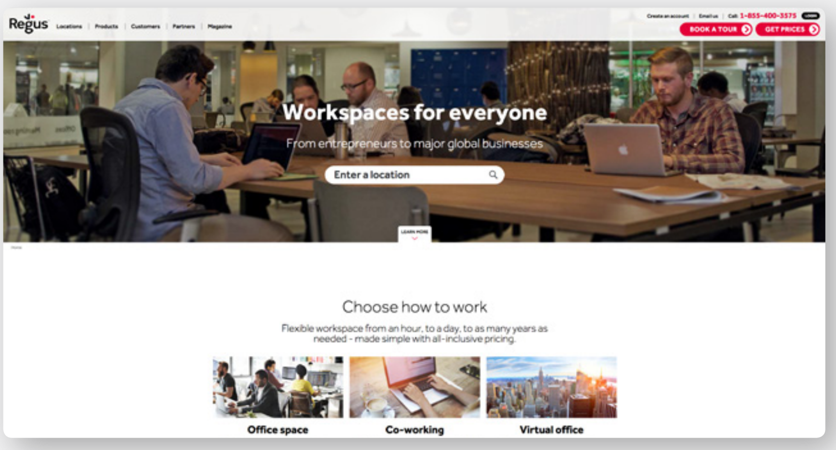
Regus plc
Annual Report and Accounts 2016

Regus is the global leader for flexible workspace

Regus is the world's largest provider of flexible workspace solutions, with customers including some of the most successful entrepreneurs, individuals and multi-million dollar corporations.

Through our range of office formats, as well as our growing mobile, virtual office, and workplace recovery businesses, we enable people and businesses to work where they want, when they want, how they want, and at a price they want.

Please visit **regus.com** to find out more about us



What's inside

Strategic report and Governance

1 Performance highlights
3 Our brands and services
10 Our business model
12 Strategic review
16 Our strategic objectives and KPIs
18 Our people
20 Financial review
23 Risk management and principal risks
29 Corporate responsibility
32 Directors' statements

Financial statements

33 Auditors' report
34 Consolidated income statement
35 Consolidated statement of comprehensive income
36 Consolidated statement of changes in equity
37 Consolidated balance sheet
38 Consolidated statement of cash flows
39 Notes to the accounts
81 Parent company accounts
83 Segmental analysis
85 Post-tax cash return on net investment
87 Five-year summary
88 Shareholder information

A glossary is included on page 88 which defines various alternative measures used to provide useful and relevant information.

Performance highlights

A successful and transformational year for the business. Strongly positioned to benefit from the structural growth opportunities within the Workspace-as-a-Service (WaaS) sector.

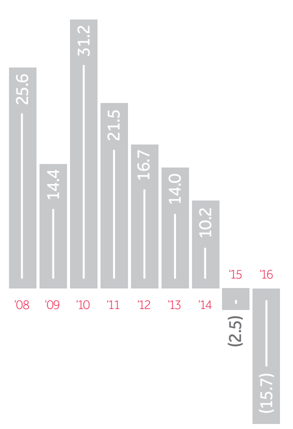
Key highlights

- Improved post-tax cash returns on pre-12 investments to 25.2%[1]
- Group revenue up 5.5%[2] to £2,233.4m and underlying operating profit up 16%[2] to £188.6m
- Overheads reduced 14%[2]; down 310bp as a percentage of revenues to 11.6%
- Generated £283.2m or 30.5p per share of cash in 2016 (before net growth capital expenditure, share buybacks, dividends and disposal proceeds), an increase of 31%
- Underlying earnings per share up 37% to 15.3p
- Conservative balance sheet maintained with net debt of £151.3m (0.4x underlying net debt : EBITDA)
- Key banking facility increased to £550.0m and maturity extended to 2021, with option to extend to 2023
- Current trading in-line with management expectations

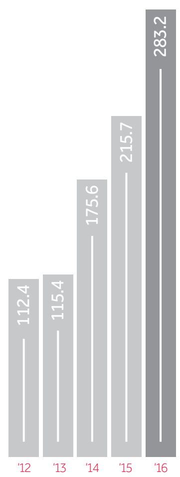
Operational highlights

- Returns on new investment benefiting from operational scale and efficiency
- 6% increase in the network. 231 new locations in 2016
- Net growth capital expenditure of £162.3m
- Now in 2,926 locations, across 1,029 towns and cities in over 100 countries
- Continued investment in innovating new products and services and developing new location formats
- New city cluster field structure implemented in 2016
- Key focus on risk management

2016 Post-tax cash return on net investment by year group (%)[1]

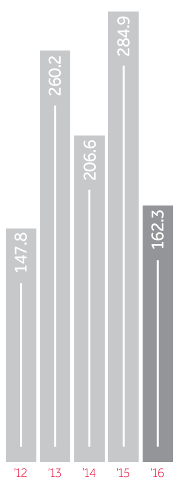


Cash flow before growth capital expenditure and dividends (£m)



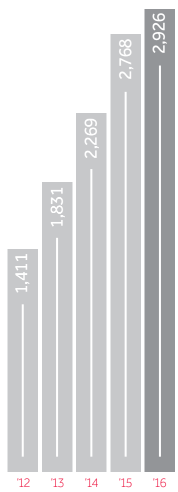
£283.2m

Net growth capital expenditure (£m)



£162.3m

Number of locations



2,926

1. Turn to page 10 for details on how we calculate our post-tax cash return on net investment
2. At constant currency

We are leading, innovative, flexible

The commercial property market has changed, and the fixed-lease contract is becoming less appealing to businesses. Instead, today's cloud-based companies and business people are demanding unprecedented choice in where and how they work.

We can provide everything they want. The ability to expand, contract or move – instantly. Cost-effective, transparent and simple agreements. 100% managed and maintained workspaces, in over 100 countries across the world.

In short, we're at the forefront of the WaaS sector.

OUR BRANDS

We are seeing a generational shift in what people want from their workspace, meaning different customers require different solutions. Our range of flexible formats enables us to deliver a working environment that matches the needs of each customer.

Regus	SPACES.	Signature	openoffice	kora	MOS
Places to work for everyone, worldwide	Creative working environments for businesses of all sizes	Exclusive, high-status business properties that make a powerful statement	Friendly, sociable places to work, offering great value for money	Our entrepreneurial community connecting partners from the worlds of business and learning	Flexible, outsourced turnkey managed office solutions meeting customer requirements in any location

OUR SERVICES

The line-up of services that we offer at all our sites is industry leading and continuously growing. From 24/7 network monitoring to enterprise-level connectivity, IT helpdesks, firewall security, reception, food and beverage and facilities management services, we provide everything required under a single, cost-effective customer contract.

Office

Across the world, companies of all sizes are successfully growing their business out of our workplaces, from major global headquarters to regional centres and satellite sales or support offices.

For them, the beauty of working with us is that they can be flexible in their property commitments at the precise moment they need to be. They've found that premises don't have to be capital intensive. Instead, they can fit their property solutions around the needs of their business and their people – not the other way round.

Home

The proportion of self-employed and outsourced people in the global workforce is growing every year as they seek freedom from the daily commute. Enterprises are now looking for greater flexibility in their employment practices.

This means continued growth in the number of people who work from home but still need places to meet or work as well as support services. Combined with our global network of co-working space, business lounges, meeting rooms and day offices, our Virtual Office solution gives them the access they need to short-term, flexible space.

Mobile

In only a few years' time, the global workplace will be dominated by employees who have never known anything other than the liberating effects of mobile technology. These tech-savvy, "always on" individuals already make up a high proportion of the world's workers – and it is second nature for them to expect no barriers to them working wherever and whenever they want.

Our sites and services are helping businesses across the world marry their need for greater agility with employees' growing demands for greater flexibility and better work/life balance.

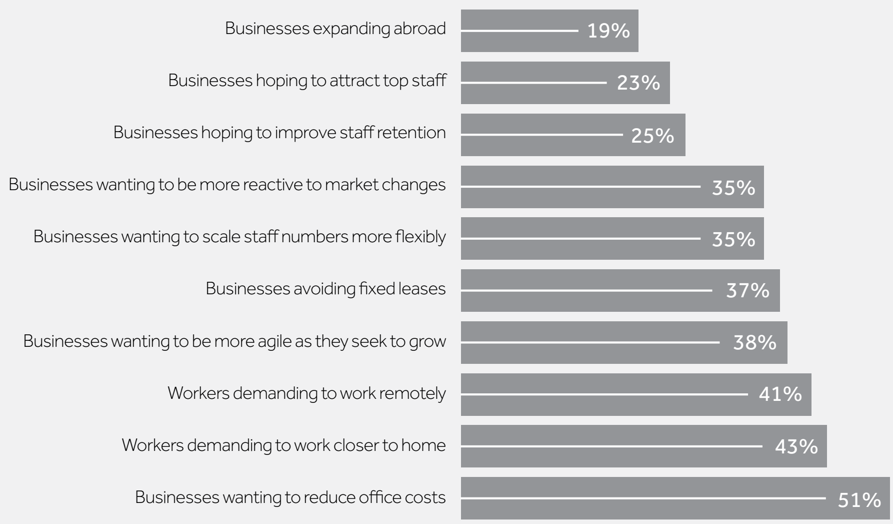
Workplace recovery

In the event of a disaster, access to our international network of business centres and 24/7 support from our dedicated operations teams enable our customers to ensure business continuity. Our award-winning Dynamic Workplace Recovery solution provides SLA-guaranteed local recovery in optimal locations dependent upon the type of disaster.

We are leading

Regus' position at the forefront of the WaaS sector is unchallenged, with approaching 3,000 locations throughout over 1,000 cities worldwide. And our industry leadership is set to grow, driven by market demand and the liberating impact of technology.

MAIN DRIVERS OF FLEXIBLE WORKING[1]



1. MindMetre Research

GLOBAL TRENDS

Mobile workforce demanding flexibility

The demand for workplace flexibility is becoming increasingly urgent, driven by employees and employers, by customers and by cost-conscious accountants. Of these, the workers' voice is loudest. With tech-savvy, creative Millennials set to dominate the workplace by 2020[2]. Companies are having to provide the organisational structures in which they are most effective, collaborative and innovative. 54% of people are already working remotely for more than half the week[1], so giving them the ability to work where they want, how they want and when they want is crucial.

54%

of people now work remotely for more than half of the week[1]

Technology enabling change

Research shows that 64% of companies see enabling their people to achieve more effective mobile working as a key priority[3]. As a result, 89% of companies see mobile working as the main driver behind the take-up of cloud technologies[1]. This is no surprise. In a world where devices, services and people are increasingly connected by technology, digital disruption is making spend on a fixed physical location increasingly obsolete. More importantly, mobilisation is shown over and over again to result in a more engaged, more committed and more productive workforce.

89%

see mobile working as the main driver of cloud technology take up[1]

The productivity challenge

Increasingly, the flexible workplace is becoming a source of competitive advantage for companies. On the one hand, it's about utilising space in a way that helps people work together better, share knowledge more easily and innovate more. On the other, it's about enabling work-life integration, empowering people to work, independently or collaboratively, wherever they might be. Getting this right pays great dividends, with companies across the world reporting that flexible working contributes directly to the bottom line.

80%

of global workers say that flexible workers are better able to manage the demands of work and personal life[1]

What does this mean for Regus?

Regus is uniquely well positioned to take advantage of these powerful trends. We are already the world's largest provider of flexible workspace solutions, with customers including successful entrepreneurs, the self-employed and multi-billion dollar corporations.

Through our range of office formats and our growing mobile, virtual office and workplace recovery businesses, we are enabling people and businesses across the planet to work wherever, however and whenever they want – all at a range of price points to suit every circumstance.

And our competitive advantage will only strengthen further as demand increases and we continue to grow our network, our range of services and our varied formats.

Sources:

1. MindMetre Research
2. Millennials at work, PwC
3. The expanding role of mobility in the workplace, Cisco Systems

We are innovative

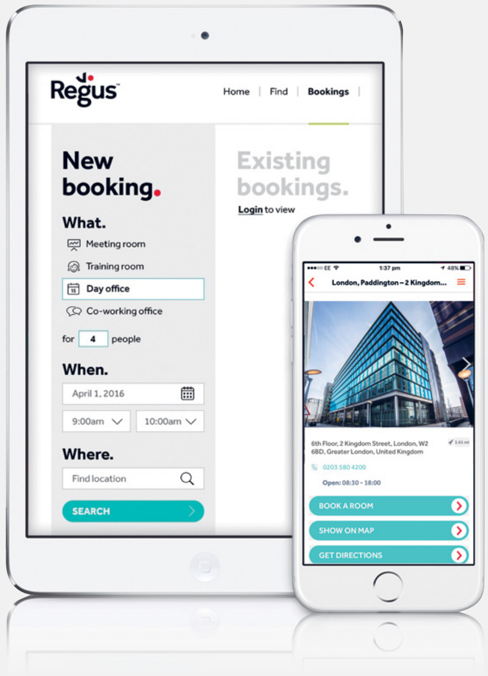
Innovation is not all about technology. As well as major upgrades to our mobile app during 2016, we focused our innovation resources on areas as diverse as customer satisfaction, format design, business continuity and improving productivity for the mobile workforce.

Spaces, Richmond, Australia.

The Citizen of the World organisation has named our Spaces format, aimed particularly at workers seeking to think, create and collaborate, as one of Australia's coolest places to work. This reflects the format's balanced approach that includes entertainment and wellbeing opportunities for people to bond and connect as well as work.

Our mission to make business travel more productive for our customers continued in 2016, with the opening of new Regus Express locations at airports serving cities including Prague, Mumbai, Osaka, Sydney, Amsterdam and London (Stansted).

As part of our strategy to sustain best-in-class service levels, we introduced a new customer-service feedback loop and courtesy-call programme in 2016. This is already enabling us more easily to develop new or improved service features based precisely on customer feedback.



2016 saw a four-fold increase in downloads and a three-fold increase in revenue booked through our mobile app compared to 2015. This reflects the growing role of mobile and digital self-service solutions at the heart of our relationship with customers, enabling them to easily carry out all short-stay bookings. We delivered many improvements to the app during 2016, including streamlined payment, admin and booking processes.

4x increase

in downloads

3x increase

in revenue booked through our app

"What attracted us to Regus Business Continuity Offerings and more specifically their award-winning Dynamic Workplace Recovery solution was the SLA-guaranteed, global reach. This covers our sites in multiple cities throughout Asia Pacific and Europe and offers the scope to support possible additional requirements in the UK and Ireland.

We were also highly impressed with the ease of working with the 24/7 business continuity operations team – it has been incredibly quick in scheduling test rehearsals and other urgent requirements, such as the activation of work area recovery locations on three separate occasions across Europe in the last 12 months."

John Frost
Head of Business Continuity,
Marks & Spencer

M&S
EST. 1884

BCI ASIA BUSINESS CONTINUITY AWARDS WINNER 2016

BCI AWARDS 2016 WINNER

The Regus Dynamic Workplace Recovery solution received the 2016 BCI Continuity and Resilience Innovation of the Year award in both Europe and Asia.

We are flexible

From office space to creative co-working solutions, access to business lounges, day offices and meeting rooms in thousands of locations, we give our customers and their employees endless opportunities to work in the way that suits them best.

“As you’re growing, you require dedicated communication lines, a fully serviced reception, meeting rooms for your company’s reputation, and a facility for video conferencing. We’ve looked at a number of places for the company, but Regus made sense for us.”

Bayanda Khwela
Headlines Media Group and W8 Records,
Johannesburg, South Africa

“Even though I have my own office space, I love working in the business club and connecting with other Spaces members – it really gives me a buzz throughout the working day. Add the services and the event programme and I’ve got the perfect working environment.”

Sandra Tanahatoe
Spaces Vijzelstraat
Amsterdam, The Netherlands

“I considered the office choice from a client’s perspective. I’m actually quite easy-going because of how much I travel, so I don’t mind too much how my office looks or where it is. For me it’s the people around me who are more important, so I really considered how the infrastructure would be for our clients – that was one of the reasons I chose Regus.”

Stefan Kühn
Partner and CEO of INCS AG,
Zurich, Switzerland

How we create value

Once again, our progress in 2016 justified our confidence in the Group's business model. During the year we carried out rigorous planning, stress-testing and constant review. These clearly demonstrate that our business model remains fit for purpose.

Our business

The geographic scale of our operations is unmatched. As our physical network grows, so does our lead over alternative workspace providers. Our business comprises four fundamental and interconnected elements: our people, our network, our products and our brands. We underpin these with:

- rigorous planning and business review processes that support the execution of our growth strategy;
- constant investment in innovation to differentiate us from our competitors; and
- disciplined management procedures that enable us to minimise and control the risks inherent in rapid growth.

Customers

Our customers – from self-employed entrepreneurs to multinational corporations – use our centres and services because they want to be in the best places to focus on their business and its priorities. They stay because we provide them with an excellent service at competitive rates, with a product that flexes to meet their every requirement.

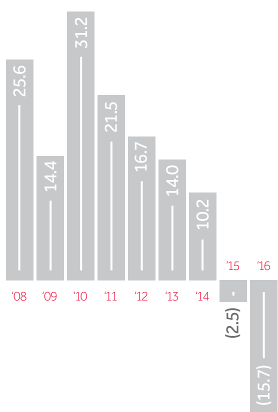
Returns

Our approach to investment ensures we deliver strong post-tax cash returns, generating long-term shareholder value through post-tax returns on net investment that are well in excess of our cost of capital. Our focus is on optimising revenue generation through improving the performance of each location in our global network. This gives us the solid foundation we need to deliver strong returns, particularly when combined with our discipline on overhead costs, which continue to fall as a percentage of revenues.

How we calculate our returns

We base our returns on the post-tax return divided by the net growth capital investment. Post-tax cash return = EBITDA less amortisation of partner contribution, less tax based on EBIT, less maintenance capital expenditure. Net growth capital investment = growth capital less partner contributions.

2016 Post-tax cash return on net investment by year of opening (%)[1]

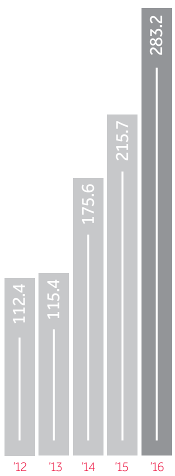


1. Turn to pages 85 and 86 to see how our calculation of post-tax cash return on net investment reconciles to our audited statutory accounts.

Cash

A particularly attractive feature of the Regus business model is our strong conversion of profit into cash. The cash flows we generate from our locations support our continued investment in developing our network. Strong cash generation underpins the Group's progressive dividend and share buybacks as well as funding the addition of locations to our network. We are highly disciplined in our use of cash, undertaking rigorous risk analysis prior to any decision being taken.

Cash flow before growth capital expenditure and dividends (£m)

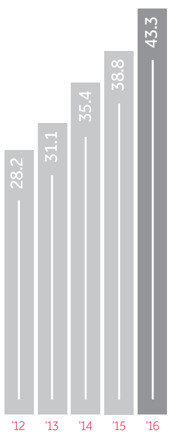


£283.2m

Returns to shareholders

Dividends of £43.3m were paid during the year. We acquired treasury shares for £31.1m during 2016.

Dividend paid (£)



£43.3m

Investment in growth

We continue to invest significantly in growth, both through organic openings and selective acquisitions, and we continue to find many high-quality opportunities that meet our stringent returns criteria. Our network growth is enhanced by our continued investment in developing new location formats and a greater focus on and diversity in partner relationships. Together, these are enabling us to grow in a more capital-efficient way with lower levels of risk.

Our ability to adapt our growth plans to reflect changing market conditions is another important aspect of our capability to manage risk through the economic cycle. With relatively short lead times between contracting with a partner and opening a new location, depending on where we are in the economic cycle, we can either rapidly capitalise on a favourable investment environment or restrict growth.

Net growth capital expenditure

£162.3m

Another year of high-quality growth

During 2016, we successfully expanded our business as the market leader in one of the fastest growing sectors of the global commercial property industry. This is the flexible workspace or 'Workspace-as-a-Service' (WaaS) sector, which we pioneered under our long-established Regus brand.

A fast-evolving market sector

The WaaS sector is a vibrant, modernising force in workplace provision across the world. Technology increasingly frees organisations and individuals from the shackles of the fixed lease, allowing them to work in more productive and satisfying ways.

Quite simply, companies don't need their people to be in one place anymore and, as generations emerge that have only ever known the liberating effects of technology, the wide availability of flexible workspaces is enabling a way of working that is continuing to grow rapidly.

A 2016 research paper from J.P. Morgan states, "we believe that the impact of the internet on transaction costs will result in a greater number of smaller firms/tenants seeking divisible, modular and flexible office space. Concurrently, we expect larger firms will downsize, using technology such as Artificial Intelligence, machine learning and algorithms, while opening up previously closed networks to engage in the 21st century economy."

The paper also states: "the long lease to a large single tenant is at risk ... and business models not positioned to embrace the flexible workspace era will risk being underexposed to a quickly growing and vibrant part of the emerging office market."

In this new world, technology in the shape of increasing numbers of apps, VoIP (voice over internet protocol) solutions and instant messaging opportunities are making physical distance irrelevant. All that's required is a fast and stable internet connection. This is equally important to increasingly dispersed corporations and to the growing number of self-employed workers, who are looking for co-working spaces as an alternative to working exclusively from home.

Our investment case

At Regus, we are giving employers and employees what they want and need. We are the primary enablers of this revolution in how people are working globally. We have more flexible workspaces worldwide than anyone else, serving organisations of all sizes. We also have a strong and growing portfolio of brands to meet the needs of the market. And our economies of scale, years of experience, organisational agility and focus on customer needs make us less costly and easier to work with.

With the workplace revolution, our investment case continues to strengthen. We have detailed plans to extend our current lead, in existing and new markets across the world. We are increasingly positioned as the "intermediary" that brings together our property-owner partners with end customers – supplying one with strong cash flow and the other with workspace flexibility and access to different formats. Our advantages are tangible and important: we can expand faster than our competitors; our operational efficiency is better and improving all the time as we work to streamline our management processes. The relevance and quality of our service offering is compelling.

These advantages – scale, maturity, brands, technological leadership, efficiency and agility – were all reflected in our financial performance during 2016, when we successfully achieved the increased revenue and reduced cost-base we targeted to deliver improved margins and returns.

Strong financial performance

The post-tax cash return on net growth investment from locations opened on or before 31 December 2011 improved to 25.2% from the 23.1% achieved in 2015 on the same estate. Rolling this estate forward one year, the 2016 post-tax cash return on net growth investment from locations opened on or before 31 December 2012 was 23.8% (2015: 21.5%).

