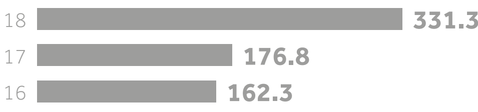
New world, new workspaces

ANNUAL REPORT AND ACCOUNTS 2018

Net growth capital investment (£m)

£331.3m



Number of locations

3,275

Group revenue development (£m)

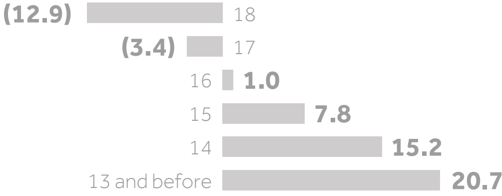
£2,517.6m

EBITDA development (£m)

£388.1m

2018 post-tax cash return on net investment by year of opening (%)

20.7%[1]



1. In respect of locations opened on or before 31 December 2013

Strategic report

1 Introduction
2 Who we are
3 Investment case
4 A new way of working
10 Market review
12 Our business model
14 Strategic review
20 Our strategic objectives and KPIs
22 Finance review
26 Risk management and principal risks
34 Our people
36 Corporate and social responsibility
40 Directors' statement

Financial statements

41 Auditor's report
43 Consolidated income statement
44 Consolidated statement of comprehensive income
45 Consolidated statement of changes in equity
46 Consolidated balance sheet
47 Consolidated statement of cash flows
48 Notes to the accounts
79 Parent company accounts
80 Segmental analysis
84 Glossary
85 Shareholder information

Turn to page 25 for details on how we calculate our post-tax cash return on net investment.

A glossary is included on page 84 which defines various alternative measures used to provide useful and relevant information.

Please visit our website regus.com

New world,
new workspaces

The world of work is changing – fast and forever. And Regus is at the forefront of the flexible workspace revolution that's making it possible for businesses and individuals everywhere to take a new approach to the traditional working day. Thanks to our brands, worldwide footprint and highly efficient operating platform, every day millions of people can work precisely where, when and how they choose, enabling them to have…

…a great day at work.

Leading worldwide network

We continue to lead the workspace revolution. We are helping more than 2.5 million people and their businesses work more productively, right across the world.

Our customers – freelancers, startups, SMEs and big enterprises – want a choice of workspaces and communities to match their wide range of different needs.

Regus provides that choice.

By offering a wide range of workspace options through our brands, we can cater for the different and varied requirements of all customers – whether that's access to an individual co-working space, a business lounge or an entire office suite. And we can offer this across the world.

In doing so, we help businesses perform better. Be more flexible and agile. Better able to meet their growth and development ambitions. And staffed by more fulfilled, effective and loyal people.

Our brands

Work, meet and connect wherever your business takes you

Your key to the world's ultimate business locations

Creative spaces with a unique entrepreneurial spirit

Where the real work gets done

No18

The home for a rewarding business lifestyle

Investing in our strengths

Regus has been helping people work more productively for 30 years.

Network

3,275

locations in more than 110 countries.

cities right across the globe.

employees supporting local and international businesses.

Investment in technology

24/7

customer service and access to the Regus app enable customers to use our services easily and whenever it suits them.

Expanding networks

1/3

of location growth delivered through partnerships in the year

We work with property owners and investors to help them tap into the increasing success of the flexible workspace industry.

Revenue growth

Revenue growth provides us with the strategic opportunity to invest in our business and deliver long-term, sustainable value for our shareholders.

Operating profit

£155.0m

Cost efficiencies

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.

Global footprint

57m

sq. ft. co-working and meeting space.

Innovating workspaces for the world

Regus has more locations in more cities and countries worldwide than anyone else. More brands, more formats, more investment in technology and customer experience, more awareness, more customers and more potential for growth.

For more than a decade, annual growth in the global flexible workspace market has averaged 13%[2]. It's even faster in cities like Amsterdam, San Francisco and Singapore. And the scope for growth is increasing too – the proportion of occupiers saying flexibility is key to meeting their real estate objectives has risen by 14 percentage points[3] in just 12 months.

2. The Flexible Revolution, CBRE research, 2017
3. CBRE EMEA Occupier Survey 2018

Spaces – Hanoi, Vietnam
HQ – Paris, France
Parrainez un ami.
Soyez récompensé.
No 18 – Stockholm, Sweden
Regus – Haifa, Israel

Changing how businesses work

Powerful economic, regulatory and technological forces have liberated organisations of all sizes to transform their approach to workspace. As a result, more and more are embracing the strategic, operational and financial benefits of the flexible workspace revolution.

It's no surprise that the flexible workspace market has grown by more than 20% over the last seven years, or that 84%[4] of corporates believe this flexibility is a permanent feature of the workspace landscape. In fact, recent estimates suggest that by 2030 around a third of all corporate workspace will be flexible.

The benefits are undeniable. Getting closer to customers, suppliers and talent pools. Reducing costs, and rapidly scaling up and down as required. Focusing on true business priorities, not real-estate issues.

Equally important is the ability to drive improved workforce productivity and employee engagement.

4. The Flexible Revolution, CBRE research 2017
5. Colliers, Flexible Workspace Report 2018, UK
6. JLL 2018 Flexible Workspace Market Forecast

Regus – Canberra, Australia

56%

of Asia's top 200 occupiers are already using flexible workspace and 91% are considering it[5]

22%

the growth rate of flexible office space over seven years. 1%: the growth rate of traditional office space over the same period[6]

How we're supporting businesses

At Regus, we're doing more than anybody else to deliver these benefits. More centres, offices, co-working and drop-in workspaces across 3,275 locations in over 110 countries. More brands, ensuring we have the workspace solution for every business. More advanced technology and apps, minimising admin and streamlining processes. And more investment in our workspaces via our efficient platform and systems, making certain we deliver what our customers want.

"As a start-up business you don't have the capital to pay for a fixed lease. We were able to set up our business in a period of nine weeks from start to finish. Now we have the advantage by meeting our clients at a Regus or Spaces location most convenient to them. It truly is plug and play."

Sabina Bovetti,
Inizi Human Capital Consulting

Changing how people connect

Increasingly, people are free to work in the way they choose, liberated by mobile technology and a changing culture to decide precisely where, how and when. This demand is transforming the provision and nature of workspace.

Flexibility is driving a new, location-agnostic blend of work and personal time that's rapidly becoming the established norm. Already, less than 20% of adults want to work a traditional 9 to 5 day, and 60% see a convenient work location as a key component of a good job.

And the overall trend is set to accelerate as the forces of change become even more powerful; 80% of the world's adult population will own a smartphone by 2020, a quarter of all mobile traffic will be on 5G networks by 2024[7].

7. Ericsson Mobile Data Traffic Growth Outlook, November 2018
8. MacDonald's UK: Flexible Working Survey 2018
9. PowWowNow, reported in Real Business, Demand for flexible working among UK employees is on the rise

Spaces – Florida, USA

How we're supporting professionals

Regus' unbeatable range of brands ensures people across the world can always find what they need. Whether they're working close to home, setting up somewhere new or hosting a meeting on the other side of the world, we can meet every demand – from a room for an hour to a building for a year.

"Working with Regus has helped us to attract and retain talented individuals looking for a flexible working policy."

Claire Cobbledick,
Director of Gumtree, SA

69%
of employees who work flexibly say it encourages them to stay in a job for longer[8]

75%
of employees favour flexible working, up from 70% in 2017[9]

53%
of all US workers value the flexibility to work in different locations[9]

Responding to a changing world

Key drivers

What this means and how we are responding

Changing global economy

Large companies across the world are responding to significant changes in the global economy by re-engineering their approach to office provision and real estate assets to ensure the balance sheet reflects their business priorities. In addition, a new accounting standard could make workspace contracts more attractive for some businesses.

It is anticipated that 30% of the global corporate real estate market will be formed of flexible space by 2030[10]. We will continue to take a prudent approach in meeting this global demand for flexible workspace through strategies like partnering and joint ventures.

Three key strengths will underpin Regus' leadership position: our proven ability to keep pace with technological change, through world-class IT infrastructure and continuous service innovation; the constant listening to customers and insight that enable us to deliver against fast-changing expectations; and our success in creating added value services for customers, from startups to corporates.

Growing customer demand

Customers have responded to the changing environment by demanding flexible working options in order to use their time more productively, in both working and personal lives.

People increasingly expect high-quality personalised service as the norm. Accessibility and flexibility are becoming core elements of workspace provision. Regus enables flexibility to flourish at the heart of what we do. We enable our customers to make rapid shifts in location, scale, strategy, technological resource, customer focus and product development. It brings them the flexibility they need to respond proactively to fast-changing markets, consumer habits and competitor activity.

Rapidly changing technology

Smart technology and ever-present connectivity continue to liberate people to choose where, how and when they work.

In a fast-changing and unpredictable business environment, it's hard for companies to identify the investments in technology they should be making. Merely keeping up with advancements is costly and the impact of digital interruption makes the need to maintain services mission critical. We are continuously investing to provide world-class, resilient IT infrastructure and connectivity at all our centres, spreading the benefit of continuous advancement across our client base. And, through understanding the needs and aspirations of many thousands of clients across the world, we have privileged insight into the direction businesses want technology to take.

Increasing competition

The growing market for flexible workspace has driven more competition as workspace providers offer increasingly differentiated offers and related services.

Regus has many advantages over other players. Our reach is global, enabling us to ramp up and downsize in local markets as conditions change, and our operating platform is the most efficient in the industry. We have a multi-brand portfolio that enables broader customer reach and more precise segmentation which helps us to develop new margin-accretive ancillary and lifestyle services. Moving forward, we will seek to grow an increasing proportion of our business through partnering and more prudent use of our capital.

10. CBRE EMEA Occupier survey 2017

Regus – Gatwick, England

Spaces – Glasgow, Scotland

Creating value for the long term

Our vision is to lead the global workspace revolution and provide our customers with a great day at work. Our business model is delivered through an efficient platform creating value for shareholders and reinvestment for the benefit of our customers.

What we do

We provide flexible workspace for over 2.5 million customers across the globe. We work with landlords and property owners in order to provide the largest network of workspace for businesses of all shapes and sizes.

We can provide local, national and international solutions and, through our different brands, can tailor workspaces according to the needs of our customers. That means we support our customers as they scale up or down, move location and reconfigure existing workspace. We can also provide the additional support services that are critical to some businesses such as workplace recovery, a virtual office or administrative support.

Our aim is to make sure we provide an ideal working environment so our customers can have a great day at work every day.

Key inputs

Our people

Talented and experienced professionals who drive the success of our business

Our brands

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, by providing a world-class and easy-to-use infrastructure with simple points of access and a great user experience

How we do it

Our strategic drivers

- Delivering attractive, sustainable returns
- Delivering profitable growth
- Cash generation
- Cost leadership
- Developing multi-brand networks

See page 20 to read more about our strategy

Our competitive operating model

Operational efficiency

We focus on optimising the performance and operational effectiveness of each of our locations which, combined with a disciplined and focused approach across the business to overhead costs, enables us to continue delivering long-term value.

Regus' operational efficiency is underpinned by its scaled platform and centralised support functions.

Scaled platform

Regus and its commercial brands operate from a single, scaled global platform that enables us to provide workplace solutions across the world efficiently according to a customer's requirements. This centralised platform serves our different brands, allowing us to differentiate what we offer to our customers more efficiently.

Strong governance and risk management system

Our operating model is underpinned by strong and robust governance and a rigorous risk management model that ensures the business is being managed prudently and risks appropriately assessed whilst ensuring that we still benefit from an entrepreneurial spirit and our ambitions for future growth.

Centralised support functions

Regus' support functions are centralised to ensure resources and costs are controlled and utilised to maximise value for customers and shareholders. From procurement to marketing, the support functions benefit from economies of scale and global reach as well as providing the business with a consistency of support and service.

Multi-branded

We provide our customers with a choice of workspace solutions through our different brands. We recognise there is no 'one-size fits all' solution and therefore we offer different formats and workspaces to accommodate the varied needs of our customers.

No18

Value created

Investment in growth

The flexible workspace market is growing strongly as the advantages of flexible and remote working are increasingly recognised. We are investing in our formats and national networks to meet this demand. We are increasingly linking these networks to create a global infrastructure that enables our customers to operate on a truly global scale.

Working in partnership with landlords and franchisees is an increasingly important element of our strategy to deliver capital efficient growth.

All potential investment is rigorously evaluated against stringent financial hurdles. 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.

2018: consistent sequential quarterly improvement

"We have done much to position our business to meet the growing needs of our customers in the rapidly developing market of co-working and flexible working, and to be well positioned to benefit from clear structural growth drivers."

Mark Dixon

For Regus, 2018 was in many ways a year of significant change and consistent improvement. Responding to a tough start to the year, the actions we took during 2018 ensured our performance improved continuously as the months passed, enabling us to end the year with record sales and enhanced like-for-like results.

Attractive investment returns

The improvement in our performance throughout the year has helped to deliver a strong post-tax cash return on net investment that exceeds the Group's cost of capital. The post-tax cash return on net growth investment from locations opened on or before 31 December 2013 was 20.7% (2017: 20.2%). Moving the maturity profile of the estate forward one year to all those locations opened on or before 31 December 2014, the post-tax cash return was 20.0% (2017: 19.2%). Our post-tax returns are calculated after deducting all net maintenance capital expenditure incurred in the year. During 2018, as expected, we invested more in net maintenance capital expenditure to take the opportunity to refresh some of our existing locations, particularly in the UK.

Sequentially improving financial performance

Group revenue increased 9.5% at constant currency to £2,517.6m. This performance has been achieved through a consistent improvement through the year. These Group numbers also include the impact from closures, which has been significant in 2018, with 117 closures, as we continued to actively manage our estate. Consequently, a better indication of the performance of the ongoing business is provided by the revenues generated by our open centres. On this basis, revenue increased 13.1%, at constant currency, to £2,465.3m (2017: £2,219.3m). Encouragingly, we witnessed the same trend of steadily rising growth through the year, with all regions contributing.

Investing in our global platform

To support the ongoing development of the business and strengthen our global operating platform we selectively invested in overheads, particularly in our partnering and enterprise account activities. This investment was made within the strong cost control framework maintained by the Group. Overall, overheads increased 15% at constant currency from £217.4m to £244.0m. We continued to maintain our industry-leading overhead efficiency with overheads as a percentage of revenue marginally up to 9.7% (2017: 9.3%). After the investment in overheads, together with the start-up costs from new centres added during the year and the closure of 117 locations, operating profit declined to £155.0m (2017: £177.2m), an outcome in line with management's expectations.

Our growth programme accelerated in 2018 with net growth capital expenditure of £331.3m. This investment reflects a record level of organic growth and a significant investment in locations due to open in 2019 resulting from a strong growth pipeline, especially in our Spaces format. In total, we added 298 locations, only nine of which were acquired, and 6.8m sq. ft. of space.

Group income statement

£m	2018	2017	% Change (constant currency)	% Change (actual currency)
Revenue	**2,517.6**	2,341.7	9.5%	7.5%
Gross profit (centre contribution)	**400.4**	395.4	2%	1%
Overheads	**(244.0)**	(217.4)	15%	12%
Operating profit[1]	**155.0**	177.2		
Profit before tax	**150.4**	167.2		
Taxation	**(32.1)**	(35.6)		
Profit after tax	**118.3**	(131.6)		
EBITDA	**388.1**	388.6	0%	0%

1. Including joint ventures

The Group generated a gross profit of £400.4m (2017: £395.4m), an increase of 2% at constant currency. This performance is after a significant investment in the new 2018 openings and the impact of closures. Excluding these factors, the gross profit on the pre-2018 business increased by 16% from £388.8m to £450.8m.

Gross margin

	Revenue £m			Gross margin %	
	2018	2017	% Change (constant currency)	2018	2017
2015 Aggregation	**2,107.7**	2,072.2	3.6%	**21.4%**	20.6%
New 16	**130.1**	106.5	24.0%	**5.4%**	(12.1)%
New 17	**162.1**	40.6	304.4%	**(4.9)%**	(61.1)%
Pre-18	**2,399.9**	2,219.3	10.1%	**18.8%**	17.5%
New 18[2]	**65.4**	–	–	**(46.7)%**	–
Open centre revenue	**2,465.3**	2,219.3	13.1%	**17.0%**	17.5%
Closures	**52.3**	122.4	(55.7)%	**(36.1)%**	5.7%
Group	**2,517.6**	2,341.7	9.5%	**15.9%**	16.9%

2. New 18 also includes any costs incurred in 2018 for centres which will open in 2019

We generated £444.8m of EBITDA from the pre-2018 estate, up 14.4%. Group EBITDA was maintained at £388.1m (2017: £388.6m). These metrics are a good indication of the cash generation capability of our business model. With a positive working capital inflow of £54.8m, we generated cash of £456.2m (2017: £239.9m).

