Places to work for everyone, worldwide

Regus plc

Annual Report and Accounts 2017

An unparalleled network of office, co-working and meeting spaces for companies to use in every city in the world. It's an infrastructure to support every business opportunity.

Our network of workspaces enables businesses to operate anywhere, without the need for set-up costs or capital investment. It provides our customers with immediate cost benefits and the opportunity to fully outsource their office portfolio.

It's a network designed to enhance productivity and connect 2.5 million like-minded professionals: an instant global community, and a place to belong.

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Please visit our website regus.com

Performance highlights

Improving revenue momentum into 2018, excellent overhead performance and increased investment activity and network growth.

Key financial highlights

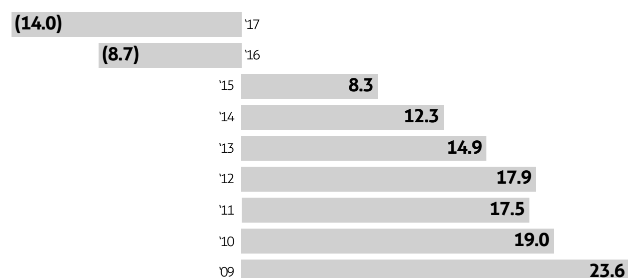
- Attractive post-tax cash returns. Return on pre-2013 investment of 21.8%[1]
- Net growth capital investment of £176.8m
- Group revenue of £2,341.7m, with revenue growth improving in Q4 and since period end
- Overheads reduced 18%[2]; down 240bp as a percentage of revenue to 9.3%
- Operating profit of £177.2m
- Cash generation (before net growth capital expenditure, share buybacks, and dividends) of £33.5m (7.0p per share)
- Strong financial position maintained with net debt of £296.6m (0.8x net debt : EBITDA)

Key operational highlights

- Ongoing focus on disciplined investment, partnering and risk management
- Benefitting from increased operational scale and efficiencies
- Further network expansion and improvement in network quality, with 283 new locations (272 organic) and 4.7m sq. ft. added in 2017. Now in 3,094 locations worldwide (up 6% from December 2016), with 51.2m sq. ft. of space. Strong Q4 momentum with 119 new locations opened
- Successful roll out of our large co-working format, Spaces, with 56 new locations (taking the total to 78) and 13 new countries added in 2017
- Current pipeline visibility on 2018 net growth capital expenditure at the end of February 2018 of approximately £190m, representing 230 locations and 5.5m sq. ft. of additional space (c.11% growth in space)

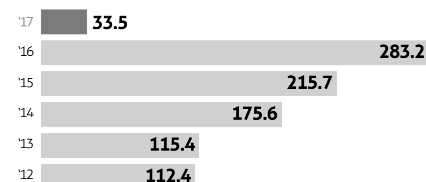
1. Turn to page 12 for details on how we calculate our post-tax cash return on net investment
2. At constant currency

2017 Post-tax cash return on net investment by year of opening (%)[1]



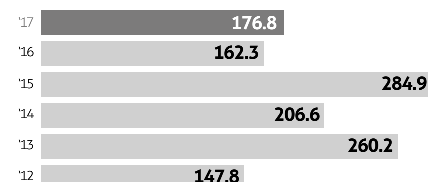
Cash flow before growth capital expenditure and dividends (£m)

£33.5m



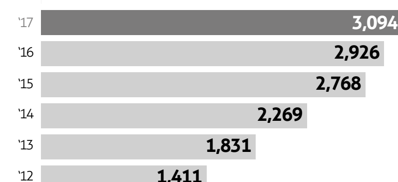
Net growth capital expenditure (£m)

£176.8m



Number of locations

3,094



An unrivalled global network

We will continue to invest in our national networks to attract and retain an ever-greater share of the world's workers and businesses. Workspace needs are changing for every sort of business, from major corporates to small and mid-size enterprises (SMEs), start-ups and individual entrepreneurs. We have the vision, the will and the growing global infrastructure to cater for all of them.

Regus plc includes the following brands:
Spaces, No18, Open Office and Signature.

Our place in a growing market

A global community of

2.5 million members

3,094 locations

More than

1,000 cities

Over

110 countries

Over 60%

of business people think that flexible working improves productivity[1]

Over 50%

of business people expect the demand for flexible working to increase[1]

71%

of occupiers believe that productive and flexible workspaces are vital to delivering corporate real estate objectives, **up from 57% in 2016**[2]

Up to 30%

of corporate real estate portfolios could be flexible workspace by 2030[3]

Over 50%

of workers now report that they work outside the main office **2.5 days** a week or more[1]

69%

of millennials will trade other work package benefits for better workspace[2]

1. Regus survey
2. The Flexible Revolution. Insights into European flexible office markets, CBRE 2017
3. JLL research

Growing the business to meet accelerating demand

The way people work and businesses think about workspace is being revolutionised. The drivers discussed here – technology and the desire of workers and businesses to experience the benefits of flexible working – are accelerating the demand for change. And many indicators are pointing in the same direction.

For example, the global market for flexible offices has been growing annually by an average of 13%[1] over the past decade. Nearly three-quarters (71%) of occupiers believe that productive and flexible workspaces are vital to delivering corporate real estate objectives (up from 57% in 2016[1]). And the co-working sector itself is projected to tally a nearly 24% compound annual growth rate between 2016 and 2020[2]. So it's not surprising to see it estimated that 30% of corporate real estate portfolios could be flexible workspace by 2030[3].

In short, we're close to the tipping point where flexible working becomes the global norm. One day soon, flexible working will be known simply as 'working'.

Digitalisation and new technologies are changing how people work

Drivers:

- Communication, sharing apps and resources that enable remote working are increasingly being used, from WeChat and WhatsApp to emerging next-generation voice-over-internet-protocol systems and advanced data-distribution and videoconferencing technologies
- Use of voice-activated artificial intelligence solutions like Alexa and Siri for simple tasks are already part of everyday life and new automation technologies will replace a raft of human activities, enabling people to focus on different, value-added activities
- Looking further ahead, the keyboard and touchscreen are set to become redundant as new generations use speech to communicate with their devices

What this means:

- Workers are increasingly mobile and can access their work from anywhere
- 50% of occupiers see technology as a key success factor for flexible working[1]
- Fast, reliable Wi-Fi/broadband and remote server access is more important than ever – *Information Age* reports that interruptions cost mid-sized business £6.6 million a year

How we are responding:

- We provide world-class IT infrastructure and connectivity at all our centres
- Our 24/7 IT support and back-up ensures customers are always connected across the world
- Our proprietary apps streamline booking and administration for customers and enable our centre staff to provide a wide range of services
- We are constantly innovating new services and solutions

The impact of IFRS 16: driving workspace flexibility

When the much-heralded IFRS 16 – the new international leases standard – comes into force on 1 January 2019, real estate leases, including office spaces, will need to be accounted for on balance sheets. Under exemptions, companies may opt to move to shorter lease terms or outsource office spaces to serviced providers instead, as these would not need to be, in general, accounted for on balance sheets, helping to reduce the administrative burden.[9]

1. The Flexible Revolution. Insights into European flexible office markets, CBRE 2017
2. Forbes 2017 (quoting Emergent Research)
3. JLL research: Technology and real estate: the road to 2030
4. Regus 'The Modern Way of Working', October 2017
5. Regus Workplace Revolution Report, 2017

People want the benefits of flexible working

Businesses want the financial and strategic benefits of flexible working

- Workers want a blended approach to work, with the geographic and lifestyle benefits of choosing where and how to work
- They also want creative and productive environments, close to home and other like-minded people
- Freelancing and 'multiployment' are increasingly realistic and attractive options[4]
- 55% say remote working helps them be nearer clients and 56% that it helps them concentrate[5]
- 66% think they can be more productive working remotely[6]

- Businesses want access to great workspaces for their people on-demand – without the hassle of managing the property
- They also want to avoid fixed leasing arrangements, liberating them to allow rapid expansion or contraction
- It's vital they can attract and retain the best talent from anywhere in the world, and maximise their balance-sheet flexibility
- Increasing numbers also want easy-to-implement workplace recovery solutions

- Attractive office space is becoming a vital tool in the war for talent[3]
- 69% of millennials will trade in other work package benefits for better workspace[1]
- 43% of the US workforce works remotely to some degree[7]
- 72% of workers see flexible working as the top consideration when choosing a job[8]
- The London Business School predicts that by 2020, 50% of all workers will be working remotely for most of the time[8]
- To attract and retain the best talent worldwide, businesses must provide efficient, well-equipped and inspiring workspaces and communities around the globe

- Businesses need a portfolio of workspace options that is both global and local, through which to provide a blend of options that maximises business agility, employee satisfaction and cost efficiency
- For many, remote and flexible working is moving from being a perk to a much-needed business strategy
- HR departments now need to provide flexible workspace options to attract and retain talent
- Companies will move to fewer core locations, surrounded by national networks of flexible space[3]
- Providers must deliver a level of service that has previously only been available to larger corporations[1]

- We have centres and drop-in spaces in more locations across the world than anyone else
- Our range of formats, wider than from any competitor, is designed to inspire productivity, creativity and collaboration
- We encourage customers to communicate and integrate as members of a global community of 2.5 million diverse, creative and collaborative professionals
- We provide an unrivalled choice of inspiring workspaces, communities and services in national and international networks across the world
- We are constantly innovating and investing in the environments and experiences we provide

- The facilities and support we offer bring professional, corporate standards to all players, from the largest to the smallest
- Our offer of multiple experiences, built on a leading IT and operating platform, enables the best possible integration with customer organisations and their people
- By 2025, flexible spaces will account for 30% of the total real estate footprint of a large company[3]

6. Flexjobs.com, 2017 annual survey
7. Gallup's State of the American Workforce, 2016
8. Entrepreneur.com, December 2015
9. Referenced from article by Melanie Wright in the Regus WorkUK magazine: https://www.regus.co.uk/work-uk/ifrs-16-five-things-you-need-to-know-now/

Responding to changing customer needs

The first requirement for offering flexible workspace solutions is to be flexible in everything we do – in our portfolio, our account management, our services and our ways of doing business. That's how we can meet the needs of customers everywhere, from large corporates to SMEs, start-ups and individuals.

Large corporates

Big companies have multiple needs. Above all, they require flexible space to help them attract and retain talent, be agile and optimise their costs and logistics. Just as they don't want to get involved with property management, so property companies don't want to deal with multiple different customers. That's where we fit in.

Adding value

- Improved financial performance through cost-savings, reduced capital expenditure, better risk mitigation and lower vacancy rates
- The heightened ability to free up capital for investment in value-generating assets and initiatives
- Greater business agility, enabling them to scale up and down in response to market changes
- Opportunities to outsource non-core functions so they can concentrate on the value-adding elements of their business
- The benefits of working with a large global network that reflects their own scale
- Attracting and retaining the best talent, through providing inspiring workspaces in places where people want to work or with communities they want to work with
- Efficient key account management and the opportunity to work with us collaboratively
- Rapid, effective and cost-efficient workplace recovery solutions

SMEs

Every company is different, in scale, culture and ambition – we have the resources to meet every need, however diverse, in over 3,000 locations and 1,000 cities across the world.

Adding value

- The ability to operate from high-quality, prestigious sites that align with their own growth ambitions
- The opportunity to take on locations cost-effectively to be close to clients and accelerate speed to market
- A choice of workspace experiences to match their own corporate image and aspirations
- Reliable and non-intrusive service and support, with no requirement to employ non-core staff
- Access to the latest technology, with 24/7 technical support and a business-class infrastructure
- The availability of meeting spaces, in the centres where they are based, and convenient drop-in centres across the world
- Constant innovation and R&D from a committed, flexible workspace provider
- Gaining access to key skills in talent hotspots around the world

Over

50%

of workers now report that they work outside the main office 2.5 days a week or more[1]

Start-ups

Every business was a start-up once. We have the property portfolio and infrastructure to take a business from concept to multinational. Indeed, some of the start-ups we have worked with are now among the biggest companies in the world. We look forward to helping emerging generations of entrepreneurs hit the same growth curve.

Adding value

- Cost-effective, fully equipped spaces that help them punch above their weight for heightened credibility among clients, prospects and employees
- Flexible leases, with minimal lead times and no set-up costs
- Reliable service support that frees entrepreneurs to concentrate on getting their venture off the ground
- A clear and compelling upgrade path that can cater for their needs at every stage of development
- Access to virtual office services that give them the freedom to work wherever they need to
- The opportunity to work in inspiring spaces which align an appealing vibe with a corporate standard of quality and service
- The chance to brainstorm with and learn from more established businesses

1. Regus survey

Individuals

We never forget that individuals are businesses too, needing inspiring environments and collaborative communities, the latest technology and reliable support.

Adding value

- The powerful networking opportunity that comes from working within a community of like-minded professionals
- The chance to work in an affordable and professional environment with none of the productivity drawbacks of working from home or a local café
- Gaining access to resources and expertise that would not be possible when working on their own
- The availability of service support that enables them to focus on value-generating activities
- Company throughout the day to prevent the loneliness and frustration that lone workers can sometimes experience
- Access to the latest technologies to differentiate them from their competitors
- The ability to use meeting spaces and drop-in centres around the world

Greater productivity with complete solutions

Constant innovation, expansion and improvement underpin our commitment to helping businesses of all sizes to become more productive, competitive and successful. Our complete solutions comprise the following key elements.

Workspaces

Right across the world, businesses of all sizes from major corporates to start-ups and one-person operations are finding that the traditional approach to buying or renting workspace is outdated, inefficient and unproductive. Regus is at the forefront of revolutionary change, enabling businesses everywhere to pay only for the space they need, scaling up or down at will and boosting productivity in their choice of stimulating work environment.

Fully managed offices

With no set-up costs or capital investment, customers get rapid access to all the customised space, infrastructure and support they need, all under flexible terms. Our locations enable businesses of every size to turn up and get working.

Co-working

Individuals and companies can work in a shared office environment in our locations across the world, always with the choice of fully allocated or hot desks. Our approach to co-working delivers customers all the benefits of a full-time office but allows them to pay only for the number of desks they use. Members also get the collaborative benefits of working in a network environment, either with different people from their own company or inspiring new friends from other industries.

Meeting spaces

Almost always, the quality of a meeting depends on the quality of its environment. Our meeting spaces are airy and bright, fully equipped and up-to-the-minute, designed to promote creative thought and accurate decision-making.

And, of course, we have spaces across the world, in key locations including airports, railway stations, public buildings and even service stations. So a quality meeting space, with technical and catering support, is never far away.

Communities

Being part of our global network gives individuals and businesses access to an enormously powerful and varied community of more than 2.5 million professionals across the world. This is more than just a place to belong – it's the chance to promote themselves and their businesses to one another, delivering shared opportunities for growth that simply do not exist elsewhere.

Networking and knowledge-sharing

We are determined to differentiate ourselves by helping our customers in every way we can. This is why we run regular networking and knowledge-sharing meetings for them to share ideas, answer questions, compare notes and innovate together. It doesn't stop there – it's a way of further enhancing employee morale too, giving them access to an energising environment where they can enrich their work-life experience.

Inspiration and creativity

When like-minded, creative people get together, sparks can fly. Our communities are more than just somewhere to work – they're loaded with energy and enthusiasm, providing a direct boost to collaboration, original thinking and shaping the future.

69% **of millennials** will trade other work package benefits for better workspace[1]

Services

With 24/7 customer service and a dedicated account manager supporting every contract, our customers can focus on what really matters to their business. All office amenities, from business-class internet, technical support and reception to cleaning and kitchen services, are set up and ready to use. So every customer has the choice of outsourcing the entire office support portfolio.

Virtual office services

Customers do not even need to use our space to receive the benefits of working with us. Our global address and mail handling service, available through any of our 3,000 locations worldwide, provides them with the instant credibility and prestige that they are looking for. And it is easy for them to expand the service, with a cost-effective upgrade to our 24/7 telephone-answering service and access to our global network of drop-in business lounges. A further upgrade additionally allows five days' use of a private office each month.

24/7 workspace recovery

Following a catastrophic event, our customers can keep their businesses going with back-up office space – no matter where they are based. And because our recovery spaces in more than 1,000 cities across the world are in fully operational office buildings, customers can be sure of receiving all the support they need to get their businesses up and running again in the shortest possible time. Businesses of all sizes across the world value the flexibility and peace of mind they gain from our workplace recovery services.

1. The Flexible Revolution, Insights into European flexible office markets, CBRE 2017

Easy access

Mobile and digital self-service solutions

Everything about our network is designed to help our customers control their costs, improve productivity and make their lives easier. At the heart of this approach are our apps, streamlining and simplifying every contact – helping them to find and book space, manage their account, register requests and make observations, and engage with our communities. In addition, our commitment to providing a world-class digital infrastructure underpins our customers' ability to work exactly as they want across the world, using our 60 million Wi-Fi hotspots and thousands of business lounges to be as productive as they possibly can be.

Easy options for every customer

- On-demand – pay-per-use in over 1,000 cities worldwide
- Subscription – membership of our worldwide network, including prepaid usage
- Semi or fully outsourced – operating partially or entirely from our locations
- With a simple contract and reporting, a dedicated account manager and 24/7 customer service
- All available immediately wherever required via our mobile apps

Delivering the customer experience

Meet some of our customers who are creating a way of working that's poised to become the norm.

I have been recommending Regus to our corporates and business partners who are looking for all-inclusive services in a ready made office with international standards.

PAWANA SURESTHA, ETIHAD AIRWAYS
NEPAL

The Regus Chongqing centre team manage our office greatly, listening to our needs, providing us with professional daily office support and strengthening our confidence for continued cooperation in the future.

