-listed speciality chemicals company. He also held senior positions at Imperial Tobacco Group plc, including Group Financial Controller, General Manager of France, Switzerland, Italy and Malta, and Group Business Development Director. He is a qualified chartered accountant.

Lance Browne (A, N, R)
Senior Independent Non-Executive Director
Lance Browne was appointed Non-Executive Director of Regus on 27 August 2008, became Senior Independent Director on 18 May 2010 and Chairman of the Nomination Committee on 27 September 2012. Lance is Vice Chairman of Standard Chartered Bank (China) Ltd, Chairman of Travelex (China), and Advisory Council member of G3. He was previously CEO then Chairman of Standard Chartered Bank (China) Ltd, Non-Executive Director of IMI plc, Senior Advisor to the City of London, Chairman of China Goldmines plc, and Director of Business Development at Powergen International (HK).

Elmar Heggen (A, N, R)
Independent Non-Executive Director
Elmar Heggen was appointed Non-Executive Director of Regus on 1 June 2010 and was appointed Chairman of the Audit Committee on 27 September 2012. Elmar has extensive management experience and is currently Chief Financial Officer and Head of the Corporate Centre at RTL Group, the leading European entertainment network, where he has held various roles since 2000. He is also a board member of Atresmedia (Spain) and Metropole Television (France). Elmar began his career at the Felix Schoeller Group, becoming Vice President & General Manager of Felix Schoeller Digital Imaging in the UK in 1999.

Florence Pierre (A, N, R)
Independent Non-Executive Director
Florence Pierre was appointed Non-Executive Director of Regus on 21 May 2013. She currently shares her time between directorships, consulting and venture investments in companies providing innovative and internet services. She has over 30 years of international corporate finance practice, holding senior positions at BNP, Financière Rothschild, Degroof Corporate Finance and her own M&A advisory boutique. Florence has an international perspective having worked in Chicago, New York, Paris and Brussels. She has also taught economics and finance, published a number of books and articles on valuation, and has been a member of several French entrepreneurship and innovation committees, both governmental and professional.

Alex Sulkowski (A, N, R)
Independent Non-Executive Director
Alex Sulkowski was appointed Non-Executive Director of Regus on 1 June 2010; he also serves as Chairman of the Remuneration Committee, having been appointed on 27 September 2012. Alex has over 30 years of experience in international finance structures, private equity, tax advice and real estate. He is currently the Managing Director of Third Millennium Investments SA and is a founding member of Taxand, the largest global network of independent tax advisors. Prior to this Alex enjoyed a career with Arthur Andersen, responsible for the Belgium and Luxembourg tax practices, prior to joining Ernst and Young in 2002 as the Partner responsible for the Luxembourg tax practice and then serving as the Managing Partner of Atoz Tax Advisors from 2004 through 2009.

Notes
(A) Member of the Audit Committee
(N) Member of the Nomination Committee
(R) Member of the Remuneration Committee

Corporate governance

The Board is committed to high standards of corporate governance as set out in the revised UK Corporate Governance Code published in September 2012 (the 'Code'). The Code is available at www.frc.org.uk. The Board is accountable to the Company's shareholders and this report describes how the Board applied the principles of good governance.

The Board

At 31 December 2013, the Board of Directors was made up of seven members comprising the Chairman, two Executive Directors and four Non-Executive Directors. Biographical details of the Directors are set out on page 32.

The Board is mindful of the benefits of strength and diversity on the Board. Our aim is to have a Board which is reflective of the broad range of skills, backgrounds and experience necessary to properly serve our shareholders. We have pursued this objective by engaging Board members who have had broad executive responsibilities and bring very different and complementary personal experiences and approaches to matters including the evaluation of opportunities and management of risks. Our Board members represent five different nationalities and six countries of residence. Along with their international operational experience, they also bring a depth of working knowledge covering multiple industries, business models, corporate cultures, organisational models, functional areas and business issues. During the year we were pleased to add Florence Pierre to the Board as a Non-Executive Director, contributing to the skillset and diversity of the Board.

The Nomination Committee's decisions are based on merit while reflecting our intent to increase diversity, including gender diversity. Our Board is now 14% female. The Board considers that its current balance ensures that no individual or group dominates its decision making process.

Role of the Board

The primary role of the Board is to provide entrepreneurial leadership and to review the overall strategic development of the Group. The Board approves the corporate plan and the annual budget and reviews performance at every meeting. Capable management and relevant technical expertise in the business are critical to the implementation of the strategy.

Individuals with strategic responsibilities are invited to present to and discuss with the Board on a rotating periodic basis. Through the Audit Committee, the Directors ensure the integrity of financial information and the effectiveness of financial controls and the internal control and risk management system. The Board has delegated authority to the Remuneration Committee to set the remuneration policy for Directors and senior management. The Nomination Committee recommends the appointment of Board Directors and has responsibility for succession planning at Board level. The various Board Committees (the 'Committees') have authority to make decisions in their areas of expertise.

Frequency of meetings

There were eight main Board meetings during 2013.

The number of meetings of the Board and Committees and individual attendance by the Directors are shown below (Florence Pierre having joined the Board and its Committees on 21 May 2013).

	Main Board	Audit Committee	Nomination Committee	Remuneration Committee
Total meetings	8	5	4	4
Douglas Sutherland	8		4	
Mark Dixon	8			
Dominique Yates	8			
Lance Browne	8	5	4	4
Elmar Heggen	7	5	4	4
Florence Pierre	5	4	3	3
Alex Sulkowski	7	5	4	4

Matters reserved for the Board

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

- approval of regulatory announcements including the interim and annual financial statements;
- terms of reference and membership of the Board and its Committees;
- changes to the Group's capital structure;
- changes to the Group's management and control structure;
- capital investment in excess of £5m; and
- material contracts (annual value in excess of £5m).

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

Roles of Board members

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

The Chairman

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

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

The Chairman is considered by the Board to be independent in character and judgement.

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

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

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

Board Committees
The Board has delegated certain of its governance responsibilities to the Audit, Nomination and Remuneration Committees.

The Company Secretary acts as secretary to all of the Board Committees and minutes of meetings are circulated to all Board members.

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

Audit Committee
- Elmar Heggen (Chairman)
- Lance Browne
- Florence Pierre
- Alex Sulkowski

Details of the Audit Committee and its activities during the year are set out in the Audit Committee report on pages 38 to 40.

Remuneration Committee
- Alex Sulkowski (Chairman)
- Lance Browne
- Elmar Heggen
- Florence Pierre

Details of the Remuneration Committee and its activities during the year are set out in the Remuneration Report on pages 41 to 53.

Nomination Committee
- Lance Browne (Chairman)
- Elmar Heggen
- Florence Pierre
- Alex Sulkowski
- Douglas Sutherland

The Nomination Committee meets as required during the year to consider matters delegated to it under its terms of reference.

Board effectiveness, performance, leadership and succession planning were discussed informally by the Board as a whole.

Summary terms of reference:

- Board appointment and composition – to regularly review the structure, size and composition of the Board and make recommendations on the role and nomination of Directors for appointment and re-appointment to the Board for the purpose of ensuring a balanced and diverse Board in respect of skills, knowledge and experience.
- Board Committees – to make recommendations to the Board in relation to the suitability of candidates for membership of the Audit and Remuneration Committees. The appointment and removal of Directors are matters reserved for the full Board.
- Board effectiveness – to assess the role of the Chairman and Chief Executive and make appropriate recommendations to the Board.
- Board performance – to assist the Chairman with the annual performance evaluation to assess the performance and effectiveness of the overall Board and individual Directors.
- Leadership – to remain fully informed about strategic issues and commercial matters affecting the Company and to keep under review the leadership needs of the organisation to enable it to compete effectively.

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

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

All shareholders are paid dividends directly from Regus plc SA ('plc'). All dividend payments are made without deduction of Luxembourg withholding tax, regardless of the residence of the recipient.

In general terms, UK resident shareholders receiving dividends from plc should be taxed in the same way as if they had received a dividend from a UK company. Tax outcomes do, however, depend on the specific circumstances of shareholders and any shareholder in doubt about their tax position (including, in particular, UK-resident but non-UK-domiciled individuals who have elected to be taxed on a remittance basis) should consult their own professional advisor.

Centrally managed applications and systems

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

Strategy

The Board conducts regular reviews of the Group's strategic direction. Country and regional strategic objectives, plans and performance targets for 2014 have been set by the Executive Directors and are regularly reviewed by the Board in the context of the Group's overall objectives.

Control environment

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

- A clearly defined organisation structure with established responsibilities.
- An induction process to educate new team members on the standards required from them in their role, including business ethics and compliance, regulations and internal policies.
- Provision to all team members of a copy of the 'Team Member Handbook' which contains detailed guidance on employee policies and the standards of behaviour required of staff.
- Policies and procedure manuals and guidelines that are readily accessible through the Group's intranet site.
- Operational audit and self-certification tools which require individual centre managers to confirm their adherence to Group policies and procedures.

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

Control processes

The Company has had procedures in place throughout the year and up to 4 March 2014, the date of approval of this Annual Report, which accord with the Revised Internal Control Guidance for Directors in the Code. These include the following:

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

Information and communications processes

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

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

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

Monitoring effectiveness

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

- review of the Group's monthly management accounts which contain detailed analysis of financial performance for the Group and each of the Group's geographic reporting segments;
- an ongoing process of review, through Board meetings, senior management meetings and divisional reviews as well as other management meetings, for the formal identification of significant operational risks and mitigating control processes;
- delivery of a centrally-coordinated assurance programme by the Internal Audit department that includes key business risk areas.
- reporting the findings and recommendations of each review to management and the Audit Committee to support the Board in its role of ensuring a sound control environment;
- monthly reporting on the development of the profitability of new centres to allow appraisal of the effectiveness of investment activity; and
- annual internal control self-assessment and management certification exercise covering the effectiveness of financial and operational controls. This is based on a comprehensive internal control questionnaire collated and reviewed by Internal Audit. Results and any necessary mitigating action plans are presented to senior management and the Board.

Succession

Our efforts to increase our management capacity and capabilities through continuing development of our people, supplemented by the hiring of experienced professionals, not only supports our ability to execute our growth strategy but also enables us to address succession in a more robust way throughout the Group. Succession planning discussions are an integral part of our business planning and review processes.

In view of the future development of the Group and our objective to continue to enhance diversity and succession planning for Board roles, the Nomination Committee maintains an ongoing programme of engagement with highly qualified potential Non-Executive Directors of varied backgrounds and gender.

Other matters

Board performance evaluation

Following an external evaluation in 2012, an internal evaluation of Board performance was conducted for 2013.

The results of the 2013 evaluation were reviewed and are being addressed in our efforts to continuously improve the processes and effectiveness of the Board. There were no reportable matters identified from the evaluations and we continue to have full confidence in the Board's members and processes.

Training and resources

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

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

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

Directors and officers insurance

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

Dialogue with shareholders

The Company reports formally to shareholders twice a year, with the half year results typically announced in August and the preliminary final results announced normally in March. There are programmes for the Chief Executive and Chief Financial Officer to give presentations of these results to the Company's institutional investors, analysts and media in London and other key locations.

The Chief Executive and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, governance, plans and objectives. These meetings also serve to develop an ongoing understanding of the views and any concerns of the Company's major shareholders.

The Non-Executive Directors are given regular updates as to the views of the institutional shareholders, and the Chairman is available and meets with these shareholders on request. The principal communication with private shareholders is through the Annual Report, the half year results and the AGM.

The Company continues to engage the services of Brunswick as its investor relations adviser.

AGM

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

Notice of the AGM together with any related documents is required to be mailed to shareholders at least 30 clear days before the meeting and separate resolutions are proposed on each issue. The voting in respect of all resolutions to be put to the AGM is conducted by means of a poll vote.

The level of proxy votes cast and the balance for and against each resolution, together with the level of abstentions, if any, are announced to the meeting following voting on a poll.

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

Re-election of the Board

As required by the Code, all Directors submit themselves for re-election by shareholders annually and Directors appointed during the period since the last AGM are required to seek election at the next AGM under the Company's articles of association.

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

Compliance statement

The Company has complied with the provisions set out in section E of the Code throughout the year ended 31 December 2013, with the exception of the following:

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

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

Audit Committee report

The Audit Committee has, via delegated authority from the Board, the responsibility for applying an effective system of internal control and compliance; accurate external financial reporting, fulfilling its obligations under law, the revised UK Corporate Governance Code (the 'Code') and the Financial Reporting Council's report on Internal Control: Revised Guidance for Directors on the Combined Code (the 'FRC Revised Guidance'), as well as managing the relationship with the Company's external auditors. The Committee therefore acts on behalf of the Board, meaning that the matters reviewed and managed by the Committee remain the responsibility of the Board as a whole. The Committee is comprised entirely of Non-Executive Directors as detailed on page 34 of the Corporate Governance report. All of the members are considered by the Board to be independent in character and judgement, and are competent in accounting and/or auditing. Furthermore, and in compliance with the Code, the Board regards Elmar Heggen as the Committee member possessing recent and relevant financial experience.

The Audit Committee normally meets at least three times a year and during the year to 31 December 2013 met five times. Attendance at those meetings is shown on page 33 of the Corporate Governance report. At the request of the Chairman, the external auditors, the Executive Directors, the Company Secretary (acting as secretary to the Committee) and the Business Assurance Director may attend each meeting.

The Audit Committee also routinely meets independently, without the presence of management, with the Company's external auditors and with the Business Assurance Director to informally discuss matters of interest.

Summary terms of reference of the Committee, the full text of which is freely available on the Company's website, are:

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

The Chairman of the Audit Committee routinely reports to the Main Board on how the Committee has discharged its responsibilities, as well as highlighting any concerns that have been raised as and when they arise.

Activities of the Audit Committee during the year

The Committee has a number of standing agenda items which it considers at each of its meetings, as well as any other specific matters which arise during the year. During the year, amongst other items, the Committee reviewed and discussed:

- the control observations from the previous year's Group audit cycle;
- internal controls and risk management (as further particularised within this report);
- the Group tax report;
- the interim and final dividends;
- the integrity of the half year results and annual financial statements, alongside the formal announcements relating to them; and
- the Group audit strategy for the year.

Risk management

On behalf of the Board, the Audit Committee oversees and reviews an ongoing process for identifying, evaluating and managing the risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives as a part of the planning process and are endorsed by regional management. Key risks are reported to the Audit Committee, which in turn ensures that the Board is made aware of them. The appropriateness of controls is considered by the executives, having regard to cost, benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks are regularly considered by both the Audit Committee and the Board, and are formally reviewed and approved by the Board annually.

Principal risks

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

The Group's principal risks, together with an explanation of how the Group manages these risks, are presented on pages 24 to 27 of this Annual Report.

Internal control

The Committee has a delegated responsibility from the Board for the Company's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system is designed to identify, evaluate and control the significant risks associated with the Group's achievement of its business objectives with a view to safeguarding shareholders' investments and the Group's assets. Due to the limitations that are inherent in any system of internal control, this system is designed to meet the Company's particular needs and the risks to which it is exposed, and is designed to manage rather than eliminate risk. Accordingly, such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

In accordance with the FRC Revised Guidance, the Committee confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. During the year under review, the Committee continued to revisit its risk identification and assessment processes, inviting Board members and senior management to convene and discuss the Group's key risks and mitigating controls.

A risk-based approach has been adopted in establishing the Group's system of internal control and in reviewing its effectiveness. To identify and manage key risks:

- a number of Group-wide procedures, policies and standards have been established;
- a framework for reporting and escalating matters of significance has been set up;
- reviews of the effectiveness of management actions in addressing key Group risks identified by the Board have been undertaken; and
- a system of regular reports from management setting out key performance and risk indicators has been developed.

The above process is designed to provide assurance by way of cumulative assessment and is embedded in operational management and governance processes.

Key elements of the Group's system of internal control which have operated throughout the year under review are as follows:

- The risk assessments of all significant business decisions at the individual transaction level, and as part of the annual business planning process. A Group-wide risk register is developed annually whereby all Company inherent risks are identified and assessed, and appropriate action plans developed to manage the risk per the Company's risk appetite. The Board reviews the Group's principal risks register annually and management periodically reports on the progress against agreed actions to keep a close watch on how we are managing our key risks.
- The annual strategic planning process, which is designed to ensure consistency with the Company's strategic objectives. The final budget is reviewed and approved by the Board. Performance is reviewed against objectives at each Board meeting.
- Comprehensive monthly business review processes under which business performance is reviewed on business centre, area, country, regional and functional levels. Actual results are reviewed against targets, explanations are received for all material movements, and recovery plans are agreed where appropriate.
- The documentation of key policies and control procedures (including finance, operations, and health and safety) having Group-wide application. These are available to all staff via the Group's intranet system.
- Formal procedures for the review and approval of all investment and acquisition projects. The Group Investment Committee (comprising the Chief Executive Officer and the Chief Financial Officer) reviews and approves all investments. Additionally the form and content of investment proposals are standardised to facilitate the review process.
- The delegation of authority limits with regard to the approval of transactions.
- The generation of targeted, action-oriented reports from the Group's sales and operating systems on a daily, weekly and monthly basis which provide management at all levels with performance data for their area of responsibility, and which helps them to focus on key issues and manage them more effectively.
- The delivery of a centrally co-ordinated assurance programme by the Internal Audit department that includes key business risk areas. The findings and recommendations of each review are reported to both management and the Committee.
- Annual internal control self-assessment and management certification exercise covering the effectiveness of financial and operational controls. This is based on a comprehensive internal control questionnaire collated and reviewed by Internal Audit. Results and any necessary mitigating action plans are presented to senior management and the Board.
- The maintenance of high standards of behaviour which is demanded from staff at all levels in the Group. The following procedures are in place to support this:
  - a clearly defined organisation structure with established responsibilities;
  - an induction process to educate new team members on the standards required from them in their role, including business ethics and compliance, regulation and internal policies;
  - the provision of a copy of the 'Team Member Handbook' to all team members which contains the Company's Code of Business Conduct, detailed guidance on employee policies and the standards of behaviour required of staff;
  - policies, procedure manuals and guidelines are readily accessible through the Group's intranet site;
  - operational audit and self-certification tools which require individual managers to confirm their adherence to Group policies and procedures; and
  - a Group-wide policy to recruit and develop appropriately skilled management and staff of high calibre and integrity and with appropriate disciplines.