We generated cash flow of £162.1m (2017: £40.6m) after increased maintenance capital expenditure and taxation, but before investment in growth capital expenditure. After the significant investment in growth capital expenditure, Group net debt increased from an opening position of £296.6m to £464.8m at 31 December 2018. This represents a net debt to EBITDA leverage ratio of 1.2x, thereby continuing our prudent approach to the Group's capital structure. At 31 December 2018, we had approximately £40.0m of freehold property on the balance sheet.

The market in 2018

Much of this success was due to the strengthened management team we built during the year, which played a vital role in helping us drive our improved performance. I would like to record my thanks to everybody involved for their invaluable contribution.

Overall, this was a year of responding positively to challenging conditions. I am particularly pleased with the way in which the business successfully addressed some powerful economic headwinds in many of the countries where Regus operates.

One of the most telling examples was that of Brazil, where recessionary forces continued to impact the country during the year. We completely restructured our business there, increasing its size significantly. Tangible improvements in performance were already visible by the end of 2018, and our Brazilian business appears set for a profitable 2019. We carried out similarly successful actions in other countries, continuously aiming to make decisions that improve our profitability across the Group as we move forward.

The forces accelerating our development

I am particularly struck that a number of forces that might normally be regarded as barriers to business success have counter-intuitively acted as growth accelerators for Regus, resulting in the addition of almost 300 locations to our network in 2018.

First and foremost, our performance during 2018 demonstrates how the uncertainty brought about by economic challenges can be a positive force for the Group. It causes individuals and businesses alike to value even more highly the benefits of flexible workspace, allowing companies of all sizes to respond rapidly and decisively to fast-changing conditions.

In a similar vein, the new lease accounting standard, IFRS 16, which came into force on 1 January 2019, is already driving significant increases in demand for our services from enterprises. IFRS 16's requirement for organisations to recognise assets and liabilities for all leases does not extend to those with a duration of 12 months or less. We believe that this will focus organisations' attention on the commitment of material capital investment in long-term leases when property is not their core competence.

In addition, as global market leader, we are even finding that competitor activity is helping our business. In particular, we continue to benefit from the marketing and communications activities of our smaller rivals as they further raise awareness of the benefits of co-working and taking a flexible approach to corporate property. This helped interest in and demand for co-working rise during the year, and we received record levels of enquiries as a direct result.

This is far from the only benefit of a competitive market environment. Competition also forces us to continuously improve, constantly sharpening our performance across many aspects of what we have to offer. This is how we ensure our industry-leading position in areas such as app development, digital interaction with our customers, improving reporting and other tools for enterprise accounts, as we continue to deliver an ever more flexible and easier-to-use customer experience.

Developing the network

We reaccelerated the growth of our network and 2018 was a record year for organic growth. Increasing the depth and breadth of our geographic scope, and addressing different styles of working and price points, is a major differentiator for Regus by providing a competitive advantage as well as building further resilience into the business. We continued to maintain a sharp focus on our investment decision-making process during 2018 and we are seeing the tangible benefit of this discipline in recent years in the development profile of our newer year-group cohorts.

We opened 298 new locations during 2018, 289 of which were organic openings. These locations added approximately 6.8m sq. ft., taking the Group's total space globally to 57.3m sq. ft. as at 31 December 2018. Another important focus area was the roll-out of our Spaces format. During 2018 we accelerated our roll-out of the Spaces format with the addition of 103 locations, which represented approximately 56% of the space added. The investment in our Spaces format during 2018 represented approximately two-thirds of the Group net growth capital expenditure.

During 2018, we invested £331.3m of net growth capital expenditure. This investment included expenditure on locations opened before 2018 and to be opened in 2019 of £91.6m, higher than previous years, primarily reflecting the strong pipeline with which we have entered 2019, most notably in our Spaces brand.

We finished 2018 strongly, with 94 additions in the fourth quarter. This momentum has continued, and we have a good pipeline of new openings already for 2019. At the end of February 2019, we had visibility on 2019 net growth capital expenditure of approximately £200.0m, representing approximately 190 locations and 5.2m sq. ft. of additional space.

A continuing growth story

During 2018, we increased our emphasis on partnering. Being able to clearly demonstrate the benefits of customer loyalty has contributed to the number of parties signing up to partner with us, which increased significantly during 2018 to create a very strong forward pipeline.

Much of this success was also due to the efforts of our growing franchise team, which is set to accelerate our growth further during 2019 as franchising becomes an increasingly important element of our growth strategy. In 2018, we signed agreements covering the development of 49 locations, taking the total for the Group as at 31 December 2018 to 135 committed locations. We also saw a strong increase in the number of co-owned locations across the world as we received unprecedented levels of interest and commitment from property owners. During the year, some 33% of our growth was through partnering.

Our 2018 focus was not just about opening new centres. We also developed our multi-brand strategy which offers a portfolio of brands to suit every work style and price point. Our multi-brand portfolio provides unparalleled choice and delivers a global consistency to provide quality customer experience across all our brands.

To support our goal of providing our customers with a quality experience to ensure they have "a great day at work", we have continued to innovate our platform. We strengthened our industry-leading and highly scalable digital platform to give customers an even better experience and access to higher levels of service which they can self-serve. We launched an account help desk and provided more centralised call handling. We continued to train and develop our people, 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.

Improving performance at centre level

I am very confident that our centres will continue to perform well throughout 2019, as we continue to grow and improve. With more than three decades' experience under our belt of running centres profitably, our focus will be on improving the performance of all those centres in our network, regardless of their age. Where necessary, we will continue to rationalise our network as a means of optimising its performance. In particular, we are focused on enhancing the profitability of our UK business through important investments in both talent and network performance.

One of the most powerful ways of achieving this is through investing in our people. As the world in which we operate becomes more competitive, they will be an increasingly important source of advantage by further engaging our clients. During 2018, we therefore made significant investments in training and reviewed compensation across the organisation. I am delighted by their performance during the year and believe there is even more to come in 2019 and beyond. I am also very proud of their great work to meet the needs of our clients and their commitment to supporting the communities where we operate.

Enterprise accounts

We grew our enterprise accounts team during the year, along with upgrading our national networks and product offering to meet the growing demand from enterprises. This is enabling us to build strategic relationships both nationally and globally.

The opportunity is huge. Our largest strategic corporate client uses 100 centres in 32 countries. Many others are using 10 or more centres, both nationally and in multiple countries. We believe there are many opportunities to develop other relationships of similar scale across the world.

Building our brands

Our brand strategy is an important element of our commitment to profitable growth. We recognise that not all our customers want exactly the same flexible workspace solutions. This is even true of different departments within the same organisation. Our multi-brand offer addresses this issue, and during the year we expanded brands, including No18 and HQ. We also saw strong growth in our Regus brand, with 174 new centres, and 103 new locations for our extremely popular Spaces co-working format.

Solid operating platform

Critically, all our brands are based on the same solid and highly efficient operating platform across more than 110 countries, ensuring that our full range of services is available around the clock. Indeed, our highly trained and skilled people working in tandem with ever-improving digital capabilities are driving faster and more accurate responses to client needs.

This is the bedrock of our business and the primary focus for our strategy of continuous improvement across all our sites. It is also at the heart of our highly efficient operating model and tight focus on capital discipline, which enables us to centralise processes from across our network, drive new efficiencies from our scale and ensure that our future growth is increasingly profitable.

This is what is making our ambition to be the most efficient operator become a reality, enabling our customers to find with us the best possible quality at the best possible price.

Expanding service portfolio

Increasingly, our operating platform is also supporting the fast-growing universe of ancillary services we offer alongside office space, which now represents approximately 29% of Group revenues. I believe that this proportion will continue to rise as we form increasingly close relationships with enterprise clients seeking a partner capable of delivering an ever-wider range of services.

One area of particular growth during 2018 was our industry-leading workplace-recovery service, available in more than 1,000 towns and cities worldwide, which grew by almost 50% during the year.

During 2019, we aim to continue introducing further new services to meet the needs of the 2.5m-plus users and members of our virtual and physical spaces and services across the world.

Performance by region

Looking to our financial performance in more detail, mature revenue increased by 4.6% during the year at constant currency, with sequential improvements in each quarter through the year. This sustained improvement throughout the period was primarily driven by improvements in the Americas and EMEA, which had a particularly strong second half.

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

	Revenue			Contribution			Mature gross margin (%)	
£m	**2018**	2017	% Change (constant currency)	**2018**	2017	% Change (constant currency)	**2018**	2017
Americas	**961.7**	930.3	6.6%	**207.6**	162.3	31%	**21.6%**	17.4%
EMEA	**527.1**	493.7	7.2%	**128.0**	105.9	21%	**24.3%**	21.5%
Asia Pacific	**368.0**	361.1	4.5%	**76.2**	71.4	9%	**20.7%**	19.8%
UK	**376.5**	390.3	(3.5)%	**49.3**	75.2	(34)%	**13.1%**	19.3%
Other	**4.5**	3.3		**(2.8)**	(1.2)			
Total	**2,237.8**	2,178.7	4.6%	**458.3**	413.6	12%	**20.5%**	19.0%

1. Centres open on or before 31 December 2016

Americas

Revenue from open centres increased 12.8% at constant currency to breach the billion-mark with £1,030.1m. Total revenue (including closed centres) in the Americas increased 9.8% at constant currency to £1,048.5m (up 6.5% at actual rates). Mature revenue in the region increased 6.6% at constant currency to £961.7m (up 3.4% at actual rates), with good sequential improvements during the year, resulting in a strong finish to the year.

Average mature occupancy for the region was 75.7% (2017: 74.3%) and there was a good recovery in the gross margin which increased significantly from 17.4% to 21.6%.

The US, our largest market, continued to build on the first half performance, with further sequential quarterly improvements to finish the year strongly with double-digit constant currency revenue growth to generate £883.7m of total revenue and a record level of profitability. This overall performance in the US was underpinned by an improving high single-digit mature revenue growth. Our Canadian business started the year where it finished 2017 with strong double-digit growth in its mature revenue, ending the year with approximately 17% year-on-year mature revenue growth in Q4. For the total business, growth exceeded 20% in Q4 and profitability more than doubled. Our business in Latin America continued to face challenges, particularly in the larger markets of Brazil and Mexico. In Brazil, our largest market, we restructured our business by repositioning our estate and re-energised our in-country colleagues. We are now starting to see early tangible signs of these actions in our Brazilian performance.

We added 59 new locations during the year, taking the total to 1,284 at 31 December 2018. This includes 37 Spaces. Almost a quarter of these new locations were through partnering deals of various types. The focus of growth continued to be the US with the opening of 34 new locations, which increased the total to 1,014.

EMEA

Our EMEA business has had a strong year overall. Revenue from all open centres increased 20.7% at constant currency to £617.9m. Total revenue increased 17.1% at constant currency to £630.8m (up 16.7% at actual rates). Mature revenue in the region increased 7.2% at constant currency to £527.1m (up 6.8% at actual rates) for the year. These growth rates reflect a very strong second half performance with growth accelerating in Q4. With the improvement in revenue performance, the mature gross margin increased from 21.5% to 24.3%. Mature occupancy increased from 76.8% to 77.0%.

Reflective of such a diverse region, individual country performances varied but, overall, the better performance was driven by continental Europe. France had a very strong second half as it benefited from, and grew into, the new inventory added in prior periods. Italy and Germany both had better second half performances, and Switzerland improved its performance as we moved through the year. Russia is now responding to the actions taken and this helped its second half performance. There were, however, some more challenging markets amongst some of the Nordic countries and in parts of the Middle East and Africa.

We added 148 new locations in EMEA, including 28 Spaces. A total of 29% of these locations were achieved via various partnering deals. At 31 December 2018, we had 1,013 locations across EMEA.

Asia Pacific

Overall, our Asia Pacific region reported a solid performance. Revenue from all the open centres increased 13.3% at constant currency to £404.6m. Total revenue in the region increased 10.3% at constant currency to £412.2m (up 7.6% at actual rates) and revenue performance was stronger in the second half of the year. In the Mature business, revenue increased 4.5% at constant currency (up 1.9% at actual rates), with a good Q4 performance to finish the year.

There were good performances from several of the larger countries across the region. Japan had a very strong year with double-digit growth across the year in mature revenues. Hong Kong came back strongly in 2018 and also delivered double-digit growth. The Philippines too reported good revenue growth, especially in the first half. China, after a better start, saw growth slow in the second half and the same occurred in Australia, while India and Singapore both remained challenged.

Mature occupancy increased from 71.3% to 72.8% and the gross margin improved from 19.8% to 20.7%.

We added 65 new centres into Asia Pacific, over 46% of these through partnering. There were 23 Spaces among the new locations, as we roll out this format globally. As at 31 December 2018, we had 683 centres in the region.

UK

Our UK business has faced challenges which has affected its financial performance. We are focused on reversing this situation. We are taking actions to stimulate long-term profitable growth through a programme of significant repositioning and investment, both in terms of estate and personnel. We remain optimistic about the UK market, a view reinforced by the performance of the centres that we have added during 2017 and 2018. We are now seeing initial evidence that these actions are now manifesting themselves in improved performance.

Revenue from all the open centres increased 3.5% to £407.8m. Total revenue (including closed centres) was marginally lower at £421.2m (2017: £429.4m). Revenue from the Mature business in the UK declined 3.5% to £376.5m. This reflects an improvement in the second half.

In addition to adding new inventory into the UK market, refurbishing those where we want to retain a presence and selective closures in order to move back to the desired performance levels, we have taken the opportunity to invest in our people and their training. In the near term this investment has increased our cost base in the UK ahead of the initial revenue recovery. The resultant increased reduction in gross profit has reduced the mature margin from 19.3% to 13.1%. These were, however, the right actions to have taken. Mature occupancy reduced from 71.6% to 68.8%.

We added 26 new locations in the UK, including 15 new Spaces locations. Over 40% of the new locations were via partnering agreements. In addition to adding high quality new centres into our UK business, we have been actively repositioning the existing estate by increased selective investment and, where appropriate, closing locations. We had 295 locations in the UK at 31 December 2018.

"We delivered record organic growth in 2018 and invested in the building blocks for 2019, and through our actions we continue to deliver an ever more streamlined and scalable business model."

Outlook

We have done much to position our business to meet the growing needs of our customers in the rapidly developing market of co-working and flexible working, and to be well positioned to benefit from clear structural growth drivers. We delivered record organic growth in 2018 and invested in the building blocks for 2019, and through our actions we continue to deliver an ever more streamlined and scalable business model. We will continue to invest in our business model and, in a disciplined manner, further invest in our network scale and our multi-brand strategy in the years ahead. Our investment in developing our partnering capabilities will be a key enabler of the way that we want to deliver this growth. As well as having a strong pipeline of Regus-owned locations for 2019, we are seeing increasing momentum in our partnering approach with counterparties wanting to operate our brands across a wide geographic spectrum.

We remain focused on profitable growth, delivering attractive returns and monetising our leading global network. To achieve this, we will have a strong focus on margin improvement and a continuation of our drive for greater efficiency, from good cost discipline and the scale benefits deriving from our global platform.

With the continued investment in the building blocks of our business and with the momentum generated through the year, we have had a strong start to 2019. The positive trends in global sales activity have strengthened the order book. The new locations we added during 2017 and 2018, across our range of formats, are developing strongly. In markets where we have faced challenges, we have taken decisive action to bring our performance back on track with selective closures, refurbishing locations we wish to retain, adding exciting new locations to the network and investing in the customer service skills of our people. We are starting to see the benefits of these initiatives. There are, however, global macro-economic and geo-political uncertainties in various parts of the world, which makes it sensible to develop the business with some caution. We continue to invest in and develop our partnering activities which will allow us to deliver more growth with less capital intensity on our balance sheet.

We remain very confident in our industry, its structural growth drivers and the strength of our position in the industry with a growing, profitable and cash generative proven business model. The Board remains confident in our prospects for the year ahead and the trading outlook for 2019 remains in line with management's expectations.

MARK DIXON

27 June 2019

A strategy for sustainable growth

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.

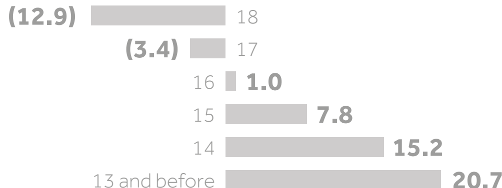
Delivering attractive, sustainable returns

Long-term revenue growth achieved through the addition of new locations, the development of incremental income streams and the active management of the existing network to drive efficiency has once again driven strong returns on investment in 2018, well ahead of the Group's cost of capital.