TINA LIU, GSK
CHINA

Regus' flexible solutions and innovative workspaces have helped us expand and change our operations in Sri Lanka. They have addressed our business needs and exceeded our expectations at every turn. From the excellent facilities to the brilliant people around us, Regus has been the perfect choice for us and we have never looked back.

SANTOSH KUMAR, MASTERCARD
SRI LANKA

The Regus network accommodates our rapid and ongoing growth. Using workspace as a 'service' lets us use space efficiently – as we grow, our workspace can grow. It also allows us to cater to 'spikes' in the way we use space as we don't have to hold space and its associated costs permanently.

HAMISH MILES, SERVICENOW
NEW ZEALAND

ENGIE needed to accommodate its future digital team with flexible offices in the heart of the Paris digital district, the location being strategic and decisive to attract and retain talent joining ENGIE. Digitalisation is one of ENGIE's strategic priorities, and flexible offices were chosen in a test-and-learn approach, with the probable future growth of this new structure in mind. In addition to providing offices at the desired location and in a very short timeframe, Regus has completely designed their spaces in a collaborative spirit, focusing on our needs and requirements. Delighted by this first experience, we signed for an extension a few months later which has led to further projects with Regus, such as hosting ENGIE teams outside Paris, in five cities, leveraging Regus' national network.

GILLES ALLARD, ENGIE
FRANCE

I was impressed by the service I received from Regus. The staff are excellent and friendly!

CHIE HASHIMOTO, JAPAN INTERNATIONAL COOPERATION CENTER
NEPAL

Thank you all for the strong support, we very much appreciate every effort taken by the Regus team.

JOANNE CHEUNG, GSK
CHINA

We have used Regus for many years, in various locations. In November this year we moved from Koebogen into a new location in Düsseldorf. The centre is well located in the heart of the city with a lot of amenities in walking distance and the centre team is extremely nice and they always have a smile on their faces. Everyone is friendly and helpful, and we get everything we require on time. The atmosphere in the centre itself is positive and pleasing.

ANDREA DURAZZO, BROWZ
GERMANY

We use Regus to have maximum flexibility in regards to space and service. We very much value this situation. The extensive Regus office network also helps our international business activities regarding client meetings, interviews etc. All offices are in prime locations and very well equipped. A very professional business set up that includes all relevant services needed. We are very happy with the service level and flexibility.

ALEXANDER SCHWEIZER, NIGEL WRIGHT GROUP
GERMANY

How we create value

During 2017, our ability to deliver positive returns despite challenges in certain markets once again proved that our business model remains fit for purpose. This was additionally substantiated by the rigorous planning, stress-testing and review that we carried out during the year.

Our business

Our unrivalled position in the global flexible workspace sector positions us at the forefront of one of the world's most exciting and fast-growing industries. We continued to strengthen our unrivalled position through investment in markets around the world during the year, extending our lead over alternative workspace providers, and positioning ourselves to grasp new opportunities as flexible working goes mainstream.

Our business comprises five vital interconnected elements:

- Our people: talented and experienced professionals who drive the success of our business
- Our companies: segmenting the market for maximised uptake and returns
- Our networks: national and international, empowering businesses and individuals to work productively, anywhere in the world
- Our formats: versatile, inspiring and practical, driving productivity for every type of customer
- Our platform: connecting the property industry with every industry in this new world of work, by providing a world-class and easy-to-use infrastructure with simple points of access and a great user experience

We underpin these with disciplines including:

- Rigorous planning and business review processes
- Constant investment in innovation and growth markets
- Disciplined performance and risk-management procedures

Customers

Businesses of every type, from freelance workers to multinational corporations, choose Regus for many reasons including:

- Our unique and growing geographical reach, placing them wherever they need to be to execute their strategies
- Our experience of working with customers in all types of industry
- Our ability to engage strategically with customer organisations of all sizes
- Our global portfolio of modern workspaces – designed to inspire every business from lone worker to multinational corporation – collaborative communities and 24/7 service infrastructure

They stay with us because we give them an excellent service at competitive rates and a product that flexes to meet their changing requirements:

- Corporates and multinationals: Flexible space that meets their talent, agility and cost-management needs, all managed via a highly efficient single point of contact
- SMEs: Cost-effective, business-class property solutions in over 3,000 locations and 1,000 cities that place them near their customers and prospects
- Start-ups: An efficient and effective upgrade route, from initial venture to established player (and even world leadership)
- Individuals: Inspiring spaces, collaborative communities, the latest technology and 24/7 support

The value we create

We take away many of the facilities management, real estate and capital expenditure headaches that have affected organisations in the past, replacing them with flexibility, agility and the ability to focus on business essentials.

Returns

Our approach to investment continues to ensure that we deliver strong post-tax cash returns. This enables us to generate shareholder value over the long term, delivering returns that exceed our cost of capital. We do this at a local level across our global network, constantly seeking to improve our returns on every location. We align this with a continual focus on driving down overheads as a percentage of revenue – two disciplines that work in parallel to maintain our strong returns.

How we calculate our returns

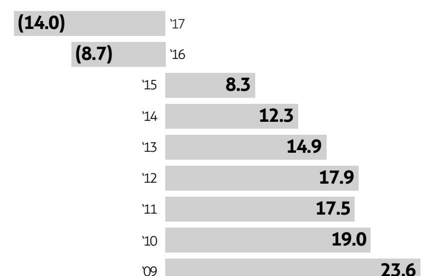
Our returns are based on the post-tax return divided by our net capital investments in network growth.
Our post-tax cash return equals:

- EBITDA less amortisation of partner contribution, less tax based on EBIT, less capital expenditure on maintenance

Our net growth capital investment equals:

- Growth capital less partner contributions

2017 post-tax cash return on net investment by year of opening (%)



Turn to pages 82 and 83 to see how our calculation of post-tax cash return on net investment reconciles to our audited statutory accounts.

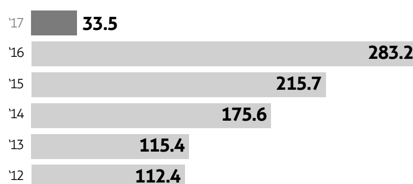
Cash

We are highly disciplined in our use of cash, underpinning and justifying any investment decision with rigorous risk-analysis processes. Every potential investment is evaluated by our internal Investment Committee and has to meet our stringent financial criteria before being approved.

Our ability to convert profit into cash is a particularly attractive feature of the Regus business model. This is because we have the opportunity to reinvest the cash flows generated from our locations directly into attractive locations to further develop our network.

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

£33.5m



Investment in growth

One day soon, flexible working will simply be known as working. It is on the verge of becoming the norm for businesses everywhere, as the advantages of flexible and remote working become increasingly recognised.

We are therefore investing in our formats and national networks to meet customer demand, with a focus on growth markets across the world. We are increasingly aiming to link these networks to create a global infrastructure that enables business integration on a truly global scale.

Working in partnership with landlords is an important factor within this growth strategy, which has the added benefit of significantly reducing the need to invest our own capital.

All potential investment is rigorously evaluated and has to meet our stringent financial hurdles before being approved.

The agility of our business model allows our growth plans to be adjusted to reflect changing market conditions, which is an important aspect of our ability to manage risk through the economic cycle. We can either rapidly capitalise on a favourable investment environment or restrict growth when necessary.

Net growth capital expenditure

£176.8m

The revolution advances

Our industry is becoming more mainstream because major global trends are driving long-term demand. Digitalisation is changing how people work, people are increasingly wanting the personal lifestyle and productivity benefits, and businesses want to capture the strategic and financial advantages. The impact of these trends is significant. We are fast approaching the moment when "flexible working" will simply be known as "working".

MARK DIXON

2017 was an important year for the flexible workspace industry. We have witnessed increased interest in the industry especially from large corporates, the media and other stakeholders. People and companies are increasingly talking about flexible workspace. According to a 2017 survey from CBRE, one of many such reports to come out last year, 71% of occupiers believe that productive and flexible workspaces are vital to delivering corporate real estate objectives. Critically, this figure is up from 57% just 12 months earlier. And, in the same survey, 84% of respondents see the disruption resulting from the flexible workspace revolution as a permanent feature of the corporate real estate landscape.

Why is this? Our industry is becoming more mainstream because major global trends are driving long-term demand. Digitalisation is changing how people work, people are increasingly wanting the personal lifestyle and productivity benefits, and businesses want to capture the strategic and financial advantages. The impact of these trends is significant. We are fast approaching the moment when "flexible working" will simply be known as "working".

Building the foundations for success

What have we done to address this opportunity? We achieved many milestones during 2017, laying the groundwork for 2018 to be a significant year in terms of growth and opportunity.

This is not to say that 2017 was a year dedicated exclusively to future development. Not only did we help some 2.5 million people across the world work more productively, achieving a significant number of major corporate account wins along the way, we also added significant scale to our business.

For example, we opened 22.5% more new centres across the world than we did in 2016. We opened 283 locations, including 56 Spaces locations, and added c. 4.7m sq. ft. of workspace worldwide, taking our global total to 3,094 locations and c. 51.2m sq. ft. of workspace in over 110 countries. Most of these new openings were organic and over half of these were delivered through partnering deals, that are variable in nature, with property owners and investors in the global real estate industry. We remain very encouraged by the increased traction with partnering deals which represent attractive opportunities both to grow the network and deliver more capital efficient growth.

We also continued our programme of upgrading or replacing our older locations, to ensure the high quality of our offering.

Growing the platform

Our 2017 focus was not all about opening new centres. We also added new brands to our expanding portfolio (such as No. 18), providing greater choice and making it easier than ever to use the Regus platform to access the flexible workspace market.

We strengthened our industry-leading and highly scalable digital platform to give customers an even better experience and access to higher levels of service. We continued to train and develop our people across over 110 countries, simultaneously providing our customer-facing employees with the 24/7 global support they need to drive customer retention by focusing exclusively on meeting customer needs.

And we continued to focus successfully on cost management, leveraging economies of scale ever more efficiently to further build on our advantage of having the lowest-cost operating model in the industry. This in turn has enabled us to continue investing in quality, service, technology and choice that customers are looking for.

A year of strategic importance

So, in our view, 2017 was a successful year from a strategic perspective, that has reinforced our platform for growth and strengthened our ability to seize the opportunities presented by our industry and our position within it.

It was not without its challenges though. In October, a temporary confluence of events affecting certain national markets caused us to lower our profit outlook for the year. Specifically, the anticipated revenue improvement in the third quarter was weaker than expected and resulted in a pause in the recovery of our Mature business. In the UK, our London business was particularly slow. There were also a number of natural

disasters affecting certain national markets in the third quarter. However, we were pleased to see our Mature business return to growth in the fourth quarter, with sustained improvements throughout the period, which confirmed our view that the recovery in the growth rate was largely a timing issue and that the underlying market growth drivers remain strong.

Investing to strengthen our business through growing our national networks, enhancing our development capabilities and increasing the dedicated resources focused on corporate account development inevitably led to investment in additional overhead costs and more initial losses from new centres. Strategically, these are the right actions to take advantage of the market growth opportunities and we have won further new corporate account contracts as a result. In the short term, however, they impacted Group profitability.

Our operational and financial strength and scale also enable us to act as a consolidating force across the industry, identifying, buying and strengthening brands and companies. So, as we move ahead in 2018, we are in a very strong competitive position, with improving revenue momentum and a larger pipeline of opportunities ahead of us.

Strong returns generation

We remain focused on the returns we deliver from the investments we make. 2017 has been another year in which we have delivered strong post-tax cash returns on net investment that are well above the Group's cost of capital. The post-tax cash return on net growth investment from locations opened on or before 31 December 2012 was 21.8% (2016: 23.8%). If we roll the estate forward one year to all those locations opened on or before 31 December 2013, the post-tax cash return is 20.2% (2016: 21.6%). The post-tax cash return for the overall business is 12.3% (2016: 13.8%). Our post-tax returns are calculated after deducting net maintenance capital expenditure. In 2017, as expected, we invested more in net maintenance capital expenditure to take the opportunity to refresh some of our existing locations. Overall, a continuing strong performance.

Group revenue increased 1.4% at constant currency to £2,341.7m, an increase of 4.8% at actual rates. This performance reflects the previously reported softness experienced during the third quarter. Encouragingly, our revenue performance improved in the fourth quarter. These Group numbers reflect the impact of closures.

A better indication of the ongoing business, therefore, is provided by the performance of our open centres (excluding closed centres). On this basis, Group revenue increased 3.7%, at constant currency, to £2,311.8m (2016: £2,154.8m), again with revenue growth accelerating in the fourth quarter. This acceleration in revenue growth was driven by all regions except for the UK, where revenue stabilised sequentially during the quarter.

Mature revenue declined by 1.2% during the year at constant currency, with a return to growth in the fourth quarter and sustained improvement throughout the period primarily driven by improvements in the Americas and Asia Pacific

We maintained our strong focus on managing overhead costs whilst investing in areas to support future growth of the business. During 2017 we achieved a further 18% absolute reduction in overheads at constant currency. This reduced overheads as a percentage of revenue by an additional 2.4 percentage points to 9.3%. This helped to mitigate the impact of the third quarter performance and the Group to deliver an operating profit of £177.2m.

We accelerated our growth programme in 2017, reflecting the attractive opportunities to grow our business. We invested £176.8m in net growth capital expenditure during 2017 (2016: £162.3m).

Long term, the Group's strategy remains to pursue a predominantly capital-light approach to network growth.

There remain significant attractive opportunities to deploy capital and we finished 2017 strongly with 119 additions in the fourth quarter and continue to invest to build upon this momentum in 2018 accordingly.

With the significant investment in growth the Group has made over recent years, our depreciation charge has increased accordingly. The result is a broadly unchanged EBITDA performance. Group net debt increased from an opening position of £151.3m to £296.6m at 31 December 2017, in line with our expectations. This represents a net debt : EBITDA leverage ratio of 0.8x and reflects the continuation of our prudent approach to the Group's capital structure.

Group income statement

£m	2017	2016	% Change actual currency	% Change constant currency
Revenue	**2,341.7**	2,233.4	4.8%	1.4%
Gross profit (centre contribution)	**395.4**	448.8	(12)%	(15)%
Overheads	**(217.4)**	(260.4)	(17)%	(18)%
Operating profit[1]	**177.2**	187.6	(6)%	(9)%
Profit before tax	**167.2**	176.1	(5)%	
Taxation	**(35.6)**	(34.9)		
Profit after tax	**131.6**	141.2	(7)%	
EBITDA	**388.6**	382.1	2%	(2)%

1. Including joint ventures

The Group generated a gross profit of £395.4m (2016: £448.8m), down 15% at constant currency. This reflects, in broadly equal measure, a lower Mature business gross profit and the combined impact of higher initial losses from new locations opened and a negative year-on-year impact from closures.

Gross margin

	Revenue £m 2017	2016	Gross margin % 2017	2016
2014 Aggregation	**1,857.6**	1,847.3	**21.5%**	24.1%
New 15	**307.1**	270.7	**11.8%**	2.7%
New 16	**106.5**	36.8	**(11.8)%**	(53.8)%
Pre-17	**2,271.2**	2,154.8	**18.7%**	20.1%
New 17[2]	**40.6**	–	**(65.0)%**	–
Closures	**29.9**	78.6	**(6.0)%**	19.8%
Group	**2,341.7**	2,233.4	**16.9%**	20.1%

2. New 17 also includes any costs incurred in 2017 for centres which will open in 2018

Performance by region

On a regional basis, mature[1] revenue and contribution can be analysed as follows:

	Revenue		Contribution		Mature gross margin (%)	
£m	**2017**	2016	**2017**	2016	**2017**	2016
Americas	**926.4**	897.4	**177.6**	173.8	**19.2%**	19.4%
EMEA	**486.1**	461.8	**105.6**	106.6	**21.7%**	23.1%
Asia Pacific	**351.1**	342.1	**74.3**	69.9	**21.2%**	20.4%
UK	**398.2**	409.9	**79.2**	95.9	**19.9%**	23.4%
Other	**2.9**	6.8	**(0.2)**	6.8		
Total	**2,164.7**	2,118.0	**436.5**	453.0	**20.2%**	21.4%

1. Centres open on or before 31 December 2015

Americas

Revenue from open centres increased 3.8% at constant currency to £978.1m. Total revenue (including closed centres) in the Americas increased 2.9% at constant currency to £984.8m (up 6.7% at actual rates). Although mature revenue in the region declined 0.5% at constant currency to £926.4m (up 3.2% at actual rates), we experienced a sequential improvement during the year. This resulted in a strong finish to the year with 3.0% growth at constant currency in the fourth quarter.

Average mature occupancy for the region was 75.8% (2016: 75.5%). The gross profit margin remained solid at 19.2%.

We continued to see an improving performance in the US, our largest region in the Americas, generating £819.6m of total revenue. After an improved second half and strong fourth quarter, we ended with a small positive constant currency revenue growth rate for our Mature business in 2017. After a slow start to the year, our Canadian business produced a good performance with momentum building from March onwards and finishing the year strongly, with c. 9% year-on-year constant currency mature revenue growth in Q4. Although we saw good performance from some of the smaller countries in Latin America, like Puerto Rico, this was offset by weak conditions in the larger markets, such as Mexico and Brazil.

We added 65 new locations during the year, taking the total to 1,265 at 31 December 2017. The focus of growth continued to be the US with the opening of 36 new locations, which increased the total to 1,007. Over a third of the total openings were in Latin America, with the majority in Brazil following a portfolio deal with a large property owner. We also opened in Trinidad and Tobago through a partnering agreement.

EMEA

EMEA continued to make progress during 2017, with a range of performances in individual markets. Revenue from all open centres increased 7.7% at constant currency to £535.4m. Total revenue increased 6.7% at constant currency to £540.5m (up 13.4% at actual rates). Mature revenue in the region declined 1.0% at constant currency to £486.1m (up 5.3% at actual rates) for the year but moved modestly into growth in Q4. The gross margin reduced from 23.1% to 21.7% which is a robust performance given the mature revenue decline. Mature occupancy increased from 75.9% to 77.3%.