Group revenue increased by 5.5% at constant currency to £2,233.4m (2015: £1,927.0m) (up 15.9% at actual rates).

Whilst we experienced a deceleration in revenue progression throughout the course of 2016, this reflected a number of factors including the base-line effect of prior year acquisitions and softening demand in certain geographic markets. We also took a more cautious and selective approach to growth and, in certain instances, sought to consolidate locations.

Although a higher level of closures has reduced Group revenues, it has been the right thing to do for the profitability of our business. This, together with the very strong control of overhead costs which actually reduced by 14% at constant currency, has delivered a 16% constant currency increase in underlying operating profit to £188.6m (2015: £144.8m) (up 30% at actual rates). Overheads as a percentage of revenues have reduced 310bp from 14.7% to 11.6%, which is a strong performance and one on which we can continue to build.

During 2016 we invested £162.3m of net growth capital expenditure, adding a further 231 locations to the network, which stood at 2,926 locations at the end of the year. As expected, this reflects a more selective approach to new location openings, increasing traction on partnering deals which result in less capital intensity of new openings and a significantly lower level of acquisition growth.

Converting profit into cash remains an attractive feature of our business model. We increased our cash flow before investment in growth capital expenditure, dividends and buying back shares by 31% to £283.2m (2015: £215.7m). This scale of cash generation more than funded our growth programme, the buyback of shares and the continuation of our progressive dividend policy. Consequently, our net debt position reduced from an opening position of £190.6m at 1 January 2016 to £151.3m at 31 December 2016. This represents an underlying Group net debt to EBITDA leverage of 0.4 times, which is well below our internal 1.5 times limit and reflects the continuation of our prudent approach to the Group's capital structure.

Group income statement

£m	2016	2015	% Change actual currency	% Change constant currency
Revenue	**2,233.4**	1,927.0	15.9%	5.5%
Gross profit (centre contribution)	**448.8**	428.4	5%	(4)%
Overheads (inc. R&D)	**(259.4)**	(283.9)	(9)%	(14)%
Underlying operating profit[1]	**188.6**	144.8	30%	16%
Non-recurring items	**(1.0)**	15.3	–	–
Operating profit	**187.6**	160.1	17%	5%
Underlying profit before tax	**177.1**	130.4	36%	
Profit before tax	**176.1**	145.7	21%	
Underlying taxation	**(34.9)**	(25.9)		
Taxation	**(34.9)**	(25.8)		
Underlying profit after tax for the year	**142.2**	104.5	36%	
Profit after tax for the year	**141.2**	119.9	18%	
Underlying EBITDA	**383.1**	290.0	32%	19%
EBITDA	**382.1**	305.3	25%	

(1) After contribution from joint ventures

On a regional basis, mature[2] revenues and contribution can be analysed as follows:

	Revenue		Contribution		Mature gross margin (%)	
£m	2016	2015	2016	2015	2016	2015
Americas	**826.2**	747.8	**188.0**	181.9	**22.8%**	24.3%
EMEA	**406.9**	372.7	**104.1**	91.8	**25.6%**	24.6%
Asia Pacific	**293.2**	265.5	**72.9**	66.2	**24.9%**	24.9%
UK	**358.5**	361.2	**83.9**	84.3	**23.4%**	23.3%
Other	**6.8**	2.9	**6.8**	1.0		
Total	**1,891.6**	1,750.1	**455.7**	425.2	**24.1%**	24.3%

(2) Centres open on or before 31 December 2014.

Performance by region

This year's results represent an endorsement of our strategy and investment case, as Regus drives growth alongside greater overhead efficiency and improved returns. We added 231 new locations during the year and we selectively entered a new national market with Barbados. The rate of growth was, however, deliberately tempered in response to increased macro-economic and geopolitical uncertainties in certain geographies in order to maintain the quality of our new locations and returns on investment, with more partnering deals and the roll out of our Spaces format.

We also benefited from the scale and spread of our global footprint. In last year's report, for example, we referred to the need to be 'watchful' in our Asia Pacific region, due to the slowing Chinese economy. This did cause some challenges during 2016, which we successfully managed by taking early action and improving efficiencies across the Group.

Americas

Mature revenues in the Americas, our largest region, declined 2.2% at constant currency to £826.2m (up 10.5% at actual rates). Total revenues for the region were up 4.8% at constant currency to £923.0m (up 18.5% at actual rates). This performance reflects a better relative result in the US offset by more pronounced weakness in other parts of the region, most notably in Mexico, Brazil and Canada which saw a further deceleration during the fourth quarter. Mexico has been a difficult market, with the weak currency impacting business activity, and Brazil has continued to struggle in a recessionary environment. In Canada, our business has been affected by challenging market conditions around the oil industry, particularly in Western Canada.

Performance across the US was, however, mixed with several very good areas and some much weaker, as management were challenged with implementing the changes to the field structure across a very large business, which extended into the fourth quarter as anticipated. Although these moves have led to strong cost savings at the centre level, in the near-term these have been offset by the impact of some related distraction and the need to grow into the capacity that has been introduced in recent years through the growth programme.

Notwithstanding this, there has been a gradual improvement in sales activity and deals won since October. Whilst this is encouraging, and suggests the fourth quarter was a low point for our performance in the region, it does take a period of time for this to materialise in our revenues, so we would expect a steady rebuilding throughout the coming year.

Although the mature gross profit margin for the region declined from 24.3% to 22.8%, overhead cost savings have been material in the Americas. Average mature occupancy was 78.8% (2015: 81.0%).

We added 86 new locations into the region during the course of the year. We are expanding into more parts of the region geographically and rolling out our Spaces format. In total we had 1,212 locations in the Americas at 31 December 2016.

EMEA

EMEA experienced a mixed performance. Mature revenues for the region declined 2.2% at constant currency to £406.9m (up 9.2% at actual rates). Total revenues for EMEA increased 5.0% at constant currency to £476.8m (up 17.3% at actual rates). The mature gross profit margin improved from 24.6% to 25.6% and gross profit increased 2% on a constant currency basis. Overhead savings have been strong in the region and this has helped the operating profit performance. Mature occupancy increased from 76.4% to 78.5%. We added 80 locations to the network during 2016, including some small acquisitions towards the end of the year. At 31 December 2016 we had 794 locations in EMEA.

Trading across this diverse region has been mixed. Our overall performance in Northern and Southern Europe has been good. Russia, on the other hand, has been a very difficult market as a result of the economic environment and the weakness of the Rouble against the US dollar, and required significant reorganisation during the period. Turkey has also been a more challenging market, as too has been the Middle East region, with a weak oil & gas industry.

We are now starting to see a gradual improvement in sales activity in several larger markets in Europe.

Asia Pacific

Mature revenues in Asia Pacific declined 2.7% at constant currency to £293.2m (up 10.4% at actual rates). Total revenues for the region were £363.2m, an increase of 10.6% at constant currency (up 25.6% at actual rates). Mature occupancy was 78.8% (2015: 79.4%) and the gross profit margin was maintained at 24.9%. While we still see a significant opportunity for long-term growth in this region, we approached 2016 with a little more caution and selectivity, with a particular focus on partnering deals. As a result, we added 54 new locations during 2016 compared to 146 in 2015. In total, we had 590 locations across the region at 31 December 2016.

Individual market performances during the period have been varied. Our businesses in India and Hong Kong improved their performance and our business in Japan was stable and in line with the Group performance. We experienced a deceleration in growth in our businesses in China and Australia. Both these markets weakened throughout the year, leading to a very weak fourth quarter. The slowdown in growth in China has been well documented and similarly for Australia with its exposure to natural resources. Notwithstanding the external factors that have presented a challenge to some of our businesses in the region, we have taken early action to introduce changes to improve the management team in the region.

UK

Mature revenue in the UK declined 0.7% to £358.5m, which is a better performance than the 1.7% mature revenue decline in constant currency for the Group overall. The mature gross profit margin remained strong at 23.4% (2015: 23.3%), while mature occupancy reduced from 80.5% to 75.4%. This reduction partly reflects a 5% increase in available inventory and the decision to selectively increase pricing in certain locations. Total revenues in the UK increased 2.9% to £462.1m (2015: £449.2m). After a relatively stable performance for the first nine months, we started to experience some pressure on revenue growth in the fourth quarter. Another contributing factor to the decline in overall revenue growth in the UK has been the large number of location closures and the more selective approach to growth. In addition to complying with the Competition and Markets Authority ruling to dispose of certain acquired locations in the UK, we took the opportunity to consolidate and refresh some of our existing estate. This has given rise to a higher than normal number of closures. During 2016 we added 11 new locations but closed 28 locations. This reduced the number of UK locations from 347 to 330 at 31 December 2016. Although the closures had a negative impact on total revenues, they helped to improve the gross profit. The UK is a very operationally efficient business, and with its further contribution to the Group's strong overhead performance, operating profits increased significantly.

We believe our cautious approach to the UK market was absolutely the right thing to have done, although it has contributed to a more challenging short-term outlook for revenue growth.

Strategic direction

Our strategy directly addresses the clear drivers of growth in the flexible workspace market. Despite our status as the clear global market leader by some distance, the size of the market opportunity ahead and the relatively early stage in customer adoption of WaaS mean we have significant scope for growth. Even in our most mature market, the UK, there is substantial growth potential, while the USA, China and India between them offer scope to become far more significant parts of our global business.

To help us accelerate our progress towards our goals, we made some important changes to our business model during 2016, including:

- partnering with property owners and funders to bring investors together with our fast-growing customer base;
- educating business about the growing opportunities available within the WaaS sector; and
- accelerating the digitisation of our business to drive efficiencies and better service.

We are determined to lead and benefit from the disruptive power of digital technology and its impact on our industry.

As we have already said, we are committed to further improving our position as the global leader of the WaaS sector. And it almost goes without saying that to be relevant to corporations' and workers' needs, physical space must keep pace with technological change. This belief is at the heart of our business today.

We are not merely exploiting the disruptive impact of the digital revolution on traditional working practices. We are also using digital technologies to change how we operate and improve what we have to offer our customers.

This is why we are constantly developing new digital platforms, apps and customer communications. By doing this, and by expanding our global network of locations sited in the places people want to be, we are committed to staying ahead of any competition.

We demonstrated our organisational agility by focusing more closely than ever before on partnering with others in the property industry. This gathered pace during the second half of the year and partnering is set to take on a more important role in delivering our future development.

We placed great emphasis, particularly in the early months of 2016, on standardising our business and processes to enhance the scalability of our business as we focus on delivering high-quality growth. Cost reductions were also a helpful by-product of our work on re-engineering our field structure, in which we started using a city clustering approach to the local management of our locations. While this was primarily introduced to generate higher productivity and better customer service, it has also significantly improved the cost structure of the business. In fact, partly as a result of this initiative, our overhead costs fell by 14%, at constant currency, during 2016 despite a 6% increase in the size of the network.

Products and innovation

We continued to be active in innovation during 2016, thanks to our determination to offer customers the opportunity to become more productive, more quickly than ever before and at the lowest possible cost.

As a company built on giving employers and employees what they want, we are in constant communication with customers to identify new products and services that would help add value to their operations and streamline their interactions with us.

During 2016, such innovation extended beyond technology to embrace developments including:

- cutting-edge location designs that reflect what companies and employees are looking for, such as the co-working format;
- constant enhancements to our formats, to ensure we are offering bespoke environments to the different constituents of our market;
- an award-winning workplace recovery solution;
- developing digital access control solutions;
- a proactive approach to measuring customer satisfaction and implementing feedback in ever-improving service levels; and
- a simplified pricing model.

We believe this will help ensure we can support any organisation's workspace needs, anywhere in the world. And, by helping customers participate in shared communities, we are enabling them to extract more value from their relationship with us and one another through the co-promotion of their products and services.

Staying ahead of the game

Overall, our focus during 2016 – particularly in the first quarter – was on standardising our business to make it more easily scalable during 2017 and the years ahead. As such, 2016 was a transformative year that we are confident will underpin strong progress from the first half of 2017.

We are pleased with the progress we have made in the last year, and are confident that during 2017 and beyond we will continue to benefit from the significant structural growth opportunities that the WaaS sector offers. As we expand further through accumulating new sites, strengthening our commitment to partnering with the global property industry, we will further extend our existing competitive advantage. We are confident that our improved cost structure will continue to deliver higher productivity and enhanced efficiency and deliver further benefits as we scale.

Above all, we believe that our strengthening leadership position, our commitment to innovation and the flexibility we bring to fulfilling the needs of our customers means that we remain very well placed to deliver attractive returns for shareholders.

Looking ahead to 2017, we have started to see a pick-up in sales activity in some of our key markets, which is encouraging and, we believe, validates the significant actions we have taken during 2016. Although it is still early in the new financial year and sales activity levels take time to feed through, we anticipate an improvement in performance through the course of the year. Overall, the trading outlook for 2017 remains in line with management's expectations.

Mark Dixon

19 April 2017

Our strategy is clear and simple

We leverage our global scale and market-leading position to provide customers across the world with convenient and innovative work environments that meet their needs, while delivering attractive and sustainable returns to our investors.

Strategic objectives and approach

1 Delivering attractive, sustainable returns

Revenue growth achieved through the addition of new locations, the development of incremental revenue streams and the active management of the existing network to drive improved efficiency, all contributing to improvements in gross profit. Combined with strong overhead cost control, this drives operating profit and cash flow, generating strong returns on investment well ahead of the Group's cost of capital.

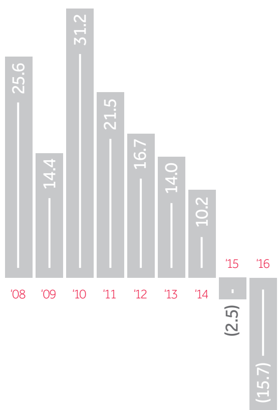
2 Cash generation before growth

The strong conversion of profit into cash is an attractive feature of the Regus business model. The cash flows generated are available to support the ongoing development of our business, our progressive dividend policy and the buyback of shares.

Key performance indicators

2016 Post-tax cash return on net investment by year of opening (%)

Overall 2016 return on net investment made up to 31 December 2011 of 25.2%.

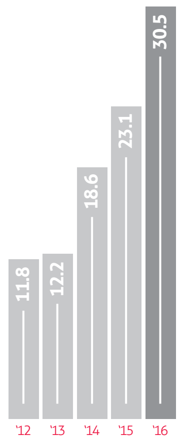


13.8%

Total estate

Cash flow per share before net growth capex, dividends and share buybacks

During 2016 we generated 30.5p per share of cash flow before growth capex, dividends and share buybacks



30.5p

Future ambitions and risks – for more information on risks see p23-28

Delivering profitable growth and strong, sustainable returns is central to creating future shareholder value. Regus is committed to delivering these returns by optimising revenue development and controlling costs. Our post-2011 investments are progressing as expected.

With our network growth leading to revenue growth and our strong focus on operational efficiency and cost control, we believe our business model is well positioned to continue to convert profit strongly into cash.

3 Controlling costs

We achieve cost control through operational excellence as well as the significant economies of scale and operational leverage that network growth brings.

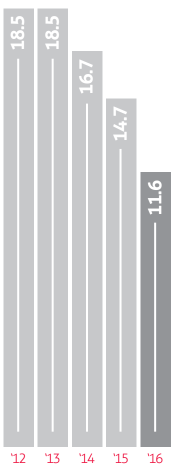
4 Developing national networks

Network growth is demand-led. We respond to customers looking to outsource more of their workplace needs and to benefit from the flexibility and convenience we provide. By expanding our networks and developing our range of formats, we both increase our addressable audience and provide our existing customers with additional convenience. Our locations perform well in their own right, with the network then providing incremental opportunities. We continue to be mindful of growing only in locations where the potential investment opportunity meets our stringent returns criteria. We are also focused on increased partnering with property owners and using more capital-efficient ways of expanding the network.

Total overheads as a % of revenues

Overheads as a % of revenues reduced 310bp to 11.6%

11.6%

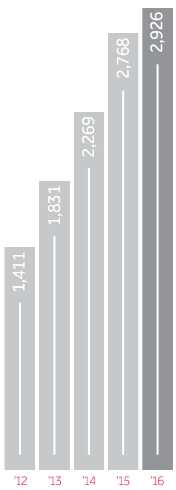


Network location growth

231 new locations added, opening in 52 new towns and cities, at a net growth capital investment of £162.3m

2,926

Locations



We will continue to control overheads to deliver further economies of scale, notwithstanding continued and significant investments made in the business to develop the network and our operating platform, processes and people.

We will continue to add breadth and convenience to the network through further measured investment in high-quality assets, across our range of formats, with the potential for attractive returns for shareholders. We are also focused on developing our range of location formats. As of 22 February 2017 we had visibility over approximately £120m of net growth capital expenditure for 2017, representing some 250 locations.

Our talent strategy – providing the platform for global growth

Talent is a key component of our strategic objectives, which places our people strategy at the heart of our continuing road to success.

Our aim, first and foremost, is to ensure that we have the right people at the top of the organisation and also that they in turn have the right leadership teams in place to deliver our strategic objectives.

Of equal importance is to get the people who interface with our customers right as these are the people who look after and build long-term relationships with our valued customers every day.

Talent: a strategic objective

With those two requirements in place everything else should follow. We continually strive to have a strong framework for the Group, especially given the size of the Company, its global presence and the speed at which we are growing. We are also aware of the ever-increasing competition in the market to secure the best talent.

These are some of the reasons why we focus so much attention and effort on the attraction, development, growth and retention of the best individuals and teams we can find. We simply could not achieve our growth objectives without a genuinely world-class team across the Group, particularly at its most senior levels.

As our business continued to grow in 2016, we kept our focus on building the leadership teams of our regional CEOs and our functional operations, constantly searching for people with tremendous capability, relevant experience and, above all, plenty of development potential still ahead of them.

Because our business is growing and changing at such speed, our senior people need as much agility as the Company itself.

Multiple successors for every role and training

Increasingly, too, our focus is on succession planning at all levels. Identifying multiple successors for every role and leveraging the opportunities represented by mobility between roles across our business are key constituents of our increasingly dynamic succession plan.

Succession planning extends outside the business. As a company that's largely dedicated to direct – rather than agency – recruitment, our focused team-building activities across the world are giving us an ever-more complete picture of the leading talent in all the countries where we operate.

This is, of course, a distinct and growing advantage for us. However, it is of little value unless we can attract and retain that talent for the long-term benefit of the Company. This driving need, and the range of different experiences possessed by recruits as they join us, means we need a very wide array of training and learning interventions.

At a senior level, we enable executives to participate in leadership assessments with external companies. We also partner with leading business schools, employ internal coaches and mentors and carry out individualised, bespoke training programmes.

All new team members in local markets have a specific new starter training programme supported by a peer level coach. At the end of the new starter training, team members are accredited to start their career with the Company by their line manager and their coach after taking an online exam.

"The Group provides a great working environment and sets the benchmark standard in its products and sales promotions. I am very glad to work with such dynamic leadership."

Tarek Abou Zeinab, Country Manager, Lebanon, Jordan, Saudi Arabia, Iraq and Iran

95,000

e-learning training modules completed in 2016 globally

This way we can ensure the best people are looking after our customers and that there are no exceptions.

Gaining business advantage

This is a vital focus for our business, because we know that no advantage is more powerful than a highly skilled and educated workforce, from top to bottom.

Reward, naturally, is another key focus in our effort to retain the best talent. The competition for talent is unrelenting in our market, so we go to great lengths to ensure that our overall compensation structure is highly competitive. We also ensure that high-potential people, at every level from graduate recruit to the Exco, are tied in with attractive incentives.

Trying our hardest to develop the staff satisfaction that delivers loyalty and retention is one thing – measuring the success or otherwise of our efforts is quite another. We are relatively rare in using the Net Promotor Score to measure satisfaction on a quarterly basis. Doing so with such regularity emphasises the importance of staff satisfaction in the minds of our managers and leadership teams.

As a result, managers at all levels are aware of the importance of valuing and caring for the talent further down the organisation. Our regional CEOs and functional teams undertake rigorous talent-planning programmes several times a year so that we are constantly aware of all high-potential people in the organisation and their state of development.

We believe that taking this approach to talent is key in driving our continued growth as the global leader of the WaaS sector.

"I love the fact that we never get stagnant. We listen to our customers' needs and actually anticipate the changing needs of their business and how we can support them. And we're constantly growing by broadening the reach where our customers want to do business."

Maria Paitchel,
Area Vice President,
Connecticut, Westchester & Long Island

Strong cost discipline driving profit growth, cash generation and attractive returns

This has been a year of significant transition, with many important changes implemented which we are confident will build further on the strong returns on investment the business has delivered during 2016. Our cost leadership has been enhanced and we have reduced overheads as a percentage of revenues by 310bp to 11.6% and target further improvement.

Return on investment

Our strategic focus remains on driving returns that achieve our post-tax cash payback criteria, which typically is within four years. We have made further progress against this goal in 2016. For the 12 months to 31 December 2016, the Group delivered a record post-tax cash return on net growth investment of 25.2% in respect of locations opened on or before 31 December 2011 (up from 23.1% on the same estate for the 12 months to 31 December 2015). Moving the aggregated estate forward and incorporating the centres opened during 2012, the Group delivered a post-tax cash return on net growth investment of 23.8% in respect of all locations opened on or before 31 December 2012 (the equivalent return for the 12 months to 31 December 2015 on the same estate was 21.5%).

This very strong performance reflects the underlying progress in the profitability of the Group from the continued focus on efficiency and productivity, and the economies of scale on overheads that we enjoy as the Group continues to grow.

The chart below shows the status of our centre openings by year of opening. There has been good progress in the development of returns for centres added in 2012, 2013, 2014 and 2015 as they continue to progress towards full maturity.

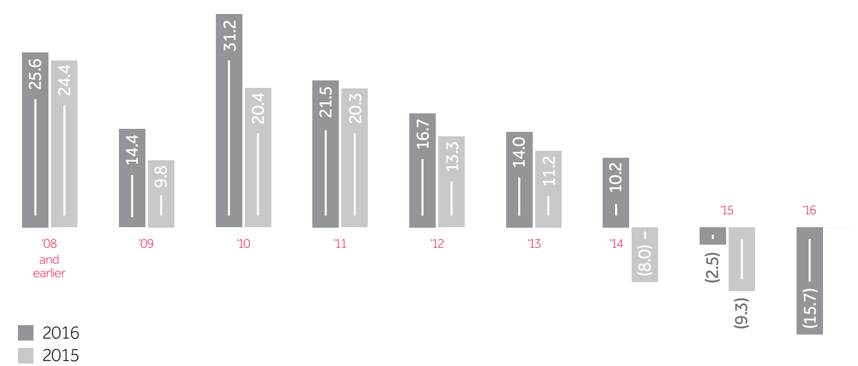
Developing the network

We continued to grow our unrivalled network and this remains a strategic priority. Increasing the depth and breadth of our geographic scope, and addressing different styles of working and price points, is a major differentiator for Regus and provides a competitive advantage as well as building further resilience into the business. However, we rightly approached 2016 with a high level of vigilance. We have always maintained a sharp focus on our investment decision-making, reflecting its critical importance to maintaining the strong returns into the future with our new investments. Notwithstanding this, we were even more selective during 2016 given the uncertain macro-economic environment and geopolitical issues in certain markets.