The Committee and the Board regard responsible corporate behaviour as an integral part of the overall governance framework and believes that it should be fully integrated into management structures and systems. Therefore the risk management policies, procedures and monitoring methods described above apply equally to the identification, evaluation and control of the Company's safety, ethical and environmental risks and opportunities. This approach ensures that the Company has the necessary and adequate information to identify and assess risks and opportunities affecting the Company's long-term value arising from its handling of corporate responsibility and corporate governance matters.

The Committee has completed its annual review of the effectiveness of the system of internal control for the year to 31 December 2013 and is satisfied that it is in accordance with the FRC Revised Guidance and the Code. The assessment included consideration of the effectiveness of the Board's ongoing process for identifying, evaluating and managing the risks facing the Group.

Whistle-blowing policy
The Company has an externally hosted whistle-blowing channel ('EthicsPoint'), which is available to all employees via email, and on the Company's Intranet. The aim of the policy is to encourage all employees, regardless of seniority, to bring matters that cause them concern to the attention of the Audit Committee.

The Business Assurance Director, where appropriate and in consultation with the executive management team, decides on the appropriate method and level of investigation. The Audit Committee is notified of all material discourses made and receives reports on the results of investigations and actions taken on a regular basis. The Audit Committee has the power to request further information, conduct its own inquiries or order additional action as it sees fit.

External auditors
KPMG Luxembourg S.à r.l. were the Company's auditors for the year ended 31 December 2013. The Audit Committee is responsible for oversight of the external auditors, including an annual assessment of their independence and objectivity. During the year, the external auditors provided the following audit and non-audit related services:

Audit related: KPMG Luxembourg S.à r.l. audited the consolidated financial statements of the Company, performed control observations throughout the Group and provided an overview of the half year results of the Company.

Non-audit related: KPMG Luxembourg S.à r.l. performed buy-side due diligence work on certain acquisitions by the Group.

It is the Company's policy to use the external auditors for non-audit related services only where the use of the external auditors will deliver a demonstrable benefit to the Company as compared to the use of other potential providers of the services and where it will not impair their independence or objectivity. All proposals for permitted defined non-audit services to use the external auditors must be submitted to, and authorised by, the Chief Financial Officer.

Permitted non-audit services include advice on financial accounting and regulatory reporting matters, reviews of internal accounting and risk management controls, non-statutory audits (e.g. regarding acquisitions and disposal of assets and interests in companies) and tax compliance and advisory services.

Prohibited non-audit services include book-keeping and other accounting services, actuarial valuation services, recruitment services in relation to key management positions and transaction (acquisitions, mergers and dispositions) work that includes investment banking services, preparation of forecasts or investment proposals and deal execution services.

The scope and extent of non-audit related services undertaken by the external auditors is monitored by and, above a threshold of £50,000, requires prior approval from the Committee to ensure that the provision of such services does not impair their independence or objectivity.

The breakdown of the fees paid to the external auditors during the year to 31 December 2013 can be found in Note 5 of the Notes to the Accounts.

For the year ending 31 December 2014, the Audit Committee has recommended to the Board that a resolution to reappoint KPMG Luxembourg S.à r.l. as the Company's auditors be proposed at the Annual General Meeting.

The Audit Committee notes the recent dialogue regarding the advantages and disadvantages related to the periodic rotation of external auditors. The Audit Committee has considered the various viewpoints expressed in this debate in the context of Regus. Given the significant level of other changes over the last several years, which includes the mix of countries in which much of the audit work is conducted, the rapid growth and evolving structure of the Group, a change in Chief Financial Officer, ongoing efforts to continue to improve audit effectiveness with the existing external auditors, and other factors, the Audit Committee does not believe at this time that it is appropriate or in the interest of shareholders to rotate external auditors primarily for the sake of change. The Audit Committee is also monitoring developments in the proposed EU legislation regarding auditor independence and rotation. The Audit Committee will continue to keep under review the independence and objectivity of the external auditors, the effectiveness of the audit process, legislative developments, the rotation of the lead audit partner and other matters as they monitor the appropriateness of the retention of KPMG Luxembourg S.à r.l. as the Company's auditors.

Remuneration report

Dear shareholder,

As the Chairman of the Remuneration Committee, I am pleased to present to you this year's report on Directors' remuneration.

Changes to remuneration reporting in the UK

Since last year's report, new remuneration reporting regulations have come into effect for UK-incorporated listed companies.

As a company incorporated under Luxembourg law, we are not legally required to adopt the new regulations. However, in keeping with our long-standing commitment to good corporate governance, we will continue to voluntarily prepare a Directors' remuneration report, and we will do so on the basis of the requirements of the new regulations.

The report is therefore split into two sections:

- Remuneration Policy (pages 42-46). This sets out our executive remuneration framework and policies.
- Annual Report on Remuneration (pages 47-53). This details the implementation of our policies in the current year and our approach for 2014.

Both will be submitted for shareholder approval at the forthcoming AGM. Given the different legal jurisdiction in which we are incorporated, the approval of our Remuneration Policy will be on an advisory rather than a binding basis.

Remuneration objectives and principles

As context for considering the report, set out below are the remuneration objectives and principles which have consistently underpinned our remuneration framework for a number of years:

- Our remuneration packages must attract, retain and motivate people of the highest calibre and experience needed to shape and execute the Company's strategy and to deliver exceptional shareholder value. Total compensation opportunities should be commensurate with comparable packages available with similar companies operating in similar markets.
- A significant proportion of reward should be based on short and long-term performance measured by satisfaction of targeted objectives which are the main drivers of shareholder value. Executives should be focused on delivering exceptional returns to shareholders and be given the opportunity to receive exceptional levels of reward if such performance is delivered. Conversely, if returns are conservative, compensation levels should be conservative.
- The interests of executives should be closely aligned with those of shareholders over the long term through substantial share ownership and share-based incentives. This is achieved via our Co-Investment Plan (CIP) which measures performance over periods of up to five years and through our share ownership guidelines.

Decisions in respect of 2013

- Based on achievement against adjusted operating profit targets in the context of the significant increase to mature operating profit and substantial increase in new centres during the year (discussed in more detail on pages 19 to 23 of the Annual Report), we awarded bonuses of 79% of salary (79% of the maximum 100%) to the Executive Directors. Half of the awarded bonuses will be deferred as Regus Investment Shares for three years under the CIP (see below).
- The Committee reviewed performance over the four-year performance period to 31 December 2013 under the second tranche of Matching Shares awarded to Mark Dixon under the 2008/09 CIP award. Based on achieving adjusted EPS of 17.2p and TSR of 126% (vs FTSE All Share 51%), the Committee determined that 35% of the second tranche should vest.

2014 decisions

- There will be no salary increases for the Executive Directors in 2014.
- The structure and quantum of our incentive opportunities will remain unchanged, as set out in the Policy Table on page 42.
- Based on the deferral of half of the 2013 bonus (i.e. 38.5% of salary), an opportunity to earn up to four Matching Shares for each Investment Share will be awarded under the CIP. This will be equivalent to a maximum award of 158% of salary.
- These CIP Matching Shares will vest based on performance against stretching targets over performance periods of three, four and five years. 75% of the award will be based on EPS, with targets which require annual growth of 25-35% p.a. for maximum vesting. The remaining 25% will be based on our total shareholder return (TSR) ranking against the constituents of the FTSE 350 (excluding financial services and mining).

We look forward to receiving your support for both resolutions at the 2014 AGM.

Alex Sulkowski
Chairman, Remuneration Committee

This report has been prepared by the Remuneration Committee in line with the UK Corporate Governance Code, Listing Rules and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Company has been incorporated subject to Luxembourg law rather than UK law. As a result, the Company does not have the benefit of the statutory protections afforded by the UK Companies Act in the event that there were to be any inconsistency between the Company's approved policy report and any contractual entitlement or other rights of a Director. Therefore, in the event that there were to be such an inconsistency, the Company may be obliged to honour the contractual entitlement or right notwithstanding that it is inconsistent with the contents of the approved policy report.

Remuneration Policy

This Remuneration Policy, as determined by the Remuneration Committee, will be effective following shareholder approval at the 2014 Annual General Meeting.

Policy Table for Executive Directors

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Base salary	To provide a competitive component of fixed remuneration to attract and retain people of the highest calibre and experience needed to shape and execute the Company's strategy	Salaries are set by the Committee, taking into all relevant factors which may include: the scope and responsibilities of the role, the skills, experience and circumstances of the individual, sustained performance in the role, the level of increase for other roles within the business, and appropriate market data. Reviewed annually and any changes normally made effective from 1 January. The base salaries effective 1 January 2014 are set out on page 47 of the Annual Remuneration Report.	There is no prescribed maximum salary. Salary increases will normally be broadly in line with increases awarded to other employees in the business, although the Committee retains discretion to award larger increases if it considers it appropriate (e.g. to reflect a change in role, development and performance in role, or to align to market data).	N/A
Benefits	To provide a competitive benefits package.	Incorporates various cash/non-cash benefits which may include: a company car (or allowance) and fuel allowance, private health insurance, life assurance and, where necessary, other benefits to reflect specific individual circumstances, such as housing or relocation allowances, representation allowances, re-imbursement of school fees, travel allowances, or other expatriate benefits.	Benefit provision is set at an appropriately market competitive rate for the nature and location of the role. There is no prescribed maximum as some costs may change in accordance with market conditions.	N/A
Pension	To provide retirement benefits in line with the overall Group policy	Provided through participation in the Company's Money Purchase (Personal Pension) Scheme, under which the Company matches individual contributions up to a maximum of base salary.	7% of base salary. The Committee may set a higher level to reflect local practice and regulation, if relevant.	N/A
Annual bonus	To incentivise and reward annual performance for shareholders.	Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee. Up to 50% of any gross bonus earned can be deferred into Investment Shares under the CIP (see below). The remainder is paid in cash.	100% of base salary per annum	Payment is determined by reference to performance assessed over one year using performance measures which are aligned to the objectives of the business for the year (currently operating profit)

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Co-Investment Plan (CIP)	Exists to reward deferral under the annual bonus, encourage the build-up of significant personal shareholdings over time, and provide a variable pay opportunity, which motivates and rewards long-term Company performance.	Awards are made under the terms of the Regus plc Co-Investment Plan, approved by shareholders in General Meeting in 2008. The CIP has two elements: **Matching Shares element** This operates in conjunction with the annual bonus arrangements whereby a gross bonus of up to 50% of base salary is awarded as a deferred amount of shares (Investment Shares) which will be released at the end of a holding period of not less than three years, subject to continued employment. The participant may then earn additional shares (Matching Shares) based on the number of Investment Shares awarded and the Company's long-term performance. The maximum ratio of Matching Shares to Investment Shares is 4:1. **LTIP element** An award of shares to be released at the end of a period of not less than three years, based on the Company's long-term performance. Awards of Investment Shares, Matching Shares and LTIP awards can be made in the form of either a nil cost option or a conditional right to shares. Awards may vest early on leaving employment or on a change of control (see later sections).	Matching Shares element: Award size of 200% of salary per annum LTIP element: Award size of 100% of salary per annum Matching Shares and LTIP will not normally be awarded in the same year.	Vesting is determined by reference to performance assessed over a period of at least three years, with awards normally split equally over periods of three, four and five years. There is no opportunity for re-testing. Performance (for 2014 awards) will be assessed against key measures of long-term performance: • Earnings Per Share (EPS) • Total Shareholder Return (TSR) For future awards, the Committee may include other quantitative, financial performance measures which are aligned to strategic objectives and shareholder value. The performance measures framework will normally be weighted towards EPS. The threshold level of vesting is 25% of the maximum.

Executive Directors may hold awards under the Regus plc Share Option Plan, granted in respect of their recruitment or prior to (and not in contemplation of) their appointment to the Board, however this does not form part of their annual remuneration framework. Such awards are made under the terms of the Regus plc Share Option Plan, approved by shareholders in General Meeting in 2008. Options are granted over Regus shares with an exercise price not less than the market value of shares on the date of grant. Awards may not be exercised before three years from grant and up to a maximum of ten years following grant. Awards may vest early on leaving employment or on a change of control. The Committee may make an award subject to a performance condition or other condition.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted. The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Policy Table for the Chairman and Non-Executive Directors

Component	Approach of the Company
Chairman fees	Determined by the Remuneration Committee. A single fee which reflects all Board and Committee duties. Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.
Non-Executive Director fees	Determined by the Chairman and the Executive Directors. The fee encompasses a basic fee and may also include supplementary fees for committee or other duties. Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.

The Chairman and Non-Executive Directors do not receive any benefits, nor do they participate in any bonus or share incentive scheme, nor do they participate in any pension arrangements.

Performance measures and target setting

The annual bonus is based on stretching financial performance targets determined by the Committee at the start of the year. Operating profit is the performance measure for 2014 as this is a key performance indicator for the business.

The CIP is based on long-term performance, using performance measures which the Committee feels are most appropriate for the Company. For 2014, awards are based on EPS (which the Committee believes is the most appropriate measure of financial and operational performance delivered for shareholders) and TSR (to ensure that an element of reward is based on value delivered for shareholders). The performance targets for CIP awards are determined by the Committee at the time of grant.

Under the rules of the CIP, if events occur which cause the Committee to consider that the performance targets have become unfair or impractical, the Committee has discretion to amend the target so that in the opinion of the Committee it is no more or less difficult to satisfy than when it was awarded.

Differences in the Company's policy on the remuneration of employees generally

Regus operates in a number of different geographies and therefore employee remuneration practices vary widely across the employee population within the Group. However, employee remuneration policies are normally based on the same broad principles:

- they are sufficient to attract and retain the calibre of talent necessary to deliver the strategy for shareholders;
- the Committee believes firmly in the effectiveness of short-term incentives as a mechanism for incentivising and rewarding annual financial performance for shareholders. Accordingly, incentive schemes are widely used across the business;
- the Group operates various employee share incentive schemes to encourage employee share ownership;
- executive directors participate in the pension plan on the same basis as other employees.

Consideration of conditions elsewhere in the Group

When setting the policy for the remuneration of the Executive Directors, the Committee has regard to the pay and employment conditions of employees within the Group. The Committee does not consult directly with employees when formulating the remuneration policy for Executive Directors.

Consideration of shareholder views

Views expressed by the Company's shareholders were taken into account by the Committee in the development of the Company's remuneration framework.

The members of the Committee, including the Chairman, attend the Company's Annual General Meeting and are available to listen to views and to answer shareholders' questions about Directors' remuneration.

The Committee also reviews the executive remuneration framework in the context of published shareholder guidelines.

Approach to recruitment remuneration

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package must be sufficiently competitive to facilitate the recruitment of individuals of the highest calibre and experience needed to shape and execute the Company's strategy. At the same time, the Committee would seek to pay no more than necessary.
- The structure of the annual remuneration package would follow that described in the Policy Table for Executive Directors on page 42. Salaries would reflect the skills and experience of the individual, and may be set at a level to allow future salary progression to reflect performance in role.
- The Committee considers that having flexibility to respond to the specific commercial circumstances of a recruitment situation is in the best interests of the Company and its shareholders, particularly in exceptional or unexpected circumstances which can arise when seeking to facilitate senior executive recruitment. Therefore, the maximum level of variable remuneration which may be awarded is 450% of salary, which would be subject to stretching performance conditions.

- Where an individual forfeits remuneration at a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Such payments or awards could include cash as well as performance and non-performance related share awards, and would be in such form as the Committee considers appropriate taking into account all relevant factors such as the form, expected value, anticipated vesting and timing of the forfeited remuneration. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be no higher than value forfeited. While cash may be included to reflect the forfeiture of cash-based remuneration, the Committee does not envisage that substantial "golden hello" cash payments would generally be offered.
- Any share-based awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, awards may be granted outside these plans as permitted under the Listing Rules, and in line with the approach and the limits set out above.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the Policy Table for Non-Executive Directors on page 44.

Service contracts

Executive Directors have service contracts with the Group which can be terminated by the Company or the Director by giving 12 months' notice. This applies to current Executive Directors and would normally be applied as the policy for future appointments.

The Company may terminate employment of the Chief Executive by making a payment in lieu of notice which would not exceed 12 months' salary. Unless it is renewed, the contract of the Chief Financial Officer will terminate automatically after five years (from 1 September 2011) without requiring notice.

