Regus
Work your way

# Driving Growth

Regus is the major player in the fast developing industry of ”exible work provision … the platform of choice from which businesses of all sizes operate.

Over a million customers a day bene“t from our locations spread across almost 100 countries. With our ever expanding range of innovative products and services we enable people to work their way, whether it•s from home, on the road or from an of“ce.

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# Chairman's statement

## I am pleased to report that Regus has produced a strong set of results in line with the Board's expectations.

Group sales grew 11.8% to £1,162.6m (2010: £1040.4m), operating profits more than doubled to £50.6m (2010: £23.9m) excluding exceptional items, and on the same basis earnings per share increased from 1.9p to 4.0p largely as a result of the increased EBIT in the year. It was also pleasing to witness our 2010 openings move into profitability in the second half of the year.

On a like-for-like basis our Mature business increased its operating profit by 65.7% to £107.7m (2010: £65.0m); gross margins to 26.6% (2010: 22.3%); and sales increased by 3.8% to £1,035.1m (2010: £997m). Additionally, it remains highly cash generative, with a free cash flow (after notional tax, finance costs and maintenance capital expenditure) of £117.1m (2010: £76.5m).

Over the year we invested £86.4m in growth (2010: £79.0m), opening 139 new locations and entering nine new markets. This assured progress gives the Board the confidence to increase the final dividend by 14% to 2.0p making a total increase for the year of 12% to 2.9p (2010: 2.6p).

### Our business

There are three parts to our business – Mature, New and Third Place. They are closely interlinked, contribute to each other's success and can be accessed by every one of our million strong members.

- **Mature – our first thousand locations**
  A well established and consistently high performing business. Cash generation is strong and continues to demonstrate robust year-on-year improvement. It is actively managed to deliver high occupancy and usage and support stronger pricing which, when coupled with lower overheads, results in improved margins.
- **New – the next thousand locations**
  The larger our network, globally and nationally, the more compelling a proposition we become to our customers – from the very largest corporates to lone entrepreneurs. We remain committed to achieving a global network of 2,000 locations by 2014 and by end of February 2012 had already opened a further 19 locations since the year end. Our new centres are performing well and achieving their target return-on-investment hurdles. We remain confident in our growth strategy, however we are mindful of the continued global economic uncertainty and the management team carefully monitors key metrics, remaining ready to adapt our growth plans accordingly.
- **Third Place – new avenues for growth**
  The business has been exploring a number of new growth opportunities, especially related to expanding our network into third places. These are locations from which people are increasingly likely to work when on the move. Railway stations and motorway service stations are examples, and the Group is also exploring a wide variety of other potential third place locations. Whilst early in its development, this is an exciting opportunity and has significant potential. We anticipate that the investment required and returns generated will be comparable with our existing businesses.

### A strong management team focussed on delivery

Our management team is strong and many of our leaders have more than 20 years' industry experience including managing through challenging macro-economic conditions. They have directed our business during the current economic challenges with vigour, increasing returns from our mature business whilst executing controlled, yet aggressive growth and exploring exciting new opportunities. During 2011 strong progress was made in key business areas, including the strengthening of our management team both centrally and at the country level; business development and product innovation; improving our revenue mix and diversification; operational efficiencies; and people management. Delivery in these areas contributed significantly to our improved performance.

### Strategy

Following the execution of a range of strategic initiatives, Regus' strategy is clear: to serve and profit from the move toward flexible work by being the platform of choice from which business operates.

To deliver this, we will:

- Continue to broaden our appeal through accelerated product and service innovation

# Chief Executive's review

- Grow mature revenues through improved sophistication and diversity
- Be in as many new and different locations as we can, expanding our footprint according to opportunity, risk and return
- Maximise the strengths of our growing network, brand position and awareness
- Strengthen and decentralise management
- Control overheads through operational excellence, scale and innovation

## Board changes

On 1 September 2011 Dominique Yates joined the Board as Chief Financial Officer. He replaced Stephen Gleadle who, in August 2011, announced that after six years with the business he was stepping down from his position. I would like to thank Stephen for the contribution he made to the establishment of our business as the clear leader in its field.

The Board notes the publication of the Davies Review on Women on Boards. The Board aims to be reflective of a broad range of skills, backgrounds and experience. While we follow a policy of ensuring that we appoint the best people for the relevant roles, we recognise the benefits of diversity, including gender, and will continue to take this into account when considering any new appointment.

## Dividend

It remains the intention of the Board to pay dividends at a level which it believes is sustainable throughout the economic cycle and is in line with its progressive payment policy. Reflecting the Group's improved trading performance, strong cash generation, healthy cash position and optimism about the Group's long-term prospects, the Board is recommending a final dividend for 2011 of 2.0p (2010: 1.75p). This will be paid on Friday 25 May, 2012 to shareholders on the register at the close of business on Thursday 26 April, 2012. This represents an increase in the full year dividend of 12% to 2.9p (2010: 2.6p).

**Douglas Sutherland**
Chairman

20 March 2012

## The business has delivered a robust set of numbers and I am pleased with our performance.

At a time of great economic uncertainty and low growth, we have made excellent progress and grown both our Mature and New Centre businesses.

In our mature business operating profits rose by 66% to £107.7m, with free cash-flow (after notional tax, finance costs and maintenance capital expenditure) improving by 53% to £117.1m, on the back of revenues up 3.8% to £1,035.1m. We also had a very encouraging year of growth: customer numbers up 8.7%; new locations up 10.9%; and new countries on the network up by nine to 94. This is testimony to the strength of our business and attractiveness of our offer to companies of all sizes, in all sectors regardless of the economic cycle.

The year saw the Group make important progress across a number of key business areas, including, but not limited to, further strengthening and decentralisation of our senior management team; business development and product innovation; cost control; operational efficiencies; and people management and development. Delivery in these areas played a key role in our improved performance. The business also began to accelerate changes to its revenue mix, a process which began a number of years ago. As we continue to widen and deepen our network, develop new and innovative products and services and forge more strategic alliances, so this trend is expected to continue.

Whilst 2011 saw an extended period of macroeconomic uncertainty, particularly in the second half, we continued to extend our global reach and strengthen in-country networks on the back of the mega trend of flexible, mobile work. Partly as a result of the strong interest from other large organisations looking to Regus to help them develop their third place work locations for their customers, but also from the experience gained from Businessworld and our million strong membership, we have established a Third Place business. Blue chip organisations we are currently working

with include Shell, SNCF and, since the year end, NS Trains (the Dutch railway operator). Interest has also come from areas as diverse as retailers and local government. Whilst still very early days, this fast growing opportunity, which has been thoroughly market tested, plays to our skills and unrivalled industry knowledge.

In a world of some one billion mobile workers and growing, the opportunity available to our business remains significant. The advances in mobile technology, worker demand to satisfy ever more complex work-life balance needs and organisations of all sizes looking to reduce cost and increase corporate flexibility mean that this target market will only increase. The larger our network, both globally and nationally within countries, and the more innovative our product offering so the more attractive and compelling we become. This is especially relevant as Regus is the only truly global company in this sector.

### Our Mature Centres business

Our Mature Centres business is well established, with many locations in existence for more than 20 years. We have seen years of consistent performance and again in 2011 the same can be said; cash generation was strong and, despite the challenging macro economy, has shown robust year-on-year improvement. Our mature centres are well maintained, through a planned and rigorous series of maintenance capital expenditure improvements. This means we always look our best and provide customers with excellent facilities and services. There is also a degree of network modification as demand may change over time. This natural process ensures that our mature estate is always in an optimal condition, in optimal locations – city centre, suburban, transport interchanges amongst others. The absolute aim is to ensure that the business achieves its targeted returns regardless of the state of the global economy. We then endeavour to enhance these through a comprehensive programme of product and business development.

The four key facets of our Mature Centres business are decreasing cyclicality, maximising yield and diversifying revenue, reducing cost and network optimisation:

- **Decreasing cyclicality**
  We are constantly increasing the number of users across all sizes of companies in all sectors. This is driven by the general trend toward mobile work, especially as more companies look to outsource workplace provision and become more flexible but also by our offering a wider range of products and services. Over time we will steadily increase the revenue that we generate from our million plus members especially as we drive more global use, in part through increased use by large global corporates, but also into better serving those workers whose permanent base is the home.
- **Maximising yield and diversifying revenue**
  Our mature centres are constantly refreshed and reconfigured, changing to meet demand, be that in the short, medium or long term. This may lead to a short-term

## Why companies use Regus

POLYCOM

"The Regus solution allows us to enter new markets quickly without taking on the costs and risk of establishing our own infrastructure. It also makes our real estate operation more efficient, since we only have to deal with one company to get set up..."

**Fred Franz,** Senior Director of Worldwide Real Estate and Facilities Polycom, Inc

Polycom currently relies on Regus for flexible full-time offices in five countries: Mexico, Peru, Spain, Canada, and the United States.

Google Portugal

"The great benefit of being with Regus is it's so easy to expand. They increased the size of our workspace by giving us another room and taking down a wall – doing everything over a weekend. Every day they evolve their service as they learn more about how we do things differently in Google."

**Dr Paul Barreto,** Country Manager, Google Portugal

Google uses Regus worldwide for convenience. It provides everything needed to set up a business from scratch, with centres that are the same quality anywhere in the world.

Heinz

"We founded the new Heinz office in Regus because the services, from reception to facilities management, allow us to concentrate on the business and on growth. We also like the atmosphere in the town centre offices and the friendly Regus staff, who help us with small-scale administrative services."

**Matthias Wilberg,** Commercial Director of Heinz in Switzerland

Regus offered Heinz an established infrastructure that included facilities management and was by far the best quality solution in the right location.

MOLSON COORS

"Regus is very flexible to our needs – as well as the attraction of being able to grow or get smaller; it provides us with a low-cost and fast set-up. In Spain, I toured three centres and moved into one that afternoon."

**Dave McCarthy,** Chief Commercial Officer – Europe, Molson Coors

In six months, the Molson Coors European team has grown to 16 people and they continue to hire and expand the business, with staff based in a Regus centre in Kiev recently coming on board as well.

increase in mature maintenance capital expenditure (in 2011 we installed or refreshed some 500 lounges at a cost of approximately £4 million) but contributes to the generation of improved returns. Developing and diversifying new sources of revenue is also a key priority within the mature business; for example in the UK we provide a location package to Avis at more than 37 Regus locations. This enables them to cost effectively increase their reach with more drop-off and pick-up points. In return, we are able to offer our customers preferential rates and an Avis service on their doorstep.

- **Reducing cost**
  Just as we can reconfigure the physical layout so we can actively manage our leases. Paying the fair market rate for our leases is critical for the success of the business and over the year we continued to make great strides in increasing the flexibility of our lease portfolio and improving terms. Our aim is, where practicable, to have all leases either flexible (but with built in breaks or structural flexibility) or variable (where the rent is linked to the profitability of the centre). These combined equate to 80% of our mature group estate. Consequently, the business is able to ensure that over the economic cycle our rents track current market rates. The business also remains mindful of the need to control costs in the wider sense and that the current economic environment presents good opportunities to identify savings.

- **Network optimisation**
  Our mature network locations are broadly fixed but we maintain the flexibility to adapt where required. On rare occasions, centres become uneconomical: the rent becomes too high; the location is no longer as attractive as it once was; or, the building becomes tired and requires significant investment. Our response to these and other factors is usually one of the following:

  – Consolidate the centre into another one nearby;

  – Stay in the location and refurbish the centre working jointly with the building owner;

  – Move to a better location in the immediate vicinity; or,

  – Re-negotiate – either lower the rent or reduce the size of the centre.

The focus for our mature estate is, therefore, constant and active management to deliver continued high occupancy and usage. This will achieve stronger pricing which, coupled with lower relative overheads and input costs, will lead to margin improvement.

Juniper Networks

"With a more agile model, we are no longer on the real estate roller coaster...We can now acquire just what we need, when we need it for as long as we need it without risk or excessive costs."

**Coleen Hurley,** Director of Corporate Real Estate, Juniper Networks

For more than 10 years, the collaborative partnership between Juniper Networks and Regus has resulted in a strategic and fluid workplace model accommodating the changing needs of Juniper's global workforce and diverse customer base.

Challenger, Gray & Christmas, Inc.

"Any company that is looking for ways to be highly productive has to look at their real estate costs. Real estate has been so rigid for the last century that creating a flexible model takes on a new kind of creative thought. Before Regus we just rented out offices and had to pay for them then they sat empty."

**John Challenger,** CEO of Challenger, Gray & Christmas

For nearly 20 years, Challenger has partnered with Regus to create a real estate programme that is completely aligned with its business needs and objectives – one that eliminates any excess leases from the balance sheet.

TomTom

"Every time we open a local operation we start with Regus because it's easy. Instead of the complexities of starting a business in a new country, such as managing the facilities, you just start working."

**Pankaj Parshotam,** Marketing Manager, Consumer, TomTom Portugal

With everything in TomTom centralised in Amsterdam, Regus offers the ability for their small team to act like any start-up and get down to business straight away. TomTom also uses Regus space in Prague, Istanbul and Zurich.

redhat.

"We've been working with Regus for more than 10 years...Flexibility is at the heart of Regus, which means we can enter a new country or region without significant cost and risk to our business."

**Craig Youst,** Senior Director, Global Facilities & Real Estate, Red Hat

Regus provides Red Hat with a stepping stone approach into new markets and territories. At any one time, Regus workspace represents nearly 10% of Red Hat's real estate portfolio and is sometimes higher when needed.

## Continued improvements to the Mature Centres business model

We strive to improve the margins in our Mature Centres business through a continued focus on key strategic initiatives. Outlined below are some which played a key role in our strong 2011 performance:

### Strengthened and decentralised management

I wrote last year that strengthening in-country management was of critical importance to the Group. The considerable progress that we have made during the year has come about as a direct result of the continual improvements we are making to our management team, especially at a country level. As our organisation continues to grow, day-to-day responsibility is being moved from our regional headquarters to the field; pushing decision making down into the countries and therefore nearer to the customer improves the speed with which we can respond to our customers and the quality and accuracy of outcomes. Whilst this has increased our overheads in the short term, our business has to have strong, experienced local leaders to manage growth and ensure the appropriate level of returns are generated, and we are already seeing the return on this investment coming through as we achieve the desired de-layering.

### Innovation remains a core competitive differentiator

Our ability to attract new customers and increase spend from existing ones is highly dependent upon the strength of our new product and service offers, an approach we call "Only at Regus". Key highlights from this year include the launch of *businessLink,* a networking platform for Regus customers which aims to replicate in an online environment some of the physical benefits of being in a Regus location, such as serendipitous meetings in communal areas that lead to business opportunities. One of the main ways it is currently being used by our customers is to find new business and suppliers. *MyRegus,* our customer group purchasing portal, also underwent a major refresh, one element of which now allows customers to self-serve and transact with us 100% online. As such, online bookings are at an all-time high and we expect this to continue to increase in 2012.

### Strong operational progress

Devolving responsibility and decision making to the operations and especially in-centre teams, moved apace over the year. Our approach to operations is also focussed on reducing centre workload through a process of back office consolidation and workflow simplification. By the end of the year we had automated online more than 90% of in-centre processes (up from 70% at the end of 2010). In doing so we freed up significant amounts of front-line team members' time to spend on customer facing and revenue generating activities.

### A strong and dedicated global team

Our people are the most important part of our business. We are making significant improvements to the way that we develop and retain our people. In any growing organisation there is much opportunity and that remains one of the major attractions to working for our business.

As I have demonstrated above, we have gone to great lengths to find and empower management within key Group functions and at a country/local level. But to support our accelerated growth programme we need great people at all levels of the business. As a management team we are focussed on ensuring we are able to attract the best new talent but also retain key team members in the business. Over the year we have invested in our human resources team and created dedicated in-market resource. Training and team member career development remain central to our approach to retention. The business continues to invest heavily in training, especially of lower management and centre team members. We are also increasing the ease with which team members can move to new countries to help our growth. As such, we are confident that with the significant opportunities arising from growth, staff turnover will continue to reduce.

## Our New Centres business – capacity expansion

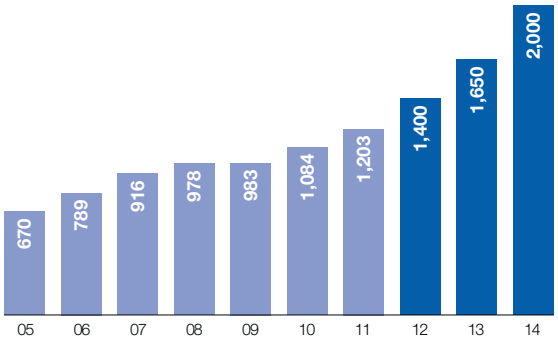
The larger our network, both globally and nationally within countries, so the more attractive and compelling we become. As has been previously stated, the business is aiming for a network in the region of 2,000 locations by 2014. We opened 139 locations in 2011 and plan to open a further 200 by the end of 2012. We expect these to achieve similar levels of revenue and earnings as the mature estate in due course, and we tightly manage them to ensure that this happens. It is important to state that whilst we remain optimistic and confident in our growth strategy, the management team remain mindful of the continued global economic uncertainty in the near term. We carefully monitor key metrics and are able to temporarily slow down the growth if we determine that conditions have become too uncertain or challenging.

Looking at our 2010 and 2011 openings we find that:

- Our 2010 centres have performed well. Totalling 116 locations, these generated £100.0m of revenue and made a centre contribution of £15.0m and an EBITDA of £3.8m.
- Our 2011 centres, some of which are only a few months old and totalling 139 locations, generated revenues of £20.2m and, as expected, made a negative centre contribution of £13.4m.

In 2012 we plan to open somewhere in the region of 200 new locations and enter 6-8 new countries. We have already opened in Madagascar and others will include Iceland, Nepal and Fiji. It is crucial for us to continue to enter new countries. This is primarily in response to demand from global (but also medium and small) companies as they look to us and our expertise to help them expand and enter new markets. The classic example is how we helped Google expand in

### New Centres business growth



the early part of the last decade and continue to support them in some 32 countries.

To support our accelerated growth programme and leverage the benefits and efficiencies of scale, we have recently strengthened the development team. It is vital that we automate and simplify as much of this expansion activity as possible and also ensure that we achieve the optimal return from our investment capital. Additionally, the current state of the global economy could well present us with a good opportunity to acquire a significant number of excellent locations at competitive rates.

There is a clear programme of development to ensure that growth is sustainable, achievable and in the places where there will be strong demand. Specifically:

- National networks – customers are today more likely to need access to complete national networks and not just individual centres. We believe there is significant latent demand as we open up more of these.
- Neighbourhood locations – we are increasingly opening in suburban and residential areas.
- Infrastructure locations – major motorway junctions, railway stations and other transport interchanges. Where people travel, they will increasingly work and will look to Regus for support.
- Missing city locations – we refer to this as filling in the "gaps on the map".
- Growth accelerating – in response to demand from end users but also as we react to requests from building owners and developers.

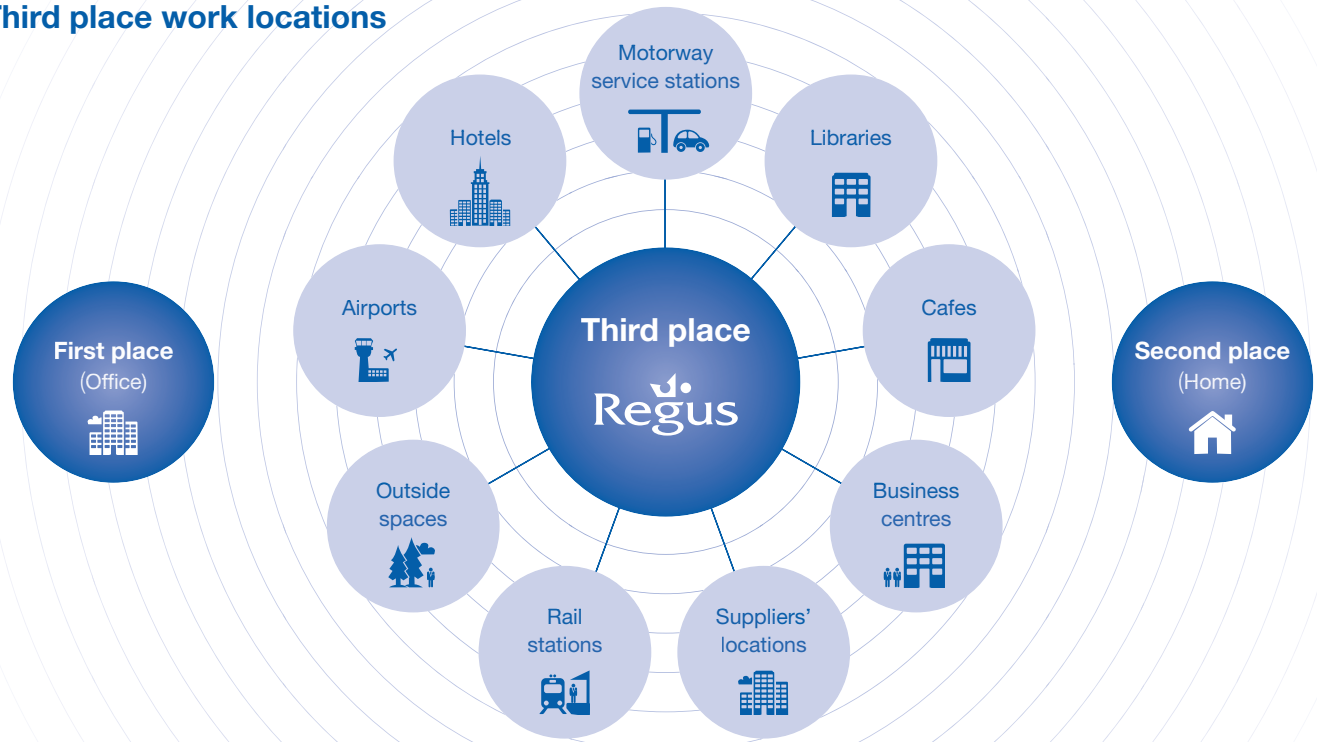
### Third Place

In pursuing additional growth opportunities, the business has been exploring a number of new avenues especially in expanding our network into more third places. Indeed, a commercial offer is emerging which has the potential to be a major third leg of our business.

Third place is defined as not the office (first place) nor the home (second place) – see diagram below. So a third place could be the library or a cafe or railway station, it might be the park bench or a supplier's premises. Work in the third place is increasingly the norm as technological advances mean that anyone can work anywhere. Our Third Place business is creating better quality work locations where people are increasingly likely to work when on the move or when away from the home or office, railway stations and motorway service stations for example, but the Group is exploring a wide variety of other third place locations.

This new Third Place business is being built on the experience we have gained from Businessworld where we have created a base of more than a million members in a little

## Third place work locations



over three years. Whilst third place remains at an early stage, progress has been rapid – in the second half of 2011 the Group signed a landmark deal with SNCF, the French national railway operator, and since the year end a similar deal with NS Trains, the Dutch national railway operator, has been agreed. Both will result in multiple Regus locations within these organisations' networks, serving a significant number of their mobile worker customers. The Group is also in discussions with a number of other similar transport infrastructure organisations from around the world, which includes a pilot with Shell at their motorway service stations in France and facilities set up and trading within airports (currently Schiphol (Netherlands) and Zaventem (Belgium)). Additionally we are soon to open a community based business centre which, in addition to the standard Regus offering, will house the local office of economic development and be put to a variety of different uses at evenings and weekends.

The potential of third place is significant and fast growing. It plays to our skill sets – our systems and process, business development expertise and long history of partnerships, our intuitive understanding of work and the needs of flexible workers. We expect to sign many more of these agreements in 2012 with increasingly diverse partners in many more locations.

Use of third spaces is different to traditional Regus centres and is more akin to how people interact with our business lounges. They are in effect drop-in locations for short-term, but frequent use. Convenience is key and that is why the experience has to be seamless, especially if using several locations over a week or even a day. They are ideally suited to the needs of the mobile worker: highly accessible; welcoming and comfortable; local and easy to use; professional with high quality wi-fi and refreshments; good value with other services available on a pay-as-you-need basis; and, where you are surrounded by other like-minded individuals. Membership is key – we have recently passed the million mark and expect strong and accelerating growth over the coming years; from large corporates such as Yell which take membership cards numbered in their thousands to entrepreneurs who will take just one, possibly purchased via a high street outlet.

With regards to the investment required and expected returns, we anticipate both to be comparable with our existing model. Our approach is global so we expect to benefit early from scale. The concept has been comprehensively demand tested, and being heavily underpinned by technology, is expected to develop rapidly. We intend to provide more information on key developments in this market in the future.

## Operational Review

The momentum of growth achieved in Q4 2010 continued throughout 2011. Over the year the Group opened 139 new centres (2010: 125) with the total number as of 31 December 2011 standing at 1,203 (2010: 1,084). Over the period customer numbers increased by 8.7% to 983,360 and have since the year end passed the million mark. Taken together, this growth resulted in an increase in total workstation capacity of 8.2% to 204,043.

To properly review our business, I will concentrate on our mature business performance development, which represents like-for-like business:

### Americas

Our Americas business posted a strong performance, especially in the USA and I offer my congratulations to them on a job well done. Mature revenues were up 2.3% on 2010 to £431.8 million with average mature occupancy of 88.6% during the period (2010: 82.8%). Mature gross margins improved strongly to 29.3% (2010: 24.0%). During the year, we added 62 centres, including our first in Omaha, Nebraska, which contributed to the increase in the average number of workstations from 74,265 in 2010 to 80,064 in 2011. The robust nature of our Mature Centres business is underpinned by the solidity of this business. Latin America has a number of exciting opportunities for us, not least in Mexico and Brazil where we see tremendous growth potential. We continue to experience healthy levels of demand across all geographies in the region and in H2 opened our first location in Uruguay.

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

| | Revenue | | Gross profit | | Mature gross margin (%) | |
|---|---|---|---|---|---|---|
| £ million | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| Americas | 431.8 | 422.3 | 126.6 | 100.5 | 29.3 | 23.8 |
| EMEA | 274.3 | 266.3 | 73.5 | 66.1 | 26.8 | 24.8 |
| Asia Pacific | 139.7 | 132.5 | 41.7 | 40.2 | 29.8 | 30.3 |
| UK | 187.6 | 174.8 | 29.7 | 14.5 | 15.8 | 8.3 |
| Other | 1.7 | 1.7 | 3.4 | 1.4 | – | – |
| **Total** | **1,035.1** | **997.6** | **274.9** | **222.7** | **26.6** | **22.3** |

* The mature business is defined as the performance from centres owned and operated at 31 December 2009.

### EMEA

Contrary to what might have been expected, our EMEA business had a good year, especially in H2. The region delivered mature revenues of £274.3m, up 3.0% on 2010 and achieved an average mature occupancy of 85.3% (2010: 79.6%). Mature gross margins improved over the period to 26.7% (2010: 24.9%). During the year, we added 45 centres which contributed to the increase in the average number of workstations from 36,120 in 2010 to 38,473 in 2011. Eight countries were added to the network including Croatia, Uganda and Madagascar. Although the macro economy across much of this region is challenging, we continue to seek and find good growth opportunities in many markets. Additionally, much of the initial interest and subsequent development and implementation of our Third Place activity has originated here.

### Asia Pacific

Our Asia Pacific business performed well. This dynamic region continues to present tremendous opportunities for growth, especially in India and China, but also in every market where we are present. Currently operating 108 mature centres across 16 countries, the region delivered mature revenues of £139.7m, up 5.4% on 2010 and achieved an average mature occupancy of 85.7% (2010: 81.4%). Mature gross margins stayed broadly flat at 30.0% (2010: 30.6%). During the year we added 29 centres which contributed to the increase in the average number of workstations from 23,437 in 2010 to 27,757 in 2011.