During 2016, we invested £162.3m of net growth capital expenditure. This included expenditure on locations opened in 2015 and to be opened in 2017 of £54.1m. The majority of the remaining investment related to the 231 locations added to the network in 2016, including a net investment of £12.5m in property assets. These locations added approximately 3.4m sq ft, taking the Group's total space globally to almost 48m sq ft as at 31 December 2016. The significant majority of these locations were organic openings. This is in contrast to 2015 when we invested net growth capital expenditure of £284.9m, including £99.4m on acquisitions, adding 554 locations, the equivalent of 7.7m sq ft of space. Another important focus area was the roll out of our Spaces format, which represented approximately 25% of the net growth capital expenditure. We remain confident that the returns from these investments will, in due course, be in line with the returns we generate on our historic investments.

We continue to have a good pipeline of new openings. As of 22 February we had visibility on net growth capital expenditure so far for 2017 of approximately £120m, representing approximately 250 locations and 4.0m sq ft of additional space. Notably, we have a strong pipeline of locations within our Spaces co-working format. Although these represent just over 15% of the total locations we currently see in the pipeline, each individual Spaces location, however, can be a factor of approximately three times larger than the average footprint of a Regus location. Consequently, these Spaces locations account for approximately 40% of the current pipeline of net growth capital expenditure.

Post-tax cash return on net investment by year of opening – 12 months to 31 December (%)



Operational developments

We are constantly striving to improve our business and future potential returns. Whilst this is an ongoing process, we implemented changes to the operational field structure during 2016, introducing a city cluster approach to the management and organisation of our locations. With the in-field selling resource focused on a specific number of locations, we believe this will better promote the active marketing of the whole range of what is offered by the entire city cluster, including format and price point. Moreover, the unrivalled scale of our business provides us with the opportunity to automate more processes to allow our employees to have greater focus on customer service across more than one location. We believe this will generate many positives for our business, including improved cost efficiency in the field, better productivity and a sharper focus on 'selling the city' to unlock the full benefit of our broad offering. We have also implemented important changes to the compensation structure for our colleagues operating our locations by moving away from a largely sales commission-based bonus system to one based on financial performance. We believe this will be important and better align business behaviour with the interests of our shareholders. 2016 was therefore a transformational year and these changes are now fully embedded into the business.

Non-recurring items

For 2016 we have reported a net loss on non-recurring items of £1.0m. This non-recurring loss is in respect of three items: the receipt of funds following the settlement of a third-party litigation in the UK; additional provision relating to a litigation action in California; and a loss on disposal of specific

Financial performance

Group income statement (before non-recurring items)

£m	2016 Underlying	2015 Underlying	% Change actual currency	% Change constant currency
Revenue	**2,233.4**	1,927.0	15.9%	5.5%
Gross profit (centre contribution)	**448.8**	428.4	5%	(4)%
Overheads (including R&D)	**(259.4)**	(283.9)	(9)%	(14)%
Joint ventures	**(0.8)**	0.3		
Operating profit	**188.6**	144.8	30%	16%
Net finance costs	**(11.5)**	(14.4)		
Profit before tax	**177.1**	130.4	36%	
Taxation	**(34.9)**	(25.9)		
Effective tax rate	**19.7%**	19.9%		
Profit for the period	**142.2**	104.5	36%	
Basic EPS (p)	**15.3**	11.2	37%	
Depreciation & amortisation	**194.5**	145.2		
EBITDA	**383.1**	290.0	32%	19%

Gross margin

£m	Mature centres 2016	New centres 2016	Closed centres 2016	Total 2016
Revenue	**1,891.6**	**309.3**	**32.5**	**2,233.4**
Cost of sales	**(1,435.9)**	**(322.2)**	**(26.5)**	**(1,784.6)**
Gross profit (centre contribution)	**455.7**	**(12.9)**	**6.0**	**448.8**
Gross margin	**24.1%**	**(4.2)%**	**18.5%**	**20.1%**

	Mature centres 2015	New centres 2015	Closed centres 2015	Total 2015
Revenue	1,750.1	108.5	68.4	1,927.0
Cost of sales	(1,324.9)	(120.5)	(53.2)	(1,498.6)
Gross profit (centre contribution)	425.2	(12.0)	15.2	428.4
Gross margin	24.3%	(11.1)%	22.2%	22.2%

assets and liabilities acquired as part of the Avanta acquisition which were disposed of in the second half of the year following the UK Competition and Markets Authority inquiry.

The non-recurring gain of £15.3m in 2015 reflected the £21.3m gain after expenses on the sale of various portfolios of property assets, less two negative non-recurring items relating to a litigation action in California and the Competition and Markets Authority's review of the acquisition of Avanta in the UK, which reduced the overall net gain by £6m.

Except where specifically mentioned, the following commentary and profit and loss analysis exclude the impact of these non-recurring items.

Revenue

Group revenues increased 5.5% at constant currency to £2,233.4m (2015: £1,927.0m), an increase of 15.9% at actual rates. This revenue growth reflects the growing contribution from additional locations. This also represents a sequential deceleration in growth over the course of the year. There were a number of contributing factors to this deceleration. There was the base-line effect of acquisitions, the impact of a higher level of closures, together with some softening in market conditions across certain geographies. These softer conditions accentuated the normal impact on the business of absorbing the significant network growth in recent years. Mature revenues (from 2,153 like-for-like locations added on or before 31 December 2014) declined 1.7% at constant currency to £1,891.6m (2015: £1,750.1m), up 8.1% at actual rates. Mature occupancy was 78.2% (2015: 79.6%).

Gross profit

Group gross profit declined 4% at constant currency rates to £448.8m (2015: £428.4m), up 5% at actual rates. The reduction in Group gross margin from 22.2% to 20.1% largely reflects the dilution from a relatively large number of financially immature locations within the overall estate resulting from the significant investment in growing the network over recent years. The mature gross margin remained relatively stable at 24.1% (2015: 24.3%).

Overhead efficiency improves further

As anticipated, the Group has made further strong progress in relation to overhead efficiency, thereby building on the achievements in recent years. We have not only continued to reduce total overheads as a percentage of revenues from 14.7% in 2015 to 11.6%, the absolute level of investment in overheads reduced by 14% in constant currency terms to £259.4m (2015: £283.9m) (down 9% at actual rates). Changes implemented to our business model and structure during 2016 to further improve the Group's productivity and financial performance also created further overhead efficiency.

We continue to maintain a strong focus on overhead discipline and anticipate further scale benefits.

Operating profit (excluding non-recurring items)

As a result of the very strong control of overheads, the incremental gross profit has dropped through to augment the Group operating profit, which increased 16% at constant currency to £188.6m (2015: £144.8m), an increase of 30% at actual rates. Consequently, the underlying Group operating margin increased from 7.5% in 2015 to 8.4% in 2016.

Net finance costs

The Group's net finance costs decreased 20% to £11.5m (2015: £14.4m). This reflects, in part, the reduction in net debt from an opening position of £190.6m to £151.3m as at 31 December 2016 and lower funding costs in general. Following the weakness of sterling after the result of the UK Referendum on EU membership, there has been a favourable foreign exchange movement.

Tax

The underlying effective tax rate for the year was 19.7% (2015: 19.9%). The Group's reported tax rate was 19.8% (2015: 17.7%). Our expectation is that the effective tax rate will remain around 20%.

Earnings per share

Earnings per share increased significantly to 15.2p (2015: 12.8p). Excluding the non-recurring items, underlying Group earnings per share increased 37% to 15.3p, reflecting the strong growth in underlying Group operating profit and the favourable foreign exchange tailwind.

The weighted average number of shares for the year was 929,860,354 (2015: 933,457,741). The weighted average number of shares for diluted earnings per share was 929,860,354 (2015: 953,678,034). As at 31 December 2016 the total number of shares in issue was 923,357,438.

In the period up to 19 December 2016, when the Scheme of Arrangement to create IWG plc as the new holding company became effective, Regus purchased 11,834,627 shares at a cost of £31.1m designated to be held in treasury to satisfy future exercises under various Group long-term incentive schemes. Over the same period, Regus utilised 4,712,856 shares from treasury to satisfy such exercises. At 19 December 2016, 27,612,384 were held as treasury shares. All these shares were cancelled as part of the Group reorganisation and Scheme of Arrangement.

Cash flow and funding

With the growth in profitability, cash generation has been very strong during 2016. This ability to convert profits into cash continues to be a highly attractive feature of our business model. Cash generated before the net investment in growth capital expenditure, dividends and share repurchases, and excluding the non-recurring material £80m disposal proceeds, net of expenses, received in 2015, increased 31% in 2016 to £283.2m (2015: £215.7m), reflecting the strong growth in underlying Group operating profit and very strong cash conversion. As well as the normal positive working capital development stemming from our network growth programme and the maturation of these locations, we have also benefitted from more specific focus to unlock working capital.

With our more selective approach to network growth during 2016 and increased traction on our strategic priority of targeting less capital intensive growth, Group net debt decreased from £190.6m at 31 December 2015 to £151.3m at 31 December 2016. This decrease comes after taking the growth capital expenditure into account, and after paying dividends of £43.3m and spending £35.7m mainly on a combination of buying our own shares, as noted above, and settlement of employee share options. This represents an underlying Group net debt : EBITDA leverage ratio of 0.4 times, which is a very conservative level, well below our internal 1.5 times limit, and reflects our continued prudent approach to the Group's capital structure. Whilst our approach to our net indebtedness has been prudent, we continue to recognise the long-term benefit of also operating with an efficient balance sheet.

In May 2016, we extended and amended our key Revolving Credit Facility. The facility was increased from £320.0m to £550.0m and the maturity extended to 2021 (previously 2020), with an option to extend until 2023. The facility is denominated in sterling but can be drawn in several major currencies. This financing further improved our debt maturity profile and provides the Group with adequate financial headroom to pursue its strategy. With this facility in place, the Group took the opportunity to settle the €210m Schuldschein debt securities prior to their final maturity.

Cash flow

The table below reflects the Group's cash flow:

£m	2016	2015
Group EBITDA	**383.1**	290.0
Working capital	**98.9**	103.5
Less: growth-related partner contributions	**(66.1)**	(59.8)
Maintenance capital expenditure	**(86.7)**	(74.9)
Taxation	**(31.5)**	(29.1)
Finance costs	**(16.1)**	(13.2)
Other items	**1.6**	(0.8)
Cash flow before growth capital expenditure, share repurchases, dividends and non-recurring disposal proceeds	**283.2**	215.7
Gross growth capital expenditure	**(228.4)**	(344.7)
Less: growth-related partner contributions	**66.1**	59.8
Net growth capital expenditure(1)	**(162.3)**	(284.9)
Total net cash flow from operations	**120.9**	(69.2)
Non-recurring disposal proceeds	**–**	84.0
Less: costs of disposal	**–**	(4.0)
Corporate financing activities	**(35.7)**	(32.0)
Dividend	**(43.3)**	(38.8)
Opening net cash/debt	**(190.6)**	(138.0)
Exchange movements	**(2.6)**	7.4
Closing net debt	**(151.3)**	(190.6)

(1) Net growth capital expenditure of £162.3m relates to the cash outflow in 2016. Accordingly, it includes capital expenditure related to locations opened in 2015 and to be added in 2017 of £54.1m. The majority of the remaining investment relates to the 231 locations added in 2016, including a net investment in property assets of £12.5m. The total net investment in the 2016 additions amounts to £130.8m so far.

Foreign exchange rates

	At 31 December			Annual average		
Per £ sterling	2016	2015	%	2016	2015	%
US dollar	**1.24**	1.48	(16)%	**1.35**	1.53	(12)%
Euro	**1.17**	1.36	(14)%	**1.22**	1.38	(12)%
Japanese yen	**145**	179	(19)%	**147**	185	(21)%

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2016 key individual currency exchange rates have moved, as shown in the table above. The subsequent weakness in sterling following the UK Referendum on EU membership in June provided a more positive boost to the translation of our significant international earnings.

Overall, the favourable impact of the movement in exchange rates increased reported revenue, gross profit and operating profit by £199.7m, £36.3m and £20.5m respectively.

Risk management

The principal risks and uncertainties affecting the Group remain broadly unchanged. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance can be found on pages 23 to 28.

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 2016. Details of related party transactions that have taken place in the period can be found in note 30 to the financial statements.

Subsequent events

There have been no significant subsequent events that require adjustments or disclosures in this Annual Report and Accounts.

Dividends

Dividends of £43.3m were paid during the year (2015: £38.8m). The Directors do not propose to declare a final dividend (2015: 3.10p) for 2016.

Dominik de Daniel

19 April 2017

Risk management remains at the core of what we do

Identification, mitigation and management of risks are central to our strategy and our enterprise-wide risk management process allows us to understand the nature, scope and potential impact of our key business and strategic risks so we are able to manage these effectively.

Regus' business could be impacted by various risks, leading to failure to achieve strategic targets for growth or loss of financial standing, cash flow, earnings, return on investment and reputation. Not all these risks are wholly within the Group's control and it may be affected by risks which are not yet manifested or reasonably foreseeable.

Effective risk management is critical to achieving our strategic objectives and protecting our personnel, assets and our reputation. Regus therefore has a comprehensive approach to risk management, as set out in more detail in the Corporate Governance Report of IWG plc's Annual Report and Accounts.

A critical part of the risk management process is to assess the impact and likelihood of risks occurring so that appropriate mitigation plans can be developed and implemented.

For all known risks facing the business, Regus attempts to minimise the likelihood and mitigate the impact. According to the nature of the risk, Regus may elect to take or tolerate risk, treat risk with controls and mitigating actions, transfer risk to third parties, or terminate risk by ceasing particular activities or operations. Regus has zero tolerance of financial and ethics non-compliance and ensures that Health, Safety, Environmental & Security risks are managed to levels that are as low as reasonably practicable.

Whilst overall responsibility for the risk management process rests with the Board of IWG plc, it has delegated responsibility for assurance to the Audit Committee of IWG plc. Executive management is responsible for designing, implementing and maintaining the necessary systems of internal control.

A list of key risks is prepared and the Board collectively assesses the severity of each risk, the likelihood of it occurring and the strength of the controls in place. This approach allows the effect of any mitigating procedures to be reflected in the final assessment. It also recognises that risk cannot be totally eliminated at an acceptable cost and that there are some risks which, with its experience and after due consideration, the Board will choose to accept.

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 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 investment decisions. These activities include:

- Monthly business reviews of all countries and Group functions;
- Individual reviews of every new location investment and all acquisitions;
- Annual planning process for all markets and Group functions; and
- Review of the status of our key risks in each Audit Committee meeting.

BOARD

Defines Regus' risk appetite and tolerance	Monitors risk identification and assessment	Assesses overall effectiveness of risk management

AUDIT COMMITTEE

Reviews effectiveness of internal controls	Monitors progress against internal and external audit recommendations	Approves the annual internal and external audit plans

SENIOR LEADERSHIP TEAM

Accountable for the design and implementation of risk management processes and controls	Accountable for the regular review and appraisal of key risks	Contributes to the identification and assessment of key risks

GENERAL MANAGEMENT

Responsible for compliance and ensuring that staff are adequately trained

BUSINESS ASSURANCE FUNCTION

- Assists management and the Board in conducting risk studies
- Advises and guides on policies and internal control framework
- Reviews risk profiles
- Tests compliance with internal controls

Principal risks

Risk	Mitigation	Progress in 2016
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) 95% of our leases are 'flexible', meaning that they are either terminable at our option within six months and / or located in or assignable to a standalone legal entity, which is not fully cross-guaranteed. In this way, individual centres are sustained by their own profitability and cash flow. During the most recent downturn in selected markets we were able to negotiate revised terms with our partners to reflect downward movements in market rates to help recovery. 2) Over a third of the leases we entered into during 2016 were 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. 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 often varies from country to country and region to region. 4) Each year a significant number of leases in our portfolio reach a natural break point.	During 2016, the number of 'flexible' leases as a percentage of the total increased to 95% from 94% on an enlarged estate. At the end of 2016, we were operating 2,926 locations in 1,029 towns and cities across over 100 countries.
Economic downturn An economic downturn could adversely affect the Group's operating revenues, thereby reducing operating profit performance or, in an extreme downturn, resulting in operating losses.	The Group has taken a number of actions to mitigate this risk: 1) More than a third of the leases added during 2016 were performance-related to a greater or lesser extent and our rental payments, if any, vary with the performance of 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.	During 2016 the number of 'flexible' leases as a percentage of the total increased to 95%. We also increased the scale of our network by 6% and added 52 new towns and cities. Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed. More generally, investment in our management team has also led to improved, more responsive decision-making at a country and area level.

Risk	Mitigation	Progress in 2016
Strategic		
Shifting demand and technology trends Technology developments are driving demand for flexible working. Failure to recognise these could mean Regus' product offering is sub-optimal.	Regus continually invests in innovation to develop new products and services to increase its competitive advantage, protect current revenues and unlock potential new sources of revenue.	In addition to major upgrades to our MyRegus app during 2016, we focused our innovation resources on areas as diverse as customer satisfaction, format design, business continuity and improving productivity for the mobile workforce.
Increased competition Increased competition in the serviced office industry and an inability to maintain sustainable competitive advantage may result in loss of market share.	While physical barriers to entry into the flexible workspace market at a local level are low, the barriers to establishing a national or international network are much higher hence making it difficult for any competitor to challenge our market position and commercial success. Regus also offers a diverse product range under its different brands to cater to multiple customer segments which allows us to capture and maintain market share across the flexible workspace market.	We increased the scale of our network by 6% and added 52 new towns and cities. We accelerated the roll-out of our Spaces co-working format with the opening of seven new locations and the development of a strong pipeline for 2017.
Exposure to UK political developments Exposure to UK political developments including Brexit.	The Group is continually monitoring political developments in the UK to identify and assess the medium to long-term implications of Brexit and the impact that it may have on our business. While the decision to exit the EU is likely to result in a sustained period of political and economic uncertainty, the Group does not expect this to have a material impact on its performance in the UK. The Group has had a prudent approach to growing its presence in the UK market.	Dependency on the UK market has been reduced by growth being focused outside the UK. Fewer than 5% of the new locations added during 2016 were in the UK. During 2016 the opportunity was taken to consolidate some locations in the UK. Based on the current position over 40% of our leases with landlords in the UK are variable in nature.

Risk	Mitigation	Progress in 2016
Financial		
Funding The Group relies on external funding to support a net debt position of £151.3m at the end of 2016. 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 and a three-year strategic outlook. The Group also monitors the relevant financial ratios against the covenants in its facilities 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. The Board intends to maintain a prudent approach to the Group's capital structure by holding the net debt : Group EBITDA leverage ratio below c. 1.5 times. 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. The Group also constantly reviews and manages the maturity profile of its external funding.	We amended our key Revolving Credit Facility in May 2016 which is provided by a broad base of international banks. The facility was increased from £320.0m to £550.0m and the maturity extended to 2021 (previously 2020), with an option to extend until 2023. After taking into account usage of the £550.0m facility for cash drawings and bank guarantees, we had £299.4m of available and undrawn committed facility as at 31 December 2016. Regus had a net debt : EBITDA ratio at 31 December 2016 of 0.4 times. There is significant headroom on each of the covenant ratios.
Exchange rates The principal exposures of the Group are to the US dollar and the euro, with approximately 35.1% of the Group's revenues being attributable to the US dollar and 13.8% to the euro. Any depreciation or appreciation of sterling would have an adverse or beneficial impact to the Group's reported financial performance and position respectively. The Group does not generally hedge the translation exchange risk of its business results. Rather, it assumes that shareholders will take whatever steps they deem necessary based on their varied appetites for exchange risk and differing base currency investment positions.	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. 3) The Group, where deemed appropriate, uses currency swaps to maintain the currency profile of its external debt.	Overall in 2016 the movement in exchange rates increased reported revenue, gross profit and operating profit by £199.7m, £36.3m and £20.5m respectively. During 2016 the Group settled the exchange rate derivatives related to the Schuldschein debt securities which were settled.
Interest rates Operating in a net debt position, an increase in interest rates would increase finance costs.	The Group constantly monitors its interest rate exposure as part of its monthly treasury review. As part of the Group's balance sheet management it utilises interest rate swaps.	During 2016 the Group increased the level of interest rate protection, with 51% of the Group's debt being fixed until 2019.

Risk	Mitigation	Progress in 2016
Operational		
Cyber security The trend towards an integrated digital economy and use of external cloud services combined with the rise in malicious attacks and increasing consequential costs warrants particular attention to cyber security risks.	This risk is mitigated as follows: 1) The Group maintains an active information security programme under the direction of the Group CIO with oversight by the Board. 2) We continually monitor our security using internal resources and external specialists to identify any vulnerabilities. 3) The Group ensures compliance with all major legislation and directives. 4) The Group maintains a mandatory training programme to promote staff awareness of information security and compliance best practice. 5) Data, systems and access permissions are strictly segregated to reduce exposure to risk.	All core production applications have been made PCI (Payment Card Industry) compliant. An internal review and an external review by security specialists were completed and an ongoing monitoring and improvement programme is in place. Regus has cyber insurance policies in place which provide immediate response services in the event of a breach.
Loss of critical systems The Group's systems and applications are housed in data centres. Should the data centres 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. 2) A detailed service agreement with our external data centre provider which incorporates appropriate back-up procedures and controls. 3) Ensuring appropriate business interruption insurance is in place. 4) Transitioning infrastructure to cloud-based and SaaS servers.	We undertake regular testing of business continuity procedures to ensure that they are adequate and appropriate.
Fraud Landlord and supplier and procurement related fraud.	Regus manages this risk through: 1) A rigorous investment approval process to review the proposed deal structure against local market conditions and alternatives. 2) Centralised procurement contracts with suppliers for key services and products. 3) Standardised processes to manage and monitor spend. 4) A strong governance framework and policies on gifts and hospitality, business conduct and bribery and corruption. 5) Regular reviews to monitor effectiveness of controls.	
Data protection and privacy Regus is required to comply with legislation in the jurisdictions in which it operates.	Regus operates a detailed privacy policy that covers all aspects of data privacy including and not limited to personal data, demographic information, financial data, cookies and other digital markers, marketing communication etc.	