Under the current service agreements of the Executive Directors, on a change of control the Director may terminate the contract by giving one month's notice and will, in addition to contractual payments for the one-month notice period, receive a payment equal to 12 months' salary, and remain eligible for a discretionary bonus.

The Chairman and Non-Executive Directors are appointed for a three-year term, which is renewable, with six months' notice on either side, no contractual termination payments being due and subject to retirement pursuant to the Articles of Association at the Annual General Meeting.

Policy on payment for loss of office

Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Committee's objective is to find an outcome which is in the best interests of the Company and its shareholders, taking into account the specific circumstances, contractual obligations, and seeking to pay no more than is warranted. Payments in lieu of notice will not exceed 12 months' salary and benefits.
- The Committee has discretion to make a payment under the annual bonus. This will reflect the period of service during the year and performance (measured at the same time as performance for other plan participants, if feasible).
- The treatment of outstanding share awards would be determined by the relevant plan rules, as summarised in the table.
- The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

CIP Investment Shares	Shares will be released to the participant (the number of which, unless the Committee determines otherwise, would reflect the proportion of the holding period that had elapsed).
CIP Matching Shares or LTIP	Awards will lapse unless the Committee in its absolute discretion determines otherwise for reasons including, amongst others, injury, disability, retirement, redundancy and death. The release of such awards will be dependent on the proportionate satisfaction of the performance target on the date of cessation and will be reduced pro-rata to reflect the proportion of the holding period that had elapsed.
Share Options	Unvested options will lapse unless specified otherwise in the terms of grant or if the Committee so determines. Vested options can be exercised within six-months of cessation (or such longer period as the Committee may decide, not exceeding 42 months after cessation).

Change of control and capital events

The treatment of outstanding share awards would be dealt with in accordance with the relevant plan rules, as summarised in the table.

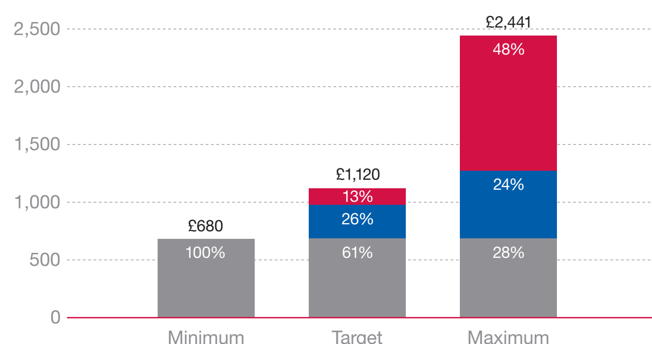
Change of control	CIP Investment Shares will be released. CIP Matching Shares or LTIP awards will be released, the proportion of any such awards released being dependent on the degree of satisfaction of the performance requirements on such date and (in the Committee's discretion) the length of any holding period completed. Unvested share options may only be exercised to the extent that the Committee decides based on the proportionate satisfaction of the performance targets (taking into account the length of the period which has expired).
Mergers	If the Company merges with another company or any of the businesses of the Group are demerged the Committee shall have discretion as to whether to release or adjust any CIP award.
Variation of share capital	If a variation of capital takes place then the number of shares subject to any award and the terms and conditions applying to such awards may be adjusted in such a manner as the Committee may determine to be appropriate and as the auditors of Regus shall have confirmed in writing to be in their opinion fair and reasonable.

Illustration of remuneration policy

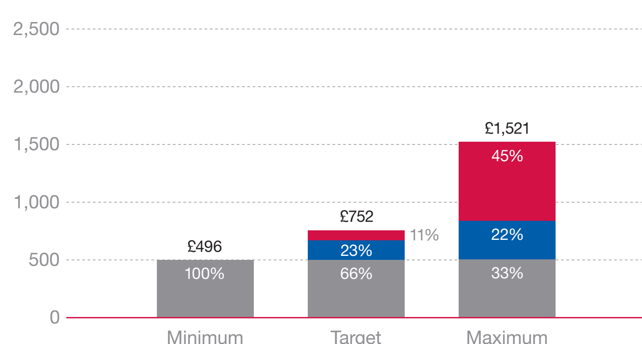
The charts below illustrate the application of the Remuneration Policy set out in the Policy Table for Executive Directors. This assumes the level of fixed remuneration (salary, benefits and pension) as at 1 January 2014 and the following in respect of each scenario:

- "Minimum" represents fixed remuneration only.
- "Target" represents annual bonus of 50% of salary, half of which is deferred into the CIP and eligible for a maximum of four Matching Shares. It is assumed the Matching Shares vest at the threshold level of 25% of maximum.
- "Maximum" represents the maximum annual bonus of 100% of salary, half of which is deferred into the CIP and eligible for a maximum of four Matching Shares. It is assumed the Matching Shares vest in full.

Chief Executive Officer (Mark Dixon)
(£'000)



Chief Financial Officer (Dominique Yates)
(£'000)



Fixed pay (salary, benefits, pension) Annual bonus CIP

Annual Report on Remuneration

The table below sets out the total remuneration for the Directors in respect of 2013. Further discussion of each of the components, including the intended operation of the policy for 2014, is set out on the pages which follow. None of the disclosures has been audited.

Single Total Figure of Remuneration Table

The remuneration in respect of the year ending 31 December 2013 of the Executive Directors who served during the year is shown in the table below (with the prior year comparative).

	Salary		Benefits		Pension		Annual bonus		CIP		Other		Total	
£'000	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Mark Dixon	**587.0**	565.0	**51.7**	50.9	**41.1**	39.5	**463.7**	565.0	**664.4**	552.2	**–**	–	**1,807.9**	1,772.7
Dominique Yates	**341.6**	334.6	**122.8**	153.0	**31.5**	9.6	**269.9**	334.6	**–**	–	**–**	529.2	**765.7**	1,361.0

The salary, benefits, pension and cash element of the bonus for Dominique Yates are paid in Swiss francs and have been converted to pounds sterling for the table above using the average exchange rate for the relevant year.

Benefits – includes private health insurance and, for Dominique Yates, it also includes a representation allowance, expatriate allowances, and a car allowance (2012 only).

Annual bonus – includes the full value of the annual bonus awarded in respect of the relevant financial year. In both 2013 and 2012, 50% of the value shown in the table was deferred into Investment Shares for three years subject to continued employment under the terms of the CIP, with the remainder received in cash.

CIP awards – includes the value of Matching Share awards made to Mark Dixon under the CIP in previous years which vested in respect of a performance period ending in the relevant financial year. The vesting of the second tranche of the 2008/2009 Matching Shares is included in the 2013 column (334,047 shares vested out of the maximum of 954,420). The vesting of the 2010 LTIP Shares and the first tranche of the 2008/2009 Matching Shares is included in the 2012 column.

Other – Dominique Yates was granted market value share options over one million shares in 2011 to aid his recruitment (exercise price 74.35p). Based on the achievement against 2012 operating profit targets, the Remuneration Committee determined that 91% of the options vested. The vested options will become exercisable in equal tranches in 2014, 2015 and 2016.

The remuneration in respect of the year ending 31 December 2013 of the Chairman and Non-Executive Directors who served during the year is shown in the table below (with the prior year comparative).

	Fees	
£'000	**2013**	2012
Douglas Sutherland	**165.0**	165.0
Lance Browne	**61.5**	57.0
Elmar Heggen	**50.0**	50.0
Alex Sulkowski	**50.0**	50.0
Florence Pierre	**27.4**	–

Florence Pierre was appointed as a Non-Executive Director with effect from 21 May 2013.

The Non-Executive Directors do not receive any other remuneration from the Company.

Key components of remuneration

The following sections describe how the Committee implemented key elements of the policy in the year ending 31 December 2013 and how it is intended to operate in the year ending 31 December 2014.

Base salary and benefits

The base salaries of the Executive Directors effective 1 January 2014 are set out in the table below together with the prior year comparative.

	2013	2014
Mark Dixon (CEO)	**£587,000**	£587,000
Dominique Yates* (CFO)	**CHF495,000**	CHF495,000

* The salary for Dominique Yates is denominated and paid in Swiss francs.

Benefits

Both Executive Directors receive private health insurance and life assurance. The CEO also receives a car/fuel allowance. The CFO also receives a representation allowance and housing/expatriate allowances. The benefits policy will remain the same for 2014. The Committee believes it is appropriate to continue payment of expatriate and housing allowances to the CFO as part of a market competitive package for the location of the role, although the Committee will keep this policy under review for future years.

Annual bonus

In 2013, the Executive Directors had a maximum bonus opportunity of 100% of salary based on performance against stretching Group operating profit targets for the financial year. For the purposes of the annual bonus, the Committee makes adjustments to Group operating profit to reflect certain growth costs in order to ensure that the bonus does not act as a disincentive to the investment in new centres which underpins the long-term growth strategy.

Based on the adjusted operating profit achieved in the year, the Committee determined that performance was between the target and maximum levels and therefore the Chief Executive Officer and Chief Financial Officer should each receive a bonus of 79% of salary (79% of maximum) in respect of the year.

In considering the bonus for the year, the Committee took into the following performance context (explained in more detail on pages 19 to 23 of the annual report):

- Growth in mature operating profit from £154.6m to £205.3m, with an increase in margin from 13.1% to 16.7%.
- The addition of 448 new centres, in excess of the 300 expected at the start of the year.
- The substantial returns to shareholders delivered via a doubling in the share price over the year.

The Committee believes that the adjusted operating profit targets used to assess the annual bonus are commercially sensitive and that it is not appropriate to disclose them currently or retrospectively.

Half of the awarded bonus (39.5% of salary) is paid in cash and half (the remaining 39.5% of salary) will be awarded in the form of Investment Shares, the vesting of which will be deferred for three years, under the rules of the CIP (discussed in more detail below).

There are no changes in bonus quantum or structure for the 2014 financial year. The maximum opportunity will remain at 100% of salary and 50% of the bonus earned being deferred into Investment Shares for three years. The bonus will continue to be assessed against stretching adjusted operating profit targets.

CIP awards vesting in respect of 2013

The 2008 and 2009 Matching Share awards were divided into three separate equal tranches subject to performance periods over three, four and five years respectively from 1 January 2010. The vesting conditions are outlined below.

TSR target (25% of each tranche)

Regus TSR % achieved relative to FTSE All Share Total Return Index	% of shares vesting
100%	0%
Above 100% but below 101%	25%
For each complete 1% over 100%	+0.75%
200% or above	100%

EPS target (75% of each tranche)

	EPS targets for years ending	
Vesting scale	2013 (Tranche 2)	2014 (Tranche 3)
25%	17p	18p
50%	20p	22p
75%	23p	26p
100%	26p	30p

The second tranche of the 2008 and 2009 Matching Share was based on a four-year performance period to 31 December 2013. The Committee has assessed performance against the TSR and EPS targets set in 2010 and concluded that 35% of the second tranche should vest (and the remainder of that tranche shall lapse):

- TSR (25%). From a base point of 100%, Regus achieved a TSR value of 225.9% compared to 151.0% for the FTSE All Share Index over the performance period, equating to a vesting of 61.75% of this part of the award.
- EPS (75%). Based on an adjusted 2013 EPS of 17.2p, which reflects underlying performance, adjusted to exclude the positive impact of changes in accounting policy and estimates implemented during 2013, and to exclude certain growth costs and one-off exceptional items, in accordance with the terms of the original award, the Committee concluded that 30% of this part of the award should vest.

The final tranche of the 2008 and 2009 Matching Share awards will vest in March 2015 subject to performance over the five-year period to 31 December 2014.

CIP awards made in 2013

The Executive Directors deferred 50% of their 2012 annual bonus into Investment Shares under the CIP. The Investment Shares will vest and be released at the end of a three-year holding period, subject to continued employment with the Regus Group during that period.

For each Investment Share held the Executive Directors may earn up to a maximum of four Matching Shares which will vest subject to EPS and TSR performance conditions in three equal tranches over performance periods of three, four and five years.

Details of the Investment Share and Matching Share awards made during 2013 to the Executive Directors are shown in the table below.

Executive Director	Type of interest	Face value (£,000)	Threshold vesting	End of holding/performance period
Mark Dixon	Investment Shares	£283	N/A	6 March 2016
	Matching Shares	£1,130	25%	One third 31 December 2015, 2016 and 2017
Dominique Yates	Investment Shares	£173	N/A	6 March 2016
	Matching Shares	£693	25%	One third 31 December 2015, 2016 and 2017

The face value has been calculated using the share price of 149.8p, the closing price prior the date of grant (6 March 2013).

The Matching Shares awarded in 2013 are subject to the following performance conditions:

TSR target (25% of each tranche)

Regus TSR % achieved relative to FTSE All Share Total Return Index	% of shares vesting
Below index	0%
Equal to index	25%
Equal to index +15% p.a.	100%

Straight-line vesting between these points.

EPS target (75% of each tranche)

	EPS targets for years ending		
Vesting scale	2015 (Tranche 1)	2016 (Tranche 2)	2017 (Tranche 3)
25%	12.0p	14.0p	16.0p
50%	12.6p	14.6p	16.6p
75%	13.3p	15.3p	17.3p
100%	14.0p	16.0p	18.0p

Straight-line vesting between these points.

EPS is defined as basic EPS of the Group as adjusted to take into account one-off exceptional items which do not appropriately reflect underlying performance of the Group. The equivalent EPS figure for 2012 was 7.5p.

CIP awards to be made in 2014

The Executive Directors will defer 50% of their 2013 annual bonus into Investment Shares under the CIP. These Investment Shares will vest after three years in line with the terms described above. For each Investment Share the Executive Directors will be awarded the opportunity to earn up to four Matching Shares. As described above, the Investment Shares will have a value of 39.5% of salary, implying a maximum number of Matching Shares to be awarded in 2014 of 158% of salary. The number of Investment Shares and Matching Shares awarded will be disclosed when granted and in next year's report.

The Matching Shares will vest subject to EPS and TSR performance conditions in three equal tranches over performance periods of three, four and five years in accordance with the targets as set out below.

TSR target (25% of each tranche)

Regus TSR ranking against the constituents of the FTSE 350 index (excluding financial services and mining companies)	% of shares vesting
Median	25%
Upper quartile or above	100%

Straight-line vesting between median and upper quartile. No vesting below median.

EPS target (75% of each tranche)

	EPS targets for years ending		
Vesting scale	2016 (Tranche 1)	2017 (Tranche 2)	2018 (Tranche 3)
25%	14.3p	16.1p	17.1p
100%	17.0p	20.2p	25.5p

Straight-line vesting between these points. No vesting below the threshold target.

In previous years, the TSR targets were based on out-performance of the FTSE All Share index (as illustrated in the tables in the sections above). For 2014 awards, the Committee has re-calibrated the TSR targets which are now based on the ranked TSR performance of Regus against the constituents of the FTSE 350 (excluding financial services and mining companies). The Committee believes that, given the absence of any listed peer companies, the use of a broad equity index remains appropriate, and that the FTSE 350 is preferable to the All Share index on the basis of the position of Regus in the FTSE 350 index. Companies from the financial services and mining sectors are excluded in order to ensure the TSR result is not unduly skewed by the performance of these sectors which are often subject to their own business cycles.

For the purposes of the CIP, EPS will be defined as basic EPS of the Group. The Committee has discretion to adjust EPS (both positively and negatively) to take into account one-off exceptional items which do not appropriately reflect underlying performance of the Group, and to make adjustments where the number of new centres is significantly above or below that envisaged when the targets were set. The purpose of such adjustments is to ensure a fair measurement of performance and to avoid the EPS targets acting as a disincentive to the investment in new centres which underpins the long-term growth strategy. The equivalent basic EPS figure for 2013 would be 7.1p, and therefore the targets represent at the maximum approximately 26-34% growth per annum, which the Committee believes is very stretching in the current environment particularly over performance periods which extend over three, four and five years.

Pension

The Executive Directors participate in the Company's money purchase pension scheme. The Company matches contributions up to a maximum of 7% of basic salary. The Committee considers that the pension benefits of the Executive Directors are low compared with comparative companies but prefers to offer enhanced variable compensation (rather than a fixed additional pension contribution).

The Group does not operate a Group-wide defined benefit pension scheme (with the exception of Switzerland, where pension schemes are treated as such for accounting purposes) and has no plans to introduce such a scheme.

Statement of share scheme interests and shareholdings

Under the Regus Shareholding guidelines, Executive Directors are expected to build up a shareholding equivalent to 200% of base salary. The Chairman and Non-Executive Directors are not subject to the share ownership guidelines.

The following table sets out for Directors who served during the year the total number of shares held (including the interests of connected persons) as at 31 December 2013. It also shows the interests in share schemes for the Executive Directors.