### UK

The UK remains a tough market but nevertheless, the business, which numbers 135 mature centres, continued to improve and delivered mature revenues of £187.6m, up 7.3% on 2010. This was on the back of mature gross margins almost doubling to 15.8% (2010: 8.3%), a clear demonstration of the progress made in turning this business around during the year. We remain vigilant as the average mature occupancy has not moved much beyond 80% (2011: 80.5% vs 2010: 80.8%). Property and associated on-costs remain high – consequently only three centres were added. Over the period the average number of workstations increased from 34,851 in 2010 to 38,346 in 2011. We have also focussed on refreshing the management team to give the business renewed vigour and focus.

## Outlook

Regus has delivered a strong set of results. After executing various strategic initiatives over the last two years, Regus is now a more resilient business and our strong growth reflects this. The current trend toward flexible working means that we anticipate continued strong momentum in 2012 and current trading reflects this. As such, despite an uncertain economic backdrop we are cautiously optimistic.

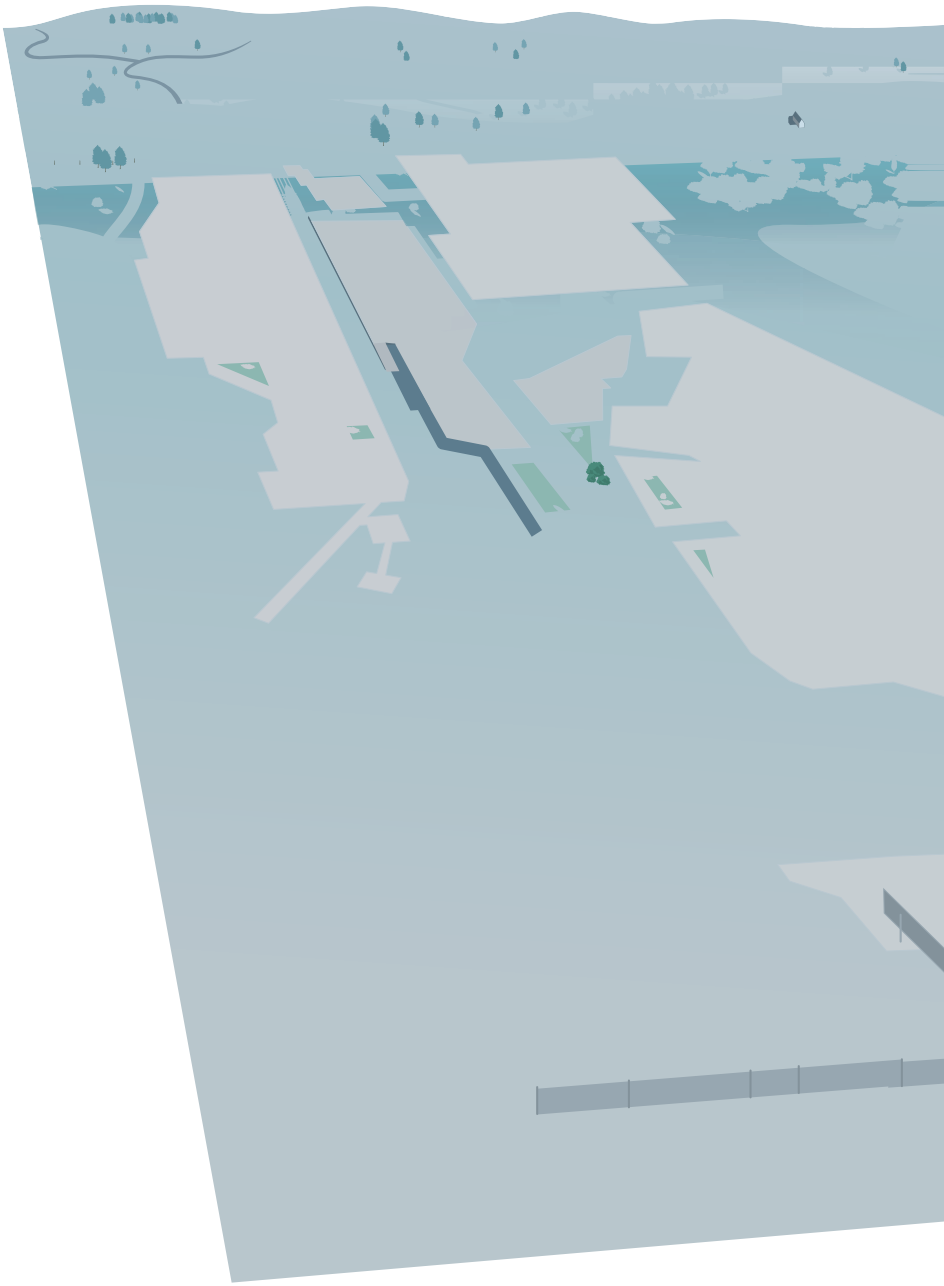
- Our Mature Centres have significant and fundamental strengths; strong cash generation, solid like-for-like revenue growth and improving margins, performances which we are focussed on maintaining.
- Our New Centres are performing well, and the locations we have opened are expected to reach our target return on investment hurdle in the expected timeframe. We anticipate margins in these locations will continue to improve.
- Whilst the overall Group performance will always be impacted by the pace of openings within our New Centres business, the Board is comfortable with the progress being made and expects that the strong momentum in our Mature Centres business will continue into 2012.
- Regus' unique, market leading position provides us with excellent potential to grow further through our Third Place business due to the burgeoning flexible work market and we look forward to this delivering additional returns over the medium to long term.

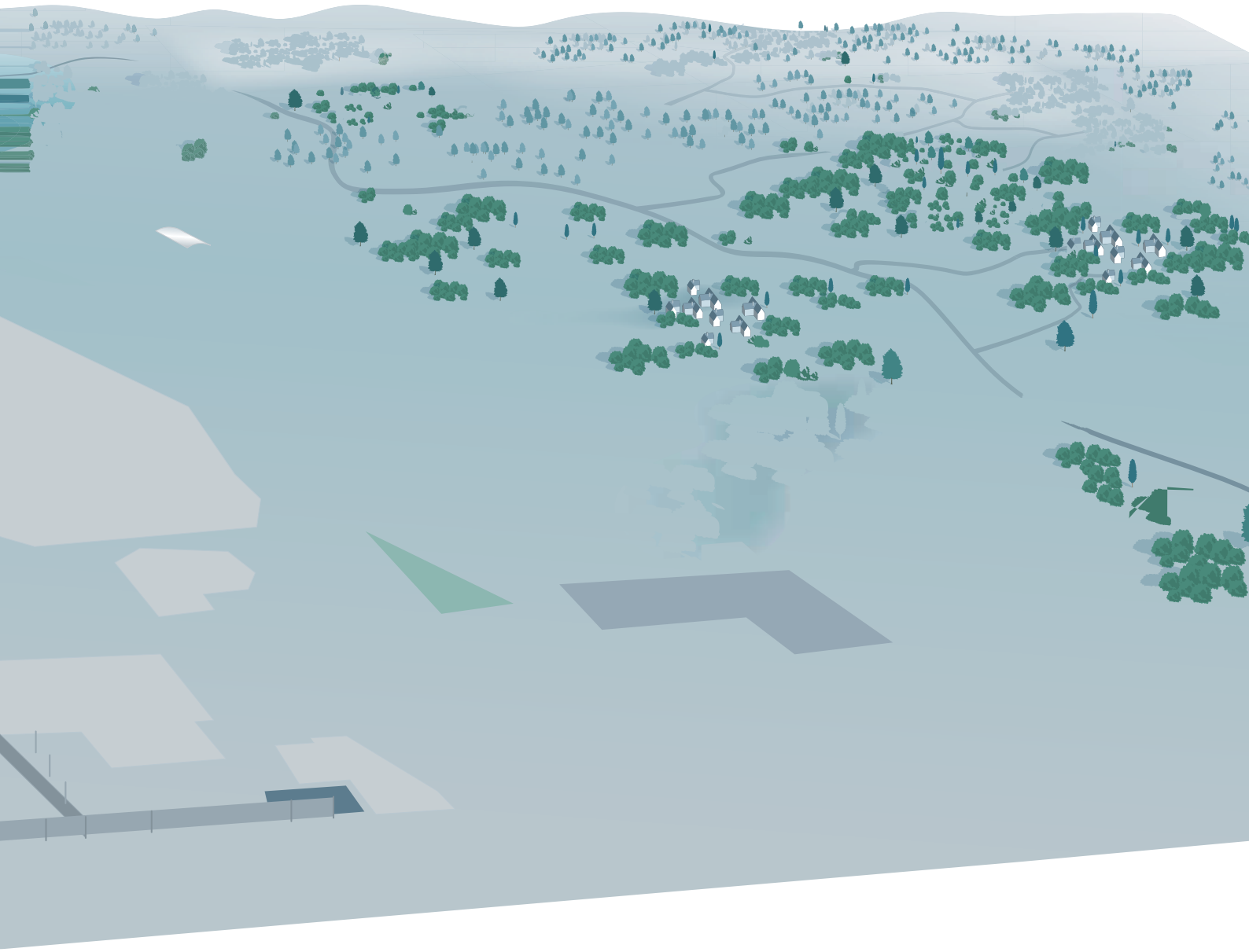
Whilst we foresee the general business environment remaining challenging at a macro level in the near term, we remain optimistic about the long-term growth prospects and strategy of the business. As such, we are ready and capable to invest further to accelerate growth but scale back if macro-economic conditions deteriorate.

Fundamentally, the achievement of our goals rests on our energetic, passionate and dedicated team members providing our rapidly growing number of customers and partners with absolutely the best possible service. It is a pleasure to lead such a team and it is only right that I end by thanking them for their efforts in 2011 and look forward to sharing further success with them in 2012.

**Mark Dixon**
Chief Executive Officer

20 March 2012





## Driving growth

# Developing our Mature Centres

Our business centres are the heart of our network and the place from where all our products and services can be accessed. The assumption is that they are mainly places of fixed working but this couldn't be further from the truth – with a wide variety of fixed and flexible work products and services they are thriving hubs of entrepreneurial and business activity, engines of their local and indeed national economies.

### Branch offices

The ideal way to expand into new markets. We provide our customers with space to work, business support, local knowledge and a customer base, all on their doorstep.

### Training rooms

Regus are able to provide a suite of training room environments at all locations to suit a wide variety of learning styles. All are served by a dedicated support team.

### Coworking

Most Regus centres have open plan space which different businesses share. Popular with a wide variety of organisations these spaces are a low cost alternative for businesses which are starting to grow.

### Disaster recovery

A variety of fixed and virtual spaces to help organisations of any size resume operations following a workplace disaster.

### Day offices

Sometimes all that is required is a quite private space for a few hours or possibly a full day. All Regus centres have private offices, with all the services that go with that, available on an hourly basis.

### Administrative support

Available to anyone on a pay-as-you-need basis from as little as 15 minutes from photocopying or collation through to booking travel or accommodation.

### Virtual Office

All the benefits of an office, without the office – an impressive business address and phone number anywhere in the world, as well as a private office for a few days each month if required.

### Thinkpods

A stylish new thinking and working space with room for a laptop and a comfortable, adjustable chair, Thinkpods are dedicated to productivity and unique to Regus. Designed to be used for any length of time from one hour to a whole day, providing privacy in the shared space of our business lounges.

## Collaboration spaces

Regus is able to provide a wide range of spaces for teams of all sizes to meet and collaborate.

## Serviced offices

Our workspaces are highly adaptable and fully equipped with all the furniture, IT and communications technology our customers need to move in today and start working.

## Document and print management

Our fully self-service cloud printing solution. Customers can print from anywhere to anywhere on the network. This then facilitates other activities such as low cost couriering.

## Meeting rooms

With more than 4,000 meeting rooms we provide the very best in flexible meeting space bookable by the day, half day or even the hour.

## Business lounges

Our business lounges are the perfect place to work when on the move, convenient work-ready environments providing peace, support and dedicated resources.

## Video communication

We have the world's largest network of video communication suites, including state of the art Telepresence studios, which enable face-to-face meetings without the usual travel expense and downtime.

# Financial review

## Improved profitability and strong underlying cash generation in spite of continued challenging market conditions.

It is only possible to understand properly Regus' financial statements by looking at mature business performance and new business performance separately. The reason for this is that, while our new centres (defined as centres that opened on or after 1 January 2010) develop rapidly and contribute in line with our mature centres (those opened on or before 31 December 2009) over time, the resources that we apply to opening and developing a new centre, as well as the relative underperformance before the centre has fully matured, create a drag on our overall income statement. The overall weight of this drag depends on the pace of our opening programme, as well as the mix of property deals across the centres. With the capital expenditure invested in our centres, new centre openings have, therefore, a significant impact on the Group's cash flow, with the majority of the free cash flow generated from the mature business being reinvested in growing the business. This will be covered in greater detail below.

### Mature Centres business (centres open on or before 31 December, 2009)

At the end of 2011, we had 948 mature centres, constituting 79% of the total Group workstations. The table below shows the development of Mature Centres' financial performance from 2010 to 2011:

| £m | **2011** | 2010 | % increase |
|---|---|---|---|
| Turnover | 1,035.1 | 997.6 | 3.8 |
| Gross profit (centre contribution) | 274.9 | 222.7 | 23 |
| *Gross margin* | *26.6%* | *22.3%* | |
| Overheads | (167.3) | (159.0) | 5 |
| Joint ventures | 0.1 | 1.3 | – |
| Operating profit | 107.7 | 65.0 | 66 |
| *Operating margin* | *10.4%* | *6.5%* | |
| EBITDA | 168.3 | 133.9 | 26 |
| *EBITDA margin* | *16.3%* | *13.4%* | |

Our mature portfolio achieved like-for-like sales growth of 3.8% over the full year, accelerating from 2% in the first half to over 5% in the second half, reflecting the carry-over from improving performance in the first half. The historic high levels of occupancy achieved in the first half were carried forward into the second half and office pricing also advanced slightly from its low point in the first half of the year. In light of the negative global economic climate through the second half of 2011, this performance provides management with confidence that we are on the right strategic path.

The strong top-line performance converted into a 23% improvement in gross profit (27% in the second half), while the gross margin rose to 26.6% for the full year (27.8% in the second half), with the benefit of the leverage impact from higher turnover, tight control of centre costs, and relentless focus on our rental costs.

Overheads allocated to the mature estate increased by 5% on last year from £159.0m to £167.3m. This was driven by an increase in marketing spend from £26.9m to £30.2m, largely reflecting the increased effort in the first half to drive occupancy levels higher, as well as the investment made in strengthening the Group's operational management structure and some central functions. In the second half, overheads allocated to the mature business were up only marginally on 2010 overheads, at £77.0m compared with £76.5m, and significantly lower than the £90.3m cost in the first half, benefiting from economies of scale and some productivity gains. As a result, while overheads as a percentage of revenue increased marginally from 15.9% of revenue in 2010, to 16.2% of revenue in 2011, second half overheads as a percentage of revenues fell to 14.7%. We are confident, therefore, that we are making significant progress towards our target of 12% on the mature estate.

As a result, our mature operating profit increased 66%, taking our operating margin from 6.5% in 2010 to 10.4% in 2011 and our EBITDA margin increased from 13.4% to 16.3%. For the second half of 2011 the operating profit increase was even better, increasing by 79% from £38.5m in H2 2010 to £68.8m with an operating margin in H2 2011 of 13.2% (H1 2011: 7.6%).

We set out below a notional EPS calculation on our mature business, which, in management's view, provides a better insight into the operating performance of this business:

| £m | **2011** | 2010 | % increase |
|---|---|---|---|
| Mature operating profit | 107.7 | 65.0 | 66 |
| Net finance charge | (5.1) | (0.3) | |
| Tax at 20% | (20.5) | (12.9) | 59 |
| Notional mature profit after tax | 82.1 | 51.8 | |
| **Notional mature EPS** | **8.7p** | **5.5p** | **58** |

Accordingly, notional mature EPS has grown 58% from 5.5p in 2010 to 8.7p in 2011. In line with operating profit, the H2 2011 mature EPS was correspondingly stronger, increasing 65% from 3.4p in H2 2010 to 5.6p in H2 2011.

The mature EPS of 5.6p in H2 2011, which yields an annualised 11.2p per share, was achieved in spite of the negative macroeconomic backdrop of the second half of 2011. If the economy continues to improve through 2012, we would expect to gradually drive sales and margins further forward and improve on this EPS achievement.

The improved EPS result is also reflected in an increased cash flow from our mature business, which is set out below:

| £m | **2011** | 2010 | % increase |
|---|---|---|---|
| EBITDA | 168.3 | 133.9 | 26 |
| Maintenance capital expenditure | (39.4) | (31.8) | |
| Working capital (estimated) | 11.0 | (8.1) | |
| Other items (allocated) | (1.4) | (2.1) | |
| Finance costs (all allocated to mature) | (0.9) | 0.1 | |
| Tax (at 20% or cash outflow if higher) | (20.5) | (15.5) | |
| **Mature free cash flow** | **117.1** | **76.5** | **53** |

This mature free cash flow increased 53% to £117.1m, underlining the cash generative nature of our mature business. This is equivalent to 12.4p per share.

## New centres (open on or after 1 January 2010)

At the year end, we had 255 new centres, comprising 21% of the total number of workstations.

As highlighted above, these centres represent a drag on the income statement, as they require heavy investment in central overheads to locate, negotiate, man, market and fill. On top of this, the centres make a negative gross margin during their fill phase before the revenues rise to a level where the centre starts to make a positive contribution.

The table below shows the impact on the income statement from these new centres:

| £m | **2011** | 2010 |
|---|---|---|
| 2010 Openings | 100.0 | 22.9 |
| 2011 Openings | 20.2 | – |
| **Turnover** | **120.2** | **22.9** |
| 2010 Openings | 15.0 | (7.1) |
| 2011 Openings | (13.4) | – |
| **Gross profit (centre contribution)** | **1.6** | **(7.1)** |
| Overheads | (56.3) | (32.4) |
| **Operating profit** | **(54.7)** | **(39.5)** |
| **EBITDA** | **(42.4)** | **(36.6)** |

Turnover from new openings has increased significantly as we have opened more centres throughout 2010 and 2011.

As heralded at the publication of our half year results, the pace of openings increased significantly in the second half of 2011, with 91 new centres opened during this 6-month period, bringing the total for the year to 139 new centres.

The 2010 openings continued their progression to maturity, achieving a 15.0% gross margin in 2011, with 19.0% being achieved in the second half.

As expected, there was a negative gross profit on 2011 openings, which cost £13.4m. So far, these new 2011 centres are performing to plan and we anticipate seeing the normal improving performance as we go through 2012.

The allocation of central overheads to support the new centres increased significantly in 2011 as the overall number of new centres increased and the pace of openings accelerated.

As a result, new centres created a drag of £54.7m on the income statement in 2011, up from £39.5m in 2010. The second half drag in 2011 accelerated to £31.5m as a result of the pace of openings during this period. However, it should be noted that, if when we apply the same overhead allocation methodology purely for the 2010 openings, these became contributors to operating profit during the second half of 2011, with a positive operating profit of £1.4m.

We set out below the cash flow impact of this investment in growth:

| £m | **2011** | 2010 |
|---|---|---|
| EBITDA | (42.4) | (36.6) |
| Growth capital expenditure | (93.6) | (61.1) |
| Working capital (estimated) | 39.7 | 18.7 |
| Tax | 9.9 | – |
| **Net investment in growth** | **(86.4)** | **(79.0)** |

Accordingly, the Group invested £86.4m in growing the business, representing a continued commitment to growth, subject to the investment cases clearing the Group's stringent financial hurdles. As previously highlighted, we are confident that these new centres will contribute to the Group's cash flows as they mature and it is clear that new 2010 centres were already beginning to make a contribution to cash flow in the second half of 2011.

## Closures

From time to time, as part of our everyday business we close centres, in most cases either because they are loss-making and the lease is not renewed by ourselves, or we wish to close and relocate to a better property or, occasionally, because the landlord does not wish to extend the lease.

Accordingly, we closed 20 centres during 2011, which contributed an operating loss of £2.4m in 2011, against a loss of £1.6m in the corresponding period.

## Overheads

Total Group overheads increased 16% from £193.3m in 2010 to £224.7m in 2011. This increase reflected a significant increase in marketing costs (up from £33.3m to £41.3m) to support occupancy growth and the increased centre base, as well as increased investment in operational management, procurement, the property team and our dedicated product development function. In addition, some increases in other administrative functions' costs were required to support our growing business.

In finance, we continue to work toward simplifying and standardising where possible, and the elimination of duplication of effort. This has required investment in time and effort up front. We will begin to reap some of the benefits in 2012 and these will build over the next couple of years as we move towards our goal of a lean and cost-efficient finance function.

Total overheads as a percentage of sales rose from 18.6% in 2010 to 19.3% in 2011, while second half 2011 costs represented 18.3% of sales. This increase is largely a result of the accelerated pace of growth, because new centres are more overheads intensive than mature centres.

## Overheads allocation methodology

The allocation of overheads to the various elements of our business is based on the activity drivers in each part of the business.

For sales & marketing costs, the principle is that allocation is made on the basis of new workstation sales (since the marketing effort is spent on driving enquiries and the sales effort is spent on converting these enquiries into sales). Renewals are excluded, as these are handled by the centre staff, who form part of our cost of sales.

For all other overheads (apart from the specific allocations for new centres outlined below), we follow the principle of allocating the costs pro rata by reference to workstation numbers.

There are two specific allocations made. Firstly, it is currently estimated that 90% of the property teams' costs are spent on supporting our growth programme – finding and negotiating new centre deals and managing the fit-out phase up to opening. Secondly, we estimate that each new centre costs £130,000 to get to the stage of opening, built up from management time, sales and marketing set-up costs (these costs are deducted before the allocation outlined above is made), human resources recruitment and training costs, and administrative and finance set-up costs.

## Group operating profit reconciliation

The following tables reconcile the elements of our business to the Group consolidated income statement down to operating profit:

| £m | **Mature centres 2011** | **New centres 2011** | **Closed centres 2011** | **Total 2011** |
|---|---|---|---|---|
| **Revenue** | **1,035.1** | **120.2** | **7.3** | **1,162.6** |
| **Cost of sales** | **(760.2)** | **(118.6)** | **(8.6)** | **(887.4)** |
| **Gross profit (centre contribution)** | **274.9** | **1.6** | **(1.3)** | **275.2** |
| **Administration expenses** | **(167.3)** | **(56.3)** | **(1.1)** | **(224.7)** |
| **Share of profit on joint venture** | **0.1** | **–** | **–** | **0.1** |
| **Operating profit (before exceptional items)** | **107.7** | **(54.7)** | **(2.4)** | **50.6** |

| | Mature centres 2010 | New centres 2010 | Closed centres 2010 | Total 2010 |
|---|---|---|---|---|
| Revenue | 997.6 | 22.9 | 19.9 | 1,040.4 |
| Cost of sales | (774.9) | (30.0) | (19.6) | (824.5) |
| Gross profit (centre contribution) | 222.7 | (7.1) | 0.3 | 215.9 |
| Administration expenses | (159.0) | (32.4) | (1.9) | (193.3) |
| Share of profit on joint venture | 1.3 | – | – | 1.3 |
| Operating profit (before exceptional items) | 65.0 | (39.5) | (1.6) | 23.9 |

## Net finance costs

Despite our healthy net cash position, the Group incurred a net finance charge of £5.1m in 2011. This mainly relates to two items. Firstly, the Group income statement is exposed to foreign exchange movements on some inter-company transactions and transaction exchange losses were £2.6m in 2011. Secondly, we incur a notional interest charge (£2.0m) relating to the accounting treatment of a fair value adjustment on an acquisition in 2006. This second item will disappear after 2013 when the fair value adjustment has unwound fully.

## Tax

The tax charge for the year was 19.6%, in line with the long-term Group tax rate of 20%.

## Earnings per Share

The Group earnings per share increased from 1.9p in 2010 (before exceptional items) to 4.0p per share in 2011. However, as previously highlighted, our new centres create a significant drag on profit, which impacts the earnings per share.

## Cash Flow

The table below reflects the Group's cash flow:

| £m | **2011** | 2010 |
|---|---|---|
| **Mature free cash flow** | **117.1** | **76.5** |
| **Net investment in growth** | (86.4) | (79.0) |
| Closed centres cash flow | (3.4) | 0.1 |
| Exceptional items | (1.9) | (13.7) |
| **Total net cash flow from operations** | **25.4** | **(16.1)** |
| Dividends | (25.0) | (23.2) |
| Corporate financing activities | – | (7.2) |
| Opening net cash | 191.5 | 237.0 |
| Exchange movements | (3.6) | 1.0 |
| **Closing net cash** | **188.3** | **191.5** |

The above table clearly highlights the underlying cash generation of our mature business, with mature free cash flow increasing from £76.5m in 2010 to £117.1m in 2011.

We have also increased our investment in growth, from £79.0m in 2010 to £86.4m in 2011, with 125 and 139 centres opened in 2010 and 2011 respectively.

The Group's balance sheet remains healthy, with net cash broadly stable on last year at £188.3m in spite of the growth investment and the healthy return to shareholders via dividend payments.

During the year, we strengthened our Treasury function and are in the process of rationalising and deepening our banking relationships. We are also in the process of upgrading our cash management to ensure the maximum level of available cash at the centre.

## Risk management

The Group has a very diverse revenue base, given its global reach, extensive range of products, and increasing numbers of customers engaged in all manner of different industries. As such, its exposure to localised economic issues or the health of individual industries is manageable.

On top of this, the Group has done much over the years to manage its cost base, most obviously through risk mitigation of its lease obligations. In 2011, our rental costs were £414.9m and the minimum contractual lease commitments at 31 December 2011, totalled £1,779.7m, as disclosed in note 29 of our audited annual accounts. It should be noted however, that the Group's Forward Order Book gives us good visibility of our sales in the near term and covers almost two years of rental costs. On top of this, over 80% of the Group's leases are flexible or fully variable in nature. Taking into account these commercial realities and based on past experience, management does not believe that this outstanding obligation represents a significant risk to the business. We have consistently demonstrated our ability to renegotiate leases with landlords to ensure that we are not paying rent ahead of the market rate (albeit with a lag) and we know from experience that, where we have centres that are well managed, in the right location, and where we are paying market rent, we earn good returns. The evidence for this is demonstrated through the development of our mature profitability over the last few years. No one would deny that the period since 2008 has been difficult for the world economy in general and property markets in particular and yet, throughout this period, our mature business has maintained good profitability and very healthy cash flows.

Many readers will be aware of the ongoing attempts by the International Accounting Standards Board to find a solution to the perennial debate on lease accounting. This has resulted in the unusual decision to release a second Exposure Draft. There are likely to be significant changes in the second Exposure Draft and it remains unclear how this debate will conclude. In any event, it seems unlikely that any resulting Standard would be applicable to accounts before the year ended 31 December 2014 at the earliest. Whatever the outcome, it will have no impact on the underlying commercial dynamics of our business, described above.

## Dividends

In line with Regus' progressive dividend policy, it is proposed, subject to shareholder approval, to increase the final dividend for 2011 to 2.0p (2010: 1.75p). This will be paid on Friday 25 May 2012, to shareholders on the register at the close of business on Thursday 26 April 2012.

This represents an increase in the full year dividend of 12%, taking it from 2.6p for 2010 to 2.9p for 2011.

**Dominique Yates**
Chief Financial Officer

20 March 2011

# Corporate responsibility

## Carbon reduction

Regus UK continues to make excellent progress in its environmental performance. The strategy outlined in last year's annual report targeted a 10% reduction in carbon footprint in 2010 based on our 2007 baseline. We are delighted to report that we actually achieved a 10.28% reduction and this coupled with our successful Carbon Trust Accreditation in May 2010 clearly demonstrates that we are taking our environmental impact and performance seriously. The emissions metric we are using to measure and track our carbon footprint is that of kg of $CO_2$ per occupied workstation. This metric follows very closely one of our important business performance metrics and has been accepted by the carbon trust as a unique measure which not only encourages carbon reduction but displays performance in business too.

We recognise that to maintain sustainable year-on-year reductions in energy, waste and water a combination of behaviour change and physical interventions would be necessary and in June 2010 introduced a behavioural change programme to encourage Greener Working. This campaign includes a variety of behavioural changes coupled with a series of energy and carbon saving practices across the estate. Each centre now has an appointed Greener Working Champion whose primary role is to reduce energy and water consumption, encourage recycling and promote greener working amongst customers and suppliers. Dry Mixed recycling was also introduced in 2010 and is being successfully adopted by our team members and customers.