2018 post-tax cash return on net investment by year of opening (%)

Overall 2018 return on net growth investment made up to 31 December 2013 of 20.7%.

20.7%



Future ambitions and risks

Delivering sustainable returns above the Group's cost of capital is central to creating future shareholder value. We are committed to achieving this by optimising revenue development and controlling costs throughout our global network.

Delivering profitable growth

From our scale we derive many benefits that form the basis of our attractive business. It is therefore important that incremental expansion of our business generates profitable growth that can be reinvested into the business and provide attractive returns to shareholders.

EBITDA development (£m)

Group EBITDA margin of 15.4% for year to 31 December 2018.

£388.1m

Future ambitions and risks

Maintaining our disciplined approach to capital investment and our strong focus on operational efficiency we believe provides a strong platform to deliver future profitable growth.

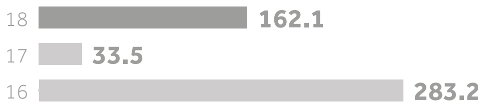
Cash generation

The ability to convert profit into cash remains an attractive feature of our business model. These cash flows delivered by our operations support the investment in the ongoing development of our business and returns to shareholders.

Cash flow before net growth capital expenditure, dividends and share buybacks

During 2018, we generated £162.1m of cash before growth capital expenditure, dividends and share buybacks.

£162.1m



Future ambitions and risks

With our business generating revenue growth over the long term and our strong focus on operational efficiency, our business model is well positioned to continue to convert profit into cash.

Cost leadership

Cost leadership, through operational excellence and the significant economies of scale and operational leverage that our global operating platform delivers, provides a significant competitive advantage.

During 2018 we made additional overhead investment to build upon anticipated future growth of the business and the way it is to be delivered.

Total overheads as percentage of revenue (%)

Overheads as a % of revenue well controlled.

9.7%

Future ambitions and risks

Further planned investment in overheads in 2019 is anticipated to be partly mitigated by improved efficiencies elsewhere in the business as we continue to benefit from our scale and well-invested operational platform.

Developing global & national multi-brand 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 able to expand our potential customer base whilst retaining more of our existing customers.

Location growth

We continue to be mindful of growing only in locations where the potential investment opportunity meets our stringent returns criteria.

Number of locations

3,275

Future ambitions and risks

We are also focused on capital efficient ways of expanding the network, including partnering with property owners and working with franchisees.

Encouraging improvement in performance through the year

"A key characteristic of our business model is its cash generation capability through strong profit conversion. Cash generated before net investment in growth capital expenditure increased by £128.6m to £162.1m from £33.5m, up over 400%."

Eric Hageman

2018 can be characterised as a year of consistent improvement after a more difficult start to the year. This sequential improvement in our performance not only delivered the stronger second half result we had anticipated but provides a solid basis for 2019. This is an encouraging position to be in, with prevailing macro-economic and geo-political uncertainties in various parts of the world.

Revenue

Reported Group revenue increased 9.5% at constant currency to £2,517.6m (2017: £2,341.7m). Reflecting the uplift in sales activity experienced since October 2017, revenue growth improved consecutively in each quarter. All four regions contributed to this development. There were good double-digit improvements in EMEA and Asia Pacific, and near double-digit growth from the Americas. The UK, although marginally down year-on-year, moved into a positive position in the fourth quarter, a quarter which also witnessed stronger growth in the other three regions.

This performance trend was also reflected in open centre revenue growth which is not impacted by the effect of closures in the same way as Group revenue. For 2018, constant currency open centre revenue growth was 13.1% with all regions contributing positively. Again, the trend in growth improved throughout the year. Key drivers to this performance have been the conversion of the improved sales activity into better occupancy in the Mature business and strong development of the newer locations. The latter is a reflection of our capital discipline and strong investment processes.

The improved sales activity and the maturation of the 2016-year group additions delivered the anticipated improvement in mature revenue. Growth in mature revenues for the year, at constant currency, was 4.6%. This represents a significant improvement in the second half of 2018 and was delivered by improvements in all regions, most significantly from EMEA and the Americas. Mature occupancy moved up 50bp to 74.2% (2017: 73.7%), with the expected decline in occupancy in the UK more than offset by improvements in the other regions, most notably the Americas and EMEA.

Gross profit

Group gross profit was £400.4m (2017: £395.4m), up 2% at constant currency, reflecting a stronger second half performance. There were strong increases in the Americas and EMEA which more than compensated for the declines in the UK and Asia Pacific. This continuing improvement reflects an increase in the gross profit from the Mature business of £44.7m, a higher level of initial losses from the new centre additions of £14.4m and an adverse variance of £25.3m on closed locations. The 150bp improvement in the mature margin to 20.5% reflects the encouraging development seen through 2018 and provides a good basis for 2019. At the Group level, the improvement in the mature margin has been negated by the dilutive impact from closures and new openings, with the associated investment in pre-recruiting and training additional centre team members. This has resulted in a reduction in the Group gross margin from 16.9% to 15.9%.

EBITDA

Group EBITDA decreased marginally from £388.6m to £388.1m. With the continued investment in the building blocks of our business, the increase in our depreciation and amortisation of £21.7m was consistent with the £22.2m reduction in operating profit before taking into account a debt movement in 2017. This higher level of depreciation reflects the significant investment made in recent years to grow the business globally. Consequently, a better indication of the performance of our business is provided by our pre-18 estate EBITDA. We generated £444.8m of EBITDA from our pre-18 estate, an increase of 14.1% on the £390.0m generated in 2017.

Financial performance

Group income statement

£m	2018	2017	% Change (constant currency)	% Change (actual currency)
Revenue	**2,517.6**	2,341.7	9.5%	7.5%
Gross profit (centre contribution)	**400.4**	395.4	2%	1%
Overheads	**(244.0)**	(217.4)	15%	12%
Joint ventures	**(1.4)**	(0.8)		
Operating profit	**155.0**	177.2	(15)%	(13)%
Net finance costs	**(4.6)**	(10.0)		
Profit before tax	**150.4**	167.2		(10)%
Taxation	**(32.1)**	(35.6)		
Effective tax rate	**21.3%**	21.3%		
Profit after tax	**118.3**	131.6		(10)%
Basic EPS (p)	**3,943.3**	27.7		
Depreciation & amortisation	**233.1**	211.4		
EBITDA	**388.1**	388.6	0%	0%

Gross margin

£m	Mature centres	New centres	Closed centres	**Total 2018**
Revenue	2,237.8	227.5	52.3	**2,517.6**
Cost of sales	(1,779.5)	(267.1)	(70.6)	**(2,117.2)**
Gross profit (centre contribution)	458.3	(39.6)	(18.3)	**400.4**
Gross margin	20.5%	(17.4)%	(35.0)%	**15.9%**

£m	Mature centres	New centres	Closed centres	Total 2017
Revenue	2,178.7	40.6	122.4	2,341.7
Cost of sales	(1,765.1)	(65.8)	(115.4)	(1,946.3)
Gross profit (centre contribution)	413.6	(25.2)	7.0	395.4
Gross margin	19.0%	(62.1)%	5.7%	16.9%

Overhead investment

Measured as a percentage of revenue, overheads increased to 9.7% in 2018. Further simplification and centralisation of more activities is expected to unlock scale benefits which should reflect positively on this ratio over the coming years.

Overheads increased 15% for the year, at constant currency, to £244.0m (2017: £217.4m). This investment is important to build a strong foundation for the anticipated future growth of the business and the way it will be delivered. Accordingly, additional headcount investment has gone into building our partnering and enterprise account teams, as well as investment into the various activities to support the network development, including incremental marketing.

Further planned investment in these areas in the current year is anticipated to be mitigated by improved efficiencies elsewhere in the business as we continue to benefit from our scale and well-invested operational platform.

Operating profit

Group operating profit decreased £22.2m to £155.0m from £177.2m. This reflects the combination of a lower gross profit margin and the absolute increase in overheads as noted above.

It was negatively impacted by closure related provisions of £16.0m, as we continued to actively manage our estate, as well as costs incurred as part of the interest expressed by several organisations in potential offers for the Group in 2018. This impact was offset by the release of inactive customer deposits of £17.6m identified as part of our ongoing active management of working capital.

On a regional basis, there were very strong operating profit improvements in both the Americas and EMEA. Conversely, both Asia Pacific and the UK reported reduced operating profits.

Net finance costs

The Group's net finance costs decreased to £4.6m (2017: £10.0m).

Tax

The effective tax rate for 2018 of 21.3% remained consistent with the rate in 2017. Looking forward at the factors that can influence the effective tax rate would suggest a similar rate based on pre IFRS 16 GAAP. However, under IFRS 16 the Group's effective tax rate may potentially be higher as the profit before tax is reduced, reflecting the additional finance costs associated with the lease liability. The extent of this will depend on how local tax rules treat the IFRS 16 deductions where implemented as well as the deferred tax impact in respect of countries not adopting the new standard.

Earnings per share

Group earnings per share for 2018 were 3,943.3p (2017: 27.7p). This higher level of earnings per share primarily reflects the lower level of profitability offset by the reduction in the number of shares in issue.

The weighted average number of basic and dilutive shares for the year was 3,000,000 (2017: 474,525,592). As at 31 December 2018, the total number of shares in issue was 3,000,000.

Cash flow and funding

A key characteristic of our business model is its cash generation capability through strong profit conversion. Cash generated before net investment in growth capital expenditure increased by £128.6m to £162.1m from £33.5m. Cash flow per share increased to 5,400p from 7.1p. This increase arises from the positive impact from the strong working capital inflow and the reduction in the number of shares issued, which is partly offset by the anticipated increase in investment in maintenance capital expenditure and a higher cash outflow in respect of taxation. The strength of the Group's EBITDA performance, particularly the pre-18 estate, in a year when operating profit declined, provides a good indication of the scale of cash generated in the year.

Capital investment

Whilst our strategic focus remains on continuing to target less capital-intensive growth, our net growth capital investment of £331.3m in 2018 is higher than our previous guidance on pipeline visibility of c.£230m and c.275 locations offering approximately 6.7m sq. ft. of flexible space. There are several contributing factors to this outcome. Firstly, we opened 298 locations, with a strong end to the year with 94 locations opened in the fourth quarter. This momentum at the year-end also resulted in a stronger pipeline of openings scheduled for 2019 on which a higher level of capital expenditure was incurred in 2018 than had been assumed in the pipeline guidance. As these locations were in development and not opened, there is also a timing difference in relation to the receipt of partner contributions.

As planned, with our refurbishment programme stepped up during 2018, our investment in maintenance capital expenditure increased by £16.4m to £112.0m (2017: £95.6m). After partner contributions received in the year, net maintenance capital expenditure was £88.5m, a £15.0m increase on the net investment in 2017 of £73.5m. On a gross and a net basis, the investment in 2018 represented 4.4% and 3.5% of Group revenues, which is in line with management's expectations.

Net debt

Consequently, net debt increased from £296.6m at 31 December 2017 to £464.8m at 31 December 2018. Whilst our debt is higher, this still represents a Group net debt to EBITDA leverage ratio of 1.2 times. Although 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. As at 31 December 2018, we had approximately £40.0m of freehold property investment on the balance sheet.

Increased funding support

We continue to enjoy strong support from our banking partners and in January 2019 we further increased our Revolving Credit Facility from £750m to £950m. This facility provides adequate headroom to continue to execute our growth strategy. We simultaneously improved the debt maturity profile of this facility by extending it to 2024 (previously 2023). There are further options to extend until 2026. The financial covenants on the increased facility are unchanged and will not be affected by the implementation of IFRS 16. The facility is still predominantly denominated in sterling but can be drawn in several major currencies.

Cash flow

The table below reflects the Group's cash flow:

£m	2018	2017
Group EBITDA	**388.1**	388.6
Working capital	**54.8**	(152.3)
Less: growth-related partner contributions	**(144.8)**	(80.6)
Maintenance capital expenditure	**(112.0)**	(95.6)
Taxation	**(36.7)**	(22.4)
Finance costs	**(5.4)**	(8.1)
Other items	**18.1**	3.9
Cash flow before growth capital expenditure, share repurchases and dividends	**162.1**	33.5
Gross growth capital expenditure	**(476.1)**	(257.4)
Less: growth-related partner contributions	**144.8**	80.6
Net growth capital expenditure[1]	**(331.3)**	(176.8)
Total net cash flow from operations	**(169.2)**	(143.3)
Corporate financing activities	**0.6**	(9.3)
Opening net debt	**(296.6)**	(151.3)
Exchange movement	**0.4**	7.3
Closing net debt	**(464.8)**	(296.6)

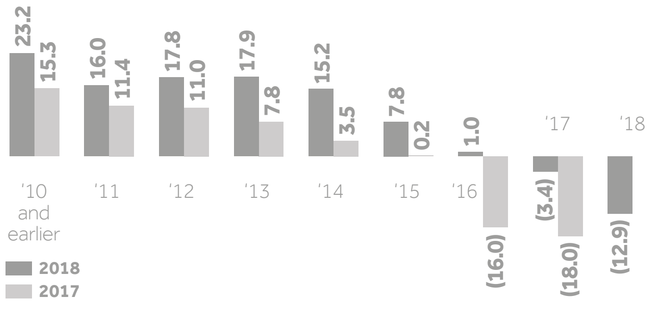
1. Net growth capital expenditure of £331.3m relates to the cash outflow in 2018. Accordingly, it includes capital expenditure related to locations opened before 2018 and to be opened in 2019 of £91.6m

Return on investment

Our strong focus on capital discipline is a fundamental part of our strategy, which is focused on generating attractive returns from our investments. For the 12 months ended 31 December 2018, the Group delivered a strong post-tax cash return on net growth investment of 20.7% in respect of locations opened on or before 31 December 2013 (20.2% on the same estate for the 12 months ended 31 December 2017). This estate encompasses a broad range of centre vintages, including the very first centre opened 30 years ago, and some acquired locations going back even further, which are continuing to contribute strongly to this post-tax cash return. Moving the aggregated estate forward and incorporating the centres opened during 2014, the Group delivered a post-tax cash return on net growth investment of 20.0% (the equivalent return for the 12 months ended 31 December 2017 on the same estate was 19.2%). These post-tax cash returns are calculated after deducting all the maintenance capital expenditure invested during 2018. This investment extends the cash returns we achieve on our centres, including the longer established ones.

The table below shows the status of our centre openings by year of opening as they continue to progress towards full maturity.

2018 Post-tax cash return on net investment by year group
12 months to 31 December 2018 (%)



Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2018, key individual currency exchange rates have moved, as shown in the table below. Overall, the impact of the movements in key exchange rates was mixed. Reported revenue and gross profit were lower by £45.9m and £3.2m respectively. Operating profit increased by £2.6m as the reported increase in overheads was lower in actual currency terms.

Foreign exchange rates

	At 31 December			Annual average		
Per £ sterling	**2018**	2017	%	**2018**	2017	%
US dollar	**1.28**	1.35	(5)%	**1.33**	1.30	2%
Euro	**1.12**	1.13	(1)%	**1.13**	1.14	(1)%
Japanese yen	**141**	152	(7)%	**147**	145	1%

Risk management

The principal risks and uncertainties affecting the Group remain broadly unchanged. A detailed assessment of the principal risks and uncertainties, and the risk management structure in place, can be found on pages 26 to 33.

Related parties

There have been no changes to the type of related party transactions entered by the Group that had a material effect on the financial statements for the period ended 31 December 2018. Details of related party transactions that have taken place in the period can be found in note 29.

"We continue to enjoy strong support from our banking partners and in January 2019 we further increased our Revolving Credit Facility from £750m to £950m."

Dividends

There were no dividends paid during the year (2017: £nil). The directors do not propose to declare a final dividend (2017: £nil) for 2018.

IFRS 16 Leases

IFRS 16 Leases replaces existing lease guidance, including IAS 17 Leases, from 1 January 2019. It introduces a single, on-balance sheet lease accounting model for lessees while the lessor accounting remains similar to the current treatment. The Group has completed its initial assessment of the potential impact of IFRS 16 on its consolidated financial statements and expects to adopt a right-of-use asset of approximately £5.6bn and a related lease liability of approximately £6.2bn as of 1 January 2019.