		Shareholding requirement			Interests in share/option awards		
					CIP		
	Shares held	% of salary required	% of salary achieved[a]	Guideline met?	Investment Shares[b]	Matching Shares[c]	SOP[d]
Executive Directors							
Mark Dixon	**323,113,249**	**200**	**119,557%**	**Yes**	**188,585**	**2,663,180**	**–**
Dominique Yates	**741,989**	**200**	**472%**	**Yes**	**115,709**	**462,836**	**907,333**
Chairman and Non-Executive Directors							
Douglas Sutherland	**400,000**						
Lance Browne	**–**						
Elmar Heggen	**–**						
Alex Sulkowski	**–**						
Florence Pierre	**–**						

a) Based on share price (217.2p) and base salary as at 31 December 2013.

b) The CIP Investment Shares are in the form of unvested conditional shares granted on 6 March 2013 and which vest subject to continued employment at the end of a three-year holding period.

c) The CIP Matching Shares are in the form of unvested conditional shares which will vest subject to the achievement of EPS and TSR performance targets. The number of share interests includes the following awards which were unvested as at 31 December 2013. For Mark Dixon, the number includes1,908,840 Matching Shares under tranches two and three of the 2008/2009 CIP awards (granted on 18 March 2008 and 23 March 2009, respectively) and 754,340 Matching Shares granted on 6 March 2013. For Dominique Yates, the number shows the Matching Shares granted on 6 March 2013.

d) The Share Option Plan (SOP) grants are vested market value share options (exercise price 74.35p) which were granted to Dominique Yates on 2 September 2011 to aid his recruitment. The options will become exercisable in three equal tranches in September 2014, 2015 and 2016.

At the end of the previous financial year (31 December 2012), Mark Dixon retained an unvested interest over a maximum of 1.8 million shares under the Value Creation Plan (VCP) granted in 2008. Based on the share price performance to 31 March 2013 (the final Measurement Date under this award), the award lapsed in full (as disclosed in last year's Directors' Remuneration Report).

With the exception of the Directors' interests disclosed in the table above, no Director had any additional interest in the share capital of the Company during the year.

There were no changes in the interests of Directors in the period 31 December 2013 to 31 March 2014.

Chairman and Non-Executive Director fees

The fees of the Chairman and Non-Executive Directors are set out below. No change is proposed for 2014.

	2013	2014
Non-Executive Chairman	**£165,000**	£165,000
Basic fee for Non-Executive Director	**£42,000**	£42,000
Additional fees:		
Chair of Audit Committee	**£8,000**	£8,000
Chair of Remuneration Committee	**£8,000**	£8,000
Chair of Nominations Committee	**£6,000**	£6,000
Senior Independent Director	**£6,000**	£6,000

Supporting disclosures and additional context

Percentage change in remuneration of Chief Executive

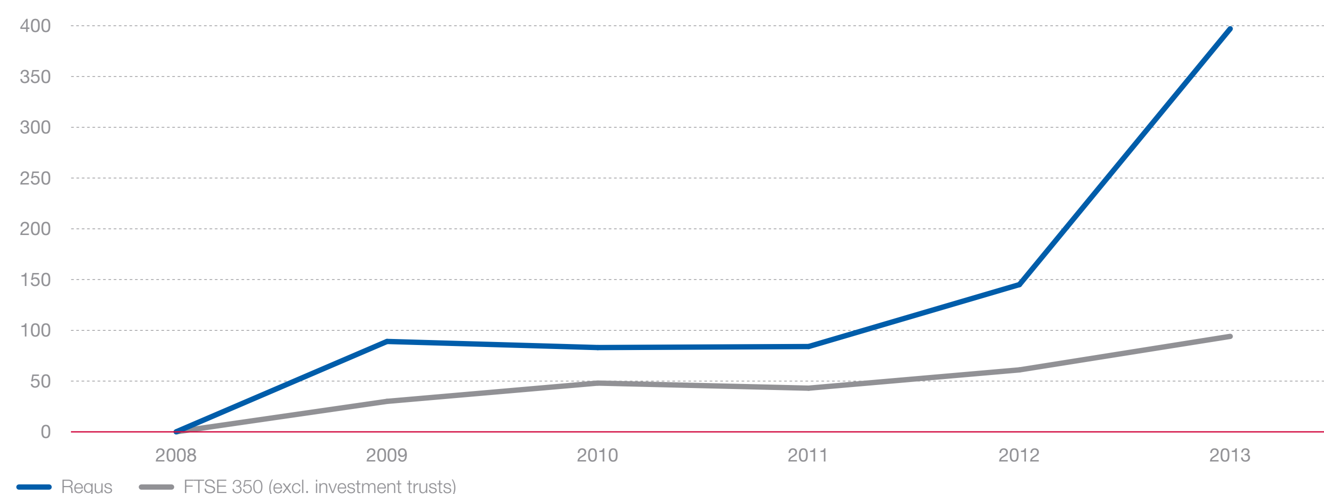
The chart below shows the percentage change in remuneration of the Chief Executive and all employees (on a per capita basis) between the year ended 31 December 2012 and the year ended 31 December 2013.

	Chief Executive	All employees
Salary	3.9%	4.4%
Benefits	1.4%	8.7%
Annual bonus	(17.9%)	(5.6%)

Performance graph and table

The chart below shows the TSR of Regus in the five-year period to 31 December 2013 against the TSR of the FTSE 350 (excluding investment trusts) and All Share Indices. TSR refers to share price growth and assumes dividends are reinvested over the relevant period. The Committee considers the FTSE 350 (excluding investment trusts) relevant since it is an index of companies of similar size to Regus. The All Share Index is also shown as it was used historically to measure the Company's TSR performance under the CIP.

Total shareholder return (%)



The table below provides remuneration data for the Chief Executive for each of the five financial years over the equivalent period.

	2009	2010	2011	2012	**2013**
Single total figure of remuneration	£628k	£759k	£1,130k	£1,773k	**£1,808k**
Bonus (% of maximum)	0%	19%	50%	100%	**79%**
Long term incentive vesting (% of maximum)	0%	0%	0%	11%	**35%**

Long term incentive vesting in 2011 comprises 25% (of maximum) in respect of the CIP and 0% in respect of the VCP.

Relative importance of spend on pay

The table below shows total employee remuneration and distributions to shareholders in respect of the years ended 31 December 2013 and 2012 (and the difference between the two).

	2013	2012	Change
Total employee remuneration	**£318.8m**	£257.4m	24%
Distributions to shareholders	**£34.0m**	£30.2m	13%

External non-executive directorships held by Executive Directors

As at 31 December 2013 the Executive Directors did not hold any external positions for which they received fees. Executive Directors are permitted to accept appointments on external boards or committees so long as these are not deemed to interfere with the business of the Group. Any fees received in respect of these appointments would be retained directly by the Executive Director.

Consideration of Directors' remuneration – Remuneration Committee and advisors

The Committee, which met four times during the year, is made up of four Independent Non-Executive Directors and chaired by Alex Sulkowski. During the year the members of the Committee were:

- Alex Sulkowski (Chair)
- Lance Browne
- Elmar Heggen
- Florence Pierre

The Committee has responsibility for determining, in consultation with the Chairman and/or Chief Executive as appropriate, the total remuneration package of the Executive Directors and senior managers, including bonuses, incentive payments and share options or other share awards. The Committee's terms of reference are available on the Company's website: www.regus.com.

In addition to the designated members of the Remuneration Committee, the Chairman, Chief Executive Officer and Company Secretary also attended Committee meetings during the year although none was present during discussions concerning their own remuneration.

Deloitte LLP continued to provide independent advice to the Committee during the year. Deloitte was appointed by the Committee in 2010 following a competitive selection process undertaken by the Committee. The fees charged by Deloitte for the provision of independent advice to the Committee during 2013 were £42,000.

Deloitte also provided unrelated tax advice to Regus during 2013. The Committee is comfortable that the Deloitte engagement partner and team, that provide remuneration advice to the Committee, do not have connections with Regus that may impair their independence and objectivity.

Deloitte is a member of the Remuneration Consultant's Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

Statement of voting at general meeting

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. The members of the Committee attend the Company's Annual General Meeting and are available to answer shareholders' questions about Directors' remuneration.

Votes cast by proxy and at the Annual General Meeting held on 21 May 2013 in respect of the advisory vote to approve the Directors' Remuneration Report are shown in the table.

	Votes for		Votes against			
Resolution	**#**	**%**	**#**	**%**	**Total votes cast**	**Votes withheld**
Approval of remuneration report for year ending 31 December 2012	**811,639,161**	**99.64%**	**2,936,580**	**0.36%**	**814,575,741**	**4,390,898**

For and on behalf of the Board

Alex Sulkowski
Chairman of the Remuneration Committee

4 March 2014

Directors' report

The Directors of Regus plc (société anonyme) (the 'Company') present their Annual Report and the audited financial statements of the Company and its subsidiaries (together the 'Group') for the year ended 31 December 2013.

Directors

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

Executive Directors

Mark Dixon
Dominique Yates

Non-Executive Directors

Douglas Sutherland
Lance Browne
Elmar Heggen
Florence Pierre
Alex Sulkowski

Biographical details for the Directors are shown on page 32.

Details of the Directors' interests and shareholdings are given in the Remuneration Report on pages 41 to 53.

The Corporate Responsibility Statement, Corporate Governance Statement, Audit Committee Report, Remuneration Report and Director Statements on pages 28 to 56 all form part of this report.

Principal activity

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

Business review

The Directors have presented a Strategic Report as follows:

The Chief Executive Officer's Review and Chief Financial Officer's Review on pages 15 to 23 respectively address:

- review of the Company's business (pages 15 to 18);
- trends and factors likely to affect the future development, performance and position of the business (pages 15 to 18);
- development and performance during the financial year (pages 19 to 23);
- employee development, performance and diversity (page 17); and
- position of the business at the end of the year (pages 22 and 23).

The Corporate Responsibility Report, on page 28, includes the sections of the Strategic Report in respect of:

- environmental matters; and
- social and community issues.

The Audit Committee report, on pages 38 to 40, includes a description of the principal risks and uncertainties facing the Company.

The Directors' Statements on page 56 includes the statutory statement in respect of disclosure to auditors.

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

Results and dividends

Profit before taxation for the year was £81.5m (2012: £85.1m).

The Directors are pleased to recommend a final dividend of £23.6m (2012: £20.7m), being 2.5 pence per share (2012: 2.2 pence per share). The total dividend for the year will therefore be 3.6 pence per share, made up of the interim dividend of 1.1 pence per share paid in October 2013 (2012: 1.0 pence per share) and, assuming the final dividend is approved by shareholders at the forthcoming AGM, an additional 2.5 pence per share (2012: 2.2 pence per share) which is expected to be paid on 30 May 2014 to shareholders on the register at the close of business on 2 May 2014.

Policy and practice on payment of creditors

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

- agree the terms of payment upfront with the supplier;
- ensure that suppliers are made aware of these terms of payment; and
- pay in accordance with contractual and other legal obligations.

At 31 December 2013, the number of creditor days outstanding for the Group was 31 days (2012: 22 days) and for the Company was 28 days (2012: 41 days).

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts on pages 58 to 62.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on page 18, as well as the Group's principal risks and uncertainties as set out on pages 24 to 27. Based on the performance of the Group, its financial position and cash flows, the Board is satisfied that the Group is well placed to manage its business risks successfully.

Further details on the going concern basis of preparation can be found in note 22 of the notes to the accounts on page 83.

Employees

The Group treats applicants for employment with disabilities with full and fair consideration according to their skills and capabilities.

Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore opportunities for their retraining or redeployment elsewhere within the Group.

Political and charitable donations

It is the Group's policy not to make political donations either in the UK or overseas. The Group made charitable donations of £80,500 during the year (2012: £30,000).

Capital structure

The Company's share capital comprises 950,969,822 issued and fully paid up ordinary shares of 1p nominal value in Regus plc (2012: 950,969,822). All ordinary shares have the same rights to vote at general meetings of the Company and to participate in distributions. There are no securities in issue that carry special rights in relation to the control of the Company. The Company's shares are traded on the London Stock Exchange.

Details of the role of the Board of Directors (the 'Board') and the process for the appointment of Directors can be found on pages 32 to 34.

At the Company's Annual General Meeting held on 21 May 2013 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 94,279,622 ordinary shares representing approximately 10% of the issued share capital (excluding Treasury shares) as at 19 April 2013.

No shares were purchased pursuant to this authority during the year.

Details of the Company's employee share schemes can be found in the report of the Remuneration Committee on pages 41 to 53.

The outstanding awards and options do not carry any rights in relation to the control of the Company.

Substantial interests

At 4 March 2014, the Company has been notified of the following interests held in the issued share capital of the Company.

	Number of ordinary shares	% of issued share capital
Estorn Limited*	323,113,249	34.17
Prudential Plc	139,455,885	14.74
Odey Asset Management LLP	56,497,630	6.03
Black Rock Inc.	43,165,650	4.56

* Mark Dixon indirectly owns 100% of Estorn Limited

Auditors

In accordance with Luxembourg law, a resolution for the reappointment of KPMG Luxembourg S.à r.l. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approval

This report was approved by the Board on 25 February 2014.

On behalf of the Board

Tim Regan
Company Secretary

4 March 2014

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 annual accounts 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 its financial statements comply with applicable law and regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Remuneration Report and 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' statements 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 financial statements have been approved by the Directors of the Company. The Directors confirm that the financial statements 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

4 March 2014

Auditors' report

To the Shareholders of
Regus plc (société anonyme)
26, Boulevard Royal
L-2449 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Regus plc (société anonyme), which comprise the consolidated balance sheet as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 58 to 103.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

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

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

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

Opinion

In our opinion, the consolidated financial statements, as set out on pages 58 to 103, give a true and fair view of the consolidated financial position of Regus plc (société anonyme) as of 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Directors' report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé
Thierry Ravasio

Luxembourg, 4 March 2014

Consolidated income statement

Continuing operations	Notes	Year ended 31 Dec 2013 Total £m	Year ended 31 Dec 2012 Total £m
Revenue	3	**1,533.5**	1,244.1
Cost of sales		**(1,159.7)**	(923.4)
Gross profit (centre contribution)		**373.8**	320.7
Selling, general and administration expenses		**(275.9)**	(225.7)
Research and development expenses		**(7.2)**	(4.5)
Share of profit/(loss) of equity-accounted investees, net of tax		**0.1**	(0.3)
Operating profit	5	**90.8**	90.2
Finance expense	7	**(10.5)**	(5.9)
Finance income	7	**1.2**	0.8
Profit before tax for the year		**81.5**	85.1
Tax charge	8	**(14.6)**	(14.2)
Profit after tax for the year		**66.9**	70.9
Profit attributable to:			
Equity shareholders of the parent		**66.9**	70.9
Non-controlling interests		**–**	–
Profit after tax for the year		**66.9**	70.9
Earnings per ordinary share (EPS):			
Basic (p)	9	**7.1**	7.5
Diluted (p)	9	**7.0**	7.5

Consolidated statement of comprehensive income

	Notes	**Year ended 31 Dec 2013 £m**	Year ended 31 Dec 2012 £m
Profit for the year		**66.9**	70.9
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences for foreign operations, net of income tax		**(27.4)**	(14.5)
Items of other comprehensive income that is or may be reclassified to profit or loss in subsequent periods		**(27.4)**	(14.5)
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit liability		**0.2**	(0.1)
Items of other comprehensive income that will never be reclassified to profit or loss in subsequent periods		**0.2**	(0.1)
Other comprehensive income for the period, net of income tax		**(27.2)**	(14.6)
Total comprehensive income for the year		**39.7**	56.3
Total comprehensive income attributable to:			
Equity shareholders of the parent		**39.7**	56.3
Non-controlling interests		**–**	–
Total comprehensive income for the year		**39.7**	56.3

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 2012	**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:									
Remeasurement of defined benefit liability, net of tax	–	–	–	–	–	(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 (note 10)	–	–	–	–	–	(28.2)	(28.2)	–	(28.2)
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**
Total comprehensive income for the year:									
Profit for the year	–	–	–	–	–	66.9	66.9	–	66.9
Other comprehensive income:									
Remeasurement of defined benefit liability, net of tax (note 24)	–	–	–	–	–	0.2	0.2	–	0.2
Foreign currency translation differences for foreign operations, net of tax	–	–	(27.4)	–	–	–	(27.4)	–	(27.4)
Total other comprehensive income, net	–	–	(27.4)	–	–	0.2	(27.2)	–	(27.2)
Total comprehensive income for the year	–	–	(27.4)	–	–	67.1	39.7	–	39.7
Transactions with owners, recorded directly in equity									
Share-based payments	–	–	–	–	–	2.7	2.7	–	2.7
Ordinary dividend paid (note 10)	–	–	–	–	–	(31.1)	(31.1)	–	(31.1)
Non-controlling interest recognised on acquisition (note 25)	–	–	–	–	–	(16.3)	(16.3)	(7.7)	(24.0)
Acquisition of non-controlling interest (note 25)	–	–	–	–	–	(7.7)	(7.7)	7.7	–
Settlement of share awards	–	2.9	–	–	–	(3.4)	(0.5)	–	(0.5)
Balance at 31 December 2013	**9.5**	**(4.1)**	**6.6**	**10.5**	**15.3**	**476.4**	**514.2**	**–**	**514.2**