With energy spend in excess of £8m we are full participants in the UK government's CRC Energy Efficiency Scheme. We recognise that this comprehensive legislation is currently under review, however the reputational league table will remain and Regus expects to be favourably placed as it has both Carbon Trust Accreditation and Automatic Meter Readers in all its centres where required (a requirement of the legislation for a high position on the table).

## Charitable activities

Regus is a great supporter of charities local to the communities we serve and in 2011 many of our efforts were linked to the record number of natural disasters that occurred.

Most notable was the support we gave to people in Japan affected by the terrible earthquake and tsunami. Our centre in Sendai was particularly badly affected. As well as the company donating £25,000, our employees from around the world held local fundraising events and also donated through payroll giving.

During the floods in Bangkok, team members showed unwavering commitment to supporting the business community even though many of their own homes were flooded. Some commuted for hours a day just to set up emergency offices in unaffected centres.

In the United States, team members delivered blankets, water and other essentials to victims of two tornados. The Regus Life Savers team of walkers and runners took part in the Dallas Race for the Cure half marathon and raised more than $55,000 for the breast cancer charity Susan G Komen.

Our UK business continued to fundraise for Macmillan Cancer Support and DeBra (a charity for people with a genetic skin blistering condition) through its annual raffle, raising more than £17,000.

And in South Africa we continued our involvement with Santa Cause where we sponsored 300 children – at R150 each – so they could enjoy the ultimate Christmas party. In 2012 we plan to take this worthwhile cause global.

## Our targets for next year

### Recycle at least

**35%**

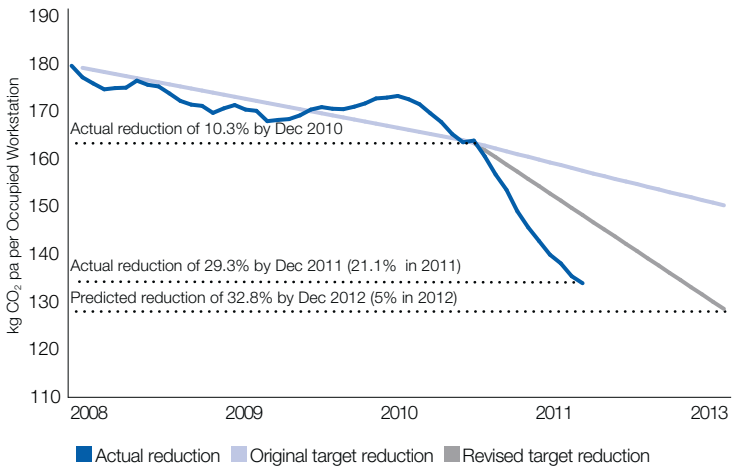
of the waste generated from our UK locations by using approved dry mixed recycling bins installed in all offices where we have control.

### Reduce the carbon footprint of our UK business by a further

**5%**

based on the measured 2007 levels. By the end of 2012 Regus will have reduced its carbon footprint by at least 20% and be on track for a 50% reduction by 2020.

### Regus UK YTD Rolling kg $CO_2$ pa per Occupied Workstation



# Board of directors

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



### Douglas Sutherland (N)
Chairman

Douglas Sutherland was appointed Non-Executive Director of Regus on 27 August 2008 and was appointed Non-Executive Chairman on 18 May 2010; he also serves as Chairman of the Nomination Committee. Douglas was Chief Financial Officer of Skype during its acquisition by eBay in October 2005 and was also Chief Financial Officer at SecureWave during its acquisition by PatchLink in July 2007. Prior to this, Douglas enjoyed a career with Arthur Andersen, serving as a Partner with management responsibilities for over a decade. Douglas is currently also a Director of HosCo Kliniken S.à r.l. and HosCo Gruppe S.à r.l.

### Lance Browne (A, N, R)
Senior Independent Non-Executive Director

Lance Browne was appointed Non-Executive Director of Regus on 27 August 2008 and became Senior Independent Non-Executive Director on 18 May 2010. Lance is Chairman of Travelex (China), Vice Chairman of Standard Chartered Bank (China) Limited and Non-Executive Director of G3. He was previously China Senior Advisor to the City of London, Chairman of China Goldmines plc, Non-Executive Director of IMI plc and Director of Business Development at Powergen International (HK).

### Mark Dixon
Chief Executive Officer

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

### Elmar Heggen (A, N, R)
Independent Non-Executive Director

Elmar Heggen was appointed Non-Executive Director of Regus on 1 June 2010 and became Chairman of the Remuneration Committee on 24 November 2010. Elmar has extensive management experience and is currently Chief Financial Officer and Head of the Corporate Centre at RTL Group, the leading European entertainment network, where he has held various roles since 2000. Elmar began his career at the Felix Schoeller Group, becoming Vice President & General Manager of Felix Schoeller Digital Imaging in the UK in 1999.

### Dominique Yates
Chief Financial Officer

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

### Alex Sulkowski (A, N, R)
Independent Non-Executive Director

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

Notes

**(A)** Member of the Audit Committee

**(N)** Member of the Nomination Committee

**(R)** Member of the Remuneration Committee

# Other statutory information

The Directors of Regus plc (société anonyme) (the "Company") present their Annual Report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2011.

## Directors

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

Executive Directors
Mark Dixon
Stephen Gleadle (resigned 31 August 2011)
Dominique Yates (appointed 1 September 2011)

Non-executive Directors
Douglas Sutherland
Lance Browne
Elmar Heggen
Alex Sulkowski

Biographical details for the Directors are shown on page 21.

Details of the Directors' interests and shareholdings are given in the Remuneration Report on pages 32 to 38.

The Corporate Responsibility Statement, Corporate Governance Statement, Remuneration Report and Director Statements on pages 20 to 38 all form part of this report.

## Principal activity

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

## Business review

The Directors have presented a business review as follows:

The Chief Executive's Review and Financial Review on pages 5 to 19 respectively address:

- review of the Company's business (pages 5 to 11);
- trends and factors likely to affect the future development, performance and position of the business (pages 5 to 11);
- development and performance during the financial year (pages 16 to 19); and
- position of the business at the end of the year (page 19).

The Corporate Responsibility Report, on page 20, includes the sections of the Business Review in respect of:

- environmental matters;
- employees; and
- social and community issues.

The Corporate Governance Statement, on pages 24 to 30, includes a description of the principal risks and uncertainties facing the Company.

The Directors' Statements on page 31 includes the statutory statement in respect of disclosure to auditors.

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

## Results and dividends

Profit before taxation for the year was £45.5 million (2010: £7.8 million).

The Directors are pleased to recommend a final dividend for 2011 of £18.8 million (2010: £16.5 million), being 2.0 pence per share (2010: 1.75 pence per share). The total dividend for the year will therefore be 2.9 pence per share, made up of the interim dividend of 0.9 pence per share paid in October 2011 (2010: 0.85 pence per share) and, assuming the final dividend is approved by shareholders at the forthcoming AGM, an additional 2.0 pence per share (2010: 1.75 pence per share) which is expected to be paid on 25 May 2012 to shareholders on the register at the close of business on 26 April 2012.

## Policy and practice on payment of creditors

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

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

At 31 December 2011, the number of creditor days outstanding for the Group was 30 days (2010: 25 days) and for the Company was 34 days (2010: 1 day).

## Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts on pages 40 to 87.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 10 to 11 as well as the Group's principal risks and uncertainties as set out on pages 26 and 27. Based on the performance of the Group, its financial position and cash flows, the Board is satisfied that the Group is well placed to manage its business risks successfully.

Further details on the going concern basis of preparation can be found in note 24 to the notes to the accounts on page 68.

## Employees

The Group treats applicants for employment with disabilities with full and fair consideration according to their skills and capabilities. Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore opportunities for their retraining or redeployment elsewhere within the Group.

## Political and charitable donations

It is the Group's policy not to make political donations either in the UK or overseas. The Group made charitable donations of £30,000 during the year (2010: £50,000).

## Capital structure

The Company's share capital comprises 950,969,822 issued and fully paid up ordinary shares of 1p nominal value in Regus plc (2010: 950,969,822). All ordinary shares have the same rights to vote at general meetings of the Company and to participate in distributions. There are no securities in issue that carry special rights in relation to the control of the Company. The Company's shares are traded on the London Stock Exchange.

Details of the role of the Board of Directors (the "Board") and the process for the appointment of directors can be found on pages 24 to 25.

At the Company's Annual General Meeting held on 17 May 2011 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 94,189,892 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 13 April 2011. No shares were purchased pursuant to this authority during the year.

Details of the Company's employee share schemes can be found in the report of the Remuneration Committee on pages 32 to 38. The outstanding awards and options do not carry any rights in relation to the control of the Company.

## Substantial interests

At 20 March 2012, the Company has been notified of the following interests held in the issued share capital of the Company.

| | Number of ordinary shares | % of issued share capital |
|---|---|---|
| Estorn Limited * | 322,028,792 | 34.19% |
| Prudential plc | 158,450,222 | 16.82% |
| Standard Life Group | 46,538,104 | 4.93% |
| Ameriprise Financial Inc | 46,441,761 | 4.93% |
| BlackRock Inc | 46,064,455 | 4.85% |
| Tree Top Asset Management SA | 45,167,670 | 4.75% |
| Norges Bank | 28,266,242 | 3.00% |

* Mark Dixon indirectly owns 100% of Estorn Limited

## Auditors

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

## Approval

This report was approved by the Board on 14 March 2012.

On behalf of the Board

**Tim Regan**
Company Secretary
20 March 2012

# Corporate governance

The Board is committed to the high standards of corporate governance as set out in the UK Corporate Governance Code (formerly the Combined Code) published in May 2010 (the "Code") for financial periods beginning after 29 June 2010. The Code is available at www.frc.org.uk. The Board is accountable to the Company's shareholders and this report describes how the Board applied the principles of good governance. In its prospectus dated 8 September 2008, the Company stated its intention to voluntarily comply with the then Combined Code so far as it is practical for a Luxembourg company to do so. There is no similar corporate governance regime in Luxembourg.

## The Board

At 31 December 2011, the Board of Directors was made up of six members comprising the Chairman, two Executive Directors and three Non-Executive Directors. Biographical details of the Directors are set out on page 21.

### Role of the Board

The primary role of the Board is to provide entrepreneurial leadership and to review the overall strategic development of the Group. The Board approves the corporate plan and the annual budget and reviews performance against targets at every meeting. Through the Audit Committee, the Directors ensure the integrity of financial information and the effectiveness of financial controls and the internal control and risk management system. The Board has delegated authority to the Remuneration Committee to set the remuneration policy for Directors and senior management. The Nomination Committee recommends the appointment of Board Directors and has responsibility for succession planning at Board level. The various Board Committees (the "Committees") have authority to make decisions in their areas of expertise.

### Frequency of meetings

There were seven main board meetings during 2011.

The number of meetings of the Board and Committees and individual attendance by the Directors are shown below.

| | Main Board | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| Total meetings | 7 | 4 | 4 | 5 |
| Douglas Sutherland | 7 | | | 5 |
| Mark Dixon | 7 | | | |
| Stephen Gleadle [a] | 4 | | | |
| Dominique Yates [b] | 2 | | | |
| Lance Browne | 7 | 4 | 4 | 5 |
| Elmar Heggen | 7 | 4 | 4 | 5 |
| Alex Sulkowski | 7 | 4 | 4 | 5 |

(a) Resigned 31 August 2011

(b) Appointed 1 September 2011

### Matters reserved for the Board

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

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

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

## Roles of Board members

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

### The Chairman

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

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

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

### The Chief Executive

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

### Non-Executive Directors

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

### Company Secretary

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

## Board Committees

The Board has delegated certain of its governance responsibilities to the Audit, Nomination and Remuneration Committees. The Company Secretary acts as secretary to all of the Board Committees and minutes of meetings are circulated to all Board members.

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

### Audit Committee

Alex Sulkowski (Chairman)
Lance Browne
Elmar Heggen

The Board has delegated to the Audit Committee the responsibility for applying an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under law and the Code; and managing the relationship with the Company's external auditors. The Committee consists entirely of Non-Executive Directors, all of whom are considered by the Board to be independent in character and judgement and are competent in accounting and / or auditing.

The Audit Committee meets at least three times a year. At the request of the Chairman, the external auditors, the Executive Directors, the Company Secretary and the Group Head of Internal Audit and Risk Management attend each meeting.

Summary terms of reference:

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

The Audit Committee also meets independently with the Company's auditors and with the Group Head of Internal Audit and Risk Management to informally discuss matters of interest.

### External auditors:

KPMG Luxembourg S.à r.l. were the Company's auditors for the year ended 31 December 2011. For 2012, the Audit Committee has recommended to the Board that a resolution to reappoint KPMG Luxembourg S.à r.l. as the Company's auditors be proposed at the AGM. The Audit Committee will continue to keep under review the independence and objectivity of the external auditors, the effectiveness of the audit process and the rotation of the lead audit partner.

The scope and extent of non-audit work undertaken by the Company's external auditors is monitored by and, above certain thresholds, requires prior approval from the Audit Committee to ensure that the provision of non-audit services does not impair their independence or objectivity. During the year, KPMG performed due diligence work on certain acquisitions. KPMG is prohibited from providing services that would be considered to jeopardise their independence such as book keeping services, valuations and system design.

### Remuneration Committee

Elmar Heggen (Chairman)
Lance Browne
Alex Sulkowski

Details of the Remuneration Committee are set out in the Remuneration Report on pages 32 to 38.

### Nomination Committee

Douglas Sutherland (Chairman)
Lance Browne
Elmar Heggen
Alex Sulkowski

The Nomination Committee meets as required during the year to consider matters delegated to it under its terms of reference. Board effectiveness, performance and leadership were discussed informally by the Board as a whole.

Summary terms of reference:

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

## Principal risks and uncertainties

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

The Directors have identified the following principal risks and uncertainties affecting the Company. These do not constitute all of the risks facing the Group.

### Economic downturn in significant markets

The Group has a significant proportion of its centres in the Americas (predominantly the USA) and Europe. An economic downturn in these markets could adversely affect the Group's operating revenues thereby reducing operating performance or, in an extreme downturn, resulting in operating losses.

Generally, the terms on which the Group earns revenues from customers and pays its suppliers (principally landlords) are matched to reduce working capital needs. However, a reduction in revenues, with no immediate decline in the cost base, could result in significant funding shortfalls in the business. Any funding shortfall may require the Group to seek external funding or sell assets in the longer term.

In addition, competition may increase as a result of landlords offering surplus space at discounted prices and companies seeking to reduce their costs by sub-letting space. These factors could result in reduced revenue for the Group as the prices it is able to charge customers would be reduced.

The Group has taken a number of actions to mitigate this risk:

- the Group has entered into performance-based leases with landlords where rent costs vary with revenues earned by the centre;
- building lease contracts include break clauses at periodic intervals to allow the Group to exit leases should they become onerous. In cities with a number of centres this allows the Group to stagger leases such that an orderly reduction in exposure to the location may be facilitated; and
- the profile of clients in a centre is continually reviewed to avoid undue reliance on a particular client or clients in a particular industry group.

Additionally, in the event of a downturn, the Group has a number of options for mitigating losses, for example by closing centres at lease break points.

The Group's strategy also focuses its growth into emerging markets that will reduce the proportion of the Group's revenue generated from the USA and Europe over time and provide better protection to the Group from an economic downturn in a single market.

### Exposure to movements in property markets

A number of the Group's lease contracts contain market rent review clauses. This means that the costs of these leases may vary as a result of external movements in the property market. In particular, in the UK, lease contracts typically contain 'upward only' rent reviews which means that should open market rents decrease, then Regus could be exposed to paying higher than market rent in these locations.

If the Group is unable to pass on increased rent costs to customers due to local property market conditions then this could result in reduced profitability or operating losses in these markets.

Equally, for Group lease contracts without market rent review clauses, the Group may benefit from paying below market rent in a market with increasing open market rents. This may allow the Group to improve profitability if the movements in open market rents are passed on to clients.

The length of the Group's leases (or the period after which the Group can exercise any break option in the leases) is usually significantly longer than the duration of the Group's contracts with its customers. If demand falls, the Group may be unable to increase or maintain occupancy or price levels and if revenue declines the Group may be unable to reduce the lease cost base. Additional costs could be incurred if the Group disposes of unprofitable centres.

### Changes in assumptions underlying the carrying value of certain Group assets could result in impairment

Regus completes a review of the carrying value of its assets annually to assess whether those carrying values can be supported by the net present value of future cash flows derived from such assets. This review examines the continued appropriateness of the assumptions in respect of which the carrying values of certain of the Group's assets are based. This includes an assessment of discount rates and long-term growth rates, and timing and quantum of future capital expenditure. Due to the Group's substantial carrying value of goodwill under IFRS, the revision of any of these assumptions to reflect current or anticipated changes in operations or the financial condition of the Group could lead to an impairment in the carrying value of certain assets in the Group. While impairment does not impact reported cash flows, it does result in a non-cash charge in the consolidated income statement and thus no assurance can be given that any future impairments would not affect the Company's reported distributable reserves and therefore its ability to make distributions to its shareholders or repurchase its shares.

### The Group's geographic expansion may increase exposure to unpredictable economic, political and legal risks

Political, economic and legal systems in emerging markets have historically been less predictable than in countries with more developed institutional structures. As the Group increasingly enters into emerging markets, the value of the Group's investments may be adversely affected by political, economic and legal developments which are beyond the Group's control.

### Exposure to movements in exchange rates

The Group has significant overseas operations whose businesses are generally conducted in the currency of the country in which they operate. The principal exposures of the Group are to the US dollar and the euro with approximately 32% of the Group's revenues being attributable to the US dollar and 16% to the euro.

Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. However, the translation into sterling of overseas profits and net assets will be affected by prevailing exchange rates. In the event that either the US dollar or euro were to significantly depreciate or appreciate against sterling, this would have an adverse or beneficial impact to the Group's reported performance and position respectively.

The financial risk management objectives and policies of the Group, together with an analysis of the exposure to such risks, are set out in note 24 of the Accounts. Wherever possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency.

Given the continued volatility in exchange rates in January 2009 the Board approved a policy which allows the Group to hedge, subject to strict limits, the rates at which overseas earnings are translated. This will enable the Group to have more certainty over the sterling value of these earnings.

### Group Structure

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

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

All shareholders are paid dividends directly from Regus plc SA ("plc"). All such dividends should be payable by plc without deduction of Luxembourg withholding tax, regardless of the residence of the recipient.

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

### Centrally managed applications and systems

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

## Internal controls

The Board has ultimate responsibility for maintaining a sound system of internal control and for periodically reviewing its effectiveness.

In accordance with the guidance set out in the Turnbull Report "Internal Control: Guidance for Directors on the Combined Code", an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group. The Group's system of internal controls is designed to:

- facilitate the effective and efficient response to risks which might affect the achievement of the Group's objectives;
- safeguard assets from inappropriate use or from loss or fraud;
- help ensure the quality of internal and external financial reporting; and
- help ensure compliance with applicable laws and regulations.

No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system of controls helps to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable assurance that potential problems will normally be prevented or will be detected in a timely manner for appropriate action.

### Strategy and risk management

The Board conducts regular reviews of the Group's strategic direction. Country and regional strategic objectives, quarterly plans and performance targets for 2012 have been set by the Executive Directors and are regularly reviewed by the Board in the context of the Group's overall objectives.

There is an ongoing process for identifying, evaluating and managing the risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives as a part of the budget process and are endorsed by regional management. Key risks are reported to the Board and the Audit Committee. The appropriateness of controls is considered by the executives, having regard to cost, benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks are regularly considered by the Board and are formally reviewed and approved by the Board annually.

### Control environment

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

- the induction process is used to educate new team members on the standards required from them in their role, including business ethics and compliance, regulations and internal policies;
- all team members are provided with a copy of the 'Team Member Handbook' which contains detailed guidance on employee policies and the standards of behaviour required of staff;
- policies and procedure manuals and guidelines are readily accessible through the Group's intranet site; and
- operational audit and self-certification tools which require individual centre managers to confirm their adherence to Group policies and procedures.

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

The Group has also established an externally hosted whistle-blowing channel which is open to all staff to report issues and concerns in confidence.

### Control processes

The Company has had procedures in place throughout the year and up to 20 March 2012, the date of approval of this Annual Report, which accord with the Internal Control Guidance for Directors in the Code. These include the following:

- the Board normally meets with regional executives every six months to carry out a wide-ranging review of Group and regional financial performance, business development opportunities, Group infrastructure and general Group management issues;
- the annual budget process is driven from senior management meetings. Budgets are prepared at a detailed level by business centre and roll-up at country and regional level. The Executive Directors review regional budgets to ensure consistency with regional strategic objectives and the final budget is reviewed and approved by the Board. The approved budget forms the basis of business management throughout the year;
- operational reports and financial reports are prepared and distributed to the Board on a monthly basis. Actual results are reviewed against budget and forecast and explanations are received for all material movements;
- key policies and control procedures (including finance, operations, and health and safety) are documented in manuals having Group-wide application. These are available to all staff on the Group's intranet system;
- the Board has formal procedures in place for the review and approval of investment and acquisition projects. The Group Investment Committee (comprising the Executive Directors) review all investments prior to approval by the Board. Additionally the form and content of investment proposals is standardised to facilitate the review process;
- the Group has clearly delegated authority limits with regard to the approval of transactions. Purchase orders must be obtained in advance for all purchases in excess of £1,000; and
- numerous reports are generated from the Group's sales and operating systems on a daily, weekly and monthly basis to provide management at all levels with performance data for their area of responsibility which helps them to focus on operational issues that may require their input.

### Information and communications processes

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

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

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

### Monitoring effectiveness

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

- review of the Group's monthly management accounts which contain detailed analysis of financial performance for the Group and each of the Group's geographic reporting segments;
- an ongoing process of review, through Board meetings, senior management meetings and divisional reviews as well as other management meetings, for the formal identification of significant operational risks and mitigating control processes;
- internal audit reviews of key risk areas. The findings and recommendations of each review are reported to management and the Audit Committee;
- quarterly post-investment reviews are presented to the Audit Committee to allow appraisal of the effectiveness of investment activity; and
- a bi-annual internal control self-assessment and management certification exercise covering the effectiveness of financial and operational controls. This is based on a comprehensive internal control questionnaire collated and reviewed by Internal Audit. Results and any necessary mitigating action plans are presented to senior management and the Board.

## Other matters

### Board performance evaluation

A formal evaluation of the performance of the Board was carried out by the Chairman. The aim was to ensure continuous improvement in the functioning of the Board.

### Training and resources

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

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

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

### Directors and officers insurance

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

### Dialogue with shareholders

The Company reports formally to shareholders twice a year, with the half year results announced in August or September and the final results announced normally in March. There are programmes for the Chief Executive and Chief Financial Officer to give presentations of these results to the Company's institutional investors, analysts and media in London and other locations. The Chief Executive and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, governance, plans and objectives. These meetings also serve to develop an ongoing understanding of the views and any concerns of the Company's major shareholders.

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

The Company has engaged the services of Brunswick as their investor relations adviser.

### AGM

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

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

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

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

### Re-election of the Board

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

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

## Compliance statement

The Company has complied with the provisions set out in section E of the Code throughout the year ended 31 December 2011, with the exception of the following:

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

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

# Directors' statements



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

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with Luxembourg Generally Accepted Accounting Practice and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and their profit or loss for the period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Remuneration Report and a Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's websites. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statutory statement as to disclosure to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

These annual accounts have been approved by the Directors of the Company. The Directors confirm that the annual accounts have been prepared in accordance with applicable law and regulations and that they include a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We, the Directors of the Company, confirm that to the best of our knowledge:

- the financial statements prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- the Directors' Report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Mark Dixon**
Chief Executive Officer

**Dominique Yates**
Chief Financial Officer

# Remuneration report

This report has been prepared by the Remuneration Committee (the "Committee") of Regus plc (société anonyme) (the "Company") and approved by the Company's Board of Directors (the "Board"). The report complies with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and, in compliance with such regulations, a separate resolution approving this report will be put to shareholders at this year's Annual General Meeting.

This report sets out the Company's policy on Directors' remuneration for the forthcoming year as well as information on remuneration paid to Directors during the year.

Information relating to the emoluments and pension contributions of the Directors, and Directors' interests in the Company's shares and under Employee Share Plans has been audited.

## Unaudited Information

### Membership and responsibilities of the Committee

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

- Elmar Heggen
- Lance Browne
- Alex Sulkowski

The Committee has responsibility for determining, in consultation with the Chairman and / or Chief Executive as appropriate, the total remuneration package of the Executive Directors and senior managers, including bonuses, incentive payments and share options or other share awards.

The Board has delegated to the Committee responsibility to:

- determine and agree with the Board the remuneration policy for the Executive Directors and other senior management positions within the Regus Group (the "Group"); and
- approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes.

The Committee received ad-hoc advice on executive remuneration from Deloitte.

The Committee's terms of reference are available on the Company's website: www.regus.com. The members of the Committee attend the Company's Annual General Meeting and are available to answer shareholders' questions about Directors' remuneration.

### Compliance with the best practice provisions

In accordance with the Board's commitment to maintaining high standards of Corporate Governance, the Committee has complied with all remuneration-related aspects of the UK Corporate Governance Code during the year.

### Remuneration policy

The principal objectives of the Committee's remuneration policy are:

- to focus on rewarding exceptional pay for exceptional performance: executives should be focused on delivering exceptional returns to shareholders over both the short and long-term and be given the opportunity to receive exceptional levels of reward if such performance is delivered. Conversely if returns are conservative, compensation levels should be conservative; and
- to provide remuneration packages that will attract, retain and motivate people of the highest calibre and experience needed to shape and execute the Company's strategy and to deliver exceptional shareholder value.

The guiding principles which the Committee has regard to and balances, as far as practicable, in determining policy and objectives for 2012 and future years are:

- to maintain a competitive package of total compensation, commensurate with comparable packages available with similar companies operating in similar markets;
- to make a significant percentage of potential maximum reward conditional on short and long-term performance;
- to ensure that the interests of the executives are closely aligned with those of the Company's shareholders through the provision of share-based incentives;
- to link reward to the satisfaction of targeted objectives which are the main drivers of shareholder value; and
- to be sensitive in determining Executive Directors' remuneration to pay and employment conditions throughout the Group.

During 2011, the Committee reviewed the long-term incentive arrangements for the Executive Directors. It was decided that the Company's share incentive arrangement, the Regus plc Co-Investment Plan (the "CIP"), which had first been approved by shareholders at the 2005 Annual General Meeting and subsequently reapproved in 2008, be reintroduced. Further details relating to the CIP are set out on page 34.

The table below illustrates the balance between fixed and performance-related (variable) compensation for the Executive Directors for the year ended 31 December 2011:

| | Mark Dixon Chief Executive Officer | Dominique Yates Chief Financial Officer |
|---|---|---|
| Fixed | 51% | 31% |
| Variable | 49% | 69% |

Fixed compensation comprises salary, benefits and pension contributions. Variable compensation only comprises the total fair value of share awards granted in the year and the annual cash bonus payable in relation to the year ended 31 December 2011.

The main elements of the packages and the performance conditions are described below.

### Service contracts

Details of contracts currently in place for Directors are as follows:

| | Effective date of contract | Term | Notice period and maximum provision for compensation |
|---|---|---|---|
| **Executive** | | | |
| Mark Dixon | 14.10.08 | – | 12 months |
| Dominique Yates | 01.09.11 | – | 12 months |
| **Non Executive** | | | |
| Elmar Heggen | 01.06.10 | 3 yrs | 6 months |
| Lance Browne | 27.08.08 | 3 yrs | 6 months |
| Alex Sulkowski | 01.06.10 | 3 yrs | 6 months |
| Douglas Sutherland | 27.08.08 | 3 yrs | 6 months |

### Remuneration packages

The remuneration for the Executive Directors during the year comprised a basic salary, a benefit package and participation in the annual bonus scheme. As disclosed in last year's Directors Remuneration Report, Executive Directors did not participate in the CIP during 2011 pending review of the Company's long-term incentive arrangements for Executive Directors during 2011.