Risk	Mitigation	Progress in 2016
Growth		
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. 2) The monthly business review process monitors new centre development against the investment case to ensure that the anticipated 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 annual growth objectives.	On aggregate, our new centres continue to perform in line with management expectations and are delivering attractive returns.
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 are an integral part of our business planning and review process. 2) Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year. 3) Our global performance management system and quarterly staff survey allow us to keep close to our employees and maintain a two-way dialogue throughout the year. 4) Regular external and internal evaluation of the performance of the Board.	Our capability to hire the best talent continued to increase in 2016. Our direct recruitment approach saved over £2m of search fees as our talent knowledge around the world deepens and expands. This has allowed us to further plan for succession in important markets. Our diversity continues to flourish with our workforce split fairly evenly male/female.
Training and employee engagement As a service-based business the strength and 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 insight into employee issues, which is then used to improve the Plan.	We trained all our employees, many through the Regus Online Learning Academy, including employees from new centre acquisitions and new talent to Regus. In 2016, employees undertook approximately eight different topics of training. Our online learning curriculum was a winner of the Most Dramatic Business Impact Award at the Cornerstone Client Excellence Awards 2016 for the impact that this training had on sales performance. This is just one example of our relevant and easy-to-access development initiatives for front-line employees. Experienced managers coach new peer level colleagues to give them the best start in the Group.

Committed to our communities

At Regus, our commitment to the future of our communities continues to grow and develop as we expand into more locations around the world. We bring positive change and investment to new and existing locations. We can only continue to grow ourselves by lifting others around us.

Economic support for communities

Although we are a worldwide organisation, we constantly remember that for the majority of our stakeholders we are a local business. Our presence generates wealth for each location as we employ local talent from within the community and draw on local supply-chain networks. Our business attracts new organisations to the area, helping to improve and grow the business environment and in turn bringing further investment and local opportunities to each location. We have a symbiotic relationship with each local community – we can only be successful if those around us are also successful.

Reducing environmental impact

Regus is conscious of its environmental responsibilities. Any actions we take as a company to diminish carbon emissions will help to reduce negative global impacts. We are committed to reducing our global footprint and to keeping sustainability at the core of our business strategy; we do this by focusing on internal mitigation measures and supporting our customers with theirs.

By their very nature, many of our products are inherently sustainable allowing our customers to minimise their carbon emissions, waste and energy usage through us. Our large network of locations enables people to work nearer to where they live, while our video-conferencing facilities eradicate the need to travel for meetings.

As a company, we continue to embed carbon-reduction and energy-efficiency policies and procedures in our centres. This includes retrofitting older sites by upgrading lighting and improving controls. We also have a defined engagement agenda with a focus on enabling customers and employees to fully understand the actions that they can take to reduce environmental impact. Our range of initiatives includes targeting reduced paper usage, actions to reduce and monitor our use of water, increased recycling and sharing best practice to reduce electricity and gas consumption. Collectively, all actions combine to contribute to reducing our environmental impact.

We took part in the Global Carbon Disclosure Project (CDP) and received a strong "B" score for 2016. This is a good improvement from the previous year and a positive indicator from the CDP that we are managing our carbon well. With the industry average being a "C", our score demonstrates very clearly that we are being proactive in responding to climate-change issues.

Efficiency schemes

In addition to our global efforts, we made a significant reduction in carbon and costs in 2016 in the UK. This can largely be attributed to the implementation of recommendations from the UK's response to the EU Energy Directive entitled Energy Savings Opportunity Scheme (ESOS). Around 1,000 CO_2e tonnes were saved, together with related cost avoidance of £270,000, which we achieved through a systematic review of centre operating procedures and controls. The ESOS audit and notification from the UK was fully compliant and completed on time. So was our participation for a further year in the CRC Energy Efficiency Scheme, in which we saw our overall reported emissions fall again. This means we have achieved a total reduction of around 18% since the start of CRC reporting in 2011.

The Green Committee continues to meet on a regular basis. It reviews and implements the actions we take (and their related costs) to reduce our waste, water, energy and carbon impacts. The Green Committee is proving successful and is seen throughout the Group as an effective model in sustainability management.

We continue to use specialist external energy consultancies to record our monthly energy consumption across our centres and to assist and advise on the purchase, management and monitoring of carbon and energy. For example, any new centres with high energy consumption, such as those acquired from Avanta in 2015, will be reviewed and assimilated in 2017 to make them more efficient and align them with our Greener Working Strategy. This will include upgrading lighting to LED and reviewing HVAC (heating, ventilation and air-conditioning) and controls to ensure they are as energy-efficient as possible.

A review undertaken in the early part of 2016 confirmed that our UK business is on target to achieve a 50% reduction in energy-related carbon by 2020 (using 2007 as the baseline year).

Charitable investments

As a global business working in numerous locations, we have a responsibility to ensure that we can positively impact the communities in which our team members, customers, suppliers and other stakeholders live. As a company, we provide concessions on working space, direct donations and the use of our facilities to support the charitable activities of our staff, customers and suppliers.

Our colleagues actively take part in creating charitable initiatives that provide financial donations to charities and humanitarian appeals. They collect gift in-kind materials, such as food, hygiene and education items, and donate their skills and time in volunteering to organisations in need. Initiatives are eagerly attended and supported by our customers and wider stakeholders.

Thanks to our employees' spirit of innovation and enthusiasm for various causes, our charitable activities take many forms, including in-centre initiatives (such as recycling projects, charitable networking events and collections campaigns) and off-site activities such as sponsored walks, fun-runs and volunteering at venues like orphanages, care homes and soup kitchens.

In total, £237,479 was raised and used to support 244 projects for 239 charities. Further detail is provided in the table below:

	2013	2014	2015	**2016**
Countries with community engagement activity	20	38	43	**44**
Projects	54	132	219	**244**
Charities supported	78	100	195	**239**
Donations made	£80,500	£155,329	£209,905	**£237,479**

EXTRACTING VALUE FROM WASTE

As an example of other geographic specific initiatives, our colleagues in Fortaleza, Brazil, continued their successful recycling programme throughout 2016, encouraging customers and their colleagues to collect and segregate paper, cardboard, plastic cups, toner cartridges and other office waste. Rather than disposing of this waste, they give it to a local orphanage which donates the recycled material and in turn receives a reduced monthly utilities bill.

Colleagues are holding similar initiatives in the Republic of Ireland and the United Kingdom. They collect old printer cartridges, coffee capsules and even stamps to donate to charities, which as a result gain new revenue streams to help sustain their future.

COMMUNITY HEROES

Our internal community recognition programme "Community Heroes" commends and celebrates the charitable giving that takes place across the world. This year, two projects tied for first place. They each received a $5,000 donation for the charities they support. The top projects in 2016 were:

Tied 1st place: Dallas, USA – Raising awareness of childhood cancer

A networking event was held in support of Childhood Cancer Awareness Month. All clients in the centre attended, and several Business World clients also made an appearance.

"Our clients really embraced supporting this cause as through it they were also supporting our Regus colleague – a two-time childhood cancer survivor who strongly believed in this cause."

Tied 1st place: Maryland, USA – Fighting hunger among children

Canned foods were collected throughout the year to provide under-privileged children with a meal a day.

"You feel great to be involved in such a good thing, together with good people who are doing GREAT things."

All quotes are from Regus managers, colleagues or customers.

2nd place: Thailand – Providing for vulnerable children

Thailand's underprivileged children were helped through charitable donations to the Gift of Happiness Foundation.

"The sale of over 200 shirts went towards helping buy school uniforms and stationery supplies for children living in poverty."

3rd place: India – Supporting the International Day of Charity

Colleagues and customers in India launched a country-wide charitable campaign, in which over 400 people in more than 90 centres joined hands with a local non-governmental organisation.

"Collecting stationery items, clothes, books, toys and food was a wonderful activity for very worthwhile causes."

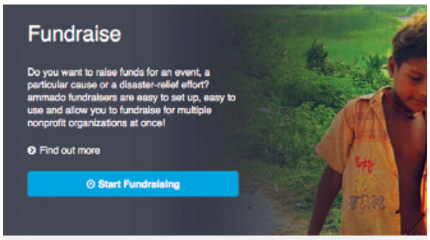
4th place: South Africa – Giving 12 months of love for charity

Our South African centre in Port Elizabeth teamed up with Port Elizabeth's Love Story charity to reach out and feed the homeless.

"Regus gives back to the community and helps us give back too. Thank you Regus for helping us make a positive impact."

RESPONDING TO DISASTER

Around the globe, our colleagues and stakeholders respond rapidly to environmental disasters affecting their regions, working together to provide support to those impacted. For example, our colleagues in Texas, together with their customers, quickly responded to a humanitarian effort following a tornado in their area. A donation drive was immediately organised calling for first aid kits, bedding, clothing and hygiene materials. Several individuals also volunteered to help clean up sites after the event.



FACILITATING DONATIONS

To make it easier for our employees and customers to give to charity, we have continued the My Charities and Causes platform. This enables customers to set up and promote their own corporate social responsibility activities, track progress and record donations to over 1.6 million registered charities. We believe that this platform will help provide even more support to all the great causes around the globe.

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 financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group 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.

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 its profit or loss for the period. In preparing each of the Group 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; 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 Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation. 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 responsible for preparing a Strategic Review and Financial Review that comply with the applicable 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 and Jersey 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 these Directors' statements confirm that:

- so far as they are each aware, there is no relevant audit information of which the Group'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 Group'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.

Statement of responsibility

We 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 Group;
- 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 Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Tim Regan
Director
19 April 2017

Auditors' report

To the Board of Directors of
Regus Plc
26, Boulevard Royal
L-2449 Luxembourg

Report of the Réviseur d'Entreprises Agréé

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 16 May 2016, we have audited the accompanying consolidated financial statements of Regus Plc, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 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 give a true and fair view of the consolidated financial position of Regus Plc as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards Luxembourg.

KPMG Luxembourg, Société cooperative
Cabinet de révision agréé
Stephen Nye

Luxembourg, 19 April 2017

Consolidated income statement

Continuing operations	Notes	Year ended 31 Dec 2016 Before non-recurring items	Year ended 31 Dec 2016 Non-recurring items (note 6)	Year ended 31 Dec 2016 Total £m	Year ended 31 Dec 2015 Before non-recurring items	Year ended 31 Dec 2015 Non-recurring items (note 6)	Year ended 31 Dec 2015 Total £m
Revenue	3	**2,233.4**	**–**	**2,233.4**	1,927.0	–	1,927.0
Cost of sales		**(1,784.6)**	**–**	**(1,784.6)**	(1,498.6)	–	(1,498.6)
Gross profit (centre contribution)		**448.8**	**–**	**448.8**	428.4	–	428.4
Selling, general and administration expenses		**(256.5)**	**(1.0)**	**(257.5)**	(273.6)	15.3	(258.3)
Research and development expenses		**(2.9)**	**–**	**(2.9)**	(10.3)	–	(10.3)
Share of (loss)/profit of equity-accounted investees, net of tax	20	**(0.8)**	**–**	**(0.8)**	0.3	–	0.3
Operating profit	5	**188.6**	**(1.0)**	**187.6**	144.8	15.3	160.1
Finance expense	8	**(11.6)**	**–**	**(11.6)**	(15.0)	–	(15.0)
Finance income	8	**0.1**	**–**	**0.1**	0.6	–	0.6
Net finance expense		**(11.5)**	**–**	**(11.5)**	(14.4)	–	(14.4)
Profit before tax for the year		**177.1**	**(1.0)**	**176.1**	130.4	15.3	145.7
Income tax expense	9	**(34.9)**	**–**	**(34.9)**	(25.9)	0.1	(25.8)
Profit after tax for the year		**142.2**	**(1.0)**	**141.2**	104.5	15.4	119.9
Profit attributable to:							
Equity shareholders of the parent		**142.2**	**(1.0)**	**141.2**	104.5	15.4	119.9
Profit after tax for the year		**142.2**	**(1.0)**	**141.2**	104.5	15.4	119.9
Earnings per ordinary share (EPS):							
Basic (p)	10			**15.2**			12.8
Diluted (p)	10			**15.2**			12.6

Consolidated statement of comprehensive income

	Notes	Year ended 31 Dec 2016 £m	Year ended 31 Dec 2015 £m
Profit for the year		**141.2**	119.9
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – recycled through the income statement, net of income tax		**2.1**	–
Cash flow hedges – effective portion of changes in fair value, net of income tax		**(0.3)**	0.6
Foreign currency translation differences for foreign operations		**90.2**	(5.3)
Items of other comprehensive income that are or may be reclassified to profit or loss in subsequent periods		**92.0**	(4.7)
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit liability, net of income tax	25	**–**	(0.3)
Items of other comprehensive income that will never be reclassified to profit or loss in subsequent periods		**–**	(0.3)
Other comprehensive income for the period, net of income tax		**92.0**	(5.0)
Total comprehensive income for the year		**233.2**	114.9
Total comprehensive income attributable to:			
Equity shareholders of the parent		**233.2**	114.9
Total comprehensive income for the year		**233.2**	114.9

Consolidated statement of changes in equity

	Issued share capital £m	Treasury shares £m	Foreign currency translation reserve £m	Hedging reserve £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity[1] £m
Balance at 1 January 2015	**9.5**	**(19.9)**	**12.7**	**(2.7)**	**10.5**	**15.3**	**512.0**	**537.4**
Total comprehensive income for the year:								
Profit for the year	–	–	–	–	–	–	119.9	119.9
Other comprehensive income:								
Re-measurement of defined benefit liability, net of income tax (note 25)	–	–	–	–	–	–	(0.3)	(0.3)
Cash flow hedges – effective portion of changes in fair value, net of income tax	–	–	–	0.6	–	–	–	0.6
Foreign currency translation differences for foreign operations	–	–	(5.3)	–	–	–	–	(5.3)
Total other comprehensive income, net	–	–	(5.3)	0.6	–	–	(0.3)	(5.0)
Total comprehensive income for the year	–	–	(5.3)	0.6	–	–	119.6	114.9
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	–	–	–	–	2.2	2.2
Ordinary dividend paid (note 11)	–	–	–	–	–	–	(38.8)	(38.8)
Purchase of shares	–	(24.5)	–	–	–	–	(11.9)	(36.4)
Proceeds from exercise of share awards	–	1.5	–	–	–	–	2.9	4.4
Balance at 31 December 2015	**9.5**	**(42.9)**	**7.4**	**(2.1)**	**10.5**	**15.3**	**586.0**	**583.7**
Total comprehensive income for the year:								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**141.2**	**141.2**
Other comprehensive income:								
Cash flow hedges – recycled through the income statement	**–**	**–**	**–**	**2.1**	**–**	**–**	**–**	**2.1**
Cash flow hedges – effective portion of changes in fair value, net of income tax	**–**	**–**	**–**	**(0.3)**	**–**	**–**	**–**	**(0.3)**
Foreign currency translation differences for foreign operations	**–**	**–**	**90.2**	**–**	**–**	**–**	**–**	**90.2**
Total other comprehensive income, net	**–**	**–**	**90.2**	**1.8**	**–**	**–**	**92.0**	**92.0**
Total comprehensive income for the year	**–**	**–**	**90.2**	**1.8**	**–**	**–**	**141.2**	**233.2**
Transactions with owners, recorded directly in equity								
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Ordinary dividend paid (note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**(43.3)**	**(43.3)**
Purchase of shares	**–**	**(31.1)**	**–**	**–**	**–**	**–**	**(1.3)**	**(32.4)**
Proceeds from exercise of share awards	**–**	**8.3**	**–**	**–**	**–**	**–**	**(4.6)**	**3.7**
Cancellation of treasury shares	**(0.3)**	**65.7**	**–**	**–**	**–**	**–**	**(65.4)**	**–**
Transfer of share-based awards liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(8.2)**	**(8.2)**
Balance at 31 December 2016	**9.2**	**–**	**97.6**	**(0.3)**	**10.5**	**15.3**	**606.8**	**739.1**

1. Attributable to equity holders of the parent

On 19 December 2016, the Group entered into a court approved Scheme of Arrangement. As a result of the Scheme of Arrangement, shares in Regus plc were cancelled and shares in the new Group holding company, IWG plc, were issued on the basis of one IWG plc share (nominal value one pence) for one share previously held in Regus plc (nominal value one pence). As a result, the shareholders of Regus plc became the shareholders of IWG plc, with IWG plc becoming the ultimate parent company of Regus plc.

During the year, prior to the Scheme of Arrangement on 19 December 2016, 11,834,627 (2015: 9,543,800) shares were purchased in the open market and 4,712,856 (2015: 1,936,642) treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. Subsequent to the Scheme of Arrangement, all treasury shares held by the Group have been cancelled. There are no treasury shares as at 31 December 2016.

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 2016 £m	As at 31 Dec 2015 £m
Non-current assets			
Goodwill	12	**685.3**	612.2
Other intangible assets	13	**52.8**	53.8
Property, plant and equipment	14	**1,194.4**	917.0
Deferred tax assets	9	**29.3**	36.4
Other long-term receivables	15	**86.3**	63.0
Investments in joint ventures	20	**13.6**	5.6
Total non-current assets		**2,061.7**	1,688.0
Current assets			
Trade and other receivables	16	**516.8**	557.8
Corporation tax receivable	9	**34.8**	17.9
Cash and cash equivalents	22	**50.1**	63.9
Total current assets		**601.7**	639.6
Total assets		**2,663.4**	2,327.6
Current liabilities			
Trade and other payables (incl. customer deposits)	17	**872.2**	816.5
Deferred income		**276.4**	240.7
Corporation tax payable	9	**17.7**	14.0
Bank and other loans	18	**7.8**	9.2
Provisions	19	**6.0**	5.3
Total current liabilities		**1,180.1**	1,085.7
Non-current liabilities			
Other payables	17	**540.3**	383.8
Non-current derivative financial liabilities	23	**0.3**	15.0
Bank and other loans	18	**193.6**	245.3
Deferred tax liability	9	**2.4**	1.6
Provisions	19	**3.4**	7.6
Provision for deficit on joint ventures	20	**3.4**	4.1
Retirement benefit obligations	25	**0.8**	0.8
Total non-current liabilities		**744.2**	658.2
Total liabilities		**1,924.3**	1,743.9
Total equity			
Issued share capital	21	**9.2**	9.5
Treasury shares	21	**–**	(42.9)
Foreign currency translation reserve		**97.6**	7.4
Hedging reserve		**(0.3)**	(2.1)
Revaluation reserve		**10.5**	10.5
Other reserves		**15.3**	15.3
Retained earnings		**606.8**	586.0
Total shareholders' equity		**739.1**	583.7
Total equity and liabilities		**2,663.4**	2,327.6

Approved by the Directors on 19 April 2017

Tim Regan
Director

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2016 £m	Year ended 31 Dec 2015 £m
Operating activities			
Profit before tax for the year		**176.1**	145.7
Adjustments for:			
Net finance expense	8	**11.5**	14.4
Share of loss/(profit) of equity-accounted investees, net of tax	20	**0.8**	(0.3)
Depreciation charge	5, 14	**181.8**	134.2
Loss/(gain) on disposal of property, plant and equipment	5	**1.0**	(0.3)
Impairment of property, plant and equipment	14	**–**	0.9
Amortisation of intangible assets	5, 13	**12.7**	11.0
Amortisation of acquired lease fair value adjustments	5	**(3.1)**	(4.6)
(Decrease)/increase in provisions	19	**(3.2)**	2.8
Share-based payments		**2.4**	2.2
Other non-cash movements		**(3.4)**	(3.0)
Operating cash flows before movements in working capital		**376.6**	303.0
Decrease/(increase) in trade and other receivables		**78.6**	(121.5)
Increase in trade and other payables		**20.3**	221.0
Cash generated from operations (before assets held for sale)		**475.5**	402.5
Loss/(profit) on disposal of assets held for sale	6	**2.2**	(21.3)
Cash generated from operations		**477.7**	381.2
Interest paid		**(16.2)**	(13.8)
Tax paid		**(31.5)**	(29.1)
Net cash inflow from operating activities		**430.0**	338.3
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	26	**(8.9)**	(99.4)
Proceeds on the sale of assets held for sale	6	**3.3**	84.0
Dividends received from joint ventures	20	**0.9**	–
Purchase of joint ventures	20	**(1.3)**	(1.9)
Proceeds on sale of property, plant and equipment		**16.1**	9.5
Purchase of property, plant and equipment	14	**(313.8)**	(311.5)
Purchase of intangible assets	13	**(5.5)**	(8.7)
Interest received	8	**0.1**	0.6
Net cash outflow from investing activities		**(309.1)**	(327.4)
Financing activities			
Net proceeds from issue of loans		**599.8**	383.2
Repayment of loans		**(670.0)**	(330.5)
Repayment of principal under finance leases		**–**	(0.1)
Settlement of financial derivatives		**(7.0)**	–
Purchase of shares		**(32.4)**	(36.4)
Proceeds from exercise of share awards		**3.7**	4.4
Payment of ordinary dividend	11	**(43.3)**	(38.8)
Net cash outflow from financing activities		**(149.2)**	(18.2)
Net decrease in cash and cash equivalents		**(28.3)**	(7.3)
Cash and cash equivalents at beginning of year		**63.9**	72.8
Effect of exchange rate fluctuations on cash held		**14.5**	(1.6)
Cash and cash equivalents at end of year	22	**50.1**	63.9

Notes to the accounts

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2016 were authorised for issue by the Directors on 19 April 2017 and the balance sheets were signed on the Directors' behalf by Tim Regan. Regus plc is a company incorporated in Jersey and registered and domiciled in Luxembourg. The ultimate parent company of the Group is IWG plc, a company incorporated in Jersey and registered and domiciled in Switzerland.

Regus plc 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 31, and information on other related party relationships of the Group is provided in note 30.

The Group financial statements have been prepared and approved by the Directors in accordance with Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs'). The Company prepares its parent company annual accounts in accordance with Luxembourg GAAP; extracts from these are presented on page 81.

2. Accounting policies

Basis of preparation

The Group financial statements consolidate those of Regus plc and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in the associate and joint ventures. 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 2016 did not have a material effect on the Group financial statements, unless otherwise indicated.