The recognition of these balances will not impact the overall cash flows of the Group or cash generation per share. The overall impact on the income statement of adopting IFRS 16 will be neutral over the life of a lease but will result in a higher charge in the earlier years following implementation and a lower charge in later years. IFRS 16 will have no impact on the Group's strategy, commercial lease negotiations, growth or banking arrangements.

Regus plans to manage the business and have internal and supplemental external reporting on the pre IFRS 16 basis.

The majority of Regus' leases fall within the scope of IFRS 16; this does not impact the flexibility of our leases. A total of 97% of Regus' leases remain 'flexible', meaning that they are either terminable at our option within six months and/or located in or assignable to a stand-alone legal entity, which is not fully cross-guaranteed.

ERIC HAGEMAN

27 June 2019

Strong focus on risk management

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, as set out in more detail in the Corporate and Social Responsibility section on pages 36 to 39.

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, it has delegated responsibility for assurance to the Audit Committee. 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 for all countries and Group functions;
- individual reviews of every new location investment and all acquisitions;
- annual budgeting and planning process for all markets and Group functions;
- review of the status of our principal risks at each Audit Committee meeting; and
- annual review of all risks in our risk register.

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

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

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

General management
- Responsible for compliance and ensuring that staff are adequately trained

Business assurance function
- Assists management and the Board in conducting risk studies
- Advises and guides on policies and internal controls framework
- Drives implementation of recommendations in the business
- Tests compliance with internal controls

Principal risks

Risk	Mitigation	Changes since 2017

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. 97% 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.
2. Approximately one quarter of all our leases are variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs.
3. The sheer number of leases and geographic diversity of our business reduce the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market often vary 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 2018, the number of 'flexible' leases as a percentage of the total increased to 97% from 96% on an enlarged estate.

Approximately 33% of the leases we entered into during 2018 were variable in nature.

At the end of 2018, we were operating 3,275 locations in approximately 1,100 towns and cities across over 110 countries.

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. Approximately one quarter of all our leases are variable in nature 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 2018, the number of 'flexible' leases as a percentage of the total increased to 97%.

We also increased the scale of our network by 6% and added 53 new towns and cities and two countries.

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.

Link to strategy

1. Delivering attractive, sustainable returns
2. Developing profitable growth
3. Cash generation
4. Cost leadership
5. Developing global & national multi-brand networks

Status	Likelihood	Impact
Increased	High	High
Same	Medium	Medium
Decreased	Low	Low

Principal risks

Risk	Mitigation	Changes since 2017
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 2018, Regus continued to invest in research and development – both to unlock efficiencies and improve the overall proposition to customers. In 2018, we launched customer apps for our HQ, BizDojo and No18 brands in addition to Regus and Spaces. We have added many usability and self-service features, including community and enhanced payment features. The user base has grown by 77% and we now service more than 700,000 customers on the platform. We continue to adopt a "Digital Business Centre Strategy" across all stakeholders and are leveraging "Internet of Things" (IoT) technologies to provide our customers with more convenience, comfort and personalisation in addition to creating better visibility and control of our utilisation of inventory in operations.
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, 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 product 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 53 new towns and cities and two countries. We accelerated the roll-out of our Spaces co-working format with the opening of 103 new locations and the development of a strong pipeline for 2019. We continued to expand our multi-brand offering during 2018 to cater to different customer segments with varied needs and price points. We increased our investment in refurbishing existing network locations during 2018.
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. Uncertainty over the UK's eventual relationship with the EU creates a more uncertain outlook for the UK economy. Accordingly, 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. Only 9% of the new locations added during 2018 were in the UK. During 2018, the opportunity was taken to consolidate some locations in the UK. In addition, several locations were refurbished, and 26 new locations added, more than half in our Spaces format. Overall, our network in the UK increased from 282 to 295 locations. Based on the current position, over 34% of our leases with landlords in the UK are variable in nature.

Principal risks

Risk	Mitigation	Changes since 2017

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.

Financial

Funding

The Group relies on external funding to support a net debt position of £464.8m at the end of 2018. 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 measurement of these covenant ratios is unaffected by the forthcoming implementation of IFRS 16.

The Group also stress tests 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 increased our committed Revolving Credit Facility in January 2019 from £750m to £950m and improved the debt maturity profile by extending it to 2024 (previously 2023). There is an option to extend by a further two years.

Regus had a net debt: EBITDA ratio at 31 December 2018 of 1.2 times. There is significant headroom on the covenant ratios.

Exchange rates

The principal exposures of the Group are to the US dollar and the euro, with approximately 36% of the Group's revenue being attributable to the US dollar and 16% to the euro.

Any depreciation or appreciation of sterling would have an adverse or beneficial impact on 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 2018 the movement in exchange rates reduced reported revenue and gross profit by £45.9m and £3.2m respectively. Operating profit increased by £2.6m.

Principal risks

Risk	Mitigation	Changes since 2017

Financial

Interest rates

Risk	Mitigation	Changes since 2017
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 2018 the level of interest rate protection was 25% of the Group's net debt being fixed for periods up to 2021.

IFRS 16

Risk	Mitigation	Changes since 2017
Impact on internal financial performance review vs IFRS 16 external compliance reporting. Impact of IFRS 16 external compliance reporting on perception of Regus' financial performance.	We will continue to provide IAS 17 (current reporting) as well as IFRS 16 reported numbers. A process has been established to allow for current internal reporting to continue unaffected by IFRS 16 external reporting requirements. Reconciliation between IFRS 16 reported numbers and internal reporting will be undertaken on a quarterly basis. We will prepare quarterly reconciliation between IFRS 16 reported numbers and pre-IFRS 16 compliant reported numbers, reflecting no impact on cash flows.	The Group plans to supplement the requirement to report externally under IFRS 16 from 1 January 2019 with pre-IFRS 16 compliant numbers to provide a consistency of reporting for stakeholders. The Group intends to engage with stakeholders to explain the implication of IFRS 16.

Operational

Cyber security

Risk	Mitigation	Changes since 2017
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 Information Security Committee and 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 with 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. Information security gap assessment against ISO 27000 was conducted by an external party and a risk-based roadmap was created.

Principal risks

Risk	Mitigation	Changes since 2017

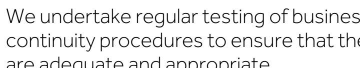
Operational

Business continuity

The Group's systems and applications are housed in data centres. Should the data centres or other key locations, such as our sales call 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 for our key systems and sites.
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 core infrastructure to cloud-based and SaaS services.



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 three main sales call centres.

Currently implementing a cloud-based BCP solution for our key systems and applications.

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 has been implemented with a view to enhance controls to address the risk of fraud.

We've also established a dedicated cost function to review spend across all categories and detect any anomalies or exceptions.

Data protection and privacy

Regus is required to comply with legislation in the jurisdictions in which it operates, including the new General Data Protection Regulation (GDPR) that came into force in May 2018 and is aimed at harmonising existing EU privacy laws. Non-compliance and breaches could result in significant financial penalties 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 any resultant actions have been implemented to ensure full compliance with the requirements of GDPR and e-Privacy regulations.

Mandatory data protection training rolled out to all employees to raise awareness. All suppliers that are in receipt of any data from Regus are asked to confirm compliance with data protection legislation.

Principal risks

Risk	Mitigation	Changes since 2017

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. A quarterly review process is in place to monitor new centre performance 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.

Human resources

Ability to recruit at the right level

Our ability to increase our management capacity and capabilities through the hiring of experienced professionals not only supports our ability to execute our growth strategy, but also enables us to improve succession planning throughout the Group.

Mitigating actions include:

1. Succession planning discussions are an integral part of our business planning and review process.
2. Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year.
3. Our global performance management system that allows us to keep close to our employees and maintain a two-way dialogue throughout the year using a monthly feedback process.
4. Regular external and internal evaluation of the performance of the Board.

Our capability to hire the best talent continued to increase in 2018. A full talent plan is in place with key hires planned to provide complete succession planning and top talent bandwidth.

We recruit our team with diverse backgrounds in mind, and the Regus employee base is over 65% female. Our top leadership team is split 36% female and 64% male, placing us at number 66 in relation to diversity in Hampton Alexander's annual review of the UK FTSE 250's best companies to work for. In addition, 28% of our main Board is female, which is above target for UK listed companies.

Principal risks

Risk	Mitigation	Changes since 2017

Human resources

Training and employee engagement

Risk	Mitigation	Changes since 2017
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. All new employees are surveyed in the first three months to ensure they have been trained and are receiving effective support.	Our investment in our new learning platform has allowed our employees to learn through e-learning, videos, case studies and coaching on the ground rather than by using prescriptive and traditional training channels. Since January 2018, over 6,000 videos, articles, best practice Q&A, white papers and e-learning interactions have been completed, with an average of 968 team members using the learning platform every day. Our top 320 executives attended our global leadership conference in January 2019, where we launched our new Leadership Development Programme. We have partnered with a global leadership specialist to develop our existing talent and leaders of the future. We also launched our Sales & Customer Service Training Academy in September 2018. This suite of training is pivotal to ensuring that our team remains focused on our existing and new customers alike.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, and considering the Group's current position and prospects as outlined in the Strategic Report and its principal risks for a period longer than 12 months as required by the going concern statement, the Board has a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due, for the next three years.

The Board's consideration of the long-term viability of the Group is an extension of our business planning process which includes financial forecasting, a robust enterprise-wide risk management programme, regular business performance reviews and scenario planning.

For the purposes of assessing the Group's viability, the Board identified that, of the principal risks detailed on pages 26 to 33, the following are the most important to the assessment of the viability of the Group:

- Impact of an economic downturn or geo-political events in our major markets
- A significant business event leading to serious reputational and brand damage
- Growing competition
- Access to funding arrangements

The potential impact of each scenario was modelled on the Group's EBITDA, profit after tax, net debt and debt covenants over the three-year forecast period. The Board subsequently considered the viability of the Group both in the context of the individual risks listed above and a combination of two or more risks. The stress testing showed that the Group would be able to withstand any of the severe but plausible scenarios by taking management action in the normal course of business.

Redefining our talent

Our talent strategy for 2018 was to ensure we have great people everywhere helping customers be successful in our growing network of global workspaces. This approach continues to be pivotal to Regus' profitable growth and continued success, placing key factors like recruitment, talent, diversity, retention and succession planning at the heart of our long-term plans.

We strive to have the most passionate and committed people in place at every level of the organisation, to deliver the flexibility, service and support our customers need. That is why we focus so heavily on ensuring that everybody in our operations across the world can have a great day at work and an exciting career.

In 2018, we have continued to strengthen our leadership team around the world, particularly in the areas of network development, sales and customer service.

The role of the Network Development Director is to expand the network with a breadth and variety of workspaces in every city with great property investment partners. In particular, we have strengthened our Franchise team in key locations around the world.

We recruit talent externally when required, using our internal Executive Recruitment Team, which handles the majority of our senior talent needs across the world.

We also invested in a new state-of-the-art recruitment technology system in 2018. This allows many more people to apply to Regus quickly and easily around the world, using video technology alongside more traditional recruitment methods.

Diversity of talent

Future developments in the business, with multiple brands, technology and supplier partnerships, will drive the need for our leaders to have a growing breadth and range of skills, experience and market knowledge. We recruit our team with diverse backgrounds in mind, and the Regus employee base is over 65% female. Our top leadership team is split 36% female and 64% male, placing us at number 66 in relation to diversity in Hampton Alexander's annual review of the UK FTSE 250's best companies to work for. In addition, 28% of our main Board is female.

"I joined Regus as their strategic vision and ambition to accelerate their growth are incredibly exciting. I look forward to being part of the team that cements Regus' position as the world's number one provider of flexible workspace."

MATT KENLEY
FRANCHISE DEVELOPMENT DIRECTOR

"Flexible workspace represents an immense market growth opportunity and one that Regus, as global leader, is by far the best-placed player to exploit. The business culture is entrepreneurial and that manifests itself in a fast-moving, ambitious and exciting place to work."

PETER MOGG
NETWORK DEVELOPMENT DIRECTOR

Succession and international opportunities

Providing international opportunities for team members helps us to create a dynamic workforce. This year, experienced employees travelled to locations including New Zealand and China to work on important projects such as integrating new acquisitions and coaching new team members in high-growth markets.

This secondment activity also helps us get to know our talent better, underpinning succession planning across the business. Where possible, we promote from within and celebrate important moves throughout the business.

Training and development

Our investment during 2017 in our new learning platform is now allowing employees to learn through e-learning, videos, case studies and coaching on the ground rather than by using prescriptive and traditional training channels. Since January 2018, over 6,000 videos, best practice questions and answers, articles, white papers and e-learning interactions have been read and completed, with an average of 968 team members using the learning platform every day. This is part of our learning strategy to use multiple training and development channels for a geographically dispersed workforce.

All new team members have a new-starter training programme specific to their local market, supported by a peer level coach. Following this, team members are accredited by their line manager and coach to start their career with Regus after taking an online exam. This way we can ensure that the best people are looking after our customers.

Our top 320 executives attended our global leadership conference in January 2019 where we launched our new Leadership Development Programme. We have partnered with an external global leadership specialist, to work with us globally on developing our existing talent and leaders of the future. This is a significant investment, but having a globally aligned, world-class leadership team is fundamental to our success.

We launched our Sales & Customer Service Training Academy in September 2018. This suite of training, along with additional sales training at the global conference, will be pivotal to ensuring that our team remains focused on our existing and new customers alike.

Reward

Reward is another key focus area in our efforts to retain the best talent. The competition for talent is unrelenting in our markets, so we work hard to ensure that our overall compensation structure is highly competitive. We also ensure that high-potential people, at every level from graduate recruit to the Executive Committee, are encouraged to stay with us via attractive short and long-term incentives.

Altogether, the Group's investments in its people, and their burning desire to excel on all fronts, have resulted in countless thousands of 'great days at work' throughout 2018. As Mark Dixon has said:

"Our role is all about making a positive difference to those around us, be that our customers, the businesses they run or the communities in which we serve. We should never underestimate the importance of the role we each play, day-to-day in our centres."

And it's by selecting and retaining the right people, helping them become as good as they can be and rewarding them fairly, that Regus ensures the millions of members and users who spent time at our centres in 2018 each experienced a great day at work.

"I had the privilege of being chosen to assist with the training and integration of a strategic acquisition in New Zealand. It was an amazing professional and personal experience that can only come from working for a global company."

KRISTEN BUDA
USA TO NEW ZEALAND

"I have been at Regus for 14 years in various roles and multiple markets. Hard work, dedication and a competitive spirit are valued at Regus. My recent promotion to a Regional Sales Vice President is confirmation that these qualities open up exciting career opportunities."

ALISA KAPIC
RECENTLY PROMOTED TO VP, SALES FOR NORTHERN EUROPE

Strengthening our communities

At Regus we are committed to promoting environmental sustainability and investing in the communities where we live and work. As our network continues to expand, we provide positive change to each location through our greener operations, inherently sustainable products and community involvement. We aim to help improve the communities in our areas, ensuring that they grow in parallel with our own growth.

Community development

As a company, we strive to expand our network into new markets, growing in locations where there is demand for what we provide. We invest in each community by providing local employment opportunities and attracting talent to the area.

Wherever we can, we draw on local supply chain networks, building relationships with local businesses and connecting them with our clients. This generates wealth by helping to improve and grow local economies through attracting new people and organisations.

Our products also attract new businesses as their inherently sustainable nature enables our clients to minimise their carbon emissions, waste and energy usage. These organisations in turn bring further local opportunities to the area.

Environmental impact

Regus continues to show year-on-year improvement in reducing our global carbon footprint and related costs per centre. An analysis of the global costs of gas and electricity per workstation showed a 6.3% reduction in 2017, with a further 19.8% reduction in 2018, resulting in an overall reduction of 24.9% across the two years.

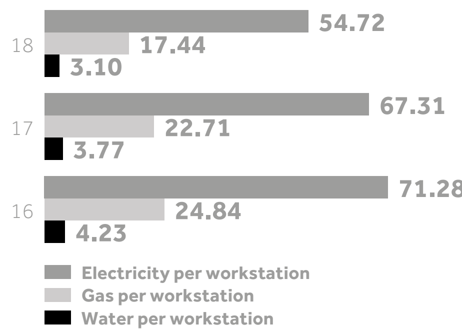
These global figures reflect the continuing improvements we are making in reducing energy consumption across our global estate and engaging our clients in our Greener Working Strategy. A similar analysis of the usage of water per workstation indicates a 26.8% reduction in costs over the same two years.