For 2012, following the review of the long-term incentive arrangements of the Executive Directors, to ensure that the interests of the Executive Directors continue to be closely aligned with those of the Company's shareholders the Committee agreed to continue the CIP. The first grant under the CIP will not be made until 2013.

### Basic salary and benefits

The Committee reviewed the overall structure of the Chief Executive Officer's remuneration package. It was noted that the level of his personal shareholding in the business created a significant alignment of interests with the performance of the business. As a result, it was concluded that at the current time it was appropriate to re-balance the package by increasing the level of fixed remuneration, whilst maintaining a reduced but sufficient performance-related element. In addition, the Committee noted that the Chief Executive Officer had received no salary increase since 2009, as well as considering comparative benchmarks, the continued development of the Group through the economic challenges of the last few years, and the evolution of inflation. As a result, for 2012, the Chief Executive Officer's salary will be increased to £565,000 and the maximum annual bonus opportunity will be reduced to 100% of salary.

The Chief Financial Officer, who joined the Board in September 2011, was appointed on an annual base salary of CHF 495,000. This will remain unchanged for 2012 except if the Swiss Franc / Pound Sterling exchange rate materially changes, in which event there is an ongoing adjustment mechanism in the employment contract.

Benefits include a company car or allowance, fuel allowance, housing allowance and private health insurance.

### Annual bonus scheme

The Committee believes firmly in the financial effectiveness of short-term incentives. Accordingly, incentive schemes are widely used across the business.

The Committee sets bonus targets and eligibility each year.

The maximum bonus potential, for the Executive Directors, for the year ended 31 December 2011 was 200% of salary, consisting of a standard bonus (100% of salary) and a discretionary bonus (100% of salary) for exceptional performance.

The Committee has determined that the financial measures and targets required for the discretionary bonus were not achieved and therefore no bonus will be paid in respect of this element. The Committee has determined that there was a full achievement of the criteria for the standard bonus and, as such, the Chief Executive Officer and Chief Financial Officer will each receive a cash bonus equal to 100% of salary (equivalent to 50% of the maximum bonus potential). The Committee believes that this level of payout reflects the Company's performance during the year.

The bonus payable to the Chief Financial Officer will be pro-rated to reflect the fact that he started his employment on 1 September 2011.

For the year ending 31 December 2012, the maximum bonus potential for Executive Directors will be reduced to 100% of annual salary. Half of any standard bonus paid will be paid in cash and half will be paid in "Investment Shares" in the Company. The purchase of the Investment Shares will be deferred for three years under the rules of the CIP. For further details on the CIP, please see page 34.

No awards were made to the Executive Directors under the CIP in 2011.

Bonuses are non-pensionable.

Non-Executive Directors do not receive a bonus.

### Pension benefits

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

The Group does not operate a group-wide defined benefit pension scheme (with the exception of Switzerland, where such schemes are required by law), and has no plans to introduce such a scheme.

## Long-Term Incentives

### Overview

The Company operates three long-term incentive plans: the CIP, the Regus plc Share Option Scheme and the Regus plc 2008 Value Creation Plan.

### Co-Investment plan ("CIP")

The Committee is keen to encourage Executive Directors to build significant shareholdings in relation to their remuneration and as such, following a review of the operation of the CIP in 2011, the Committee has decided to re-introduce the CIP.

As a condition of participation in the CIP, it is expected that members will, over time, build up a shareholding equivalent to two times their salary using shares acquired from the scheme.

There are two elements to the CIP:

The first element operates in conjunction with the annual bonus whereby a gross bonus of up to 50% of basic annual salary will be taken as a deferred amount of shares ("Investment Shares") to be released at the end of a defined period of not less than three years, with the balance paid in cash.

Awards of Matching Shares are linked to the number of Investment Shares awarded and will vest depending on the Company's future performance. In line with previous years, the Committee expects to place stretching performance targets based on earnings per share and total shareholder return in order to vest any Matching Share. No awards will be made under the CIP until 2013.

The maximum number of Matching Shares which can be awarded to a participant in any calendar year under the CIP is 200% of salary. As such the maximum number of Matching Shares which can be awarded, based on Investment Shares awarded, is in the ratio of 4:1.

The second element of the CIP provides for the Committee to make stand-alone long-term incentive awards ("LTIPs") without reference to annual bonus up to a maximum of 100% of salary per calendar year. An LTIP is a conditional right over a specified number of shares with the release being dependent on the extent to which (if at all) the challenging performance conditions set by the Committee at the time of the LTIP award are satisfied. There is no intention to make any LTIP awards in 2012.

### Regus plc Share Option Plan (the "SOP")

The SOP was introduced in 2008 in order to assist in the recruitment and retention of key employees and directors. Under the SOP, participants are granted options to buy shares in the Company at no less than the market value of the shares at the grant date. Such options may be either options to subscribe for new shares or options to purchase existing shares to be satisfied from an employee trust. Options may also be granted subject to a performance target which must then, in normal circumstances, be met before the option may be exercised.

The options granted to the Executive Directors prior to the introduction of the CIP are set out below. As long as Executive Directors participate in the CIP (which was re-introduced in 2012), they will not be eligible to receive any share option awards.

To aid the recruitment of the Chief Financial Officer, he received an option award (under the SOP) on joining the Company of over 1 million shares. These options will become exercisable in equal tranches in 2013, 2014 and 2015, subject to the satisfaction of a pre-determined operating profit target in 2012. The Committee believes that this award of share options was the most appropriate way to facilitate recruitment in a way which was aligned to shareholder value creation over the next few years.

### Regus plc 2008 Value Creation Plan (the "VCP")

The VCP was introduced in 2008 as a one-off award with the objective of delivering exceptional rewards to participants provided absolute returns to shareholders are exceptional.

The VCP operates over a five year period from May 2008 to March 2013. Participants in the VCP are granted entitlements ("VCP Entitlements") to receive a maximum number of shares which shall be earned by the conversion of the VCP Entitlements into an option or series of options (the "VCP Options") which may be granted on certain dates (the "Measurement Dates") based on the Company's share price performance. The exercise price for VCP Options will be the closing share price on the date of the Company's 2008 AGM.

VCP Entitlements granted in 2008:

| | Mark Dixon |
|---|---|
| Number of shares subject to VCP Entitlement* | 3.5m |

* VCP Entitlements hold no value.

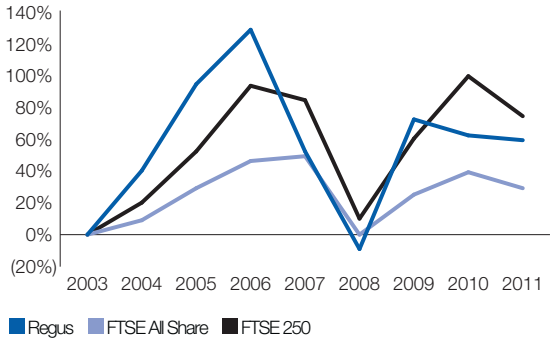
The share price of the Company will be calculated at each Measurement Date and compared against a matrix of extremely stretching fixed share price targets to determine the number of shares subject to the VCP Entitlement which a VCP Option will be granted over. If a lower share price target is achieved a VCP Option shall be granted over a lesser number of shares with the ability for the balance to be received at a subsequent measurement date subject to relevant share price targets being achieved.

The share price targets for the VCP Entitlements granted in 2008 are as set out in the following table:

| | Measurement date | | | |
|---|---|---|---|---|
| | 31/03/2010 | 31/03/2011 | 31/03/2012 | 31/03/2013 |
| | {Shares awarded less shares already earned} | | | |
| Share price less than £2.60 | – | – | – | – |
| Share price is more than £2.60 but less than £3.50 | 2.5m | 1.8m | 1.2m | 0.6m |
| Share price is more than £3.50 but less than £4.50 | 3.5m | 2.5m | 1.8m | 1.2m |
| Share price is £4.50 or more | – | 3.5m | 2.5m | 1.8m |

In respect of the first and second Measurement Dates (31 March 2010 and 2011 respectively), the Company's share price was below the target and no VCP Entitlements vested. It is expected that the Company's share price will be below the target on the third Measurement Date (31 March 2012) as well and no VCP Entitlements will vest.

## Total Shareholder Return (TSR)




The above graph shows the Company's performance, measured by TSR; for the Group compared with the performance of the FTSE 250 Index and the All Share Index. The Committee consider the FTSE 250 Index relevant since it is an index of companies of similar size to the Company. As detailed earlier in the report the Company considers its TSR performance for share awards under the CIP in comparison to that of the All Share Index.

### External appointments

As at 31 December 2011, the Executive Directors did not hold any external positions for which they received fees. Executive Directors are permitted to accept appointments on external boards or committees so long as these are not deemed to interfere with the business of the Group. Any fees received in respect of these appointments would be retained directly by the relevant Executive Director.

### Chairman and Non-Executive Directors

The fees for the Chairman are determined by the Remuneration Committee and the fees for the Non-Executive Directors are determined by the Chairman and the Executive Directors.

Fees are set at levels that are sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties. The fees recognise the responsibility of the role and the time commitments required.

The Chairman and Non-Executive Directors do not receive any pension or other benefits, other than appropriate expenses, nor do they participate in any bonus or share option schemes.

A review of Non-Executive Director fees was carried out in May 2011. This was the first review of fees since 2008. Following this review, and taking into account appropriate market data, the fees were increased. The fee policy with effect from 1 June 2011 is as follows:

| | |
|---|---|
| Chairman fee | £165,000 |
| Non-Executive Director basic fee | £42,000 |
| Additional fees: | |
| Senior Independent Director | £6,000 |
| Chair of the Remuneration Committee | £8,000 |
| Chair of the Audit Committee | £8,000 |

The fees paid during the year to each Non-Executive Director are shown in the table on page 36.

### Former Directors

Stephen Gleadle stepped down from the Board in August 2011. He was employed under a service contract dated 18 August 2008 under which he was entitled to receive one year's salary (£300,000) as compensation on termination. In addition to this, he was eligible for an annual bonus for 2011 based on the achievement of bonus targets and the period of service during the year. The Committee considered the bonus at the same time as for other Executive Directors and concluded, based on the same criteria (and in recognition of Mr Gleadle's contribution to the handover of the finance director role), that a bonus of £150,000 should be awarded. This was paid in cash following the year end.

With regards to long-term incentives, his entitlements under the CIP, LTIP, SOP and VCP lapsed in full other than in respect of 229,007 Investment Shares awarded under the CIP, which were exercised following termination in accordance with the rules of that plan.

### Directors' emoluments

The aggregate emoluments, excluding pensions, of the Directors were as follows:

| | | | | | | 2011 |
|---|---|---|---|---|---|---|
| | **Salary £'000** | **Fees £'000** | **Benefits £'000** | **Compensation for loss of office £'000** | **Bonus £'000** | **Total £'000** |
| **Chairman** | | | | | | |
| Douglas Sutherland | **–** | **152.5** | **–** | **–** | **–** | **152.5** |
| **Executive** | | | | | | |
| Mark Dixon | **522.8** | **–** | **48.1** | **–** | **522.8** | **1,093.7** |
| Dominique Yates [(a)] | **110.0** | **–** | **42.0** | **–** | **110.0** | **262.0** |
| Stephen Gleadle [(b)] | **200.0** | **–** | **26.2** | **300.0** | **150.0** | **676.2** |
| **Non-Executive** | | | | | | |
| Lance Brown | **–** | **54.7** | **–** | **–** | **–** | **54.7** |
| Elmar Heggen | **–** | **48.3** | **–** | **–** | **–** | **48.3** |
| Alex Sulkowski | **–** | **48.3** | **–** | **–** | **–** | **48.3** |
| | **832.8** | **303.8** | **116.3** | **300.0** | **782.8** | **2,335.7** |

| | | | | | | 2010 |
|---|---|---|---|---|---|---|
| | Salary £'000 | Fees £'000 | Benefits £'000 | Compensation for loss of office £'000 | Bonus £'000 | Total £'000 |
| **Chairman** | | | | | | |
| Douglas Sutherland | – | 101.3 | – | – | – | 101.3 |
| **Executive** | | | | | | |
| Mark Dixon | 522.8 | – | 40.0 | – | 196.0 | 758.8 |
| Stephen Gleadle [(b)] | 300.0 | – | 47.7 | – | 112.5 | 460.2 |
| **Non-Executive** | | | | | | |
| Lance Brown | – | 51.2 | – | – | – | 51.2 |
| Elmar Heggen | – | 23.8 | – | – | – | 23.8 |
| John Matthews [(c)] | – | 97.7 | – | – | – | 97.7 |
| Ulrich Ogiermann [(d)] | – | 43.7 | – | – | – | 43.7 |
| Martin Robinson [(e)] | – | 27.6 | – | – | – | 27.6 |
| Alex Sulkowski | – | 26.8 | – | – | – | 26.8 |
| | 822.8 | 372.1 | 87.7 | | 308.5 | 1,591.1 |

(a) Dominique Yates joined the Board with effect from 1 September 2011.

(b) Stephen Gleadle stepped down from the Board with effect from 31 August 2011.

(c) John Matthews stepped down from the Board with effect from 18 May 2010.

(d) Ulrich Ogiermann stepped down from the Board with effect from 31 December 2010.

(e) Martin Robinson stepped down from the Board with effect from 18 May 2010.

Mark Dixon was the highest paid Director in both 2011 and 2010. Benefits include car and fuel allowance, medical insurance and life assurance.

## Pension contributions

| £'000 | **2011** | 2010 |
|---|---|---|
| Mark Dixon | **36.6** | 36.6 |
| Stephen Gleadle | **12.1** | 21.0 |
| Dominique Yates | **–** | n/a |
| | **48.7** | 57.6 |

## Directors' share interests

The following Directors held beneficial interests in the share capital of the Company at 31 December 2010, 31 December 2011 and 20 March 2012.

| **Executive** | 20 March 2012 Ordinary Shares of 1p | 31 December 2011 Ordinary Shares of 1p | 31 December 2010 Ordinary Shares of 1p |
|---|---|---|---|
| Mark Dixon (a) | 322,028,792 | 322,028,792 | 322,028,792 |
| Stephen Gleadle | n/a | n/a | 326,387 |
| Dominique Yates | 641,989 | 641,989 | n/a |
| **Non-Executive** | | | |
| Lance Browne | – | – | – |
| Elmar Heggen | – | – | – |
| Ulrich Ogiermann | n/a | n/a | 71,134 |
| Alex Sulkowski | – | – | – |
| Douglas Sutherland | 400,000 | 400,000 | 350,000 |

(a) The interests of Mark Dixon are held indirectly through Estorn Limited, an entity in which Mark Dixon controls 100% of the share capital.

## Directors' share options

As at 31 December 2011, the beneficial interest of the Directors in options granted under the Regus plc Share Option Plan are shown below.

| | | | | | | | Share Options | |
|---|---|---|---|---|---|---|---|---|
| | At 1 January 2011 | Awards Granted 2011 | Awards Exercised 2011 | Awards Lapsed 2011 | At 31 December 2011 | Average option price (p) | Average exercise price (p) | Expiry date |
| Mark Dixon | – | – | – | – | – | – | – | – |
| Stephen Gleadle | – | – | – | – | – | – | – | – |
| Dominique Yates | – | 1,000,000 | – | – | 1,000,000 | 22.76 | 74.35 | 02/09/2021 |

## Directors' interests under the Long Term Incentive Plan ("LTIP")

Details of awards over ordinary shares in the Company granted to the Directors under the LTIP, as nil cost options, are as follows:

| | | | | | LTIP |
|---|---|---|---|---|---|
| | At 1 January 2011 | Awards Granted 2011 | Awards Lapsed 2011 | Awards Exercised 2011 | At 31 December 2011 |
| Mark Dixon | 520,149 | – | – | – | 520,149 |
| Stephen Gleadle | 298,507 | – | 298,507 | – | – |
| Dominique Yates | – | – | – | – | – |

### Directors' interests under the CIP

Details of awards over ordinary shares in the Company granted to the Directors under the CIP, all for nil consideration, are as follows:

| | | | | | | | CIP |
|---|---|---|---|---|---|---|---|
| **Investment Shares** | At 1 January 2011 | Investment Awards released March 2011 | Awards exercised 2011 | Awards lapsed 2011 | 2011 Matching Awards exercised 2011 | Awards made 2011 | At 31 December 2011 |
| Mark Dixon | 715,815 | – | – | – | – | – | 715,815 |
| Stephen Gleadle | 384,286 | 155,279 | 229,007 | – | – | – | – |
| **Matching shares** | | | | | | | |
| Mark Dixon | 2,863,260 | n/a | – | – | – | – | 2,863,260 |
| Stephen Gleadle | 1,537,144 | n/a | – | 1,537,144 | – | – | – |
| Dominique Yates | – | n/a | – | – | – | – | – |

During the year the CIP Investment Shares awarded in March 2008 were released. All of the Matching Shares awarded in March 2008 (normal vesting date March 2011) failed to meet the related performance conditions and therefore lapsed.

The market price of the Company's ordinary shares at 30 December 2011, the last dealing day of 2011, was 84.5p and the range during the year was 64p to 119p.

None of the Directors had a beneficial interest in any contract of any significance in relation to the business of the Company or its subsidiaries at any time during the financial year.

### Annual resolution

Shareholders will be given the opportunity to approve the Remuneration Report at the AGM on 15 May 2012.

### Audit requirement

Under Luxembourg law and regulations there is no requirement for the sections on Directors' remuneration, shareholdings and pension benefits on pages 36 to 38 inclusive to be audited; therefore all sections of the Remuneration Report are un-audited.

On behalf of the Board

**Elmar Heggen**
Chairman,
Remuneration Committee
20 March 2012

# Auditors' report



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

## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Regus plc (société anonyme), which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 40 to 87.

### Board of Directors' responsibility for the consolidated financial statements

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

### Responsibility of the Réviseur d'Entreprises agréé

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

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

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

### Opinion

In our opinion, the consolidated financial statements, as set out on pages 40 to 87, give a true and fair view of the consolidated financial position of Regus plc (société anonyme) as of 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Report on other legal and regulatory requirements

The consolidated Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

**KPMG Luxembourg S.à r.l.**
Cabinet de révision agréé
Thierry Ravasio
Luxembourg, 20 March 2012

# Consolidated income statement

| Continuing operations | notes | Before exceptional items Total £m | Exceptional items note 6 Total £m | Year ended 31 Dec 2011 Total £m | Before exceptional items Total £m | Exceptional items note 6 Total £m | Year ended 31 Dec 2010 Total £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | 3 | **1,162.6** | **–** | **1,162.6** | 1,040.4 | – | 1,040.4 |
| Cost of sales | | **(887.4)** | **–** | **(887.4)** | (824.5) | (11.9) | (836.4) |
| **Gross profit (centre contribution)** | | **275.2** | **–** | **275.2** | 215.9 | (11.9) | 204.0 |
| Administration expenses | | **(224.7)** | **–** | **(224.7)** | (193.3) | (3.9) | (197.2) |
| Share of profit on joint ventures | 21 | **0.1** | **–** | **0.1** | 1.3 | – | 1.3 |
| **Operating profit** | 5 | **50.6** | **–** | **50.6** | 23.9 | (15.8) | 8.1 |
| Finance expense | 8 | **(3.4)** | **–** | **(3.4)** | (2.0) | – | (2.0) |
| Finance income | 8 | **1.3** | **–** | **1.3** | 1.8 | – | 1.8 |
| Other finance costs | 9 | **(3.0)** | **–** | **(3.0)** | (0.1) | – | (0.1) |
| **Profit before tax for the year** | | **45.5** | **–** | **45.5** | 23.6 | (15.8) | 7.8 |
| Tax charge | 10 | **(8.9)** | **–** | **(8.9)** | (5.6) | (0.3) | (5.9) |
| **Profit after tax for the year** | | **36.6** | **–** | **36.6** | 18.0 | (16.1) | 1.9 |
| Attributable to: | | | | | | | |
| Equity shareholders of the parent | | **37.9** | **–** | **37.9** | 17.6 | (16.1) | 1.5 |
| Non-controlling interests | | **(1.3)** | **–** | **(1.3)** | 0.4 | – | 0.4 |
| Profit for the year | | **36.6** | **–** | **36.6** | 18.0 | (16.1) | 1.9 |
| **Earnings per ordinary share (EPS) after exceptional items:** | | | | | | | |
| Basic (p) | 11 | | | **4.0** | | | 0.2 |
| Diluted (p) | 11 | | | **4.0** | | | 0.2 |

# Consolidated statement of comprehensive income

| | notes | Year ended 31 Dec 2011 £m | Year ended 31 Dec 2010 £m |
|---|---|---|---|
| **Profit for the year** | | **36.6** | 1.9 |
| **Other comprehensive income:** | | | |
| Retirement benefit obligations | 26 | **(0.1)** | – |
| Foreign currency translation differences for foreign operations, net of income tax | | **(4.1)** | 15.5 |
| **Other comprehensive income for the year, net of income tax** | | **(4.2)** | 15.5 |
| **Total comprehensive income for the year** | | **32.4** | 17.4 |
| | | | |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the parent | | **33.7** | 17.0 |
| Non-controlling interests | | **(1.3)** | 0.4 |
| | | **32.4** | 17.4 |

# Consolidated statement of changes in equity

| | Attributable to equity holders of the parent [a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital £m | Treasury shares £m | Foreign currency translation reserve £m | Revaluation reserve £m | Other £m | Retained earnings £m | Total equity attributable to equity holders £m | Non-controlling interests £m | Total equity £m |
| **Balance at 1 January 2010** | **9.5** | **(0.4)** | **37.1** | **10.5** | **15.3** | **427.5** | **499.5** | **–** | **499.5** |
| Profit for the year | – | – | – | – | – | 1.5 | 1.5 | 0.4 | 1.9 |
| Other comprehensive income | – | – | 15.5 | – | – | – | 15.5 | – | 15.5 |
| **Total comprehensive income for the year** | **–** | **–** | **15.5** | **–** | **–** | **1.5** | **17.0** | **0.4** | **17.4** |
| **Transactions with owners, recorded directly in equity:** | | | | | | | | | |
| Share-based payments | – | – | – | – | – | 1.2 | 1.2 | – | 1.2 |
| Ordinary dividend paid | – | – | – | – | – | (23.2) | (23.2) | – | (23.2) |
| Dividend paid to non-controlling interest | – | – | – | – | – | – | – | (0.3) | (0.3) |
| Purchase of treasury shares in Regus plc | – | (7.3) | – | – | – | – | (7.3) | – | (7.3) |
| Deferred tax effect of share options | – | – | – | – | – | (0.8) | (0.8) | – | (0.8) |
| Settlement of share awards | – | 0.6 | – | – | – | (1.3) | (0.7) | – | (0.7) |
| **Balance at 31 December 2010** | **9.5** | **(7.1)** | **52.6** | **10.5** | **15.3** | **404.9** | **485.7** | **0.1** | **485.8** |
| Profit for the year | – | – | – | – | – | 37.9 | 37.9 | (1.3) | 36.6 |
| Other comprehensive income | – | – | (4.1) | – | – | (0.1) | (4.2) | – | (4.2) |
| **Total comprehensive income for the year** | – | – | (4.1) | – | – | 37.8 | 33.7 | (1.3) | 32.4 |
| **Transactions with owners, recorded directly in equity:** | | | | | | | | | |
| Share-based payments | – | – | – | – | – | 0.6 | 0.6 | – | 0.6 |
| Ordinary dividend paid | – | – | – | – | – | (25.0) | (25.0) | – | (25.0) |
| Acquisition of non-controlling interest | – | – | – | – | – | (5.1) | (5.1) | 1.2 | (3.9) |
| Dividend paid to non-controlling interest | – | – | – | – | – | – | – | – | – |
| Purchase of treasury shares in Regus plc | – | – | – | – | – | – | – | – | – |
| Deferred tax effect of share options | – | – | – | – | – | – | – | – | – |
| Settlement of share awards | – | – | – | – | – | (1.2) | (1.2) | – | (1.2) |
| **Balance at 31 December 2011** | **9.5** | **(7.1)** | **48.5** | **10.5** | **15.3** | **412.0** | **488.7** | **–** | **488.7** |

(a) Total reserves attributable to equity holders of the parent

- Share capital represents the net proceeds (the nominal value) on the issue of the Company's equity share capital.
- At 31 December 2011 Treasury shares represent 9,070,906 (2010: 9,070,906) ordinary shares of the Group that were acquired for the purposes of the Group's employee share option plans and the share buy back programme. During the period, nil shares were purchased in the open market and nil treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 20 March 2012, 9,070,906 treasury shares were held.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
- The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate from historic to fair value at the time of the acquisition of the outstanding 58% interest on 19 April 2006.
- Other reserves include £37.9 million arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5 million relating to merger reserves and £0.1 million to the redemption of preference shares partly offset by £29.2 million arising from the Scheme of Arrangement undertaken in 2003.