EMEA added the largest number of new locations of any region with 136 new locations opened. At 31 December 2017 we had 909 locations across EMEA. We also added Iceland, Azerbaijan and Gibraltar to our global presence.

In such a diverse region, individual country performances varied but, in the main, continental Europe, with the exception of France and Switzerland, has been good. There were very good performances from the Netherlands, Germany, Italy, Spain, Ireland and Israel. More challenging were markets like Russia and parts of the Middle East and Africa. Many countries in the region, however, delivered a stronger second half performance, which is encouraging.

Asia Pacific

Revenue from all the open centres increased 5.1% at constant currency to £379.3m. Total revenue in the region increased 2.2% at constant currency to £383.2m (up 5.5% at actual rates). In the Mature business, revenue performance was stronger in the second half of the year. Although mature revenue declined by a modest 0.6% at constant currency for the year as a whole (up 2.6% at actual rates), we saw signs of positive improvement in the fourth quarter.

Mature occupancy increased from 71.8% to 73.0% and the gross margin improved from 20.4% to 21.2%. It was also pleasing to see the build-up of momentum in the Mature business across several countries, including Japan and Australia. Both ended the year strongly. Some markets, however, like India and China, performed below our expectations.

We added 57 new centres into Asia Pacific, taking the total as at 31 December 2017 to 638 centres. The focus of this growth was in Japan, India, China, Australia and, in the fourth quarter, New Zealand where, including an acquisition, we more than doubled our network to 16 locations. During 2017 we added Kazakhstan to our network.

UK

Revenue from all the open centres decreased 1.0% to £415.2m. Total revenue (including closed centres) declined 7.1% to £429.4m. Revenue from the Mature business in the UK declined 2.9% to £398.2m after a weak third quarter.

There were two contrasting performances from our business in London and that of the rest of the UK, as previously reported. Revenue outside London increased and saw sequential quarterly year-on-year improvement. Mature revenue in London declined significantly and was particularly weak throughout the second half. Even within the London market there were varied performances, with softer demand experienced in the City. Although enquiry levels remained weak compared to the rest of the UK, there was a distinct improvement in average deal size in the fourth quarter. The absence of larger deals in London had been a particular issue, especially in the third quarter.

With the decline in mature revenue, especially in a high value market like London, on a relatively fixed cost base in the near term, the mature gross margin declined from 23.4% to 19.9%. Mature occupancy reduced from 75.6% to 72.1%.

We added 25 new locations in the UK, with a focus on the regions outside London. We now have 282 locations in the UK at 31 December 2017.

Partnering with property companies

A glance at the figures shows why so many real estate companies are keen to partner with Regus. Recent research from CBRE shows that:

- 71% of occupiers believe having flexible workspace is vital to delivering their corporate real estate objectives
- Up to 30% of corporate real estate portfolios could be flexible workspaces by 2030
- 84% of survey respondents believe that the move towards flexible workspace is a permanent trend
- The compound annual growth rate of flexible workspace is expected to be 24% between 2016 and 2020.

Not only are we the world leader in providing businesses of all sizes with flexible workspace, we also offer real estate partners a uniquely powerful route into this growth via an operating platform that creates new channels into every market, sector and industry. More than that, we have the expertise, the platform and the infrastructure to manage their customer relationships for them in a highly efficient way.

Outlook

2017 was an important year for the flexible workspace industry globally and we remain confident that Regus will continue to drive, and benefit from, the accelerating customer demand and growth of flexible working. With the competitive advantage from our operational scale, global network and quality of service and technology, we are optimally positioned to benefit from these long-term structural growth drivers.

Our Group strategy remains unchanged. We will continue to invest in our network so we can deliver future earnings growth and increasing shareholder returns. We will continue to focus on partnerships to drive capital efficiency and to grow and interlink our multi-brand national networks to enable more deals with larger corporates. Alongside investing for growth, we will focus on delivering attractive returns on the investments we have made in recent years and monetising our leading network. A relentless focus on execution and disciplined approach to risk management will be key to delivering this.

While 2017 was not without its challenges, the improved revenue performance in Q4 on the back of a strong uplift in sales activity provides a strong platform for growth in 2018. Sales activity trends remain good and we anticipate improved revenue growth during the year.

We look forward to the future with great confidence.

MARK DIXON
27 April 2018

A clear and simple strategy

We aim to deliver strong and sustainable returns to our investors through providing customers of all types across the world with convenient, inspiring and innovative work environments that suit the full range of workspace and service needs.

Strategic objectives and approach

1 Delivering attractive, sustainable returns

We aim to deliver long-term revenue growth, driven by expanding our networks in growth markets, developing incremental revenue streams, and reducing risk and controlling costs across our existing network. This once again drove strong returns on investment during 2017, well ahead of the Group's cost of capital.

2 Cash generation before growth

The ability to convert profit into cash remains an attractive feature of our business model, allowing us to use the cash flows delivered by our operations to support the ongoing development of our business.

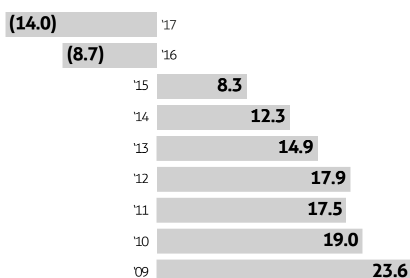
Key performance indicators

2017 post-tax cash return on net investment by year of opening (%)

12.3%

Total estate

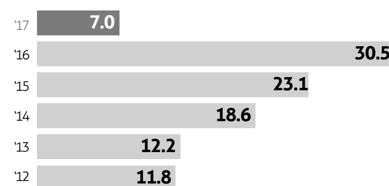
Overall 2017 return on net investment made up to 31 December 2012 of 21.8 %



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

7.0p

During 2017, we generated 7.0p of cash flow per share before growth capex, dividends and share buybacks



Future ambitions and risks – for more information on risks see pages 27-33

Delivering profitable growth and strong sustainable returns is central to creating future shareholder value. We are committed to achieving this by optimising revenue development and controlling costs throughout our global network of locations.

With our network growth delivering revenue growth over the long term and our strong focus on operational efficiency and cost control, our business model is well positioned to convert profit 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.

We made further progress in this area during 2017, in both percentage of revenue and absolute terms. The impact of our efforts during 2016 to improve efficiency continued to flow through the business, complemented in 2017 by our focus on controlling costs by directing our investments into the right areas.

4 Developing national networks

We are continuing to grow our networks in those markets with the greatest growth potential and where demand is strongest.

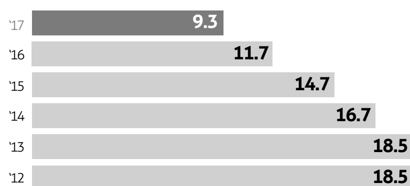
By expanding our network, investing in services and continuously improving the quality of our infrastructure and centres, we are continuing to increase our addressable audience and tying in our existing customers.

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 capital-light ways of expanding the network, including partnering with property owners for optimal risk management.

Total overheads as a % of revenue

9.3%

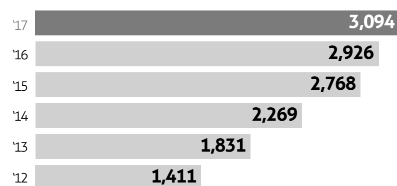
Overheads as a % of revenue reduced 240bp



Network location growth

3,094 locations

283 new locations added, opening in 62 new towns and cities, at a net growth capital investment of £176.8m.



We will continue to control overheads to deliver further economies of scale. This will be balanced by continuing investments in the business to develop the network in growth markets, and to improve the performance of our operating platform, processes and people.

We will continue to add scale, convenience and quality to our network, in a carefully controlled and risk-managed programme of investments that ensures every new location has the potential to deliver against our stringent returns criteria.

Equipping our people to help customers worldwide

Our talent strategy – to have great people helping our customers succeed in our growing workspace network – is utterly pivotal to our growth and future success. During 2017 and into 2018, talent therefore remains a critical strategic objective, placing recruitment, development, diversity and succession planning at the centre of our long-term planning for growth.

In order to deliver global, flexible and diverse workspaces to our customers we must attract and retain the very best people who are passionate about being front and centre of the workspace revolution.

That is why we are committed to making sure every new team member is trained comprehensively in every country.
In addition, we ensure that all team members who engage with customers are trained to take on more responsibility throughout their Regus career as they step up the career ladder. This means Regus can plan for succession and growth proactively and fairly, offering opportunities equally to every member of the Regus family.

Learning and development

During 2017, we continued to strengthen our leadership team across the world, empowering our country leaders to fulfil their brief of growing the network, delivering unparalleled service levels and developing an outstanding pipeline of new talent.

Moving ahead, we know our leaders will need to fast-track their skills, experience and market knowledge as they drive the business to new levels, with multiple companies, cutting-edge technology and strategic partnerships.

During the year, we therefore invested in our new learning and communication platform, which will support induction programmes and team-member development across the world.

We provide all new team members with a focused new-starter training programme, supported by a peer-level coach. On completion, each starter takes an online exam before finally being accredited by their line manager and coach to start their Regus career. In this way, we ensure that only the best people are looking after our customers.

Development, training and communication are the main themes of our annual Global Leadership Conference, attended by over 220 of our top executives. The scale of this investment demonstrates the value to us of having a globally aligned leadership team, focused on enabling all our people to be as good as they can be.

Our dynamic succession plan

We believe that offering our talent international opportunities makes a valuable contribution to success planning. During 2017, employees from Mexico and South Africa took up new roles in our Barcelona shared services centre. Country managers were also on the move, including relocations from Singapore to the UK and from Turkey to California.

Succession planning also extends beyond the boundaries of the business. We use our internal Executive Recruitment Team to bring in 80% of our top talent, enabling us to track promising individuals and hire quickly and cost-effectively when needed.

Our emphasis on diversity

Having a diverse workforce is key to achieving our goals. There is a 50:50 gender split at senior management level. In addition to this, we have a high percentage of females working in-country (a figure which has increased by 25% since 2016) and we also aim to hire local nationals into country leadership roles, giving us a truly multi-cultural team.

This extends to Board level as well, and our gender, cultural and ethnic diversity was highly apparent at our Global Leadership Conference in January 2018. This is a great source of pride and value for Regus.

Our reward strategy

The unrelenting battle for the best talent means we go to great lengths to ensure that our overall compensation structure is competitive. We also seek to tie-in our high-potential people, from graduate recruit to Executive Committee member, with attractive incentives.

Over

220

of our top executives attended the annual Global Leadership Conference

Approximately

160,000

e-learning and video training modules completed in 2017 globally.

Our people are at the core of our culture, which is absolutely the key to our success. We focus on providing an engaging and productive environment, where our people want to come to work every day. In short, 'Take care of your people and they'll feel passionate about taking care of your customers'.

LISA AKEROYD,
REGIONAL MANAGING DIRECTOR, UK

To achieve our goal for growth in the region – taking our Latin American network from 150 to more than double that over the next three to five years – I'm building a team of talented professionals with a wealth of skills and experience. This means we can offer flexible workspace to every customer on the continent.

WILLIE MARTIN,
NETWORK DEVELOPMENT DIRECTOR, LATIN AMERICA

I've been given great opportunities to succeed in different markets across the world. I've worked with customers in three different countries and three different languages – and each time, the product and service we offer has been phenomenal. We're very lucky to work for such a great company, a market leader and trendsetter across the world. It makes me proud to come to work every day.

PEDRO ALVES VIANA,
COACHING AREA MANAGER, AUSTRALIA

Strong returns performance underscores the fundamental strength of our business model and strategy

We remain focused on delivering strong returns on investment and this has been achieved again during 2017. We reaccelerated the growth of our national networks and did so in an increasingly capital efficient manner. Our cost leadership has been further enhanced. We reduced overheads as a percentage of revenue to 9.3%.

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Return on investment

Our strategy is focused on generating good returns from our investments. For the 12 months ended 31 December 2017, the Group delivered a strong post-tax cash return on net growth investment of 21.8% in respect of locations opened on or before 31 December 2012 (23.8% on the same estate for the 12 months ended 31 December 2016). Moving the aggregated estate forward and incorporating the centres opened during 2013, the Group delivered a post-tax cash return on net growth investment of 20.2% in respect of all locations opened on or before 31 December 2013 (the equivalent return for the 12 months ended 31 December 2016 on the same estate was 21.6%).

This strong performance, well ahead of our cost of capital, reflects the underlying level of 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 on the next page shows the status of our centre openings by year of opening as they continue to progress towards full maturity.

Developing the network

We reaccelerated the growth of our 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. We continued to maintain a sharp focus on our investment decision-making during 2017, reflecting its critical importance to maintaining strong future returns.

During 2017, we invested £176.8m of net growth capital expenditure. This investment included expenditure on locations opened before 2017 and to be opened in 2018 of £30.4m.

We opened 283 new locations during 2017. These locations added approximately 4.7m sq. ft., taking the Group's total space globally to 51.2m sq. ft. as at 31 December 2017. Another important focus area was the roll-out of our Spaces format. During 2017 we accelerated our roll-out of the Spaces format with the addition of 56 locations, which represented approximately 66% of the net growth capital expenditure and 40% of the space added. Most of the Group's new additions in 2017 were organic openings and over half of these were delivered through partnering deals.

We finished 2017 strongly, with 119 additions in the fourth quarter. This momentum has continued and we have a good pipeline of new openings already for 2018. At the end of February 2018, we had visibility on 2018 net growth capital expenditure of approximately £190m, representing approximately 230 locations and 5.5m sq. ft. of additional space – c.11% of our current space and a greater amount of space than added in 2017. We have a strong pipeline of locations within our Spaces co-working format. These Spaces locations represent approximately 41% of the total locations, over 60% of the added space and over 70% net growth capital expenditure for the current 2018 pipeline.

Our Mature business showed positive 0.5% revenue growth in Q4 2017, at constant currency, with the growth rate accelerating throughout the quarter, which provides a good starting point for 2018.

Operational developments

Constantly striving to improve our business and the future potential returns is an ongoing process. We have added new brands and formats to our portfolio to enhance our ability to match customer demand. The unrivalled scale of our business provides us with the platform to automate more processes and unlock the opportunity from allowing our employees to have greater focus on customer service. We believe this will generate many positives for our business, including further improved cost efficiency.

To unlock the growing opportunity with corporate accounts we have focused more investment in this area. This investment included the bolstering of our corporate accounts team to establish a team of specialists in strategic marketing and selling to large corporations. We believe this is an important investment for the future of the business and we are already seeing the cost benefit with new contract wins and a healthy pipeline of future opportunities. We are also investing in our development capabilities to establish a strong pipeline of growth in future years.

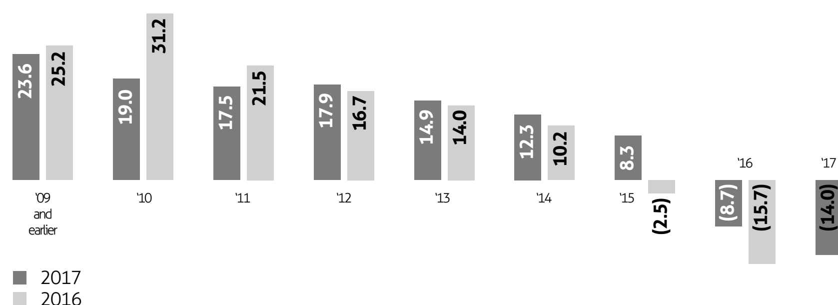
Revenue

Reported Group revenue increased 1.4% at constant currency to £2,341.7m (2016: £2,233.4m), an increase of 4.8% at actual rates. We experienced a revenue acceleration throughout 2017, at constant currency. Notably, Group revenue growth, at constant currency, accelerated from the third quarter to the fourth quarter. This revenue growth acceleration was driven by all regions, except the UK, where revenue stabilised sequentially through the quarter. Revenue growth from all open centres was stronger and delivered a 3.7% increase for the year, all at constant currency. These improvements reflect the strong uplift in sales activity since October 2017.

Our Mature business showed positive revenue growth in Q4 2017, at constant currency, with the growth rate accelerating throughout the quarter, which provides a good starting point for 2018. For the year, mature revenue at constant currency (from the 2,581 like-for-like locations added on or before 31 December 2015) declined 1.2% to £2,164.7m (up 2.2% at actual rates), compared to a 2.0% decline at constant currency for the six months to 30 June 2017 and a 1.8% decline for the third quarter. This was primarily driven by improvements in the Americas and Asia Pacific and, to a lesser extent, EMEA. Mature occupancy remained solid at 74.9% (2016: 74.8%), with the decline in occupancy in the UK offset by improvements in the other regions.

The continuation of these sales activity trends reinforces our view that mature revenue can improve in 2018. Additionally, we expect mature revenue to benefit from the maturation of the 2016-year Group location openings (230 locations), which were incorporated into the Mature business on 1 January 2018.