We have systematically been implementing some of the recommendations identified by our lead assessors, PASCHALi, from the Energy Savings Opportunity Scheme (ESOS) audit carried out in Phase 1 (December 2015). This approach has supported the positive reduction in energy consumption and improvements in maintenance achieved across our UK estate. The result of this work is demonstrated by the purchase of fewer CRC equivalent carbon allowances this year than in previous years. This equates to a CRC cost reduction per centre of some 16.1% when comparing 2015/16 with 2017/18 figures.

In line with our transparent and open policies, Regus once again participated in the Global CDP (formerly the Carbon Disclosure Project) and has consistently held its very good rating of B. This is higher than the sector average of B-, demonstrating that we have a good knowledge of climate change issues and are taking coordinated management action to reduce any negative climate change impacts.

Regus global utility cost per workstation yearly change (£)

Regus global utility cost per workstation yearly change breakdown (£)



CRC UK carbon emission yearly reduction (tonnes)

Generating value from waste

Our centres in Peru encouraged colleagues and clients to collect their plastic caps and donate them to the Ayudanos a Ayudar ("Help us to help") charity.

The organisation then recycles these plastic caps, using the proceeds to purchase wheelchairs for disabled children who would not otherwise be able to afford them.

"Thank you for letting us be part of this initiative, which combines recycling and charities. Keep on encouraging causes like this."

Stephanie Cirilo, CPIM

Responsible recycling

Together with their customers, our team in Russia has been sorting waste into plastic, paper and organic products to ensure that it is properly recycled. Their key aim is to reduce the use of plastic, as it is poorly processed.

To support them in this task, their clients are actively participating in a campaign in which they receive all the food they buy in the cafeteria in paper boxes or ceramic dishes.

Charitable investment

Along with clients, suppliers and other stakeholders, Regus colleagues around the world used their time, talents and skills throughout 2018 to support those most in need within their local communities.

Their charitable initiatives included wide-ranging fundraising campaigns, such as:

- raffles, networking events and fun, in-centre activities;
- collecting gifts in-kind to support local causes and humanitarian appeals;
- participation in challenging sporting events to raise public awareness for a particular cause; and
- donating their skills and time to organisations in need.

As a company, we proudly promoted our colleagues' initiatives, encouraging them to use our facilities for their charitable activities. We also provided further direct donations and concessions on working space to many organisations.

With the enthusiasm and support of our colleagues, clients, suppliers and wider stakeholders, we collectively made a significant positive contribution to causes within our local communities, supporting 274 charities through 335 projects in 47 countries to raise a total of £317,891. Please find further information on our year-on-year progress in the table below:

	2013	2014	2015	2016	2017	**2018**
Countries with community engagement activity	20	38	43	44	46	**47**
Projects	54	132	219	244	260	**335**
Charities supported	78	100	195	239	252	**274**
Donations made	£80,500	£155,329	£209,905	£237,479	£302,066	**£317,891**

The transformative power of space

Since 2015, Regus has partnered with Up With Women, helping the charity achieve its mission of enabling recently homeless and at-risk women to exit poverty and achieve financial self-reliance through coaching and support.

As part of the partnership, Regus provides the space required to run programme sessions. We have supported 350 recently homeless and at-risk women across Canada, providing meeting rooms at no charge for group learning and support sessions, and access to day offices for private sessions between coaches and clients.

Due to housing affordability issues in major cities, many Up With Women clients often spend several hours a day in transit, managing jobs, job searches or child care. With Regus' large network of centres, the organisation's clients can meet with their coaches in private spaces near their own neighbourhoods. This frees up additional travel time so that they can focus more time on rebuilding their careers and lives.

Each Up With Women client receives a year of free one-on-one coaching with a certified professional coach, access to personality and emotional intelligence assessment tools, and subject matter expertise for developing career and entrepreneurship skills. At open market rates, these free services would be collectively worth $15,000.

As a result of the partnership with Regus, $1.5 million in services was delivered to Up With Women clients during 2018 alone. More than $5 million in services has been invested in the community since the start of the partnership.

Regus is committed to enabling Up With Women to meet its goals and grow its support into new locations. One of the biggest challenges for organisations when scaling up is in achieving consistency of service. However, through the partnership with Regus, Up With Women can grow quickly and confidently by utilising established Regus locations.

"From the day we first approached Regus to explore the possibility of a community partnership, we have been thrilled with the accessibility, enthusiasm, depth of commitment and creativity of the team.

The importance of a great workspace is so easily overlooked, but it is palpable to us. Our clients enter a Regus space, and the transformation begins to unfold immediately. From the attentiveness and warmth of the community managers who greet and support them to the functionality and aesthetics of great office design, our clients feel welcome and can get right to work. Regus facilitates productivity, and productivity is the first step to self-belief. There truly is a transformative power of place. We are so grateful that Regus helps ignite that transformation for our clients and this organisation."

Lia Grimanis, CEO, Up With Women

Running for change

For the fifth year running, our team in India, their clients and family members enthusiastically supported the Make-A-Wish Foundation India by taking part in the Mumbai Marathon. This is amongst the top 10 marathons in the world, and is the single largest philanthropic sporting event in India.

Through the team's five-year participation, over £15,000 has been provided, granting the wishes of more than 250 children.

"Our long association with the Make-A-Wish Foundation gives the team and me the knowledge that our efforts are going towards helping terminally ill children fulfil their wishes. In a small way, our contribution is bringing joy into the lives of these little ones. It's what keeps us going each year, and we are really proud of this effort and association."

Harsh Lambah, Country Manager, India

Mumbai Marathon, India

Raising funds for good causes

Charity raffle, UK

Our colleagues in the United Kingdom held a charity raffle in aid of the DM Thomas Foundation for Young People. This raised £7,364 to help the charity's work in transforming the lives of young people. An impressive 840 tickets were sold by one person alone.

Regus centres have partnered with the Foundation in a national raffle since 2009. Since then, more than £92,000 has been raised for the Foundation and nominated charity project partners including DEBRA (the "charity for people whose skin doesn't work"), the Duke of Edinburgh Award Scheme and Evelina Children's Hospital.

Our colleagues in the UK also participated throughout the year in many other charitable initiatives alongside their clients, from hosting coffee mornings to raise funds for the Macmillan Cancer Foundation to holding Hula Hoop competitions in aid of Sport Relief.

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

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for the period. In preparing each of the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that its financial statements comply with the Luxembourg laws and regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are responsible for preparing a Strategic Review and Finance 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 Luxembourg 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 June 2019

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

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 2018, 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, as set out on pages 43 to 77, give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 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 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.
- Conclude on the appropriateness of the 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 COOPÉRATIVE
CABINET DE RÉVISION AGRÉÉ

STEPHAN LEGO-DEIBER
LUXEMBOURG, 27 JUNE 2019

Continuing operations	Notes	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m
Revenue	4	**2,517.6**	2,341.7
Cost of sales		**(2,117.2)**	(1,946.3)
Gross profit (centre contribution)		**400.4**	395.4
Selling, general and administration expenses		**(244.0)**	(217.4)
Share of loss of equity-accounted investees, net of tax	20	**(1.4)**	(0.8)
Operating profit		**155.0**	177.2
Finance expense	7	**(16.0)**	(14.1)
Finance income	7	**11.4**	4.1
Net finance expense		**(4.6)**	(10.0)
Profit before tax for the year		**150.4**	167.2
Income tax expense	8	**(32.1)**	(35.6)
Profit after tax for the year		**118.3**	131.6
Earnings per ordinary share (EPS):			
Basic (p)	9	**3,943.3**	27.7
Diluted (p)	9	**3,943.3**	27.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m
Profit for the year		**118.3**	131.6
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – effective portion of changes in fair value		**0.1**	0.5
Foreign currency translation differences for foreign operations		**9.2**	(34.4)
Items that are or may be reclassified to profit or loss in subsequent periods		**9.3**	(33.9)
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	24	**–**	(0.7)
Items that will never be reclassified to profit or loss in subsequent periods		**–**	(0.7)
Other comprehensive income/(loss) for the period, net of income tax		**9.3**	(34.6)
Total comprehensive income for the year		**127.6**	97.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital[1] £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2017	**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:						
Re-measurement of the defined benefit liability, net of tax (note 24)	–	–	–	–	(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 (loss)/income for the year	–	(34.4)	0.5	–	130.9	97.0
Reduction of share capital (note 21)	(9.2)	–	–	–	–	(9.2)
Balance at 31 December 2017	–	**63.2**	**0.2**	**25.8**	**737.7**	**826.9**
Total comprehensive income for the year:						
Profit for the year	**–**	**–**	**–**	**–**	**118.3**	**118.3**
Other comprehensive income:						
Cash flow hedges – effective portion of changes in fair value	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Foreign currency translation differences for foreign operations	**–**	**9.2**	**–**	**–**	**–**	**9.2**
Other comprehensive income, net of tax	**–**	**9.2**	**0.1**	**–**	**–**	**9.3**
Total comprehensive income for the year	**–**	**9.2**	**0.1**	**–**	**118.3**	**127.6**
Balance at 31 December 2018	**–**	**72.4**	**0.3**	**25.8**	**856.0**	**954.5**

1. The Company has share capital of £30,000

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 relating 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 2018 £m	As at 31 Dec 2017 £m
Non-current assets			
Goodwill	11	**679.2**	664.4
Other intangible assets	12	**42.3**	44.5
Property, plant and equipment	13	**1,647.6**	1,270.9
Deferred tax assets	8	**30.6**	22.8
Non-current derivative financial assets	23	**0.3**	0.2
Other long-term receivables	14	**394.7**	287.9
Investments in joint ventures	20	**12.2**	12.4
Total non-current assets		**2,806.9**	2,303.1
Current assets			
Trade and other receivables	15	**722.8**	572.8
Corporation tax receivable	8	**32.7**	27.6
Cash and cash equivalents	22	**69.0**	54.8
Total current assets		**824.5**	655.2
Total assets		**3,631.4**	2,958.3
Current liabilities			
Trade and other payables (incl. customer deposits)	16	**1,063.7**	903.9
Deferred income		**318.6**	285.3
Corporation tax payable	8	**30.5**	21.6
Bank and other loans	18	**9.9**	8.5
Provisions	19	**9.7**	4.5
Total current liabilities		**1,432.4**	1,223.8
Non-current liabilities			
Other long-term payables	17	**704.2**	553.2
Bank and other loans	18	**523.9**	342.9
Deferred tax liability	8	**–**	1.3
Provisions	19	**9.4**	4.9
Provision for deficit in joint ventures	20	**5.5**	3.8
Retirement benefit obligations	24	**1.5**	1.5
Total non-current liabilities		**1,244.5**	907.6
Total liabilities		**2,676.9**	2,131.4
Total equity			
Issued share capital	21	**–**	–
Foreign currency translation reserve		**72.4**	63.2
Hedging reserve		**0.3**	0.2
Other reserves		**25.8**	25.8
Retained earnings		**856.0**	737.7
Total equity		**954.5**	826.9
Total equity and liabilities		**3,631.4**	2,958.3

Approved by the Directors on 27 June 2019

TIM REGAN
DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m
Operating activities			
Profit before tax for the year		**150.4**	167.2
Adjustments for:			
Net finance expense	7	**4.6**	10.0
Share of loss of equity-accounted investees, net of tax	20	**1.4**	0.8
Depreciation charge	5, 13	**223.5**	200.8
Loss on impairment of goodwill	11	**1.0**	–
Loss on disposal of property, plant and equipment	5	**13.6**	4.3
Loss on disposal of intangible assets	5	**0.1**	1.6
(Reversal of impairment)/impairment of property, plant and equipment	5, 13	**(0.1)**	0.1
Amortisation of intangible assets	5, 12	**9.6**	10.6
Gain on disposal of other investments		**(4.3)**	–
Amortisation of acquired lease fair value adjustments	5	**(2.0)**	(3.6)
Increase in provisions	19	**9.7**	–
Other non-cash movements		**(6.1)**	0.4
Operating cash flows before movements in working capital		**401.4**	392.2
Increase in trade and other receivables		**(234.7)**	(285.3)
Increase in trade and other payables		**289.5**	133.0
Cash generated from operations		**456.2**	239.9
Interest paid		**(16.2)**	(12.2)
Tax paid		**(36.7)**	(22.4)
Net cash inflow from operating activities		**403.3**	205.3
Investing activities			
Purchase of property, plant and equipment	13	**(578.9)**	(344.9)
Purchase of subsidiary undertakings (net of cash acquired)	25	**(2.3)**	(4.5)
Disposal of other investments		**4.4**	–
Purchase of intangible assets	12	**(6.9)**	(3.6)
Purchase of joint ventures	20	**–**	(0.3)
Proceeds on sale of property, plant and equipment		**0.4**	0.5
Interest received	7	**10.8**	4.1
Net cash outflow from investing activities		**(572.5)**	(348.7)
Financing activities			
Net proceeds from issue of loans		**648.3**	651.6
Repayment of loans		**(467.4)**	(498.7)
Reduction of share capital	21	**–**	(9.2)
Ordinary dividend received		**0.6**	–
Net cash inflow from financing activities		**181.5**	143.7
Net increase in cash and cash equivalents		**12.3**	0.3
Cash and cash equivalents at the beginning of the year		**54.8**	50.1
Effect of exchange rate fluctuations on cash held		**1.9**	4.4
Cash and cash equivalents at the end of the year	22	**69.0**	54.8

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2018 were authorised for issue by the Directors on 24 June 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 30, and information on other related party relationships of the Group is provided in note 29.

The Group financial statements have been prepared and approved by the Directors in accordance with 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 79.

2. Accounting policies

Basis of preparation

The Group financial statements consolidate those of the parent company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in 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 2018 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 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

Judgements made by the Directors in the application of these accounting policies that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

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

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements on pages 43 to 77.

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 19 as well as the Group's principal risks and uncertainties as set out on pages 26 to 33.

Further details on the going concern basis of preparation can be found in note 23 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.

Impact of the adoption of IFRS 9

The Group adopted IFRS 9 Financial Instruments from 1 January 2018. 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 replaced 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 cost, 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.

The new classification requirements didn't have a material impact on any of its accounting balances. Furthermore, at 31 December 2018, 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 adoption of IFRS 9 did not result in any change in the classification of financial liabilities at 1 January 2018. Consequently, there were 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 financial instruments, either on a 12-month or lifetime basis. The Group applied the simplified approach to trade receivables and recorded the lifetime expected losses. The Group determined that due to the nature of its receivables, taking into account the customer deposits obtained, the impact of applying IFRS 9 did not significantly impact the provision for bad debts.

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. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 does not impact the Group's financial statements.

2. Accounting policies (continued)

Impact of the adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced 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 value of the service performed under IAS 18 and the timing of revenue recognised are consistent with IFRS 15. Therefore, the application of IFRS 15 did not result in any differences in the timing of the performance and the recognition of the revenue for these services.

IFRSs not yet effective

The following new or amended standards and interpretations that are mandatory for 2019 annual periods (and future years) are not expected to have a material impact on the Group financial statements, unless otherwise stated.

Standard		Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)		1 January 2019
Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)		1 January 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle		1 January 2019
Prepayment features with Negative Compensation (Amendments to IFRS 9)		1 January 2019
Amendments to References to Conceptual Framework in IFRS Standards		1 January 2020
IFRS 17 Insurance Contracts		1 January 2021

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:

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 its initial assessment of the potential impact on its consolidated financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application depends on future economic conditions, including the Group's borrowing rate and credit rating, external interest rates, country risk factors, the composition of the Group's lease portfolio, the Group's assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. Taking these considerations into account, on transition:

- The Group will adopt the modified approach, choosing to measure the right-of-use asset at the retrospective amount as if IFRS 16 had been applied from lease commencement date. The difference between the right-of use asset and the related lease liability is recognised directly in retained earnings.
- In determining the right-of-use asset and lease liability to be recognised, the Group will adopt an incremental borrowing rate for each lease. This rate has been determined by taking currency specific interest rates based on 10-year external market rates (where available, which reflect the average centre lease duration) and then considering adjustments to reflect subsidiary/country specific credit ratings and adjustments to reflect the level of collateral. This incremental borrowing rate will be updated annually and applied to leases completed in the subsequent year.
- The right-of-use asset recognised will be depreciated over the life of the lease, adjusted for any period between the lease commencement date and the date the related centre opens, reflecting the lease related costs directly incurred in preparing the business centre for trading. The life of the lease reflects the contracted lease term and any renewal periods that are at Regus' option to extend.

The most significant impact identified is the right-of-use asset and related lease liability the Group recognises for its leases in respect of its global network, which will be recognised based on the modified retrospective approach. Based on the lease portfolio at 31 December 2018, the Group expects to report a right-of-use asset of approximately £4,417m to £4,882m and a related lease liability of approximately £5,075m to £5,609m at 31 December 2019. These balances exclude the impact of any lease terminations, lease renewals and expected growth in the lease portfolio in 2019. The recognition of these balances will not impact the overall cash flows of the Group or cash generation per share.