# Consolidated balance sheet



| | notes | As at 31 Dec 2011 £m | As at 31 Dec 2010 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 13 | **285.4** | 282.4 |
| Other intangible assets | 14 | **45.9** | 48.4 |
| Property, plant and equipment | 15 | **320.9** | 270.8 |
| Deferred tax assets | 10 | **32.8** | 37.1 |
| Other long-term receivables | 16 | **37.9** | 34.0 |
| Investments in joint ventures | 21 | **2.6** | 3.9 |
| | | **725.5** | 676.6 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **271.3** | 248.7 |
| Corporation tax receivable | 10 | **7.4** | 13.3 |
| Liquid investments | 23 | **–** | 10.4 |
| Cash and cash equivalents | 23 | **197.5** | 194.2 |
| | | **476.2** | 466.6 |
| **Total assets** | | **1,201.7** | 1,143.2 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(425.1)** | (388.4) |
| Deferred income | | **(141.6)** | (125.8) |
| Corporation tax payable | | **(6.3)** | (17.0) |
| Obligations under finance leases | 19 | **(1.5)** | (2.3) |
| Bank and other loans | 19 | **(0.9)** | (5.5) |
| Provisions | 20 | **(3.0)** | (2.8) |
| | | **(578.4)** | (541.8) |
| **Net current liabilities** | | **(102.2)** | (75.2) |
| **Total assets less current liabilities** | | **623.3** | 601.4 |
| **Non-current liabilities** | | | |
| Other payables | 18 | **(117.8)** | (99.1) |
| Obligations under finance leases | 19 | **(0.8)** | (1.9) |
| Bank and other loans | 19 | **(6.0)** | (3.4) |
| Deferred tax liability | 10 | **(0.5)** | (0.1) |
| Provisions | 20 | **(8.2)** | (9.8) |
| Provision for deficit on joint ventures | 21 | **(1.2)** | (1.3) |
| Retirement benefit obligations | 26 | **(0.1)** | – |
| | | **(134.6)** | (115.6) |
| **Total liabilities** | | **(713.0)** | (657.4) |
| **Total assets less liabilities** | | **488.7** | 485.8 |
| **Total equity** | | | |
| Issued share capital | 22 | **9.5** | 9.5 |
| Treasury shares | | **(7.1)** | (7.1) |
| Foreign currency translation reserve | | **48.5** | 52.6 |
| Revaluation reserve | | **10.5** | 10.5 |
| Other reserves | | **15.3** | 15.3 |
| Retained earnings | | **412.0** | 404.9 |
| **Total shareholders' equity** | | **488.7** | 485.7 |
| Non-controlling interests | | **–** | 0.1 |
| **Total equity** | | **488.7** | 485.8 |
| **Total equity and liabilities** | | **1,201.7** | 1,143.2 |

Approved by the Board on 20 March 2012

**Mark Dixon**
Chief Executive Officer

**Dominique Yates**
Chief Financial Officer

# Consolidated cash flow statement

| | notes | Year ended 31 Dec 2011 £m | Year ended 31 Dec 2010 £m |
|---|---|---|---|
| **Profit before tax for the year** | | **45.5** | 7.8 |
| Adjustments for: | | | |
| Net finance costs | 8, 9 | **5.1** | 0.2 |
| Share of profit after tax on joint ventures | 21 | **(0.1)** | (1.3) |
| Depreciation charge | 5, 15 | **66.8** | 67.2 |
| Loss on disposal of property, plant and equipment | | **1.2** | 1.6 |
| Amortisation of intangible assets | 5, 14 | **6.7** | 6.2 |
| (Decrease)/increase in provisions | 20 | **(1.4)** | 0.4 |
| Other non-cash movements – share-based payments | | **0.6** | 1.2 |
| Other non-cash movements – unrealised foreign currency loss/(gain) | | **(2.0)** | – |
| Exceptional costs/(net income) | 6 | **–** | 15.8 |
| **Operating cash flows before movements in working capital** | | **122.4** | 99.1 |
| (Increase)/decrease in trade and other receivables | | **(29.1)** | (30.1) |
| Increase/(decrease) in trade and other payables | | **79.9** | 40.7 |
| **Cash generated from operations (before exceptional items)** | | **173.2** | 109.7 |
| Cash (outflow)/inflow from exceptional items | | **(1.9)** | (13.7) |
| **Cash generated from operations (after exceptional items)** | | **171.3** | 96.0 |
| Interest paid on finance leases | | **(0.2)** | (0.1) |
| Interest paid on credit facilities | | **(1.9)** | (1.6) |
| Tax paid | | **(10.6)** | (15.5) |
| **Net cash inflow from operating activities** | | **158.6** | 78.8 |
| **Investing activities** | | | |
| Purchase of subsidiary undertakings (net of cash acquired) | 27 | **(6.2)** | (17.0) |
| Disposal of subsidiary undertakings (net of cash disposed of) | | **(1.8)** | – |
| Dividends received from joint ventures | 21 | **1.4** | 1.6 |
| Proceeds on sale of property, plant and equipment | | **–** | 0.3 |
| Purchase of property, plant and equipment | 15 | **(118.9)** | (73.5) |
| Purchase of intangible assets | 14 | **(3.9)** | (2.4) |
| Interest received | 8 | **1.2** | 1.8 |
| Decrease in liquid investments | 23 | **10.4** | 29.6 |
| **Net cash outflow from investing activities** | | **(117.8)** | (59.6) |
| **Financing activities** | | | |
| Net proceeds from issue of loans | 8 | **0.2** | 2.9 |
| Repayment of loans | | **(1.3)** | (1.4) |
| Repayment of capital elements of finance leases | | **(2.0)** | (2.1) |
| Acquisitions of non-controlling interests | 27 | **(3.9)** | – |
| Purchase of treasury shares | 22 | **–** | (7.3) |
| Settlement of share awards | | **(1.2)** | (0.7) |
| Payment of ordinary dividend | 12 | **(25.0)** | (23.2) |
| Payment of dividend to non-controlling interest | | **–** | (0.3) |
| **Net cash outflow from financing activities** | | **(33.2)** | (32.1) |
| Net increase/(decrease) in cash and cash equivalents | | **7.6** | (12.9) |
| Cash and cash equivalents at beginning of year | | **194.2** | 205.1 |
| Effect of exchange rate fluctuations on cash held | | **(4.3)** | 2.0 |
| **Cash and cash equivalents at end of year** | 23 | **197.5** | 194.2 |

# Notes to the accounts



## 1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 20 March 2012 and the balance sheets were signed on the Board's behalf by Mark Dixon and Dominique Yates. Regus plc S.A. is a public limited company incorporated in Jersey and registered and domiciled in Luxembourg. The Company's ordinary shares are traded on the London Stock Exchange.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). The Company prepares its parent company financial statements in accordance with Luxembourg GAAP; extracts from these are presented on page 88.

## 2. Accounting policies

### Basis of preparation

The Group financial statements consolidate those of the parent company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in the associate and jointly controlled entities. The extract from the parent company financial statements 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 2011 did not have a material effect on the Group financial statements.

IAS 24 Related Party transactions (Amendment) clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of this amendment has no impact on the financial position or performance of the Group.

IAS 32 Financial instruments: Presentation (Amendment) alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of this amendment has no impact on the financial position or performance of the Group.

IFRIC 14 Prepayment of a Minimum Funding Requirement (Amendment) removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment to the interpretation has no impact on the financial position or performance of the Group.

Improvements to IFRSs (issued in May 2010); the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

The following interpretation and amendments to interpretations did not have any impact on the financial position or performance of the Group:

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

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

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements on pages 40 to 87.

## 2. Accounting policies continued

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 5 to 11 as well as the Group's principal risks and uncertainties as set out on pages 26 and 27.

Further details on the going concern basis of preparation can be found in note 24 to the notes to the accounts on page 68.

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

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or the associate qualifies as a disposal group at which point the investment is carried at the lower of fair value less costs to sell and carrying value.

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

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

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

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

### IFRSs not yet effective

The following IFRSs have been issued but have not been applied by the Group in these financial statements as they are effective for years beginning on or after 1 January 2012. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

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

IAS 12 Income Taxes (Amendment) introduces a rebuttable assumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in business. This statement is effective for years beginning on or after 1 July 2011.

IFRS 7 Financial instruments – Disclosures (Amendment) requires additional quantitative and qualitative disclosures relating to the transfer of assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, and when financial assets are not derecognised in their entirety. These amendments are effective for years beginning on or after 1 July 2011.

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

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and Separate Financial Statements by changing whether an entity is consolidated by revising the definition of control. The statement also provided a number of clarifications on applying this new definition of control. This statement will be effective for years beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements established principles for the financial reporting by parties to a joint arrangement. Joint control is defined as the contractually agreed sharing on control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. This statement will be effective for years beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associated and unconsolidated structured entities. This statement will be effective for years beginning on or after 1 January 2013.

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

The Group did not adopt any standards, interpretations and amendments to standards which were available for optional early adoption and relevant to the Group.

The Group will adopt the above standards or amendments in the year in which they become effective.

### Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences. The results are consolidated until the date control ceases or the subsidiary qualifies as a disposal group at which point the assets and liabilities are carried at the lower of fair value less costs to sell and carrying value.

### Impairment of non-financial assets

The carrying amounts of the Group's assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 31 October 2011 and updated at 31 December 2011.

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

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### Calculation of recoverable amount

The recoverable amount of relevant assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### Goodwill

All business combinations are accounted for using the purchase method. Goodwill represents the difference between the cost of acquisition over the share of the fair value of identifiable assets (including intangible assets), liabilities and contingent liabilities of a subsidiary, associate, asset deal acquisition or jointly controlled entity at the date of acquisition.

Positive goodwill is stated at cost less any provision for impairment in value. An impairment test is carried out annually and, in addition, whenever indicators exist that the carrying amount may not be recoverable. Positive goodwill is allocated to cash-generating units for the purpose of impairment testing.

Business combinations that took place prior to the Group's transition date to IFRS on 1 January 2004 have not been restated under the requirements of IFRS.

### Intangible assets

Intangible assets acquired separately from the business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be identified and measured reliably on initial recognition.

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 | 3 – 5 years |
| Customer lists | 1 – 2 years |
| Management agreements | Minimum duration of the contract |

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

### Acquisitions of non-controlling interests

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

## 2. Accounting policies continued

### Leases

Plant and equipment leases for which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases, including all of the Group's property leases, are categorised as operating leases.

### Finance leases

Plant and equipment acquired by way of a finance lease is capitalised at the commencement of the lease at the lower of its fair value and the present value of the minimum lease payments at inception. Future payments under finance leases are included in creditors, net of any future finance charges. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance charges are recognised in the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Operating leases

Minimum lease payments under operating leases are recognised in the income statement on a straight-line basis over the lease term. Lease incentives and rent free periods are included in the calculation of minimum lease payments. The commencement of the lease term is the date from which the Group is entitled to use the leased asset. The lease term is the non-cancellable period of the lease, together with any further periods for which the Group has the option to continue to lease the asset and when at the inception of the lease it is reasonably certain that the Group will exercise that option.

Contingent rentals include rent increases based on future inflation indices or non-guaranteed rental payments based on centre turnover or profitability and are excluded from the calculation of minimum lease payments. Contingent rentals are recognised in the income statement as they are incurred.

Onerous lease provisions are an estimate of the net amounts payable under the terms of the lease to the first break point, discounted at an appropriate weighted average cost of capital.

### Exceptional Items

Exceptional items are those items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Such items are included within the income statement caption to which they relate, and are separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated income statement.

### Property, plant and equipment

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

| | |
|---|---|
| Buildings | 20 years |
| Fixtures and fittings | Over the shorter of the lease term and 10 years |
| Furniture | 10 years |
| Office equipment and telephones | 5 – 10 years |
| Motor vehicles | 4 years |
| Computer hardware | 3 – 5 years |

### Revenue

Revenue from the provision of services to customers is measured at the fair value of consideration received or receivable (excluding sales taxes). Where rent free periods are granted to customers, rental income is spread on a straight-line basis over the length of the customer contract.

### Workstations

Workstation revenue is recognised when the provision of the service is rendered. Amounts invoiced in advance are deferred and recognised as revenue upon provision of the service.

### Customer service income

Service income (including the rental of meeting rooms) is recognised as services are rendered. In circumstances where Regus acts as an agent for the sale and purchase of goods to customers, only the commission fee earned is recognised as revenue.

### Management and franchise fees

Fees received for the provision of initial and subsequent services are recognised as revenue as the services are rendered. Fees charged for the use of continuing rights granted by the agreement, or for other services provided during the period of the agreement, are recognised as revenue as the services are provided or the rights used.

### Membership card income

Revenue from the sale of membership cards is deferred and recognised over the period that the benefits of the membership card are expected to be provided.

These categories represent all material sources of revenue earned from the provision of global workplace solutions.

### Employee benefits

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

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

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

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

Further details about the assumptions used are given in note 26.

### Share-based payments

The share option programme entitles certain employees and Directors to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes valuation model or the Monte Carlo method, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights (CIP) are also granted by the Company to certain employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in equity. The fair value is initially recognised at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on the Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted.

The Group also operates a Value Creation Plan which awards entitlements to certain employees and Directors of the Group. These entitlements are convertible into options over ordinary shares subject to the Group's share price reaching certain targets.

The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in equity. The fair value is initially recognised at the date of the award of the entitlements and spread over the period during which the entitlements are convertible into ordinary shares.

The fair value of the entitlements is based on the Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted.

### Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised for all unused tax losses only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced and where the appropriate communication to those affected has been undertaken at the balance sheet date.

Provision is made for onerous contracts to the extent that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be delivered, discounted using an appropriate weighted average cost of capital.

## 2. Accounting policies continued

### Net finance expenses

Interest charges and income are accounted for in the income statement on an accruals basis. Financing transaction costs that relate to financial liabilities are charged to interest expense using the effective interest rate method and are recognised within the carrying value of the related financial liability on the balance sheet. Fees paid for the arrangement of credit facilities are recognised as a prepayment and recognised through the finance expense over the term of the facility. In the event of a facility being drawn the relevant unamortised portion of the fee is recognised within the carrying value of the financial liability and charged to the interest expense using the effective interest rate method.

Where assets or liabilities on the Group balance sheet are carried at net present value, the increase in the amount due to unwinding the discount is recognised as a finance expense or finance income as appropriate.

Costs arising on bank guarantees & letters of credit and foreign exchange gains or losses have been classified separately as other finance costs in the income statement.

### Interest bearing borrowings and other financial liabilities

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

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

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

### Financial assets

Financial assets are classified as either at fair value through profit or loss, held to maturity investments, available for sale financial assets or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when recognition would be immaterial.

Liquid investments consist of held to maturity bonds and deposits.

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the balance sheet date and the gains or losses on translation are taken to the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The results and cash flows of overseas operations are translated using the average rate for the period. Assets and liabilities, including goodwill and fair value adjustments, of foreign operations are translated using the closing rate with all exchange differences arising on consolidation being recognised other comprehensive income, and presented in the foreign currency translation reserve in equity. Exchange differences are released to the income statement on disposal. Under the transition requirements of IFRS, cumulative translation differences for all foreign operations have been set to zero at 1 January 2004.

### Cash and cash equivalents

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

### Derivative financial instruments

The Group's policy on the use of derivative financial instruments can be found in note 24. Derivative financial instruments are measured initially at fair value and changes in the fair value are recognised through profit or loss unless the derivative financial instrument has been designated as a cash flow hedge whereby the effective portion of changes in the fair value are deferred in equity.

### Foreign currency translation rates

| | At 31 December | | Annual average | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| US dollar | **1.55** | 1.55 | **1.61** | 1.54 |
| Euro | **1.20** | 1.16 | **1.15** | 1.17 |
| Japanese yen | **120** | 126 | **128** | 135 |

## 3. Segmental analysis – statutory basis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including those that relate to transactions with other operating segments. An operating segment's results are reviewed regularly by the chief operating decision maker (the Board of Directors of the Group) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The business is run on a worldwide basis but managed through four principal geographical segments: Americas; Europe, Middle East and Africa (EMEA); Asia Pacific; and the United Kingdom. The United Kingdom segment does not include the Group's non-trading holding and corporate management companies that are based in the UK and the EMEA segment does not include the Group's non-trading head office and holding companies that are based in Luxembourg and Switzerland. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision maker. All reportable segments are involved in the provision of global workplace solutions.

The Group's reportable segments operate in different markets and are managed separately because of the different economic characteristics that exist in each of those markets. Each reportable segment has its own discrete senior management team responsible for the performance of the segment.

The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for Regus plc for the year ended 31 December 2010. The performance of each segment is assessed on the basis of the segment operating profit which excludes certain non-recurring items (including provisions for onerous contracts and asset write-downs), exceptional gains and losses, internal management charges and foreign exchange gains and losses arising on transactions with other operating segments.

| | Americas | | EMEA | | Asia Pacific | | United Kingdom | | All other operating segments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| Revenues from external customers | **477.5** | 436.9 | **301.7** | 281.2 | **169.1** | 141.7 | **212.6** | 178.9 | **1.7** | 1.7 | **1,162.6** | 1,040.4 |
| Revenues from internal customers | **–** | – | **0.7** | 1.1 | **–** | – | **1.5** | 0.9 | **–** | – | **2.2** | 2.0 |
| **Segment revenues** | **477.5** | 436.9 | **302.4** | 282.3 | **169.1** | 141.7 | **214.1** | 179.8 | **1.7** | 1.7 | **1,164.8** | 1,042.4 |
| Gross profit (centre contribution) | **128.5** | 99.1 | **68.3** | 65.8 | **43.2** | 36.4 | **31.8** | 13.2 | **1.4** | 1.4 | **273.2** | 215.9 |
| **Reportable segment profit** | **51.4** | 32.5 | **17.5** | 17.3 | **21.5** | 18.7 | **3.8** | (12.2) | **(0.3)** | 0.8 | **93.9** | 57.1 |
| Share of profit of joint ventures | **–** | – | **1.0** | 1.3 | **–** | – | **(0.9)** | – | **–** | – | **0.1** | 1.3 |
| Finance expense | **(0.2)** | – | **(0.2)** | (0.2) | **(0.7)** | (0.5) | **(2.3)** | (1.5) | **–** | – | **(3.4)** | (2.2) |
| Finance income | **–** | – | **0.3** | 0.4 | **0.4** | 0.1 | **0.1** | – | **–** | – | **0.8** | 0.5 |
| Depreciation and amortisation | **31.6** | 32.6 | **14.6** | 14.7 | **12.3** | 11.1 | **13.1** | 14.0 | **0.7** | – | **72.3** | 72.4 |
| Taxation (income)/charge | **(1.2)** | 26.1 | **(2.1)** | 3.4 | **9.2** | 3.9 | **1.6** | (28.6) | **1.4** | 1.1 | **8.9** | 5.9 |
| Assets | **588.5** | 524.7 | **285.2** | 247.9 | **171.9** | 162.5 | **299.7** | 306.4 | **1.6** | 1.3 | **1,346.8** | 1,242.8 |
| Liabilities | **(323.0)** | (251.5) | **(310.0)** | (256.6) | **(165.7)** | (143.4) | **(285.7)** | (276.6) | **(0.6)** | (0.6) | **(1,085.0)** | (928.7) |
| **Net assets/(liabilities)** | **265.5** | 273.2 | **(24.9)** | (8.7) | **6.2** | 19.1 | **14.0** | 29.8 | **1.0** | 0.7 | **261.8** | 314.1 |
| Non-current asset additions | **72.3** | 27.8 | **21.2** | 12.9 | **18.3** | 13.7 | **9.4** | 20.1 | **–** | – | **121.2** | 74.5 |

Revenue in the other segmental category is generated from services related to the provision of workplace solutions including fees earned from franchise agreements and commissions earned from the sale of outsourced workplace solution products. Revenue from internal customers is determined by reference to current market prices.

## 3. Segmental analysis – statutory basis continued

| £m | Revenue | Gross profit (centre contribution) | Operating profit | Share of JV profit | Finance expense | Finance income | Other finance costs | Depreciation and amortisation | Profit before tax |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 2011 |
| **Reportable segment results** | **1,164.8** | **273.2** | **93.9** | **0.1** | **(3.4)** | **0.8** | **–** | **72.3** | **91.4** |
| Exclude: Internal revenue | **(2.2)** | **(2.2)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Corporate overheads | **–** | **4.2** | **(43.2)** | **–** | **–** | **0.5** | **(0.4)** | **1.2** | **(43.1)** |
| Foreign exchange gains and losses | **–** | **–** | **(0.2)** | **–** | **–** | **–** | **(2.6)** | **–** | **(2.8)** |
| Exceptional items: | | | | | | | | | |
| 2010 Restructuring Plan | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Published Group total** | **1,162.6** | **275.2** | **50.5** | **0.1** | **(3.4)** | **1.3** | **(3.0)** | **73.5** | **45.5** |

| £m | Revenue | Gross profit (centre contribution) | Operating profit | Share of JV profit | Finance expense | Finance income | Other finance costs | Depreciation and amortisation | Profit before tax |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 2010 |
| Reportable segment results | 1,042.4 | 215.9 | 57.1 | 1.3 | (2.2) | 0.5 | – | 72.4 | 56.7 |
| Exclude: Internal revenue | (2.0) | (2.0) | – | – | – | – | – | – | – |
| Corporate overheads | – | 2.0 | (34.5) | – | 0.2 | 1.3 | – | 1.0 | (33.0) |
| Foreign exchange gains and losses | – | – | – | – | – | – | (0.1) | – | (0.1) |
| Exceptional items: | | | | | | | | | |
| 2010 Restructuring Plan | – | (11.9) | (15.8) | – | – | – | – | – | (15.8) |
| **Published Group total** | 1,040.4 | 204.0 | 6.8 | 1.3 | (2.0) | 1.8 | (0.1) | 73.4 | 7.8 |

The 2010 exceptional charge of £15.8 million is split between the reportable segments and central costs. As set out in note 6, they constitute respectively part of a re-organisation plan and a formal restructuring plan and therefore, in the Group's view, are differentiated from other ongoing charges within the operations of the business.

| £m | Assets | Liabilities | 2011 Net assets / (liabilities) |
|---|---|---|---|
| **Reportable segment results** | **1,346.8** | **(1,085.0)** | **261.8** |
| Exclude: Segmental inter-company amounts | **(291.4)** | **382.8** | **91.4** |
| Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments) | | | |
| Cash | **113.4** | **–** | **113.4** |
| Deferred Taxation | **19.7** | **–** | **19.7** |
| Other | **13.2** | **(10.8)** | **2.4** |
| **Published Group total** | **1,201.7** | **(713.0)** | **488.7** |

| £m | Assets | Liabilities | 2010 Net assets/ (liabilities) |
|---|---|---|---|
| **Reportable segment results** | 1,242.8 | (928.7) | 314.1 |
| Exclude: Segmental inter-company amounts | (265.5) | 309.7 | 44.2 |
| Corporate overheads assets and liabilities (excluding amounts due to/from reportable segments) | | | |
| Cash | 109.9 | – | 109.9 |
| Deferred Taxation | 27.3 | – | 27.3 |
| Other | 28.7 | (38.4) | (9.7) |
| **Published Group total** | 1,143.2 | (657.4) | 485.8 |

## 4. Segmental analysis – entity-wide disclosures

The Group's primary activity and only business segment is the provision of global workplace solutions and therefore all revenue is attributed to a single group of similar products and services. It is not meaningful to separate this group into further categories of products. Revenue is recognised where the service is provided.

The Group has a diversified customer base and no single customer contributes a material percentage of the Group's revenue.

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

| £m | 2011 External revenue | 2011 Non-current assets[(a)] | 2010 External revenue | 2010 Non-current assets[(a)] |
|---|---|---|---|---|
| Country of domicile – Luxembourg | **3.4** | **0.6** | 4.0 | 0.4 |
| United States of America | **365.1** | **315.7** | 350.7 | 285.2 |
| United Kingdom | **213.0** | **164.4** | 180.4 | 168.5 |
| All other countries | **581.1** | **212.0** | 505.3 | 185.4 |
| | **1,162.6** | **692.7** | 1,040.4 | 639.5 |

(a) Excluding deferred tax assets

## 5. Operating profit

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Depreciation on property, plant and equipment | | |
| Owned assets | **64.9** | 65.8 |
| Finance leases | **1.9** | 1.4 |
| Amortisation of intangibles | **6.7** | 6.2 |
| Provision for bad debts | **5.1** | 4.1 |
| Loss on disposal of property, plant and equipment | **1.2** | 1.6 |
| Exchange differences recognised in the income statement – loss/(gain) | **0.4** | 0.4 |
| Movement in fair value of derivative financial instruments | **–** | 0.5 |
| Rents payable in respect of operating leases | | |
| Property | **414.9** | 393.2 |
| Equipment | **1.5** | 1.8 |
| Contingent rents paid | **14.9** | 10.0 |
| Amortisation of UK acquisition fair value adjustments | **(4.6)** | (4.4) |
| Staff costs (see note 7) | **232.7** | 201.5 |

| | 2011 £m | 2010 £m |
|---|---|---|
| Fees payable to the Group's auditor for the audit of the Group accounts | **0.2** | 0.2 |
| Fees payable to the Group's auditor and its associates for other services: | | |
| The audit of the Company's subsidiaries pursuant to legislation | **1.3** | 1.4 |
| Other services pursuant to legislation | | |
| Tax services | **0.1** | 0.1 |
| Other services | **0.1** | 0.4 |

## 6. Exceptional items

| | 2011 £m | 2010 £m |
|---|---|---|
| **Administration expenses:** | | |
| 2011 Restructuring plan (charge) | **(2.5)** | – |
| 2010 Restructuring plan release / (charge) | **2.5** | (15.8) |
| | **–** | (15.8) |

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

During the year ended 31 December 2010 the Group undertook a UK restructuring programme at a net cost of £15.8 million. This balance consists of expenditure arising on the following categories: asset write down, reorganisation costs, space reduction costs, centre closure costs and other costs. An onerous lease and other property related provisions, which were identified during the restructure as being no longer required, were released. £2.5m of the remaining provision was released during the year ended 31 December 2011.

The above items have been reported as exceptional items and are disclosed separately as they are relevant to the understanding of the Group's financial performance.

## 7. Staff costs

| | 2011 £m | 2010 £m |
|---|---|---|
| **The aggregate payroll costs were as follows:** | | |
| Wages and salaries | **194.1** | 168.6 |
| Social security | **35.2** | 30.3 |
| Pension costs | **2.8** | 1.4 |
| Share-based payments | **0.6** | 1.2 |
| | **232.7** | 201.5 |

| | 2011 Average full time equivalents | 2010 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 | **3,984** | 3,577 |
| Sales staff | **871** | 780 |
| Finance staff | **774** | 668 |
| Other staff | **823** | 662 |
| | **6,452** | 5,687 |
| | | |
| Americas | **2,483** | 2,246 |
| EMEA | **1,610** | 1,466 |
| Asia Pacific | **960** | 832 |
| United Kingdom | **976** | 896 |
| Corporate functions | **423** | 247 |
| | **6,452** | 5,687 |

Details of Directors' emoluments and interests are given on pages 36 to 38 in the Remuneration Report.

## 8. Net finance expense

| | 2011 £m | 2010 £m |
|---|---|---|
| Interest payable and similar charges on bank loans | **(1.2)** | (0.5) |
| Interest payable and similar charges of finance leases | **(0.2)** | (0.1) |
| **Total interest expense** | **(1.4)** | (0.6) |
| Unwinding of discount rates | **(2.0)** | (1.4) |
| **Total finance expense** | **(3.4)** | (2.0) |
| Total interest income | **1.2** | 1.8 |
| Unwinding of discount rates | **0.1** | – |
| **Total finance income** | **1.3** | 1.8 |
| **Net finance expense** | **(2.1)** | (0.2) |

## 9. Other finance costs

| | 2011 £m | 2010 £m |
|---|---|---|
| Foreign exchange net gains or losses | **(2.6)** | (0.1) |
| Bank guarantees & letters of credit | **(0.4)** | – |
| Other finance costs | **(3.0)** | (0.1) |

Foreign exchange gains or losses were reclassified from administration expenses to other finance costs. There is no impact on profit before tax for the year.

## 10. Taxation

### (a) Analysis of charge in the year

| | 2011 £m | 2010 £m |
|---|---|---|
| **Current taxation** | | |
| Corporate income tax | **(13.5)** | (10.3) |
| Previously unrecognised tax losses and temporary differences | **1.5** | 0.9 |
| Over provision in respect of prior years | **7.4** | 31.9 |
| **Total current taxation** | **(4.6)** | 22.5 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | **(7.2)** | (28.9) |
| Previously unrecognised tax losses and temporary differences | **4.4** | – |
| (Under) / over provision in respect of prior years | **(1.5)** | 0.5 |
| **Total deferred taxation** | **(4.3)** | (28.4) |
| **Tax charge on profit** | **(8.9)** | (5.9) |

### (b) Reconciliation of taxation charge

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| **Profit before tax** | **45.5** | | 7.8 | |
| **Tax on profit at 28.8% (2010: 28.6%)** | **(13.1)** | **(28.8)** | (2.2) | (28.6) |
| Tax effects of: | | | | |
| Exceptional items not deductible for tax purposes | **–** | **–** | (4.2) | (53.8) |
| Expenses not deductible for tax purposes | **(6.4)** | **(14.1)** | (9.0) | (115.4) |
| Items not chargeable for tax purposes | **20.4** | **44.8** | 14.2 | 182.1 |
| Recognition of previously unrecognised deferred tax assets | **5.9** | **13.0** | 0.9 | 11.5 |
| Movements in temporary differences in the year not recognised in deferred tax | **(14.2)** | **(31.2)** | (45.3) | (580.8) |
| Other movements in temporary differences | **(7.1)** | **(15.6)** | 6.6 | 84.6 |
| Adjustment to tax charge in respect of previous years | **5.9** | **13.0** | 32.4 | 415.4 |
| Differences in tax rates on overseas earnings | **(0.3)** | **(0.7)** | 0.7 | 9.0 |
| | **(8.9)** | **(19.6)** | (5.9) | (75.6) |

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

The Group has benefitted from a credit in relation to the settlement of a number of tax audits in respect of previous years.

### (c) Factors that may affect the future tax charge

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

| | 2011 £m | 2010 £m |
|---|---|---|
| 2011 | **–** | 0.9 |
| 2012 | **2.3** | 4.1 |
| 2013 | **1.3** | 1.6 |
| 2014 | **3.7** | 3.6 |
| 2015 | **0.5** | 3.8 |
| 2016 | **3.7** | 1.2 |
| 2017 | **4.2** | 3.1 |
| 2018 | **3.6** | – |
| 2019 and later | **100.9** | 95.4 |
| | **120.2** | 113.7 |
| Available indefinitely | **144.2** | 120.5 |
| **Tax losses available to carry forward** | **264.4** | 234.2 |
| Amount of tax losses recognised in the deferred tax asset | **94.8** | 52.7 |
| **Total tax losses available to carry forward** | **359.2** | 286.9 |

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Intangibles | **44.9** | 328.9 |
| Accelerated capital allowances | **12.0** | 5.5 |
| Tax losses | **80.4** | 77.1 |
| Rent | **0.3** | 0.8 |
| Short term timing differences | **8.3** | 7.5 |
| | **145.9** | 419.8 |

Estimates relating to deferred tax assets, including assumptions about future profitability, are re-evaluated at the end of each reporting period. In considering current facts and circumstances, the Group has amended the calculation of deferred tax assets relating to certain intangible assets. This has given rise to a total decrease in the unrecognised deferred tax assets of £273.9 million.