(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 2013 Treasury shares represent 5,257,380 (2012: 8,982,139) 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 3,724,759 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 4 March 2014, 5,257,380 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 2013 £m	As at 31 Dec 2012 £m
Non-current assets			
Goodwill	11	**438.7**	317.0
Other intangible assets	12	**53.0**	46.9
Property, plant and equipment	13	**608.7**	437.5
Deferred tax assets	8	**33.4**	33.9
Other long-term receivables	14	**37.5**	35.7
Investments in joint ventures	19	**1.3**	1.7
Total non-current assets		**1,172.6**	872.7
Current assets			
Trade and other receivables	15	**376.9**	290.8
Corporation tax receivable	8	**8.1**	5.7
Cash and cash equivalents	21	**84.7**	132.3
Total current assets		**469.7**	428.8
Total assets		**1,642.3**	1,301.5
Current liabilities			
Trade and other payables (incl. customer deposits)	16	**(570.8)**	(447.7)
Deferred income		**(179.8)**	(151.1)
Corporation tax payable	8	**(6.2)**	(6.8)
Obligations under finance leases	17	**–**	(0.6)
Bank and other loans	17	**(1.2)**	(4.8)
Provisions	18	**(0.8)**	(1.5)
Total current liabilities		**(758.8)**	(612.5)
Net current liabilities		**(289.1)**	(183.7)
Total assets less current liabilities		**883.5**	689.0
Non-current liabilities			
Other payables	16	**(220.7)**	(147.4)
Obligations under finance leases	17	**(0.1)**	(0.1)
Bank and other loans	17	**(140.6)**	(6.8)
Deferred tax liability	8	**(1.6)**	(1.3)
Provisions	18	**(4.9)**	(4.6)
Provision for deficit on joint ventures	19	**(1.2)**	(1.2)
Retirement benefit obligations	24	**(0.2)**	(0.2)
Total non-current liabilities		**(369.3)**	(161.6)
Total liabilities		**(1,128.1)**	(774.1)
Total assets less liabilities		**514.2**	527.4
Total equity			
Issued share capital	20	**9.5**	9.5
Treasury shares		**(4.1)**	(7.0)
Foreign currency translation reserve		**6.6**	34.0
Revaluation reserve		**10.5**	10.5
Other reserves		**15.3**	15.3
Retained earnings		**476.4**	465.1
Total shareholders' equity		**514.2**	527.4
Non-controlling interests		**–**	–
Total equity		**514.2**	527.4
Total equity and liabilities		**1,642.3**	1,301.5

Approved by the Board on 4 March 2014

Mark Dixon
Chief Executive Officer

Dominique Yates
Chief Financial Officer

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2013 £m	Year ended 31 Dec 2012 £m
Profit before tax for the year		**81.5**	85.1
Adjustments for:			
Net finance expense	7	**9.3**	5.1
Share of post-tax profit/(loss) of joint ventures	19	**(0.1)**	0.3
Depreciation charge	5, 13	**87.8**	63.6
(Gain)/loss on disposal of property, plant and equipment		**0.9**	0.1
Amortisation of intangible assets	5, 12	**9.7**	5.5
(Gain)/loss on disposal of intangible assets		**–**	0.1
Increase/(decrease) in provisions	18	**(4.0)**	(5.1)
Share-based payments		**2.7**	0.6
Other non-cash movements		**2.3**	(3.8)
Operating cash flows before movements in working capital		**190.1**	151.5
Decrease/(increase) in trade and other receivables		**(74.4)**	(24.9)
(Decrease)/increase in trade and other payables		**138.5**	71.3
Cash generated from operations		**254.2**	197.9
Interest paid		**(6.7)**	(3.1)
Tax paid		**(17.1)**	(13.9)
Net cash inflow from operating activities		**230.4**	180.9
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	25	**(93.0)**	(43.3)
Dividends received from joint ventures	19	**0.8**	0.8
Purchase of joint ventures		**(0.4)**	–
Proceeds on sale of property, plant and equipment		**–**	1.5
Purchase of property, plant and equipment	13	**(248.9)**	(169.2)
Purchase of intangible assets	12	**(15.6)**	(6.8)
Interest received	7	**1.2**	0.7
Net cash outflow from investing activities		**(355.9)**	(216.3)
Financing activities			
Net proceeds from issue of loans		**132.7**	6.4
Repayment of loans		**(2.4)**	(1.9)
Repayment of principal under finance leases		**(0.5)**	(1.4)
Acquisitions of non-controlling interests	25	**(16.3)**	–
Purchase of shares		**(2.3)**	–
Settlement of share awards		**(1.1)**	(2.0)
Payment of ordinary dividend	10	**(31.1)**	(28.2)
Net cash inflow/(outflow) from financing activities		**79.0**	(27.1)
Net (decrease)/increase in cash and cash equivalents		**(46.5)**	(62.5)
Cash and cash equivalents at beginning of year		**132.3**	197.5
Effect of exchange rate fluctuations on cash held		**(1.1)**	(2.7)
Cash and cash equivalents at end of year	21	**84.7**	132.3

Notes to the accounts

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 4 March 2014 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.

Regus plc S.A. owns a network of business centres which are leased to a variety of business customers. Information on the Group's structure is provided in Note 30, and information on other related party relationships of the Group is provided in Note 29.

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 pages 104 and 105.

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 2013 did not have a material effect on the Group financial statements, unless otherwise indicated.

IAS 1	Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
IAS 12	Amendment to IAS 12 – Deferred Tax accounting for investment property at fair value
IAS 19	IAS 19 Revised – Employee Benefits
IFRS 1	Amendments to IFRS 1 – Government Loans
IFRS 1	Amendment to IFRS 1 – Exemption for severe hyperinflation and removal of fixed dates
IFRS 7	Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping Costs in the Production of a Surface Mine
Various	Annual Improvements to IFRSs (2009 – 2011 Cycle)

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 31.

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 58 to 103.

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 15 to 18 as well as the Group's principal risks and uncertainties as set out on pages 24 to 27.

Further details on the going concern basis of preparation can be found in note 22 to the notes to the accounts on page 84.

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.

2. Accounting policies (continued)

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

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

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

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

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 2014 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 27	Separate Financial Statements (Revised) (and subsequent amendments)	1 January 2014
IAS 28	Investments in Associates and Joint Ventures (Revised)	1 January 2014
IAS 32	Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39	Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement (and subsequent amendments)	1 January 2017
IFRS 10	Consolidated Financial Statements (and subsequent amendments)	1 January 2014
IFRS 11	Joint Arrangements (and subsequent amendments)	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities (and subsequent amendments)	1 January 2014
IFRIC 21	Levies	1 January 2014

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.

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 2013 and updated at 31 December 2013.

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 is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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.

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 pre-tax rate that reflects the time value of money and the risks specific to the liability.

2. Accounting policies (continued)

Property, plant and equipment

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

Buildings	50 years
Fixtures and fittings	10 years
Furniture	10 years
Office equipment and telephones	5 years
Motor vehicles	4 years
Computer hardware	3 – 5 years

The useful life of certain plant, property and equipment were revised in 2012.

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.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, excluding net interest, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'selling, general and administration expenses' and 'Research and development expenses' in consolidated income statement: service costs comprising current service costs; past-service costs; and gains and losses on curtailments and non-routine settlements.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

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.

2. Accounting policies (continued)

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 separately as other finance costs in the income statement.

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 rate method.

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 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.

Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest rate method.

Available for sale financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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.

Foreign currency transactions and foreign operations

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 in other comprehensive income, and presented in the foreign currency translation reserve in equity. Exchange differences are released to the income statement on disposal.

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 22. 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	
	2013	2012	**2013**	2012
US dollar	**1.65**	1.62	**1.57**	1.59
Euro	**1.20**	1.23	**1.18**	1.23
Japanese yen	**174**	140	**153**	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 2012. The performance of each segment is assessed on the basis of the segment operating profit which excludes internal revenue, corporate overheads and foreign exchange gains and losses arising on transactions with other operating segments.

	Americas		EMEA		Asia Pacific		United Kingdom		All other operating segments		Total	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Revenues from external customers	**639.7**	533.9	**337.9**	301.2	**225.1**	195.9	**329.1**	211.8	**1.7**	1.3	**1,533.5**	1,244.1
Revenues from internal customers	**0.3**	0.2	**0.8**	0.3	**0.3**	–	**1.3**	1.6	**–**	–	**2.7**	2.1
Segment revenues	**640.0**	534.1	**338.7**	301.5	**225.4**	195.9	**330.4**	213.4	**1.7**	1.3	**1,536.2**	1,246.2
Gross profit (centre contribution)	**157.3**	150.5	**80.6**	76.8	**57.6**	55.5	**79.7**	36.6	**1.6**	1.2	**376.8**	320.6
Reportable segment profit	**71.3**	72.2	**29.7**	26.2	**27.9**	31.7	**39.6**	12.4	**(5.3)**	(1.9)	**163.2**	140.6
Share of profit of joint ventures	**–**	–	**1.2**	0.9	**–**	–	**(1.1)**	(1.2)	**–**	–	**0.1**	(0.3)
Finance expense	**(0.6)**	(0.3)	**(0.1)**	–	**(0.5)**	(0.5)	**(2.2)**	(1.6)	**–**	–	**(3.4)**	(2.4)
Finance income	**–**	–	**0.2**	0.1	**–**	0.3	**–**	0.1	**–**	–	**0.2**	0.5
Depreciation and amortisation	**45.8**	33.2	**14.8**	12.0	**13.1**	10.3	**17.1**	11.3	**4.0**	1.9	**94.8**	68.7
Taxation (income)/charge	**(2.5)**	(1.1)	**(5.1)**	9.1	**(3.7)**	6.3	**(2.4)**	(2.6)	**(0.9)**	2.5	**(14.6)**	14.2
Assets	**944.3**	683.7	**344.4**	296.2	**211.3**	201.3	**508.5**	316.7	**1.9**	1.7	**2,010.4**	1,499.6
Liabilities	**(632.2)**	(399.1)	**(419.8)**	(334.5)	**(194.1)**	(178.7)	**(530.9)**	(306.6)	**(0.6)**	(0.6)	**(1,777.6)**	(1,219.5)
Net assets/(liabilities)	**312.1**	284.6	**(75.4)**	(38.3)	**17.2**	22.6	**(22.4)**	10.1	**1.3**	1.1	**232.8**	280.1
Non-current asset additions	**172.8**	99.0	**29.6**	24.0	**33.0**	28.6	**14.9**	11.4	**–**	–	**250.3**	163.0

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.

3. Segmental analysis – statutory basis (continued)

£m	Revenue	Gross profit (centre contribution)	Operating profit	Share of JV profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
								2013
Reportable segment results	**1,536.2**	**376.8**	**163.2**	**0.1**	**(3.4)**	**0.2**	**94.8**	**160.1**
Exclude: Internal revenue	**(2.7)**	**(2.7)**	**–**	**–**	**–**	**–**	**–**	**–**
Corporate overheads	**–**	**(0.3)**	**(72.5)**	**–**	**(5.9)**	**1.0**	**2.7**	**(77.4)**
Foreign exchange gains and losses	**–**	**–**	**–**	**–**	**(1.2)**	**–**	**–**	**(1.2)**
Published Group total	**1,533.5**	**373.8**	**90.7**	**0.1**	**(10.5)**	**1.2**	**97.5**	**81.5**

£m	Revenue	Gross profit (centre contribution)	Operating profit	Share of JV loss	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
								2012
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	Assets	Liabilities	Net assets/ (liabilities)
			2013
Reportable segment results	**2,010.4**	**(1,777.6)**	**232.8**
Exclude: Segmental inter-company amounts	**(474.9)**	**810.8**	**335.9**
Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments)			
Cash	**47.5**	**–**	**47.5**
Deferred taxation	**19.4**	**–**	**19.4**
Bank and other loans	**–**	**(134.2)**	**(134.2)**
Other	**39.9**	**(27.1)**	**12.8**
Published Group total	**1,642.3**	**(1,128.1)**	**514.2**

£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
Bank and other loans	–	–	–
Other	31.5	(20.3)	11.2
Published Group total	1,301.5	(774.1)	527.4

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:

	2013		2012	
£m	**External revenue**	**Non-current assets[(a)]**	External revenue	Non-current assets[(a)]
Country of domicile – Luxembourg	**3.7**	**1.5**	3.0	0.6
United States of America	**492.6**	**481.9**	400.6	373.8
United Kingdom	**329.5**	**254.1**	213.0	163.6
All other countries	**707.7**	**401.7**	627.5	300.8
	1,533.5	**1139.2**	1,244.1	838.8

(a) Excluding deferred tax assets.

5. Operating profit

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

	Notes	**2013 £m**	2012 £m
Depreciation on property, plant and equipment			
Owned assets	13	**87.1**	62.7
Finance leases	13	**0.7**	0.9
Amortisation of intangibles	12	**9.7**	5.5
Provision for bad debts		**1.1**	2.2
Loss on disposal of property, plant and equipment		**0.9**	0.1
Loss on disposal of intangibles		**–**	0.1
Exchange (gains)/losses recognised in the income statement		**(0.1)**	0.4
Rents payable in respect of operating leases			
Property		**527.6**	430.6
Contingent rents paid		**24.8**	15.5
Equipment		**2.1**	1.5
Amortisation of acquisition fair value adjustments		**(5.2)**	(4.1)
Staff costs	6	**316.1**	257.4

	2013 £m	2012 £m
Fees payable to the Group's auditor for the audit of the Group accounts	**0.4**	0.3
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	**–**	–
Other services	**0.1**	–

6. Staff costs

	2013 £m	2012 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**265.3**	216.2
Social security	**44.3**	37.5
Pension costs	**3.8**	3.1
Share-based payments	**2.7**	0.6
	316.1	257.4

	2013 Average full time equivalents	2012 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	**5,582**	4,478
Sales & marketing staff	**787**	1,054
Finance staff	**856**	827
Other staff	**1,150**	779
	8,375	7,138
Americas	**3,110**	2,701
EMEA	**1,724**	1,668
Asia Pacific	**1,255**	991
United Kingdom	**1,151**	881
Corporate functions	**1,135**	897
	8,375	7,138

Details of Directors' emoluments and interests are given on pages 41 to 53 in the Remuneration Report.

7. Net finance expense

	2013 £m	2012 £m
Interest payable and similar charges on bank loans	**(3.4)**	(0.9)
Interest payable and similar charges on finance leases	**–**	(0.1)
Total interest expense	**(3.4)**	(1.0)
Other finance costs	**(5.1)**	(3.5)
Unwinding of discount rates	**(2.0)**	(1.4)
Total finance expense	**(10.5)**	(5.9)
Total interest income	**1.2**	0.7
Unwinding of discount rates	**–**	0.1
Total finance income	**1.2**	0.8
Net finance expense	**(9.3)**	(5.1)

8. Taxation

(a) Analysis of charge in the year

	2013 £m	2012 £m
Current taxation		
Corporate income tax	**(17.4)**	(19.9)
Previously unrecognised tax losses and temporary differences	**1.2**	4.4
Over/(under) provision in respect of prior years	**2.4**	(0.2)
Total current taxation	**(13.8)**	(15.7)
Deferred taxation		
Origination and reversal of temporary differences	**(7.8)**	(6.7)
Previously unrecognised tax losses and temporary differences	**7.1**	9.0
Under provision in respect of prior years	**(0.1)**	(0.8)
Total deferred taxation	**(0.8)**	1.5
Tax charge on profit	**(14.6)**	(14.2)

(b) Reconciliation of taxation charge

	2013		2012	
	£m	%	£m	%
Profit before tax	**81.5**		85.1	
Tax on profit at 29.22% (2012: 28.8%)	**(23.8)**	**(29.2)**	(24.5)	(28.8)
Tax effects of:				
Expenses not deductible for tax purposes	**(3.3)**	**(4.0)**	(8.6)	(10.1)
Items not chargeable for tax purposes	**19.4**	**23.8**	19.6	23.0
Recognition of previously unrecognised deferred tax assets	**8.3**	**10.2**	13.4	15.7
Movements in temporary differences in the year not recognised in deferred tax	**(17.6)**	**(21.6)**	(15.6)	(18.3)
Other movements in temporary differences	**–**	**–**	0.3	0.4
Adjustment to tax charge in respect of previous years	**2.3**	**(2.8)**	(1.0)	(1.2)
Differences in tax rates on overseas earnings	**0.1**	**0.1**	2.2	2.6
	(14.6)	**(17.9)**	(14.2)	(16.7)

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.

(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:

	2013 £m	2012 £m
2013	**–**	1.0
2014	**1.3**	1.3
2015	**0.7**	0.8
2016	**3.7**	3.2
2017	**6.0**	10.6
2018	**14.1**	3.9
2019	**1.8**	1.6
2020	**29.7**	33.9
2021 and later	**60.5**	49.7
	117.8	106.0
Available indefinitely	**205.7**	152.2
Tax losses available to carry forward	**323.5**	258.2
Amount of tax losses recognised in the deferred tax asset	**118.1**	120.6
Total tax losses available to carry forward	**441.6**	378.8

8. Taxation (continued)

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

	2013 £m	2012 £m
Intangibles	**36.0**	41.8
Accelerated capital allowances	**14.8**	10.1
Tax losses	**87.0**	73.6
Rent	**9.3**	5.5
Short-term timing differences	**7.3**	9.0
	154.4	140.0

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

(d) Corporation tax

	2013 £m	2012 £m
Corporation tax payable	**(6.2)**	(6.8)
Corporation tax receivable	**8.1**	5.7

(e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Short term temporary differences £m	Total £m
Deferred tax asset						
At 1 January 2012	(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 1 January 2013	**(35.7)**	**21.8**	**35.8**	**21.9**	**(9.9)**	**33.9**
Acquisitions	**0.3**	**–**	**0.3**	**–**	**–**	**0.6**
Current year movement	**0.1**	**(7.9)**	**–**	**7.2**	**(0.1)**	**(0.7)**
Prior year movement	**0.4**	**(1.0)**	**0.9**	**(1.3)**	**0.2**	**(0.8)**
Transfers	**(0.1)**	**0.4**	**(0.1)**	**–**	**0.8**	**1.0**
Exchange movement	**1.5**	**(0.1)**	**(0.5)**	**(0.7)**	**(0.8)**	**(0.6)**
At 31 December 2013	**(33.5)**	**13.2**	**36.4**	**27.1**	**(9.8)**	**33.4**
Deferred tax liability						
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 1 January 2013	**(0.5)**	**(0.5)**	**–**	**0.1**	**(0.4)**	**(1.3)**
Current year movement	**–**	**(0.1)**	**0.1**	**–**	**–**	**–**
Prior year movement	**0.2**	**0.4**	**–**	**–**	**0.1**	**0.7**
Transfers	**0.1**	**(0.4)**	**0.1**	**–**	**(0.8)**	**(1.0)**
Exchange movement	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2013	**(0.2)**	**(0.6)**	**0.2**	**0.1**	**(1.1)**	**(1.6)**

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 £150.8m (2012: £172.3m). The only tax that would arise on these reserves would be non-creditable withholding tax.