The following standards, interpretations and amendments to standards were adopted by the Group for periods commencing on or after 1 January 2016:

IAS 1	Disclosure Initiative (Amendment to IAS 1)
IAS 16	Revaluation method – proportionate restatement of accumulated depreciation – Amendments to IAS 16
IAS 38	Revaluation method – proportionate restatement of accumulated amortisation – Amendments to IAS 38
IFRS 11	Accounting for Acquisitions of interests in Joint operations – Amendments to IFRS 11
IFRS 14	Regulatory Deferral Accounts
Various	Annual Improvements (2012 – 2014 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 32.

The consolidated financial statements are prepared on a historical cost basis, with the exception of certain financial assets and liabilities that are measured at fair value as described in note 23.

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 34 to 80.

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the further information included in the strategic report as set out on pages 12 to 15 as well as the Group's principal risks and uncertainties as set out on pages 23 to 28.

Further details on the going concern basis of preparation can be found in note 23 to the notes to the consolidated financial statements on page 60.

These Group consolidated financial statements are presented in pounds sterling (£), which is Regus plc's functional currency, and all values are in million pounds, rounded to one decimal place, except where indicated otherwise.

The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or the associate qualifies as a disposal group, at which point the investment is carried at the lower of fair value less costs to sell and carrying value.

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases or the joint venture 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)

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.

On 19 December 2016, under a Scheme of Arrangement between Regus plc and its shareholders, under Article 125 of the Companies (Jersey) Law 1991, and as sanctioned by The Royal Court of Jersey, all the issued shares in Regus plc were cancelled and an equivalent number of new shares in Regus plc were issued to IWG plc in consideration for the allotment to shareholders of one ordinary share in IWG plc for each ordinary share in Regus plc that they held on the record date, 18 December 2016. As a result, the shareholders of Regus plc became the shareholders of IWG plc, with IWG plc becoming the ultimate parent company of Regus plc.

IFRSs not yet effective

Except for IFRS 16 Leases, the following new or amended standards and interpretations that are mandatory for 2017 annual periods (and future years) are not expected to have a material impact on the Company:

IAS 7	Disclosure Initiative – Amendments to IAS 7	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised losses – Amendments to IAS 12	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The adoption of IFRS 16 will result in the recognition of a significant right-of-use asset together with corresponding lease liabilities. The Group is in the process of quantifying the related impact.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 30 September 2016. At each reporting date, the Group reviews the carrying amount of these assets to determine whether there is an indicator of impairment. If any indicator is identified then the assets' recoverable amount is re-evaluated.

The carrying amount of the Group's other non-financial assets (other than deferred tax assets) are reviewed at the reporting date to determine whether there is an indicator of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the income statement.

A CGU 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. The Group has identified individual business centres as the CGU.

We evaluate the potential impairment of property, plant and equipment at the centre (CGU) level where there are indicators of impairment.

Centres (CGUs) are grouped by country of operation for the purposes of carrying out impairment reviews of goodwill as this is the lowest level at which it can be assessed.

Individual fittings and equipment in our centres or elsewhere in the business that become obsolete or are damaged are assessed and impaired where appropriate.

2. Accounting policies (continued)

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 fair value 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.

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	Up to 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.

Assets held for sale

Assets held for sale are measured at the lower of the carrying value of the identified asset and its fair value less cost to sell.

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.

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, including partner contributions 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.

Partner contributions

Partner contributions are contributions from our business partners (property owners and landlords) towards the initial costs of opening a business centre, including the fit-out of the property and the losses that we incur early in the centre life. The partner contribution is treated as a lease incentive and is amortised over the period of the lease.

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
Leasehold improvements	10 years
Furniture	10 years
Office equipment and telephones	5 years
Computer hardware	3 – 5 years

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 accounted for as deferred income 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 majority of the Group's 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 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 balance sheet 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 the 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 and are equity settled.

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 account 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.

Options under the Co-investment Plan (CIP) are granted by the Company to certain employees and are equity settled. 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.

2. Accounting policies (continued)

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 reporting 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 reporting 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.

Equity

Equity instruments issued by the Group are recorded at the value of proceeds received, net of direct issue costs.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

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 are included in other finance costs (note 8).

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 expired.

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.

Non-recurring items

Significant, infrequent transactions not indicative of the underlying performance of the consolidated Group are reported separately as non-recurring items.

2. Accounting policies (continued)

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.

Customer deposits

Deposits received from customers against non-performance of the contract are held on the balance sheet as a current liability until they are returned to the customer at the end of their relationship with the Group.

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 foreign 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 23. Derivative financial instruments are measured initially at fair value and changes in the fair value are recognised through profit or loss unless the derivative financial instrument has been designated as a cash flow hedge whereby the effective portion of changes in the fair value are deferred in equity.

Foreign currency translation rates

	At 31 December		Annual average	
	2016	2015	**2016**	2015
US dollar	**1.24**	1.48	**1.35**	1.53
Euro	**1.17**	1.36	**1.22**	1.38
Japanese yen	**145**	179	**147**	185

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. These geographical segments exclude the Group's non-trading, holding and corporate management companies. 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 the Group for the year ended 31 December 2015. 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.

3. Segmental analysis – statutory basis (continued)

	Americas		EMEA		Asia Pacific		United Kingdom		All other operating segments		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Revenues from external customers	**923.0**	779.2	**476.8**	406.6	**363.2**	289.1	**462.1**	449.2	**8.3**	2.9	**2,233.4**	1,927.0
Revenues from internal customers	**–**	–	**0.1**	0.3	**–**	–	**1.0**	1.2	**–**	–	**1.1**	1.5
Segment revenues	**923.0**	779.2	**476.9**	406.9	**363.2**	289.1	**463.1**	450.4	**8.3**	2.9	**2,234.5**	1,928.5
Gross profit (centre contribution)	**161.0**	171.0	**101.6**	90.5	**67.5**	58.2	**110.4**	107.7	**5.9**	(0.2)	**446.4**	427.2
Reportable segment profit (before joint ventures)	**103.0**	99.7	**48.4**	40.5	**36.8**	26.0	**92.7**	84.6	**(13.3)**	(12.0)	**267.6**	238.8
Share of (loss)/profit of joint ventures	**–**	–	**(0.7)**	1.1	**–**	–	**(0.1)**	(0.8)	**–**	–	**(0.8)**	0.3
Finance expense	**(0.2)**	(0.2)	**(0.3)**	(0.4)	**(1.5)**	(1.3)	**(0.9)**	(1.6)	**–**	–	**(2.9)**	(3.5)
Finance income	**–**	–	**0.1**	0.5	**–**	–	**–**	–	**–**	–	**0.1**	0.5
Depreciation and amortisation	**101.9**	72.2	**28.6**	21.9	**26.3**	19.0	**29.3**	25.2	**5.9**	4.9	**192.0**	143.2
Taxation expense	**(13.9)**	(9.2)	**(1.8)**	(3.6)	**(2.9)**	(3.5)	**(1.0)**	(2.6)	**(15.3)**	(6.9)	**(34.9)**	(25.8)
Assets	**1,748.6**	1,247.1	**603.1**	506.6	**390.4**	321.4	**837.4**	842.1	**1.5**	1.7	**3,581.0**	2,918.9
Liabilities	**(1,745.4)**	(1,118.0)	**(761.6)**	(611.9)	**(446.0)**	(327.8)	**(751.1)**	(811.8)	**(0.1)**	(0.2)	**(3,704.2)**	(2,869.7)
Net assets/(liabilities)	**3.2**	129.1	**(158.5)**	(105.3)	**(55.6)**	(6.4)	**86.3**	30.3	**1.4**	1.5	**(123.2)**	49.2
Non-current asset additions	**163.4**	146.9	**47.6**	48.4	**38.5**	58.9	**37.9**	46.6	**–**	–	**287.4**	300.8

Revenue in the "All other operating segments" 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.

4. Segmental analysis – entity-wide disclosures

The Group's primary activity and only business segment is the provision of global workplace solutions, 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:

	2016		2015	
£m	**External revenue**	**Non-current assets[1]**	External revenue	Non-current assets[1]
Country of tax domicile – Luxembourg	**6.7**	**2.7**	6.2	2.5
United States of America	**766.6**	**930.0**	636.3	720.5
United Kingdom	**462.1**	**347.1**	449.2	282.2
All other countries	**998.0**	**752.6**	835.3	646.4
	2,233.4	**2,032.4**	1,927.0	1,651.6

1. Excluding deferred tax assets.

4. Segmental analysis – entity-wide disclosures (continued)

£m	2016 Revenue	Gross profit (centre contribution)	Operating profit before joint ventures	Share of loss on joint ventures	Operating profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
Reportable segment results	**2,234.5**	**446.4**	**267.6**	**(0.8)**	**266.8**	**(2.9)**	**0.1**	**192.0**	**264.0**
Exclude: Internal revenue	**(1.1)**	**(1.1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Corporate overheads	**–**	**3.5**	**(78.2)**	**–**	**(78.2)**	**(13.3)**	**–**	**2.5**	**(91.5)**
Foreign exchange gains and losses	**–**	**–**	**–**	**–**	**–**	**4.6**	**–**	**–**	**4.6**
Non–recurring items	**–**	**–**	**(1.0)**	**–**	**(1.0)**	**–**	**–**	**–**	**(1.0)**
Published Group total	**2,233.4**	**448.8**	**188.4**	**(0.8)**	**187.6**	**(11.6)**	**0.1**	**194.5**	**176.1**

£m	2015 Revenue	Gross profit (centre contribution)	Operating profit before joint ventures	Share of profit on joint ventures	Operating profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
Reportable segment results	1,928.5	427.2	238.8	0.3	239.1	(3.5)	0.5	143.2	236.1
Exclude: Internal revenue	(1.5)	(1.5)	–	–	–	–	–	–	–
Corporate overheads	–	2.7	(94.3)	–	(94.3)	(12.5)	0.1	2.0	(106.7)
Foreign exchange gains and losses	–	–	–	–	–	1.0	–	–	1.0
Non–recurring items	–	–	15.3	–	15.3	–	–	–	15.3
Published Group total	1,927.0	428.4	159.8	0.3	160.1	(15.0)	0.6	145.2	145.7

£m	2016 Assets	Liabilities	Net assets/ (liabilities)
Reportable segment results	**3,581.0**	**(3,704.2)**	**(123.2)**
Exclude: Segmental inter-company amounts	**(1,033.6)**	**1,984.4**	**950.8**
Corporate overhead assets and liabilities (excluding amounts due to/from reportable segments):			
Cash	**21.4**	**–**	**21.4**
Deferred taxation	**17.0**	**–**	**17.0**
Bank and other loans	**–**	**(184.7)**	**(184.7)**
Other	**77.6**	**(19.8)**	**57.8**
Published Group total	**2,663.4**	**(1,924.3)**	**739.1**

£m	2015 Assets	Liabilities	Net assets/ (liabilities)
Reportable segment results	2,918.9	(2,869.7)	49.2
Exclude: Segmental inter-company amounts	(726.0)	1,429.3	703.3
Corporate overhead assets and liabilities (excluding amounts due to/from reportable segments):			
Cash	29.8	–	29.8
Deferred taxation	24.3	–	24.3
Bank and other loans	–	(234.4)	(234.4)
Other	80.6	(69.1)	11.5
Published Group total	2,327.6	(1,743.9)	583.7

5. Operating profit

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

	Notes	2016 £m	2015 £m
Depreciation on property, plant and equipment	14	**181.8**	134.2
Amortisation of intangibles	13	**12.7**	11.0
Provision for bad debts	23	**10.3**	6.5
Loss/(profit) on disposal of property, plant and equipment	14	**1.0**	(0.3)
Impairment of property, plant and equipment		**–**	0.9
Rents payable in respect of operating leases			
Property		**822.3**	657.5
Contingent rents paid		**36.7**	38.4
Equipment		**3.4**	2.9
Amortisation of partner contributions		**(50.2)**	(35.6)
Amortisation of acquired lease fair value adjustments		**(3.1)**	(4.6)
Staff costs	7	**335.6**	356.4

	2016 £m	2015 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	**0.9**	0.8
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1.4**	1.0
Other services pursuant to legislation:		
Tax services	**–**	–
Other services	**0.4**	–

6. Non-recurring items

	2016 £m	2015 £m
Disposal of assets held for sale	**(2.2)**	21.3
Proceeds from litigation settlement	**2.5**	–
California class action	**(1.3)**	(3.2)
Competition & Markets Authority investigation	**–**	(2.8)
(Loss)/profit on non-recurring items	**(1.0)**	15.3

Disposal of assets held for sale

The following major classes of assets and liabilities were disposed of as part of the assets held for sale:

	2016 £m	2015 £m
Assets		
Goodwill (note 12)	**4.5**	10.3
Property, plant and equipment	**1.4**	–
Trade and other receivables	**0.5**	49.6
Assets held for sale	**6.4**	59.9
Liabilities		
Trade and other payables	**(0.9)**	(1.2)
Liabilities held for sale	**(0.9)**	(1.2)
Net assets held for sale	**5.5**	58.7
Disposal related costs	**–**	4.0
Proceeds on disposal	**3.3**	84.0
(Loss)/profit on disposal	**(2.2)**	21.3

6. Non-recurring items (continued)

During 2016, the Group disposed of specific assets and liabilities acquired as part of the Avanta Services Offices Group plc acquisition in accordance with the agreed settlement with the United Kingdom Competition & Markets Authority for a consideration of £3.3m.

During 2014, the Group completed a project to dispose of the assets and liabilities of specific non-core operations to release the related capital originally invested in these operations. The sale of these assets and liabilities, which were previously classified as assets held for sale, completed during February 2015 for a consideration of £84.0m and a non-recurring profit of £21.3m after expenses.

Proceeds from litigation settlement

A settlement agreement between former shareholders and directors of a company acquired by the Group was reached during 2016. This settlement entitled Regus plc to a share of the reparations agreed, with £2.5m received during the year.

California class action

During 2015, a class action was filed against the Group alleging a breach of labour regulations in California. While the outcome of this legal action remains uncertain, the Group has provided for an additional £1.3m in respect of any potential settlement and related legal costs.

Competition & Markets Authority investigation

The United Kingdom Competition & Markets Authority initiated an inquiry into competition in the serviced offices industry after the Group acquired Avanta Serviced Offices Group plc during 2015. This inquiry was completed in early 2016. During 2015, the Group provided for £2.8m in respect of related legal costs.

7. Staff costs

	2016 £m	2015 £m
The aggregate payroll costs (including Executive Directors) were as follows:		
Wages and salaries	**282.2**	302.5
Social security	**45.6**	46.5
Pension costs	**5.4**	5.2
Share-based payments	**2.4**	2.2
	335.6	356.4

Directors' emoluments of £0.5m (2015: £0.5m) were paid to Non-Executive Directors during the current year.

	2016 Average full time equivalents	2015 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	**6,551**	6,842
Sales and marketing staff	**425**	467
Finance staff	**768**	778
Other staff	**864**	1,203
	8,608	9,290
Americas	**2,802**	3,064
EMEA	**2,044**	2,107
Asia Pacific	**1,746**	1,832
United Kingdom	**907**	996
Corporate functions	**1,109**	1,291
	8,608	9,290

8. Net finance expense

	2016 £m	2015 £m
Interest payable and similar charges on bank loans and corporate borrowings	**(7.4)**	(9.5)
Interest payable and similar charges on finance leases	**–**	–
Total interest expense	**(7.4)**	(9.5)
Other finance costs (including foreign exchange)	**(3.3)**	(3.9)
Unwinding of discount rates	**(0.9)**	(1.6)
Total finance expense	**(11.6)**	(15.0)
Total interest income	**0.1**	0.6
Unwinding of discount rates	**–**	–
Total finance income	**0.1**	0.6
Net finance expense	**(11.5)**	(14.4)

9. Taxation

(a) Analysis of charge in the year

	2016 £m	2015 £m
Current taxation		
Corporate income tax	**(30.4)**	(18.1)
Previously unrecognised tax losses and other differences	**1.5**	(3.0)
Over/(under) provision in respect of prior years	**4.4**	(3.5)
Total current taxation	**(24.5)**	(24.6)
Deferred taxation		
Origination and reversal of temporary differences	**(12.2)**	(11.3)
Previously unrecognised tax losses and other differences	**1.4**	11.2
Over/ (under) provision in respect of prior years	**0.4**	(1.1)
Total deferred taxation	**(10.4)**	(1.2)
Tax charge on profit	**(34.9)**	(25.8)

(b) Reconciliation of taxation charge

	2016		2015	
	£m	%	£m	%
Profit before tax	**176.1**		145.7	
Tax on profit at 29.22% (2015: 29.22%)	**(51.5)**	**(29.2)**	(42.6)	(29.2)
Tax effects of:				
Expenses not deductible for tax purposes	**(30.3)**	**(17.2)**	(8.6)	(5.9)
Items not chargeable for tax purposes	**67.6**	**38.4**	40.2	27.6
Non-recurring items not chargeable for tax purposes	**–**	**–**	4.6	3.2
Recognition of previously unrecognised deferred tax assets	**2.9**	**1.6**	8.2	5.6
Movements in temporary differences in the year not recognised in deferred tax	**(85.2)**	**(48.4)**	(23.3)	(16.0)
Adjustment to tax charge in respect of previous years	**4.8**	**2.7**	(4.6)	(3.2)
Differences in tax rates on overseas earnings	**56.8**	**32.3**	0.3	0.2
	(34.9)	**(19.8)**	(25.8)	(17.7)

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.

9. Taxation (continued)

(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:

	2016 £m	2015 £m
2016	**–**	3.4
2017	**7.3**	6.3
2018	**8.2**	10.1
2019	**15.6**	18.9
2020	**57.2**	45.3
2021	**37.8**	8.8
2022	**18.8**	13.8
2023	**19.0**	12.2
2024 and later	**92.4**	41.8
	256.3	160.6
Available indefinitely	**454.2**	226.6
Tax losses available to carry forward	**710.5**	387.2
Amount of tax losses recognised in deferred tax assets	**131.2**	113.4
Total tax losses available to carry forward	**841.7**	500.6

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

	2016 £m	2015 £m
Intangibles	**22.0**	26.7
Accelerated capital allowances	**24.5**	19.4
Tax losses	**187.4**	101.2
Rent	**11.3**	9.2
Short-term temporary differences	**8.2**	8.2
	253.4	164.7

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

(d) Corporation tax

	2016 £m	2015 £m
Corporation tax payable	**(17.7)**	(14.0)
Corporation tax receivable	**34.8**	17.9

9. Taxation (continued)

(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 2015	(34.4)	11.4	31.4	36.7	(5.1)	40.0
Current year movement	(2.0)	(9.7)	(3.3)	11.4	3.5	(0.1)
Prior year movement	–	(5.6)	4.0	(0.2)	–	(1.8)
Transfers	–	(0.4)	0.8	0.4	(0.2)	0.6
Exchange movement	(3.2)	(0.1)	(0.9)	2.2	(0.3)	(2.3)
At 1 January 2016	**(39.6)**	**(4.4)**	**32.0**	**50.5**	**(2.1)**	**36.4**
Current year movement	**(4.0)**	**(14.0)**	**(3.2)**	**9.6**	**1.7**	**(9.9)**
Prior year movement	**–**	**(1.3)**	**3.9**	**–**	**(2.2)**	**0.4**
Transfers	**0.3**	**(0.1)**	**(0.3)**	**(0.2)**	**0.5**	**0.2**
Exchange movement	**(11.5)**	**(0.7)**	**1.9**	**9.9**	**2.6**	**2.2**
At 31 December 2016	**(54.8)**	**(20.5)**	**34.3**	**69.8**	**0.5**	**29.3**
Deferred tax liability						
At 1 January 2015	(0.2)	(1.1)	0.3	0.3	(1.5)	(2.2)
Current year movement	–	(1.0)	1.1	0.2	(0.3)	–
Prior year movement	–	1.6	–	–	(0.9)	0.7
Transfers	–	0.4	(0.8)	(0.4)	0.2	(0.6)
Exchange movement	0.2	(1.4)	0.1	(0.1)	1.7	0.5
At 1 January 2016	**–**	**(1.5)**	**0.7**	**–**	**(0.8)**	**(1.6)**
Current year movement	**(0.1)**	**(1.9)**	**1.3**	**(0.4)**	**0.2**	**(0.9)**
Prior year movement	**–**	**0.1**	**(0.1)**	**–**	**–**	**–**
Transfers	**(0.3)**	**0.2**	**0.2**	**0.2**	**(0.5)**	**(0.2)**
Exchange movement	**–**	**(0.1)**	**0.3**	**–**	**0.1**	**0.3**
At 31 December 2016	**(0.4)**	**(3.2)**	**2.4**	**(0.2)**	**(1.0)**	**(2.4)**

The movements 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. 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 £94.1m (2015: £189.9m). The only tax that would arise on these reserves would be non-creditable withholding tax.

10. Earnings per ordinary share (basic and diluted)

	2016	2015
Profit attributable to equity shareholders of the parent (£m)	**141.2**	119.9
Weighted average number of shares outstanding during the year	**929,860,354**	933,457,741
Average market price of one share during the year	**283.67p**	270.09p
Weighted average number of shares under option during the year	**-**	33,758,590
Exercise price for shares under option during the year	**-**	130.10p

	Profit		Earnings per share	
	2016 £m	2015 £m	**2016 pence**	2015 pence
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	**141.2**	119.9	**15.2**	12.8
Diluted earnings per share			**15.2**	12.6
Basic and diluted profit for the year attributable to shareholders and basic earnings per share (before non-recurring items)	**142.2**	104.5	**15.3**	11.2
Diluted earnings per share (before non-recurring items)			**15.3**	11.0
Weighted average number of shares for basic EPS (number)			**929,860,354**	933,457,741
Weighted average number of shares under option during the year			**-**	33,758,590
Weighted average number of shares that would have been issued at average market price			**-**	(18,516,654)
Weighted average number of awards under the CIP and LTIP			**-**	4,978,357
Weighted average number of shares for diluted EPS (number)			**929,860,354**	953,678,034

Following the Scheme of Arrangement undertaken on 19 December 2016 all options held in the Company were transferred out of the Company. As a result there were no outstanding share options held at 31 December 2016.

11. Dividends

	2016	2015
Dividends per ordinary share proposed	**-**	3.10p
Interim dividends per ordinary share declared and paid during the year	**1.55p**	1.40p

Dividends of £43.3m were paid during the year (2015: £38.8m). The Directors do not propose to declare a final dividend (2015: 3.10p) for 2016.