In addition, the nature of expenses related to 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 has also considered the impact of lessor accounting, which is not considered to be material.

The Group will adopt the exemptions permitted in respect of short-term and low value leases, which are not material due to the relatively low number of these leases.

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 23.

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 2018. At each reporting date, the Group reviews the carrying amount of these assets to determine whether there is an indicator of impairment. If any indicator is identified, then the assets' recoverable amount is re-evaluated.

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

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

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group has identified individual business centres as the CGU.

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

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

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

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. Negative goodwill is recognised directly in profit or loss.

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.

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

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

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 (contract liability) 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.

The Group has generally concluded that it is the principal in its revenue arrangement, except where noted above.

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.

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 and closure costs to the extent that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be delivered, discounted using an appropriate weighted average cost of capital.

2. Accounting policies (continued)

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 7).

Interest bearing borrowings and other financial liabilities

Financial liabilities, including interest bearing borrowings, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate method.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial liabilities are classified as financial liabilities at fair value through profit or loss where the liability is either held for trading or is designated as held at fair value through profit or loss on initial recognition. Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in the income statement.

Financial assets

Financial assets are classified as subsequently measured at amortised cost, fair value through the profit or loss or fair value through other comprehensive income (OCI). The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

Financial assets (including trade and other receivables) are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Financial assets (including trade and other receivables) are measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Customer deposits

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

Foreign currency transactions and foreign operations

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the balance sheet date and the gains or losses on translation are taken to the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The results and cash flows of foreign operations are translated using the average rate for the period. Assets and liabilities, including goodwill and fair value adjustments, of foreign operations are translated using the closing rate, with all exchange differences arising on consolidation being recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. Exchange differences are released to the income statement on disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

Derivative financial instruments

The Group's policy on the use of derivative financial instruments can be found in note 23. Derivative financial instruments are measured initially at fair value and changes in the fair value are recognised through profit or loss unless the derivative financial instrument has been designated as a cash flow hedge whereby the effective portion of changes in the fair value are deferred in equity.

Foreign currency translation rates

	At 31 December		Annual average	
	2018	2017	**2018**	2017
US dollar	**1.28**	1.35	**1.33**	1.30
Euro	**1.12**	1.13	**1.13**	1.14
Japanese yen	**141**	152	**147**	145

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): the 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 2018.

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Revenue from external customers	**1,048.5**	984.8	**630.8**	540.5	**412.2**	383.2	**421.2**	429.4	**4.9**	3.8	**2,517.6**	2,341.7
Mature[1]	**961.7**	930.3	**527.1**	493.7	**368.0**	361.1	**376.5**	390.3	**4.5**	3.3	**2,237.8**	2,178.7
2017 Expansions[1]	**48.6**	10.9	**70.0**	20.2	**25.1**	5.2	**18.0**	3.8	**0.4**	0.5	**162.1**	40.6
2018 Expansions[1]	**19.8**	–	**20.8**	–	**11.5**	–	**13.3**	–	**–**	–	**65.4**	–
Closures[1]	**18.4**	43.6	**12.9**	26.6	**7.6**	16.9	**13.4**	35.3	**–**	–	**52.3**	122.4
Gross profit/(loss) (centre contribution)	**173.8**	153.2	**119.0**	97.1	**60.8**	65.9	**49.1**	77.4	**(2.3)**	1.8	**400.4**	395.4
Share of loss of equity-accounted investees	**–**	–	**(1.3)**	(0.8)	**(0.1)**	–	**–**	–	**–**	–	**(1.4)**	(0.8)
Operating profit/(loss)	**122.6**	96.5	**57.2**	47.7	**26.9**	34.6	**30.2**	55.7	**(81.9)**	(57.3)	**155.0**	177.2
Finance expense											**(16.0)**	(14.1)
Finance income											**11.4**	4.1
Profit before tax for the year											**150.4**	167.2
Depreciation and amortisation	**118.3**	112.2	**40.2**	32.8	**32.3**	29.4	**33.2**	28.7	**9.1**	8.3	**233.1**	211.4
Assets	**1,417.4**	1,213.2	**751.7**	573.5	**472.5**	378.1	**668.5**	520.2	**321.3**	273.3	**3,631.4**	2,958.3
Liabilities	**(1,042.5)**	(861.5)	**(502.9)**	(386.0)	**(316.4)**	(244.1)	**(350.8)**	(256.3)	**(464.3)**	(383.5)	**(2,676.9)**	(2,131.4)
Net assets/(liabilities)	**374.9**	351.7	**248.8**	187.5	**156.1**	134.0	**317.7**	263.9	**(143.0)**	(110.2)	**954.5**	826.9
Non-current asset additions[2]	**228.7**	148.6	**141.5**	83.4	**84.1**	36.3	**112.8**	64.6	**18.7**	15.6	**585.8**	348.5

1. Revenue has been disaggregated to reflect the basis on which it is reported to the chief operating decision maker. Further information can be found in the unaudited "Segmental analysis – Management basis" on pages 80 and 81
2. 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.

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:

	2018		2017	
£m	**External revenue**	**Non-current assets[1]**	External revenue	Non-current assets[1]
Country of tax domicile – Luxembourg	**8.0**	**4.0**	7.4	2.7
United States of America	**883.7**	**1,022.1**	819.6	878.5
United Kingdom	**421.2**	**513.1**	429.4	384.5
All other countries	**1,204.7**	**1,237.1**	1,085.3	1,014.6
	2,517.6	**2,776.3**	2,341.7	2,280.3

1. Excluding deferred tax assets

5. Operating profit

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

	Notes	**2018 £m**	2017 £m
Revenue		**2,517.6**	2,341.7
Depreciation on property, plant and equipment	13	**223.5**	200.8
Amortisation of intangibles	12	**9.6**	10.6
Amortisation of partner contributions		**(67.5)**	(60.6)
Property rents payable in respect of operating leases:		**1,071.4**	1,002.7
Property		**1,034.7**	966.3
Contingent rents paid		**36.7**	36.4
Equipment rents payable in respect of operating leases		**2.3**	3.0
Staff costs	6	**377.6**	327.6
Facility and other property costs		**380.9**	347.5
Expected credit losses of trade receivables	23	**17.6**	16.2
Loss on disposal of property, plant and equipment		**13.6**	4.3
Impairment of goodwill	11	**1.0**	–
Loss on disposal of intangible assets	12	**0.1**	1.6
(Reversal of impairment)/Impairment of property, plant and equipment	13	**(0.1)**	0.1
Amortisation of acquired lease fair value adjustments		**(2.0)**	(3.6)
Other costs		**333.2**	313.5
		156.4	178.0
Share of loss of equity-accounted investees, net of tax		**(1.4)**	(0.8)
Operating profit		**155.0**	177.2

	2018 £m	2017 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	**1.0**	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	**2.2**	1.7
Other services pursuant to legislation:		
Tax services	**–**	–
Other services	**–**	0.1

Change in estimate

During 2018, the Group conducted a review of its customer deposits for inactive customer accounts. Based on this review, the Group has released £17.6m of such deposits in 2018. This has resulted in an increase in both revenue and operating profit.

6. Staff costs

	2018 £m	2017 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**322.2**	276.7
Social security	**50.1**	45.7
Pension costs	**5.3**	5.2
	377.6	327.6

	2018 Average full time equivalents	2017 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	**7,358**	6,746
Sales and marketing staff	**493**	497
Finance staff	**791**	739
Other staff	**905**	762
	9,547	8,744
Americas	**3,001**	2,860
EMEA	**2,425**	2,161
Asia Pacific	**1,670**	1,641
United Kingdom	**858**	804
Corporate functions	**1,593**	1,278
	9,547	8,744

7. Net finance expense

	2018 £m	2017 £m
Interest payable and similar charges on bank loans and corporate borrowings	**(12.5)**	(7.5)
Total interest expense	**(12.5)**	(7.5)
Other finance costs (including foreign exchange)	**(3.3)**	(5.7)
Unwinding of discount rates	**(0.2)**	(0.9)
Total finance expense	**(16.0)**	(14.1)
Total interest income	**10.8**	4.1
Other finance income	**0.6**	–
Total finance income	**11.4**	4.1
Net finance expense	**(4.6)**	(10.0)

8. Taxation

(a) Analysis of charge in the year

	2018 £m	2017 £m
Current taxation		
Corporate income tax	**(40.0)**	(26.8)
Previously unrecognised tax losses and other differences	**4.0**	1.3
Under provision in respect of prior years	**(4.9)**	(5.2)
Total current taxation	**(40.9)**	(30.7)
Deferred taxation		
Origination and reversal of temporary differences	**(0.5)**	(5.4)
Previously unrecognised tax losses and other differences	**9.7**	1.0
Under provision in respect of prior years	**(0.4)**	(0.5)
Total deferred taxation	**8.8**	(4.9)
Tax charge on profit	**(32.1)**	(35.6)

(b) Reconciliation of taxation charge

	2018		2017	
	£m	**%**	£m	%
Profit before tax	**150.4**		167.2	
Tax on profit at 26.0% (2017: 27.1%)	**(39.1)**	**(26.0)**	(45.3)	(27.1)
Tax effects of:				
Expenses not deductible for tax purposes	**(28.4)**	**(18.9)**	13.3	8.0
Items not chargeable for tax purposes	**44.4**	**29.5**	7.7	4.6
Recognition of previously unrecognised deferred tax assets	**13.7**	**9.1**	2.3	1.4
Movements in temporary differences in the year not recognised in deferred tax	**(102.1)**	**(67.9)**	(87.9)	(52.5)
Adjustment to tax charge in respect of previous years	**(5.3)**	**(3.5)**	(5.7)	(3.4)
Differences in tax rates on overseas earnings	**84.7**	**56.3**	80.0	47.8
	(32.1)	**(21.4)**	(35.6)	(21.2)

The applicable tax rate is determined based on the tax rate in Luxembourg, which was the statutory tax rate applicable in the country of domicile of the parent company of the Group at the end of the financial year.

(c) Factors that may affect the future tax charge

Unrecognised tax losses to carry forward against certain future overseas corporation tax liabilities have the following expiration dates:

	2018 £m	2017 £m
2018	–	4.9
2019	**5.6**	8.1
2020	**20.5**	54.7
2021	**31.7**	37.4
2022	**40.5**	43.4
2023	**51.4**	20.1
2024	**21.2**	21.1
2025	**21.9**	13.5
2026 and later	**432.0**	213.9
	624.8	417.1
Available indefinitely	**675.4**	642.4
Tax losses available to carry forward	**1,300.2**	1,059.5
Amount of tax losses recognised in deferred tax assets	**207.9**	116.0
Total tax losses available to carry forward	**1,508.1**	1,175.5

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

	2018 £m	2017 £m
Intangibles	**17.0**	16.9
Accelerated capital allowances	**39.3**	32.1
Tax losses	**333.1**	267.7
Rent	**7.9**	8.7
Short-term temporary differences	**9.8**	5.5
	407.1	330.9

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

(d) Corporation tax

	2018 £m	2017 £m
Corporation tax payable	**(30.5)**	(21.6)
Corporation tax receivable	**32.7**	27.6

8. 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 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
Current year movement	**(1.6)**	**(6.2)**	**19.2**	**2.7**	**(6.3)**	**7.8**
Prior year movement	**0.1**	**–**	**(0.3)**	**–**	**(0.2)**	**(0.4)**
Transfers	**(0.1)**	**–**	**–**	**0.1**	**0.1**	**0.1**
Exchange rate movements	**(2.5)**	**(1.1)**	**–**	**2.5**	**1.4**	**0.3**
At 31 December 2018	**(33.5)**	**(24.8)**	**45.6**	**52.4**	**(9.1)**	**30.6**
Deferred tax liability						
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)
Current year movement	**(0.1)**	**0.4**	**1.8**	**(0.4)**	**(0.3)**	**1.4**
Prior year movement	**0.3**	**–**	**(0.4)**	**0.1**	**–**	**–**
Transfers	**0.1**	**–**	**–**	**(0.1)**	**(0.1)**	**(0.1)**
Exchange rate movements	**–**	**(0.1)**	**0.1**	**–**	**–**	**–**
At 31 December 2018	**(0.2)**	**(4.8)**	**4.7**	**0.5**	**(0.2)**	**–**

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.

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £23.2m (2017: £19.8m). The only tax that would arise on these reserves if they were remitted would be noncreditable withholding tax.

9. Earnings per ordinary share (basic and diluted)

	2018	2017
Basic and diluted profit for the year attributable to shareholders (£m)	**118.3**	131.6
Basic earnings per share (p)	**3,943.3**	27.7
Diluted earnings per share (p)	**3,943.3**	27.7
Weighted average number of shares for basic and diluted EPS	**3,000,000**	474,525,592

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 2017 and at 31 December 2018.

10. Dividends

There were no dividends declared or paid during the year (2017: £nil). The Directors do not propose to declare a dividend for 2018 (2017: £nil).

11. Goodwill

	£m
Cost	
At 1 January 2017	685.3
Recognised on acquisition of subsidiaries	1.0
Exchange rate movements	(21.9)
At 31 December 2017	664.4
Recognised on acquisition of subsidiaries	**1.0**
Goodwill impairment	**(1.0)**
Exchange rate movements	**14.8**
At 31 December 2018	**679.2**
Net book value	
At 31 December 2017	664.4
At 31 December 2018	**679.2**

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.

11. Goodwill (continued)

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

Carrying amount of goodwill included within:	2018 £m	2017 £m
Americas	**299.8**	285.8
EMEA	**125.4**	125.1
Asia	**35.2**	34.7
United Kingdom	**218.8**	218.8
	679.2	664.4

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 43 countries. The goodwill and indefinite life intangibles allocated to the USA and the UK are set out below:

	Goodwill £m	Intangible assets £m	2018 £m	2017 £m
USA	277.2	–	**277.2**	262.4
United Kingdom	218.8	11.2	**230.0**	230.0
Other countries	183.2	–	**183.2**	183.2
	679.2	11.2	**690.4**	675.6

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 12).

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 2019 that reflect an average annual growth rate of the three-year average inflation rate of the country (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 2022 have been extrapolated using the same three-year average inflation 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 increased from 9.9% in 2017 to 10.4% in 2018 (post-tax WACC: 8.3%). The country specific pre-tax WACC reflecting the respective market risk adjustment has been set between 9.7% and 14.1% (2017: 9.3% to 12.8%).

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 1.2% per annum from 2019. A terminal value centre gross margin of 17% is adopted from 2023, with a 1.2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 14% (2017: 10%).

The UK model assumes an average centre contribution of 11% over the next five years. Revenue and costs grow at 2.4% per annum from 2019. A terminal value centre gross margin of 13% is adopted from 2023, with a 2.4% 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% (2017: 10%).

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 20% (2017: 12%) for the US and 12% (2017: 15%) for the UK.

Occupancy – Management has considered the impact of a variance in occupancy. The value in use calculation shows that for the recoverable amount to be less than its carrying value, occupancy would have to decrease by 4% (2017: 6%) for the US and 2% (2017: 6%) for the UK.

12. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2017	65.3	32.6	66.6	164.5
Additions at cost	–	–	3.6	3.6
Acquisition of subsidiaries	–	0.3	–	0.3
Disposals	–	–	(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
Additions at cost	**–**	**–**	**6.9**	**6.9**
Acquisition of subsidiaries [1]	**–**	**0.1**	**–**	**0.1**
Disposals	**–**	**–**	**(1.8)**	**(1.8)**
Exchange rate movements	**2.7**	**0.2**	**0.5**	**3.4**
At 31 December 2018	**63.6**	**31.3**	**66.1**	**161.0**
Amortisation				
At 1 January 2017	33.3	31.4	47.0	111.7
Charge for year	2.6	1.1	6.9	10.6
Disposals	–	–	(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
Charge for year	**2.4**	**0.1**	**7.1**	**9.6**
Disposals	**–**	**–**	**(1.7)**	**(1.7)**
Exchange rate movements	**2.0**	**0.6**	**0.3**	**2.9**
At 31 December 2018	**37.4**	**31.3**	**50.0**	**118.7**
Net book value				
At 1 January 2017	32.0	1.2	19.6	52.8
At 31 December 2017	27.9	0.4	16.2	44.5
At 31 December 2018	**26.2**	**–**	**16.1**	**42.3**

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 11).

The remaining amortisation life for definite life brands is six years.

13. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
Cost					
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	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
Additions	**5.7**	**474.1**	**84.6**	**14.5**	**578.9**
Acquisition of subsidiaries	**–**	**0.3**	**0.3**	**–**	**0.6**
Disposals	**–**	**(125.8)**	**(56.2)**	**(7.0)**	**(189.0)**
Exchange rate movements	**(0.1)**	**49.0**	**19.9**	**1.4**	**70.2**
At 31 December 2018	**41.6**	**2,085.7**	**707.1**	**136.9**	**2,971.3**
Accumulated depreciation					
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
Charge for the year	**0.9**	**155.6**	**52.3**	**14.7**	**223.5**
Disposals	**–**	**(114.4)**	**(53.6)**	**(7.0)**	**(175.0)**
Reversal of impairment	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Exchange rate movements	**0.1**	**22.2**	**11.8**	**1.5**	**35.6**
At 31 December 2018	**2.2**	**802.9**	**413.1**	**105.5**	**1,323.7**
Net book value					
At 1 January 2017	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
At 31 December 2018	**39.4**	**1,282.8**	**294.0**	**31.4**	**1,647.6**

Additions include £nil in respect of assets acquired under finance leases (2017: £nil).

14. Other long-term receivables

	2018 £m	2017 £m
Deposits held by landlords against rent obligations	**82.4**	76.3
Acquired lease fair value asset	**3.6**	4.4
Balances due from affiliated entities	**308.7**	207.2
	394.7	287.9

15. Trade and other receivables

	2018 £m	2017 £m
Trade receivables, net	**227.9**	197.9
Prepayments and accrued income	**212.2**	165.3
Other receivables	**172.6**	103.1
VAT recoverable	**103.1**	98.1
Deposits held by landlords against rent obligations	**6.0**	7.2
Acquired lease fair value asset	**1.0**	1.2
	722.8	572.8

16. Trade and other payables (including customer deposits)

	2018 £m	2017 £m
Customer deposits	**483.2**	429.8
Deferred rents	**147.6**	121.3
Other accruals	**125.9**	103.0
Trade payables	**109.8**	74.4
VAT payable	**79.2**	90.2
Deferred partner contributions	**78.7**	59.2
Other payables	**32.8**	17.9
Other tax and social security	**4.8**	5.1
Acquired lease fair value liability	**1.7**	3.0
Total current	**1,063.7**	903.9

17. Other long-term payables

	2018 £m	2017 £m
Deferred partner contributions	**389.6**	293.8
Deferred rents	**305.9**	244.6
Acquired lease fair value liability	**2.3**	3.7
Other payables	**6.4**	11.1
Total non-current	**704.2**	553.2

18. Borrowings

The Group's total loan and borrowing position at 31 December 2018 and at 31 December 2017 had the following maturity profiles:

Bank and other loans

	2018 £m	2017 £m
Repayments falling due as follows:		
In more than one year but not more than two years	**8.7**	8.9
In more than two years but not more than five years	**510.3**	329.2
In more than five years	**4.9**	4.8
Total non-current	**523.9**	342.9
Total current	**9.9**	8.5
Total bank and other loans	**533.8**	351.4

19. Provisions

	2018			2017		
	Onerous leases and closures £m	**Other £m**	**Total £m**	Onerous leases and closures £m	Other £m	Total £m
At 1 January	**3.6**	**5.8**	**9.4**	3.5	5.9	9.4
Provided in the period	**16.0**	**1.3**	**17.3**	3.2	2.1	5.3
Utilised in the period	**(1.6)**	**(3.8)**	**(5.4)**	(0.3)	(1.0)	(1.3)
Provisions released	**(1.9)**	**(0.3)**	**(2.2)**	(2.8)	(1.2)	(4.0)
Exchange rate movements	**–**	**–**	**–**	–	–	–
At 31 December	**16.1**	**3.0**	**19.1**	3.6	5.8	9.4
Analysed between:						
Current	**8.3**	**1.4**	**9.7**	0.4	4.1	4.5
Non-current	**7.8**	**1.6**	**9.4**	3.2	1.7	4.9
At 31 December	**16.1**	**3.0**	**19.1**	3.6	5.8	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 2026.

Other

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

20. Investments in joint ventures

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2017	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
Share of profit/(loss)	**0.3**	**(1.7)**	**(1.4)**
Exchange rate movements	**(0.5)**	**–**	**(0.5)**
At 31 December 2018	**12.2**	**(5.5)**	**6.7**

The Group has 52 joint ventures (2017: 49) 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:

	2018 £m	2017 £m
Income statement		
Revenue	**27.6**	29.9
Expenses	**(31.1)**	(31.5)
Loss before tax for the year	**(3.5)**	(1.6)
Tax charge	**(0.3)**	(0.3)
Loss after tax for the year	**(3.8)**	(1.9)
Balance sheet		
Non-current assets	**15.7**	15.0
Current assets	**43.5**	35.7
Current liabilities	**(57.0)**	(46.6)
Non-current liabilities	**(2.7)**	(1.5)
Net (liabilities)/assets	**(0.5)**	2.6

21. Share capital
Ordinary equity share capital

	2018		2017	
	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	**3,000,000**	**–**	923,357,438	9.2
Reduction of share capital	**–**	**–**	(920,357,438)	(9.2)
Ordinary 1p shares in Regus plc at 31 December	**3,000,000**	**–**	3,000,000	–

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.

22. Analysis of financial assets/(liabilities)

	At 1 Jan 2018 £m	Cash flow £m	Exchange rate movements £m	At 31 Dec 2018 £m
Cash and cash equivalents	54.8	12.3	1.9	**69.0**
Gross cash	54.8	12.3	1.9	**69.0**
Debt due within one year	(8.5)	(1.4)	–	**(9.9)**
Debt due after one year	(342.9)	(179.5)	(1.5)	**(523.9)**
	(351.4)	(180.9)	(1.5)	**(533.8)**
Net financial assets/(liabilities)	(296.6)	(168.6)	0.4	**(464.8)**

Cash and cash equivalent balances held by the Group that are not available for use amounted to £4.2m at 31 December 2018 (2017: £9.3m). Of this balance, £1.9m (2017: £7.1m) is pledged as security against outstanding bank guarantees and a further £2.3m (2017: £2.2m) is pledged against various other commitments of the Group.

23. Financial instruments and financial risk management

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

23. Financial instruments and financial risk management (continued)

Going concern

The Strategic Review on pages 14 to 19 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 finance review on pages 22 to 25 within the Strategic Review analyses the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2018, the Group made a significant investment in growth and the Group's net debt position increased by £168.2m to a net debt position of £464.8m as at 31 December 2018. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres and debt. The Group had a £750.0m revolving credit facility provided by a group of relationship banks with a final maturity in 2023. As at 31 December 2018, £125.4m was available and undrawn. The revolving credit facility was increased from £750.0m to £950.0m in January 2019 and the final maturity extended to 2024 with an option to extend until 2026.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Credit risk

Credit risk could occur where a customer or counterparty defaults under the contractual terms of a financial instrument and arises principally in relation to customer contracts and the Group's cash deposits.

A diversified customer base, requirement for customer deposits, and payments in advance on workstation contracts minimise the Group's exposure to customer credit risk. No single customer contributes a material percentage of the Group's revenue. The Group's policy is to provide against trade receivables when specific debts are judged to be irrecoverable or where formal recovery procedures have commenced. A provision taking into account the customer deposit held is created where debts are more than three months overdue, which reflects the Group's experience of the likelihood of recoverability of these trade receivables based on both historical and forward-looking information. 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.

	2018 £m	2017 £m
Americas	**33.3**	27.8
EMEA	**94.8**	75.0
Asia Pacific	**50.0**	41.6
United Kingdom	**49.8**	53.5
	227.9	197.9

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 2018 £m	**Provision 2018 £m**	Gross 2017 £m	Provision 2017 £m
Not overdue	**173.6**	**–**	131.1	–
Past due 0 – 30 days	**38.2**	**–**	43.2	–
Past due 31 – 60 days	**11.6**	**–**	13.8	–
More than 60 days	**26.6**	**(22.1)**	31.6	(21.8)
	250.0	**(22.1)**	219.7	(21.8)

At 31 December 2018, the Group maintained a provision of £22.1m for expected credit losses (2017: £21.8m) arising from trade receivables. The Group had provided £17.6m (2017: £16.2m) in the year and utilised £17.3m (2017: £13.5m). Customer deposits of £483.2m (2017: £429.8m) are held by the Group, mitigating the risk of default.

IFRS 9 requires the Group to record expected credit losses on all of its receivables, either on a 12-month or lifetime basis. The Group has applied the simplified approach to all trade receivables, which requires the recognition of the expected credit loss based on the lifetime expected losses. The expected credit loss is mitigated through the invoicing of contracted services in advance and customer deposits of £483.2m (2017: £429.8m) held at the end of the year. The Group believes no provision is generally required for trade receivables that are not overdue as they are not considered credit impaired.

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 £64.7m (2017: £45.5m). In addition to cash and liquid investments, the Group had £125.4m available and undrawn under its committed borrowings. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

The Group maintains a revolving credit facility provided by a group of international banks. In May, the amount of the facility was increased from £550.0m to £750.0m with the final maturity extended to May 2023. As at 31 December, £125.4m was available and undrawn under this facility. The revolving credit facility was increased from £750.0m to £950.0m in January 2019 and the final maturity extended to 2024 with an option to extend until 2026.

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, maturing in 2019 with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin). A further £30.0m maturing in 2021 was added in 2018 with a fixed rate of 1.2%.

Although the Group has net current liabilities of £607.9m (2017: £568.6m), 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 £483.2m (2017: £429.8m) 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 £289.3m at 31 December 2018 (2017: £283.3m).

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 2018 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:

	2018		
£m	**GBP**	**EUR**	**USD**
Trade and other receivables	**1.1**	**20.8**	**2.3**
Trade and other payables	**(0.6)**	**(4.0)**	**(8.1)**
Net statement of financial position exposure	**0.5**	**16.8**	**(5.8)**

	2017		
£m	GBP	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

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 2018, 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 £3.5m (2017: decrease of £2.5m) 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 £13.4m for the year ended 31 December 2018 (2017: decrease of £8.6m). It is estimated that a five-percentage point weakening in the value of the euro against sterling would have decreased the Group's profit before tax by approximately £0.8m for the year ended 31 December 2018 (2017: decrease of £1.7m).

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 £11.6m for the year ended 31 December 2018 (2017: £11.1m). 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 £3.0m for the year ended 31 December 2018 (2017: decrease of £1.1m).

23. Financial instruments and financial risk management (continued)

The Directors do not propose to declare a dividend for 2018 (2017:£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 £464.8m at the end of 2018 (2017: £296.6m) and £125.4m (2017: £131.8m) of committed undrawn borrowings on the £750.0m revolving credit facility as at the end of the year.

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 2018

	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	–	69.0	69.0	69.0	–	–	–
Trade and other receivables[1]	–	509.6	531.7	531.7	–	–	–
Other long-term receivables[2]	–	391.1	391.1	–	195.5	195.6	–
Derivative financial assets:							
Interest rate swaps							
• Outflow	–	–	–	–	–	–	–
• Inflow	–	0.3	0.3	0.3	–	–	–
Financial assets[3]		970.0	992.1	601.0	195.5	195.6	–
Non-derivative financial liabilities[4]:							
Bank loans and corporate borrowings	2.9%	(505.4)	(505.4)	(0.1)	(2.0)	(503.3)	–
Other loans	1.2%	(28.4)	(28.4)	(9.8)	(6.7)	(7.0)	(4.9)
Trade and other payables[5]	–	(835.7)	(835.7)	(835.7)	–	–	–
Other long-term payables[5]	–	(6.4)	(6.4)	–	(6.4)	–	–
Financial liabilities		(1,375.9)	(1,375.9)	(845.6)	(15.1)	(510.3)	(4.9)

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)	(711.4)	(720.4)	–	–	–
Other long-term payables[5]	–	(11.1)	(11.1)	–	(11.1)	–	–
Financial liabilities		(1,082.9)	(1,073.9)	(728.9)	(20.0)	(329.2)	(4.8)

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

Fair value disclosures

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

31 December 2018

£m	Carrying amount				Fair value			
	Cash, loans and receivables	**Other financial liabilities**	**Cash flow – hedging instruments**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**69.0**	**–**	**–**	**69.0**	**–**	**–**	**–**	**–**
Trade and other receivables	**509.6**	**–**	**–**	**509.6**	**–**	**–**	**–**	**–**
Other long-term receivables	**391.1**	**–**	**–**	**391.1**	**–**	**–**	**–**	**–**
Derivative financial asset	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**	**–**	**0.3**
Bank loans and corporate borrowings	**–**	**(505.4)**	**–**	**(505.4)**	**–**	**–**	**–**	**–**
Other loans	**–**	**(28.4)**	**–**	**(28.4)**	**–**	**–**	**–**	**–**
Trade and other payables	**–**	**(835.7)**	**–**	**(835.7)**	**–**	**–**	**–**	**–**
Other long-term payables	**–**	**(6.4)**	**–**	**(6.4)**	**–**	**–**	**–**	**–**
	969.7	**(1,375.9)**	**0.3**	**(405.9)**	**–**	**0.3**	**–**	**0.3**
Unrecognised gain								**–**

31 December 2017

£m	Carrying amount				Fair value			
	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								–

During the years ended 31 December 2017 and 31 December 2018, there were no transfers between levels for fair value measured instruments, and no financial instruments requiring level 3 fair value measurements were held.

23. 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:

	2018 GBP m	2017 GBP m
Derivatives used for cash flow hedging	**100.0**	70.0
	2018 USD m	2017 USD m
Derivatives used for cash flow hedging	**30.0**	30.0

Committed borrowings

	2018 Facility £m	**2018 Available £m**	2017 Facility £m	2017 Available £m
Revolving credit facility	**750.0**	**125.4**	550.0	131.8

The Group maintains a revolving credit facility provided by a group of international banks. During the year, the amount of the facility was increased from £550.0m to £750.0m with the final maturity extended to May 2023. As at 31 December, £125.4m was available and undrawn under this facility. The revolving credit facility was increased from £750.0m to £950.0m in January 2019 and the final maturity extended to 2024 with an option to extend until 2026.

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, maturing in 2019 with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin). A further £30.0m maturing in 2021 was added in 2018 with a fixed rate of 1.2%.

The £750.0m revolving credit facility is subject to financial covenants relating to net debt to EBITDA, and EBITDA plus rent to interest plus rent. The Group is in compliance with all covenant requirements.

24. Retirement benefit obligations

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

The reconciliation of the net defined benefit liability and its components are as follows:

	2018 £m	2017 £m
Fair value of plan assets	**9.9**	8.5
Present value of obligations	**(11.4)**	(10.0)
Net funded obligations	**(1.5)**	(1.5)

25. Acquisitions

Current period acquisitions

During the year ended 31 December 2018, the Group made various individually immaterial acquisitions for a total consideration of £1.5m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Intangible assets	–	–	–
Property, plant and equipment	0.6	–	0.6
Cash	0.7	–	0.7
Other current and non-current assets	1.0	–	1.0
Current liabilities	(1.7)	–	(1.7)
Non-current liabilities	(0.1)	–	(0.1)
	0.5	–	0.5
Goodwill arising on acquisition			1.0
Total consideration			1.5
Less: Contingent consideration			0.3
			1.2
Cash flow on acquisition			
Cash paid			1.2
Net cash outflow			1.2

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. £0.3m of the above goodwill is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2018, the revenue and net retained profit arising from these acquisitions would have been £4.6m and £0.1m respectively. In the year, the equity acquisitions contributed revenue of £1.7m and net retained profit of £0.6m.

There was £0.3m contingent consideration arising on the 2018 acquisitions. Contingent consideration of £1.8m (2017: £2.1m) was also paid during the current year with respect to milestones achieved on prior year acquisitions.

The acquisition costs associated with these transactions were £0.2m, recorded within administration expenses within the consolidated income statement.

For a number of the acquisitions in 2018, the fair value of assets acquired has only been provisionally assessed, pending completion of a fair value assessment which has not yet been completed due to the limited time available between the date of acquisitions and the year-end 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.