9. Earnings per ordinary share (basic and diluted)

	2013	2012
Profit attributable to equity shareholders of the parent (£m)	**66.9**	70.9
Weighted average number of shares outstanding during the year	**943,775,413**	941,921,816
Average market price of one share during the year	**169.56p**	100.12p
Weighted average number of shares under option during the year	**21,184,505**	10,778,358
Exercise price for shares under option during the year	**78.67p**	68.56p

	Profit		Earnings per share	
	2013 £m	2012 £m	2013 pence	2012 pence
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	**66.9**	70.9	**7.1**	7.5
Diluted earnings per share			**7.0**	7.5
Weighted average number of shares for basic EPS (number)			**943,775,413**	941,921,816
Weighted average number of shares under option during the year			**21,184,505**	10,778,358
Weighted average number of shares that would have been issued at average market price			**(5,639,033)**	(8,037,963)
Weighted average number of awards under the CIP and LTIP			**3,014,273**	1,207,103
Weighted average number of shares for diluted EPS (number)			**962,335,158**	945,869,314

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.

10. Dividends

	2013	2012
Dividends per ordinary share proposed	**2.5p**	2.2p
Interim dividends per ordinary share declared and paid during the year	**1.1p**	1.0p

Dividends of £31.1m were paid during the year (2012: £28.2m). The Company has proposed to shareholders that a final dividend of 2.5p per share will be paid (2012: 2.2p). Subject to shareholder approval it is expected that the dividend will be paid on 30 May 2014.

11. Goodwill

	£m
Cost	
At 1 January 2012	285.4
Recognised on acquisition of subsidiaries	39.3
Exchange differences	(7.7)
At 1 January 2013	317.0
Recognised on acquisition of subsidiaries	131.6
Exchange differences	(9.9)
At 31 December 2013	**438.7**
Net book value	
At 1 January 2013	317.0
At 31 December 2013	**438.7**

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:

	2013 £m	2012 £m
Carrying amount of goodwill included within the Americas business segment	**203.0**	185.3
Carrying amount of goodwill included within the EMEA business segment	**43.7**	10.3
Carrying amount of goodwill included within the Asia Pacific business segment	**23.0**	25.1
Carrying amount of goodwill included within the UK business segment	**169.0**	96.3
	438.7	317.0

The carrying value of goodwill and indefinite life intangibles allocated to two CGUs, the USA and the UK, is material relative to the total carrying value comprising 80.1% of the total. The remaining 19.9% of the carrying value is allocated to a further 35 countries (35 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	**2013 £m**	2012 £m
USA	182.4	–	**182.4**	158.8
UK	169.0	11.2	**180.2**	107.5
Other cash generating units	87.3	–	**87.3**	61.9
	438.7	11.2	**449.9**	328.2

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 12).

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, as follows:

	2013 £m	2012 £m
USA	**489.9**	453.9
UK	**266.6**	218.5
Other cash generating units	**767.9**	533.9
	1,524.4	1,206.3

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 2014 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 2014 that reflect an average annual growth rate of 3% (2012: 3%).
- 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. Cash flows beyond 2018 have been extrapolated using a 2% growth rate which management believes 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. The Group WACC is then adjusted for each CGU to reflect the assessed market risk specific to that country. The Group WACC decreased marginally to 13.6% in 2013 (2012: 14.0%). The market risk adjustment has been set between 12.3% and 18.6% (2012: 16.0% to 20.0%).

The amount by which the value in use exceeds the carrying amount of the CGU's 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 cash-generating units carrying amount exceeding their recoverable amount. The forecast models used in assessing the impairment of goodwill are based on the related business centre structure at the end of the year. These models therefore do not reflect the expected improvement in margin as new centres mature.

The key assumptions used in the US model forecasts a centre contribution of 25%, with an average centre contribution of 23% over the next five years. Revenue and costs grow at 3% per annum from 2013 maintaining a terminal 2018 centre gross margin of 23%. 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 17% (2012:19%).

The UK model forecasts a 2014 centre contribution of 23%, with an average centre contribution of 22% 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 14% (2012:15%).

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 22% (2012: 28%) for the US CGU and 22% (2012: 28%) for the UK CGU.

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

12. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
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 1 January 2013	52.1	23.4	26.0	101.5
Additions at cost	0.4	–	15.2	15.6
Acquisition of subsidiaries	–	1.2	–	1.2
Disposals	–	–	–	–
Exchange rate movements	(0.9)	(0.4)	(0.5)	(1.8)
At 31 December 2013	**51.6**	**24.2**	**40.7**	**116.5**
Amortisation				
At 1 January 2012	15.8	19.6	15.0	50.4
Charge for the year	2.1	1.3	2.1	5.5
Disposals	–	–	–	–
Exchange rate movements	(0.6)	(0.3)	(0.4)	(1.3)
At 1 January 2013	17.3	20.6	16.7	54.6
Charge for year	2.1	1.7	5.9	9.7
Disposals	–	–	–	–
Exchange rate movements	(0.4)	(0.4)	–	(0.8)
At 31 December 2013	**19.0**	**21.9**	**22.6**	**63.5**
Net book value				
At 1 January 2012	38.0	3.0	4.9	45.9
At 31 December 2012	34.8	2.8	9.3	46.9
At 31 December 2013	**32.6**	**2.3**	**18.1**	**53.0**

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 11).

The remaining amortisation life for non-indefinite life brands is 11 years.

13. Property, plant and equipment

	Land and buildings £m	Furniture, fittings and motor vehicles £m	Computer hardware £m	Total £m
Cost				
At 1 January 2012	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 1 January 2013	8.1	909.6	54.5	972.2
Additions	–	233.4	15.5	248.9
Acquisition of subsidiaries	–	34.1	0.9	35.0
Disposals	–	(5.7)	(8.7)	(14.4)
Exchange rate movements	–	(44.4)	(2.5)	(46.9)
At 31 December 2013	**8.1**	**1,127.0**	**59.7**	**1,194.8**
Accumulated depreciation				
At 1 January 2012	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)
At 1 January 2013	0.6	493.4	40.7	534.7
Charge for the year	0.3	79.5	8.0	87.8
Disposals	–	(4.7)	(8.3)	(13.0)
Exchange rate movements	–	(23.1)	(0.3)	(23.4)
Balance at 31 December 2013	**0.9**	**545.1**	**40.1**	**586.1**
Net book value				
At 1 January 2012	5.3	318.5	9.7	333.5
At 31 December 2012	7.5	416.2	13.8	437.5
At 31 December 2013	**7.2**	**581.9**	**19.6**	**608.7**

Additions include £nil in respect of assets acquired under finance leases (2012: £nil).

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

	2013 £m	2012 £m
Cost	**20.1**	22.7
Accumulated depreciation	**(17.0)**	(18.3)
Net book value	**3.1**	4.4

14. Other long-term receivables

	2013 £m	2012 £m
Deposits held by landlords against rent obligations	**30.1**	30.9
Amounts owed by joint ventures	**3.1**	2.8
Prepayments and accrued income	**4.3**	2.0
	37.5	35.7

15. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	**140.7**	115.4
Amounts owed by joint ventures	**2.9**	2.9
Other receivables	**43.1**	27.0
Deposits held by landlords against rent obligations	**22.8**	20.7
Prepayments and accrued income	**130.7**	92.7
VAT recoverable	**36.7**	32.1
	376.9	290.8

16. Trade and other payables (incl. customer deposits)

	2013 £m	2012 £m
Trade payables	**74.1**	46.1
VAT payable	**37.1**	32.8
Other tax and social security	**9.2**	9.9
Customer deposits	**239.5**	198.6
Deferred landlord contributions	**25.9**	19.8
Amounts owed to joint ventures	**0.7**	0.6
Rent accruals	**74.1**	43.2
Other accruals	**90.7**	75.4
Other payables	**19.5**	21.3
Total current	**570.8**	447.7

	2013 £m	2012 £m
Deferred landlord contributions	**116.9**	76.0
Rent accruals	**101.2**	67.9
Other payables	**2.6**	3.5
Total non-current	**220.7**	147.4

17. Borrowings

The Group's total loan and borrowing position at 31 December 2013 and at 31 December 2012 had the following maturity profiles:

Bank and other loans

	2013 £m	2012 £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	1.6	2.1
In more than two years but not more than five years	139.0	4.7
In more than five years	–	–
Total non-current	140.6	6.8
Total current	1.2	4.8
Total bank and other loans	141.8	11.6

Obligations under finance leases

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

	2013 £m	2012 £m
Amounts payable		
Within one year or on demand	–	0.6
In more than one year but not more than two years	0.1	0.1
In more than two years but not more than five years	–	–
	0.1	0.7
Less: finance charges allocated to future periods	–	–
Present value of future minimum lease payments	–	0.7
Total current	–	0.6
Total non-current	0.1	0.1
	0.1	0.7

18. Provisions

	2013				2012			
	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	5.3	–	0.8	6.1	8.5	0.9	1.8	11.2
Acquired in the period	3.6	–	–	3.6	–	–	–	–
Provided in the period	0.7	–	0.5	1.2	0.9	–	0.3	1.2
Utilised in the period	(0.8)	–	–	(0.8)	(1.8)	(0.6)	(1.1)	(3.5)
Provisions released	(4.4)	–	–	(4.4)	(2.2)	(0.2)	(0.2)	(2.6)
Exchange differences	–	–	–	–	(0.1)	(0.1)	–	(0.2)
At 31 December	4.4	–	1.3	5.7	5.3	–	0.8	6.1
Analysed between:								
Current	0.2	–	0.6	0.8	0.9	–	0.6	1.5
Non-current	4.2	–	0.7	4.9	4.4	–	0.2	4.6
At 31 December	4.4	–	1.3	5.7	5.3	–	0.8	6.1

Onerous leases and closures

Provisions for onerous leases and closures costs relate to the estimated future costs of centre closures and onerous property leases. The maximum period over which the provisions are expected to be utilised expires by 31 December 2022.

Restructuring

There is no restructuring provision to be utilised during the next financial year (2012: nil).

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.

19. Investments in joint ventures

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2012	2.6	(1.2)	1.4
Additions	–	–	–
Dividends paid	(0.8)	–	(0.8)
Share of loss	(0.3)	–	(0.3)
Other	0.2	–	0.2
Exchange rate movements	–	–	–
At 1 January 2013	1.7	(1.2)	0.5
Additions	0.4	–	0.4
Dividends paid	(0.8)	–	(0.8)
Share of profit	0.1	–	0.1
Other	(0.1)	–	(0.1)
Exchange rate movements	–	–	–
At 31 December 2013	**1.3**	**(1.2)**	**0.1**

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

	2013 £m	2012 £m
Income statement		
Revenue	**26.3**	25.4
Expenses	**(24.9)**	(24.6)
Profit before tax for the year	**1.4**	0.8
Tax charge	**(0.3)**	(0.4)
Profit after tax for the year	**1.1**	0.4
Net assets/(liabilities)		
Fixed assets	**6.5**	7.2
Current assets	**17.1**	15.2
Current liabilities	**(19.6)**	(17.9)
Non-current liabilities	**(7.3)**	(7.1)
Net assets	**(3.3)**	(2.6)

20. Share capital

Ordinary equity share capital

	2013		2012	
	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 31 December 2013, 5,257,380 (2012: 8,982,139) shares were held as treasury shares. During the year ended 31 December 2013, Regus plc repurchased nil (2012: nil) of its own shares in the open market and utilised 3,724,759 (2012: 88,767) 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 such 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.

21. Analysis of financial assets

	At 1 Jan 2013 £m	Cash flow £m	Non-cash changes £m	Exchange movements £m	**At 31 Dec 2013 £m**
Cash and cash equivalents	132.3	(46.5)	–	(1.1)	**84.7**
Gross cash	132.3	(46.5)	–	(1.1)	**84.7**
Debt due within one year	(4.8)	3.9	–	(0.3)	**(1.2)**
Debt due after one year	(6.8)	(134.2)	–	0.4	**(140.6)**
Finance leases due within one year	(0.6)	0.5	–	0.1	**–**
Finance leases due after one year	(0.1)	–	–	–	**(0.1)**
	(12.3)	(129.8)	–	0.2	**(141.9)**
Net financial assets/(liabilities)	120.0	(176.3)	–	(0.9)	**(57.2)**

Cash and cash equivalent balances held by the Group that are not available for use amounted to £21.4m at 31 December 2013 (2012: £64.7m). Of this balance, £19.0m (2012: £19.9m) is pledged as security against outstanding bank guarantees and a further £2.4m (2012: £44.8m) is pledged against various other commitments of the Group. The 2012 balance included £40.0m held in escrow against the 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.

22. 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 Strategic Report on pages 1 to 31 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 19 to 23 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2013 the Group made a significant investment in growth and the Group's net cash position declined by £177.2m to a net debt position of £57.2m as at 31 December 2013. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres and bank debt. In 2013 the Group extended the revolving credit facility provided by a group of relationship banks from £200m to £320m, with a final maturity in 2017.

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.

22. Financial instruments and financial risk management (continued)

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

	2013 £m	2012 £m
Americas	**26.7**	26.2
EMEA	**49.5**	42.2
Asia Pacific	**23.3**	21.7
UK	**41.2**	25.3
	140.7	115.4

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 2013 £m	Provision 2013 £m	Gross 2012 £m	Provision 2012 £m
Not overdue	**103.9**	**–**	82.0	–
Past due 0 – 30 days	**25.3**	**–**	22.9	–
Past due 31 – 60 days	**7.4**	**–**	5.3	(0.1)
More than 60 days	**11.1**	**(7.0)**	11.0	(5.7)
	147.7	**(7.0)**	121.2	(5.8)

At the year end 31 December 2013, the Group maintained a provision of £7.0m against potential bad debts (2012: £5.8m) arising from trade receivables. The Group had provided £1.1m (2012: £2.2m) in the year and utilised £0.5m (2012: £8.2m). Customer deposits of £239.5m (2012: £198.6m) 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 closely monitoring the global cash position, the available and undrawn credit facilities, and forecast capital expenditure 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 £63.3m (2012: £67.6m). In addition to cash and liquid investments, the Group had £167.9m available and undrawn under its committed bank facilities. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

In September 2013 the Group extended its revolving credit facility from £200m to £320m and extended the final maturity date to September 2017.

Although the Group has net current liabilities of £289.1m (2012: £183.7m), 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 £239.5m (2012: £198.6m) 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 £109.3m at 31 December 2013 (2012 net current assets: £32.6m).

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 Group treasury department in accordance with a written policy approved by the Board of Directors. The Group does 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. The surplus cash balances are invested short term, and at the end of 2013 no cash was invested for a period exceeding three months.

Foreign currency risk

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 pound sterling 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.

The foreign currency exposure arising from open third party transactions held in a currency other than the functional currency of the related entity is summarised as follows:

				2013
£m	**GBP**	**JPY**	**EUR**	**USD**
Trade and other receivables	**–**	**–**	**4.9**	**13.0**
Loans	**–**	**–**	**–**	**–**
Trade and other payables	**(0.3)**	**(3.5)**	**(6.7)**	**(12.0)**
Net statement of financial position exposure	**(0.3)**	**(3.5)**	**(1.8)**	**1.0**

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.

Sensitivity analysis

For the year ending 31 December 2013 it is estimated that a general increase of one percentage point in interest rates would have theoretically decreased the Group's profit before tax by approximately £0.2m (2012: increase of £1.3m) with a corresponding increase in total equity.

It is estimated that a five percentage point weakening in the value of the US dollar against pound sterling would have theoretically decreased the Group's profit before tax by approximately £3.3m for the year ended 31 December 2013 (2012: £2.8m). It is estimated that a five percentage point weakening in the value of the euro against pound sterling would have decreased the Group's profit before tax by approximately £0.1m for the year ended 31 December 2013 (2012: increase of £0.7m).

It is estimated that a five percentage point weakening in the value of the US dollar against pound sterling would have theoretically decreased the Group's total equity by approximately £12.6m for the year ended 31 December 2013 (2012: £9.4m). It is estimated that a five percentage point weakening in the value of the euro against pound sterling would have decreased the Group's total equity by approximately £0.4m for the year ended 31 December 2013 (2012: £0.1m).