12. Goodwill

	£m
Cost	
At 1 January 2015	497.2
Recognised on acquisition of subsidiaries	110.6
Exchange differences	4.4
At 31 December 2015	612.2
Recognised on acquisition of subsidiaries[1]	**6.8**
Disposals	**(1.3)**
Transferred to assets held for sale (note 6)	**(4.5)**
Exchange differences	**72.1**
At 31 December 2016	**685.3**
Net book value	
At 31 December 2015	612.2
At 31 December 2016	**685.3**

1. Net of £3.2m derecognised on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis

12. Goodwill (continued)

Cash-generating units (CGUs), defined as individual business centres, are grouped by country of operation for the purposes of carrying out impairment reviews of goodwill as this is the lowest level at which it 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 the CGUs within that country.

The goodwill attributable to the reportable business segments is as follows:

Carrying amount of goodwill included within the:	2016 £m	2015 £m
Americas business segment	311.1	260.2
EMEA business segment	119.4	100.4
Asia Pacific business segment	35.4	29.9
UK business segment	219.4	221.7
	685.3	612.2

The carrying value of goodwill and indefinite life intangibles allocated to two countries, the USA and the UK, is material relative to the total carrying value, comprising 74% of the total. The remaining 26% of the carrying value is allocated to a further 40 countries. The goodwill and indefinite life intangibles allocated to the USA and the UK are set out below:

	Goodwill £m	Intangible assets £m	2016 £m	2015 £m
USA	286.3	–	**286.3**	240.0
UK	219.4	11.2	**230.6**	232.9
Other countries	179.6	–	**179.6**	150.5
	685.3	11.2	**696.5**	623.4

The indefinite life intangible asset relates to the brand value arising from the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006 (see note 13).

The value in use for each country has been determined using a model which derives the individual value in use for each country 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 believes 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 country:

- Future cash flows are based on forecasts prepared by management. 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 2017 that reflect an average annual growth rate of 3% (2016: 3%);
- These forecasts exclude the impact of 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 2019 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 countries 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; and
- The Group applies a country specific pre-tax discount rate to the pre-tax cash flows for each country. 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 country to reflect the assessed market risk specific to that country. The Group pre-tax WACC decreased from 12.7% in 2015 to 11.3% in 2016 (post-tax WACC: 9.0%). The country specific pre-tax WACC reflecting the respective market risk adjustment has been set between 10.7% and 14.2% (2015: 12.1% to 17.3%).

The amounts by which the values in use exceed the carrying amounts of goodwill 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 countries. Foreseeable events are unlikely to result in a change in the projections of such a significant nature as to result in the goodwill 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 US model assumes an average centre contribution of 20% over the next five years. Revenue grows at 2.5% and costs grow at 1.5% per annum from 2017. A terminal value centre gross margin of 21% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 14% (2015: 16%).

12. Goodwill (continued)

The UK model assumes an average centre contribution of 21% over the next five years. Revenue and costs grow at 3% per annum from 2017. A terminal value centre gross margin of 21% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 11% (2015: 13%).

Management has considered the following sensitivities:

Market growth and WIPOW – Management has considered the impact of a variance in market growth and WIPOW. The value in use calculation shows that if the long-term growth rate was reduced to nil, the recoverable amount of the US and UK 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 to be less than its carrying value, the pre-tax discount rate would have to be increased to 24% (2015: 30%) for the US and 38% (2015: 36%) for the UK.

13. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2015	54.1	24.9	51.2	130.2
Additions at cost	–	–	8.7	8.7
Acquisition of subsidiaries	–	4.1	–	4.1
Exchange rate movements	2.2	(0.2)	(1.2)	0.8
At 31 December 2015	56.3	28.8	58.7	143.8
Additions at cost	**0.2**	**–**	**5.3**	**5.5**
Acquisition of subsidiaries[1]	**–**	**1.1**	**–**	**1.1**
Disposals	**–**	**(0.1)**	**(0.3)**	**(0.4)**
Exchange rate movements	**8.8**	**2.8**	**2.9**	**14.5**
At 31 December 2016	**65.3**	**32.6**	**66.6**	**164.5**
Amortisation				
At 1 January 2015	22.3	23.2	32.0	77.5
Charge for year	2.2	2.9	5.9	11.0
Exchange rate movements	1.1	0.4	–	1.5
At 31 December 2015	25.6	26.5	37.9	90.0
Charge for year	**2.5**	**2.4**	**7.8**	**12.7**
Disposals	**–**	**(0.1)**	**–**	**(0.1)**
Exchange rate movements	**5.2**	**2.6**	**1.3**	**9.1**
At 31 December 2016	**33.3**	**31.4**	**47.0**	**111.7**
Net book value				
At 1 January 2015	31.8	1.7	19.2	52.7
At 31 December 2015	30.7	2.3	20.8	53.8
At 31 December 2016	**32.0**	**1.2**	**19.6**	**52.8**

1. Includes £1.0m on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis

Included within the brand value is £11.2m relating to the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006. The Regus brand acquired in this transaction is assumed to have an indefinite useful life due to the fact that the value of the brand is intrinsically linked to the continuing operation of the Group.

As a result of the Regus brand acquired with the UK business having an indefinite useful life, no amortisation is charged but the carrying value is assessed for impairment on an annual basis. The brand was tested at the balance sheet date against the recoverable amount of the UK business segment at the same time as the goodwill arising on the acquisition of the UK business (see note 12).

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

14. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
Cost					
At 1 January 2015	2.6	904.0	430.9	75.8	1,413.3
Additions	11.4	220.0	61.6	18.5	311.5
Acquisition of subsidiaries	–	18.1	3.3	2.0	23.4
Disposals	(2.6)	(9.6)	(2.0)	(0.2)	(14.4)
Exchange rate movements	–	3.5	3.3	(1.2)	5.6
At 1 January 2016	11.4	1,136.0	497.1	94.9	1,739.4
Additions	26.3	215.7	57.9	13.9	313.8
Acquisition of subsidiaries[1]	–	2.6	0.6	0.7	3.9
Disposals	(11.4)	(20.0)	(10.7)	(2.9)	(45.0)
Exchange rate movements	–	198.9	83.3	16.1	298.3
At 31 December 2016	**26.3**	**1,533.2**	**628.2**	**122.7**	**2,310.4**
Accumulated depreciation					
At 1 January 2015	0.2	389.8	253.7	50.8	694.5
Charge for the year	–	85.1	37.4	11.7	134.2
Impairment	–	0.9	–	–	0.9
Disposals	(0.2)	(3.9)	(1.1)	–	(5.2)
Exchange rate movements	–	(2.0)	0.6	(0.6)	(2.0)
At 1 January 2016	–	469.9	290.6	61.9	822.4
Charge for the year	0.4	116.4	49.4	15.6	181.8
Disposals	–	(14.9)	(8.9)	(3.0)	(26.8)
Exchange rate movements	–	81.0	47.8	9.8	138.6
At 31 December 2016	**0.4**	**652.4**	**378.9**	**84.3**	**1,116.0**
Net book value					
At 1 January 2015	2.4	514.2	177.2	25.0	718.8
At 31 December 2015	11.4	666.1	206.5	33.0	917.0
At 31 December 2016	**25.9**	**880.8**	**249.3**	**38.4**	**1,194.4**

1. Includes £1.5m on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis

Additions include £nil in respect of assets acquired under finance leases (2015: £nil).

15. Other long-term receivables

	2016 £m	2015 £m
Deposits held by landlords against rent obligations	**78.2**	53.5
Acquired lease fair value asset	**5.3**	5.5
Other long-term receivables	**2.8**	4.0
	86.3	63.0

16. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**202.6**	206.2
Other receivables	**83.6**	107.5
Acquired lease fair value asset	**1.7**	2.5
Deposits held by landlords against rent obligations	**7.6**	15.8
Prepayments and accrued income	**171.8**	158.5
VAT recoverable	**49.5**	67.3
	516.8	557.8

17. Trade and other payables (including customer deposits)

	2016 £m	2015 £m
Trade payables	**59.6**	94.2
VAT payable	**53.1**	60.8
Other tax and social security	**9.0**	10.4
Customer deposits	**421.0**	331.6
Deferred partner contributions	**68.5**	48.3
Rent accruals	**137.4**	112.2
Acquired lease fair value liability	**3.2**	3.7
Other accruals	**108.8**	133.0
Other payables	**11.6**	22.3
Total current	**872.2**	816.5

	2016 £m	2015 £m
Deferred partner contributions	**265.4**	199.5
Rent accruals	**250.9**	169.6
Acquired lease fair value liability	**8.3**	11.0
Other payables	**15.7**	3.7
Total non-current	**540.3**	383.8

18. Borrowings

The Group's total loan and borrowing position at 31 December 2016 and at 31 December 2015 had the following maturity profiles:

Bank and other loans

	2016 £m	2015 £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	**6.9**	124.1
In more than two years but not more than five years	**186.7**	88.0
In more than five years	**–**	33.2
Total non-current	**193.6**	245.3
Total current	**7.8**	9.2
Total bank and other loans	**201.4**	254.5

19. Provisions

	2016			2015		
	Onerous leases and closures £m	Other £m	Total £m	Onerous leases and closures £m	Other £m	Total £m
At 1 January	**7.7**	**5.2**	**12.9**	4.0	2.9	6.9
Acquired in the period	**–**	**–**	**–**	3.0	0.1	3.1
Provided in the period	**2.3**	**3.0**	**5.3**	3.9	2.9	6.8
Utilised in the period	**(1.4)**	**(1.6)**	**(3.0)**	–	–	–
Provisions released	**(5.1)**	**(0.4)**	**(5.5)**	(3.2)	(0.8)	(4.0)
Exchange differences	**–**	**(0.3)**	**(0.3)**	–	0.1	0.1
At 31 December	**3.5**	**5.9**	**9.4**	7.7	5.2	12.9
Analysed between:						
Current	**0.3**	**5.7**	**6.0**	0.4	4.9	5.3
Non-current	**3.2**	**0.2**	**3.4**	7.3	0.3	7.6
At 31 December	**3.5**	**5.9**	**9.4**	7.7	5.2	12.9

Onerous leases and closures

Provisions for onerous leases and closure 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 2025.

Other

Other provisions include the estimated costs of claims against the Group outstanding at the year end, of which, due to their nature, the maximum period over which they are expected to be utilised is uncertain.

20. Investments in joint ventures

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2015	0.7	(0.7)	–
Additions	1.9	–	1.9
Share of profit	3.2	(2.9)	0.3
Other	–	(0.5)	(0.5)
Exchange rate movements	(0.2)	–	(0.2)
At 31 December 2015	5.6	(4.1)	1.5
Additions	**6.8**	**–**	**6.8**
Dividends received	**(0.9)**	**–**	**(0.9)**
Share of loss	**(1.5)**	**0.7**	**(0.8)**
Disposal of investment	**3.0**	**–**	**3.0**
Exchange rate movements	**0.6**	**–**	**0.6**
At 31 December 2016	**13.6**	**(3.4)**	**10.2**

The Group has 41 joint ventures at the reporting date, all of which are individually immaterial. The Group has a legal obligation in respect of its share of any deficits recognised by these operations.

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

	2016 £m	2015 £m
Income statement		
Revenue	**23.5**	27.6
Expenses	**(22.5)**	(24.9)
Profit before tax for the year	**1.0**	2.7
Tax charge	**(0.7)**	(0.5)
Profit after tax for the year	**0.3**	2.2
Net assets/(liabilities)		
Non-current assets	**12.2**	8.4
Current assets	**28.0**	27.1
Current liabilities	**(30.3)**	(32.6)
Non-current liabilities	**(2.1)**	(9.7)
Net assets	**7.8**	(6.8)

21. Share capital

Ordinary equity share capital

	2016		2015	
	Number	Nominal value £m	Number	Nominal value £m
Authorised				
Ordinary 1p shares in Regus plc at 1 January and 31 December	**8,000,000,000**	**80.0**	8,000,000,000	80.0
Issued and fully paid up				
Ordinary 1p shares in Regus plc at 1 January	**950,969,822**	**9.5**	950,969,822	9.5
Cancellation of 1p shares in Regus plc held in treasury	**(27,612,384)**	**(0.3)**	–	–
Ordinary 1p shares in Regus plc at 31 December 2016	**923,357,438**	**9.2**	–	–

On 19 December 2016, under a Scheme of Arrangement between Regus plc and its shareholders, under Article 125 of the Companies (Jersey) Law 1991, and as sanctioned by The Royal Court of Jersey, all the issued shares in Regus plc were cancelled and an equivalent number of new shares in Regus plc were issued to IWG plc in consideration for the allotment to shareholders of one ordinary share in IWG plc for each ordinary share in Regus plc that they held on the record date, 18 December 2016. As a result, the shareholders of Regus plc became the shareholders of IWG plc, with IWG plc becoming the ultimate parent company of Regus plc.

Treasury share transactions involving Regus plc shares

During the year, prior to the Scheme of Arrangement on 19 December 2016, 11,834,627 (2015: 9,543,800) shares were purchased in the open market and 4,712,856 (2015: 1,936,642) treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. Subsequent to the Scheme of Arrangement, all treasury shares held by the Group have been cancelled. There are no treasury shares as at 31 December 2016.

	2016		2015	
	Number of shares	£m	Number of shares	£m
1 January	**20,490,613**	**42.9**	12,883,455	19.9
Purchase of treasury shares in Regus plc	**11,834,627**	**31.1**	9,543,800	24.5
Treasury shares in Regus plc utilised	**(4,712,856)**	**(8.3)**	(1,936,642)	(1.5)
Cancellation of treasury shares in Regus plc	**(27,612,384)**	**(65.7)**	–	–
31 December	**–**	**–**	20,490,613	42.9

In addition to the treasury share transactions, the Group purchased 467,291 (2015: 4,451,486) shares on the open market at a cost of £1.3m (2015: £11.9m) to directly settle the exercise of share awards by employees.

22. Analysis of financial assets/(liabilities)

	At 1 Jan 2016 £m	Cash flow £m	Exchange movements £m	At 31 Dec 2016 £m
Cash and cash equivalents	63.9	(28.3)	14.5	**50.1**
Gross cash	63.9	(28.3)	14.5	**50.1**
Debt due within one year	(9.2)	2.1	(0.7)	**(7.8)**
Debt due after one year	(245.3)	68.1	(16.4)	**(193.6)**
	(254.5)	70.2	(17.1)	**(201.4)**
Net financial assets/(liabilities)	(190.6)	41.9	(2.6)	**(151.3)**

Cash and cash equivalent balances held by the Group that are not available for use amounted to £11.3m at 31 December 2016 (2015: £16.0m). Of this balance, £9.6m (2015: £12.5m) is pledged as security against outstanding bank guarantees and a further £1.7m (2015: £3.5m) is pledged against various other commitments of the Group.

23. Financial instruments and financial risk management

The objectives, policies and strategies applied by the Group with respect to financial instruments and the management of capital are determined at the ultimate Group level. The ultimate 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.

Exposure to credit, interest rate and currency risks arise in the normal course of business.

Going concern

The Strategic Report on pages 1 to 28 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 20 to 22 within the Strategic Report reviews the trading performance, financial position, and cash flows of the Group. During the year ended 31 December 2016, despite the Group making a significant investment in growth, the Group's net debt position decreased by £39.3m to a net debt position of £151.3m as at 31 December 2016. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres and debt. The Group has a £550.0m revolving credit facility provided by a group of relationship banks with a final maturity extended until 2021, with a further option to extend to 2023. As at 31 December 2016, £299.4m was available and undrawn.

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, requirement for customer deposits, and payments in advance on workstation contracts minimise the Group's exposure to customer credit risk. No single customer contributes a material percentage of the Group's revenue. The Group's policy is to provide against trade receivables when specific debts are judged to be irrecoverable or where formal recovery procedures have commenced. A provision is created where debts are more than three months overdue, which reflects the Group's historical experience of the likelihood of recoverability of these trade receivables. These provisions are reviewed on an ongoing basis to assess changes in the likelihood of recoverability.

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

	2016 £m	2015 £m
Americas	**37.8**	41.2
EMEA	**71.1**	68.9
Asia Pacific	**41.8**	33.7
UK	**51.9**	62.4
	202.6	206.2

All of the Group's trade receivables relate to customers purchasing workplace solutions and associated services and no individual customer has a material balance owing as a trade receivable.

23. Financial instruments and financial risk management (continued)

The ageing of trade receivables at 31 December was:

	Gross 2016 £m	Provision 2016 £m	Gross 2015 £m	Provision 2015 £m
Not overdue	**130.2**	**–**	158.4	–
Past due 0 – 30 days	**43.9**	**(0.1)**	31.2	–
Past due 31 – 60 days	**12.0**	**–**	7.4	–
More than 60 days	**35.6**	**(19.0)**	20.8	(11.6)
	221.7	**(19.1)**	217.8	(11.6)

At 31 December 2016, the Group maintained a provision of £19.1m against potential bad debts (2015: £11.6m) arising from trade receivables. The Group had provided £10.3m (2015: £6.5m) in the year and utilised £4.5m (2015: £3.2m). Customer deposits of £421.0m (2015: £331.6m) 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 £38.8m (2015: £47.9m). In addition to cash and liquid investments, the Group had £299.4m available and undrawn under its committed borrowings. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

The Group maintains a revolving credit facility provided by a group of international banks. During the year, the amount of the facility was increased from £320.0m to £550.0m and the maturity extended until 2021, with a further option to extend to 2023. Following the extension of the credit facility, the "Schuldschein" EUR 210.0m (£162.7m) debt securities issued in 2014 and the associated hedging were repaid in full. As at 31 December 2016, £299.4m was available and undrawn under this revolving credit facility.

The debt provided under the bank facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £70m and $30m were swapped into a fixed rate liability for a three-year period with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin).

Although the Group has net current liabilities of £578.4m (2015: £446.1m), 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 £421.0m (2015: £331.6m) 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 £302.0m at 31 December 2016 (2015: £205.4m).

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. The surplus cash balances are invested short-term, and at the end of 2016 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 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.

23. Financial instruments and financial risk management (continued)

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:

	2016			
£m	GBP	JPY	EUR	USD
Trade and other receivables	**–**	**–**	**15.1**	**19.1**
Trade and other payables	**(0.5)**	**(0.1)**	**(26.5)**	**(18.7)**
Net statement of financial position exposure	**(0.5)**	**(0.1)**	**(11.4)**	**0.4**

	2015			
£m	GBP	JPY	EUR	USD
Trade and other receivables	–	–	9.1	16.4
Trade and other payables	(1.4)	(1.2)	(21.9)	(19.4)
Net statement of financial position exposure	(1.4)	(1.2)	(12.8)	(3.0)

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 ended 31 December 2016, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £1.9m (2015: decrease of £1.7m) with a corresponding decrease in total equity.

It is estimated that a five percentage point weakening in the value of the US dollar against sterling would have decreased the Group's profit before tax by approximately £8.8m for the year ended 31 December 2016 (2015: decrease of £6.0m). It is estimated that a five percentage point weakening in the value of the euro against sterling would have decreased the Group's profit before tax by approximately £2.7m for the year ended 31 December 2016 (2015: decrease of £1.8m).

It is estimated that a five percentage point weakening in the value of the US dollar against sterling would have decreased the Group's total equity by approximately £11.3m for the year ended 31 December 2016 (2015: £10.7m). It is estimated that a five percentage point weakening in the value of the euro against sterling would have decreased the Group's total equity by approximately £0.4m for the year ended 31 December 2016 (2015: £5.9m).

Capital management

The Group's ultimate parent company, IWG plc, 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 ultimate Group's major shareholders and further details of the Group's communication with key investors can be found in the Corporate Governance Report of IWG plc's Annual Report and Amounts.

During the year, prior to the Scheme of Arrangement on 19 December 2016, 11,834,627 (2015: 9,543,800) shares were purchased in the open market and 4,712,856 (2015: 1,936,642) treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. Subsequent to the Scheme of Arrangement, all treasury shares held by the Group have been cancelled. There are no treasury shares as at 31 December 2016.

23. Financial instruments and financial risk management (continued)

The Company declared an interim dividend of 1.55p per share (2015: 1.40p) during the year ended 31 December 2016. The Directors do not propose to declare a final dividend for 2016 (2015: 3.10p).

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 net debt position of £151.3m at the end of 2016 (2015: £190.6m) and £299.4m (2015: £205.1m) of committed undrawn borrowings.

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 2016

	Effective interest rate %[1]	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	**0.0%**	**50.1**	**50.1**	**50.1**	**–**	**–**	**–**
Trade and other receivables	**–**	**420.9**	**440.0**	**359.5**	**39.1**	**41.4**	**–**
Financial assets[2]		**471.0**	**490.1**	**409.6**	**39.1**	**41.4**	**–**
Non-derivative financial liabilities[1]:							
Bank loans and corporate borrowings	**2.9%**	**(193.6)**	**(193.6)**	**–**	**(6.9)**	**(186.7)**	**–**
Other loans	**4.6%**	**(7.8)**	**(7.8)**	**(7.8)**	**–**	**–**	**–**
Customer deposits	**–**	**(421.0)**	**(421.0)**	**(421.0)**	**–**	**–**	**–**
Trade and other payables	**–**	**(144.1)**	**(144.1)**	**(135.7)**	**(8.4)**	**–**	**–**
Derivative financial liabilities:							
Cross-currency interest rate swaps							
• Outflow	**–**	**–**	**–**	**–**	**–**	**–**	**–**
• Inflow	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest rate swaps							
• Outflow	**–**	**(0.3)**	**(0.3)**	**–**	**–**	**(0.3)**	**–**
• Inflow	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities		**(766.8)**	**(766.8)**	**(564.5)**	**(15.3)**	**(187.0)**	**–**

1. All financial instruments are classified as variable rate instruments.
2. Financial assets are all held at amortised cost.