Post-tax cash return[1] on net investment by year group – 12 months to 31 December (%)



1. These returns are based on the post-tax cash return divided by the net growth capital investment. The post-tax return is calculated as the EBITDA achieved, less the amortisation of any partner capital contribution, less tax based on the EBIT and after deducting maintenance capital expenditure. Net growth capital expenditure is the growth capital after any partner contributions. We believe this provides an appropriate and conservative measure of cash return

Financial performance

Group income statement

£m	2017	2016	% Change (actual currency)	% Change (constant currency)
Revenue	**2,341.7**	2,233.4	4.8%	1.4%
Gross profit (centre contribution)	**395.4**	448.8	(12)%	(15)%
Overheads	**(217.4)**	(260.4)	(17)%	(18)%
Joint ventures	**(0.8)**	(0.8)		
Operating profit	**177.2**	187.6	(6)%	(9)%
Net finance costs	**(10.0)**	(11.5)		
Profit before tax	**167.2**	176.1	(5)%	
Taxation	**(35.6)**	(34.9)		
Effective tax rate	**21.3%**	19.8%		
Profit after tax	**131.6**	141.2	(7)%	
Basic EPS (p)	**27.7**	15.2	82%	
Depreciation & amortisation	**211.4**	194.5		
EBITDA	**388.6**	382.1	2%	(2)%

Gross margin

£m	Mature centres	New centres	Closed centres	Total 2017
Revenue	2,164.7	147.1	29.9	2,341.7
Cost of sales	(1,728.2)	(186.4)	(31.7)	(1,946.3)
Gross profit (centre contribution)	436.5	(39.3)	(1.8)	395.4
Gross margin	20.2%	(26.7)%	(6.0)%	16.9%

£m	Mature centres	New centres	Closed centres	Total 2016
Revenue	2,118.0	36.8	78.6	2,233.4
Cost of sales	(1,665.0)	(56.6)	(63.0)	(1,784.6)
Gross profit (centre contribution)	453.0	(19.8)	15.6	448.8
Gross margin	21.4%	(53.8)%	19.8%	20.1%

Gross profit

Group gross profit was £395.4m (2016: £448.8m), a 15% decline at constant currency (down 12% at actual rates). This reduction reflects the lower gross profit from the Mature business of £16.5m, a higher level of initial losses from the new centre additions of £19.5m and an adverse variance of £17.4m on the closed locations. Reflecting the lower mature gross profitability for the year, the mature gross margin declined 1.2 percentage points to 20.2% (2016: 21.4%). This was a solid performance considering the 1.2% constant currency decline in mature revenue.

Very strong overhead efficiency

2017 was another very strong year of progress against our strategic goal of controlling costs. For the second consecutive year, overhead costs have reduced in absolute terms. As previously reported, this reflects a full-year benefit of the reductions achieved during 2016 and no repetition of the costs incurred and expensed last year to deliver the new field structure. We have continued to add to these efficiency gains by further centralisation of more activities, globally and regionally, into dedicated service centres to unlock more benefit from our scale and provide better services to our customers. All this achieved whilst investing to deliver our growth strategy and corporate account development.

The absolute level of investment in overheads reduced 18% in constant currency terms to £217.4m (2016: £260.4m) (down 17% at actual rates). Overhead efficiency improved by 2.4 percentage points from 11.7% as a percentage of revenue to 9.3%.

We continue to maintain a strong focus on overhead discipline and anticipate further scale benefits to be reflected in overheads as a percentage of revenue reducing further over time, notwithstanding the anticipated investment in growth.

2017 was another very strong year of progress against our strategic goal of controlling costs. For the second consecutive year, overhead costs have reduced in absolute terms.

Cash generated before the net investment in growth capital expenditure, dividends and share repurchases was £33.5m (2016: £283.2m).

Operating profit

The absolute reduction in overheads in 2017 has helped to mitigate some of the drop through of the reduction in gross profit. Group operating profit decreased 9% at constant currency to £177.2m (2016: £187.6m) (down 6% at actual rates). Consequently, the Group operating margin decreased from 8.4% in 2016 to 7.6% in 2017.

Net finance costs

The Group's net finance costs decreased to £10.0m (2016: £11.5m).

Tax

The effective tax rate for the year was 21.3% (2016: 19.8%). The increase in effective tax rate is primarily due to decreased recognition of deferred tax assets in the US. Our expectation is that the effective tax rate will continue to be around 20%.

Earnings per share

Group earnings per share for 2017 increased to 27.7p (2016: 15.2p). This 82% increase primarily reflects the lower level of profitability offset by the reduction in the number of shares in issue.

The weighted average number of shares for the year was 474,525,592 (2016: 929,860,354). The weighted average number of shares for diluted earnings per share was 474,525,592 (2016: 929,860,354). As at 31 December 2017 the total number of shares in issue was 3,000,000 after the completion of a capital reduction during the year.

Cash flow and funding

Cash generation continues to be a highly attractive feature of our business model. Although reported operating profit declined, as noted above, Group EBITDA remained broadly similar to the level reported in 2016.

Cash generated before the net investment in growth capital expenditure, dividends and share repurchases was £33.5m (2016: £283.2m). Our performance in 2016 benefited from some specific non-recurring projects to unlock approximately £50m of additional working capital.

We have experienced increased traction on our strategic priority of targeting less capital-intensive growth.

Group net debt increased from £151.3m at 31 December 2016 to £296.6m at 31 December 2017. This represents a Group net debt : EBITDA leverage ratio of 0.8 times. Whilst our approach to our borrowing continues to be prudent, we continue to recognise the long-term benefit of also operating with an efficient balance sheet.

We continue to have adequate headroom through our £550.0m Revolving Credit Facility to execute our strategy. We improved the debt maturity profile of this facility during the first half of 2017 by extending it to 2022 (previously 2021). There is a further option to extend until 2023. The facility is predominantly denominated in sterling but can be drawn in several major currencies.

Cash flow

The table below reflects the Group's cash flow:

£m	2017	2016
Group EBITDA	**388.6**	382.1
Working capital	**(152.3)**	98.9
Less: growth-related partner contributions	**(80.6)**	(66.1)
Maintenance capital expenditure	**(95.6)**	(86.7)
Taxation	**(22.4)**	(31.5)
Finance costs	**(8.1)**	(16.1)
Other items	**3.9**	2.6
Cash flow before growth capital expenditure, share repurchases and dividends	**33.5**	283.2
Gross growth capital expenditure	**(257.4)**	(228.4)
Less: growth-related partner contributions	**80.6**	66.1
Net growth capital expenditure[1]	**(176.8)**	(162.3)
Total net cash flow from operations	**(143.3)**	120.9
Dividend	**-**	(43.3)
Corporate financing activities	**(9.3)**	(35.7)
Opening net debt	**(151.3)**	(190.6)
Exchange movement	**7.3**	(2.6)
Closing net debt	**(296.6)**	(151.3)

1. Net growth capital expenditure of £176.8m relates to the cash outflow in 2017. Accordingly, it includes capital expenditure related to locations opened before 2017 and to be opened in 2018 of £30.4m. The remaining investment relates to the 283 locations added in 2017. The total net investment in the 2017 additions amounts to £173.1m so far

Foreign exchange rates

	At 31 December			Annual average		
Per £ sterling	2017	2016	%	2017	2016	%
US dollar	**1.35**	1.24	9%	**1.30**	1.35	(4)%
Euro	**1.13**	1.17	(3)%	**1.14**	1.22	(7)%
Japanese yen	**152**	145	5%	**145**	147	(1)%

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2017 key individual currency exchange rates have moved, as shown in the table above. Overall, the favourable impact of the movement in exchange rates increased reported revenue, gross profit and operating profit by £77.1m, £12.3m and £6.4m 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 and the risk management structure in place to identify, manage and mitigate such risks can be found on pages 27 to 33 of the Annual Report and Accounts.

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 2017. Details of related party transactions that have taken place in the period can be found in note 30 to the 2017 Annual Report and Accounts.

Subsequent events

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

Dividends

There were no Dividends paid during the year (2016: £43.3m). The directors do not propose to declare a final dividend (2016: £nil) for 2017.

DOMINIK DE DANIEL
27 April 2018

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 affected 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.

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.

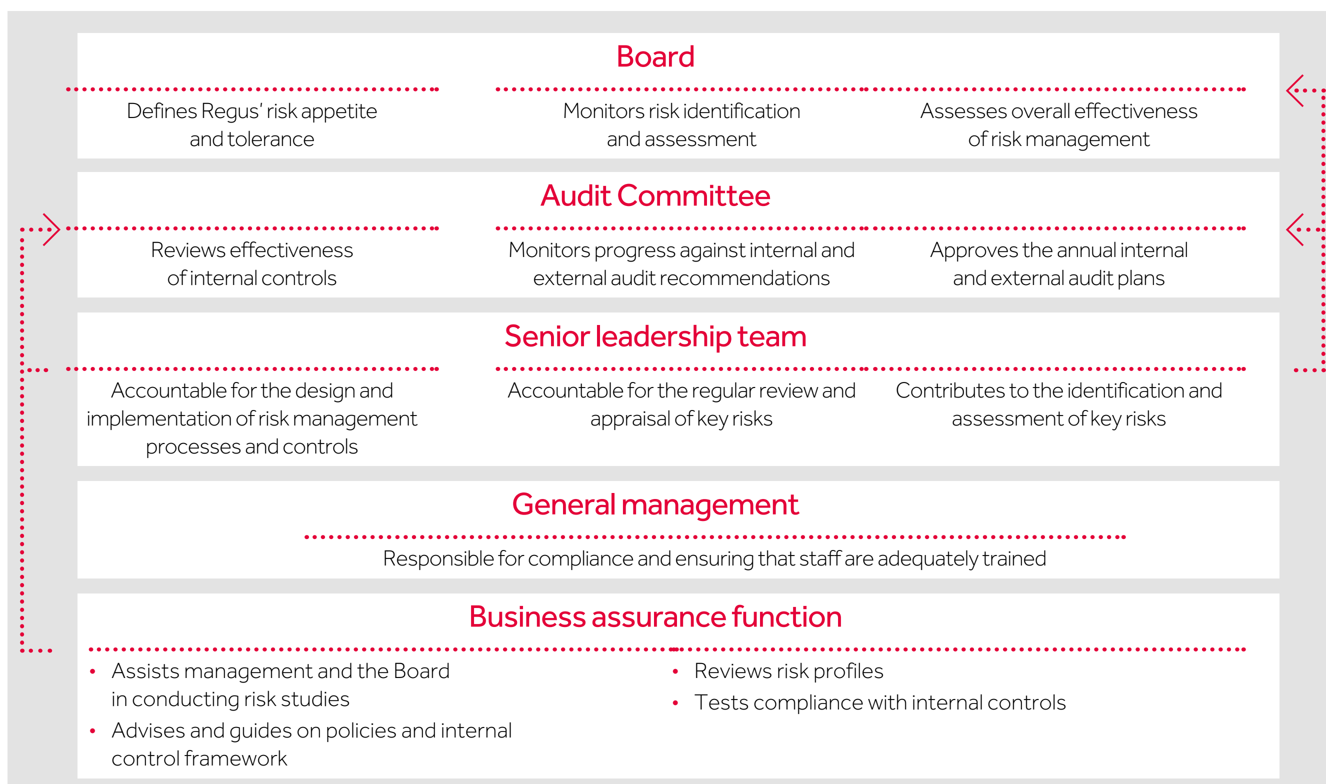
For all known risks facing the business, Regus attempts to minimise the likelihood and mitigate the impact. According to the nature of the risk, Regus may elect to take or tolerate risk, treat risk with controls and mitigating actions, transfer risk to third parties, or terminate risk by ceasing particular 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;
- Review of the status of our principal risks in each Audit Committee meeting; and
- Annual review of all risks in our risk register.



Principal risks

Risk	Mitigation	Changes since 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 affected 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 96% 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 40% of the leases we entered into during 2017 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 2017, the number of 'flexible' leases as a percentage of the total increased to 96% from 95% on an enlarged estate. At the end of 2017, we were operating 3,094 locations in 1,051 towns and cities across over 110 countries. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Controlling costs
Economic downturn An economic downturn could adversely affect the Group's operating revenue, thereby reducing operating profit performance or, in an extreme scenario, resulting in operating losses.	The Group has taken a number of actions to mitigate this risk: 1 More than 40% of the leases added during 2017 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 2017 the number of 'flexible' leases as a percentage of the total increased to 96%. We also increased the scale of our network by 6% and added 62 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. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Controlling costs

Risk	Mitigation	Changes since 2016
Strategic		
Emerging trends and disruptive technology		
New formats and technological 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 revenue and unlock potential new sources of revenue.	In 2017 Regus continued to invest in research and development – both to unlock efficiencies as well as improving the overall proposition to customers. The customer self-service applications for mobile and web platform have been launched for Spaces and enhanced to incorporate many more self-service and customer control capabilities. We have developed app-based digital interaction channels for our broker community which are in pilot and are developing similar applications for our suppliers. We continue to adopt a "Digital Business Centre Strategy" and are implementing Internet of Things (IoT) to provide our customers with more convenience, comfort and personalisation – and improve productivity. Status – Increased Rating – Medium Strategic Objective – Delivering attractive, sustainable returns
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 continuously review our portfolio to ensure that our products and services are aligned to customer expectations and requirements and there are currently active investment programmes being implemented across our estate.	We increased the scale of our network by 6% and added 62 new towns and cities. We accelerated the roll-out of our Spaces co-working format with the opening of 56 new locations and the development of a strong pipeline for 2018. Status – Increased Rating – High Strategic Objective – Delivering attractive, sustainable returns
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. 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 9% of the new locations added during 2017 were in the UK and the majority were in locations outside London. During 2017 the opportunity was taken to consolidate some locations in the UK. In addition, several locations were removed from our network following the cessation of a management agreement, the impact of which was negligible on future financial performance. Overall our network in the UK reduced from 330 to 282 locations. Based on the current position over 40% of our leases with landlords in the UK are variable in nature. Status – Increased Rating – High Strategic Objective – Delivering attractive, sustainable returns; Developing national networks

Principal risks

Risk	Mitigation	Changes since 2016
Strategic		
Business planning and forecasting Business plans, forecasts and review processes should provide timely and reliable information for short, mid and long-term opportunities and any risks to performance so that these can be addressed on a proactive basis.	Regus maintains a three-year business plan which is updated and reviewed on an annual basis. We also use a 12-month rolling forecast which is reviewed every month based on actual performance.	The forecasting process has been reviewed and tracking performance against specific budgets and targets in place was further enhanced. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Controlling costs; Cash generation before growth
Financial		
Funding The Group relies on external funding to support a net debt position of £296.6m at the end of 2017. 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. 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 improved the debt maturity profile of our key Revolving Credit Facility in 2017 by extending it to 2022 (previously 2021). There is a further option to extend until 2023. After taking into account usage of the £550.0m facility for cash drawings and bank guarantees, we had £131.8m of available and undrawn committed facility as at 31 December 2017. Regus had a net debt : EBITDA ratio at 31 December 2017 of 0.8 times. There is significant headroom on the covenant ratios. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Cash generation before growth
Exchange rates The principal exposures of the Group are to the US dollar and the euro, with approximately 37% of the Group's revenue being attributable to the US dollar and 19% 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.	Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. 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. The Group, where deemed appropriate, uses currency swaps to maintain the currency profile of its external debt.	Overall in 2017 the movement in exchange rates increased reported revenue, gross profit and operating profit by £77.1m, £12.3m and £6.4m respectively. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Controlling costs

Risk	Mitigation	Changes since 2016
Financial		
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.	At the end of 2017 the level of interest rate protection was 26% of the Group's debt being fixed until 2019. The long-term strategy of the Group to operate in an asset-light business model is unchanged. Status – Same Rating – Medium Strategic Objective – Controlling costs
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. 6 The Corporate Communications team is constantly engaged to provide support for any internal and customer facing incidents.	The Group has implemented a number of steps such as Multi Factor Authentication and security awareness campaigns to ensure that the business is risk aware and our systems are adequately protected against any external attacks. An ongoing penetration testing programme is in place performed by external security specialists. This allows us to identify and fix any vulnerabilities to emerging cyber threats on a proactive basis. Regus has cyber insurance policies in place which provide immediate response services in the event of a breach. Status – Increased Rating – High Strategic Objective – Delivering attractive, sustainable returns; Controlling costs
Business continuity 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. We have introduced redundant connectivity of independently routed circuits for our main sales call centres. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Controlling costs

Principal risks

Risk	Mitigation	Changes since 2016
Operational		
Ethics and compliance Ethical misconduct by our employees or non-compliance with regulation either inadvertently, knowingly or negligently could lead to financial loss/penalties, reputational damage, loss of business and impact on staff morale.	Regus manages this risk through: 1 Visible ethical leadership. 2 A robust governance framework including a detailed code of conduct plus policies on gifts and hospitality and bribery and corruption that are in place and rolled out to all employees as mandatory training. 3 Centralised procurement contracts with suppliers for key services and products. 4 Standardised processes to manage and monitor spend including controls over supplier on-boarding and payments approval. 5 Regular reviews to monitor effectiveness of controls. 6 Independent and confidential ethics hotline available to employees, contractors and third parties. 7 Independent investigation of fraud incidents and allegations of misconduct with Board-level oversight.	A robust supplier selection and evaluation process implemented with a view to enhance controls to address the risk of fraud. Status – Same Rating – Medium Strategic Objective – Controlling costs
Data protection and privacy Regus is required to comply with all applicable legislation of the jurisdictions in which it operates including the new EU General Data Protection Regulation (GDPR) which comes into force on 25 May 2018. Non-compliance and breaches could result in significant financial penalties, various sanctions and reputational damage.	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.	A detailed GDPR review has been performed to assess areas for improvement and action plans are currently being implemented to ensure full compliance with the requirements of GDPR. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns
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 A robust business planning and forecasting process is in place to provide timely and reliable information to address short and mid-term opportunities and risks to performance 3 The monthly business review process monitors new centre development against the investment case to ensure that the anticipated returns are being generated. 4 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. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns.

Human resources

Risk	Mitigation	Changes since 2016
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 annual 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 2017. A full talent plan is in place with key hires planned to provide complete succession planning and top talent bandwidth. Our diversity continues to flourish with our workforce split fairly evenly male/female. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Developing national networks
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 2017 employees undertook approximately 160,000 individual training modules. Experienced managers coach new peer level colleagues to give them the best start in the Group. A new platform was rolled out for training, communication and performance management to continually drive focus in these areas across the business. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Developing national networks

Supporting our communities

With our continued growth, we aim to further strengthen the communities in which we operate and bring a positive impact to all our locations. We strive to provide responsible employment and investment to communities around the world, while at the same time being respectful of and caring towards the environment. As we continue to grow, those around us will grow too.