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 33 to 37. 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 41 to 53. 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 buy-back 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 2013 Regus plc purchased 1,464,685 (2012: 1,765,783) 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, however 3,724,759 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 4 March 2014, 5,257,380 shares were held as treasury shares.

The Company declared an interim dividend of 1.1p per share (2012: 1.0p) during the year ended 31 December 2013 and proposed a final dividend of 2.5p per share (2012: 2.2p per share), a 10% increase on the 2012 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 has a modest net debt position at the end of 2013 and £167.9m of committed undrawn bank facilities.

22. Financial instruments and financial risk management (continued)

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 2013

	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	1.1	84.7	84.7	84.7	–	–	–
Trade and other receivables	–	279.0	286.0	252.7	15.1	18.2	–
Financial assets[(b)]		363.7	370.7	337.4	15.1	18.2	–
Non-derivative financial liabilities[(a)]:							
Finance lease liabilities	3.9	(0.1)	(0.1)	(0.1)	–	–	–
Bank loans	2.6	(140.6)	(140.9)	(0.4)	(1.4)	(139.1)	–
Other loans	9.9	(1.2)	(1.2)	(1.0)	(0.2)	–	–
Customer deposits	–	(239.5)	(239.5)	(239.5)	–	–	–
Trade and other payables	–	(237.1)	(237.1)	(234.5)	(2.6)	–	–
Derivative financial liabilities:							
Foreign exchange contracts							
– Outflow	–	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–	–
Interest rate swaps							
– Outflow	–	(0.1)	–	–	–	–	–
– Inflow	–	–	–	–	–	–	–
Financial liabilities		(618.6)	(618.8)	(475.5)	(4.2)	(139.1)	–

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	–
Non-derivative financial liabilities[(a)]:							
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)	–	–
Derivative financial liabilities:							
Foreign exchange contracts							
– Outflow	–	–	(16.4)	(16.4)	–	–	–
– Inflow	–	–	16.4	16.4	–	–	–
Financial liabilities	–	(398.7)	(399.1)	(388.5)	(5.8)	(4.8)	–

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

(b) Financial assets are all held at amortised cost.

Fair value disclosures

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

31 December 2013	Carrying amount				Fair value			
£m	Loans and receivables	Other financial liabilities	Fair value – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	84.7	–	–	84.7	–	84.7	–	84.7
Trade and other receivables	279.0	–	–	279.0	–	279.0	–	279.0
Finance lease liabilities	–	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
Bank loans	–	(140.6)	–	(140.6)	–	(140.6)	–	(140.6)
Other loans	–	(1.2)	–	(1.2)	–	(1.2)	–	(1.2)
Customer deposits	–	(239.5)	–	(239.5)	–	(239.5)	–	(239.5)
Trade and other payables	–	(237.1)	–	(237.1)	–	(237.1)	–	(237.1)
Foreign exchange contracts and interest rate swaps	–	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
	363.7	(618.6)		(254.9)	–	(254.9)	–	(254.9)
Unrecognised gain								–

31 December 2012	Carrying amount				Fair value			
£m	Loans and receivables	Other financial liabilities	Fair value – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	132.3	–	–	132.3	–	132.3	–	132.3
Trade and other receivables	231.8	–	–	231.8	–	231.8	–	231.8
Finance lease liabilities	–	(0.7)	–	(0.7)	–	(0.7)	–	(0.7)
Bank loans	–	(7.0)	–	(7.0)	–	(7.0)	–	(7.0)
Other loans	–	(4.6)	–	(4.6)	–	(4.6)	–	(4.6)
Customer deposits	–	(198.6)	–	(198.6)	–	(198.6)	–	(198.6)
Trade and other payables	–	(187.8)	–	(187.8)		(187.8)	–	(187.8)
Foreign exchange contracts and interest rate swaps	–	–	–	–	–	–	–	–
	364.1	(398.7)		(34.6)	–	(34.6)	–	(34.6)
Unrecognised gain								–

During the years ended 31 December 2013 and 31 December 2012, there were no transfers between Level 1 and 2 fair value measurements, and no financial instruments requiring Level 3 fair value measurements were held.

Valuation techniques

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

22. Financial instruments and financial risk management (continued)

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique
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.
Foreign exchange contracts and interest rate swaps	The fair values are based on broker quotes.

There was no significant unobservable input used in our valuation techniques.

Derivative financial instruments

The following table summarises the notional amount of the open contracts as at 31 December 2013:

	2013 EUR m	2012 EUR m
Foreign exchange contracts	**–**	20.1

Committed bank facilities

	Principal £m	Available £m
At 31 December 2013	**415.0**	**185.4**
At 31 December 2012	290.0	200.5

In September 2013 the Group amended and extended its revolving credit facility from £200m to £320m and final maturity to September 2017. In addition, the Group amended and extended its bank guarantee and letter of credit facility to a revised total of £95m and aligned the conditions and the maturity with the £320m 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.

23. 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

	2013		2012	
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**27,211,499**	**89.53**	20,731,906	96.22
Granted during the year	**10,514,000**	**176.94**	11,269,000	84.95
Lapsed during the year	**(7,856,529)**	**96.86**	(4,789,407)	107.74
Exercised during the year	**(3,027,850)**	**57.81**	–	–
Outstanding at 31 December	**26,841,120**	**125.20**	27,211,499	89.53
Exercisable at 31 December	**775,333**	**86.29**	3,170,139	57.00

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2013	Exercisable from	Expiry date
23/07/2004	4,106,981	57.00	–	(3,905,753)	201,228	23/07/2007	23/07/2014
18/05/2010	3,986,000	100.50	(3,442,661)	(54,790)	488,549	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(542,174)	(4,149)	71,638	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	–	13,918	01/09/2013	01/09/2020
01/04/2011	2,100,000	114.90	(654,402)	–	1,445,598	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,517,225)	–	5,350,314	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	(92,667)	–	907,333	01/09/2014	02/09/2021
06/10/2011	300,000	64.10	(300,000)	–	–	01/10/2014	01/10/2021
30/06/2012	11,189,000	84.95	(3,161,458)	–	8,027,542	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(559,000)	–	7,182,000	12/06/2016	12/06/2023
18/11/2013 (Grant 1)	1,053,000	191.90	–	–	1,053,000	18/11/2016	18/11/2023
18/11/2013 (Grant 2)	600,000	191.90	–	–	600,000	18/11/2016	18/11/2023
18/12/2013 (Grant 1)	200,000	195.00	–	–	200,000	18/12/2016	18/12/2023
18/12/2013 (Grant 2)	1,000,000	195.00	–	–	1,000,000	18/12/2016	18/12/2023
Total	44,222,127	111.85	(13,416,315)	(3,964,692)	26,841,120		

280,000 options awarded during the year under the Regus Share Option Plan (France) are included in the above table (2012: 230,000), 479,620 lapsed during the year (2012: 261,560) and 3,325 were exercised during the year (2012: nil).

Performance conditions for share options

July 2004 share option plan

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.

May, June and August 2010 share option plan

The options awarded in May, 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 the 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
2013	1/3
2014	1/3
2015	1/3

23. Share-based payment (continued)

April 2011 (Grant1) share option plan

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

June 2011 share option plan

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
June 2014	1/3
June 2015	1/3
June 2016	1/3

August and October 2011 share option plan

The options awarded in 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
2014	1/3
2015	1/3
2016	1/3

September 2011 share option plan

The performance targets based on the consensus operating profit for the options awarded in September 2011, were partially met. These options that are eligible to vest will vest as follows:

	Proportion to vest
September 2014	1/3
September 2015	1/3
September 2016	1/3

June 2012 share option plan

The Group performance targets based on pre-growth profit for the options awarded in June 2012 were partially met. These options that are eligible to vest will vest 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
June 2015	1/3
June 2016	1/3
June 2017	1/3

July 2013 share option plan
The options awarded in June 2013 are subject to Group performance targets based on Group operating profit for the year ending 31 December 2013, such that the number of shares vesting will be determined as follows:

Vesting scale	Group operating profit
Good	£105m
Better	£115m
Best	£125m

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

	Proportion to vest
June 2016	1/3
June 2017	1/3
June 2018	1/3

November 2013 (Grant 1) share option plan
The options awarded in November 2013 (Grant 1) 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
November 2016	1/3
November 2017	1/3
November 2018	1/3

November 2013 (Grant 2) share option plan
The options awarded in November 2013 (Grant 2) are subject to a performance target based on the earnings before tax for the years ending 31 December 2016 and 31 December 2017, such that the number of shares vesting will be subject to the satisfaction of a pre-determined earnings before tax target in 2016 and 2017.

Once performance conditions are satisfied those options that are eligible to vest will vest on the anniversary of the grant date in the year following achievement of one or more of the target thresholds.

December 2013 (Grant 1) share option plan
The options awarded in December 2013 (Grant 1) 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
December 2016	1/3
December 2017	1/3
December 2018	1/3

December 2013 (Grant 2) share option plan
The options awarded in December 2013 (Grant 2) are subject to a performance target based on the earnings before tax for the years ending 31 December 2018 and 31 December 2021, such that the number of shares vesting will be subject to the satisfaction of a pre-determined earnings before tax target in 2018 and 2021.

Once performance conditions are satisfied those options that are eligible to vest will vest on the anniversary of the grant date in the year following attainment of one or more of the target thresholds.

23. Share-based payment (continued)

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the 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:

	December 2013 (Grant 2)	**December 2013 (Grant 1)**	**November 2013 (Grant 2)**	**November 2013 (Grant 1)**	**June 2013**	June 2012	October 2011	September 2011	August 2011
Share price on grant date	**195.00p**	**195.00p**	**191.90p**	**191.90p**	**158.00p**	88.55p	68.30p	72.50p	75.90p
Exercise price	**195.00p**	**195.00p**	**191.90p**	**191.90p**	**155.60p**	84.95p	64.10p	74.35p	67.00p
Expected volatility	**32.91%**	**32.91%**	**32.69%**	**32.69%**	**40.31%– 48.98%**	47.87%– 52.74%	53.26%– 46.55%	52.59%– 46.08%	52.61%– 46.13%
Number of simulations	**–**	**–**	**–**	**–**	**30,000**	30,000	30,000	30,000	30,000
Number of companies	**–**	**–**	**–**	**–**	**–**	–	–	–	–
Option life	**5 – 8 years**	**3 – 5 years**	**3 – 5 years**	**3 – 5 years**	**3 – 5 years**	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years
Expected dividend	**1.46%**	**1.46%**	**1.46%**	**1.46%**	**2.03%**	3.27%	3.88%	3.66%	3.49%
Fair value of option at time of grant	**52.41p – 65.95p**	**40.56p – 52.41p**	**45.73p**	**39.63p – 51.24p**	**39.21p – 58.39p**	29.88p – 31.12p	23.04p – 22.43p	22.89p – 22.71p	27.32p – 27.01p
Risk free interest rate	**1.57% – 2.30%**	**0.85% – 1.57%**	**1.22%**	**0.85% – 1.57%**	**0.67% – 1.20%**	0.65% – 1.11%	1.15% – 1.67%	1.16% – 1.75%	1.29% – 1.91%

	June 2011		April 2011		September 2010		June 2010	March 2010
			EPS	TSR	EPS	TSR	EPS	TSR
Share price on grant date	110.70p	116.30p	70.60p	70.60p	73.20p	73.20p	94.00p	94.00p
Exercise price	109.50p	114.90p	69.10p	69.10p	75.00p	75.00p	100.50p	100.50p
Expected volatility	51.55%– 44.99%	51.23% – 45.54%	50.28% – 45.61%	50.28% – 45.61%	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	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	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	3 – 5 years	3 – 5 years
Expected dividend	2.35%	2.24%	3.40%	3.40%	3.28%	3.28%	2.55%	2.55%
Fair value of option at time of grant	39.41p – 40.96p	42.19p – 44.80p	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	1.81% – 2.57%	2.33% – 3.04%	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

	2013	2012
	Number of awards	Number of awards
At 1 January	**14,742,932**	16,597,482
CIP awards granted during the year	**1,521,470**	–
LTIP awards granted during the year	**–**	–
Lapsed during the year	**(4,725,549)**	–
Exercised during the year	**(2,161,604)**	(1,854,550)
Outstanding at 31 December	**9,377,249**	14,742,932
Exercisable at 31 December	**–**	4,447,433

The weighted average share price at the date of exercise for share awards and options exercised during the year ended 31 December 2013 was 170.22p (2012: 114.66p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	**At 31 Dec 2013**	Release date
LTIP	03/11/2005	3,723,235	(1,092,819)	(2,605,993)	**24,423**	03/11/2008
LTIP*	23/03/2010	2,900,472	(2,304,207)	(596,265)	**–**	23/03/2013
		6,623,707	(3,397,026)	(3,202,258)	**24,423**	

* 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 2013**	Release date
CIP: Investment shares	18/03/2008	1,557,391	(86,956)	(1,470,435)	**–**	18/03/2011
CIP: Matching shares	18/03/2008	5,922,916	(2,367,825)	(395,012)	**3,160,079**	* See below
CIP: Investment shares	23/03/2009	2,212,734	(172,835)	(2,039,899)	**–**	23/03/2012
CIP: Matching shares	23/03/2009	8,614,284	(3,359,096)	(583,911)	**4,671,277**	* See below
CIP: Investment shares	06/03/2013	304,294	–	–	**304,294**	06/03/2016
CIP: Matching shares	06/03/2013	1,217,176	–	–	**1,217,176**	06/03/2016
		19,828,795	(5,986,712)	(4,489,257)	**9,352,826**	

* 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.

23. Share-based payment (continued)

Measurement of fair values

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

The inputs to the model are as follows:

	06/03/2013	23/03/2010	23/03/2009	18/03/2008
	CIP	LTIP[(a)]	CIP[(b)]	CIP[(b)]
Share price on grant date	**143.50p**	108.10p	65.50p	80.50p
Exercise price	**Nil**	Nil	Nil	Nil
Number of simulations	**250,000**	250,000	200,000	200,000
Number of companies	**32**	32	32	36
Award life	**3 years**	3 years	3 years	3 years
Expected dividend	**2.23%**	2.22%	2.72%	1.19%
Fair value of award at time of grant	**83.11p – 134.21p**	47.00p	47.97p	61.21p
Risk free interest rate	**0.35%**	1.86%	1.92%	3.86%

(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.

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 for the 2008 and 2009 grants:

- 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 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:

2008 and 2009 CIP Investment and matching grants

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.

2013 CIP Investment and matching grants

The total number of awards made in 2013 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 will vest in March 2016, the second will vest in March 2017 and the third will vest in March 2018. These vesting dates relate to the financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 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	2015	2016	2017
25%	12.0p	14.0p	16.0p
50%	12.6p	14.6p	16.6p
75%	13.3p	15.3p	17.3p
100%	14.0p	16.0p	18.0p

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)]
Below index	0%
Equal to index	25%
Equal to index + 15% p.a.	100%

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

23. Share-based payment (continued)

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

	2013	2012
	Number of entitlements	Number of entitlements
At 1 January	**9,257,143**	12,857,142
VCP entitlements awarded during the year	**–**	–
Lapsed during the year	**(9,257,143)**	(3,599,999)
Outstanding at 31 December	**–**	9,257,143

Plan	Date of award	Numbers awarded	Lapsed	Exercised	**At 31 Dec 2013**	Measurement date
VCP Tier 1 awards	20/05/2008	3,500,000	(3,500,000)	–	**–**	–
VCP Tier 2 awards	20/05/2008	6,000,000	(6,000,000)	–	**–**	–
VCP Tier 3 awards	20/05/2008	10,000,000	(10,000,000)	–	**–**	–
VCP Tier 4 awards	20/05/2008	3,000,000	(3,000,000)	–	**–**	–
		22,500,000	(22,500,000)	–	**–**	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 (2012: nil).

Measurement of fair values

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

The inputs to the model are as follows:

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

The 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%

Employee expenses

The expense recognised for employee services received during the year is shown in Note 6.

24. Retirement Benefit Obligations

The Group accounts for the Swiss pension plans as a defined benefit plans under IAS 19 Revised – Employee Benefits. The Group adopted the updated requirements of IAS 19 Revised – Employee Benefits on 1 January 2013. This change in accounting policy has no significant effect on the Group financial statements due to the immaterial nature of the plans.

The reconciliation of the net defined benefit asset/(liability) and its components is as follows:

£m	**31.12.2013**	31.12.2012
Fair value of plan assets	**3.1**	2.7
Present value of obligations	**(3.3)**	(2.9)
Net funded obligations	**(0.2)**	(0.2)

25. Acquisitions

During the year ended 31 December 2013 the Group made the following acquisitions:

Name	Region	Purchase consideration £m	Percentage of equity and voting rights acquired	Date of acquisition
Equity share capital business acquisition				
MWB Business Exchange Plc	UK	49.4	75.22	20 February 2013

The remaining 24.78% MWB Business Exchange Plc share capital was subsequently acquired on 22 March 2013 for a purchase consideration of £16.3m.

In addition to the above, a further £56.8m of purchase consideration was paid to complete a further 12 business and net asset acquisitions during the year ended 31 December 2013.

The completion of business or net asset acquisitions is a key component of our strategic aim to expand our network.