23. Financial instruments and financial risk management (continued)

As at 31 December 2015

	Effective interest rate %(1)	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%	63.9	63.9	63.9	–	–	–
Trade and other receivables	–	454.0	465.6	408.4	26.7	30.5	–
Financial assets(2)		517.9	529.5	472.3	26.7	30.5	–
Non-derivative financial liabilities(1):							
Bank loans and corporate borrowings	4.0%	(245.3)	(245.3)	–	(124.1)	(88.0)	(33.2)
Other loans	12.4%	(9.2)	(9.2)	(9.2)	–	–	–
Customer deposits	–	(331.6)	(331.6)	(331.6)	–	–	–
Trade and other payables	–	(191.5)	(191.5)	(187.8)	(3.7)	–	–
Derivative financial liabilities:							
Cross-currency interest rate swaps							
• Outflow	–	(14.2)	(135.3)	–	(135.3)	–	–
• Inflow	–	–	121.1	–	121.1	–	–
Interest rate swaps							
• Outflow	–	(0.8)	(0.8)	–	–	(0.8)	–
• Inflow	–	–	–	–	–	–	–
Financial liabilities		(792.6)	(792.6)	(528.6)	(142.0)	(88.8)	(33.2)

1. All financial instruments are classified as variable rate instruments
2. 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 2016	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	**50.1**	**–**	**–**	**50.1**	**–**	**–**	**–**	**–**
Trade and other receivables	**420.9**	**–**	**–**	**420.9**	**–**	**–**	**–**	**–**
Bank loans and corporate borrowings	**–**	**(193.6)**	**–**	**(193.6)**	**–**	**–**	**–**	**–**
Other loans		**(7.8)**	**–**	**(7.8)**	**–**	**–**	**–**	**–**
Customer deposits	**–**	**(421.0)**	**–**	**(421.0)**	**–**	**–**	**–**	**–**
Trade and other payables	**–**	**(144.1)**	**–**	**(144.1)**	**–**	**–**	**–**	**–**
Derivative financial liabilities	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**	**–**	**(0.3)**
	471.0	**(766.5)**	**(0.3)**	**(295.8)**	**–**	**(0.3)**	**–**	**(0.3)**
Unrecognised gain								**–**

31 December 2015	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	63.9	–	–	63.9	–	–	–	–
Trade and other receivables	454.0	–	–	454.0	–	–	–	–
Bank loans and corporate borrowings	–	(245.3)	–	(245.3)	–	–	–	–
Other loans		(9.2)	–	(9.2)	–	–	–	–
Customer deposits	–	(331.6)	–	(331.6)	–	–	–	–
Trade and other payables	–	(191.5)	–	(191.5)	–	–	–	–
Derivative financial liabilities	–	–	(15.0)	(15.0)	–	(15.0)	–	(15.0)
	517.9	(777.6)	(15.0)	(274.7)	–	(15.0)	–	(15.0)
Unrecognised gain								–

23. Financial instruments and financial risk management (continued)

During the years ended 31 December 2015 and 31 December 2016, there were no transfers between levels for fair value measured instruments, 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.

The following tables show the valuation techniques used in measuring level 2 fair values and methods used for financial assets and liabilities not measured at fair value:

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.
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 a combination of broker quotes, forward pricing and swap models.

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 the reporting date:

	2016 EUR m	2015 EUR m
Derivatives used for cash flow hedging	–	210.0

	2016 GBP m	2015 GBP m
Derivatives used for cash flow hedging	70.0	–

	2016 USD m	2015 USD m
Derivatives used for cash flow hedging	30.0	–

Committed borrowings

	2016 Facility £m	2016 Available £m	2015 Facility £m	2015 Available £m
Schuldschein loan note	–	–	154.2	–
Revolving credit facility	550.0	299.4	320.0	205.1
Guarantee and letter of credit facility	–	–	75.0	4.6
Total	550.0	299.4	549.2	209.7

The Group maintains a revolving credit facility provided by a group of international banks. During the year, the amount of the facility was increased from £320.0m to £550.0m and the maturity extended until 2021, with a further option to extend to 2023. Following the extension of the credit facility, the "Schuldschein" EUR 210.0m (£162.7m) debt securities issued in 2014 and the associated hedging were repaid in full. As at 31 December, £299.4m was available and undrawn under this facility.

The debt provided under the credit facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £70m and $30m were swapped into a fixed rate liability for a three-year period with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin).

The £550.0m revolving credit facility is subject to financial covenants relating to net debt to EBITDA, and EBITDA plus rent to interest plus rent. The Group is in compliance with all covenant requirements.

24. Share-based payments

There were three share-based payment plans which operated during the current year. These plans were cancelled as part of the Scheme of Arrangement on 19 December 2016. IWG plc granted new options and awards over IWG plc ordinary shares of equivalent value, under the same terms and with the same performance conditions as the plans cancelled by the Group. Details of these plans 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. 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

	2016		2015	
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**29,494,624**	**155.35**	36,096,491	144.20
Granted during the year	**1,848,431**	**301.59**	1,906,565	250.80
Lapsed during the year	**(2,743,769)**	**185.36**	(4,062,226)	205.94
Exercised during the year	**(3,741,566)**	**100.36**	(4,446,206)	95.12
Cancelled during the year	**(24,857,720)**	**164.85**	–	–
Outstanding at 31 December	**–**	**–**	29,494,624	155.35
Exercisable at 31 December	**–**	**–**	2,853,016	100.00

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	Cancelled	At 31 Dec 2016	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,463,777)	(410,255)	(111,968)	–	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(546,198)	(50,413)	(21,350)	–	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(9,856)	(4,062)	–	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(481,866)	(963,732)	–	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,900,647)	(3,341,911)	(1,624,981)	–	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
13/06/2012	11,189,000	84.95	(3,765,180)	(3,081,614)	(4,342,206)	–	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(3,306,265)	(520,594)	(3,914,141)	–	12/06/2016	12/06/2023
18/11/2013	600,000	191.90	(575,000)	–	(25,000)	–	18/11/2016	17/11/2023
18/12/2013	1,000,000	195.00	–	–	(1,000,000)	–	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,578,400)	–	(267,100)	–	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(2,361,047)	–	(10,514,749)	–	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,686,565)	–	(220,000)	–	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	–	–	(1,154,646)	–	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	–	–	(444,196)	–	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	–	–	(249,589)	–	28/09/2019	28/09/2026
Total	57,338,438	142.14	(23,376,876)	(9,103,842)	(24,857,720)	–		

Nil options awarded during the year under the Regus Share Option Plan (France) are included in the above table (2015: Nil), nil lapsed during the year (2015: 33,603) and nil were exercised during the year (2015: 13,861).

24. Share-based payments (continued)

Performance conditions for share options

March, June and September 2010 share option plan

The Group and regional performance targets for the options awarded in March, June and September 2010, based on a combination of EPS and 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 for the year ending 2010, were partially met. Those options that are eligible to vest have vested as follows:

	Proportion to vest
2013	1/3
2014	1/3
2015	1/3

April 2011 share option plan

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

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

August 2011 share option plan

The options awarded in August 2011 were conditional on the ongoing employment of the related employee for a specified period of time. Once this condition is satisfied, those options that are eligible to vest have vested as follows:

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

September 2011 share option plan

The performance targets for the options awarded in September 2011, based on the pre-growth operating profit for the year ending 31 December 2012, were partially met. Those options that are eligible to vest have vested 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 for the options awarded in June 2012, based on pre-growth profit for the year ending 31 December 2012, were partially met. 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

24. Share-based payments (continued)

June 2013 share option plan

The Group performance targets for the options awarded in June 2013, based on Group operating profit for the year ending 31 December 2013, were partially met. 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 share option plan

The options awarded in November 2013 are partly 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. Those options not subject to the performance targets are eligible to be exercised in three equal tranches from the third anniversary of the grant date.

December 2013 share option plan

The options awarded in December 2013 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. Those options not subject to the performance targets are eligible to be exercised in three equal tranches from the third anniversary of the grant date.

May 2014 share option plan

The options awarded in May 2014 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
May 2017	1/3
May 2018	1/3
May 2019	1/3

November 2014 share option plan

The options awarded in November 2014 are conditional on the ongoing employment of the related employees and the achievement of margin targets. The dates and percentage of options vesting are dependent on the year in which the margin targets are achieved, the earliest dates on which the options are eligible to vest is as follows:

	Proportion to vest
November 2017	1/5
November 2018	1/5
November 2019	1/5
November 2020	1/5
November 2021	1/5

24. Share-based payments (continued)

May 2015 share option plan

The options awarded in May 2015 are conditional on the ongoing employment of the related employees and the achievement of margin targets. The dates and percentage of options vesting are dependent on the year in which the margin targets are achieved, the earliest dates on which the options are eligible to vest is as follows:

	Proportion to vest
May 2018	1/5
May 2019	1/5
May 2020	1/5
May 2021	1/5
May 2022	1/5

December 2015 share option plan

The options awarded in December 2015 are subject to Group performance targets based on Group operating profit for the year ending 31 December 2016. Once performance conditions are satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
December 2018	1/5
December 2019	1/5
December 2020	1/5
December 2021	1/5
December 2022	1/5

June 2016 share option plan

The options awarded in June 2016 are subject to Group performance targets based on Group operating profit for the year ending 31 December 2016. Once performance conditions are satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
June 2019	1/5
June 2020	1/5
June 2021	1/5
June 2022	1/5
June 2023	1/5

September 2016 share option plan

The options awarded in September 2016 are conditional on the ongoing employment of the related employee 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
September 2019	1/5
September 2020	1/5
September 2021	1/5
September 2022	1/5
September 2023	1/5

24. Share-based payments (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:

	September 2016	June 2016	December 2015	May 2015	November 2014	May 2014	December 2013
Share price on grant date	**258.00p**	272.50p	322.20p	250.80p	188.40p	191.00p	195.00p
Exercise price	**258.00p**	272.50p	322.20p	250.80p	186.00p	187.20p	195.00p
Expected volatility	**27.45% – 32.35%**	27.71% – 34.81%	24.80% – 37.08%	27.23% – 30.12%	24.67% – 33.53%	27.30%– 41.91%	32.91%
Number of simulations	**–**	–	–	–	–	–	–
Number of companies	**–**	–	–	–	–	–	–
Option life	**3–7 years**	3–7 years	3–7 years	3–7 years	3–7 years	3–5 years	5–8 years
Expected dividend	**1.80%**	1.71%	1.40%	1.59%	2.02%	2.00%	1.46%
Fair value of option at time of grant	**40.96p – 67.89p**	44.28p – 78.68p	29.76p – 90.61p	42.35p – 69.12p	27.24p – 54.58p	30.80p– 59.63p	52.41p – 65.95p
Risk-free interest rate	**0.09% – 0.38%**	0.14% – 0.39%	0.14% – 0.21%	0.81% – 1.53%	0.90% – 1.81%	0.99%– 1.47%	1.57%– 2.30p

	November 2013	June 2013	June 2012	September 2011	August 2011	June 2011
Share price on grant date	191.90p	158.00p	88.55p	72.50p	75.90p	110.70p
Exercise price	191.90p	155.60p	84.95p	74.35p	67.00p	109.50p
Expected volatility	32.69%	40.31%– 48.98%	47.87%– 52.74%	52.59%– 46.08%	52.61%– 46.13%	51.55%– 44.99%
Number of simulations	–	30,000	30,000	30,000	30,000	30,000
Number of companies	–	–	–	–	–	–
Option life	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years
Expected dividend	1.46%	2.03%	3.27%	3.66%	3.49%	2.35%
Fair value of option at time of grant	45.73p	39.21p– 58.39p	29.88p– 31.12p	22.89p– 22.71p	27.32p– 27.01p	39.41p– 40.96p
Risk-free interest rate	1.22%	0.67%– 1.20%	0.65%– 1.11%	1.16%– 1.75%	1.29%– 1.91%	1.81%– 2.57%

	April 2011	September 2010		June 2010		March 2010	
		EPS	TSR	EPS	TSR	EPS	TSR
Share price on grant date	116.30p	70.60p	70.60p	73.20p	73.20p	94.00p	94.00p
Exercise price	114.90p	69.10p	69.10p	75.00p	75.00p	100.50p	100.50p
Expected volatility	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
Number of companies	–	FTSE All Share Index	FTSE All Share Index	FTSE All Share Index	FTSE All Share Index	FTSE All Share Index	FTSE All Share Index
Option life	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years
Expected dividend	2.24%	3.40%	3.40%	3.28%	3.28%	2.55%	2.55%
Fair value of option at time of grant	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	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%

24. Share-based payments (continued)

Plan 2: Regus plc Co-Investment Plan (CIP) and Performance Share Plan (PSP)

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 PSP provides for the Remuneration Committee to make stand-alone awards, based on normal plan limits, up to a maximum of 250% of base salary.

Reconciliation of outstanding share awards

	2016 Number of awards	2015 Number of awards
At 1 January	**3,673,686**	5,760,289
CIP awards granted during the year	**–**	1,039,760
PSP awards granted during the year	**1,038,179**	–
Lapsed during the year	**(9,129)**	(1,251,818)
Exercised during the year	**(1,410,080)**	(1,874,545)
Cancelled during the year	**(3,292,656)**	–
Outstanding at 31 December	**–**	3,673,686
Exercisable at 31 December	**–**	–

The weighted average share price at the date of exercise for share awards and options exercised during the year ended 31 December 2016 was 302.63p (2015: 244.98p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	Cancelled	At 31 Dec 2016	Release date
PSP	03/03/2016	1,038,179	–	–	(1,038,179)	**–**	03/03/2021

Plan	Date of grant	Numbers granted	Lapsed	Exercised	Cancelled	At 31 Dec 2016	Release date
CIP: Matching shares	18/03/2008	5,922,916	(3,748,117)	(1,954,010)	**(220,789)**	**–**	See below(1)
CIP: Matching shares	23/03/2009	8,614,284	(5,440,175)	(2,820,200)	**(353,909)**	**–**	See below(1)
CIP: Investment shares	06/03/2013	304,294	–	(304,294)	**–**	**–**	06/03/2016
CIP: Matching shares	06/03/2013	1,217,176	(317,687)	(396,595)	**(502,894)**	**–**	See below(2)
CIP: Investment shares	05/03/2014	161,922	–	(58,871)	**(103,051)**	**–**	05/03/2017
CIP: Matching shares	05/03/2014	647,688	(235,484)	–	**(412,204)**	**–**	See below(3)
CIP: Investment shares	04/03/2015	207,952	–	(75,626)	**(132,326)**	**–**	04/03/2018
CIP: Matching shares	04/03/2015	831,808	(302,504)	–	**(529,304)**	**–**	See below(4)
		17,908,040	(10,043,967)	(5,609,596)	**(2,254,477)**	**–**	

1. 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
2. The release dates for the three tranches of the March 2013 CIP Matching Shares are 6 March 2016, 6 March 2017 and 6 March 2018 respectively
3. The release dates for the three tranches of the March 2014 CIP Matching Shares are 5 March 2017, 5 March 2018 and 5 March 2019 respectively
4. The release date for the Matching Share awards of the March 2015 CIP is 4 March 2020

24. Share-based payments (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:

	03/03/2016	04/03/2015	05/03/2014	06/03/2013	23/03/2009	18/03/2008
	PSP	CIP	CIP	CIP	CIP[1]	CIP[1]
Share price on grant date	**300.00p**	**225.00p**	253.30p	143.50p	65.50p	80.50p
Exercise price	**Nil**	**Nil**	Nil	Nil	Nil	Nil
Number of simulations	**250,000**	**250,000**	250,000	250,000	200,000	200,000
Number of companies	**32**	**32**	32	32	32	36
Award life	**5 years**	**3 years**	3 years	3 years	3 years	3 years
Expected dividend	**1.5%**	**1.78%**	1.66%	2.23%	2.72%	1.19%
Fair value of award at time of grant	**183.08p–277.36p**	**75.67p–114.60p**	83.11p–214.33p	83.11p–134.21p	47.97p	61.21%
Risk-free interest rate	**0.86%**	**1.01%**	0.99%–1.47%	0.35%	1.92%	3.86%

1. 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 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 may be considered for the 2008 and 2009 grants:

- In a fast-growing 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 relevant periods 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%; and
- 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.

24. Share-based payments (continued)

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 matching 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 vested in March 2013, the second vested in March 2014 and the third vested 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 was subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts was subject to defined adjusted earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each were subject to relative total shareholder return (TSR) targets over the respective periods. The targets were as follows:

	Adjusted 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

% of awards eligible for vesting	Regus TSR % achieved relative to FTSE All Share Total Return index[1]
Nil	Equal to or below the index
25%	Above 100% but below 101%
Increments of 0.75%	For each complete 1% above 100%
100%	200% or above

1. Over the three-, four- or five-year performance period.

2013 CIP Investment and matching grants

The total number of matching awards made in 2013 to each participant was divided into three separate equal amounts and is 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 adjusted 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:

	Adjusted 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 adjusted EPS target for that year is achieved.

% of awards eligible for vesting	Regus TSR % achieved relative to FTSE All Share Total Return index[1]
Below index	0%
Equal to index	25%
Equal to index + 15% p.a.	100%

1. Over the three-, four- or five-year performance period.

24. Share-based payments (continued)

2014 CIP Investment and matching grants

The total number of matching awards made in 2014 to each participant was divided into three separate equal amounts and is 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 2017, the second will vest in March 2018 and the third will vest in March 2019. These vesting dates relate to the financial years ending 31 December 2016, 31 December 2017 and 31 December 2018 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 adjusted 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:

	Adjusted EPS targets for the financial years ending		
% of awards eligible for vesting	2016	2017	2018
25%	14.3p	16.1p	17.1p
50%	15.2p	17.4p	18.9p
75%	16.1p	18.8p	20.7p
100%	17.0p	20.2p	22.5p

No shares will vest in each respective year unless the minimum adjusted EPS target for that year is achieved.

% of awards eligible for vesting	Regus TSR % achieved relative to FTSE All Share Total Return index[1]
Below index	0%
Median	25%
Upper quartile or above	100%

1. Over the three-, four- or five-year performance period.

2015 CIP Investment and matching grants

The total number of matching awards made in 2015 to each participant is subject to a future performance period of three years. Conditional on meeting the performance targets, the matching shares will vest in March 2020. The vesting date relates to the adjusted earnings per share (EPS) performance in the last financial year of the performance period, being 31 December 2017. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% is subject to defined adjusted EPS targets over the performance period. The remaining 25% will be subject to relative total shareholder return (TSR) targets over the period. The targets are as follows:

% of awards eligible for vesting	Compound annual growth in adjusted EPS over the performance period
25%	24%
100%	32%

The target is based on compound annual growth from an equivalent "base year" EPS figure for 2014 of 7.4p.

% of awards eligible for vesting	Regus TSR % achieved relative to FTSE 350 Index (excluding financial services and mining companies)
Below index	0%
Median	25%
Upper quartile or above	100%

24. Share-based payments (continued)

2016 PSP Investment grant

The total number of shares awarded are subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2016. Thus, conditional on meeting these performance targets, these shares will vest in March 2021. One third is subject to defined earnings per share (EPS) conditions, one third is subject to relative total shareholder return (TSR) conditions and one third is subject to return on investment (ROI) conditions.

The EPS condition is based on the compound annual growth in EPS over the performance period measured from EPS in the financial year ending 31 December 2015 as follows:

Vesting scale	% of one third of the award that vest
25%	100%
Between 5% and 25%	On a straight-line basis between 0% and 100%
5%	0%

The TSR condition is based on the performance of the Group's TSR against the median TSR of the comparator group as follows:

Vesting scale	% of one third of the award that vest
TSR growth exceeds the median by 10% or more	100%
TSR growth exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
TSR ranked at median	25%
TSR growth is ranked below the median	0%

The ROI condition is based on the ROI improvement over the performance period relative to ROI for the financial year ending 31 December 2015 as follows:

Vesting scale	% of one third of the award that vest
ROI improvement exceeds 2015 ROI plus 300 basis points	100%
ROI improvement exceeds 2015 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
ROI is equal to or less than the 2015 ROI	0%

Plan 3: One-Off Award

In November 2015, an award of 328,751 ordinary shares of 1p each in the Company was granted to the Company's Chief Financial Officer and Chief Operating Officer, Dominik de Daniel. The award was structured as a conditional award and was granted under a one-off award arrangement established under Listing Rule 9.4.2(2).

In the normal course of events the award will vest over five years, if and to the extent to which performance conditions are achieved. The applicable performance target is set out below:

Performance metric	Target	Vesting at target
Compound annual growth in EPS over the performance period	5%	100%

Reconciliation of outstanding share options

	2016	2015
	Number of awards	Number of awards
At 1 January	**328,751**	–
One-off award granted during the year	**–**	328,751
Cancelled during the year	**(328,751)**	–
Outstanding at 31 December	**–**	328,751
Exercisable at 31 December	**–**	–

25. Retirement benefit obligations

The Group accounts for the Swiss and Philippines pension plans as defined benefit plans under IAS 19 (2011) – Employee Benefits.

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

	2016 £m	2015 £m
Fair value of plan assets	**5.8**	3.9
Present value of obligations	**(6.6)**	(4.7)
Net funded obligations	**(0.8)**	(0.8)

26. Acquisitions

Current period acquisitions

During the year ended 31 December 2016 the Group made a number of individually immaterial acquisitions for a total consideration of £10.8m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Intangible assets	–	0.1	0.1
Property, plant and equipment	2.4	–	2.4
Cash	1.2	–	1.2
Other current and non-current assets	2.6	–	2.6
Current liabilities	(5.4)	–	(5.4)
Non-current liabilities	(0.1)	–	(0.1)
	0.7	0.1	0.8
Goodwill arising on acquisition			10.0
Total consideration			10.8
Less: Fair value adjustment of historical investment in acquired joint venture			(2.5)
Less: Contingent consideration			(0.9)
			7.4
Cash flow on acquisition			
Cash paid			7.4
Net cash outflow			7.4

The goodwill arising on the above acquisitions reflects the anticipated future benefits the Group can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding products and services. £0.1 m of the above goodwill is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2016, the revenue and net retained profit arising from these acquisitions would have been £10.1m and £0.2m respectively. In the year, the equity acquisitions contributed revenue of £3.7m and net retained loss of £0.5m.

There was £0.9m contingent consideration arising on the 2016 acquisitions. Contingent consideration of £2.7m (2015: £1.1m) was also paid during the current year with respect to milestones achieved on prior year acquisitions.

The acquisition costs associated with these transactions were £0.5m, recorded within administration expenses within the consolidated income statement.

For a number of the acquisitions in 2016, the fair value of assets acquired has only been provisionally assessed at the reporting date. The main changes in the provisional fair values expected are for the fair value of the leases (asset or liability), customer relationships and plant, property and equipment. The final assessment of the fair value of these assets will be made within 12 months of the acquisition date and any adjustments reported in future reports.

The Group continued to complete acquisition transactions subsequent to 31 December 2016, 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.

26. Acquisitions (continued)

Prior period acquisitions

During the year ended 31 December 2015 the Group made a number of individually immaterial acquisitions for a total consideration of £124.8m.