25. Acquisitions (continued)

Prior 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	Final fair value adjustments	Final fair value
Net assets acquired					
Intangible assets	–	0.2	0.2	0.1	0.3
Property, plant and equipment	0.8	0.6	1.4	–	1.4
Cash	0.4	–	0.4	–	0.4
Other current and non-current assets	–	0.4	0.4	–	0.4
Current liabilities	(0.6)	–	(0.6)	(0.1)	(0.7)
Non-current liabilities	(0.2)	–	(0.2)	–	(0.2)
	0.4	1.2	1.6	–	1.6
Goodwill arising on acquisition			1.2	–	1.2
Total consideration			2.8	–	2.8
			2.8		2.8
Cash flow on acquisition					
Cash paid			2.8		2.8
Net cash outflow			2.8		2.8

If the above acquisitions had occurred on 1 January 2017, the revenue and net retained profit 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 above acquisitions. Contingent consideration of £2.1m was also paid during the prior year with respect to milestones achieved on previous acquisitions.

The acquisition costs associated with these transactions were £0.3m, 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 2018.

26. Capital commitments

	2018 £m	2017 £m
Contracts placed for future capital expenditure not provided for in the financial statements	**79.9**	60.9

These commitments are principally in respect of fit-out obligations on new centres opening in 2019. There are no capital commitments in respect of joint ventures at 31 December 2018 (2017: nil).

27. Non-cancellable operating lease commitments

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

	2018			2017		
	Property £m	**Other £m**	**Total £m**	Property £m	Other £m	Total £m
Lease obligations falling due:						
Within one year	**1,045.0**	**0.1**	**1,045.1**	914.3	0.5	914.8
Between one and five years	**3,107.7**	**–**	**3,107.7**	2,628.7	0.4	2,629.1
After five years	**2,448.1**	**–**	**2,448.1**	1,494.5	–	1,494.5
	6,600.8	**0.1**	**6,600.9**	5,037.5	0.9	5,038.4

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.

28. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks, substantially in support of leasehold contracts with a variety of landlords, amounting to £152.7m (2017: £142.7m). There are no material lawsuits pending against the Group.

29. Related parties

Parent and subsidiary entities

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

Joint ventures

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

£m	Management fees received from related parties	Amounts owed by related party	Amounts owed to related party
2018			
Joint ventures	**2.8**	**12.8**	**3.4**
2017			
Joint ventures	3.0	9.0	2.2

As at 31 December 2018, none of the amounts due to the Group have been provided for as the expected credit losses arising on the balances are considered immaterial (2017: £nil). All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

Key management personnel

No loans or credit transactions were outstanding with Directors or officers of the Company at the end of the year or arose during the year that are required to be disclosed.

Compensation of key management personnel (including Directors)

Key management personnel include those personnel (including Directors) that have responsibility and authority for planning, directing and controlling the activities of the Group:

	2018 £m	2017 £m
Short-term employee benefits	**7.3**	7.2
Retirement benefit obligations	**0.4**	0.5
	7.7	7.7

Transactions with related parties

During the year ended 31 December 2018, 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 £43,288 (2017: £91,120). There was a £53,630 balance outstanding at the year-end (2017: £9,506).

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.

30. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2018, 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 Ltd	Australia	100
Regus Belgium SA	Belgium	100
Regus do Brasil Ltda	Brazil	100
Regus Business Service (Shenzen) Ltd	China	100
Regus Management ApS	Denmark	100
Regus Management (Finland) Oy	Finland	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
Regus Japan K.K.	Japan	100
Regus Management Malaysia Sdn Bhd	Malaysia	100
Regus Management de Mexico, SA de CV	Mexico	100
Regus New Zealand Management Ltd	New Zealand	100
Regus Business Centre Norge AS	Norway	100
IWG Management Sp. z o.o.	Poland	100
Regus Management Singapore Pte Ltd	Singapore	100
Regus Management (Sweden) AB	Sweden	100
Avanta Managed Offices Ltd	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
Pathway IP Sarl	Luxembourg	100
Franchise International Sarl	Luxembourg	100
RBW Global Sarl	Luxembourg	100
Regus Service Centre Philippines B.V.	Philippines	100
Regus Global Management Centre SA	Switzerland	100
Regus Group Services Ltd	United Kingdom	100
IW Group Services (UK) Ltd	United Kingdom	100
Regus Management Group LLC	United States	100
Holding and finance companies		
Umbrella Group Sarl	Luxembourg	100
IWG Global Investments Sarl	Luxembourg	100
IWG Group Holdings Sarl	Luxembourg	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

31. Key judgemental areas and estimates 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 2018, 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, current 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.

32. Subsequent events

On 15 April 2019 the Group announced the divestiture of its Japanese operations, to TKP Corporation, as part of a strategic partnership. This agreement is based on the definitive sale of 100% of the shares held in the Japanese operations for a gross consideration of £320.0m, payable in cash. The transaction is expected to complete during May 2019.

On 30 January 2019, the investment into IWG Global Investments S.à r.l. held by Regus Plc was sold to IWG Plc, a fellow subsidiary of the Group, for the amount of £644,564,774.

In May 2019, the Company successfully concluded an investigation with a local tax authority. As such, a taxation provision of £6.0m previously recognised will be released during 2019.

On 7 January 2019, the Company completed the purchase of the property known as plots 4400 and 4500, The Solent Business Park, Fareham, Hampshire, UK for £7.2m.

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

	As at 31 Dec 2018 £m	As at 31 Dec 2017 £m
Assets		
C. Fixed assets		
III. Financial assets		
1. Shares in affiliated undertakings	**644.6**	644.6
D. Current assets		
II. Debtors		
2. Amount owed by affiliated undertakings		
a) becoming due and payable within one year	**0.1**	0.3
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	**0.1**	–
3. Other debtors		
b) becoming due and payable within one year	**0.1**	–
E. Prepayments	**–**	–
Total assets	**644.9**	644.9
Capital, reserves and liabilities		
A. Capital and reserves		
I. Subscribed capital	**–**	–
II. Share premium and similar premiums	**–**	–
IV. Reserves		
1. Legal reserve	**–**	–
4. Other reserves	**574.6**	574.6
V. Results brought forward	**57.7**	(103.8)
VI. Results for the financial year	**3.1**	161.6
VII. Interim dividends	**–**	–
Capital and reserves	**635.4**	632.4
D. Creditors		
6. Trade creditors	**0.1**	0.2
7. Amounts owed to affiliated undertakings		
a) becoming due and payable within one year	**9.3**	9.2
b) becoming due and payable after more than one year	**0.1**	3.1
Liabilities	**9.5**	12.5
Total capital, reserves and liabilities	**644.9**	644.9

Approved by the Board on 27 June 2019

TIM REGAN
DIRECTOR

Accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention which differs in material respects from IFRS in both 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 statutory accounts of Regus plc for the year ended 31 December 2018, which are available from the Company's registered office, 26 Boulevard Royal, Luxembourg, and which will be filed with 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 durable 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.

Segmental analysis – management basis (unaudited)

	Americas 2018	EMEA 2018	Asia Pacific 2018	United Kingdom 2018	Other 2018	Total 2018
Mature[1]						
Workstations[4]	174,629	96,850	92,879	74,106	–	438,464
Occupancy (%)	75.7%	77.0%	72.8%	68.8%	–	74.2%
Revenue (£m)	961.7	527.1	368.0	376.5	4.5	2,237.8
Contribution (£m)	207.6	128.0	76.2	49.3	(2.8)	458.3
REVPOW (£)	7,278	7,072	5,440	7,387	–	6,880
2017 Expansions[2]						
Workstations[4]	15,703	20,211	9,467	5,930	–	51,311
Occupancy (%)	55.1%	62.4%	52.0%	61.2%	–	58.1%
Revenue (£m)	48.6	70.0	25.1	18.0	0.4	162.1
Contribution (£m)	(13.0)	3.1	(3.9)	6.2	0.5	(7.1)
2018 Expansions[2]						
Workstations[4]	9,421	15,264	7,989	6,036	–	38,710
Occupancy (%)	37.4%	31.9%	29.4%	30.0%	–	32.4%
Revenue (£m)	19.8	20.8	11.5	13.3	–	65.4
Contribution (£m)[5]	(12.3)	(8.1)	(7.2)	(4.9)	–	(32.5)
Closures[6]						
Workstations[4]	3,625	2,828	2,269	2,346	–	11,068
Occupancy (%)	60.5%	61.2%	54.0%	63.4%	–	60.0%
Revenue (£m)	18.4	12.9	7.6	13.4	–	52.3
Contribution (£m)	(8.5)	(4.0)	(4.3)	(1.5)	–	(18.3)
Total						
Workstations[4]	203,378	135,153	112,604	88,418	–	539,553
Occupancy (%)	72.0%	69.4%	67.6%	65.5%	–	69.4%
Revenue (£m)	1,048.5	630.8	412.2	421.2	4.9	2,517.6
Contribution (£m)	173.8	119.0	60.8	49.1	(2.3)	400.4
REVPAW (£)	5,155	4,667	3,661	4,563	–	4,632
Period end workstations[7]						
Mature	175,582	99,795	93,805	76,371	–	445,553
2017 Expansions	14,626	19,963	9,694	7,445	–	51,728
2018 Expansions	19,015	35,424	17,565	13,383	–	85,387
Total	209,223	155,182	121,064	97,199	–	582,668

	Americas 2017	EMEA 2017	Asia Pacific 2017	United Kingdom 2017	Other 2017	Total 2017
Mature[1]						
Workstations[4]	174,309	92,301	92,587	69,713	–	428,910
Occupancy (%)	74.3%	76.6%	71.3%	71.6%	–	73.7%
Revenue (£m)	930.3	493.7	361.1	390.3	3.3	2,178.7
Contribution (£m)	162.3	105.9	71.4	75.2	(1.2)	413.6
REVPOW (£)	7,183	6,983	5,470	7,819	–	6,892
2017 Expansions[2]						
Workstations[4]	7,309	7,626	3,694	2,141	–	20,770
Occupancy (%)	27.0%	38.4%	25.2%	32.0%	–	31.4%
Revenue (£m)	10.9	20.2	5.2	3.8	0.5	40.6
Contribution (£m)	(14.1)	(5.5)	(5.0)	(3.6)	3.0	(25.2)
Closures[3]						
Workstations[4]	7,060	5,977	4,709	5,164	–	22,910
Occupancy (%)	70.6%	60.3%	67.1%	68.7%	–	66.8%
Revenue (£m)	43.6	26.6	16.9	35.3	–	122.4
Contribution (£m)	5.0	(3.3)	(0.5)	5.8	–	7.0
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

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 2017 comparative data is defined as a centre closed during the period from 1 January 2017 to 31 December 2018
4. Workstation numbers are calculated as the weighted average for the year
5. 2018 expansions includes any costs incurred in 2018 for centres which will open in 2019
6. A closure for the 2018 date is defined as a centre closed during the period from 1 January 2018 to 31 December 2018
7. Workstations available at period end

Segmental analysis – management basis (unaudited) (continued)

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 finance review on page 22 of this Annual Report.

Description	Reference	2015 Aggregation	2016 Expansions	2017 Expansions	2018 Expansions	2019 Expansions	Closures	Total
Post-tax cash return on net investment (Unaudited)		**17.8%**	**1.0%**	**–**	**–**	**–**	**–**	**10.2%**
Revenue	Income statement, p43	2,107.7	130.1	162.1	65.3	0.1	52.3	2,517.6
Centre contribution	Income statement, p43	451.5	6.8	(7.1)	(31.5)	(1.0)	(18.3)	400.4
Loss on disposal of assets	EBIT reconciliation (analysed below)	0.4	–	–	–	–	13.2	13.6
Underlying centre contribution		**451.9**	**6.8**	**(7.1)**	**(31.5)**	**(1.0)**	**(5.1)**	**414.0**
Selling, general and administration expenses[1]	Income statement, p43	(172.2)	(19.4)	(27.4)	(20.2)	(0.8)	(4.0)	(244.0)
EBIT	EBIT reconciliation (analysed below)	**279.7**	**(12.6)**	**(34.5)**	**(51.7)**	**(1.8)**	**(9.1)**	**170.0**
Depreciation and amortisation	Note 5, p56	166.0	19.6	28.4	13.6	–	5.5	233.1
Amortisation of partner contributions	Note 5, p56	(48.3)	(6.2)	(7.9)	(4.7)	–	(0.4)	(67.5)
Amortisation of acquired lease fair value adjustments	Note 5, p56	(2.2)	0.1	0.1	0.1	–	(0.1)	(2.0)
Non-cash items		**115.5**	**13.5**	**20.6**	**9.0**	**–**	**5.0**	**163.6**
Taxation[2]		**(56.0)**	**2.5**	**6.9**	**10.3**	**0.4**	**1.8**	**(34.1)**
Adjusted net cash profit		**339.2**	**3.4**	**(7.0)**	**(32.4)**	**(1.4)**	**(2.3)**	**299.5**
Maintenance capital expenditure	Capital expenditure (analysed below)	109.3	2.7	–	–	–	–	112.0
Partner contributions	Partner contributions (analysed below)	(22.8)	(0.7)	–	–	–	–	(23.5)
Net maintenance capital expenditure		**86.5**	**2.0**	**–**	**–**	**–**	**–**	**88.5**
Post-tax cash return		**252.7**	**1.4**	**(7.0)**	**(32.4)**	**(1.4)**	**(2.3)**	**211.0**
Growth capital expenditure	Capital expenditure (analysed below)	1,695.8	200.3	288.7	380.3	57.8	–	2,622.9
Partner contributions	Partner contributions (analysed below)	(278.6)	(58.0)	(84.8)	(128.2)	(4.5)	–	(554.1)
Net investment (Unaudited)		**1,417.2**	**142.3**	**203.9**	**252.1**	**53.3**	**–**	**2,068.8**

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

2018

Movement in capital expenditure (Unaudited)	2015 Aggregation	2016 Expansions	2017 Expansions	2018 Expansions	2019 Expansions	Closures	Total
December 2017	1,754.5	197.9	248.0	14.0	–	–	2,214.4
2018 Capital expenditure[3]	8.0	3.2	40.5	361.0	57.1	–	469.8
Properties acquired	–	–	–	5.6	0.7	–	6.3
Centre closures[4]	(66.7)	(0.8)	0.2	(0.3)	–	–	(67.6)
December 2018	1,695.8	200.3	288.7	380.3	57.8	–	2,622.9

3. 2019 expansions relate to costs and investments incurred in 2018 for centres which will open in 2019
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

2018

Movement in partner contributions (Unaudited)	2015 Aggregation	2016 Expansions	2017 Expansions	2018 Expansions	2019 Expansions	Closures	Total
December 2017	285.8	58.2	74.9	0.6	–	–	419.5
2018 Partner contributions	2.8	–	9.9	127.6	4.5	–	144.8
Centre closures[5]	(10.0)	(0.2)	–	–	–	–	(10.2)
December 2018	278.6	58.0	84.8	128.2	4.5	–	554.1

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

2018

EBIT reconciliation (Unaudited)	Reference	£m
EBIT		170.0
Loss on disposal of assets	Note 5, p56	(13.6)
Share of profit in joint ventures	Income statement, p43	(1.4)
Operating profit	Income statement, p43	**155.0**

2018

Partner contributions (Unaudited)	Reference	£m
Opening partner contributions		353.0
• Current	Note 16, p65	59.2
• Non-current	Note 17, p65	293.8
Acquired in the period		–
Received in the period		168.3
• Maintenance partner contributions		23.5
• Growth partner contributions		144.8
Utilised in the period	Note 5, p56	(67.5)
Exchange differences		14.5
Closing partner contributions		**468.3**
• Current	Note 16, p65	78.7
• Non-current	Note 17, p65	389.6

2018

Capital expenditure (Unaudited)	Reference	£m
Maintenance capital expenditure	Finance review, p24	112.0
Growth capital expenditure	Finance review, p24	476.1
• 2018 Capital expenditure		469.8
• Properties acquired		6.3
Total capital expenditure		**588.1**
Analysed as		
• Purchase of subsidiary undertakings	Cash flow, p47	2.3
• Purchase of property, plant and equipment	Cash flow, p47 Note 13, p64	578.9
• Purchase of intangible assets	Cash flow, p47 Note 12, p63	6.9

The Group reports certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards ('IFRS') which represent the generally accepted accounting principles ('GAAP') under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions.

These APMs are primarily used for the following purposes:

- to evaluate the historical and planned underlying results of our operations;
- to set director and management remuneration; and
- to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

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

Closures
A closure for the current year is defined as a centre closed during the period from 1 January to December of the current year

A closure for the prior year comparative is defined as a centre closed from 1 January of the prior year to December of the current year

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

Operating profit before growth
Reported operating profit adjusted for the gross profit impact arising from centres opening in the current year and centres to be opened in the subsequent 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 over growth capital expenditure less partner contributions

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

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 2018 to 24 June 2019:

Tim Regan

Christoffel Mul

Ian Hallett

Regus™