### (d) Corporation tax

| | 2011 £m | 2010 £m |
|---|---|---|
| Corporation tax payable | **(6.3)** | (17.0) |
| Corporation tax receivable | **7.4** | 13.3 |

## 10. 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 2010 | (13.5) | 28.8 | 13.9 | 20.2 | 15.7 | 65.1 |
| Current year movement | (6.5) | (3.0) | 1.7 | (1.1) | (20.0) | (28.9) |
| Prior year movement | 0.1 | 1.6 | (1.1) | (0.8) | 0.6 | 0.4 |
| Direct reserves movement | – | – | – | – | (0.8) | (0.8) |
| Acquisitions | – | – | – | – | – | – |
| Transfers | 0.1 | (0.7) | 0.3 | (0.2) | – | (0.5) |
| Exchange movement | (1.3) | 1.4 | 0.2 | 0.7 | 0.8 | 1.8 |
| At 1 January 2011 | (21.1) | 28.1 | 15.0 | 18.8 | (3.7) | 37.1 |
| Current year movement | (13.1) | (0.4) | (4.2) | 3.8 | 11.0 | (2.9) |
| Prior year movement | (0.3) | 0.4 | 15.9 | 0.4 | (18.1) | (1.7) |
| Direct reserves movement | – | – | – | – | – | – |
| Acquisitions | – | – | – | – | – | – |
| Transfers | 0.1 | – | 0.1 | 0.3 | 0.2 | 0.7 |
| Exchange movement | 0.6 | (0.6) | (0.3) | (0.4) | 0.3 | (0.4) |
| **At 31 December 2011** | **(33.8)** | **27.5** | **26.5** | **22.9** | **(10.3)** | **32.8** |
| **Deferred tax liability** | | | | | | |
| At 1 January 2010 | (0.1) | (1.0) | 0.4 | – | – | (0.7) |
| Current year movement | – | 0.2 | – | – | (0.2) | – |
| Prior year movement | – | 0.1 | (0.1) | – | 0.1 | 0.1 |
| Acquisitions | – | – | – | – | – | – |
| Transfers | (0.1) | 0.7 | (0.3) | 0.2 | – | 0.5 |
| Exchange movement | – | – | – | – | – | – |
| At 1 January 2011 | (0.2) | – | – | 0.2 | (0.1) | (0.1) |
| Current year movement | – | – | – | 0.1 | – | 0.1 |
| Prior year movement | – | – | 0.1 | – | 0.1 | 0.2 |
| Acquisitions | – | – | – | – | – | – |
| Transfers | (0.1) | – | (0.1) | (0.3) | (0.2) | (0.7) |
| Exchange movement | – | – | – | – | – | – |
| **At 31 December 2011** | **(0.3)** | **–** | **–** | **–** | **(0.2)** | **(0.5)** |

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

Deferred tax assets recognised on short term temporary differences consist predominantly of provisions deductible when paid and share based payments. Deferred tax assets have been recognised in excess of deferred tax liabilities on the basis that there are forecast taxable profits in the entities concerned.

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £51.3 million (2010: £64.3 million). The only tax that would arise on these reserves would be non-creditable withholding tax.

## 11. Earnings per ordinary share (basic and diluted)

| | 2011 | 2010 |
|---|---|---|
| Profit attributable to equity shareholders of the parent (£m) | **37.9** | 1.5 |
| Weighted average number of shares outstanding during the year | **941,898,916** | 947,462,881 |
| Average market price of one share during the year | **94.79p** | 86.61p |
| Weighted average number of shares under option during the year | **3,674,249** | 4,228,848 |
| Exercise price for shares under option during the year | **58.23p** | 58.84p |

| | Profit | | Earnings per share | |
|---|---|---|---|---|
| | **2011 £m** | 2010 £m | **2011 pence** | 2010 pence |
| Basic and diluted profit for the year attributable to shareholders and basic earnings per share | **37.9** | 1.5 | **4.0** | 0.2 |
| Diluted earnings per share | | | **4.0** | 0.2 |
| Weighted average number of shares for basic EPS (number) | | | **941,898,916** | 947,462,881 |
| Weighted average number of shares under option during the year | | | **3,674,249** | 4,228,848 |
| Weighted average number of shares that would have been issued at average market price | | | **(2,286,139)** | (2,872,755) |
| Weighted average number of awards under the CIP and LTIP | | | **2,465,389** | 4,513,161 |
| Weighted average number of shares for diluted EPS (number) | | | **945,752,415** | 953,332,135 |

Options are considered dilutive when they would result in the issue of ordinary shares for less than the market price of ordinary shares in the period. The amount of the dilution is taken to be the average market price of shares during the period minus the issue price.

## 12. Dividends

| | 2011 | 2010 |
|---|---|---|
| Dividends per ordinary share proposed | **2.0p** | 1.75p |
| Interim dividends per ordinary share declared and paid during the year | **0.9p** | 0.85p |

Dividends of £25.0 million were paid during the year (2010: £23.2 million). The Company has proposed to shareholders that a final dividend of 2.0p per share will be paid (2010: 1.75p). Subject to shareholder approval it is expected that the dividend will be paid on 25 May 2012.

## 13. Goodwill

| | £m |
|---|---|
| **Cost** | |
| At 1 January 2010 | 259.1 |
| Recognised on acquisition of subsidiaries | 15.2 |
| Exchange differences | 8.1 |
| **At 1 January 2011** | **282.4** |
| Recognised on acquisition of subsidiaries | 4.6 |
| Exchange differences | (1.6) |
| **At 31 December 2011** | **285.4** |
| **Net book value** | |
| At 1 January 2011 | 282.4 |
| **At 31 December 2011** | **285.4** |

Cash generating units (CGUs), comprising individual business centres, are grouped by country of operation for the purpose of carrying out impairment reviews of non-current assets as this is the lowest level at which goodwill can be assessed. Goodwill acquired through business combinations is held at a country level and is subject to impairment reviews based on the cash flows of these CGUs.

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Carrying amount of goodwill included within the Americas business segment | **171.3** | 168.8 |
| Carrying amount of goodwill included within the EMEA business segment | **5.9** | 6.6 |
| Carrying amount of goodwill included within the Asia Pacific business segment | **11.9** | 11.1 |
| Carrying amount of goodwill included within the UK business segment | **96.3** | 95.9 |
| | **285.4** | 282.4 |

The carrying value of goodwill and indefinite life intangibles allocated to two CGUs, the USA and UK, is material relative to the total carrying value comprising 87% of the total. The remaining 13% of the carrying value is allocated to a further 24 countries (24 cash generating units). The goodwill and indefinite life intangibles allocated to the USA and the UK cash generating units are set out below:

| | Goodwill £m | Intangible assets £m | **2011 £m** | 2010 £m |
|---|---|---|---|---|
| USA | 149.5 | – | **149.5** | 148.1 |
| UK | 96.3 | 11.2 | **107.5** | 107.1 |
| Other cash generating units | 39.6 | – | **39.6** | 38.4 |
| | 285.4 | 11.2 | **296.6** | 293.6 |

The indefinite lived intangible asset relates to the brand value arising from the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006 (see note 14).

The recoverable amount of each of the CGUs above has been determined based on their value in use, calculated as the present value of future cash flows attributable to the unit.

The value in use for each CGU has been determined using a model which derives the individual value in use for each unit from the value in use of the Group as a whole. Although the model includes budgets and forecasts prepared by management it also reflects external factors, such as capital market risk pricing as reflected in the market capitalisation of the Group and prevailing tax rates, which have been used to determine the risk adjusted discount rate for the Group. Management believe that the projected cash flows are a reasonable reflection of the likely outcomes over the medium to long term. In the event that trading conditions deteriorate beyond the assumptions used in the projected cash flows, it is also possible that impairment charges could arise in future periods.

The following key assumptions have been used in calculating value in use for each group of CGUs:

- Future cash flows are based on budget for 2012 approved by the Board. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the value in use. Thereafter forecasts have been prepared by management for a further four years from 2013 that reflect an average annual growth rate of 3-5.6% (2010: 3-5.4%).
- These forecasts exclude the impact of both organic and acquisitive growth expected to take place in future periods. Management consider these projections to be a reasonable projection of margins expected at the mid-cycle position reflecting the current uncertain global economic conditions. Cash flows beyond 2016 have been extrapolated using a 2% growth rate which management believe is a reasonable long-term growth rate for any of the markets in which the relevant CGUs operate. A terminal value is included in the assessment reflecting the Group's expectation that it will continue to operate in these markets and the long-term nature of the businesses.
- The Group applies a country specific pre-tax discount rate to the pre-tax cash flows for each CGU. The country specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. The Group WACC is then adjusted for each CGU to reflect the assessed market risk specific to that country. The Group WACC increased to 13% in 2011 (2010: 12%). The market risk adjustments remain unchanged from 2010 giving a risk adjusted range of 13% to 19% (2010: 12% to 17%).

The trading conditions in which the Group operates are subject to competitive and economic pressures that can have a material effect on the operating performance of the business. Current market conditions remain challenging for the Group and the current global conditions make forecasting medium-term cash flows more difficult than is traditionally the case. The forecast cash flows used to derive the value in use are sensitive to changes in revenues (driven by changes in prices, occupancy or a combination of both), costs and discount rates (including the market assessment of the risks of the Group reflected in the Group's market capitalisation). Actual conditions could result in either better or worse cash flows than included in the value in use calculation. Should current economic conditions prove to be more prolonged or to deteriorate greater than currently expected this would adversely impact the forecast cash flows and could result in impairments to goodwill and indefinite lived intangible assets in future periods.

The amount by which the value in use exceeds the carrying amount of the CGUs are sufficiently large to enable the Directors to conclude that a reasonably possible change in the key assumptions would not result in an impairment charge in any of the CGUs. Foreseeable events are unlikely to result in a change in the projections of such a significant nature as to result in the cash-generating units carrying amount exceeding their recoverable amount.

The key assumptions used in the US model are that in 2012 the forecast centre contribution rises to 29% from 24%. Revenue and costs grow at 3% per annum from 2011 maintaining a terminal 2016 centre gross margin of 29%. Thereafter a 2% long-term growth rate is assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 14% (2010:12%).

The UK model assumes an ongoing recovery reverting to mid-cycle revenue and occupancy being achieved in 2016 prior to the application of the long-run growth rate and discount rates used. This model forecasts a 2012 centre contribution of 13%, rising to 22%, before reverting to a mid-cycle centre contribution of 16%. Thereafter a 2% long-term growth rate is assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 13% (2010:12%).

Management has considered the following sensitivities:

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

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

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

## 14. Other intangible assets

| | Brand £m | Customer lists £m | Software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2010 | 52.2 | 19.2 | 13.6 | 85.0 |
| Additions at cost | – | – | 2.4 | 2.4 |
| Acquisition of subsidiaries | – | 2.2 | – | 2.2 |
| Disposals | – | – | – | – |
| Exchange rate movements | 1.6 | 0.7 | 0.3 | 2.6 |
| **At 1 January 2011** | **53.8** | **22.1** | **16.3** | **92.2** |
| Additions at cost | – | 0.1 | 3.8 | 3.9 |
| Acquisition of subsidiaries | – | 0.4 | – | 0.4 |
| Disposals | – | – | – | – |
| Exchange rate movements | – | – | (0.2) | (0.2) |
| **At 31 December 2011** | **53.8** | **22.6** | **19.9** | **96.3** |
| **Amortisation** | | | | |
| At 1 January 2010 | 11.2 | 14.6 | 10.9 | 36.7 |
| Charge for the year | 2.1 | 2.2 | 1.9 | 6.2 |
| Disposals | – | – | – | – |
| Exchange rate movements | 0.5 | 0.2 | 0.2 | 0.9 |
| **At 1 January 2011** | **13.8** | **17.0** | **13 .0** | **43.8** |
| Charge for year | 2.0 | 2.6 | 2.1 | 6.7 |
| Disposals | – | – | – | – |
| Exchange rate movements | – | – | (0.1) | (0.1) |
| **At 31 December 2011** | **15.8** | **19.6** | **15.0** | **50.4** |
| | | | | |
| **Net book value** | | | | |
| **At 31 December 2011** | **38.0** | **3.0** | **4.9** | **45.9** |
| At 31 December 2010 | 40.0 | 5.1 | 3.3 | 48.4 |

Included with the brand value is £11.2 million 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 13).

The remaining amortisation life for non-indefinite life brands is 13 years.

## 15. Property, plant and equipment

| | Land and buildings £m | Furniture, fittings and motor vehicles £m | Computer hardware £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2010 | – | 577.1 | 37.6 | 614.7 |
| Additions | 5.6 | 66.6 | 5.0 | 77.2 |
| Acquisition of subsidiaries | – | 12.3 | 0.2 | 12.5 |
| Disposals | – | (4.5) | (1.7) | (6.2) |
| Exchange rate movements | – | 21.2 | 1.4 | 22.6 |
| **At 1 January 2011** | **5.6** | **672.7** | **42.5** | **720.8** |
| Additions | – | 112.6 | 6.3 | 118.9 |
| Acquisition of subsidiaries | – | 2.5 | – | 2.5 |
| Disposals | – | (8.1) | (1.4) | (9.5) |
| Exchange rate movements | – | (9.5) | (0.4) | (9.9) |
| **At 31 December 2011** | **5.6** | **770.2** | **47.0** | **822.8** |
| **Accumulated depreciation** | | | | |
| At 1 January 2010 | – | 345.5 | 28.3 | 373.8 |
| Charge for the year | – | 61.0 | 6.2 | 67.2 |
| Disposals | – | (2.5) | (1.7) | (4.2) |
| Exchange rate movements | – | 12.1 | 1.1 | 13.2 |
| **At 1 January 2011** | **–** | **416.1** | **33.9** | **450.0** |
| Charge for the year | 0.3 | 61.0 | 5.5 | 66.8 |
| Disposals | – | (6.8) | (1.4) | (8.2) |
| Exchange rate movements | – | (6.0) | (0.7) | (6.7) |
| **At 31 December 2011** | **0.3** | **464.3** | **37.3** | **501.9** |
| | | | | |
| **Net book value** | | | | |
| **At 31 December 2011** | **5.3** | **305.9** | **9.7** | **320.9** |
| At 31 December 2010 | 5.6 | 256.6 | 8.6 | 270.8 |

## 15. Property, plant and equipment continued

Additions include £nil million in respect of assets acquired under finance leases (2010: £3.8 million).

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Cost | **24.4** | 23.9 |
| Accumulated depreciation | **(18.4)** | (16.5) |
| **Net book value** | **6.0** | 7.4 |

## 16. Other long-term receivables

| | 2011 £m | 2010 £m |
|---|---|---|
| Deposits held by landlords against rent obligations | **34.3** | 29.9 |
| Amounts owed by joint ventures | **1.9** | 0.8 |
| Prepayments and accrued income | **1.7** | 3.3 |
| | **37.9** | 34.0 |

## 17. Trade and other receivables

| | 2011 £m | 2010 £m |
|---|---|---|
| Trade receivables | **105.7** | 102.6 |
| Amounts owed by joint ventures | **4.0** | 4.0 |
| Other receivables | **28.4** | 18.1 |
| Deposits held by landlords against rent obligations | **15.4** | 20.2 |
| Prepayments and accrued income | **91.2** | 84.2 |
| VAT recoverable | **26.6** | 19.6 |
| | **271.3** | 248.7 |

## 18. Trade and other payables

| | 2011 £m | 2010 £m |
|---|---|---|
| Trade payables | **61.6** | 50.7 |
| Other tax and social security | **31.9** | 26.1 |
| Customer deposits | **184.3** | 163.2 |
| Deferred landlord contributions | **16.4** | 13.0 |
| Amounts owed to joint ventures | **0.7** | 1.6 |
| Rent accruals | **43.1** | 37.3 |
| Other accruals | **69.6** | 74.7 |
| Other payables | **17.5** | 21.8 |
| **Total current** | **425.1** | 388.4 |

| | 2011 £m | 2010 £m |
|---|---|---|
| Accruals and deferred income | **58.8** | 45.6 |
| Rent accruals | **56.5** | 51.1 |
| Other payables | **2.5** | 2.4 |
| **Total non-current** | **117.8** | 99.1 |

## 19. Borrowings

The Group's total loan and borrowing position at 31 December 2011 and at 31 December 2010 had the following maturity profiles:

### Bank and other loans

| | 2011 £m | 2010 £m |
|---|---|---|
| Repayments falling due as follows: | | |
| Amounts falling due after more than one year: | | |
| In more than one year but not more than two years | **3.4** | – |
| In more than two years but not more than five years | **2.6** | 3.4 |
| In more than five years | **–** | – |
| **Total non-current** | **6.0** | 3.4 |
| **Total current** | **0.9** | 5.5 |
| **Total bank and other loans** | **6.9** | 8.9 |

### Obligations under finance leases

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

| | 2011 £m | 2010 £m |
|---|---|---|
| **Amounts payable** | | |
| Within one year or on demand | **1.5** | 2.3 |
| In more than one year but not more than two years | **0.9** | 1.4 |
| In more than two years but not more than five years | **–** | 0.6 |
| | **2.4** | 4.3 |
| Less: finance charges allocated to future periods | **(0.1)** | (0.1) |
| Present value of future minimum lease payments | **2.3** | 4.2 |
| Total current | **1.5** | 2.3 |
| Total non-current | **0.8** | 1.9 |
| | **2.3** | 4.2 |

## 20. Provisions

| | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Onerous leases and closures £m** | **Restructuring £m** | **Other £m** | **Total £m** | Onerous leases and closures £m | Restructuring £m | Other £m | Total £m |
| At 1 January | **10.7** | **0.7** | **1.2** | **12.6** | 8.8 | 2.1 | 1.2 | 12.1 |
| Provided in the period | **0.4** | **0.3** | **0.7** | **1.4** | 5.5 | – | – | 5.5 |
| Utilised in the period | **(2.0)** | **(0.1)** | **(0.1)** | **(2.2)** | (1.1) | (0.4) | – | (1.5) |
| Provisions released | **(0.5)** | **–** | **–** | **(0.5)** | (2.5) | (0.9) | – | (3.4) |
| Exchange differences | **(0.1)** | **–** | **–** | **(0.1)** | – | (0.1) | – | (0.1) |
| **At 31 December** | **8.5** | **0.9** | **1.8** | **11.2** | 10.7 | 0.7 | 1.2 | 12.6 |
| Analysed between: | | | | | | | | |
| Current | **1.4** | **0.9** | **0.7** | **3.0** | 2.1 | 0.7 | – | 2.8 |
| Non-current | **7.1** | **–** | **1.1** | **8.2** | 8.6 | – | 1.2 | 9.8 |
| **At 31 December** | **8.5** | **0.9** | **1.8** | **11.2** | 10.7 | 0.7 | 1.2 | 12.6 |

### Onerous leases and closures

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

### Restructuring

The restructuring provision of £0.9 million (2010: £0.7 million) is expected to be utilised during the next financial year.

### Other

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

## 21. Investments in joint ventures

| | Investments in joint ventures £m | Provision for deficit in joint ventures £m | Total £m |
|---|---|---|---|
| At 1 January 2010 | 4.4 | (1.1) | 3.3 |
| Dividends paid | (1.6) | – | (1.6) |
| Share of profit/(losses) | 1.5 | (0.2) | 1.3 |
| Acquisition | – | – | – |
| Exchange rate movements | (0.4) | – | (0.4) |
| At 1 January 2011 | 3.9 | (1.3) | 2.6 |
| Dividends paid | (1.4) | – | (1.4) |
| Share of profit/(losses) | 0.1 | – | 0.1 |
| Acquisition | – | – | – |
| Exchange rate movements | – | 0.1 | 0.1 |
| **At 31 December 2011** | **2.6** | **(1.2)** | **1.4** |

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

| | 2011 £m | 2010 £m |
|---|---|---|
| **Income statement** | | |
| Revenue | **20.0** | 23.6 |
| Expenses | **(17.5)** | (20.2) |
| Profit before tax for the year | **2.5** | 3.4 |
| Tax charge | **(0.3)** | (0.5) |
| **Profit after tax for the year** | **2.2** | 2.9 |
| **Net assets/(liabilities)** | | |
| Fixed assets | **7.3** | 7.3 |
| Current assets | **16.0** | 14.7 |
| Current liabilities | **(17.7)** | (16.6) |
| Non-current liabilities | **(5.0)** | (3.0) |
| **Net assets** | **0.6** | 2.4 |

## 22. Share capital

### Ordinary equity share capital

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Number** | **Nominal value £m** | Number | Nominal value £m |
| **Authorised** | | | | |
| Ordinary 1p shares at 1 January & 31 December | **8,000,000,000** | **80.0** | 8,000,000,000 | 80.0 |
| **Issued and fully paid up** | | | | |
| Ordinary 1p shares at 1 January & 31 December | **950,969,822** | **9.5** | 950,969,822 | 9.5 |

Treasury share transactions involving Regus plc shares

As at 1 January 2011, 9,070,906 (2010: 1,576,498) shares were held as treasury shares. During the year ended 31 December 2011, Regus plc repurchased nil (2010: 9,385,000) of its own shares in the open market and utilised nil (2010: 1,890,592) treasury shares held by the Group to satisfy the exercise of share awards by employees.

The holders of ordinary shares in Regus Group plc were entitled to receive dividends as were declared by the Company and were entitled to one vote per share at meetings of the Company. Treasury shares do not carry such rights until reissued.

## 23. Analysis of financial assets

| | At 1 Jan 2011 £m | Cash flow £m | Non-cash changes £m | Exchange movements £m | At 31 Dec 2011 £m |
|---|---|---|---|---|---|
| **Cash and cash equivalents** | **194.2** | 7.6 | – | (4.3) | **197.5** |
| **Liquid investments** | **10.4** | (10.4) | – | – | **–** |
| **Gross cash** | **204.6** | (2.8) | – | (4.3) | **197.5** |
| Debt due within one year | **(5.5)** | 0.7 | 3.6 | 0.3 | **(0.9)** |
| Debt due after one year | **(3.4)** | 0.4 | (3.6) | 0.6 | **(6.0)** |
| Finance leases due within one year | **(2.3)** | 0.7 | 0.3 | (0.2) | **(1.5)** |
| Finance leases due after one year | **(1.9)** | 1.4 | (0.3) | – | **(0.8)** |
| | **(13.1)** | 3.2 | – | 0.7 | **(9.2)** |
| **Net financial assets** | **191.5** | 0.4 | – | (3.6) | **188.3** |

Cash and cash equivalent balances held by the Group that are not available for use amounted to £25.5 million at 31 December 2011 (2010: £32.6 million).

Of this balance, £19.8 million (2010: £23.4 million) is pledged as security against outstanding bank guarantees and a further £5.7 million (2010: £9.2 million) is pledged against various other commitments of the Group.

Liquid investments represent corporate bonds and cash placed on deposit by the Group with a maturity over three months. Non-cash changes comprise the amortisation of debt issue costs, new finance leases entered into and movements in debt maturity.

## 24. Financial instruments and financial risk management

The objectives, policies and strategies applied by the Group with respect to financial instruments and the management of capital are determined at Group level. The Group's Board maintains responsibility for the risk management strategy of the Group and the Chief Financial Officer is responsible for policy on a day to day basis. The Chief Financial Officer and Group Treasurer review the Group's risk management strategy and policies on an ongoing basis. The Board has delegated to the Group Audit Committee the responsibility for applying an effective system of internal control and compliance with the Group's risk management policies. The Audit Committee is supported by the Head of Risk Management in performing this role.

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

### Going concern

The Business Review on pages 5 to 11 of the Report and Accounts sets out the Group's strategy and the factors that are likely to affect the future performance and position of the business. The financial review on pages 16 to 19 within the Business Review reviews the trading performance, financial position and cash flows of the Group. A feature of the Group has been its strong cash flows, and during the year ended 31 December 2011, while making significant investment in growth, the Group has maintained its cash levels at comparable levels to the position at the start of the financial year. While many countries where the Group operates continue to experience difficult economic conditions, the Directors believe that the Group is taking the necessary actions to strengthen the current market leading position of the Group.

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

### Credit risk

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

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

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Americas | **21.9** | 18.9 |
| EMEA | **41.7** | 42.9 |
| Asia Pacific | **17.5** | 16.6 |
| UK | **24.6** | 24.2 |
| | **105.7** | 102.6 |

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

The ageing of trade receivables at 31 December was:

| | Gross 2011 £m | Provision 2011 £m | Gross 2010 £m | Provision 2010 £m |
|---|---|---|---|---|
| Not overdue | **98.0** | **–** | 94.3 | (0.6) |
| Past due 0 – 30 days | **4.9** | **(0.2)** | 6.6 | (0.3) |
| Past due 31 – 60 days | **2.2** | **(0.2)** | 2.3 | (0.4) |
| More than 60 days | **12.4** | **(11.4)** | 11.2 | (10.5) |
| | **117.5** | **(11.8)** | 114.4 | (11.8) |

At the year end 31 December 2011, the Group maintained a provision of £11.8 million against potential bad debts (2010: £11.8 million) arising from trade receivables. The Group had provided £5.1 million (2010: £4.1 million) in the year and utilised £5.0 million (2010: £7.0 million). Customer deposits of £184.3 million (2010: £163.2 million) are held by the Group, mitigating the risk of default.

The Group believes no provision is generally required for trade receivables that are not overdue as the Group collects the majority of its revenue in advance of the provision of office services and requires deposits from its customers.

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

### Liquidity risk

The Group manages liquidity risk by reviewing its global cash position on a weekly basis and expects to have sufficient liquidity to meet its financial obligations as they fall due. The Group has free cash and liquid investments (excluding blocked cash) of £172.0 million (2010: £172.0 million) which the Directors consider adequate to meet the Group's day to day requirements.

The three year unsecured Bank Guarantee & Letter of Credit facility, entered into in November 2010 with Lloyds TSB bank, was increased to £100 million in the current year. The facility is subject to financial covenants covering operating cash flows, the ratio of Gross Debt to consolidated tangible net worth and the ratio of EBITDAR to net interest and rental charges. The Group is in compliance with all covenant requirements.

Although the Group has net current liabilities of £102.2 million (2010: £75.2 million), the Group does not consider that this gives rise to a liquidity risk. A large proportion of the net current liabilities comprise non-cash liabilities such as deferred income which will be recognised in future periods through the income statement. Although the Group holds customer deposits of £184.3 million (2010: £163.2 million) these are spread across a large number of customers and no deposit held for an individual customer is material. Therefore the Group does not believe the balance represents a liquidity risk.

The net current assets, excluding deferred income, were £39.5 million at 31 December 2011 (2010: £50.6 million). It is considered appropriate to exclude deferred income in assessing the liquidity of the Group as it reflects the future non-refundable contractual revenue of the Group to be recognised as revenue in future periods.

## 24. Financial instruments and financial risk management continued

### Market risk

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

### Interest rate risk

The Group manage its exposure to interest rate risk through the relative proportions of fixed rate debt and floating rate debt, as well as investment in financial assets. Our surplus cash balances are invested short term, and at the end of 2011 no cash was invested for a period exceeding three months. The Board of Directors believes that the Group has no material exposure to interest rate fluctuations as the Group does not have any significant interest bearing loans or long-term financial investments.

### Foreign currency risk

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

Historically the Group has occasionally used derivative financial instruments to manage its exposure to foreign currency fluctuations, although natural hedges limit the exposure to these risks. In the year ended 31 December 2011, the Group used derivative financial instruments to manage the translation risk of certain foreign currencies on the reported profits of the Group. As of 31 December 2011 all such instruments had matured.