£m	Book value	Provisional fair value adjustments	Provisional fair value	Final fair value adjustments	Final fair value
Net assets acquired					
Intangible assets	–	2.6	2.6	1.0	3.6
Property, plant and equipment	27.5	(3.2)	24.3	1.5	25.8
Cash	25.5	–	25.5	–	25.5
Other current and non-current assets	18.0	3.8	21.8	0.5	22.3
Current liabilities	(48.3)	–	(48.3)	1.6	(46.7)
Non-current liabilities	(7.7)	(0.4)	(8.1)	(1.4)	(9.5)
	15.0	2.8	17.8	3.2	21.0
Goodwill arising on acquisition			107.0	(3.2)	103.8
Total consideration			124.8	–	124.8
Less: Contingent consideration			(1.0)		(1.0)
			123.8		123.8
Cash flow on acquisition					
Cash paid			123.8		123.8
Net cash outflow			123.8		123.8

The goodwill arising on the above acquisitions reflects the anticipated future benefits the Group can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding products and services. £37.2m of the above goodwill is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2015, the revenue and net retained profit arising from these acquisitions would have been £94.1m and £2.1m respectively. In the year, the equity acquisitions contributed revenue of £68.1m and net retained loss of £3.0m.

There was £1.0m contingent consideration arising on the above acquisitions.

The acquisition costs associated with these transactions were £3.8m, recorded within administration expenses within the consolidated income statement.

The prior year comparative information has not been restated due to the immaterial nature of the final fair value adjustments recognised in 2016.

27. Capital commitments

	2016 £m	2015 £m
Contracts placed for future capital expenditure not provided for in the financial statements	**42.6**	46.7

These commitments are principally in respect of fit out obligations on new centres opening in 2017. In addition, our share of the capital commitments of joint ventures amounted to £nil at 31 December 2016 (2015: £2.0m).

28. Non-cancellable operating lease commitments

As at the reporting date the Group was committed to making the following payments in respect of operating leases:

	2016			2015		
	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	**882.4**	**1.3**	**883.7**	715.7	1.3	717.0
Between one and five years	**2,386.9**	**1.0**	**2,387.9**	2,029.0	2.0	2,031.0
After five years	**1,170.4**	**–**	**1,170.4**	922.7	–	922.7
	4,439.7	**2.3**	**4,442.0**	3,667.4	3.3	3,670.7

28. Non-cancellable operating lease commitments (continued)

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.

The Group's non-cancellable operating lease commitments do not generally include purchase options nor do they impose restrictions on the Group regarding dividends, debt or further leasing.

29. 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 £151.7m (2015: £122.8m). There are no material lawsuits pending against the Group.

30. Related parties

Parent and subsidiary entities

The consolidated financial statements include the results of the Group and its subsidiaries listed in note 31.

Affiliated entities

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
2016			
Affiliated entities	**2.9**	**10.9**	**16.2**
2015			
Affiliated entities	2.2	7.2	7.6

As at 31 December 2016, £nil of the amounts due to the Group have been provided for (2015: £nil). All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are 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:

	2016 £m	2015 £m
Short-term employee benefits	**12.7**	11.3
Retirement benefit obligations	**0.5**	0.4
Share-based payments	**0.5**	0.7
	13.7	12.4

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 £2.9m (2015: £3.5m). 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 2016 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £30,228 (2015: £15,466). There was a £27,720 balance outstanding at the year-end (2015: £15,466).

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 are secured.

31. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2016, 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 Ltda	Brazil	100
Regus Paris SAS	France	100
Regus GmbH & Co. KG	Germany	100
Excellent Business Centres GmbH	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 Australia Management Pty	Australia	100
Regus Management Singapore Pte Ltd	Singapore	100
Regus Management Group (Pty) Ltd	South Africa	100
Regus HK Management Ltd	Hong Kong	100
Regus Business Centre SA	Switzerland	100
Regus Management (Sweden) AB	Sweden	100
ABC Business Centres Limited	United Kingdom	100
KBC Holdings Limited	United Kingdom	100
Avanta Managed Offices Ltd	United Kingdom	100
MWB Business Exchange Centres Ltd	United Kingdom	100
Stonemartin Corporate Centre Limited	United Kingdom	100
HQ Global Workplaces LLC	United States	100
RGN-BSuites Holdings, LLC	United States	100
RGN National Business Centre LLC	United States	100
Office Suites Plus Properties LLC	United States	100
Regus Business Centres LLC	United States	100
Principal activity – Management companies		
Centros de Negocios Regus SA de CV	Mexico	100
Regus Business Centres SA de CV	Mexico	100
RBW Global Sarl	Luxembourg	100
Pathway Finance Sarl	Luxembourg	100
Regus Service Centre Philippines BV	Philippines	100
Regus Global Management Centre SA	Switzerland	100
Regus Group Services Ltd	United Kingdom	100
Principal activity – Management companies (continued)		
Regus Management (UK) Ltd	United Kingdom	100
Serviced Office Property Managers Ltd	United Kingdom	100
Regus Management Group LLC	United States	100
Principal activity – Holding and finance companies		
RGN Limited Partner Holdings Corp	Canada	100
Umbrella International Holdings AG	Switzerland	100
Regus Group Limited	United Kingdom	100
Regus H Holdings Ltd	United Kingdom	100
Regus H Holdings LLC	United States	100
Regus Corporation LLC	United States	100
Umbrella Group	Luxembourg	100
Umbrella Global Holdings	Luxembourg	100
Umbrella Holdings Sarl	Luxembourg	100

32. 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 other intangible assets 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 based on our CGUs aggregated at a country 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 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 2016, including the sensitivity to changes in those assumptions, can be found in note 12.

Impairment of property, plant and equipment

We evaluate the potential impairment of property, plant and equipment at a centre (CGU) level where there are indicators of impairment at the balance sheet date. In the assessment of value-in-use, key judgemental areas in determining future cash flow projections include: an assessment of the location of the centre; the local economic situation; competition; local environmental factors; the management of the centre; and future changes in occupancy, revenue and costs of the centre.

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.

Parent company accounts

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

	As at 31 Dec 2016 (Luxembourg GAAP) £m	As at 31 Dec 2015 (Luxembourg GAAP) £m
Assets		
C. Fixed assets		
III. Financial assets		
1. Shares in affiliated undertakings	**644.6**	644.6
D. Current assets		
II. Debtors		
2. Amount owed by affiliated undertakings		
a) becoming due and payable within one year	**0.1**	–
4. Other receivables		
a) becoming due and payable within one year	**–**	0.3
III. Transferable securities		
2. Own shares	**–**	42.9
(nil shares (2015: 20,490,613 shares at £0.01 per share))		
E. Prepayments	**1.3**	0.1
Total assets	**646.0**	687.9
Capital, reserves and liabilities		
A. Capital and reserves		
I. Subscribed capital	**9.2**	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	**–**	42.9
4. Other reserves	**520.0**	477.1
V. Results brought forward	**(66.6)**	57.9
VI. Results for the financial year	**(22.8)**	(17.3)
VII. Interim dividends	**(14.4)**	(13.0)
Capital and reserves	**480.0**	611.7
C. Provisions		
2. Provisions for taxation	**–**	0.1
D. Non-subordinated debts		
4. Trade creditors	**0.8**	0.7
a) becoming due and payable within one year		
6. Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	**9.6**	1.6
b) becoming due and payable after more than one year	**155.6**	73.8
Liabilities	**166.0**	76.2
Total capital, reserves and liabilities	**646.0**	687.9

Approved by the Directors on 19 April 2017

Tim Regan
Director

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 2016 which are available from the Company's registered office, 26 Boulevard Royal, Luxembourg and which will be filed with both the Luxembourg Register of Commerce and the Jersey Register of Companies.

Financial assets

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

Segmental analysis

Segmental analysis – management basis (unaudited)

	Americas 2016	EMEA 2016	Asia Pacific 2016	United Kingdom 2016	Other 2016	Total 2016
Mature[1]						
Workstations[4]	**138,433**	**71,159**	**66,928**	**56,000**	**–**	**332,520**
Occupancy (%)	**78.8%**	**78.5%**	**78.8%**	**75.4%**	**–**	**78.2%**
Revenue (£m)	**826.2**	**406.9**	**293.2**	**358.5**	**6.8**	**1,891.6**
Contribution (£m)	**188.0**	**104.1**	**72.9**	**83.9**	**4.4**	**453.3**
REVPOW	**7,572**	**7,283**	**5,559**	**8,489**	**–**	**7,277**
2015 Expansions[2]						
Workstations[4]	**26,891**	**16,542**	**22,138**	**10,539**	**–**	**76,110**
Occupancy (%)	**58.3%**	**63.5%**	**51.1%**	**76.1%**	**–**	**59.8%**
Revenue (£m)	**81.1**	**63.0**	**55.8**	**72.6**	**–**	**272.5**
Contribution (£m)	**(12.2)**	**3.7**	**(1.6)**	**17.3**	**–**	**7.2**
2016 Expansions[2]						
Workstations[4]	**7,718**	**4,005**	**4,325**	**3,080**	**–**	**19,128**
Occupancy (%)	**30.4%**	**34.2%**	**31.0%**	**57.2%**	**–**	**35.6%**
Revenue (£m)	**12.1**	**6.2**	**7.6**	**9.4**	**1.5**	**36.8**
Contribution (£m)[5]	**(12.9)**	**(5.2)**	**(3.4)**	**(0.1)**	**1.5**	**(20.1)**
Closures						
Workstations[4]	**886**	**280**	**1,739**	**2,877**	**–**	**5,782**
Occupancy (%)	**63.3%**	**57.5%**	**72.5%**	**81.3%**	**–**	**74.7%**
Revenue (£m)	**3.6**	**0.7**	**6.6**	**21.6**	**–**	**32.5**
Contribution (£m)	**(1.9)**	**(1.0)**	**(0.4)**	**9.3**	**–**	**6.0**
Total						
Workstations[4]	**173,928**	**91,986**	**95,130**	**72,496**	**–**	**433,540**
Occupancy (%)	**73.4%**	**73.8%**	**70.1%**	**75.0%**	**–**	**73.0%**
Revenue (£m)	**923.0**	**476.8**	**363.2**	**462.1**	**8.3**	**2,233.4**
Contribution (£m)	**161.0**	**101.6**	**67.5**	**110.4**	**5.9**	**446.4**
Unallocated contribution (£m)	**–**	**–**	**–**	**–**	**–**	**2.4**
REVPAW (£)	**5,307**	**5,183**	**3,818**	**6,374**	**–**	**5,151**
Period end workstations[6]						
Mature	**139,919**	**72,652**	**67,554**	**57,832**	**–**	**337,957**
2015 Expansions	**28,107**	**16,826**	**22,408**	**11,659**	**–**	**79,000**
2016 Expansions	**14,415**	**7,290**	**8,665**	**3,849**	**–**	**34,219**
Total	**182,441**	**96,768**	**98,627**	**73,340**	**–**	**451,176**

Segmental analysis – management basis (unaudited)

	Americas 2015	EMEA 2015	Asia Pacific 2015	United Kingdom 2015	Other 2015	Total 2015
Mature[1]						
Workstations[4]	136,632	69,449	66,443	53,329	–	325,853
Occupancy (%)	81.0%	76.4%	79.4%	80.5%	–	79.6%
Revenue (£m)	747.8	372.7	265.5	361.2	2.9	1,750.1
Contribution (£m)	181.9	91.8	66.2	84.3	(0.2)	424.0
REVPOW	6,757	7,024	5,033	8,414	–	6,747
2015 Expansions[2]						
Workstations[4]	10,514	7,189	9,178	6,292	–	33,173
Occupancy (%)	48.5%	51.6%	32.8%	81.4%	–	51.1%
Revenue (£m)	22.5	29.2	13.0	43.8	–	108.5
Contribution (£m)	(9.2)	(0.5)	(8.9)	6.6	–	(12.0)
Closures[3]						
Workstations[4]	2,268	1,263	2,950	6,100	–	12,581
Occupancy (%)	73.0%	64.5%	80.7%	81.9%	–	78.3%
Revenue (£m)	8.9	4.7	10.6	44.2	–	68.4
Contribution (£m)	(1.7)	(0.8)	0.9	16.8	–	15.2
Total						
Workstations[4]	149,414	77,901	78,571	65,721	–	371,607
Occupancy (%)	78.5%	73.9%	74.0%	80.7%	–	77.0%
Revenue (£m)	779.2	406.6	289.1	449.2	2.9	1,927.0
Contribution (£m)	171.0	90.5	58.2	107.7	(0.2)	427.2
Unallocated contribution (£m)	–	–	–	–	–	1.2
REVPAW (£)	5,215	5,219	3,679	6,835	–	5,186

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 2015 comparative data is defined as a centre closed during the period from 1 January 2015 to 31 December 2016
4. Workstation numbers are calculated as the weighted average for the year
5. 2016 expansions includes any costs incurred in 2016 for centres which will open in 2017
6. Workstations available at period end

Post-tax cash return on net investment

The purpose of this unaudited page is to reconcile some of the key numbers used in the returns calculation back to the Group's audited statutory accounts and, thereby, give the reader greater insight into the returns calculation drivers. The methodology and rationale for the calculation are discussed in the financial review on page 20 of these accounts.

Description	Reference	2013 Aggregation	2014 Expansions	2015 Expansions	2016 Expansions	2017 Expansions	Closures	Total
Post-tax cash return on net investment		**21.6%**	**10.2%**	**(2.5%)**	**(15.7%)**	**–**	**–**	**13.8%**
Revenue	Income statement, p34	1,678.2	213.4	272.5	36.8	–	32.5	2,233.4
Centre contribution	Income statement, p34	419.0	36.7	7.2	(19.0)	(1.1)	6.0	448.8
(Profit)/loss on disposal of assets	EBIT reconciliation (analysed below)	(0.5)	–	–	–	–	1.5	1.0
Underlying centre contribution		**418.5**	**36.7**	**7.2**	**(19.0)**	**(1.1)**	**7.5**	**449.8**
Selling, general and administration expenses[1]	Income statement, p34	(163.8)	(30.5)	(49.2)	(13.0)	(0.1)	(2.8)	(259.4)
EBIT	EBIT reconciliation (analysed below)	**254.7**	**6.2**	**(42.0)**	**(32.0)**	**(1.2)**	**4.7**	**190.4**
Depreciation and amortisation	Note 5, p47	124.6	23.2	34.0	8.3	–	4.4	194.5
Amortisation of partner contributions	Note 5, p47	(32.3)	(6.7)	(7.9)	(3.2)	–	(0.1)	(50.2)
Amortisation of acquired lease fair value adjustments	Note 5, p47	(3.8)	(0.3)	1.0	–	–	–	(3.1)
Non-cash items		**88.5**	**16.2**	**27.1**	**5.1**	**–**	**4.3**	**141.2**
Taxation[2]		**(50.9)**	**(1.2)**	**8.4**	**6.4**	**0.2**	**(1.0)**	**(38.1)**
Adjusted net cash profit		**292.3**	**21.2**	**(6.5)**	**(20.5)**	**(1.0)**	**8.0**	**293.5**
Maintenance capital expenditure	Capital expenditure (analysed below)	81.0	5.7	–	–	–	–	86.7
Partner contributions	Partner contributions (analysed below)	(20.4)	(0.8)	–	–	–	–	(21.2)
Net maintenance capital expenditure		**60.6**	**4.9**	**–**	**–**	**–**	**–**	**65.5**
Post-tax cash return		**231.7**	**16.3**	**(6.5)**	**(20.5)**	**(1.0)**	**8.0**	**228.0**
Growth capital expenditure	Capital expenditure (analysed below)	1,247.4	207.0	325.0	183.7	30.0	–	1,993.1
Partner contributions[3]	Partner contributions (analysed below)	(174.8)	(47.1)	(66.0)	(52.9)	(3.3)	–	(344.1)
Net investment		**1,072.6**	**159.9**	**259.0**	**130.8**	**26.7**	**–**	**1,649.0**

1. Including research and development expenses
2. Based on EBIT at the Group's long-term effective tax rate of 20%
3. The 2015 expansions includes £9.9m of partner contributions arising in 2016

2016

Movement in capital expenditure	2013 Aggregation	2014 Expansions	2015 Expansions	2016 Expansions	2017 Expansions	Closures	Total
2015 Growth capital expenditure	1,272.5	208.4	305.2	9.5	–	–	1,795.6
2016 Capital expenditure[4]	–	–	37.3	148.6	30.0	–	215.9
Properties acquired	–	–	–	25.6	–	–	25.6
Property disposals	–	–	(11.4)	–	–	–	(11.4)
Centre closures[5]	(25.1)	(1.4)	(6.1)	–	–	–	(32.6)
2016 Growth capital expenditure	1,247.4	207.0	325.0	183.7	30.0	–	1,993.1

4. 2017 expansions relate to costs and investments incurred in 2016 for centres which will open in 2017
5. The growth capital expenditure for an estate is reduced by the investment in centres closed during the year, but only where that investment has been fully recovered

2016

EBIT reconciliation	Reference	£m
EBIT (before non-recurring items)		190.4
Loss on disposal of assets	Note 5, p47	(1.0)
Share of profit on joint ventures	Income statement, p34	(0.8)
Operating profit	Income statement, p34	**188.6**

2016

Partner contributions	Reference	£m
Opening partner contributions		247.8
• Current	Note 17, p56	48.3
• Non-current	Note 17, p56	199.5
Acquired in the period		–
Received in the period		87.3
• 2014 expansions and before		21.2
• 2015 expansions[3]		9.9
• 2016 expansions		52.9
• 2017 expansions		3.3
Utilised in the period	Note 5, p47	(50.2)
Exchange differences		49.0
Closing partner contributions		**333.9**
• Current	Note 17, p56	68.5
• Non-current	Note 17, p56	265.4

2016

Capital expenditure	Reference	£m
Maintenance capital expenditure	Financial review, p22	86.7
Growth capital expenditure	Financial review, p22	228.4
• 2016 Capital expenditure		215.9
• Properties acquired		25.6
• Proceeds on property disposals[6]		(13.1)
Total capital expenditure		**315.1**
Analysed as		
• Purchase of subsidiary undertakings	Cash flow, p38	8.9
• Purchase of property, plant and equipment	Cash flow, p38 Note 14, p55	313.8
• Purchase of intangible assets	Cash flow, p38 Note 13, p54	5.5
• Proceeds on property disposals[6]		(13.1)

6. The proceeds on the property disposal of £13.1m is included in the proceeds on disposal of property, plant and equipment in the Group Cash Flow statement on page 38

Five-year summary

	Full year ended 31 Dec 2016 £m	Full year ended 31 Dec 2015 £m	Full year ended 31 Dec 2014 £m	Full year ended 31 Dec 2013 £m	Full year ended 31 Dec 2012 £m
Income statement					
Revenue	**2,233.4**	1,927.0	1,676.1	1,533.5	1,244.1
Cost of sales	**(1,784.6)**	(1,498.6)	(1,293.0)	(1,159.7)	(923.4)
Gross profit (centre contribution)	**448.8**	428.4	383.1	373.8	320.7
Administration expenses before non-recurring expenses	**(256.5)**	(273.6)	(270.9)	(275.9)	(225.7)
Research and development	**(2.9)**	(10.3)	(8.7)	(7.2)	(4.5)
Operating profit (before non-recurring items)	**189.4**	144.5	103.5	90.7	90.5
Non-recurring items	**(1.0)**	15.3	–	–	–
Operating profit (including non-recurring items)	**188.4**	159.8	103.5	90.7	90.5
Share of post-tax profit/(loss) of joint ventures	**(0.8)**	0.3	0.8	0.1	(0.3)
Profit before financing costs	**187.6**	160.1	104.3	90.8	90.2
Finance expense	**(11.6)**	(15.0)	(17.3)	(10.5)	(5.9)
Finance income	**0.1**	0.6	0.1	1.2	0.8
Profit before tax for the year	**176.1**	145.7	87.1	81.5	85.1
Income tax expense	**(34.9)**	(25.8)	(17.2)	(14.6)	(14.2)
Profit after tax for the year	**141.2**	119.9	69.9	66.9	70.9
Attributable to:					
Equity shareholders of the parent	**141.2**	119.9	69.9	66.9	70.9
	141.2	119.9	69.9	66.9	70.9
Earnings per ordinary share (EPS):					
Basic (p)	**15.2p**	12.8p	7.4p	7.1p	7.5p
Diluted (p)	**15.2p**	12.6p	7.2p	7.0p	7.5p
Weighted average number of shares outstanding ('000s)	**929,860**	933,458	944,082	943,775	941,922
Balance sheet data (as at 31 December)					
Intangible assets	**738.1**	666.0	549.9	491.7	363.9
Property, plant and equipment	**1,194.4**	917.0	718.8	608.7	437.5
Deferred tax assets	**29.3**	36.4	40.0	33.4	33.9
Other assets	**651.5**	644.3	565.2	423.8	333.9
Cash and cash equivalents	**50.1**	63.9	72.8	84.7	132.3
Total assets	**2,663.4**	2,327.6	1,946.7	1,642.3	1,301.5
Current liabilities	**1,180.1**	1,085.7	891.9	758.8	612.5
Non-current liabilities	**744.2**	658.2	517.4	369.3	161.6
Equity shareholders' funds	**739.1**	583.7	537.4	514.2	527.4
Total equity and liabilities	**2,663.4**	2,327.6	1,946.7	1,642.3	1,301.5

Shareholder information

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

EBIT
Earnings before interest and tax

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

Post-tax cash return
EBITDA achieved, less the amortisation of any partner capital contribution, less tax based on the EBIT and after deducting maintenance capital expenditure

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 and operated throughout the current 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

Underlying performance
Performance before non-recurring items

Corporate directory

Registered Office
Regus plc

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

Auditor
KPMG Luxembourg, Société cooperative
39, Avenue John F. Kennedy
L-1855 Luxembourg

Directors
The Directors shown below held office during the whole period from 1 January 2016 to 19 April 2017, except as indicated:

- Douglas Sutherland (resigned 19 December 2016)
- Mark Dixon (resigned 19 December 2016)
- Dominik de Daniel (resigned 19 December 2016)
- Lance Browne (resigned 19 December 2016)
- Elmar Heggen (resigned 19 December 2016)
- Florence Pierre (resigned 19 December 2016)
- Francois Pauly (resigned 19 December 2016)
- Nina Henderson (resigned 19 December 2016)
- Tim Regan (appointed 19 December 2016)
- Christoffel Mul (appointed 19 December 2016)
- Ian Hallett (appointed 19 December 2016)

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C022913

The Forest Stewardship Council® (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers to readily identify timber-based products from certified forests.

Designed and produced by Black Sun Plc | www.blacksunplc.com

Printed in England by the Pureprint Group

Regus plc S.A.
26 Boulevard Royal
L-2449 Luxembourg

www.regus.com