MWB Business Exchange Plc acquisition

On 20 February 2013, the Group acquired 75.22% of MWB Business Exchange Plc. The remaining non-controlling interest ("NCI") of 24.78% was subsequently acquired on 22 March 2013. The subsequent acquisition of this NCI was accounted for under the present-access method, resulting in an equity transaction of £16.3m. The total purchase consideration for MWB Business Exchange Plc was £65.7m.

£m	Book value	Final Fair value adjustments	Final Fair value
Net assets acquired			
Intangible assets	–	0.9	0.9
Property, plant and equipment	34.9	(9.4)	25.5
Cash	6.8	–	6.8
Other current and non-current assets	25.9	(7.6)	18.3
Current liabilities	(53.0)	(17.9)	(70.9)
Non-current liabilities	(23.1)	11.5	(11.6)
	(8.5)	(22.5)	(31.0)
Non-controlling interests (24.78%) recognised in the acquired net assets and liabilities of MWB Business Exchange Plc[(a)]			7.7
Goodwill arising on acquisition			72.7
Total consideration			49.4

Cash flow on acquisition	
Cash paid	49.4
Net cash outflow	49.4

(a) The remaining NCI of 24.78% was subsequently acquired on 22 March 2013. This subsequent acquisition was accounted for under the present-access method, resulting in an equity transaction of £16.3m.

The goodwill arising on the above acquisition reflects the anticipated future benefits the Group can obtain from operating the business more efficiently, primarily through savings on overheads. None of the above goodwill is expected to be deductible for tax purposes.

There was no contingent consideration arising on this acquisition.

The external acquisition costs associated with this transaction were £3.9m, recorded within selling, general and administration expenses within the consolidated income statement.

MWB Business Exchange was fully integrated into the overall operations of the Group during 2013. The Group is therefore unable to determine the contribution of MWB Business Exchange on the consolidated revenue and operating profit of the Group.

Other acquisitions, aggregated:

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Intangible assets[(a)]	–	0.3	0.3
Property, plant and equipment	11.3	(1.8)	9.5
Cash	6.4	–	6.4
Other current and non-current assets	9.3	(2.1)	7.2
Current liabilities	(15.8)	2.2	(13.6)
Non-current liabilities	(10.7)	3.3	(7.4)
	0.5	1.9	2.4
Goodwill arising on acquisition[(b)]			55.3
Total consideration			57.7
Deferred consideration			0.9
			56.8
Cash flow on acquisition			
Cash paid			56.8
Net cash outflow			56.8

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

(b) The goodwill arising on acquisition includes negative goodwill of £2.5m. The Group received £2.8m compensation in respect of potential dilapidations costs. The negative goodwill has been recognised as part of the selling, general and administration expenses line item in the consolidated income statement.

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. £9.1m of the above goodwill is expected to be deductible for tax purposes.

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

The external acquisition costs associated with these transactions were £1.4m, recorded within selling, general and administration expenses within the interim consolidated income statement.

The Group continued to complete acquisition transactions subsequent to 31 December 2013, which will be accounted for in accordance with IFRS 3. Due to the timing of these transactions, it is not practical to disclose the information associated with the initial accounting for these acquisitions.

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

£m	Book value	Provisional fair value adjustments	Fair value	Final fair value adjustments	Fair value
Net assets acquired					
Intangible assets (note 12)[(a)]	–	1.1	1.1	–	1.1
Property, plant and equipment (note 13)	5.1	7.3	12.4	–	12.4
Other assets	3.8	–	3.8	2.6	6.4
Current liabilities	(4.1)	–	(4.1)	(6.2)	(10.3)
Non-current liabilities	(2.9)	–	(2.9)	–	(2.9)
	1.9	8.4	10.3	(3.6)	6.7
Goodwill arising on acquisitions			39.3	3.6	42.9
Total consideration			49.6		49.6
Deferred consideration			6.3		6.3
			43.3		43.3
Cash flow on acquisition					
Cash paid			43.3		43.3
Net cash outflow			43.3		43.3

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

25. Acquisitions (continued)
The net assets recognised in the 31 December 2012 consolidated financial statements were based on a provisional assessment of their fair value. The valuation had not been completed by the date the 2012 financial statements were approved for issue by management.

In 2013, the valuation was completed and the fair value of the other assets was £6.4m, an increase of £2.6m over the provisional value and the current liabilities was £10.3m, an increase of £6.2m over the provisional value. As a result, there was also a corresponding increase in goodwill of £3.6m, resulting in £42.9m of total goodwill arising on the acquisition.

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. £23.6m 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.

26. Capital commitments

	2013 £m	2012 £m
Contracts placed for future capital expenditure not provided for in the financial statements	**14.4**	22.8

These commitments are principally in respect of fit-out obligations on new centres opening in 2013. In addition, our share of the capital commitments of joint ventures amounted to £nil at 31 December 2013 (2012: £nil).

27. Non-cancellable operating lease commitments
At 31 December 2013 the Group was committed to making the following payments in respect of operating leases:

			2013			2012
	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	**516.3**	**5.1**	**521.4**	437.5	0.3	437.8
Between two and five years	**1,482.1**	**10.6**	**1492.7**	1,092.3	0.4	1,092.7
After five years	**544.2**	**0.6**	**544.8**	407.3	–	407.3
	2,542.6	**16.3**	**2,558.9**	1,937.1	0.7	1,937.8

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.

28. Contingent assets and liabilities
The Group has bank guarantees and letters of credit held with certain banks, substantially in support of leasehold contracts with a variety of landlords, amounting to £109.9m (2012: £101.4m). There are no material lawsuits pending against the Group.

29. Related parties

Parent and subsidiaries entities

The consolidated financial statements include the results of the Group and the subsidiaries listed in note 30.

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
2013			
Joint Ventures	**2.2**	**5.2**	**5.2**
2012			
Joint Ventures	1.9	5.3	5.0

As at 31 December 2013, none of the amounts due to the Group has been provided for (2012: £nil). All outstanding balances with these related parties are priced on an arm's length basis. None of the balances is secured.

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:

	2013 £m	2012 £m
Short-term employee benefits	**6.7**	5.9
Retirement benefit obligations	**0.4**	0.4
Share-based payments	**0.9**	0.3
	8.0	6.6

Share-based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £2.5m (2012: £1.1m). 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 2013 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £32,298 (2012: £30,073). There was a £10,862 balance outstanding at the year-end (2012: nil).
All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances is secured.

30. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2013, 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.à r.l.	Luxembourg	100
RBW Global Holding S.à r.l.	Luxembourg	100
Regus Middle East S.à r.l.	Luxembourg	100
Regus India Holdings Limited	Mauritius	100
Regus Pakistan Holdings Limited	Mauritius	100
Regus Mexico S. de RL de CV	Mexico	100
Regus Netherlands BV	Netherlands	100
Regus Business Centres BV	Netherlands	100
Regus Business Centre Norge AS	Norway	100
Regus Holding GmbH	Switzerland	100
Regus Corporation LLC	United States	100
Regus Holdings LLC	United States	100
Regus H Holdings LLC	United States	100
Regus International Services SA	Uruguay	100

31. Key judgemental areas adopted in preparing these accounts

The preparation of consolidated 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 calculates 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 obtains third-party valuations to provide additional guidance as to 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 2013, including the sensitivity to changes in those assumptions, can be found in note 11.

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.

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

	As at 31 Dec 2013 (Luxembourg GAAP) £m	As at 31 Dec 2012 (Luxembourg GAAP) £m
Assets		
C. Fixed assets		
III. Financial assets		
1. Shares in affiliated undertakings	**719.3**	750.0
2. Loans to affiliated undertakings	**–**	–
4. Loans to undertakings with which the Company is linked by virtue of participating interests	**–**	–
D. Current assets		
II. Debtors		
2. Amount owed by affiliated undertakings	**1.3**	1.1
a) becoming due and payable within one year		
III. Transferable securities		
2. Own shares	**4.1**	7.0
(5,257,380 shares of £0.01 per share (2012: 8,982,139 shares))		
IV. Cash at bank and in hand	**–**	–
E. Deferred charges	**0.1**	0.2
Total assets	**724.8**	758.3
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	**4.1**	7.0
4. Other reserves	**515.9**	513.0
V. Results brought forward	**146.8**	186.8
VI. Results for the financial year	**(7.7)**	(9.9)
VII. Interim dividends	**(10.4)**	(9.4)
	712.8	751.6
C. Provisions		
2. Provisions for taxation	**0.1**	0.1
3. Other provisions	**–**	–
D. Non-subordinated debts		
4. Trade creditors	**0.5**	1.2
a) becoming due and payable within one year		
6. Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	**11.4**	5.4
	11.9	6.6
Total liabilities	**724.8**	758.3

Approved by the Board on 4 March 2014

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 differs 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 2013 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 – management basis (unaudited)

	Americas 2013	EMEA 2013	Asia Pacific 2013	United Kingdom 2013	Other 2013	Total 2013
Mature[1]						
Workstations[4]	83,450	38,972	31,151	35,215	–	188,788
Occupancy (%)	85.5%	81.4%	83.5%	82.8%	–	83.8%
Revenue (£m)	534.0	298.3	181.6	210.7	1.7	1,226.3
Contribution (£m)	168.9	82.5	58.7	50.3	1.6	362.0
REVPOW	7,486	9,408	6,978	7,222	–	7,750
2012 Expansions[2]						
Workstations[4]	19,782	3,877	12,600	1,088	–	37,347
Occupancy (%)	73.0%	74.5%	63.5%	79.7%	–	70.1%
Revenue (£m)	75.1	19.0	39.3	6.0	–	139.4
Contribution (£m)	3.3	0.5	2.4	0.7	–	6.9
2013 Expansions[2]						
Workstations[4]	11,072	3,499	3,437	14,143	–	32,151
Occupancy (%)	54.7%	51.7%	30.3%	81.2%	–	63.4%
Revenue (£m)	28.6	16.0	4.2	110.6	–	159.4
Contribution (£m)	(14.6)	(1.6)	(3.5)	27.0	–	7.3
Closures						
Workstations[4]	680	625	–	184	–	1,489
Occupancy (%)	72.3%	85.5%	–	75.1%	–	78.2%
Revenue (£m)	2.0	4.6	–	1.8	–	8.4
Contribution (£m)	(0.3)	(0.8)	–	1.7	–	0.6
Total						
Workstations[4]	114,984	46,973	47,188	50,630	–	259,775
Occupancy (%)	80.3%	78.6%	74.3%	82.3%	–	79.3%
Revenue (£m)	639.7	337.9	225.1	329.1	1.7	1,533.5
Contribution (£m)	157.3	80.6	57.6	79.7	1.6	376.8
Unallocated contribution (£m)	–	–	–	–	–	(3.0)
REVPAW (£)	5,563	7,193	4,770	6,500	–	5,903
Period end workstations[5]						
Mature	84,409	39,735	32,312	35,529	–	191,985
2012 Expansions	19,921	3,839	12,715	1,113	–	37,588
2013 Expansions	25,074	12,622	8,477	16,909	–	63,082
Total	129,404	56,196	53,504	53,551	–	292,655

Segmental analysis – management basis (unaudited)

	Americas 2012	EMEA 2012	Asia Pacific 2012	United Kingdom 2012	Other 2012	Total 2012
Mature[1]						
Workstations[4]	83,824	38,411	30,177	35,871	–	188,283
Occupancy (%)	87.2%	80.9%	83.3%	83.1%	–	84.5%
Revenue (£m)	509.6	283.5	184.7	202.9	1.3	1,182.0
Contribution (£m)	153.4	78.3	57.7	37.6	1.2	328.2
REVPOW	6,972	9,123	7,384	6,807	–	7,429
2012 Expansions[2]						
Workstations[4]	5,493	1,834	4,271	772	–	12,370
Occupancy (%)	56.2%	47.8%	46.2%	85.0%	–	53.3%
Revenue (£m)	17.6	6.5	10.7	4.2	–	39.0
Contribution (£m)	(4.1)	(2.7)	(2.4)	0.5	–	(8.7)
Closures[3]						
Workstations[4]	1,300	1,286	109	1,111	–	3,806
Occupancy (%)	76.3%	64.3%	87.4%	67.1%	–	82.4%
Revenue (£m)	6.7	11.2	0.5	4.7	–	23.1
Contribution (£m)	1.2	1.2	0.2	(1.5)	–	1.1
Total						
Workstations[4]	90,617	41,531	34,557	37,754	–	204,459
Occupancy (%)	85.3%	79.3%	78.7%	82.7%	–	82.4%
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

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 closure for the 2012 comparative data is defined as a centre closed during the period from 1 January 2012 to 31 December 2013.

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

5 Workstations available at period end.

Five year summary

	Full year ended 31 Dec 2013 £m	Full year ended 31 Dec 2012 £m	Full year ended 31 Dec 2011 £m	Full year ended 31 Dec 2010 £m	Full year ended 31 Dec 2009 £m
Revenue	**1533.5**	1,244.1	1,162.6	1,040.4	1,055.1
Cost of sales before non-recurring costs	**(1,159.7)**	(923.4)	(883.5)	(823.1)	(819.8)
Non-recurring cost of sales	**–**	–	–	(11.9)	–
Cost of sales	**(1,159.7)**	(923.4)	(883.5)	(835.0)	(819.8)
Gross profit (centre contribution)	**373.8**	320.7	279.1	205.4	235.3
Administration expenses before non-recurring expenses	**(275.9)**	(225.7)	(221.6)	(190.7)	(164.2)
Research & development	**(7.2)**	(4.5)	(3.1)	(2.6)	(1.9)
Non-recurring administration expenses	**–**	–	–	(3.9)	(2.6)
Administration expenses	**(283.1)**	(230.2)	(224.7)	(197.2)	(168.7)
Operating profit	**90.7**	90.5	54.4	8.2	69.2
Exceptional income from legal settlement	**–**	–	–	–	18.3
Operating profit (after exceptional)	**90.7**	90.5	54.4	8.2	84.9
Share of post-tax profit/(loss) of joint ventures	**0.1**	(0.3)	0.1	1.3	2.0
Share of post-tax profit of associate	**–**	–	–	–	–
Profit before financing costs	**90.8**	90.2	54.5	9.5	86.9
Finance expense	**(10.5)**	(5.9)	(6.4)	(2.1)	(3.6)
Finance income	**1.2**	0.8	1.3	1.8	3.3
Profit before tax for the year	**81.5**	85.1	49.4	9.2	86.6
Tax (charge)/credit	**(14.6)**	(14.2)	(9.0)	(5.9)	(19.2)
Profit after tax for the year	**66.9**	70.9	40.4	3.3	67.4
Attributable to:					
Equity shareholders of the parent	**66.9**	70.9	41.7	2.9	66.7
Minority interests	**–**	–	(1.3)	0.4	0.7
	66.9	70.9	40.4	3.3	67.4
Earnings per ordinary share (EPS):					
Basic (p)	**7.1p**	7.5p	4.3p	0.3p	7.1p
Diluted (p)	**7.0p**	7.5p	4.3p	0.3p	7.0p
Weighted average number of shares outstanding ('000's)	**943,775**	941,922	941,899	947,463	948,204
Balance sheet data (as at 31 December)					
Intangible assets	**491.7**	363.9	331.3	330.8	307.4
Property, plant and equipment	**608.7**	437.5	333.5	279.5	247.8
Deferred tax assets	**33.4**	33.9	32.2	36.6	65.1
Trade and other receivables	**423.8**	333.9	319.2	299.9	250.3
Cash, cash equivalents and liquid investments	**84.7**	132.3	197.5	204.6	245.1
Total assets	**1,642.3**	1,301.5	1,213.7	1,151.4	1,115.7
Current liabilities	**(758.8)**	612.5	578.4	541.8	504.5
Non-current liabilities	**(364.4)**	157.0	126.4	105.8	96.6
Provisions	**(4.9)**	4.6	8.2	9.8	8.2
Equity minority interests	**–**	–	–	0.1	–
Equity shareholders' funds	**(514.2)**	527.4	500.7	493.9	506.4
Total liabilities and shareholders' funds	**(1,642.3)**	1,301.5	1,213.7	1,151.4	1,115.7

Shareholder information

Corporate directory

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

Registered Office:	Registered Head Office:
22 Grenville Street	26 Boulevard Royal
St Helier	L-2449 Luxembourg
Jersey	
JE4 8PX	

Registered Number

Jersey	Luxembourg
101523	R.C.S. B 141 159

Registrars
Capita (Registrars) Jersey Limited
12 Castle Street
St Helier
Jersey JE2 3RT

Auditor
KPMG Luxembourg S.à r.l.
9 Allée Scheffer
L-2520 Luxembourg

Legal advisers to the Company as to English law
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Legal advisers to the Company as to Luxembourg law
MNKS
Vertigo Polaris Building
2 – 4 rue Eugène Ruppert
L-2453 Luxembourg

Corporate Stockbrokers
Investec Bank plc
2 Gresham Street
London EC2V 7QP

Goldman Sachs
Peterborough Court
133 Fleet Street
London EC4A 2BB

Financial PR Advisors
Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Glossary

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

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

EBITDA
Earnings before interest, tax, depreciation and amortisation

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

Enquiries
Client enquiries about Regus products or services

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

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

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

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

Occupancy
Occupied workstations divided by available workstations expressed as a percentage

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

REVPAW
Total revenue per available workstation (Revenue/Available workstations)

REVPOW
Total revenue per occupied workstation

WIPOW
Workstation income per occupied workstation

Regus plc S.A.
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L-2449 Luxembourg
www.regus.com

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