No transactions of a speculative nature are undertaken.

### Other market risks

The Group does not hold any available-for-sale equity securities and is therefore not subject to risks of changes in equity prices in the income statement.

### Capital management

The Group's parent company is listed on the UK stock exchange and the Board's policy is to maintain a strong capital base. The Chief Financial Officer monitors the diversity of the Group's major shareholders and further details of the Group's communication with key investors can be found in the corporate governance report on pages 24 to 30. In 2006, the Board approved the commencement of a progressive dividend policy to enhance the total return to shareholders.

The Group's Chief Executive Officer, Mark Dixon, is the major shareholder of the Company and all executive members of the Board hold shares in the Company. Details of the Directors' shareholdings can be found in the report of the Remuneration Committee on pages 32 to 38. In addition the Group operates various share option plans for key management and other senior employees.

At the 2008 Annual General Meeting shareholders approved a resolution for the Group to re-purchase up to 10% of its issued share capital in the market. In June 2007, the Group commenced a share buyback programme to meet both the need to issue shares under the Group's share option programme and, more generally, as a means of returning cash to shareholders.

In the year ended 31 December 2011 Regus plc purchased 1,212,797 (2010: 1,353,188) of its own shares in the open market and utilised these to satisfy employee share awards. Regus plc did not re-purchase any of its own shares in the open market to hold as treasury shares. As at 20 March 2012, 9,070,906 shares were held as treasury shares.

The Company declared an interim dividend of 0.9p per share (2010: 0.85p) during the year ended 31 December 2011 and proposed a final dividend of 2.0p per share (2010: 1.75p per share), a 12% increase on the 2010 dividend.

The Group's objective when managing capital (equity and borrowings) is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Group holds minimal debt and is in a strong cash position therefore it is majority equity funded. The Board balances the higher returns possible with higher levels of borrowings with the stability and security afforded by a sound capital position as well as the strategy of accelerated organic growth.

### Effective interest rates

In respect of financial assets and financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature. Interest payments are excluded from the table.

The undiscounted cash flow of these instruments is not materially different from the carrying value.

As at 31 December 2011

| | Effective interest rate %[a] | Carrying value £m | Contractual cash flow £m | Less than 1 year £m | 1-2 years £m | 2-5 years £m | More than 5 years £m |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | **0.6** | **197.5** | **197.5** | **197.5** | **–** | **–** | **–** |
| Liquid investments – corporate bonds | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Other liquid investments | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Trade and other receivables | **–** | **216.4** | **228.1** | **191.9** | **17.3** | **18.9** | **–** |
| Financial assets [b] | **–** | **413.9** | **425.6** | **389.4** | **17.3** | **18.9** | **–** |
| Finance lease liabilities | **3.1** | **(2.3)** | **(2.3)** | **(1.5)** | **(0.7)** | **(0.1)** | **–** |
| Secured bank loans | **8.1** | **(6.3)** | **(6.6)** | **(0.3)** | **(3.5)** | **(2.8)** | **–** |
| Other loans | **5.5** | **(0.7)** | **(0.7)** | **(0.7)** | **–** | **–** | **–** |
| Customer deposits | **–** | **(184.4)** | **(184.4)** | **(184.4)** | **–** | **–** | **–** |
| Trade and other payables | **–** | **(188.8)** | **(188.8)** | **(186.3)** | **(2.5)** | **–** | **–** |
| Foreign currency swaps | **–** | **–** | **(2.2)** | **(2.2)** | **–** | **–** | **–** |
| Financial liabilities | **–** | **(382.5)** | **(385.0)** | **(375.4)** | **(6.7)** | **(2.9)** | **–** |

As at 31 December 2010

| | Effective interest rate %[a] | Carrying value £m | Contractual cash flow £m | Less than 1 year £m | 1-2 years £m | 2-5 years £m | More than 5 years £m |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 0.9 | 194.2 | 194.2 | 194.2 | – | – | – |
| Liquid investments – corporate bonds | 2.1 | 10.4 | 10.4 | 10.4 | – | – | – |
| Other liquid investments | – | – | – | – | – | – | – |
| Trade and other receivables | – | 190.0 | 201.8 | 171.8 | 15.0 | 15.0 | – |
| Financial assets [b] | – | 394.6 | 406.4 | 376.4 | 15.0 | 15.0 | – |
| Finance lease liabilities | 3.9 | (4.2) | (4.2) | (2.3) | (1.3) | (0.6) | – |
| Secured bank loans | 2.4 | (3.7) | (3.7) | (0.4) | – | (3.3) | – |
| Other loans | 7.3 | (5.2) | (5.2) | (5.2) | – | – | – |
| Customer deposits | – | (163.2) | (163.2) | (163.2) | – | – | – |
| Trade and other payables | – | (176.3) | (176.3) | (173.8) | (2.5) | – | – |
| Foreign currency swaps | – | – | – | – | – | – | – |
| Financial liabilities | – | (352.6) | (352.6) | (344.9) | (3.8) | (3.9) | – |

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

(b) Financial assets are all held at amortised cost

### Sensitivity analysis

At 31 December 2011 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately £1.7 million (2010: £1.4 million) with a corresponding increase in total equity.

It is estimated that a five percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's profit before tax by approximately £1.2 million for the year ended 31 December 2011 (2010: £0.3 million). 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 £0.5 million for the year ended 31 December 2011 (2010: £0.4 million).

It is estimated that a five percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's total equity by approximately £7.3 million for the year ended 31 December 2011 (2010: £7.9 million). It is estimated that a five percentage point weakening in the value of the euro against pounds sterling would have increased the Group's total equity by approximately £0.4 million for the year ended 31 December 2011 (2010: £0.6 million).

## 24. Financial instruments and financial risk management continued

### Fair value disclosures

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

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Carrying amount £m** | **Fair value £m** | Carrying amount £m | Fair value £m |
| Cash and cash equivalents | **197.5** | **197.5** | 194.2 | 194.2 |
| Liquid investments – corporate bonds | **–** | **–** | 10.4 | 10.4 |
| Other liquid investments | **–** | **–** | – | – |
| Trade and other receivables | **216.4** | **216.4** | 190.3 | 190.3 |
| Finance lease liabilities | **(2.3)** | **(2.0)** | (4.2) | (3.9) |
| Secured bank loans | **(6.3)** | **(6.3)** | (3.7) | (3.7) |
| Other loans | **(0.7)** | **(0.7)** | (5.2) | (5.2) |
| Customer deposits | **(184.4)** | **(184.4)** | (163.2) | (163.2) |
| Trade and other payables | **(188.8)** | **(188.8)** | (176.3) | (176.3) |
| | **31.4** | **31.7** | 42.3 | 42.6 |
| Unrecognised gain | | **0.3** | | 0.3 |

### Summary of methods and assumptions:

#### Cash and cash equivalents, trade and other receivables/payables and customer deposits

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

#### Finance lease liabilities

The fair value of finance leases has been calculated by discounting future cash flows at an appropriate discount rate which reflects current market assessments and the risks specific to such liabilities.

#### Loans and overdrafts

The fair value of bank loans, overdrafts and other loans approximates to the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

#### Derivative financial instruments

The Group held several foreign currency swaps in the year in relation to the hedging of Group profits mentioned above, with the following table summarising the open swaps as at 31 December 2011:

| | 2011 CHF m | 2011 EUR m | 2010 CHF m | 2010 EUR m |
|---|---|---|---|---|
| Foreign currency swaps | 2.9 | 0.2 | – | – |

### Committed borrowing facilities

| | Principal £m | Available £m |
|---|---|---|
| **At 31 December 2011** | **–** | **–** |
| At 31 December 2010 | – | – |

The three-year unsecured Bank Guarantee & Letter of Credit facility, entered into in November 2010 with Lloyds TSB bank, was increased to £100 million in the current year. The facility is subject to financial covenants covering operating cash flows, the ratio of Gross Debt to consolidated tangible net worth and the ratio of EBITDAR to net interest and rental charges. The Group is in compliance with all covenant requirements.

## 25. Share-based payment

### Regus Group Share Option Plan

During 2004 the Group established the Regus Group Share Option Plan which entitles Executive Directors and certain employees to share options in Regus plc (previously Regus Group plc).

The table below presents the options outstanding and their exercise price together with an analysis of the movements in the number of options during the year.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price per share** | Number of share options | Weighted average exercise price per share |
| At 1 January | **7,814,746** | **80.19** | 10,059,700 | 67.95 |
| Granted during the year | **13,867,539** | **106.00** | 4,764,607 | 96.13 |
| Lapsed during the year | **(950,379)** | **107.09** | (3,823,075) | 81.27 |
| Exercised during the year | **–** | **–** | (3,186,486) | 64.26 |
| Outstanding at 31 December | **20,731,906** | **96.22** | 7,814,746 | 80.19 |
| Exercisable at 31 December | **3,170,139** | **57.00** | 3,170,139 | 57.00 |

| Date of grant | Numbers granted | Weighted average exercise price per share | Lapsed | Exercised | At 31 Dec 2011 | Exercisable from | Expiry date |
|---|---|---|---|---|---|---|---|
| 23/07/2004 | 4,106,981 | 57.00 | – | (936,842) | 3,170,139 | 23/07/2007 | 23/07/2014 |
| 18/03/2008 | 4,331,641 | 80.50 | (4,331,641) | – | – | 18/03/2011 | 18/03/2018 |
| 18/05/2010 | 3,986,000 | 100.50 | (345,000) | – | 3,641,000 | 18/05/2015 | 23/03/2020 |
| 28/06/2010 | 617,961 | 75.00 | (54,751) | – | 563,210 | 28/06/2013 | 28/06/2020 |
| 01/09/2010 | 160,646 | 69.10 | – | – | 160,646 | 01/09/2013 | 01/09/2020 |
| 01/04/2011 (Grant 1) | 2,100,000 | 114.90 | – | – | 2,100,000 | 01/04/2014 | 01/04/2021 |
| 01/04/2011 (Grant 2) | 300,000 | 114.90 | (300,000) | – | – | 01/04/2014 | 01/04/2021 |
| 30/06/2011 | 9,867,539 | 109.50 | (370,628) | – | 9,496,911 | 30/06/2014 | 30/06/2021 |
| 31/08/2011 | 300,000 | 67.00 | – | – | 300,000 | 31/08/2014 | 31/08/2021 |
| 02/09/2011 | 1,000,000 | 74.35 | – | – | 1,000,000 | 01/09/2014 | 02/09/2021 |
| 06/10/2011 | 300,000 | 64.10 | – | – | 300,000 | 01/10/2014 | 01/10/2021 |
| Total | 27,070,768 | 92.75 | (5,402,020) | (936,842) | 20,731,906 | | |

## 25. Share-based payment continued

The Regus Group also operates the Regus Group Share Option Plan (France) which is included within the numbers for the Regus Share Option Plan disclosed above. The terms of the Regus Share Option Plan (France) are materially the same as the Regus Group Share Option Plan with the exception that they are only exercisable from the fourth anniversary of the date of grant assuming the performance conditions have been met. 404,015 options awarded under the Regus Group Share Option Plan (France) are included in the above table (2010: 447,773), 353,186 lapsed during the year (2010: 416,146) and none were exercised during the year (2010: nil).

### Performance conditions for share options

The options awarded in 2004 included certain performance criteria that needed to be met in order for the share options to vest. The share options vested based on the basic earnings per share (adjusted for non-recurring items and goodwill and intangible amortisation) that exceeded the targets linked to the Retail Price Index. The basic earnings per share for performance purposes was 1p. 100% of the options awarded in July and September 2004 vested during 2007.

The awards of options made in March 2008 failed to meet the related performance conditions and lapsed in the year ended 31 December 2010.

The options awarded in April, June and September 2010 contain the following performance conditions.

50% of the options will be eligible to vest if the Regus Total Shareholder Return ('TSR') % achieved relative to FTSE All Share Total Return index is at least at the median over the performance period. 50% of the options will be eligible to vest subject to the EPS conditions in the table below:

| Vesting Scale | EPS Target Y/E 2012 |
|---|---|
| 25% | 15p |
| 50% | 16p |
| 75% | 17p |
| 100% | 18p |

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

| | Proportion to Vest |
|---|---|
| March 2013 | 1/3 |
| March 2014 | 1/3 |
| March 2015 | 1/3 |

The options awarded in April 2011 (Grant 1) are subject to a performance target based on the pre-growth profit for the year ending 31 December 2011, such that the number of shares vesting will be determined as follows:

| Vesting Scale | Pre-growth profit |
|---|---|
| 60% | £65m |
| 80% | £77.5 m |
| 100% | £90m |

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

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

The options awarded in June 2011 are subject to both Group and regional performance targets based on pre-growth profit for the year ending 31 December 2011. When determining the number of shares to vest, both the Group and the regional performance target must be achieved, such that the number of shares vesting will be determined as follows:

| Vesting Scale | Pre-growth profit (a) |
|---|---|
| Group performance target | £65m |
| Regional performance target | |
| 50% | Good |
| 75% | Better |
| 100% | Best |

(a) The regional pre-growth profit performance target differs from region to region, with a consistent vesting scale assigned to the pre-defined good, better, best performance.

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

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

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

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

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

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

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

The share options awarded were valued using the Monte Carlo or the Black-Scholes method.

The inputs to the model are as follows:

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

## 25. Share-based payment continued

| | April 2011 (Grant 1) | September 2010 | | June 2010 | | March 2010 | |
|---|---|---|---|---|---|---|---|
| | | EPS | TSR | EPS | TSR | EPS | TSR |
| Share price on grant date | **116.30p** | 70.60p | 70.60p | 73.20p | 73.20p | 94.00p | 94.00p |
| Exercise price | **114.90p** | 69.10p | 69.10p | 75.00p | 75.00p | 100.50p | 100.50p |
| Expected volatility | **51.23% – 45.54%** | 50.28% – 45.61% | 50.28% – 45.61% | 46.18% – 54.32% | 46.99% – 56.36% | 47.02% – 64.82% | 46.74% – 55.98% |
| Number of simulations | **30,000** | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Number of companies | **–** | FTSE All Share Index | FTSE All Share Index | FTSE All Share Index | FTSE All Share Index | FTSE All Share Index | FTSE All Share Index |
| Option life | **3 – 5 years** | 3 – 5 years | 3 – 5 years | 3 – 5 years | 3 – 5 years | 3 – 5 years | 3 – 5 years |
| Expected dividend | **2.24%** | 3.40% | 3.40% | 3.28% | 3.28% | 2.55% | 2.55% |
| Fair value of option at time of grant | **42.19p – 44.80p** | 22.80p – 23.60p | 21.51p – 21.51p | 35.20p – 42.70p | 12.40p – 17.40p | 45.49p – 61.77p | 19.50p – 26.30p |
| Risk free interest rate | **2.33% – 3.04%** | 1.51% – 2.17% | 1.51% – 2.17% | 2.76% – 3.05% | 2.76% – 3.05% | 3.07% – 3.38% | 3.07% – 3.38% |

The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

### Regus plc Co-Investment Plan (CIP) and Long Term Incentive Plan (LTIP)

| | 2011 Number of awards | 2010 Number of awards |
|---|---|---|
| At 1 January | **21,114,781** | 19,724,642 |
| CIP awards granted during the year | **–** | – |
| LTIP awards granted during the year | **–** | 2,900,472 |
| Lapsed during the year | **(3,304,502)** | – |
| Exercised during the year | **(1,212,797)** | (1,510,333) |
| Outstanding at 31 December | **16,597,482** | 21,114,781 |
| Exercisable at 31 December | **654,497** | 167,852 |

1,212,797 options or conditional share awards were exercised during the year ended 31 December 2011 (2010: 1,510,333). The weighted average share price at the date of exercise for share awards and options exercised during the year ended 31 December 2011 was 77.67p (2010: 96.06p).

| Plan | Date of grant | Numbers granted | Lapsed | Exercised | At 31 Dec 2011 | Release date |
|---|---|---|---|---|---|---|
| LTIP | 03/11/2005 | 3,723,235 | (1,092,819) | (2,462,564) | 167,852 | 03/11/2008 |
| LTIP | 23/03/2010 | 2,900,472 | (515,415) | – | 2,385,057 | 23/03/2013 |
| | | 6,623,707 | (1,608,234) | (2,462,564) | 2,552,909 | |

| Plan | Date of grant | Numbers granted | Lapsed | Exercised | At 31 Dec 2011 | Release date |
|---|---|---|---|---|---|---|
| CIP: Investment shares | 18/03/2008 | 1,557,391 | (86,956) | (983,790) | 486,645 | 18/03/2011 |
| CIP: Matching shares | 18/03/2008 | 5,922,916 | (1,182,796) | – | 4,740,120 | * See below |
| CIP: Investment shares | 23/03/2009 | 2,212,734 | (172,835) | (229,007) | 1,810,892 | 23/03/2012 |
| CIP: Matching shares | 23/03/2009 | 8,614,284 | (1,607,368) | – | 7,006,916 | * See below |
| | | 18,307,325 | (3,049,955) | (1,212,797) | 14,044,573 | |

* As indicated in the Remuneration Report in the Annual Report for the year ended 31 December 2009, the Remuneration Committee felt it inappropriate to set specific performance conditions for Matching Shares under the CIP which were awarded in March 2008 and March 2009. Further details of the release dates and performance conditions set for 2010 can be found below.

The fair value of services received in return for share-based payments is measured by reference to the fair value of the equity instruments granted.

Of the awards of investment and matching shares under the LTIP on 23 March 2010, 1,028,539 were conditional share awards and 1,871,933 were nil cost options.

The LTIP/CIP awards are valued using the Monte Carlo method.

The inputs to the model are as follows:

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

(a) The LTIP awards have a release date of 23 March 2013. There is no expiry date and therefore remaining contractual life is on the basis that the awards release immediately. The LTIP nil cost options have a vesting date of 23 March 2013 and an expiry of 23 March 2020. The performance conditions are set out below.

(b) The CIP Matching Shares and Share Option Plan awards made in 2008 and 2009 did not have performance conditions set by the Remuneration Committee at the date of the award. A valuation was performed for those awards based on the terms that applied to similar awards made in previous years. The Remuneration Committee set the performance conditions for the awards made in 2008 and 2009 effective from 22 March 2010 and the valuation of these awards was updated in the year ended 31 December 2010

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

It is recognised by the Remuneration Committee that the additional EPS targets represent a highly challenging goal and consequently in determining whether they have been met the Committee will exercise its discretion. The overall aim is that the relevant EPS targets must have been met on a run rate or underlying basis. As such an adjusted measure of EPS will be calculated designed to assess the underlying performance of the business.

While the Remuneration Committee reserves the right to adjust EPS as it sees fit at the time, by way of example, the following adjustments are currently anticipated:

- In a growth company such as Regus, costs are necessarily incurred in one year to drive profits in future years. Thus it is important to ensure management is not incentivised to cut back on these investments to meet EPS targets in any one year. Accordingly those costs, incurred in the vesting year, which it considers necessary to drive future growth will be excluded from the EPS calculation. These would include, inter alia, the costs of the business development departments, excess marketing expenditures and current year losses from investing in new locations.
- Any one-off or non-recurring costs will be excluded.
- It is expected that in the period between 2006 and 2008 the cash tax rate will rise as cumulative tax losses are utilised thereby increasing progressively the challenge of achieving a 14p EPS target. This will then be further complicated by the need to recognise deferred tax assets as the business strengthens reducing the accounting rate of tax in one year and increasing it in the next. To provide greater clarity and incentive to management EPS will be calculated based upon the cash tax rate up to a maximum of 30%.
- The Remuneration Committee is of the opinion that the EPS and free cash flow performance targets are a transparent and accurate measure of the Company's performance at this time and are the key corporate metrics for driving long-term shareholder value. In addition, the TSR condition will ensure that executives are encouraged to focus on ensuring that the Company's return to shareholders is competitive compared to comparable companies.

## 25. Share-based payment continued

As indicated in the Remuneration Report in the Annual Report for the year ended 31 December 2008, the Remuneration Committee felt it inappropriate to set specific performance conditions for Matching Shares under the CIP and options awards under the Share Option Plan awarded in March 2008 and March 2009 but were committed to carrying out a thorough review of the matter during 2009.

The Remuneration Committee has agreed that the following modifications will be made to the awards made in 2008 and 2009 and that the following performance conditions will apply to these awards effective from 22 March 2010.

The total number of awards made in 2008 and 2009 to each participant will be divided into three separate equal amounts and will be subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount will not vest until March 2013, the second will not vest until March 2014 and the third will not vest until March 2015. These vesting dates relate to the financial years ending 31 December 2012, 31 December 2013 and 31 December 2014 respectively. The vesting of these awards will be subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts will be subject to defined earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each will be subject to relative total shareholder return (TSR) targets over the respective periods. The targets will be as follows:

| | EPS targets for the financial years ending | | |
|---|---|---|---|
| % of awards eligible for vesting | 2012 | 2013 | 2014 |
| 25% | 15p | 17p | 18p |
| 50% | 16p | 20p | 22p |
| 75% | 17p | 23p | 26p |
| 100% | 18p | 26p | 30p |

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

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

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

### Regus plc Value Creation Plan

| | **2011** | 2010 |
|---|---|---|
| | **Number of entitlements** | Number of entitlements |
| At 1 January | **21,000,000** | 21,000,000 |
| VCP entitlements awarded during the year | **–** | – |
| Lapsed during the year | **(8,142,858)** | – |
| Outstanding at 31 December | **12,857,142** | 21,000,000 |

| Plan | Date of award | Numbers awarded | Lapsed | Exercised | At 31 Dec 2011 | Measurement date |
|---|---|---|---|---|---|---|
| VCP Tier 1 awards | 20/05/2008 | 3,500,000 | (1,000,000) | – | 2,500,000 | – |
| VCP Tier 2 awards | 20/05/2008 | 6,000,000 | (3,857,143) | – | 2,142,857 | – |
| VCP Tier 3 awards | 20/05/2008 | 10,000,000 | (2,857,144) | – | 7,142,856 | – |
| VCP Tier 4 awards | 20/05/2008 | 3,000,000 | (1,928,571) | – | 1,071,429 | – |
| | | 22,500,000 | (9,642,858) | – | 12,857,142 | 31/03/2010 – 31/03/2013 |

The fair value of services received in return for share-based payments are measured by reference to the fair value of the equity instruments granted. No awards were exercisable at the year end (2010: nil).

The VCP awards are valued using the Monte Carlo method.

The inputs to the model are as follows:

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

The VCP awards have measurement dates of 31 March 2010, 31 March 2011, 31 March 2012 and 31 March 2013. If at the measurement dates, the share price targets have been met the eligible VCP entitlements will be converted into options over ordinary shares. The options are not subject to further performance conditions but are exercisable on the following basis:

| | In year ended 31/12/2010 | In year ended 31/12/2011 | In year ended 31/12/2012 | In year ended 31/12/2013 |
|---|---|---|---|---|
| Percentage of entitlements converted to options at the 31/03/2010 measurement date that can be exercised | 40% | 20% | 20% | 20% |
| Percentage of entitlements converted to options at the 31/03/2011 measurement date that can be exercised | – | 40% | 30% | 30% |
| Percentage of entitlements converted to options at the 31/03/2012 measurement date that can be exercised | – | – | 40% | 60% |
| Percentage of entitlements converted to options at the 31/03/2013 measurement date that can be exercised | – | – | – | 100% |

The performance conditions of the VCP entitlements are as follows:

| | | Number of shares earned less those earned at any prior measurement date | | | |
|---|---|---|---|---|---|
| | | Tier 1 awards | Tier 2 awards | Tier 3 awards | Tier 4 awards |
| First measurement date 31/03/2010 | Share price less than £2.60 | – | – | – | – |
| | Share price is £2.60 or more but less than £3.50 | 2,500,000 | 4,285,714 | 7,142,857 | 2,142,857 |
| | Share price is £3.50 or more | 3,500,000 | 6,000,000 | 10,000,000 | 3,000,000 |
| Second measurement date 31/03/2011 | Share price less than £2.60 | – | – | – | – |
| | Share price is £2.60 or more but less than £3.50 | 1,800,000 | 3,085,714 | 5,142,857 | 1,542,857 |
| | Share price is £3.50 or more but less than £4.50 | 2,500,000 | 4,285,714 | 7,142,857 | 2,142,857 |
| | Share price is £4.50 or more | 3,500,000 | 6,000,000 | 10,000,000 | 3,000,000 |
| Third measurement date 31/03/2012 | Share price less than £2.60 | – | – | – | – |
| | Share price is £2.60 or more but less than £3.50 | 1,200,000 | 2,057,143 | 3,428,571 | 1,028,571 |
| | Share price is £3.50 or more but less than £4.50 | 1,800,000 | 3,085,714 | 5,142,857 | 1,542,857 |
| | Share price is £4.50 or more | 2,500,000 | 4,285,714 | 7,142,857 | 2,142,857 |
| Fourth measurement date 31/03/2013 | Share price less than £2.60 | – | – | – | – |
| | Share price is £2.60 or more but less than £3.50 | 600,000 | 1,028,571 | 1,714,286 | 514,285 |
| | Share price is £3.50 or more but less than £4.50 | 1,200,000 | 2,057,143 | 3,428,571 | 1,028,571 |
| | Share price is £4.50 or more | 1,800,000 | 3,085,714 | 5,142,857 | 1,542,857 |

## 25. Share-based payment continued

Where the share price targets have not been met by 31 March 2013 then the VCP Entitlement will not convert, no ordinary shares will be earned and no VCP Options will be granted under the VCP.

In respect of the first, second and third Measurement Dates (31st March 2010, 31st March 2011 and 31 March 2012, respectively), the Company's share price was below the target and no VCP Entitlements vested.

## 26. Retirement Benefit Obligations

In 2011 for the first time, the Group has accounted for the Swiss pension plans as defined benefit plans under IAS 19 based upon a reasonable and consistent allocation method of the multi-employer plan assets to the Group's interest in the plans. Given that the IAS 19 valuation resulted in insignificant prior year net liabilities, the management of the Group believes that it is appropriate not to restate 2010 comparatives. The Group has recognised £0.4m of pension costs in the income statement, together with a loss of £ 0.1m in other comprehensive income.

### Reconciliation of balance sheet movements

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

| £m | **31.12.2011** | 31.12.2010 |
|---|---|---|
| Fair value of plan assets | 2.4 | 1.1 |
| Present value of obligations | (2.5) | (1.1) |
| **Net funded obligations** | **(0.1)** | – |

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

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

Changes in present value of defined benefit obligations and fair value of plan assets:

Changes in the present value of the defined benefit obligation were as follows:

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

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

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

### Income and expenses

The amounts that have been recognised in the income statement and other comprehensive income for the year ended 31 December 2011 are as follows:

| £m | 31.12.2011 |
|---|---|
| **Analysis of amounts (charged) / credited to the income statement:** | |
| Service cost component (net of plan participants' contributions) | **(0.4)** |
| Interest cost component | **–** |
| Expected return on plan assets | **–** |
| **Total (charge) / credit to operating profit** | **(0.4)** |
| | |
| **Analysis of amounts recognised in other comprehensive income:** | |
| Net actuarial gains / (losses) recognised | **(0.1)** |
| **Actuarial gain / (loss)** | **(0.1)** |

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

The actual return on plan assets was £nil (2010: £nil).

### Major assumptions

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

| | 31.12.11 | 01.01.11 |
|---|---|---|
| Discount rate | **2.25%** | 2.80% |
| Inflation rate | **1.00%** | 1.00% |
| Expected return on plan assets | **2.25%** | 2.80% |
| Future salary increase | **1.00%** | 1.00% |
| Future pension increase | **0.00%** | 0.00% |
| Average remaining years of service life | **10.9** | 10.8 |

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

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

### Analysis of scheme assets

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

| | 31.12.11 | 01.01.11 |
|---|---|---|
| Money market | **4.3%** | 4.3% |
| Fixed income | **75.3%** | 75.3% |
| Equity | **0.6%** | 0.6% |
| Real Estate | **12.4%** | 12.4% |
| Other | **7.4%** | 7.4% |
| **Total** | **100%** | **100%** |

### Sensitivities

An increase of 0.25% in the discount rate would decrease the defined benefit obligation by 3.0%. A decrease of 0.25% in the discount rate would increase the defined benefit obligation by 4.3%.