Community development

As a business working in over 3,000 locations in more than 110 countries, it is our responsibility to ensure that we can have a positive impact on the communities in which our team members, customers, suppliers and other stakeholders live and work. For many, we are a local business – through our presence, we generate wealth for each community by employing local talent and drawing on local supply chain networks.

By their very nature, many of our products are inherently sustainable and attract new organisations to the area. These organisations help to improve the business environment by bringing further investment and local opportunities. The success of our Company is dependent on the success of each local community – we can only be successful if those around us are too.

Environmental impact

Sustainability remains at the core of our business strategy and we recognise the importance of continually improving our environmental performance and managing it effectively. We do this by ensuring that any carbon emissions and other negative environmental impacts for which we are responsible are reduced as much as possible.

Due to our expanding business and increasing number of global locations, we strive to help our clients and customers reduce their own environmental impacts by being more locally accessible, efficient and flexible. Any initiatives we implement to reduce our environmental impact very often directly benefit our clients and customers too.

Where possible, we enhance our facilities with the latest energy-saving technologies such as LED light fittings, more efficient Building Management Systems and comfort cooling systems. Our Green Committee regularly meets to discuss ways of implementing and communicating improved energy and environmental efficiency throughout our organisation.

Average 2017 Carbon Disclosure Project Scores

	Score
Total average	C
Global 500 average	C
Sector average	C
Industry average	C
Regus plc	B

We continue to demonstrate good environmental stewardship by measuring and reporting our impact on climate change. In our Carbon Disclosure Project submissions for 2017 we were once again awarded a strong 'B' rating. In comparison, our industry and sector average, and that of the Global 500, is 'C'.

A further example of our strategies to reduce energy and carbon is our full compliance with the UK Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Since the scheme's launch in 2010, we have managed to reduce the amount of carbon our centres produce by an average of circa 30%.

This amounts to CRC savings in excess of £350,000 and 22,500 CO_2e (carbon dioxide equivalent) tonnes. We are reviewing ways to continue this success after the legislation concludes in 2019.

In 2015, the Energy Saving Opportunity Scheme legislation identified many energy-saving opportunities. We continue to review and implement these on a centre-by-centre basis. These initiatives are helping us achieve further year-on-year reductions in energy consumption and are keeping us on track with our 2020 carbon-reduction target of 50%. We are currently preparing for compliance with Phase 2 and are determined to add to the success we are already experiencing.

It is great to work for a company that believes in reducing its carbon footprint. Both the actions that are taken by the Company itself and the guidance that is given to customers and team members ensure we all contribute to this meaningful goal.

REGUS EMPLOYEE

Generating value from waste

Our colleagues in Brazil continued their effective recycling programme by working together with customers to collect and segregate toner cartridges, cardboard, paper and other office waste. All items were given to a local orphanage, which donates the recycled material in exchange for a reduced monthly utilities bill.

On the other side of the world, our colleagues in Denmark repurposed 400 pieces of old unwanted furniture and electronic appliances. These were donated to a mix of charities and social causes. Examples include organisations that are bringing technology to schools for orphans and equipping co-working spaces for start-ups with a focus on environmental issues.

Charitable investment

As we grew during 2017, we helped charitable organisations within our communities grow too. As a company, we provided direct donations and concessions on working space to many local organisations. Throughout the year, we also encouraged our colleagues to make use of our facilities to support their charitable initiatives.

Our colleagues enthusiastically collected gift in-kind materials, such as clothing, food and educational items. They also held innovative fundraising appeals and donated their skills and time to organisations in need. Their charitable activities took many forms, from in-centre initiatives such as charitable networking events, collection campaigns and awareness-raising activities, to off-site activities including sponsored fun runs and volunteering at soup kitchens, orphanages and care homes.

All activities were eagerly supported by our colleagues, customers, suppliers and members of the wider community.

Through our colleagues' dedication and hard work, we supported 252 charities through 260 projects in 46 countries, raising £302,066 in total. Further detail as to year-on-year progress is provided in the table below:

	2013	2014	2015	2016	2017
Countries with community engagement activity	20	38	43	44	**46**
Projects	54	132	219	244	**260**
Charities supported	78	100	195	239	**252**
Donations made	£80,500	£155,329	£209,905	£237,479	**£302,066**

Charitable activities

Examples follow of the many charitable activities our people carried out in 2017.

Helping communities overcome disasters

The devastation wrought by Hurricanes Harvey, Irma and Maria in Texas, Florida, the South-East US and the Caribbean had left many businesses struggling to operate. Regus actively engaged through our Hurricane Relief Programme in helping the business communities in affected areas, as well as all workers displaced by the storms.

The programme welcomed all businesses and employees that had been affected. Our centres offered a safe space to work from and vital connectivity. All business lounges were free to use, and business professionals could drop in, plug in and get a coffee while getting back online.

To provide further support, our colleagues in North America donated their personal holiday entitlement to raise over $65,000 to help those impacted by the hurricanes. In addition, they enthusiastically collected in-kind donations of food and clothing, and volunteered at soup kitchens and in clean-up activities. Altogether, they made a very significant difference to people in their local communities.

> As a result of Hurricane Harvey my office had been extensively flooded and wasn't operational. I urgently needed a place to work from and was very grateful to Regus for opening its doors to me. You were an excellent, thoughtful and caring host!
>
> **REGUS CUSTOMER**

Donating minutes of kindness

Every year, South Africans celebrate Mandela Day by dedicating '67 minutes of kindness' to good causes. In 2017, our Cape Town team and customers supported Bright Star – a safe house for children. They collected blankets, toys, educational materials and food, and delivered it in person to the children at the home.

To see the smiles of gratitude on those children's faces was priceless! And it only took 67 minutes to make a difference in the life of an innocent child.

REGUS CUSTOMER

Empowering the leaders of tomorrow

We proudly sponsored the Young Journalists Academy Summer School – a unique programme aimed at inspiring and training the newsmakers of tomorrow. The week-long programme provided under-privileged 16 – 23-year-old students with the opportunity to meet and work with well-known journalists, enabling them to gain experience and build connections to help them in the future.

The Young Journalists Academy Summer School provides an unmissable opportunity for anyone who wants to be a journalist, but doesn't have any way in. The Summer School has been invaluable – it is an experience you learn from and never forget.

YOUNG JOURNALIST, ACADEMY SUMMER SCHOOL STUDENT

Running for change

For the fourth consecutive year our colleagues in India, together with their customers, families and friends, continued their valuable support for the Make-A-Wish Foundation India by taking part in the Standard Chartered Mumbai Marathon. Throughout the four-year partnership, their support has helped grant the wishes of over 200 children.

It was wonderful to take part in both the run and the gift-giving event. Thank you for giving us this opportunity each year to make a difference in these children's lives.

REGUS CUSTOMER

Raising awareness

To raise awareness of breast cancer, our colleagues in Malaysia held a 'Think Pink' event – wearing pink and giving out pink ribbons and chocolates to team members and clients.

Similar events were held in other countries across the globe, with many innovative fundraising initiatives being delivered to provide much-needed support for local organisations.

What a wonderful opportunity we all had to touch the lives of those in our community – encouraging those who may still be in the fight as well as celebrating another year for those who remain cancer-free survivors!

REGUS CUSTOMER

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;
- 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

27 April 2018

Auditor's report

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

Report of the reviseur d'entreprises agree

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Regus plc S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Auditor's report continued

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

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LUXEMBOURG, SOCIÉTÉ COOPERATIVE
Cabinet de révision agréé
Stephen Nye
Luxembourg

27 April 2018

Consolidated income statement

Continuing operations	Notes	Year ended 31 Dec 2017 £m	Year ended 31 Dec 2016 £m
Revenue	3	**2,341.7**	2,233.4
Cost of sales		**(1,946.3)**	(1,784.6)
Gross profit (centre contribution)		**395.4**	448.8
Selling, general and administration expenses		**(217.4)**	(260.4)
Share of loss of equity-accounted investees, net of tax	21	**(0.8)**	(0.8)
Operating profit	5	**177.2**	187.6
Finance expense	8	**(14.1)**	(11.6)
Finance income	8	**4.1**	0.1
Net finance expense		**(10.0)**	(11.5)
Profit before tax for the year		**167.2**	176.1
Income tax expense	9	**(35.6)**	(34.9)
Profit after tax for the year		**131.6**	141.2
Earnings per ordinary share (EPS):			
Basic (p)	10	**27.7**	15.2
Diluted (p)	10	**27.7**	15.2

Consolidated statement of comprehensive income

	Notes	Year ended 31 Dec 2017 £m	Year ended 31 Dec 2016 £m
Profit for the year		**131.6**	141.2
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – reclassified through the income statement, net of income tax		**–**	2.1
Cash flow hedges – effective portion of changes in fair value		**0.5**	(0.3)
Foreign currency translation differences for foreign operations		**(34.4)**	90.2
Items that are or may be reclassified to profit or loss in subsequent periods		**(33.9)**	92.0
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	**(0.7)**	–
Items that will never be reclassified to profit or loss in subsequent periods		**(0.7)**	–
Other comprehensive (loss)/income for the period, net of income tax		**(34.6)**	92.0
Total comprehensive income for the year		**97.0**	233.2

Consolidated statement of changes in equity

	Issued share capital £m	Treasury shares £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	**9.5**	**(42.9)**	**7.4**	**(2.1)**	**25.8**	**586.0**	**583.7**
Total comprehensive income for the year:							
Profit for the year	–	–	–	–	–	141.2	141.2
Other comprehensive income:							
Cash flow hedges – reclassified through the income statement	–	–	–	2.1	–	–	2.1
Cash flow hedges – effective portion of changes in fair value	–	–	–	(0.3)	–	–	(0.3)
Foreign currency translation differences for foreign operations	–	–	90.2	–	–	–	90.2
Other comprehensive income, net of tax	–	–	90.2	1.8	–	–	92.0
Total comprehensive income for the year	–	–	90.2	1.8	–	141.2	233.2
Share-based payments	–	–	–	–	–	2.4	2.4
Ordinary dividend paid (note 11)	–	–	–	–	–	(43.3)	(43.3)
Purchase of shares (note 22)	–	(31.1)	–	–	–	(1.3)	(32.4)
Proceeds from exercise of share awards (note 22)	–	8.3	–	–	–	(4.6)	3.7
Cancellation of treasury shares (note 22)	(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)**	**25.8**	**606.8**	**739.1**
Total comprehensive income for the year:							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**131.6**	**131.6**
Other comprehensive income:							
Remeasurement of the defined benefit liability, net of tax (note 25)	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Cash flow hedges – effective portion of changes in fair value	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Foreign currency translation differences for foreign operations	**–**	**–**	**(34.4)**	**–**	**–**	**–**	**(34.4)**
Other comprehensive (loss)/income, net of tax	**–**	**–**	**(34.4)**	**0.5**	**–**	**(0.7)**	**(34.6)**
Total comprehensive income for the year	**–**	**–**	**(34.4)**	**0.5**	**–**	**130.9**	**97.0**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reduction of share capital (note 22)	**(9.2)**	**–**	**–**	**–**	**–**	**–**	**(9.2)**
Ordinary dividend paid (note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of shares (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Proceeds from exercise of share awards (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2017	**–**	**–**	**63.2**	**0.2**	**25.8**	**737.7**	**826.9**

Other reserves include £10.5m for 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, £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 2017 £m	As at 31 Dec 2016 £m
Non-current assets			
Goodwill	12	**664.4**	685.3
Other intangible assets	13	**44.5**	52.8
Property, plant and equipment	14	**1,270.9**	1,194.4
Deferred tax assets	9	**22.8**	29.3
Non-current derivative financial asset	24	**0.2**	–
Other long-term receivables	15	**287.9**	86.3
Investments in joint ventures	21	**12.4**	13.6
Total non-current assets		**2,303.1**	2,061.7
Current assets			
Trade and other receivables	16	**572.8**	516.8
Corporation tax receivable	9	**27.6**	34.8
Cash and cash equivalents	23	**54.8**	50.1
Total current assets		**655.2**	601.7
Total assets		**2,958.3**	2,663.4
Current liabilities			
Trade and other payables (incl. customer deposits)	17	**903.9**	872.2
Deferred income		**285.3**	276.4
Corporation tax payable	9	**21.6**	17.7
Bank and other loans	19	**8.5**	7.8
Provisions	20	**4.5**	6.0
Total current liabilities		**1,223.8**	1,180.1
Non-current liabilities			
Other long-term payables	18	**553.2**	540.3
Non-current derivative financial liabilities	24	**–**	0.3
Bank and other loans	19	**342.9**	193.6
Deferred tax liability	9	**1.3**	2.4
Provisions	20	**4.9**	3.4
Provision for deficit in joint ventures	21	**3.8**	3.4
Retirement benefit obligations	25	**1.5**	0.8
Total non-current liabilities		**907.6**	744.2
Total liabilities		**2,131.4**	1,924.3
Total equity			
Issued share capital	22	**–**	9.2
Treasury shares	22	**–**	–
Foreign currency translation reserve		**63.2**	97.6
Hedging reserve		**0.2**	(0.3)
Other reserves		**25.8**	25.8
Retained earnings		**737.7**	606.8
Total equity		**826.9**	739.1
Total equity and liabilities		**2,958.3**	2,663.4

Approved by the Directors on 27 April 2018

TIM REGAN
DIRECTOR

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2017 £m	Year ended 31 Dec 2016 £m
Operating activities			
Profit before tax for the year		**167.2**	176.1
Adjustments for:			
Net finance expense	8	**10.0**	11.5
Share of loss of equity-accounted investees, net of tax	21	**0.8**	0.8
Depreciation charge	5, 14	**200.8**	181.8
Loss on disposal of property, plant and equipment	5	**4.3**	1.0
Loss on disposal of assets held for sale	6	**–**	2.2
Impairment of intangible assets	5, 13	**1.6**	–
Impairment of property, plant and equipment	5, 14	**0.1**	–
Amortisation of intangible assets	5, 13	**10.6**	12.7
Amortisation of acquired lease fair value adjustments	5	**(3.6)**	(3.1)
Decrease in provisions	20	**–**	(3.2)
Share-based payments		**–**	2.4
Other non-cash movements		**0.4**	(3.4)
Operating cash flows before movements in working capital		**392.2**	378.8
(Increase)/decrease in trade and other receivables		**(285.3)**	78.6
Increase in trade and other payables		**133.0**	20.3
Cash generated from operations		**239.9**	477.7
Interest paid		**(12.2)**	(16.2)
Tax paid		**(22.4)**	(31.5)
Net cash inflow from operating activities		**205.3**	430.0
Investing activities			
Purchase of property, plant and equipment	14	**(344.9)**	(313.8)
Purchase of subsidiary undertakings (net of cash acquired)	26	**(4.5)**	(8.9)
Purchase of intangible assets	13	**(3.6)**	(5.5)
Purchase of joint ventures	21	**(0.3)**	(1.3)
Dividends received from joint ventures	21	**–**	0.9
Proceeds on sale of property, plant and equipment		**0.5**	16.1
Proceeds on the sale of assets held for sale	6	**–**	3.3
Interest received	8	**4.1**	0.1
Net cash outflow from investing activities		**(348.7)**	(309.1)
Financing activities			
Net proceeds from issue of loans		**651.6**	599.8
Repayment of loans		**(498.7)**	(670.0)
Settlement of financial derivatives		**–**	(7.0)
Reduction of share capital	22	**(9.2)**	–
Purchase of shares	22	**–**	(32.4)
Proceeds from exercise of share awards		**–**	3.7
Payment of ordinary dividend	11	**–**	(43.3)
Net cash outflow from financing activities		**143.7**	(149.2)
Net increase/(decrease) in cash and cash equivalents		**0.3**	(28.3)
Cash and cash equivalents at the beginning of the year		**50.1**	63.9
Effect of exchange rate fluctuations on cash held		**4.4**	14.5
Cash and cash equivalents at the end of the year	23	**54.8**	50.1

Notes to the accounts

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2017 were authorised for issue by the Directors on 27 April 2018 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 utilised by 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 77.

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 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 2017 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 2017:

IAS 7	Disclosure Initiative – Amendments to IAS 7
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
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 24.

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 41 to 76.

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 14 to 17 as well as the Group's principal risks and uncertainties as set out on pages 27 to 33.

Further details on the going concern basis of preparation can be found in note 24 to the notes to the consolidated financial statements.

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.

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. 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.

Notes to the accounts continued

2. Accounting policies (continued)

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

The following new or amended standards and interpretations that are mandatory for 2018 annual periods (and future years) will be applicable to the Company:

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

The impact of these new or amended standards and interpretations has been considered as follows:

Estimated impact of the adoption of IFRS 9

The Group is required to adopt IFRS 9 Financial Instruments from 1 January 2018. The Group has assessed the estimated impact that initial application of IFRS 9 will have on the consolidated financial statements.

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised costs, fair value through other comprehensive income (OCI) and fair value through the profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group concludes that the new classification requirements will not have a material impact on any of its accounting balances. Furthermore, at 31 December 2017, the Group did not have any balances classified as available-for-sale. Consequently, there are no adjustments to be recognised in either the income statement or other comprehensive income.

Classification – financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at fair value through the profit or loss are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- The amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at fair value through the profit or loss and it has no current intention to do so. The Group's assessment did not indicate any change in the classification of financial liabilities at 1 January 2018. Consequently, there are no adjustments to be recognised in either the income statement or other comprehensive income.

Impairment – financial assets

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that due to the nature of its receivables, taking into account the customer deposits obtained, the impact of applying IFRS 9 will not significantly impact the provision for bad debts.

Notes to the accounts continued

2. Accounting policies (continued)

Hedge accounting

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of non-financial items, will be likely to qualify for hedge accounting.

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. The Group designates these derivatives as fair value hedges.

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 on transition. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not impact the Group's financial statements.

Estimated impact of the adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Group is involved in the provision of flexible workspace, as well as performing related services. Revenue from the provision of these 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. The services performed are based on the list price at which the Group provides the contracted services.

Based on the Group's assessment, the fair values of the services performed under IAS 18 are consistent with IFRS 15. Therefore, the Group does not expect the application of IFRS 15 to result in any differences in the timing of the performance and the recognition of the revenue, for these services.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard (i.e. lessors continue to classify leases as finance or operating leases).

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical measures and recognition exemptions.

The most significant impact identified is the right-of-use asset and related lease liability the Group will recognise for its leases in respect of its global network, which will be further dependant on the transition method adopted.

In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and an interest expense on the lease liabilities.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the covenant requirements on its revolving credit facility described in note 24.

Notes to the accounts continued

2. Accounting policies (continued)

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 2017. 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 amounts 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.

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 fair value, 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.

Notes to the accounts continued

2. Accounting policies (continued)

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, at the Group's option, 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.

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.

Notes to the accounts continued

2. Accounting policies (continued)

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 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' and 'selling, general and administration 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 awards 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 in respect of non-market conditions except where forfeiture is due to the expiry of the option.

Share awards 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 awards is measured based on the Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest in respect of non-market conditions.

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.

Notes to the accounts continued

2. Accounting policies (continued)

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.

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 using the 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.

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 cost 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.

Notes to the accounts continued

2. Accounting policies (continued)

Derivative financial instruments

The Group's policy on the use of derivative financial instruments can be found in note 24. 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	
	2017	2016	**2017**	2016
US dollar	**1.35**	1.24	**1.30**	1.35
Euro	**1.13**	1.17	**1.14**	1.22
Japanese yen	**152**	145	**145**	147

3. Segmental analysis – statutory basis

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. 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 (the Group's operating segments): Americas; EMEA (Europe, Middle East and Africa); 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 2016.

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Revenue from external customers	**984.8**	923.0	**540.5**	476.8	**383.2**	363.2	**429.4**	462.1	**3.8**	8.3	**2,341.7**	2,233.4
Gross profit (centre contribution)	**153.2**	161.0	**97.1**	101.6	**65.9**	67.5	**77.4**	110.4	**1.8**	8.3	**395.4**	448.8
Share of loss of equity-accounted investees	**–**	–	**(0.8)**	(0.7)	**–**	–	**–**	(0.1)	**–**	–	**(0.8)**	(0.8)
Operating profit	**96.5**	102.0	**47.7**	49.3	**34.6**	33.6	**55.7**	84.5	**(57.3)**	(81.8)	**177.2**	187.6
Finance expense											**(14.1)**	(11.6)
Finance income											**4.1**	0.1
Profit before tax for the year											**167.2**	176.1
Depreciation and amortisation	**112.2**	101.9	**32.8**	28.6	**29.4**	26.3	**28.7**	29.3	**8.3**	8.4	**211.4**	194.5
Assets	**1,213.2**	1,179.1	**573.5**	481.5	**378.1**	378.9	**520.2**	496.8	**273.3**	127.1	**2,958.3**	2,663.4
Liabilities	**(861.5)**	(852.1)	**(386.0)**	(323.5)	**(244.1)**	(251.9)	**(256.3)**	(279.8)	**(383.5)**	(217.0)	**(2,131.4)**	(1,924.3)
Net assets/(liabilities)	**351.7**	327.0	**187.5**	158.0	**134.0**	127.0	**263.9**	217.0	**(110.2)**	(89.9)	**826.9**	739.1
Non-current asset additions[1]	**148.6**	163.4	**83.4**	47.6	**36.3**	38.5	**64.6**	37.9	**15.6**	31.9	**348.5**	319.3

1. Excluding deferred taxation

Operating profit in the "Other" category is generated from services related to the provision of workspace solutions, including fees from franchise agreements, offset by corporate overheads.

Notes to the accounts continued

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:

	2017		2016	
£m	External revenue	Non-current assets[1]	External revenue	Non-current assets[1]
Country of tax domicile – Luxembourg	**7.4**	**2.7**	6.7	2.7
United States of America	**819.6**	**878.5**	766.6	930.0
United Kingdom	**429.4**	**384.5**	462.1	347.1
All other countries	**1,085.3**	**1,014.6**	998.0	752.6
	2,341.7	**2,280.3**	2,233.4	2,032.4

1. Excluding deferred tax assets

5. Operating profit

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

	Notes	2017 £m	2016 £m
Revenue		**2,341.7**	2,233.4
Depreciation on property, plant and equipment	14	**200.8**	181.8
Amortisation of intangibles	13	**10.6**	12.7
Amortisation of partner contributions		**(60.6)**	(50.2)
Property rents payable in respect of operating leases:		**1,002.7**	909.2
Property		**966.3**	872.5
Contingent rents paid		**36.4**	36.7
Equipment rents payable in respect of operating leases		**3.0**	3.4
Staff costs	7	**327.6**	335.6
Facility and other property costs		**347.5**	319.0
Provision for bad debts	24	**16.2**	10.3
Loss on disposal of property, plant and equipment	14	**4.3**	1.0
Loss on disposal of assets held for sale	6	**–**	2.2
Impairment of intangible assets	13	**1.6**	–
Impairment of property, plant and equipment	14	**0.1**	–
Amortisation of acquired lease fair value adjustments		**(3.6)**	(3.1)
Other costs		**313.5**	323.1
		178.0	188.4
Share of loss of equity-accounted investees, net of tax		**(0.8)**	(0.8)
Operating profit		**177.2**	187.6

	2017 £m	2016 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	**0.9**	0.9
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1.7**	1.4
Other services pursuant to legislation:		
Tax services	**–**	–
Other services	**0.1**	0.4

Notes to the accounts continued

6. Disposal of assets held for sale

The following major classes of assets and liabilities were disposed of in 2016 as part of the assets held for sale:

	2016 £m
Assets	
Goodwill (note 12)	4.5
Property, plant and equipment	1.4
Trade and other receivables	0.5
Assets held for sale	6.4
Liabilities	
Trade and other payables	(0.9)
Liabilities held for sale	(0.9)
Net assets held for sale	5.5
Disposal related costs	–
Proceeds on disposal	3.3
Loss on disposal	(2.2)

There were no disposals of assets held for sale in the current year.

7. Staff costs

	2017 £m	2016 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**276.7**	282.2
Social security	**45.7**	45.6
Pension costs	**5.2**	5.4
Share-based payments	**–**	2.4
	327.6	335.6

	2017 Average full time equivalents	2016 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	**6,746**	6,551
Sales and marketing staff	**497**	425
Finance staff	**739**	768
Other staff	**762**	864
	8,744	8,608
Americas	**2,860**	2,802
EMEA	**2,161**	2,044
Asia Pacific	**1,641**	1,746
United Kingdom	**804**	907
Corporate functions	**1,278**	1,109
	8,744	8,608

Notes to the accounts continued

8. Net finance expense

	2017 £m	2016 £m
Interest payable and similar charges on bank loans and corporate borrowings	**(7.5)**	(7.4)
Total interest expense	**(7.5)**	(7.4)
Other finance costs (including foreign exchange)	**(5.7)**	(3.3)
Unwinding of discount rates	**(0.9)**	(0.9)
Total finance expense	**(14.1)**	(11.6)
Total interest income	**4.1**	0.1
Total finance income	**4.1**	0.1
Net finance expense	**(10.0)**	(11.5)

9. Taxation

(a) Analysis of charge in the year

	2017 £m	2016 £m
Current taxation		
Corporate income tax	**(26.8)**	(30.4)
Previously unrecognised tax losses and other differences	**1.3**	1.5
(Under)/over provision in respect of prior years	**(5.2)**	4.4
Total current taxation	**(30.7)**	(24.5)
Deferred taxation		
Origination and reversal of temporary differences	**(5.4)**	(12.2)
Previously unrecognised tax losses and other differences	**1.0**	1.4
(Under)/over provision in respect of prior years	**(0.5)**	0.4
Total deferred taxation	**(4.9)**	(10.4)
Tax charge on profit	**(35.6)**	(34.9)

(b) Reconciliation of taxation charge

	2017		2016	
	£m	%	£m	%
Profit before tax	**167.2**		176.1	
Tax on profit at 27.08% (2016: 29.22%)	**(45.3)**	**(27.1)**	(51.5)	(29.2)
Tax effects of:				
Expenses not deductible for tax purposes	**13.3**	**8.0**	(30.3)	(17.2)
Items not chargeable for tax purposes	**7.7**	**4.6**	67.6	38.4
Recognition of previously unrecognised deferred tax assets	**2.3**	**1.4**	2.9	1.6
Movements in temporary differences in the year not recognised in deferred tax	**(87.9)**	**(52.5)**	(85.2)	(48.4)
Adjustment to tax charge in respect of previous years	**(5.7)**	**(3.4)**	4.8	2.7
Differences in tax rates on overseas earnings	**80.0**	**47.8**	56.8	32.3
	(35.6)	**(21.2)**	(34.9)	(19.8)

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.

Notes to the accounts continued

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:

	2017 £m	2016 £m
2017	–	7.3
2018	4.9	8.2
2019	8.1	15.6
2020	54.7	57.2
2021	37.4	37.8
2022	43.4	18.8
2023	20.1	19.0
2024	21.1	13.3
2025 and later	227.4	79.1
	417.1	256.3
Available indefinitely	642.4	454.2
Tax losses available to carry forward	1,059.5	710.5
Amount of tax losses recognised in deferred tax assets	116.0	131.2
Total tax losses available to carry forward	1,175.5	841.7

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

	2017 £m	2016 £m
Intangibles	16.9	22.0
Accelerated capital allowances	32.1	24.5
Tax losses	267.7	187.4
Rent	8.7	11.3
Short-term temporary differences	5.5	8.2
	330.9	253.4

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

(d) Corporation tax

	2017 £m	2016 £m
Corporation tax payable	(21.6)	(17.7)
Corporation tax receivable	27.6	34.8

Notes to the accounts continued

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 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 rate movements	(11.5)	(0.7)	1.9	9.9	2.6	2.2
At 1 January 2017	**(54.8)**	**(20.5)**	**34.3**	**69.8**	**0.5**	**29.3**
Current year movement	**19.9**	**1.3**	**(5.7)**	**(17.2)**	**(3.1)**	**(4.8)**
Prior year movement	**–**	**(1.6)**	**0.3**	**0.4**	**–**	**(0.9)**
Transfers	**–**	**2.2**	**(1.3)**	**(0.5)**	**(0.6)**	**(0.2)**
Exchange rate movements	**5.5**	**1.1**	**(0.9)**	**(5.4)**	**(0.9)**	**(0.6)**
At 31 December 2017	**(29.4)**	**(17.5)**	**26.7**	**47.1**	**(4.1)**	**22.8**
Deferred tax liability						
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 rate movements	–	(0.1)	0.3	–	0.1	0.3
At 1 January 2017	**(0.4)**	**(3.2)**	**2.4**	**(0.2)**	**(1.0)**	**(2.4)**
Current year movement	**(0.1)**	**0.3**	**(0.2)**	**0.6**	**(0.2)**	**0.4**
Prior year movement	**–**	**–**	**(0.3)**	**–**	**0.7**	**0.4**
Transfers	**–**	**(2.2)**	**1.3**	**0.5**	**0.6**	**0.2**
Exchange rate movements	**–**	**–**	**–**	**–**	**0.1**	**0.1**
At 31 December 2017	**(0.5)**	**(5.1)**	**3.2**	**0.9**	**0.2**	**(1.3)**

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 £19.8m (2016: £94.1m). The only tax that would arise on these reserves would be non-recoverable withholding tax.

Notes to the accounts continued

10. Earnings per ordinary share (basic and diluted)

	2017	2016
Basic and diluted profit for the year attributable to shareholders (£m)	**131.6**	141.2
Basic earnings per share (p)	**27.7**	15.2
Diluted earnings per share (p)	**27.7**	15.2
Weighted average number of shares for basic EPS	**474,525,592**	929,860,354
Weighted average number of shares under option	**–**	–
Weighted average number of shares that would have been issued at average market price	**–**	–
Weighted average number of share awards under the CIP and LTIP	**–**	–
Weighted average number of shares for diluted EPS	**474,525,592**	929,860,354

Options are considered dilutive when they would result in the issue of ordinary shares for less than the market price of ordinary shares in the period. The amount of the dilution is taken to be the average market price of shares during the period minus the exercise price. There were no material awards considered anti-dilutive at the reporting date.

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 and at 31 December 2017.

11. Dividends

	2017	2016
Dividends per ordinary share proposed	**–**	–
Interim dividends per ordinary share declared and paid during the year	**–**	1.55p

There were no dividends declared or paid during the year (2016: £43.3m). The Directors do not propose to declare a final dividend (2016: £nil) for 2017.

12. Goodwill

	£m
Cost	
At 1 January 2016	612.2
Recognised on acquisition of subsidiaries	6.8
Disposals	(1.3)
Transferred to assets held for sale	(4.5)
Exchange rate movements	72.1
At 31 December 2016	685.3
Recognised on acquisition of subsidiaries [1]	**1.0**
Exchange rate movements	**(21.9)**
At 31 December 2017	**664.4**

Net book value	
At 31 December 2016	685.3
At 31 December 2017	**664.4**

1. Net of £0.2m derecognised on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis

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.

Notes to the accounts continued

12. Goodwill (continued)

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

Carrying amount of goodwill included within:	2017 £m	2016 £m
Americas	**285.8**	311.1
EMEA	**125.1**	119.4
Asia	**34.7**	35.4
United Kingdom	**218.8**	219.4
	664.4	685.3

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 73% of the total. The remaining 27% of the carrying value is allocated to a further 41 countries. The goodwill and indefinite life intangibles allocated to the USA and the UK are set out below:

	Goodwill £m	Intangible assets £m	2017 £m	2016 £m
USA	262.4	–	**262.4**	286.3
United Kingdom	218.8	11.2	**230.0**	230.6
Other countries	183.2	–	**183.2**	179.6
	664.4	11.2	**675.6**	696.5

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 the 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 2018 that reflect an average annual growth rate of 3% (2017: 3%);
- These forecasts exclude the impact of acquisitive growth expected to take place in future periods;
- Management considers these projections to be a reasonable projection of margins expected at the mid-cycle position. Cash flows beyond 2021 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 11.3% in 2016 to 9.9% in 2017 (post-tax WACC: 7.9%). The country specific pre-tax WACC reflecting the respective market risk adjustment has been set between 9.3% and 12.8% (2016: 10.7% to 14.2%).

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.

The US model assumes an average centre contribution of 17% over the next five years. Revenue and costs grow at 3% per annum from 2018. A terminal value centre gross margin of 17% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 10% (2016: 14%).

The UK model assumes an average centre contribution of 16% over the next five years. Revenue and costs grow at 3% per annum from 2018. A terminal value centre gross margin of 16% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 10% (2016: 11%).

Notes to the accounts continued

12. Goodwill (continued)

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 12% (2016: 24%) for the US and 15% (2016: 38%) for the UK.

13. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2016	56.3	28.8	58.7	143.8
Additions at cost	0.2	–	5.3	5.5
Acquisition of subsidiaries	–	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
Additions at cost	**–**	**–**	**3.6**	**3.6**
Acquisition of subsidiaries [1]	**–**	**0.3**	**–**	**0.3**
Impairment	**–**	**–**	**(6.6)**	**(6.6)**
Exchange rate movements	**(4.4)**	**(1.9)**	**(3.1)**	**(9.4)**
At 31 December 2017	**60.9**	**31.0**	**60.5**	**152.4**
Amortisation				
At 1 January 2016	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**
Charge for year	**2.6**	**1.1**	**6.9**	**10.6**
Impairment	**–**	**–**	**(5.0)**	**(5.0)**
Exchange rate movements	**(2.9)**	**(1.9)**	**(4.6)**	**(9.4)**
At 31 December 2017	**33.0**	**30.6**	**44.3**	**107.9**
Net book value				
At 1 January 2016	30.7	2.3	20.8	53.8
At 31 December 2016	32.0	1.2	19.6	52.8
At 31 December 2017	**27.9**	**0.4**	**16.2**	**44.5**

1. Includes £0.1m 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 definite life brands is seven years.

Notes to the accounts continued

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 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	–	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 1 January 2017	**26.3**	**1,533.2**	**628.2**	**122.7**	**2,310.4**
Additions	9.5	253.0	71.2	11.2	344.9
Acquisition of subsidiaries [1]	0.1	1.3	–	0.2	1.6
Disposals	–	(16.5)	(8.5)	(1.4)	(26.4)
Exchange rate movements	0.1	(82.9)	(32.4)	(4.7)	(119.9)
At 31 December 2017	**36.0**	**1,688.1**	**658.5**	**128.0**	**2,510.6**
Accumulated depreciation					
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 1 January 2017	**0.4**	**652.4**	**378.9**	**84.3**	**1,116.0**
Charge for the year	0.8	132.6	51.0	16.4	200.8
Disposals	–	(12.8)	(7.5)	(1.3)	(21.6)
Impairment	–	0.1	–	–	0.1
Exchange rate movements	–	(32.7)	(19.8)	(3.1)	(55.6)
At 31 December 2017	**1.2**	**739.6**	**402.6**	**96.3**	**1,239.7**
Net book value					
At 1 January 2016	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
At 31 December 2017	**34.8**	**948.5**	**255.9**	**31.7**	**1,270.9**

1. Includes £0.2m 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 (2016: £nil).

15. Other long-term receivables

	2017 £m	2016 £m
Deposits held by landlords against rent obligations	**76.3**	78.2
Acquired lease fair value asset	**4.4**	5.3
Other	**207.2**	2.8
	287.9	86.3

Notes to the accounts continued

16. Trade and other receivables

	2017 £m	2016 £m
Trade receivables, net	**197.9**	202.6
Prepayments and accrued income	**165.3**	171.8
Other receivables	**103.1**	83.6
VAT recoverable	**98.1**	49.5
Deposits held by landlords against rent obligations	**7.2**	7.6
Acquired lease fair value asset	**1.2**	1.7
	572.8	516.8

17. Trade and other payables (including customer deposits)

	2017 £m	2016 £m
Customer deposits	**429.8**	421.0
Deferred rents	**121.3**	113.2
Other accruals	**103.0**	131.4
Deferred partner contributions	**59.2**	68.5
Trade payables	**74.4**	60.3
VAT payable	**90.2**	53.1
Other payables	**17.9**	12.5
Other tax and social security	**5.1**	9.0
Acquired lease fair value liability	**3.0**	3.2
Total current	**903.9**	872.2

18. Other long-term payables

	2017 £m	2016 £m
Deferred partner contributions	**293.8**	265.4
Deferred rents	**244.6**	250.9
Acquired lease fair value liability	**3.7**	8.3
Other payables	**11.1**	15.7
Total non-current	**553.2**	540.3

19. Borrowings

The Group's total loan and borrowing position at 31 December 2017 and at 31 December 2016 had the following maturity profiles:

Bank and other loans

	2017 £m	2016 £m
Repayments falling due as follows:		
In more than one year but not more than two years	**8.9**	6.9
In more than two years but not more than five years	**329.2**	186.7
In more than five years	**4.8**	–
Total non-current	**342.9**	193.6
Total current	**8.5**	7.8
Total bank and other loans	**351.4**	201.4

Notes to the accounts continued

20. Provisions

	2017			2016		
	Onerous leases and closures £m	Other £m	Total £m	Onerous leases and closures £m	Other £m	Total £m
At 1 January	**3.5**	**5.9**	**9.4**	7.7	5.2	12.9
Provided in the period	**3.2**	**2.1**	**5.3**	2.3	3.0	5.3
Utilised in the period	**(0.3)**	**(1.0)**	**(1.3)**	(1.4)	(1.6)	(3.0)
Provisions released	**(2.8)**	**(1.2)**	**(4.0)**	(5.1)	(0.4)	(5.5)
Exchange rate movements	**–**	**–**	**–**	–	(0.3)	(0.3)
At 31 December	**3.6**	**5.8**	**9.4**	3.5	5.9	9.4
Analysed between:						
Current	**0.4**	**4.1**	**4.5**	0.3	5.7	6.0
Non-current	**3.2**	**1.7**	**4.9**	3.2	0.2	3.4
At 31 December	**3.6**	**5.8**	**9.4**	3.5	5.9	9.4

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.

21. Investments in joint ventures

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2016	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
Additions	**0.3**	**–**	**0.3**
Share of loss	**(0.4)**	**(0.4)**	**(0.8)**
Exchange rate movements	**(1.1)**	**–**	**(1.1)**
At 31 December 2017	**12.4**	**(3.8)**	**8.6**

Notes to the accounts continued

21. Investments in joint ventures (continued)

The Group has 49 joint ventures (2016: 41) 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:

	2017 £m	2016 £m
Income statement		
Revenue	**29.9**	23.5
Expenses	**(31.5)**	(22.5)
(Loss)/profit before tax for the year	**(1.6)**	1.0
Tax charge	**(0.3)**	(0.7)
(Loss)/profit after tax for the year	**(1.9)**	0.3
Net assets/(liabilities)		
Non-current assets	**15.0**	12.2
Current assets	**35.7**	28.0
Current liabilities	**(46.6)**	(30.3)
Non-current liabilities	**(1.5)**	(2.1)
Net assets	**2.6**	7.8

22. Share capital

Ordinary equity share capital

	2017		2016	
	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	**923,357,438**	**9.2**	950,969,822	9.5
Cancellation of 1p shares in Regus plc held in treasury[1]	**–**	**–**	(27,612,384)	(0.3)
Reduction of share capital	**(920,357,438)**	**(9.2)**	–	–
Ordinary 1p shares in Regus plc at 31 December	**3,000,000**	**–**	923,357,438	9.2

1. As part of the Scheme of Arrangement completed on 19 December 2016

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 between 1 January 2016 and 19 December 2016

In the period ending 19 December 2016, 11,834,627 shares were purchased in the open market by Regus plc and 4,712,856 treasury shares held by Regus plc were utilised to satisfy the exercise of share awards by employees. At 19 December 2016, 27,612,384 shares were held as treasury shares. 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 2017 and 31 December 2016.

	2017		2016	
	Number of shares	£m	Number of shares	£m
1 January	**–**	**–**	20,490,613	42.9
Purchase of treasury shares in Regus plc	**–**	**–**	11,834,627	31.1
Treasury shares in Regus plc utilised	**–**	**–**	(4,712,856)	(8.3)
Cancellation of treasury shares in Regus plc	**–**	**–**	(27,612,384)	(65.7)
31 December	**–**	**–**	–	–

In addition to the treasury share transactions, the Group purchased nil (2016: 467,291) shares on the open market at a cost of £nil (2016: £1.3 m) to directly settle the exercise of share awards by employees.

Notes to the accounts continued

23. Analysis of financial assets/(liabilities)

	At 1 Jan 2017 £m	Cash flow £m	Exchange rate movements £m	At 31 Dec 2017 £m
Cash and cash equivalents	50.1	0.3	4.4	**54.8**
Gross cash	50.1	0.3	4.4	**54.8**
Debt due within one year	(7.8)	(1.4)	0.7	**(8.5)**
Debt due after one year	(193.6)	(151.5)	2.2	**(342.9)**
	(201.4)	(152.9)	2.9	**(351.4)**
Net financial assets/(liabilities)	(151.3)	(152.6)	7.3	**(296.6)**

Cash and cash equivalent balances held by the Group that are not available for use amounted to £9.3m at 31 December 2017 (2016: £11.3m). Of this balance, £7.1m (2016: £9.6m) is pledged as security against outstanding bank guarantees and a further £2.2m (2016: £1.7m) is pledged against various other commitments of the Group.

24. 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 review on pages 14 to 17 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 22 to 26 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2017, the Group made a significant investment in growth and the Group's net debt position increased by £145.3m to a net debt position of £296.6m as at 31 December 2017. 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 in 2022, with a further option to extend to 2023. As at 31 December 2017, £131.8m 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.

Notes to the accounts continued

24. Financial instruments and financial risk management (continued)

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 taking into account the customer deposit held 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, not taking into account customer deposits held, analysed by geographic region, is summarised below.

	2017 £m	2016 £m
Americas	**27.8**	37.8
EMEA	**75.0**	71.1
Asia Pacific	**41.6**	41.8
United Kingdom	**53.5**	51.9
	197.9	202.6

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.

The ageing of trade receivables at 31 December was:

	Gross 2017 £m	**Provision 2017 £m**	Gross 2016 £m	Provision 2016 £m
Not overdue	**131.1**	**–**	130.2	–
Past due 0 – 30 days	**43.2**	**–**	43.9	(0.1)
Past due 31 – 60 days	**13.8**	**–**	12.0	–
More than 60 days	**31.6**	**(21.8)**	35.6	(19.0)
	219.7	**(21.8)**	221.7	(19.1)

At 31 December 2017, the Group maintained a provision of £21.8m against potential bad debts (2016: £19.1m) arising from trade receivables. The Group had provided £16.2m (2016: £10.3m) in the year and utilised £13.5m (2016: £4.5m). Customer deposits of £429.8m (2016: £421.0m) 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 £45.5m (2016: £38.8m). In addition to cash and liquid investments, the Group had £131.8m 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 maturity was extended until 2022, with a further option to extend to 2023.

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, £70.0m and $30.0m 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).

Notes to the accounts continued

24. Financial instruments and financial risk management (continued)

Although the Group has net current liabilities of £568.6m (2016: £578.4m), 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. The Group holds customer deposits of £429.8m (2016: £421.0m) which 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 £283.3m at 31 December 2017 (2016: £302.0m).

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. Any surplus cash balances are invested short term, and at the end of 2017 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.

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:

	2017			
£m	GBP	JPY	EUR	USD
Trade and other receivables	0.1	–	0.6	16.7
Trade and other payables	(6.7)	–	(8.7)	(10.4)
Net statement of financial position exposure	(6.6)	–	(8.1)	6.3

	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

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 2017, 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 £2.5m (2016: decrease of £1.9m) 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 £8.6m for the year ended 31 December 2017 (2016: decrease of £8.8m). 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 £1.7m for the year ended 31 December 2017 (2016: decrease of £2.7m).

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 £11.1m for the year ended 31 December 2017 (2016: £11.3m). 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 £1.1m for the year ended 31 December 2017 (2016: decrease of £0.4m).

Notes to the accounts continued

24. Financial instruments and financial risk management (continued)

The Company did not declare an interim dividend (2016: 1.55p) during the year ended 31 December 2017. The Directors do not propose to declare a final dividend for 2017 (2016: £nil).

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 £296.6m at the end of 2017 (2016: £151.3m) and £131.8m (2016: £299.4m) 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 and fair values of these instruments is not materially different from the carrying value.

As at 31 December 2017

	Effective interest rate %	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	**0.1%**	**54.8**	**54.8**	**54.8**	**–**	**–**	**–**
Trade and other receivables[1]	**–**	**406.3**	**428.1**	**428.1**	**–**	**–**	**–**
Other long-term receivables[2]	**–**	**283.5**	**283.5**	**–**	**141.6**	**141.6**	**–**
Derivative financial assets:							
Interest rate swaps							
• Outflow	**–**	**–**	**–**	**–**	**–**	**–**	**–**
• Inflow	**–**	**0.2**	**0.2**	**0.2**	**–**	**–**	**–**
Financial assets[3]		**744.8**	**766.6**	**483.1**	**141.6**	**141.6**	**–**
Non-derivative financial liabilities[4]:							
Bank loans and corporate borrowings	**2.5%**	**(330.5)**	**(330.5)**	**–**	**(6.2)**	**(324.3)**	**–**
Other loans	**1.9%**	**(20.9)**	**(20.9)**	**(8.5)**	**(2.7)**	**(4.9)**	**(4.8)**
Trade and other payables[5]	**–**	**(720.4)**	**(720.4)**	**(720.4)**	**–**	**–**	**–**
Other long-term payables[5]	**–**	**(11.1)**	**(11.1)**	**–**	**(11.1)**	**–**	**–**
Financial liabilities		**(1,082.9)**	**(1,082.9)**	**(728.9)**	**(20.0)**	**(329.2)**	**(4.8)**

As at 31 December 2016

	Effective interest rate %	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[1]	–	343.3	362.3	362.3	–	–	–
Other long-term receivables[2]	–	81.0	81.0	–	40.5	40.5	–
Financial assets[3]		474.4	493.4	412.4	40.5	40.5	–
Non-derivative financial liabilities[4]:							
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)	–	–	–
Trade and other payables[5]	–	(687.3)	(687.3)	(687.3)	–	–	–
Other long-term payables[5]	–	(22.5)	(22.5)	–	(22.5)	–	–
Derivative financial liabilities:							
Interest rate swaps							
• Outflow	–	(0.3)	(0.3)	–	–	(0.3)	–
• Inflow	–	–	–	–	–	–	–
Financial liabilities		(911.5)	(911.5)	(695.1)	(29.4)	(187.0)	–

1. Excluding prepayments and accrued income and acquired lease fair value asset
2. Excluding acquired lease fair value asset
3. Financial assets are all held at amortised cost
4. All financial instruments are classified as variable rate instruments
5. Excluding deferred rents, deferred partner contributions and acquired lease fair value liability

Notes to the accounts continued

24. Financial instruments and financial risk management (continued)

Fair value disclosures

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

31 December 2017	Carrying amount				Fair value			
£m	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**54.8**	**–**	**–**	**54.8**	**–**	**–**	**–**	**–**
Trade and other receivables	**406.3**	**–**	**–**	**406.3**	**–**	**–**	**–**	**–**
Other long-term receivables	**283.5**	**–**	**–**	**283.5**	**–**	**–**	**–**	**–**
Derivative financial asset	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**	**–**	**0.2**
Bank loans and corporate borrowings	**–**	**(330.5)**	**–**	**(330.5)**	**–**	**–**	**–**	**–**
Other loans	**–**	**(20.9)**	**–**	**(20.9)**	**–**	**–**	**–**	**–**
Trade and other payables	**–**	**(720.4)**	**–**	**(720.4)**	**–**	**–**	**–**	**–**
Other long-term payables	**–**	**(11.1)**	**–**	**(11.1)**	**–**	**–**	**–**	**–**
	744.6	**(1,082.9)**	**0.2**	**(338.1)**	**–**	**0.2**	**–**	**0.2**
Unrecognised gain								**–**

31 December 2016	Carrying amount				Fair value			
£m	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	50.1	–	–	50.1	–	–	–	–
Trade and other receivables	343.3	–	–	343.3	–	–	–	–
Other long-term receivables	81.0	–	–	81.0	–	–	–	–
Bank loans and corporate borrowings	–	(193.6)	–	(193.6)	–	–	–	–
Other loans	–	(7.8)	–	(7.8)	–	–	–	–
Trade and other payables	–	(687.3)	–	(687.3)	–	–	–	–
Other long-term payables	–	(22.5)	–	(22.5)	–	–	–	–
Derivative financial liabilities	–	–	(0.3)	(0.3)	–	(0.3)	–	(0.3)
	474.4	(911.2)	(0.3)	(437.1)	–	(0.3)	–	(0.3)
Unrecognised gain								–

During the years ended 31 December 2016 and 31 December 2017, there were no transfers between levels for fair value measured instruments, and no financial instruments requiring level 3 fair value measurements were held.

Notes to the accounts continued

24. Financial instruments and financial risk management (continued)

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:

	2017 GBP m	2016 GBP m
Derivatives used for cash flow hedging	**70.0**	70.0
	2017 USD m	2016 USD m
Derivatives used for cash flow hedging	**30.0**	30.0

Committed borrowings

	2017 Facility £m	**2017 Available £m**	2016 Facility £m	2016 Available £m
Revolving credit facility	**550.0**	**131.8**	550.0	299.4

The Group maintains a revolving credit facility provided by a group of international banks. During the year, the maturity was extended until 2022, with a further option to extend to 2023. As at 31 December, £131.8m 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, £70.0m and $30.0m 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.

Notes to the accounts continued

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 liability and its components are as follows:

	2017 £m	2016 £m
Fair value of plan assets	**8.5**	5.8
Present value of obligations	**(10.0)**	(6.6)
Net funded obligations	**(1.5)**	(0.8)

26. Acquisitions

Current period acquisitions

During the year ended 31 December 2017 the Group made various individually immaterial acquisitions for a total consideration of £2.8m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Intangible assets	–	0.2	0.2
Property, plant and equipment	0.8	0.6	1.4
Cash	0.4	–	0.4
Other current and non-current assets	–	0.4	0.4
Current liabilities	(0.6)	–	(0.6)
Non-current liabilities	(0.2)	–	(0.2)
	0.4	1.2	1.6
Goodwill arising on acquisition[1]			1.2
Total consideration			2.8
Less: Fair value adjustment of historical investment in acquired joint venture			–
Less: Contingent consideration			–
			2.8
Cash flow on acquisition			
Cash paid			2.8
Net cash outflow			2.8

1. The goodwill arising on acquisition includes negative goodwill of £0.4m. The negative goodwill has been recognised as part of the selling, general and administration expenses line item in the consolidated income statement

The goodwill arising on the above acquisitions reflects the anticipated future benefits the Group can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding products and services. £0.4m of the above goodwill is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2017, the revenue and net retained loss arising from these acquisitions would have been £1.3m and £0.1m respectively. In the year, the equity acquisitions contributed revenue of £1.1m and net retained loss of £0.1m.

There was £nil contingent consideration arising on the 2017 acquisitions. Contingent consideration of £2.1m (2016: £2.7m) was also paid during the current year with respect to milestones achieved on prior year acquisitions.

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

For a number of the acquisitions in 2017, 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 property, plant 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 2017, 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.

Notes to the accounts continued

26. Acquisitions (continued)

Prior period acquisitions

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

£m	Book value	Provisional fair value adjustments	Provisional fair value	Final fair value adjustments	Final fair value
Net assets acquired					
Intangible assets	–	0.1	0.1	0.1	0.2
Property, plant and equipment	2.4	–	2.4	0.2	2.6
Cash	1.2	–	1.2	–	1.2
Other current and non-current assets	2.6	–	2.6	0.3	2.9
Current liabilities	(5.4)	–	(5.4)	(0.4)	(5.8)
Non-current liabilities	(0.1)	–	(0.1)	–	(0.1)
	0.7	0.1	0.8	0.2	1.0
Goodwill arising on acquisition			10.0	(0.2)	9.8
Total consideration			10.8	–	10.8
Less: Fair value adjustment of historical investment in acquired joint venture			(2.5)		(2.5)
Less: Contingent consideration			(0.9)		(0.9)
			7.4		7.4
Cash flow on acquisition					
Cash paid			7.4		7.4
Net cash outflow			7.4		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. £0.1m 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 above acquisitions.

The acquisition costs associated with these transactions were £0.5m, 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 2017.