## 27. Acquisitions

During the year ended 31 December 2011 the Group made the following acquisitions:

| Name | Region | Purchase consideration £m | Percentage of equity and voting rights acquired | Date of acquisition |
|---|---|---|---|---|
| **Asset Acquisition:** | | | | |
| Espacio Servicio, S.A. DE C.V. | Americas | 2.8 | N/A | 03/08/2011 |
| Davinci International, Inc | Americas | 2.1 | N/A | 20/07/2011 |

In addition to the above, a further £1.6 million of purchase consideration was paid to complete a further 8 net asset acquisitions. There were no equity share capital business acquisitions completed during the year ended 31 December 2011.

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

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services. £1.6 million of the above goodwill is expected to be deductible for tax purposes.

There was no contingent consideration arising on the above acquisitions.

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

### Acquisition of non-controlling interests

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

During the year ended 31 December 2010 the Group made the following acquisitions:

| Name | Region | Purchase consideration £m | Percentage of equity and voting rights acquired | Date of acquisition |
|---|---|---|---|---|
| **100% Equity Share Capital acquisitions:** | | | | |
| Abbey Business Centres Limited & Abbey Offices Limited | UK | 3.0 | 100% | 03/12/2010 |
| HQ Do Brazil Administracao de bens e servicos Ltda. | Americas | 10.2 | 100% | 30/09/2010 |
| Business Facilities International S.A. | EMEA | 1.8 | 100% | 15/01/2010 |
| **Asset Acquisition:** | | | | |
| Advanced Business Technology Inc. | Americas | 3.2 | N/A | 11/01/2010 |

In addition to the above, a further £2.7 million of purchase consideration was paid to complete a further 12 business and net asset acquisitions.

| | Book value £m | Provisional fair value adjustments £m | Fair value £m | Final fair value adjustments £m | Fair value £m |
|---|---|---|---|---|---|
| **Net assets acquired** | | | | | |
| Intangible assets* | 0.1 | 2.3 | 2.4 | – | 2.4 |
| Property, plant and equipment (note 15) | 10.2 | 2.3 | 12.5 | 0.2 | 12.7 |
| Other non-current assets | 2.6 | – | 2.6 | – | 2.6 |
| Cash | 3.9 | – | 3.9 | – | 3.9 |
| Other current assets | 7.5 | (1.4) | 6.1 | (0.5) | 5.6 |
| Current liabilities | (18.9) | – | (18.9) | – | (18.9) |
| Non current liabilities | (2.9) | – | (2.9) | – | (2.9) |
| | 2.5 | 3.2 | 5.7 | (0.3) | 5.4 |
| Goodwill arising on acquisition | | | 15.2 | 0.3 | 15.5 |
| **Total consideration** | | | 20.9 | – | 20.9 |
| Deferred consideration | | | – | – | – |
| | | | 20.9 | – | 20.9 |
| Cash flow on acquisition | | | | | |
| Cash acquired | | | (3.9) | – | (3.9) |
| Overdrafts and loans acquired | | | – | – | – |
| Cash paid | | | 20.9 | – | 20.9 |
| **Net cash outflow** | | | 17.0 | – | 17.0 |

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

There was no contingent consideration arising on the above acquisitions.

If the above equity acquisitions had occurred on 1 January 2010, the revenue and net retained loss arising from these acquisitions would have been £40.7 million and £1.4 million respectively. In the year these equity acquisitions contributed revenue of £11.8 million and a net retained loss of £1.8 million.

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services. £1.2 million of the above goodwill is expected to be deductible for tax purposes.

The acquisition costs associated with these transactions were £1.0m, recorded within administration expenses within the consolidated income statement.

Additional consideration of £nil was accrued as a result of the improved financial performance of acquisitions under contractual earn-out provisions. The amendments in 2011 to provisional purchase price allocations on acquisitions completed in 2010 are reflected in the table above.

## 28. Capital commitments

| | 2011 £m | 2010 £m |
|---|---|---|
| Contracts placed for future capital expenditure not provided in the financial statements | **11.8** | 11.6 |

These commitments are principally in respect of fit out obligations on new centres opening in 2012. In addition our share of the capital commitments of joint ventures amounted to £nil at 31 December 2011 (2010: £nil).

## 29. Non-cancellable operating lease commitments

At 31 December 2011 the Group was committed to make the following payments in respect of operating leases:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Property £m** | **Motor vehicles, plant and equipment £m** | **Total £m** | Property £m | Motor vehicles, plant and equipment (restated) £m | Total £m |
| **Lease obligations falling due:** | | | | | | |
| Within one year | **410.3** | **0.3** | **410.6** | 375.1 | 0.9 | 376.0 |
| Between two and five years | **993.4** | **0.1** | **993.5** | 852.7 | 0.8 | 853.5 |
| After five years | **376.0** | **–** | **376.0** | 329.5 | – | 329.5 |
| | **1,779.7** | **0.4** | **1,780.1** | 1,557.3 | 1.7 | 1,559.0 |

Non-cancellable operating lease commitments exclude future contingent rental amounts such as the variable amounts payable under performance based leases where the rents vary in line with a centre's performance. The 2010 motor vehicles, plant and equipment operating lease commitments have been restated primarily to reflect the elimination of intercompany transactions.

## 30. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £103.7 million (2010: £102.2 million).
There are no material lawsuits pending against the Group.

## 31. Related parties

### Parent and subsidiaries entities

The financial statements include the results of the Group and the subsidiaries listed in note 32.

### 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 |
|---|---|---|---|
| **2011** | | | |
| **Joint Ventures** | **1.5** | **6.7** | **6.3** |
| 2010 | | | |
| Joint Ventures | 1.6 | 4.4 | 1.5 |

As at 31 December 2011, £nil of the amounts due to the Group have been provided for (2010: £nil).

### Key management personnel

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

### Compensation of key management personnel (including Directors):

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Short-term employee benefits | **5.3** | 3.1 |
| Share-based payments | **0.2** | 1.4 |
| | **5.5** | 4.5 |

Share-based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £1.9 million (2010: £2.7 million). These awards are subject to performance conditions and vest three years from the award date.

### Transactions with related parties

During the year ended 31 December 2011 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £7,807 (2010: £30,738). The goods and services were acquired in arm's-length transactions. There was a nil balance outstanding at the year end (2010: nil).

## 32. Principal group companies

The Group's principal subsidiary undertakings at 31 December 2011, their principal activities and countries of incorporation are set out below:

| Name of undertaking | Country of incorporation | % of ordinary share and votes held |
|---|---|---|
| **Principal activity – Trading companies** | | |
| Regus do Brasil Ltda | Brazil | 100 |
| HQ Do Brazil Administracao de bens e servicos | Brazil | 100 |
| ABC Business Centres Ltd | England | 100 |
| Regus Paris SAS | France | 100 |
| Regus GmbH & Co. KG | Germany | 100 |
| Regus Business Centres Italia Srl | Italy | 100 |
| Regus Japan KK | Japan | 100 |
| Regus Management de Mexico, SA de CV | Mexico | 100 |
| Regus Amsterdam BV | Netherlands | 100 |
| Regus Business Centre SA | Switzerland | 100 |
| HQ Global Workplaces, LLC | United States | 100 |
| Regus Business Center LLC | United States | 100 |
| Regus Equity Business Centers LLC | United States | 100 |
| **Principal activity – Management companies** | | |
| Regus Australia Management Pty Limited | Australia | 100 |
| Regus Belgium SA | Belgium | 100 |
| Regus Colombia Limitada | Colombia | 100 |
| Regus Poslovni Centar d.o.o | Croatia | 100 |
| Regus Management s.r.o | Czech Republic | 100 |
| Regus Management Aps | Denmark | 100 |
| Regus Group Services Ltd | England | 100 |
| Business Centres Management Estonia OU | Estonia | 100 |
| Regus Asia Pacific Management Limited | Hong Kong | 100 |
| Regus Management Latvia | Latvia | 100 |
| UAB Regus Management Lithuania | Lithuania | 100 |
| Regus Management Malaysia Sdn Bhd | Malaysia | 100 |
| Regus Malta Management Ltd | Malta | 100 |
| Regus Amsterdam BV | Netherlands | 100 |
| Regus Management Singapore Pte Ltd | Singapore | 100 |
| Regus Management Group (Pty) Ltd | South Africa | 100 |
| Regus Management Espana SL | Spain | 100 |
| Regus Global Management Centre SA | Switzerland | 100 |
| Regus Yonetim ve Danismanlik Ltd Sirketi | Turkey | 100 |
| Regus Vietnam Assets Management | Vietnam | 100 |

| Name of undertaking | Country of incorporation | % of ordinary share and votes held |
|---|---|---|
| **Principal activity – Holding companies** | | |
| Regus H Holdings Inc | British Virgin Islands | 100 |
| RGN General Partner Holdings Corp | Canada | 100 |
| RGN Limited Partner Holdings Corp | Canada | 100 |
| Insignia Partnership | Canada | 100 |
| RGN Services Limited | Canada | 100 |
| Regus Management de Chile Ltda | Chile | 100 |
| Regus Denmark Holding AS | Denmark | 100 |
| Regus Group Limited | England | 100 |
| Regus Investments Limited | England | 100 |
| Regus Business Centres (Holding) | England | 100 |
| Regus Business Centres (Trading) Limited | England | 100 |
| Regus H Holdings | England | 100 |
| Regus H (UK) | England | 100 |
| Regus Holdings UK Limited | England | 100 |
| Regus Holdings SAS | France | 100 |
| Regus Deutschland GmbH | Germany | 100 |
| Regus Germany Holding GmbH & Co. KG | Germany | 100 |
| Regus Management GmbH | Germany | 100 |
| Regus No.2 S.àr.l. | Luxembourg | 100 |
| Regus Businessworld (Luxembourg) S.àr.l. | Luxembourg | 100 |
| Regus Middle East S.àr.l. | Luxembourg | 100 |
| Regus India Holdings Limited | Mauritius | 100 |
| Regus Pakistan Holdings Limited | Mauritius | 100 |
| Regus Mexico S. de RL de CV | Mexico | 100 |
| Regus Netherlands BV | Netherlands | 100 |
| Regus Business Centres BV | Netherlands | 100 |
| Regus Business Centre Norge AS | Norway | 100 |
| Regus Holding GmbH | Switzerland | 100 |
| Regus Corporation LLC | United States | 100 |
| Regus Holdings LLC | United States | 100 |
| Regus H Holdings LLC | United States | 100 |
| Regus International Services SA | Uruguay | 100 |

## 33. Key judgemental areas adopted in preparing these accounts

The preparation of financial statements in accordance with IFRS requires management to make certain judgements and assumptions that affect reported amounts and related disclosures.

### Fair value accounting for business combinations

For each business combination, we assess the fair values of assets and liabilities acquired. Where there is not an active market in the category of the non-current assets typically acquired with a business centre or where the books and records of the acquired company do not provide sufficient information to derive an accurate valuation, management calculate an estimated fair value based on available information and experience.

The main categories of acquired non-current assets where management's judgement has an impact on the amounts recorded include tangible fixed assets, customer list intangibles and the fair market value of leasehold assets and liabilities. For significant business combinations management also obtain third party valuations to provide additional guidance over the appropriate valuation to be included in the financial statements.

### Valuation of intangibles and goodwill

We evaluate the fair value of goodwill and intangibles to assess potential impairments on an annual basis, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We evaluate the carrying value of goodwill at the appropriate cash-generating unit level and make that determination based upon future cash flow projections, which assume certain growth projections which may or may not occur. We record an impairment loss for goodwill when the carrying value of the intangible asset is less than its estimated recoverable amount. Further details of the methodology and assumptions applied to the impairment review in the year ended 31 December 2011, including the sensitivity to changes in those assumptions, can be found in note 13.

### Tax assets and liabilities

We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. Changes in existing laws and rates, and their related interpretations, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates. It is current Group policy to recognise a deferred tax asset when it is probable that future taxable profits will be available against which the assets can be used. The Group considers it probable if the entity has made a taxable profit in the previous year and is forecast to continue to make a profit in the foreseeable future. Where appropriate the Group assesses the potential risk of future tax liabilities arising from the operation of its business in multiple tax jurisdictions and includes provisions within tax liabilities for those risks that can be estimated reliably. Changes in existing tax laws can affect large international groups similar to Regus and could result in significant additional tax liabilities over and above those already provided for.

### Onerous lease provisions

We have identified certain poor performing centres where the lease is considered onerous, i.e. the Group does not expect to recover the unavoidable lease costs up to the first break point. The accounts include a provision for our estimate of the net amounts payable under the terms of the lease to the first break point, discounted at the Group weighted average cost of capital, where appropriate.

### Dilapidations

Certain of our leases with landlords include a clause obliging the Group to hand the property back in the condition as at the date of signing the lease. The costs to bring the property back to that condition are not known until the Group exits the property so the Group estimates the costs at each balance sheet date. However, given that landlords often regard the nature of changes made to properties as improvements, the Group estimates that it is unlikely that any material dilapidation payments will be necessary. Consequently provision has been made only for those potential dilapidation payments when it is probable that an outflow will occur and can be reliably estimated.

# Parent company accounts

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

| | As at 31 Dec 2011 (Luxembourg GAAP) £m | As at 31 Dec 2010 (Luxembourg GAAP) £m |
|---|---|---|
| **Assets** | | |
| **C. Fixed assets** | | |
| **III. Financial assets** | | |
| 1. Shares in affiliated undertakings | **778.2** | 224.5 |
| 2. Loans to affiliated undertakings | **0.3** | 578.6 |
| 4. Loans to undertakings with which the company is linked by virtue of participating interests | **0.3** | 0.3 |
| **D. Current assets** | | |
| **II. Debtors** | | |
| 2. Amount owed by affiliated undertakings | **14.9** | 20.8 |
| a) becoming due and payable within one year | | |
| **III. Transferable securities** | | |
| 2. Own shares | **7.1** | 7.1 |
| (9,070,906 shares of £0.01 per share (2010: 9,070,906 shares) | | |
| **IV. Cash at bank and in hand** | **0.1** | 0.6 |
| **E. Prepayments and accrued income** | **0.2** | 0.7 |
| **Total assets** | **801.1** | 832.6 |
| **Liabilities** | | |
| **A. Capital and reserves** | | |
| **I. Subscribed capital** | **9.5** | 9.5 |
| **II. Share premium and similar premiums** | **53.7** | 53.7 |
| **IV. Reserves** | | |
| 1. Legal reserve | **0.9** | 0.9 |
| 2. Reserve for own shares | **7.1** | 7.1 |
| 4. Other reserves | **512.9** | 512.9 |
| **V. Results brought forward** | **221.0** | 259.7 |
| **VI. Results for the financial year** | **(6.8)** | (19.1) |
| **VII. Interim dividends** | **(8.5)** | (3.1) |
| | **789.8** | 821.6 |
| **C. Provisions** | | |
| 3. Other provisions | **0.3** | 0.3 |
| **D. Non-subordinated debts** | | |
| 4. Trade creditors | **0.3** | – |
| a) becoming due and payable within one year | | |
| 6. Amounts owed to affiliated undertakings | | |
| a) becoming due and payable within one year | **10.7** | 10.7 |
| | **11.0** | 10.7 |
| **Total liabilities** | **801.1** | 832.6 |

Approved by the Board on 20 March 2012

**Mark Dixon**
Chief Executive Officer

**Dominique Yates**
Chief Financial Officer

## Accounting policies

### Basis of preparation

The annual accounts have been prepared in accordance with applicable Luxembourg accounting standards and under the historical cost accounting rules which differ in material respects from IFRS in both the measurement and presentation of certain transactions.

The Company is included in the consolidated accounts of Regus plc.

The balance sheet has been extracted from the full accounts of Regus plc for the period ended 31 December 2011 which are available from the Company's registered office, Boulevard Royal, Luxembourg and which will be filed with both the Luxembourg Chamber of Commerce and the Jersey Register of Companies.

### Financial assets

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

# Segmental analysis

## Segmental analysis – management basis (unaudited)

| | Americas 2011 | EMEA 2011 | Asia Pacific 2011 | United Kingdom 2011 | Other 2011 | Total 2011 |
|---|---|---|---|---|---|---|
| **Mature** | | | | | | |
| Workstations | **69,383** | **33,433** | **21,510** | **33,076** | **–** | **157,402** |
| Occupancy (%) | **87.9** | **84.0** | **85.8** | **84.5** | **–** | **86.1** |
| Revenue (£m) | **431.8** | **274.3** | **139.7** | **187.6** | **1.7** | **1,035.1** |
| Contribution (£m) | **126.6** | **73.5** | **41.7** | **29.7** | **1.4** | **272.9** |
| **2010 Expansions** | | | | | | |
| Workstations | **6,771** | **2,654** | **3,628** | **4,521** | **–** | **17,574** |
| Occupancy (%) | **85.7** | **76.5** | **78.1** | **80.6** | **–** | **81.4** |
| Revenue (£m) | **36.9** | **18.6** | **21.3** | **23.1** | **–** | **99.9** |
| Contribution (£m) | **7.4** | **0.9** | **4.3** | **2.3** | **–** | **14.9** |
| **2011 Expansions** | | | | | | |
| Workstations | **2,856** | **1,606** | **2,187** | **349** | **–** | **6,998** |
| Occupancy (%) | **59.0** | **44.4** | **47.5** | **73.7** | **–** | **52.8** |
| Revenue (£m) | **7.7** | **5.5** | **5.9** | **1.2** | **–** | **20.3** |
| Contribution (£m) | **(5.0)** | **(5.2)** | **(2.7)** | **(0.4)** | **–** | **(13.3)** |
| **Closures** | | | | | | |
| Workstations | **1,054** | **780** | **432** | **400** | **–** | **2,666** |
| Occupancy (%) | **72.3** | **73.8** | **72.7** | **63.5** | **–** | **71.5** |
| Revenue (£m) | **1.1** | **3.3** | **2.2** | **0.7** | **–** | **7.3** |
| Contribution (£m) | **(0.5)** | **(0.9)** | **(0.1)** | **0.2** | **–** | **(1.3)** |
| **Total** | | | | | | |
| **Workstations** | **80,064** | **38,473** | **27,757** | **38,346** | **–** | **184,640** |
| **Occupancy (%)** | **86.5** | **81.6** | **81.6** | **83.7** | **–** | **84.2** |
| **Revenue (£m)** | **477.5** | **301.7** | **169.1** | **212.6** | **1.7** | **1,162.6** |
| **Contribution (£m)** | **128.5** | **68.3** | **43.2** | **31.8** | **1.4** | **273.2** |
| **Unallocated contribution (£m)** | **–** | **–** | **–** | **–** | **–** | **2.0** |
| **REVPAW (£)** | **5,963** | **7,842** | **6,092** | **5,544** | **–** | **6,296** |

These figures exclude non-consolidated workstations, which totalled 10,132 as at 31 December 2011.

| | Americas 2010 | EMEA 2010 | Asia Pacific 2010 | United Kingdom 2010 | Other 2010 | Total 2010 |
|---|---|---|---|---|---|---|
| **Mature** | | | | | | |
| Workstations | 69,988 | 33,548 | 21,063 | 33,356 | – | 157,955 |
| Occupancy (%) | 79.6 | 76.9 | 78.7 | 75.0 | – | 78.0 |
| Revenue (£m) | 422.3 | 266.3 | 132.5 | 174.8 | 1.7 | 997.6 |
| Contribution (£m) | 100.5 | 66.1 | 40.2 | 14.5 | 1.4 | 222.7 |
| **2010 Expansions** | | | | | | |
| Workstations | 2,013 | 1,460 | 1,720 | 666 | – | 5,859 |
| Occupancy (%) | 61.9 | 61.5 | 43.0 | 51.6 | – | 55.1 |
| Revenue (£m) | 8.7 | 7.4 | 4.6 | 2.2 | – | 22.9 |
| Contribution (£m) | (0.8) | (2.0) | (3.7) | (0.6) | – | (7.1) |
| **2010 Closures** | | | | | | |
| Workstations | 683 | 85 | 93 | 336 | – | 1,197 |
| Occupancy (%) | 75.3 | 70.2 | 50.5 | 57.0 | – | 67.9 |
| Revenue (£m) | 2.9 | 0.5 | 0.3 | 1.2 | – | 4.9 |
| Contribution (£m) | (0.7) | 1.2 | (0.5) | 0.1 | – | 0.1 |
| **2011 Closures** | | | | | | |
| Workstations | 1,581 | 1,027 | 561 | 493 | – | 3,662 |
| Occupancy (%) | 72.3 | 76.1 | 73.4 | 66.2 | – | 71.1 |
| Revenue (£m) | 3.0 | 7.0 | 4.3 | 0.7 | – | 15.0 |
| Contribution (£m) | 0.1 | 0.5 | 0.4 | (0.8) | – | 0.2 |
| **Total** | | | | | | |
| **Workstations** | 74,265 | 36,120 | 23,437 | 34,851 | – | 168,673 |
| **Occupancy (%)** | 79.0 | 76.1 | 75.8 | 74.3 | – | 76.9 |
| **Revenue (£m)** | 436.9 | 281.2 | 141.7 | 178.9 | 1.7 | 1,040.4 |
| **Contribution (£m)** | 99.1 | 65.8 | 36.4 | 13.2 | 1.4 | 215.9 |
| **Unallocated contribution (£m)** | – | – | – | – | – | – |
| **REVPAW (£)** | 5,883 | 7,785 | 6,046 | 5,133 | – | 6,168 |

- The mature business is defined as those centres owned and operated prior to 1 January 2010 and that therefore have a full 12 month comparative in 2011.
- Expansions include new centres opened and acquired businesses.
- A 2011 closure is defined as a centre closed during the 12 months ended 31 December 2011 for which there is a 12 month comparative in 2010. A 2010 closure is defined as a centre closed during the 12 months ended 31 December 2010.
- Workstation numbers are calculated as the weighted average for the year.
- EMEA represents Europe (excluding UK), Middle East and Africa.
- Contribution in 2011 is £2.2 million (2010: £2.0 million) less when compared to note 3 owing to the exclusion of internal revenue.

# Five year summary

## Five year Summary

| | Full year ended 31 Dec 2011 £m | Full year ended 31 Dec 2010 £m | Full year ended 31 Dec 2009 £m | Full year ended 31 Dec 2008 £m | Full year ended 31 Dec 2007 £m |
|---|---|---|---|---|---|
| **Revenue** | **1,162.6** | 1,040.4 | 1,055.1 | 1,077.2 | 862.4 |
| Cost of sales before non-recurring costs | **(887.4)** | (824.5) | (819.5) | (771.5) | (610.5) |
| Non-recurring cost of sales | **–** | (11.9) | – | – | – |
| Cost of sales | **(887.4)** | (836.4) | (819.5) | (771.5) | (610.5) |
| **Gross profit (centre contribution) (before exceptional)** | **275.2** | 215.9 | 235.6 | 305.7 | 251.9 |
| Administration expenses before non-recurring expenses | **(224.7)** | (193.3) | (166.1) | (161.7) | (130.2) |
| Non-recurring administration expenses | **–** | (3.9) | (2.6) | – | – |
| Administration expenses | **(224.7)** | (197.2) | (168.7) | (161.7) | (130.2) |
| **Operating profit (before exceptional)** | **50.5** | 22.6 | 66.9 | 144.0 | 121.7 |
| Exceptional income from legal settlement | **–** | – | 18.3 | – | – |
| Operating profit (after exceptional) | **50.5** | 6.7 | 85.2 | 144.0 | 121.7 |
| Share of post-tax profit/(loss) of joint ventures | **0.1** | 1.3 | 2.0 | 2.3 | 0.8 |
| Share of post-tax profit of associate | **–** | – | – | – | – |
| **Profit/(loss) before financing costs** | **50.6** | 8.1 | 87.2 | 146.3 | 122.5 |
| Finance expense | **(3.4)** | (2.0) | (4.4) | (6.8) | (8.1) |
| Finance income | **1.3** | 1.8 | 3.3 | 6.3 | 4.1 |
| Other finance costs | **(3.0)** | (0.1) | 0.8 | 3.4 | 0.9 |
| **Profit/(loss) before tax for the year** | **45.5** | 7.8 | 86.9 | 149.2 | 119.4 |
| Tax (charge)/credit | **(8.9)** | (5.9) | (19.2) | (34.3) | (15.8) |
| **Profit/(loss) after tax for the year** | **36.6** | 1.9 | 67.7 | 114.9 | 103.6 |
| | | | | | |
| Attributable to: | | | | | |
| Equity shareholders of the parent | **37.9** | 1.5 | 67.0 | 113.9 | 103.1 |
| Minority interests | **(1.3)** | 0.4 | 0.7 | 1.0 | 0.5 |
| | **36.6** | 1.9 | 67.7 | 114.9 | 103.6 |
| **Earnings/(loss) per ordinary share (EPS):** | | | | | |
| Basic (p) | **4.0p** | 0.2p | 7.1p | 12.0p | 10.5p |
| Diluted (p) | **4.0p** | 0.2p | 7.0p | 11.8p | 10.4p |
| Weighted average number of shares outstanding ('000's) | **941,899** | 947,463 | 948,204 | 950,320 | 980,962 |
| **Balance sheet data (as at 31 December)** | | | | | |
| Intangible assets | **331.3** | 330.8 | 307.4 | 330.3 | 269.9 |
| Property, plant and equipment | **320.9** | 270.8 | 240.9 | 278.0 | 184.7 |
| Deferred tax assets | **32.8** | 37.1 | 65.1 | 79.0 | 46.8 |
| Trade and other receivables | **319.2** | 299.9 | 250.3 | 282.4 | 217.2 |
| Cash, cash equivalents and liquid investments | **197.5** | 204.6 | 245.1 | 219.5 | 142.9 |
| **Total assets** | **1,201.7** | 1,143.2 | 1,108.8 | 1,189.2 | 861.5 |
| Current liabilities | **578.4** | 541.8 | 504.5 | 592.3 | 448.2 |
| Non-current liabilities | **126.4** | 105.8 | 96.6 | 108.1 | 96.1 |
| Provisions | **8.2** | 9.8 | 8.2 | 8.5 | 7.4 |
| Equity minority interests | **–** | 0.1 | – | 0.3 | 0.5 |
| Equity shareholders funds' | **488.7** | 485.7 | 499.5 | 480.0 | 309.3 |
| Total liabilities and shareholders' funds | **1,201.7** | 1,143.2 | 1,108.8 | 1,189.2 | 861.5 |

# Shareholder information



## Corporate directory

### Secretary and Registered Office

Tim Regan, Company Secretary
Regus plc (Société Anonyme)

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

### Registered Number

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

### Registrars

Equiniti (Jersey) Limited
PO Box 63
11 – 12 Esplanade
St Helier
Jersey
JE4 8PH

### Auditor

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

### Legal advisers to the Company as to English law

Slaughter and May
One Bunhill Row
London EC1Y 8YY

### Legal advisers to the Company as to Luxembourg law

Noble & Scheidecker
Avocats à la Cour
398, route d'Esch
L-1471 Luxembourg

### Corporate Stockbrokers

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Goldman Sachs
Peterborough Court
133 Fleet Street
London EC4A 2BB

### Reservations

| UK telephone: | 0870 880 8484 |
|---|---|
| US telephone: | 1.877.REGUS.87 or<br>001 954 331 1647 |

### Websites

www.regus.com
www.hq.com

## Glossary

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

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

### EBITDA
Earnings before interest, tax, depreciation and amortisation

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

### Enquiries
Client enquiries about Regus products or services

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

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

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

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

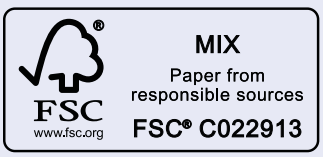
### Occupancy
Occupied workstations divided by available workstations expressed as a percentage

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

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

### REVPOW
Total revenue per occupied workstation

### WIPOW
Workstation income per occupied workstation




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

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