27. Capital commitments

	2017 £m	2016 £m
Contracts placed for future capital expenditure not provided for in the financial statements	**60.9**	42.6

These commitments are principally in respect of fit-out obligations on new centres opening in 2018. In addition, our share of the capital commitments of joint ventures amounted to £nil at 31 December 2017 (2016: £nil).

Notes to the accounts continued

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:

	2017			2016		
	Property £m	Other £m	Total £m	Property £m	Other £m	Total £m
Lease obligations falling due:						
Within one year	**914.3**	**0.5**	**914.8**	882.4	1.3	883.7
Between one and five years	**2,628.7**	**0.4**	**2,629.1**	2,386.9	1.0	2,387.9
After five years	**1,494.5**	**–**	**1,494.5**	1,170.4	–	1,170.4
	5,037.5	**0.9**	**5,038.4**	4,439.7	2.3	4,442.0

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 £142.7m (2016: £151.7m). 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
2017			
Affiliated entities	**3.0**	**9.0**	**2.2**
2016			
Affiliated entities	2.9	8.6	8.0

As at 31 December 2017, £nil of the amounts due to the Group have been provided for (2016: £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 includes those personnel (including Directors) that have responsibility and authority for planning, directing and controlling the activities of the Group:

	2017 £m	2016 £m
Short-term employee benefits	**7.2**	9.8
Retirement benefit obligations	**0.5**	0.5
Share-based payments	**–**	0.5
	7.7	10.8

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 £nil (2016: £2.9m). These awards are subject to performance conditions and vest over three, four and five years from the award date.

Notes to the accounts continued

30. Related parties (continued)

Transactions with related parties

During the year ended 31 December 2017 the Group acquired goods and services from a company indirectly controlled by a Director of IWG plc, the ultimate parent company of Regus plc, amounting to £91,120 (2016: £30,228). There was a £9,506 balance outstanding at the year-end (2016: £27,720).

All transactions 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 2017, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary shares and votes held
Trading companies		
Regus Australia Management Pty	Australia	100
Regus Belgium SA	Belgium	100
Regus do Brasil Ltda	Brazil	100
HQ Do Brazil Administracao de bens e servicos Ltda	Brazil	100
Regus GmbH & Co. KG	Germany	100
Regus HK Management Ltd	Hong Kong	100
Regus CME Ireland Limited	Ireland	100
Regus Business Centres Limited	Israel	100
Regus Business Centres Italia Srl	Italy	100
Open Office K.K.	Japan	100
Regus Management de Mexico,SA de CV	Mexico	100
Regus Amsterdam BV	Netherlands	100
Regus Management Singapore Pte Ltd	Singapore	100
Regus Management Group (Pty) Ltd	South Africa	100
Regus Management (Sweden) AB	Sweden	100
Regus Business Centers AG	Switzerland	100
KBC Holdings Limited	United Kingdom	100
Avanta Managed Offices 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

Name of undertaking	Country of incorporation	% of ordinary shares and votes held
Management companies		
RGN Management Limited Partnership	Canada	100
Regus Paris SAS	France	100
Franchise International Sarl	Luxembourg	100
RBW Global Sarl	Luxembourg	100
Regus Service Centre Philippines BV	Philippines	100
Regus Global Management Centre SA	Switzerland	100
Regus Business Services Limited	United Kingdom	100
Regus Group Services Ltd	United Kingdom	100
Regus Management (UK) Ltd	United Kingdom	100
Regus Management Group LLC	United States	100
Holding and finance companies		
Umbrella Group	Luxembourg	100
Umbrella Global Holdings	Luxembourg	100
Umbrella Holdings Sarl	Luxembourg	100
Umbrella International Holdings AG	Switzerland	100
Pathway Finance Sarl	Switzerland	100
Pathway Finance EUR 2 Sarl	Switzerland	100
Pathway Finance USD 2 Sarl	Switzerland	100
Regus Group Limited	United Kingdom	100
Regus Corporation LLC	United States	100

Notes to the accounts continued

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 indefinite life 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 2017, 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 such as Regus and could result in significant additional tax liabilities over and above those already provided for.

Onerous lease provisions

We evaluate the performance of centres to determine whether any leases are considered onerous, i.e. the Group does not expect to recover the unavoidable lease costs up to the first break point at the Group's option. A provision for our estimate of the net amounts payable under the terms of the lease to the first break point, discounted at an appropriate discount rate, is recognised 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. A provision is recognised 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 2017 £m	As at 31 Dec 2016 £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	**0.3**	**0.1**
3. Other receivables		
b) becoming due and payable within one year	**–**	–
E. Prepayments	**–**	1.3
Total assets	**644.9**	**646.0**
Capital, reserves and liabilites		
A. Capital and reserves		
I. Subscribed capital	**–**	**9.2**
II. Share premium and similar premiums	**–**	53.7
IV. Reserves		
1. Legal reserve	**–**	0.9
4. Other reserves	**574.6**	520.0
V. Results brought forward	**(103.8)**	(66.6)
VI. Results for the financial year	**161.6**	(22.8)
VII. Interim dividends	**–**	**(14.4)**
Capital and reserves	**632.4**	**480.0**
D. Non-subordinated debts		
6. Trade creditors		
a) becoming due and payable within one year	**0.2**	0.8
7. Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	**9.2**	9.6
b) becoming due and payable after more than one year	**3.1**	155.6
Liabilities	**12.5**	**166.0**
Total capital, reserves and liabilities	**644.9**	**646.0**

Approved by the Directors on 27 April 2018

TIM REGAN
DIRECTOR

Parent company accounts continued

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 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 non-statutory accounts of Regus plc for the year ended 31 December 2017, 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 cause their initial recording cease to apply.

Five-year summary

	31 Dec 2017 £m	31 Dec 2016 £m	31 Dec 2015 £m	31 Dec 2014 £m	31 Dec 2013 £m
Income statement (full year ended)					
Revenue	**2,341.7**	2,233.4	1,927.0	1,676.1	1,533.5
Cost of sales	**(1,946.3)**	(1,784.6)	(1,498.6)	(1,293.0)	(1,159.7)
Gross profit (centre contribution)	**395.4**	448.8	428.4	383.1	373.8
Administration expenses	**(217.4)**	(260.4)	(268.6)	(279.6)	(283.1)
Share of post-tax (loss)/profit of joint ventures	**(0.8)**	(0.8)	0.3	0.8	0.1
Operating profit	**177.2**	187.6	160.1	104.3	90.8
Finance expense	**(14.1)**	(11.6)	(15.0)	(17.3)	(10.5)
Finance income	**4.1**	0.1	0.6	0.1	1.2
Profit before tax for the year	**167.2**	176.1	145.7	87.1	81.5
Income tax expense	**(35.6)**	(34.9)	(25.8)	(17.2)	(14.6)
Profit after tax for the year	**131.6**	141.2	119.9	69.9	66.9
Earnings per ordinary share (EPS):					
Basic (p)	**27.7p**	15.2p	12.8p	7.4p	7.1p
Diluted (p)	**27.7p**	15.2p	12.6p	7.2p	7.0p
Weighted average number of shares outstanding ('000s)	**474,526**	929,860	933,458	944,082	943,775
Balance sheet data (as at)					
Intangible assets	**708.9**	738.1	666.0	549.9	491.7
Property, plant and equipment	**1,270.9**	1,194.4	917.0	718.8	608.7
Deferred tax assets	**22.8**	29.3	36.4	40.0	33.4
Other assets	**900.9**	651.5	644.3	565.2	423.8
Cash and cash equivalents	**54.8**	50.1	63.9	72.8	84.7
Total assets	**2,958.3**	2,663.4	2,327.6	1,946.7	1,642.3
Current liabilities	**1,223.8**	1,180.1	1,085.7	891.9	758.8
Non-current liabilities	**907.6**	744.2	658.2	517.4	369.3
Equity	**826.9**	739.1	583.7	537.4	514.2
Total equity and liabilities	**2,958.3**	2,663.4	2,327.6	1,946.7	1,642.3

Segmental analysis

Segmental analysis – management basis (unaudited)

	Americas 2017	EMEA 2017	Asia Pacific 2017	United Kingdom 2017	Other 2017	Total 2017
Mature[1]						
Workstations[4]	165,329	87,102	87,414	69,233	–	409,078
Occupancy (%)	75.8%	77.3%	73.0%	72.1%	–	74.9%
Revenue (£m)	926.4	486.1	351.1	398.2	2.9	2,164.7
Contribution (£m)	177.6	105.6	74.3	79.2	(0.2)	436.5
REVPOW (£)	7,392	7,220	5,504	7,977	–	7,065
2016 Expansions[2]						
Workstations[4]	14,593	9,870	8,850	3,929	–	37,242
Occupancy (%)	55.8%	64.6%	52.9%	62.9%	–	58.2%
Revenue (£m)	40.8	29.1	23.0	13.2	0.4	106.5
Contribution (£m)	(9.6)	(1.4)	(1.4)	(0.4)	0.2	(12.6)
2017 Expansions[2]						
Workstations[4]	7,306	7,380	3,694	2,140	–	20,520
Occupancy (%)	27.0%	39.0%	25.2%	32.0%	–	31.5%
Revenue (£m)	10.9	20.2	5.2	3.8	0.5	40.6
Contribution (£m)[5]	(14.3)	(5.5)	(5.1)	(3.6)	1.8	(26.7)
Closures						
Workstations[4]	1,450	1,552	1,032	1,716	–	5,750
Occupancy (%)	66.8%	51.7%	64.9%	63.1%	–	61.3%
Revenue (£m)	6.7	5.1	3.9	14.2	–	29.9
Contribution (£m)	(0.5)	(1.6)	(1.9)	2.2	–	(1.8)
Total						
Workstations[4]	188,678	105,904	100,990	77,018	–	472,590
Occupancy (%)	72.3%	73.1%	69.4%	70.3%	–	71.5%
Revenue (£m)	984.8	540.5	383.2	429.4	3.8	2,341.7
Contribution (£m)	153.2	97.1	65.9	77.4	1.8	395.4
REVPAW (£)	5,219	5,104	3,794	5,575	–	4,955
Period end workstations[6]						
Mature	166,755	89,656	87,987	70,254	–	414,652
2016 Expansions	14,328	9,684	9,043	4,019	–	37,074
2017 Expansions	12,948	16,162	7,497	4,947	–	41,554
Total	194,031	115,502	104,527	79,220	–	493,280

Segmental analysis continued

Segmental analysis – management basis (unaudited)

	Americas 2016	EMEA 2016	Asia Pacific 2016	United Kingdom 2016	Other 2016	Total 2016
Mature[1]						
Workstations[4]	162,875	85,793	87,569	64,137	–	400,374
Occupancy (%)	75.5 %	75.9%	71.8%	75.6%	–	74.8%
Revenue (£m)	897.4	461.8	342.1	409.9	6.8	2,118.0
Contribution (£m)	173.8	106.6	69.9	95.9	6.8	453.0
REVPOW (£)	7,298	7,092	5,441	8,454	–	7,072
2016 Expansions[2]						
Workstations[4]	7,723	3,903	4,325	3,080	–	19,031
Occupancy (%)	30.4%	35.0%	31.0%	57.2%	–	35.8%
Revenue (£m)	12.1	6.2	7.6	9.4	1.5	36.8
Contribution (£m)	(12.8)	(5.1)	(3.3)	(0.1)	1.5	(19.8)
Closures[3]						
Workstations[4]	3,330	2,290	3,236	5,279	–	14,135
Occupancy (%)	70.8%	62.5%	75.8%	77.4%	–	73.0%
Revenue (£m)	13.5	8.8	13.5	42.8	–	78.6
Contribution (£m)	–	0.1	0.9	14.6	–	15.6
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	8.3	448.8
REVPAW (£)	5,307	5,183	3,818	6,374	–	5,152

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 2016 comparative data is defined as a centre closed during the period from 1 January 2016 to 31 December 2017
4. Workstation numbers are calculated as the weighted average for the year
5. 2017 expansions include any costs incurred in 2017 for centres which will open in 2018
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 22 of these accounts.

Description	Reference	2014 Aggregation	2015 Expansions	2016 Expansions	2017 Expansions	2018 Expansions	Closures	Total
Post-tax cash return on net investment		**19.2%**	**8.3%**	**(8.7%)**	**(14.0%)**	**–**	**–**	**12.3%**
Revenue	Income statement, p41	1,857.6	307.1	106.5	40.6	–	29.9	2,341.7
Centre contribution	Income statement, p41	400.2	36.3	(12.6)	(26.4)	(0.3)	(1.8)	395.4
Loss on disposal of assets	EBIT reconciliation (analysed below)	0.5	–	–	–	–	3.8	4.3
Impairment of assets	EBIT reconciliation (analysed below)	–	–	–	–	–	1.7	1.7
Underlying centre contribution		**400.7**	**36.3**	**(12.6)**	**(26.4)**	**(0.3)**	**3.7**	**401.4**
Selling, general and administration expenses[1]	Income statement, p41	(147.6)	(36.6)	(18.9)	(12.1)	(0.1)	(2.1)	(217.4)
EBIT	EBIT reconciliation (analysed below)	**253.1**	**(0.3)**	**(31.5)**	**(38.5)**	**(0.4)**	**1.6**	**184.0**
Depreciation and amortisation	Note 5, p54	142.0	36.6	19.4	10.0	–	3.4	211.4
Amortisation of partner contributions	Note 5, p54	(42.0)	(8.6)	(6.4)	(3.4)	–	(0.2)	(60.6)
Amortisation of acquired lease fair value adjustments	Note 5, p54	(4.3)	0.7	0.1	–	–	(0.1)	(3.6)
Non-cash items		**95.7**	**28.7**	**13.1**	**6.6**	**–**	**3.1**	**147.2**
Taxation[2]		**(50.6)**	**0.1**	**6.3**	**7.7**	**0.1**	**(0.3)**	**(36.7)**
Adjusted net cash profit		**298.2**	**28.5**	**(12.1)**	**(24.2)**	**(0.3)**	**4.4**	**294.5**
Maintenance capital expenditure	Capital expenditure (analysed below)	87.0	8.6	–	–	–	–	95.6
Partner contributions	Partner contributions (analysed below)	(20.2)	(1.9)	–	–	–	–	(22.1)
Net maintenance capital expenditure		**66.8**	**6.7**	**–**	**–**	**–**	**–**	**73.5**
Post-tax cash return		**231.4**	**21.8**	**(12.1)**	**(24.2)**	**(0.3)**	**4.4**	**221.0**
Growth capital expenditure	Capital expenditure (analysed below)	1,425.9	328.6	197.9	248.0	14.0	–	2,214.4
Partner contributions	Partner contributions (analysed below)	(219.9)	(65.9)	(58.2)	(74.9)	(0.6)	–	(419.5)
Net investment		**1,206.0**	**262.7**	**139.7**	**173.1**	**13.4**	**–**	**1,794.9**

1. Including research and development expenses
2. Based on EBIT at the Group's long-term effective tax rate of 20%

Post-tax cash return on net investment continued

2017

Movement in capital expenditure	2014 Aggregation	2015 Expansions	2016 Expansions	2017 Expansions	2018 Expansions	Closures	Total
December 2016	1,454.4	325.0	183.7	30.0	–	–	1,993.1
2017 Capital expenditure[3]	3.7	6.7	15.0	208.5	14.0	–	247.9
Properties acquired	–	–	–	9.5	–	–	9.5
Centre closures[4]	(32.2)	(3.1)	(0.8)	–	–	–	(36.1)
December 2017	1,425.9	328.6	197.9	248.0	14.0	–	2,214.4

3. 2018 expansions relate to costs and investments incurred in 2017 for centres which will open in 2018
4. 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

2017

Movement in partner contributions	2014 Aggregation	2015 Expansions	2016 Expansions	2017 Expansions	2018 Expansions	Closures	Total
December 2016	221.9	66.0	52.9	3.3	–	–	344.1
2017 Partner contributions	2.4	0.5	5.5	71.6	0.6	–	80.6
Centre closures[5]	(4.4)	(0.6)	(0.2)	–	–	–	(5.2)
December 2017	219.9	65.9	58.2	74.9	0.6	–	419.5

5. The partner contributions for an estate are reduced by the partner contributions for centres closed during the year

2017

EBIT reconciliation	Reference	£m
EBIT		184.0
Loss on disposal of assets	Note 5, p54	(4.3)
Impairment of assets	Note 5, p54	(1.7)
Share of profit in joint ventures	Income statement, p41	(0.8)
Operating profit	Income statement, p41	**177.2**

2017

Partner contributions	Reference	£m
Opening partner contributions		333.9
• Current	Note 17, p63	68.5
• Non-current	Note 18, p63	265.4
Acquired in the period		–
Received in the period		102.7
• Maintenance partner contributions		22.1
• Growth partner contributions		80.6
Utilised in the period	Note 5, p54	(60.6)
Exchange differences		(23.0)
Closing partner contributions		**353.0**
• Current	Note 17, p63	59.2
• Non-current	Note 18, p63	293.8

2017

Capital expenditure	Reference	£m
Maintenance capital expenditure	Financial review, p22	95.6
Growth capital expenditure	Financial review, p22	257.4
• 2017 Capital expenditure		247.9
• Properties acquired		9.5
Total capital expenditure		**353.0**
Analysed as		
• Purchase of subsidiary undertakings	Cash flow, p45	4.5
• Purchase of property, plant and equipment	Cash flow, p45 Note 14, p62	344.9
• Purchase of intangible assets	Cash flow, p45 Note 13, p61	3.6

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 revenue less direct operating expenses but before administrative expenses

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation

EPS
Earnings per share

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

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

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

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

REVPOW
Total revenue per occupied workstation

ROI
Return on investment

TSR
Total shareholder return

WIPOW
Workstation income per occupied workstation

Shareholder information

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 2017 to 27 April 2018:

Tim Regan

Christoffel Mul

Ian Hallett

Regus™

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